

Headline: Godrej Agrovet Chairman Nadir Godrej talks about our R&D efforts in Agri-chemicals

Description: Godrej Agrovet Chairman Nadir Godrej shares his vision for the company, his take on our different business and our R&D efforts.

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The beautiful view of mangroves from one of the top floors of Godrej One, Vikhroli, Mumbai is the backdrop of a candid interview with Godrej Agrovet chairman **Nadir Godrej**. He has a great deal to share - when it comes to the vision he has for his company. He also talks about the amazing R&D the company is doing. One such appealing R&D of the company is taking algae from its backyard mangroves to develop an entirely new range of products. Godrej talks to Free Press Journal's **Jescilia Karayamparambil** and **RN Bhaskar** about some of his plans and objectives. Edited excerpts:

What are your plans for Godrej Agrovet?

Godrej Agrovet is into animal feeds, agri-inputs like pesticides, herbicides, plant growth promoters, fungicides; oil palm business and so on. After we acquired Astec Life Sciences (ALS), our focus has been on fungicides business [as well]. We have about 58 per cent stake in ALS. We acquired this company some time ago.

In our oil palm business, we have farmers who grow the oil palm in Andhra Pradesh for us. We do have small activities in our other states too. Our total production in India is around 300,000 tonnes, while the country's total requirement is around 15 million tonnes of edible oils which is imported; of that around 10 million tonnes of palm oil is imported.

This year the government has raised import duties first on palm oil and then on soya bean oil and then on other oils. Imports have not actually risen this year. This was to give a boost to the domestic industry in the country. So, you can see, our contribution is small. But it is a beginning.

Typically, a palm tree yields fruit for 30 years. Yields pick up after the fifth year. We began operations in 1989, so the trees of our farmers are already 28 years old. We will now have to persuade our farmers to cut down old trees and plant new ones.

We are very focused on helping farmers by improve their productivity.

We are also active in food businesses. For instance, we acquired Creamline Dairy Products (majority stakes in 2015) and then we have a joint venture with Tyson (for the poultry business). We work closely with poultry farmers. When it comes to our dairy business, we only do dairy processing. We buy milk. We will further integrate our business with Creamline Dairy Products. We also have a joint venture with Israeli bio-tech firm Maxximilk, to produce high-yielding cows with modern breeding methods.

Which is the largest business segment for Godrej Agrovet?

Animal feed is the largest segment but it has the lowest profitability. In terms of research and development (R&D), feed is the area that we are focused on. It is our objective to produce more products with less feed.

Agri-chemicals is a profitable business and we expect to grow there. That is a focus area and we are doing a lot of R&D in that space too. We are trying to develop many new molecules. ALS has excellent technical skills and after this acquisition we realised that there was a lot synergy between Godrej Agrovet and ALS. It was an excellent acquisition.

Tell us about your feed business?

We make dairy feed, broiler feed, fish feed and shrimp feed and small quantities of other specialised feeds. The challenge for us is that we are not in shrimp farming. So it is difficult. In case of broiler feed we faced many challenges as well. But we have Godrej Tyson now. The industry needs to integrate.

How do you see competition from other companies like CP and Avanti?

It is difficult. If you look at Avanti Feeds, it was much smaller some time ago. Today, it is much bigger than [the Thailand headquartered] CP group. This is despite a fall in stock prices for Avanti. Its market capitalisation which was over Rs 12,000 crore is more of an order of Rs 6,000 crore now. The last two years were very good for the Indian shrimp industry as there was problem in Thailand and Vietnam.

Apart from feed and chemical business, which other business is doing well?

Our feed business is not growing very fast. But it has the potential to grow faster.

What is your vision for agriculture as Godrej Agrovet is primarily into agriculture business?

We are concerned that many farmers are unhappy. It is probably true that we have too many farmers and we have to improve our productivity. But there are two ways of looking at that. There are too many farmers who are growing cereals and low-value crops. Horticulture is labour intensive and more suitable for India.

Yet, it is too risky to rely on other countries for our cereal needs and export horticulture in a big way. But it makes economic sense for the farmer to do something like that.

A good half-way measure would be to increase horticulture production by not putting too much of effort on growing cereals - which is better done on large tracts of lands with high degree of automation.

Animal husbandry is good as you get a constant source of supplementary income by selling eggs and milk. So, on the one hand you have agriculture that will give you sporadic income and on the other you have animal husbandry that will give you constant income. Dairy farmers are demanding support prices for milk in states like Maharashtra. I would prefer putting my energy in improving feed quality. So that I can make my product cheaper and cheaper. That way you don't need a support price.

We are doing a lot of R&D in trying to achieve our aim of making animal feed cheaper. We have seen a lot of progress in milk and in other areas. We are trying to improve the quality of Indian rapeseed meal and that is helping us in the poultry feed area as well. We will continue doing such research in the space.

Do you have extension programmes for farmers?

Roughly, we would have 30,000 hectares and we probably have 20,000-30,000 famers for oil palm. We provide them with extension services as part of our CSR. We do lot of watershed development.

I do not feel India has a water problem but I feel we will have a problem if we do not manage it properly. The best way of managing it is by pricing it. For instance, in Australia, the government came up with a plan to buy the water quota from the people, as enough water was not flowing into water bodies. This encouraged water trading.

In India, a lot of water goes to agriculture and a lot of that goes for sugarcane and oil palm. But we must use drip irrigation for oil palm as well as for sugarcane.

Given today's agriculture crisis, what will be your recommendations?

- Water pricing will be very important. Best incentive is water price and it does not have to be a high price.
- Promote labour intensive agriculture like horticulture and animal husbandry.
- Do not put too much emphasis on cereals as we already have surpluses.
- Incentivise low water use cereals.

All of this can help industry grow tremendously.

We hope the feed industry can provide much more efficiency over time. It means we can make more products with less feed which make the product economical and more sustainable.

In the case of R&D, are you working with any startups?

We look at startups and we are working on producing low-cost proteins by fermentation. We have spoken to few start-ups in the area. But so far, we don't think that their costs are low enough. When we think they are low enough, then we might invest.

What are the other R&Ds that Godrej Agrovet is working on?

As part of R&D, we found an algae from Godrej's Vikhroli properties (which has significant mangrove tracts) and we are looking at algaecide business. Our R&D also includes looking into marine feeds/seaweeds.

Which are the areas you think you will diversify into?

There is no clear cut areas. Since, we have very good organic synthesis skills, we may make pharmaceutical intermediates. We could evaluate that and we could go for more agro chemicals. For Godrej consumer products, ALS is also making some household products. We are using related chemistry to develop new products. Since we are into cattle breeding and

improving feeds, expanding our dairy operations as well including working closely with farmers for contracting growing, makes lot of sense.

Is Godrej Agrovet looking at hydroponics?

It is a very interesting space. But there is a need for some real estate regulations. It is an answer to a city's needs. Godrej Agrovet and Godrej Properties are both looking at it.