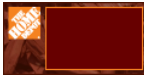


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With agriculture buoying major chemical companies, competition gets fierce

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ERNEST SCHEYDER | AP Energy Writer
3:24 PM CDT, July 22, 2009

NEW YORK — The only green shoots the chemical industry has seen lately are coming from the one-time diminutive agricultural side of the business, a shift that has spurred both new partnerships and legal battles to stake out new territory and protect profits.

Chemical makers have been hard hit by the global economic downturn because the products they make go into clothes, toys, cars, and thousands of other products that consumers are not buying.

But food is one area where consumers can't cut back that much, a saving grace for an industry that relies increasingly on the sale of high-tech seeds, fertilizer and herbicides.

Operating income at [Dow Chemical's](#) agricultural unit jumped 63 percent from 2007 to 2008 when it reached \$761 million. At BASF and DuPont, the jump was 37 percent to 705 million euros and 24 percent to \$1.11 billion, respectively.

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In 2006, DuPont's ag unit was its fourth-biggest business by operating income; in 2008 it was bigger than any other. Dow's ag unit was its third-biggest unit in 2008, up from fifth place in 2007, from when data is most recently available.

Wilmington, Del.-based DuPont wouldn't have made a profit in the second quarter without help from its agricultural business.

Dow, which also needed its agricultural unit to turn a profit in the first quarter, reports its second-quarter results next week along with BASF.

"These agricultural businesses are growing faster than anything else chemical companies do, and they're profitable," said Dahlman Rose & Co. analyst Charlie Neivert, who studies the sector extensively. "They have to continue to protect their turf,

or someone's just going to walk all over them."

Anthony Michaels, an attorney specializing in environmental litigation, says companies have become even more aggressive as patents for popular products like Monsanto's Roundup expire.

In a recently filed lawsuit, St. Louis-based Monsanto claims DuPont broke a licensing agreement when it combined its genetically modified soybeans with one of Monsanto's herbicides.

And Germany-based BASF and DuPont have asked a court to invalidate the other's patents for profitable lines of herbicides.

With so much money at stake, the lawsuits have not slowed collaborations between chemical companies that are racing to develop new technology and extend profits.

BASF recently announced it created a seed that requires less water to grow than its peers, with help from Monsanto.

Midland, Mich.-based Dow, in its own joint venture with Monsanto, said earlier this week it's found a way to put several "traits" — like drought- and herbicide-resistance — into a single corn or soybean seed.

Once those products hit the market, expect them to be gobbled up by farmers from St. Agatha, [Maine](#), to [Salinas](#), Calif.

For the chemical industry, volatility is a constant, but in agriculture they may have found firmer footing.

"If you're going to farm a piece of land, you ought to farm it for all its worth," said Tim Hassinger, commercial vice president at Dow AgroSciences. "We think we have something to offer the future of agriculture."

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(This version CORRECTS size of DuPont's agricultural unit.)

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