

How Much Money Does Monsanto Make From Roundup?

The herbicide Roundup is widely associated with Monsanto. Here's what you need to know about the product's financial importance to the company.



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IMAGE SOURCE: FLICKR USER [MIKE MOZART](#).

It's safe to say that agricultural technology leader **Monsanto** ([NYSE:MON](#)) is not among the world's most admired companies. Whether most of the shade being thrown the company's way is merited or not, a considerable amount of the distrust harbored by consumers stems from its relationship with a potent active ingredient in many widely

used herbicides: glyphosate. That's because the company was the first to introduce the chemical back in 1974, and it continues to sell the well-known Roundup brand of glyphosate herbicides for home and commercial use.

Well, glyphosate is back in the news recently, thanks to toxicity assessments from the World Health Organization and U.S. Environmental Protection Agency. That might have you wondering, "How much money does Monsanto make from Roundup?" We'll look at the latest full-year data the company filed with the Securities and Exchange Commission, but first, a quick primer on glyphosate and Roundup.

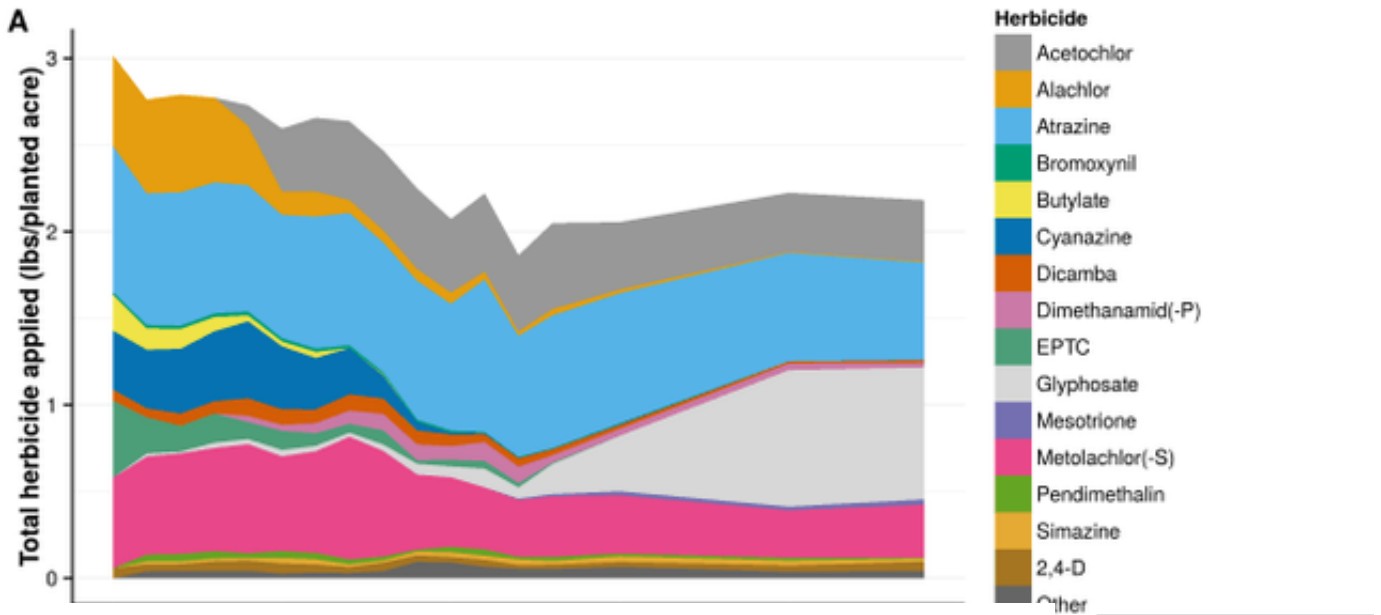
What are glyphosate and Roundup?

Glyphosate is a simple molecule which inhibits a key biological process only found in plants (and some bacteria) and keeps them from growing. Roundup is a brand of herbicide sold by Monsanto which contains glyphosate as its active ingredient. Although the company manufactures glyphosate for its own products, the last patent on glyphosate expired in 2000. Therefore it should be no surprise that the chemical is manufactured by numerous other companies and included in numerous other herbicide brands throughout the globe.

Glyphosate-based herbicides are the most commonly used in the United States, thanks in no small part to agricultural crops that have been genetically engineered to tolerate herbicide applications. This genetic trait, commercially known as "Roundup Ready," is widely licensed to global seed manufacturers and allows crops to tolerate glyphosate in other brands of herbicide, not just those sold by Monsanto.

The introduction of Roundup Ready crops has greatly simplified weed control for farmers and allowed the United States to phase out herbicides considered more harmful from environmental and health standpoints, such as alachlor and cyanazine. The ease of use provided by Roundup Ready crops has indeed resulted in an explosion of glyphosate sales and usage in the past 20 years. Part of the observed trend is caused by a starting point near zero, while part is caused by weeds developing higher tolerance to glyphosate, which requires higher doses of herbicides to maintain effectiveness.

These trends are demonstrated by data compiled by the U.S. Department of Agriculture, which show that overall herbicide use per acre of corn planted has declined by 22% since 1990 and held relatively constant since. It's important to note that farmers often apply more than one herbicide to their crops.



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USDA-NASS AGRICULTURAL CHEMICAL USE SURVEY DATA. IMAGE SOURCE: [DR. ANDREW KNISS](#).

Of course, the chart above also demonstrates spectacular growth in the use of glyphosate. That means Monsanto must be making money hand over fist from Roundup, right?

By the numbers

The latest full-year financial data submitted by Monsanto to the SEC is for the fiscal year ending August 2015. The company reports operational performance in two segments: seeds and genomics, and agricultural productivity. The former comprises seed sales and revenue earned from licensing genetic traits, while the latter comprises herbicide sales. Here's how revenue was split between the two segments in 2015:

Segment	Revenue	% of Total
Seeds and genomics	\$10,243 million	68.3%
Agricultural productivity	\$4,758 million	31.7%

DATA SOURCE: [SEC FILINGS](#).

As you can see, Monsanto generates substantially more revenue from selling seeds and licensing genetic traits than from selling glyphosate herbicides. The relative importance of each segment holds when one considers gross profits, which are even more heavily skewed in favor of seeds and genomics:

Segment	Gross Profit	% of Total

Seeds and genomics	\$6,277 million	76.7%
Agricultural productivity	\$1,905 million	23.3%

DATA SOURCE: [SEC FILINGS](#).

These data reflect the fact that Monsanto is only one of dozens of glyphosate products with higher premiums than generic counterparts. In other words, margins are more important than volume, which means Monsanto's market share in terms of revenue is larger than its market share in terms of sheer volume of glyphosate produced.



While the company realizes that future growth will be driven by advances in its seeds and genomics segment, it is also investing nearly \$1 billion in a manufacturing facility for dicamba, another widely used herbicide. The manufacturing facility will support the launch of a next-generation genetic trait -- Roundup Ready 2 Xtend -- that allows crops to tolerate both glyphosate and dicamba. The effort is aimed at combating weeds that are growing more resistant to glyphosate, but is likely to attract even more criticism from those wary of agricultural chemical use.

What it means

How much money does Monsanto make from Roundup? In 2015, the company made nearly \$4.76 billion in sales and \$1.9 billion in gross profits from herbicide products, mostly Roundup. That represents a significant portion of the global glyphosate market, although the company will continue to lose market share to generic competitors as demand grows. Therefore, as far as Monsanto is concerned, the road to the future will be paved with seeds and genomics products, not chemical herbicides.

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