

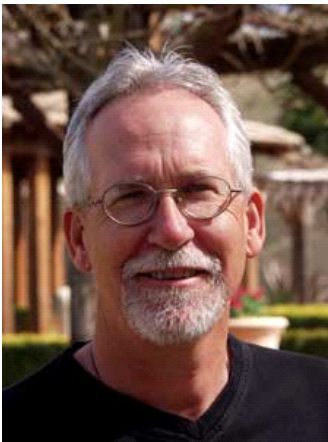
# GROWERTALKS

## Features

10/15/2008

## Mergers & Acquisitions: Joel Goldsmith on Selling to Syngenta

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On October 20, PR Newswire published a press release announcing that Syngenta, based in Basel, Switzerland, had signed an agreement to purchase Goldsmith Seeds of Gilroy, California. The deal is worth \$74 million. Goldsmith had sales of \$50 million for the 2007/2008 season, making the purchase seem like a bargain. This is Syngenta's second such acquisition; in July 2007 they bought German breeding company Fischer for approximately \$67 million, integrating their vegetative genetics into Syngenta's line. Goldsmith brings a vast portfolio of class-leading seed genetics, including Accent impatiens and Penny viola.

Goldsmith is a great example of a family business success story. Glenn Goldsmith, a flower breeder who had worked for Denholm Seeds and PanAmerican Seed, started the company with his wife, Jane, in 1962. Sons Joel, Richard and Jim all grew up in the business, with Joel currently holding the President/CEO slot, Richard as VP and Jim as Director of Production.

The day after the sale was announced we spoke to Joel Goldsmith about why he and the family decided to sell the business.

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**GrowerTalks:** *Joel, why sell Goldsmith?*

**Joel Goldsmith:** First of all, it was a good deal, but that's almost secondary. Our big concern as a family and as a company is unexpected events. We've been through a couple of very challenging times. When Ball bought Colegrave (in 2001), those companies were our major distribution in Europe. We had to rebuild our business models in Europe, but we were able to do that.

But probably the biggest one was ralstonia. Why that was so big was, first of all, it cost us a tremendous amount of money. But more importantly, I guess the best way to put it is that it shattered our security. We never thought there would be an event over which we had virtually no control, that could threaten the future of

our business.

**GT:** *Disease outbreaks are certainly something you have contingency plans for. What made this different?*

**JG:** We knew it could happen—we'd had occurrences of ralstonia—but it was the coming together of a disease and the government, and nobody quite knowing how to deal with it that was the problem. And we certainly hadn't anticipated that.

[Financially], we're doing very well as a business. That wasn't the issue [as to why we sold]. But it was our feeling that if we hit on something that was unexpected, or even expected—you look at what's going on in the industry currently—nobody knows what the impact of the downturn in the economy is going to do to next spring, and the spring after that.

**GT:** *Did the current economic climate have any bearing on your decision, or is that just one of many factors?*

**JG:** It's an example. If there's a 10% or 20% downturn in the sale of seed, corresponding to what's happening in the marketplace, what does that do to our ongoing future? It's those kinds of things that, being a smaller company, put us at a real disadvantage over the bigger companies that we're competing against.

**GT:** *Does Syngenta, as your new owner, mitigate that risk? Or is it more a matter of Goldsmith, as a small family business, not wanting to face that risk alone?*

**JG:** It does both. For the family, this eliminates the risk, because we've capitalized on what we've built. But for the company itself, we have a new owner with sales in the area of \$11 billion. If they need to put \$10 million into this business to make it stronger or get it through a difficult period, that's not a big decision for them. But if we have to come up with \$10 million, that could be more than we could stand. It's that kind of perspective: The problems that we see as huge, Syngenta would see them as a little cycle they'd go through and come out the other side.

**GT:** *Why sell to Syngenta?*

**JG:** They were the most aggressive, and seemed like the best fit. We've had discussions ... we've been a pretty interesting component to a lot of strategies, but this one seems to fit the best, and it was one that we were able to work through all the details on.

**GT:** *Have you also watched how Syngenta has brought Fischer into the fold, to gauge if Syngenta was a company you wanted to get involved with?*

**JG:** Yeah, through their acquisition of Fischer and our relationship with the Fischer organization, we've had a lot more opportunity to work with [Syngenta]. We're still working primarily with Gary [Falkenstein] and the group in Boulder, but we've gotten to know them.

And actually, when you look at how they handled that acquisition, one of the biggest factors, in my mind anyway, is what they did in the U.S.—which I think surprised a lot of people, including me—when they made all of the vegetative products available generally (through open distribution) and didn't make them exclusive to their own distribution.

**GT:** *Will you and your brothers be staying with the company? And if so, how active will you be?*

**JG:** Very actively involved. The company will continue to operate as a separate physical entity. We'll continue to do the business that we've been doing, breeding and producing seed and then selling it through our seed distributors around the world. All of that will be open distribution, which in Europe will be a new model for Syngenta, because they don't currently have a wholesale distribution model in Europe. All of their seed products and most of their vegetative products go through their own distribution-to-grower business.

**GT:** *But I don't image you're going to relax and work on your golf game.*

**JG:** No, not any time soon. As I was saying, we're going to continue to operate the business, we're going to sell to the customers that we're selling to. I'll be running it, and in addition I'll be involved in helping to set direction for Syngenta's worldwide activities in flowers and the greater strategy in Lawn & Garden that they're initiating.

**GT:** *Are there any obvious overlaps between the two companies? For instance, you have two facilities right across Highway 101 from each other in Gilroy.*

**JG:** There are some. It's actually pretty interesting. We both have operations in Gilroy. We both have operations within five kilometers of each other in Holland. We're both in Guatemala. So yeah, there will be integration of those activities. That's what we'll be working on next.

**GT:** *It seems like a lot of upside for Goldsmith the company and Goldsmith the family. What are the downsides?*

**JG:** Well, the primary downside is that the family doesn't own it anymore. I mean, we built this business as a family business and that permeates everything we do.

**GT:** *How about Goldsmith's employees? What's in it for them.*

**JG:** Twenty percent of Goldsmith is owned by the employees. So they just bumped their retirement program up nicely. From our standpoint, that's an important component of this—a good portion of our employees' retirement is invested in the company. So along with the family's well-being going forward, we have that responsibility of our employees' retirement program as well.

**GT:** *Do you think Syngenta appreciates the unique personality that Goldsmith has as a company? Your relaxed, laid-back attitude, the wine and beer and dinners at Pack Trials, the softball games. Do they appreciate that? Do you think they'll maintain that?*

**JG:** I certainly hope so. That's my intent as long as they've got me here, those things are going to be an important aspect of what we do. Because we've always believed that we and the people we work with have to enjoy what they're doing. And if we can do something to make it a little more fun, that helps the business side as well.