

## Independents Stand Tall

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By: [Ed Clark](#), Top Producer Business and Issues Editor

### Seed company executives optimistic for future growth

In an increasingly competitive landscape, independent seed companies have managed to increase their share of farmers' business. This is in the face of intense and growing competition by multinational firms, who are spending billions on sophisticated trait and hybrid development, and who have posted sharp market share increases.

AgReliant Genetics is an independent seed company that defines fast-track growth. In 2000, the company was No. 8 in the seed corn lineup with 3% market share. "This year, we are the No. 3 seed corn company in North America with 6.5% market share," says Craig Newman, president and CEO. "Our goal is 10% within the next five years."

Newman views AgReliant as a highly unique independent seed company. "I don't consider our brands either national or regional," he says. Through its six brands, AgReliant sells corn in 15 states and Canada.

The company's comparative advantage in the marketplace is a continuation of excellent products and customer service that growers value, Newman says. He is optimistic for the future because seed corn production acres have tripled in the past four years. The company has 30 seed growing areas spread over seven states, two countries and extensive winter production in South America.

### Wave of good fortune

Regional companies are boosting market share, too. "We're on a growth path. We've been increasing sales 10% to 20% per year," says Scott Beck, vice president of Beck's Hybrids.

The company's market share is 10% in the five primary states it serves: Indiana, Illinois, southern Michigan and the western two-thirds of Ohio and Kentucky. Beck's Hybrids is also expanding into Tennessee.

The company's chief comparative advantage is that its seed advisers work closely with farmers on a total agronomic program, Beck says.

In addition, Beck's Hybrids is not limited to one company's genetics. Rather, it can access germplasm, traits and seed treatments from major global players, then develop and heavily test products that perform best in its marketing area. Independents are riding a wave of growth, says Greg Ruehle, CEO of the Independent Professional Seed Association. "For corn and soybeans, the market share for independents has ranged between the upper 20% to 30% in the last five years," he says.

With increases the past two years, Ruehle believes independents will be able to grow market share even more. Still, that's lower than the one-third of seed corn sales that independents had in the early 2000s. Dean Cavey, managing partner of Verdant Partners, agrees that the next five years looks good for independents. Longer term, he's not so sure.

While many farmers, being independent themselves, like to do business with regional independents, there might come a time when new traits and developments by multinationals lure farmers away from regional companies. "Science could become a larger issue than customer service," he says.

Furthermore, it's possible—though not his prediction—that one or more multinationals could one day decide to stop licensing traits to independents for business reasons, Cavey says.

That would be a real blow to regional independents, he says. He excludes AgReliant because it has access to its own germplasm and traits. Its parent owners, KWS and Limagrain, are two of the world's largest independent seed companies.

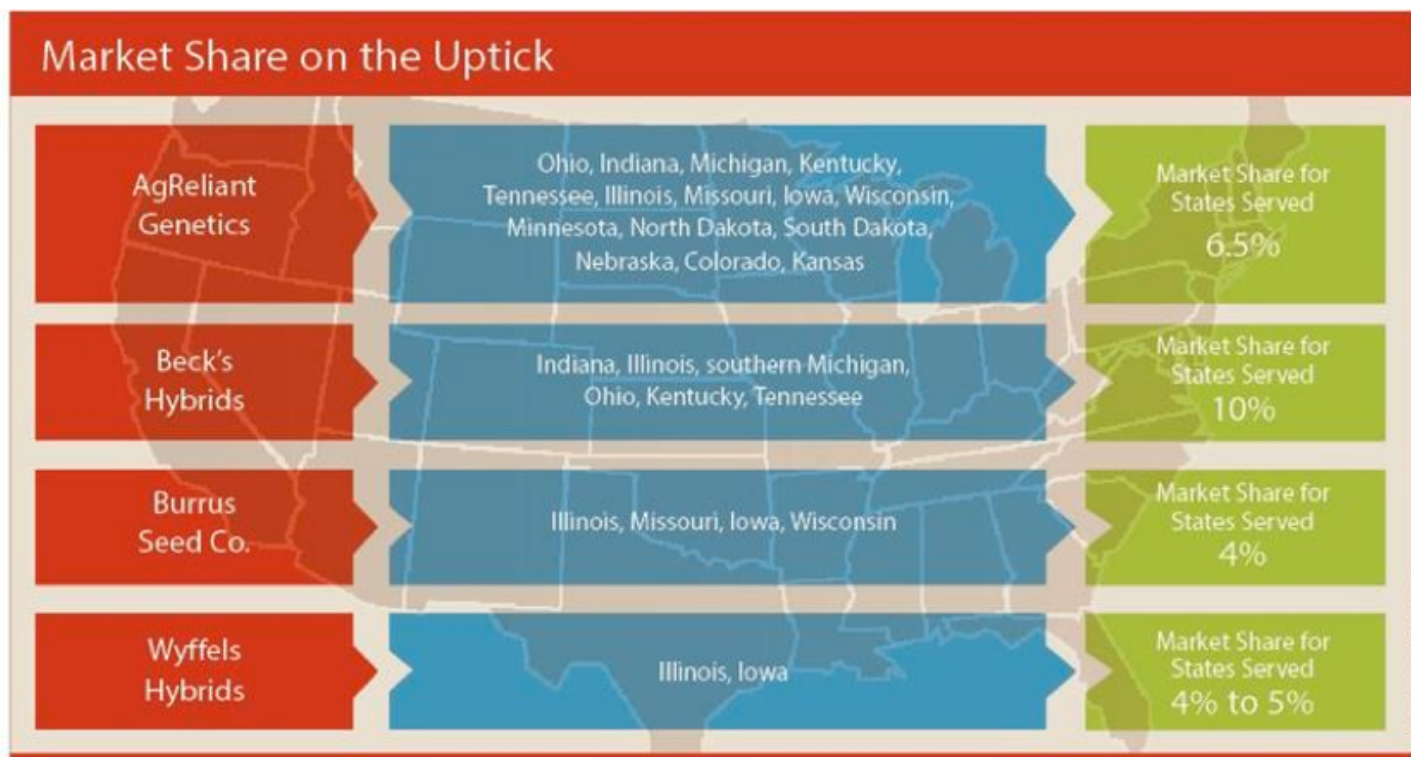
One additional market niche for independents is that they can specialize in non-GM (genetically modified) seeds that make up 8% to 10% of the corn seed market, notes Andy LaVigne, CEO for the American Seed Trade Association.

One company doing that is Burrus Seed Co., whose trade area is Illinois, Missouri and parts of Iowa and Wisconsin. Non-GM seed makes up 20% of Burrus corn seed sales. For some farmers near the Illinois and Mississippi rivers, premiums are paid for non-GM grain. The company's market share is growing not only for corn, which is 4% in its trade area, but soybean seed, too, since adding them in 2009, says Tom Burrus, CEO.

Wyffels Hybrids' market share is 4% to 5% in its home state of Illinois, but the company has embarked on a major expansion in Iowa, and it's paid off. "We've shown 25% to 30% growth in Iowa in five years," says Bill Wyffels, president and CEO. For both Iowa and Illinois, he predicts that sales will increase at a 10% clip annually. "Our culture and personal attention. Those help separate us."

Keeping one eye on product development and another eye on market share will keep independent seed companies moving forward.

You can e-mail Ed Clark at [eclark@farmjournal.com](mailto:eclark@farmjournal.com).



Independent seed companies have enjoyed two years of growth in market share for corn and soybean sales across farm country, says Greg Ruhle, CEO of the Independent Professional Seed Association.