Special: GDM, leader in soybeans in Brazil, wants to conquer the markets of the US, China and Europe

The Argentinean company GDM, leader in the soybean market in Brazil with a 54% market share, intends to expand its international operations. In the US, a market where it already sells seeds under the DONMARIO and Virtue brands, the goal is to go from the current 1.3% share in the soybean planted area to 8% in 2025, according to the Business Director for Latin America, Santiago De Stefano. In China, GDM is working to obtain the first soybean variety registrations and start commercial operations in 2023. The overseas expansion also includes Europe, especially Russia and Ukraine, through a research unit in Hungary.

“Our evolution in the Brazilian market, in knowledge, equipment, processes and from a financial point of view, gives us the ability to grow in the US. The country has a very interesting soybean area, a lot of research, many players, and entering the North American market means being in contact with new technologies”, explains the executive. GDM began to carry out the first investigations in the country in 2010 and only after eight years, in 2018, the commercial operation began, with the sale of soybean varieties. Five years ago, it had just one research, product development, and business area in Marion, Arkansas. Now, in Illinois, it is based in Champaign and another base in the city of Gibson; in the State of Minnesota, there is the Hutchinson unit; in Arkansas, in Jonesboro; in Iowa, in Des Moines; and in South Dakota, in Madison.

To multiply the seeds of the DONMARIO and Virtue brands, GDM has 70 client companies in the country, in addition to about 100 distributors of the input, linked to the Mustang Seeds company, in which GDM has an 80% stake. “There are still opportunities to work more with the same independent companies. Today we need to be more important in the operation with the same companies”, explained the executive. With the expansion in the US, the area cultivated with seeds and soybean genetics of the company, currently around 988.000 Acre, should be between 7.410.000 and 9.880.000 Acre in four years. In the 2021/22 campaign, the area planted with soybeans in the US should be 87.561.500 Acre, according to the most recent estimate from the country’s Department of Agriculture (USDA). “We are going to prioritize the southern grain belt of the country, the region of the state of Indiana. Today, we have products ready for 30% to 40% of the US soybean acreage,” says De Stefano.

The expansion strategy to the south of the US makes a lot of sense, according to the Managing Partner of the intelligence consultancy Blink, Lars Schoibinger. “We know that the most characteristic materials (soybean varieties) from southern Brazil and Argentina fit well from a technical point of view for a large part of the US market, especially for the south of the country. It is not an easy move, it is a mature market, and it already has a very strong competitor, Stine, but it is a great market”, evaluates Schoibinger.

In addition to Brazil, Argentina, and the United States, today GDM operates in South Africa and in some European countries. About a third of the soybeans planted in the world have genetics developed by the company. But just over a quarter of its global turnover, which in 2020 reached US $ 285 million, came from Brazil, according to the executive. Last year, the collection in the Country was R$ 400 million. For this year, the outlook is an increase of 10% to 15% in global turnover, still strongly attracted by the Brazilian market, where
the goal would be to reach 70%. "This has to do with market participation, launches, rising commodity prices (soybean, which directly influences the price of seeds), in addition to the expansion of the soybean area, which also helps the result" De Stefano explained.

GDM’s large share of the domestic market also explains the international expansion, according to Schobinger. "As GDM already has a very strong position in Brazil, the room for even greater growth in the country is just narrowing," he points out. The North American market is not GDM’s only target outside of Brazil, although it is the most relevant. The company has also established bases in China, where it sees great potential for soybean productivity growth. The country must harvest 22,230,000 Acre of soybeans this season, according to the USDA.

“China can still evolve a lot in the soybean market. The presence of multinationals in the country is low, technologies are more controlled by universities than by companies”, explains GDM’s Business Director. Another attraction is that, despite being little explored, the Chinese soybean market already has a large research base in the area of gene editing (genes of research interest), from which GDM also benefits. “Our vision is to seek synergy between the territories (in which they operate). In gene editing, China is ahead of Brazil”, argues De Stefano.

GDM has not yet sold its seeds in the Chinese market, which should happen in 2023, according to the executive’s calculations. Currently, the company works for cultivar registration. At 25 Chinese locations in the northeast provinces of Heilongjiang, Jilin and Inner Mongolia, GDM and four other local companies have been evaluating and testing six varieties, four of which are in the process of registration. Heilongjiang alone has about 10,127,000 Acre planted with soybeans. Trials in the field have already obtained results well above the average Chinese productivity of 27 bushels per-Acre In commercial trials, GDM seeds produced 52 to 67 bushels of soybeans per-Acre.

Europe is another market on the company’s radar. Just over a month ago, GDM announced that it will invest more than R$ 7.5 million in a research unit in Hungary, which should concentrate genetic improvement studies aimed at various countries in the region, especially in Eastern Europe, like Russia and Ukraine.

GDM has made several investments over the past two years considering its global expansion plans. The Gene Editing laboratory of Cambé, state of Paraná, which concentrates research related to the 15 countries where the company operates, received R$ 1.5 million in 2019. Last year at least R$ 11 million were invested, of which R$ 7 million were allocated to the structuring of the Breeding Station (development of commercial varieties) in Porto Nacional (TO) and R $ 4 million to the Breeding Station Chacabuco breeding, in Argentina. Annually, the company’s investments in research and development (R&D) have been increasing they were US$ 20 million in 2018, US$ 40 million in 2019 and US$ 45 million last year, totaling more than US$ 100 million in three years.

The gradual expansion abroad tends to take from Brazil the weight that it currently has in the company’s earnings. This participation is approximately 70%, says De Stefano. The rest still comes from the Argentine market, where a corn distribution business - purchase of the cereal and distribution with its own brand - contributes to the result. "In the soybean business, Brazil is bigger than all other countries put together," says
De Stefano. In five to seven years, however, this share should drop close to 45%, the executive estimates, while the North American market will gain relevance in the company’s profits, participating with something close to 35%.

"China and Europe are not going to change much on this account yet, because in terms of area they will not be that big compared to Brazil and the United States," he concluded. The international expansion places GDM in a new group in the soybean genetics market, according to Schobinger’s assessment of the Blink consultancy. "The company is positioning itself as a global company. From the point of view of business valuation, it changes level, the brand gains strength. The value of the company becomes another global player," he says.

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