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CEO INTERVIEW AGRAQUEST

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AgraQuest finds a profitable market for biopesticides in a depressed chemical sector

DORIS DE GUZMAN/NEW YORK

CHEMICAL-FREE pesticides are usually the marketing angle for biopesticide companies, which target mostly the organic agriculture market, but US-based AgraQuest is seeking more opportunities by going into the high-yield, low-chemical agriculture inputs space.

In low-chem pesticide solutions, biopesticides are used either as a stand-alone or combined with synthetic pesticides to reduce the rate of the synthetic to its lowest label rate without reducing their efficacy or yield.

These types of pesticides not only have high effective rates comparable or even better than traditional synthetic products, but have cleaner footprints that meet growing consumer and regulatory pressures, says AgraQuest CEO Marcus Meadows-Smith.

"Big agrochemical companies are investing heavily in this area, which is estimated to grow to \$5bn-\$10bn (€3.56bn-€7.12bn) worldwide by 2017 from \$1bn in 2009," says Meadows-Smith. "Like genetically modified seed, we are projecting that the low-chem pesticide sector is going to be the next growth sector in ag inputs in order to help produce food necessary to feed the significant global population boom," he adds.

AgraQuest expects to sell more than \$200m-worth of biopesticides by 2013 by partnering with agricultural chemical

(agrochem) firms. AgraQuest's announced partnership with German agrochem firm BASF last April will be the stepping-stone for its sales expansion strategy, says Meadows-Smith. BASF will license, supply and distribute AgraQuest's *Serenade* biofungicide product in Europe, Africa, the Middle East, Asia and Latin America.

"There are many biopesticide companies who would not deal with agrochemical companies, but we are comfortable selling our products in spray programs and tank mixes," notes Meadows-Smith. The active ingredient in *Serenade*, *Bacillus subtilis* strain QST 713, is registered as a fungicide in 25 countries and has obtained Annex 1 listing in the EU.



"Low-chem pesticide is going to be the next growth sector in ag inputs"

Marcus Meadows-Smith, CEO, AgraQuest

AgraQuest hopes that it will be able to announce a new distribution deal for its biofungicide *Sonata* later this year, and says that it will also seek a distribution deal for its bioinsecticide *Requiem*, which was launched in the US early this year. Registrations for *Requiem* are already underway in Europe, Latin America and Asia.

The bioinsecticide received approval from the US Environmental Protection Agency (EPA) approval last December, and a California registration for the product in April. "*Requiem* has already captured 16%

market share in Florida tomato, pepper and cucurbit markets, which is a very large percentage for a launch year of an insecticide," says Meadows-Smith. "We expect this product to reach global sales between \$20m and \$40m by 2013."

The bioinsecticide is used to control sucking pests such as thrips, mites and whiteflies. The company has 13 products at various stages of development.

One, *Muscodor*, is generating a lot of excitement with its potential to replace methyl bromide as a biofumigant, says Meadows-Smith. "*Muscodor* is a novel patented genus that demonstrates the high efficacy against numerous pathogens and pests that biopesticides can deliver."

The privately held firm notes its annual sales in the tens of millions of dollars and is planning to go public through an initial public offering (IPO) in late 2010 or early 2011, depending on market conditions.

The company's investors, which include Texas Pacific Group and Otter Capital, both US; Swiss Reinsurance, Emerald Ventures and Sustainable Performance Group, all Swiss; and the Guernsey, Channel Islands-listed Loudwater Trust, have invested \$130m in the product development and commercialization platform since AgraQuest's founding in 1995.

Meadows-Smith did not indicate how much the firm would seek to raise in an IPO. "We would use the injection of cash to accelerate product development. However, we are in no rush as we are currently cash-flow positive." ■

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