

## Biopesticide Firm Sees a Green Future

### AgraQuest Capitalizes on Disease-Control and Higher Yield Trends

**B**iopesticide firm AgraQuest (Davis, CA) was founded in 1995 on the principle that the natural world is fertile ground for discovering active ingredients. The company discovers and processes naturally occurring microorganisms that fight plant disease and pests, enabling farmers to either replace or reduce the use of synthetic chemical pesticides. "Just being environmentally friendly isn't good enough. We have to deliver the benefit of higher disease control and higher yield," says Marcus Meadows-Smith, AgraQuest CEO.

AgraQuest is moving beyond the niche organic farming marketplace to mainstream ag markets, armed with a robust pipeline of biopesticides and a licensing and distribution agreement with BASF for its key biofungicide product Serenade.

AgraQuest says it is taking advantage of the emerging biological and reduced chemical market, which it expects will grow from \$1 billion this year, to \$5 billion-\$10 billion worldwide by 2017.

AgraQuest is owned by private equity firm TPG (Fort Worth, TX) and several other investors. The company raised \$20 million in its last round of financing in 2007, Meadows-Smith says. AgraQuest employs 211 and has a manufacturing unit at Tlaxcala, Mexico and an R&D facility at Davis. The company has two divisions: agrochemical and bioinnovations. The agrochemical division sells and markets its products for the ag market, and bioinnovations licenses products and technology. AgraQuest's R&D capabilities include genome sequencing, but its products are not genetically modified.

AgraQuest has 13 products in its pipeline, several of which are in the pre-launch stage, Meadows-Smith says. The company launched Requiem insecticide earlier this year, a plant extract that targets sucking pests and is exempt from residue tolerances. Requiem already has gained a significant share of the sucking-pests market for tomatoes, peppers, and cucurbits in Florida, the company says.

AgraQuest does not disclose current sales and earnings amounts but says sales are in the "tens of millions" of dollars. The company is targeting revenues of \$200 million by 2013 and is planning to launch an initial public offering (IPO) in late 2010 or early 2011, which will accelerate commercialization of its products, Meadows-Smith says.

AgraQuest expects its sales to rise 50% this year, slower than the 70% increase it had in 2008. High sales expectations are driven by a consumer and regulatory demand for foods with lower pesticide residue, AgraQuest says.

AgraQuest recently inked a deal with BASF for the license, supply, and distribution of AgraQuest's Serenade fungicide in Africa, Asia, Europe, Latin America, and the Mideast. The deal will allow BASF to distribute existing Serenade products. Serenade was shown to have benefits when applied in combination with BASF's synthetic fungicides, which already have a strong share of the fungicide market, Meadows-Smith says. BASF will distribute liquid and wettable powder formulations of Serenade, incorporating the products into its spray programs.

BASF plans to initially launch Serenade



**MEADOWS-SMITH:** IPO will accelerate product commercialization.

changing, he says. Other recent deals in the bio-based crop protection market include Bayer CropScience's acquisition of certain assets and technologies of bio-nematicide firm AgroGreen, a Minrav (Ashdod, Israel) unit, and Syngenta's acquisition of bio-based antitoxin producer Circle One Global (Cuthbert, GA). AgraQuest will maintain sales and marketing for its products in North America and link to major agchem firms for global markets, he adds.

AgraQuest predicts that major agchem firms such as Bayer, DuPont, Monsanto and Syngenta will invest heavily in the emerging low-chemical ag market. "Partnerships and deals such as the distribu-

tion agreement with BASF validate our strategy," Meadows-Smith says. "They provide momentum for our growth and lend credibility to our company being a leader in the low-chem market," he says.

AgraQuest also seeks a partner to get Requiem into the Asian marketplace, the largest insecticide market worldwide, Meadows-Smith says. The company expects to announce other agreements in coming months in agriculture, home and garden, ornamentals, and animal nutrition industries.

—REBECCA COONS

#### COMPANY SNAPSHOT

AGRAQUEST (DAVIS, CA)	
<b>Key Products:</b>	Fungicides and insecticides based on microorganisms
<b>Strengths:</b>	New products in the pipeline. Alliance with BASF expands distribution network.
<b>Weaknesses:</b>	No distribution partner in Asia.
<b>Outlook:</b>	IPO next year to provide capital for further development of technology.

in Brazil, the world's largest fungicide market, and obtain registrations in Austria, Belgium, Germany, and the Netherlands. BASF also seeks to expand global sales of the product for use on bananas, and is working on registering the product in more countries, AgraQuest says. For AgraQuest, the deal expands its distribution network, which is limited to the Nafta region.

"Major agchem firms have historically shied away from biopesticides," Meadows-Smith says. However, this trend may be