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Stockton: Enriching and accelerating the development of biopesticides' pipeline through M&A

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Stockton (STK), as a pioneer in the field of biopesticides, develops, manufactures, and sells plant extract-based biopesticides with the intention of integrating them into conventional spraying programs. Stockton is present in more than 25 countries worldwide. Accordingly, AgroPages has recently interviewed Guy Elitzur, CEO of STK, who shared his insights on the latest developments at Stockton, including the introduction of new products that integrate unique, sustainable solutions for farmers.

Q. Stockton, as a leader in plant extract-based biopesticides. Could you briefly explain the achievements and challenges in this field?

For many years, plant extracts have been used as pesticides in agriculture and have been known for their values and benefits. It has been over a decade since Stockton began investing in scientific research and tools for better understanding plant metabolism and creating high standard plant extract biopesticides.



Guy Elitzur
CEO of Stockton Group

We have to bear in mind that the majority of the plant's structure is used to protect the plant against pathogens, and this has certainly become an appealing source of developing and creating pesticides.

Concurrently, it is known that since plant extract-based biopesticides have chemical structures generated from biological sources, they offer perfect compatibility with chemical pesticides. Recently, we succeeded in creating excellent synergy between chemical ingredients and biological ingredients and, thus, developing pre-mixed products which support reducing chemical loads and resistance management in different crops. The first product of this type will be launched in early 2017, and we have already started working on pre-launching activities.

Combining chemical components will naturally position the challenge in finding the right partners to promote these products in different markets. There is an increasing awareness of different stakeholders and the benefits and values of hybridizing biologicals with chemicals.

Q. What is the strategic significance of China's Hebang Group's acquisition of a 51% stake of Stockton in 2015?

The investment by Hebang in 2015 has taken us to the next stage in the life of the company and is enabling us to grow faster than before, emerging from a family owned company and becoming a high growth company. The backing of a strong investor, such as Hebang, will definitely position Stockton in a different place in the market.

The relationship with Hebang provides Stockton strong financial backing for future growth and development. Concurrently, the fact that Hebang is well positioned in the Chinese market will help us accelerate our penetration into China.

While looking to raise capital, we analyzed not only the level of capital and valuation, but also the quality of the partner we would like to have. Hebang is certainly complying with these two criteria. Managed by highly experienced executives, Hebang contributes value to Stockton's business.

Q. Could you explain the market for extending Timorex Gold biofungicide and the challenges in the process of extending it and how to solve them?

In recent years, we expanded our flagship product TimorexGold biofungicide to cover more crops in over 20 countries and regions globally. Currently, we certainly aim to position Timorex Gold's value proposition in broad acre crops, and in 2016 we already generated commercial success with rice in some of our core markets, and we are continuing to do so with other raw crops.

STK deploys the latest biotech tools, including the monitoring of defense-related gene expressions, pathogenesis related proteins, bioinformatics and genomic analysis.

Having said that, we need to bear in mind that biopesticides are still a niche and in its infancy, and we are facing the challenge of educating and training farmers in the new markets and crops we're entering, in order to obtain their confidence in Timorex Gold.

Happily, I can mention, that this education process is becoming shorter and shorter for each new crop.

A good example of what we are currently facing is in our taking our first steps in the US and the Chinese markets. We are talking about two giant markets with various distribution structures, different farmers' behaviors and cultures, different forms of applications and unique sets of challenges, but the general farmers' needs are the same - the same need for lower chemical loads, better tools for resistance management and customer demands for healthier food.

Q. Could you talk about Stockton's product development and integrated planning?

In addition to hybrid products, we seek to launch more biological products within the next 2-3 years, aiming at different crops and diseases to enrich our offering to our customers. The innovative basket of products within this time frame looks promising and exciting.

In addition, we are aggressively looking for new biological active ingredients through partnerships, licensing-in and acquisitions in the global arena. We are looking for complimentary products to our current pipeline, and products that are already registered in the US, Brazil or EU, and can enrich our offer to farmers.

We think that Stockton can leverage these types of products through the strong presence we have in the countries we operate. There are not too many medium size companies that have this access and unique commercial platform.

Q. What is Stockton's development plan?

We want to keep positioning Stockton as a leader in plant extract based [biopesticide](#) and continue providing innovative solutions to our farmers. We think the biological products can certainly fit the current and future needs of agricultures and farmers.

On top of that, we are aiming to take the company public in the next few years. We are sure that once we'll launch our exciting pipeline and have a deeper commercial footprint, Stockton will certainly be ready for an IPO. We are considering an IPO as just one milestone in our journey of building Stockton to become an interesting stock, post-IPO.