

# The Scotts Company

## 1. The Company

### a) Industry Areas

Manufacture, marketing and sale of lawn care and garden products; provision of garden maintenance services.

### b) Market share/importance

The Scotts Company is the world's leading supplier and marketer of consumer products for do-it-yourself lawn and garden care. It also supplies a range of products for professional horticulture. Scotts owns the leading brands in every major category in virtually all of the countries where it has a significant presence.<sup>1</sup>

Scotts enjoys a de facto monopoly on lawn care and garden products in the US. In the year ending September 2002, the company enjoyed a market share of 52%, controlling 62% of the consumer market for lawn fertilisers, 59% of the market for growing media/plant food, 43% of the market for grass seed and 41% of the market for controls (i.e. herbicides and pesticides). In addition, Scotts LawnService has now become the 2<sup>nd</sup> largest competitor in the American lawn service industry.<sup>2</sup>

In 2002 the company's market share, for lawn care and garden products, in Europe was approximately 25 percent. The company also has a presence in Australia, the Far East, Latin America and South America.<sup>3</sup>

### c) History<sup>4</sup>

O.M. Scott & Sons – the early years

The Scotts Company was founded in 1868 by the Civil War veteran Orlando McLean Scott, who moved to Marysville, Ohio in 1866. Scott worked at a seed elevator for several years before purchasing his own business, a hardware shop, in 1870.

Scott's "white hot hatred of weeds" led him to start a seed-processing sideline, sorting weed seeds from crop seeds for local farmers and selling on his 99.71% weed-free farm seed at a premium. In 1870 Scott added grass seed to his range of products, however this segment didn't become an important part of the business until the early 20<sup>th</sup> century.

Scott's sons Dwight and Hubert joined the company in the first decade of the 20<sup>th</sup> century and Dwight has been credited with launching O.M. Scott & Sons mail-order grass seed business in 1906. The mail-order business spread the company's business reputation throughout the region to Pennsylvania, Virginia, Kentucky and West Virginia. In 1916, the company made its first commercial sale to Brentwood golf course in Long Island, New York. By 1921, O.M. Scott & Sons was responsible for seeding one fifth of America's golf courses.

In 1928 the company launched Turf Builder, the first fertiliser formulated specifically for grass. 1928 also saw the company launch its own promotional magazine 'Lawn Care'.

The post-war gardening boom

The development of major suburban areas in the US really gained momentum in the 1950s, creating larger garden areas for domestic properties, on a wide scale. Lush, green lawns became a hallmark of suburbia and the company saw its Lawn Care magazine become "the most widely read turf bulletin in print" with millions of subscribers by the post-World War II era. Sales of chemical fertilisers, herbicides and pesticides also rocketed during this period. O.M. Scotts & Sons invested heavily in research at this time, placing a particular emphasis on weed killers.

In 1945 the company launched 4-XD broadleaf herbicide, followed by Scutl, Clout and Halts for crabgrass in the 1950s. In 1956 O.M. Scott & Sons used new chemical products and processes to create a new 'improved' Turf Builder formulation. The company also developed the first lawn spreader, the first patented Kentucky Bluegrass, and various other innovations for home and commercial lawns.

A change of ownership

Following the war O.M. Scott & Sons ownership structure evolved from full family control to a closely held company. Then, in 1971 the company was snapped up by the global engineering and manufacturing giant ITT. O.M. Scott & Sons remained within the conglomerate until 1986, when the company's then president

and CEO, Tadd C Seitz led many of the company's senior executives in a highly leveraged buyout of the company. In order to buy the company, Scotts' managers borrowed \$190 million (about 90%) of the \$211 million price tag from the investment banking firm of Clayton Dubilier Inc. O.M. Scott & Sons became the primary subsidiary of CDS Holding Corp., a private company 61% owned by Clayton Dubilier. Many of Scotts' senior executives took out second mortgages and personal loans in order to buy into the deal.

Scotts saw a marked jump in profits under Seitz's leadership, who was able to quadruple the company's sales during his tenure. Seitz sought expansion through a combination of strategic acquisitions and new product introductions. Burgeoning environmentalism in the 1990s spurred the company's interest in the development of new organic fertilizers such as Iron Bull (iron-enriched steer manure). In 1990, the company formed a partnership to research and develop supposedly environmentally friendly biological pesticides using insect viruses, bacteria, protozoa and plant extracts.

By Autumn 1988, the company had reduced its debt to \$125 million, when a restructuring allowed the \$111 million acquisition of Hyponex Corp. In 1992, Scotts decided to go public as The Scotts Company, selling 12.5 million shares at \$19 each in order to cut its debts to \$32 million. The company's sales increased dramatically in the years following its stock flotation, from \$413.6 million in 1992 to over \$750 million in 1996. Some of this growth came from acquisitions such as Republic Tool and Manufacturing in 1992, and Grace-Sierra Horticultural Products Co. in 1993.

#### The Miracle-Gro Merger

Scotts' most important acquisition came in 1995, when it bought Stern's Miracle-Gro Products through an exchange of \$195 million worth of equity. Stern's Miracle-Gro was founded in 1951 by Horace Hagedorn, an advertising executive, and his partner Otto Stern. Despite the company's name it was Hagedorn and his family who eventually controlled the business. By 1995, Miracle-Gro had become America's leading brand name in gardening, with the company supplying a range of fertilisers and tools designed to make the application of fertiliser easier.

Though Miracle-Gro had less than half the sales of Scotts, the Hagedorn family emerged from the 1995 transaction as Scotts' leading shareholders, holding over one-third of the stock. The family's influence became increasingly evident in the months and years to come. In early 1996, barely 11 months after he had taken office and following a rather disastrous marketing strategy that lost the company \$2.5 million in revenues, Scotts' CEO Theodore Host was ousted by Horace Hagedorn and the Scotts' board of directors. Host was replaced by Charles M. Berger, a former Miracle-Gro director, who was also simultaneously made president and chairman of the board of Scotts.

Other former Miracle-Gro Directors that crept into the upper management of Scotts that year included Jim Rogula who became leader of the Consumer Lawns segment and former Miracle-Gro president John Kenlon, who took charge of the Consumer Gardens Group. Perhaps most significantly, Horace Hagedorn's son, James, was also promoted to the head of all US business.

Given that it was co-founded by an advertising executive, Miracle-Gro had a long established strategy of creating a high demand for its products through extensive advertising. This enabled the company to command a high profit margin from retailers. Scotts' new CEO Berger sought to adopt the same strategy for Scotts to create what Horace Hagedorn called "the Proctor and Gamble of lawn and garden."<sup>5</sup>

#### The late 1990s – Scotts embraces biotechnology, pesticides and Europe

In 1997 Scotts further expanded its empire by purchasing the remaining interest in the UK company Miracle Garden Care Ltd, which had been one-third owned by Miracle-Gro when Scotts bought the company in 1995. 1997 also saw Scotts purchase UK-based Levingtons, thereby obtaining the rights to peat extraction at a number of sites in the UK. Scotts also acquired a majority interest in US-based Emerald Green Lawn Services, providing the company with a base for establishing the new Scotts Lawn Service in 1998.

In 1998 Scotts continued its aggressive expansion by purchasing Rhône-Poulenc Jardin, continental Europe's largest consumer and garden products company. This opened up the markets of most of continental Europe to the company. Scotts also acquired the Shamrock brand of UK and Irish peat products from Bord na Mona, Ireland. This gave the company "preferential access to Bord na Mona's extensive peat reserves and an option to supply the shamrock brand in the leading continental European markets".<sup>6</sup>

1998 also saw Scotts branch out into GM technology, through the acquisition of 80% of Sanford Scientific Inc, "allowing researchers to create desirable varieties of plants with value-added traits far beyond the capabilities of conventional plant breeding techniques".<sup>7</sup> Scotts also entered into a collaboration with the Monsanto company to "bring the benefits of biotechnology to the multi-billion dollar turfgrass and

ornamental plants business".<sup>8</sup> Under the agreement, Scotts and Monsanto agreed to share technologies, including Monsanto's extensive genetic library of plant traits and Scotts' proprietary gene gun technology to produce 'improved' transgenic turfgrass and ornamental plants. Other acquisitions in 1998 included the US company EarthGro Inc. and the continental lawn and garden products company ASEF.

Scotts relationship with Monsanto became even cosier in 1999, when Scotts completed agreements with the company for exclusive US, Canada, UK, France, Germany and Austria agency and marketing rights to its consumer Roundup herbicide products. Scotts also purchased the remainder of Monsanto's lawn and garden business, which included the pesticide brand Ortho.

#### 2000 and beyond

To pay homage to its guru (who retired from the company in 1997), in 2000 Scotts renamed its North American headquarters the Horace Hagedorn building. In the new millennium the Hagedorn family have continued to increase their firm grip over the company with Horace's son James being appointed CEO of the company in 2001 and chairman of the board in 2003.<sup>9</sup>

The turn of the century also saw the company continue its expansion into Europe through the acquisition of Substral, the leading consumer fertiliser brand in many European countries, including Germany, Austria, Belgium, France and Scandinavia. In 2000 Scotts also divested its North American Professional Turf business to The Andersons, Inc. and Nu-Gro Corporation, in order to focus its resources on more profitable markets.<sup>10</sup>

In 2002, the company increased its investment in GM technology, by signing a research and commercialisation agreement with New Zealand's Crop & Food Research that could lay the groundwork for the production of flowering ornamental plants 'enhanced' by biotechnology. The company announced that the research will initially focus on 'improved' geraniums, although these are unlikely to be available commercially for several years.<sup>11</sup>

In 2003 Scotts branched out into the \$1 billion pottery sector, through the acquisition of a Florida-based pottery distributor. The company intends to launch two lines of Miracle-Gro branded pottery in 2004.<sup>12</sup>

#### **d) Strategy**

Scotts relies heavily on advertising to create demand for its products. According to the company's annual report, Scotts' brands are supported by an annual investment of approximately \$100 million in advertising. In the US nearly 4 out of 5 advertising messages in the lawn and garden industry come from Scotts. For 2003, Scotts plans to increase its media spending by another 20%.<sup>13</sup>

#### **e) Products/Projects<sup>14</sup>**

The company's operations are divided into four business segments: North American Consumer, Scotts LawnService, International Consumer and Global Professional.

##### · North American Consumer

Specialises in lawn fertilisers and lawn control products; grass seed spreaders; garden and indoor plant feeds; plant care products and potting soils; barks, mulches and other growing media products and pesticide products. Products are marketed to mass merchandisers, home improvement centres, large hardware chains, nurseries and garden centres.

##### · Scotts LawnService

This US-based sector provides lawn, tree and shrub fertilisation; disease and insect control; and other related services such as core aeration - primarily to residential customers through company -owned branches and franchises.

##### · Global Professional

Provides a full range of horticultural products including fertilisers, plant protection products, grass seed, spreaders, customer application services and growing media. Products are sold to lawn and landscape service companies; commercial nurseries and greenhouses and speciality crop growers. The company's branded plants business and biotechnology operations are part of this sector.

##### · International Consumer

Provides similar products to those in the North American Consumer segment to countries other than the US and Canada.

#### Brands

In the US, the company's brands include Miracle-Gro, Scotts, Ortho, Roundup (through a marketing agreement with Monsanto – see [alliances](#)), Turf Builder, Osmocote, Hyponex.

In Europe, Scotts' brands include Celaflor, Nexa-Lotte, Weedol, Pathclear, Evergreen, Levington, Miracle-Gro, KB, Fertiligene, Shamrock, Round-up and Substral. A list of Scott's UK products can be found at: [www.gima.org.uk/103.HTM](http://www.gima.org.uk/103.HTM).

In Australia and New Zealand, Scotts' brands include Osmocote, Agroblen, Peters, and Osmoform fertilisers; Banrot, Procide and Rout plant protection chemicals; Hydraflo wetting agent and Sierrablen Flora landscape fertiliser.<sup>15</sup>

In recent years Scotts has been aggressively expanding its LawnService business and has begun to explore the possibility of expanding its brands into other segments such as potted plants, pottery, watering equipment and garden tools.<sup>16</sup>

## 2. Who, where, how much?

### a) Structure/Ownership

Scotts is a publicly traded company. The company's operations are divided into four business segments: North American Consumer, Scotts LawnService, International Consumer and Global Professional (see Products/Projects)

World Headquarters<sup>17</sup>

14111 Scottslawn Road  
Marysville  
Ohio 43041  
(937) 644-0011  
Freephone number in the US: 1-888-270-3714  
Consumer website: [www.scotts.com](http://www.scotts.com)  
Investor website: [www.smgnyse.com](http://www.smgnyse.com)

Other Addresses

A list of some of the company's UK facilities can be found on the Peat Alert website at: [www.peatalert.org.uk/scotts/scottsintheuk.htm](http://www.peatalert.org.uk/scotts/scottsintheuk.htm), and details of some of the company's worldwide offices and stockists are available at: [www.peatalert.org.uk/scotts/scottsworld.htm](http://www.peatalert.org.uk/scotts/scottsworld.htm).

In the US Scotts has peat extraction works in Monteverde in Lake County, Florida; Morrison in Whiteside County, Illinois; Nobelsville in Hamilton County, Indiana; and Imlay City in Lapeer County, Michigan.<sup>18</sup>

Financial Data

The company's net sales in 2002 were \$1.76 billion. The company's North American Consumer sector accounted for 70% of sales (\$1.25 billion) Scotts Lawn Service 5% (\$75.6 million), International Consumer 15% (\$249 million) and Global Professional 10% (\$181.2 million). The company's net income was \$82.5 million.<sup>19</sup>

Number of employees

3,411 at the last reported count.<sup>20</sup>

Management team

James Hagedorn (47)

Chairman of the Board (since 2003) and Chief Executive Officer (since 2001), in 2002 Scotts paid Hagedorn a cool \$1.2 million.<sup>21</sup> Hagedorn joined Scotts as Senior Vice President, Consumer Gardens Group, when the company merged with Stern's Miracle-Gro Products, Inc. In 1995. Hagedorn became Executive Vice President, U.S. Business Groups in 1996 and was elected President, Scotts North America in 1998.

Hagedorn is a graduate of The Harvard Business School's Advanced Management Program and holds a degree in Aeronautical Science from Embry Riddle Aeronautical University. He is also an Associate Trustee of the North Shore Hospital in Manhasset, NY and Chairman of the Board of Farms for City Kids Foundation, Inc. in Reading, VT. Mr. Hagedorn also served for seven years as a captain and an F-16 fighter pilot in the United States Air Force.<sup>22</sup>

Christopher L. Nagel

Executive Vice President and Chief Financial Officer (since Jan 2003)

A certified public accountant, Nagel was chief financial officer of Borden Chemicals and Plastics Limited Partnership prior to joining Scotts. He spent the first 10 years of his career as an auditor with Price Waterhouse.<sup>23</sup>

Mike Kelty (52)

Vice Chairman and Executive Vice President of Strategic Planning, Information Services and the Professional Group<sup>24</sup>

Michel Farkouh (45)

Senior Vice President, International Consumer Division

Farkouh joined The Scotts Company in January 1999. Before joining Scotts, Mr. Farkouh had extensive experience at Monsanto. Beginning as Sales Manager, he rose to become Vice President and Worldwide General Manager of the Solaris Group, the former consumer Lawn & Garden unit of Monsanto. He was instrumental in selling the business to Scotts in 1998.<sup>25</sup>

David Aronowitz (46)

Executive Vice President and General Counsel (since 2001)

Before joining Scotts, Aronowitz worked for Insilco Corporation in Dublin, Ohio, where he served as Assistant General Counsel for its subsidiary, Taylor Publishing Company. Before joining Insilco, he was Vice President, General Counsel and Secretary at Grimes Aerospace Company, Columbus, Ohio. He began his career at the New York office of Skadden, Arps, Slate, Meagher and Flom.

He received his Bachelor of Arts degree from Haverford College and a Juris Doctorate from The Yale Law School.<sup>26</sup>

Robert F Bernstock (52)

Executive Vice President, North American Consumer (since May 2003)

Before joining Scotts, Bernstock served as Senior Vice President and General Manager of The Dial Company. Before that, he was President and CEO of Vlasic Foods, which was spun-off from the Campbell Soup Company, where he worked for 13 years. Bernstock began his career as an Assistant Product Manager with General Foods Corp. after completing his MBA from Harvard Business School.<sup>27</sup>

UK Management

The names, addresses and contact details of key personnel in the UK can be found at:

[www.peatalert.org.uk/scotts/people.htm](http://www.peatalert.org.uk/scotts/people.htm)

Scotts' PR contact in the UK is Paul Hallat – (01483) 410210

Board Of Directors

James Hagedorn -see biography above.

Lynn J. Beasley (44)

Beasley was elected to the board in 2003. She is also president and chief operating officer of RJ Reynolds Tobacco Company.<sup>28</sup> Beasley is also a member of the Senior Services Board and the Tanglewood Park Foundation Board.<sup>29</sup>

Arnold W. Donald (47)

Donald was elected by the Board in October 2000. Since March 2000, he has been Chairman and Chief Executive Officer of the Merisant Company, whose products include the sweetener brands Equal(R) and Canderel(R). From January 1998 to March 2000, he served as Senior Vice President of the Monsanto Company (n/k/a Pharmacia Corporation). From February 1997 to January 1998, he was Co-President of the Agriculture Sector, of Monsanto. Donald also serves as a director of the Crown Cork & Seal Company, Belden, Inc., the Oil-Dri Corporation of America, GenAmerica Financial, and the Carnival Corporation. In 1998, Donald was appointed by President Clinton to serve on the President's Export Council for international trade. He is also a member of the Executive Leadership Council.<sup>30</sup>

Joseph P. Flannery (70)

Flannery has been the President, Chief Executive Officer and Chairman of the Board of Directors of Uniroyal Holding, Inc., since 1986. He is also a director of the Kmart Corporation, the Newmont Mining Corporation and ArvinMeritor Industries, Inc.<sup>31</sup>

#### Albert E. Harris (70)

Harris is co-founder and the retired President of EDBH, Inc., a privately-held company which develops international optical businesses. Between 1988 and July 1997, he served as either Chairman or President of EDBH, which established a chain of approximately 200 'Vision Express' shops located primarily in the United Kingdom. From 1992 until September 2001, Harris was a trustee of Fifth Third Funds (previously named Fountain Square Funds), a mutual fund family established by The Fifth Third Bank. He also served as the Chairman of that group of funds.<sup>32</sup>

#### Katherine Hagedorn Littlefield (47)

Littlefield has been a director of the Company since July 2000 and is the Chair of the Hagedorn Partnership, a private investment partnership which owns 37% of Scotts' common shares.<sup>33</sup> She is James Hagedorn's sister.<sup>34</sup>

#### Karen G. Mills (49)

Mills has been Managing Director and Founder of Solera Capital, a private equity firm based in New York, since 1999. Prior to that, she was President of MMP Group, Inc., an advisory company serving leveraged buy-out firms, company owners and chief executive officers. Mills is currently a director of Arrow Electronics, Inc. (a publicly traded company), Latina Media Ventures and Annie's Homegrown, Inc. (both privately-held companies).<sup>35</sup>

#### Patrick J. Norton (52)

Norton was named Executive Vice President and Chief Financial Officer of Scotts in May 2000, having served as interim Chief Financial Officer since February 2000. From 1983 until February 1997, he was the President, Chief Executive Officer and a director of Barefoot Inc., the second largest lawn care company in the United States prior to its acquisition in February 1997 by ServiceMaster. Norton is an independent director for various privately-held companies and partnerships, including Svoboda Collins LLC, In The Swim, Inc. and Baird Capital Partners.<sup>36</sup>

#### Stephanie M. Shern (54)

Founder and CEO of Shern Associates, a retail consulting and business advisory firm. Shern was previously vice chairman and global director of Retail and Consumer Products for Ernst & Young. Shern also serves as a financial expert on the Scott's audit committee.<sup>37</sup>

#### John M. Sullivan (67)

Sullivan served as Chairman, President and Chief Executive Officer of Prince Holdings, Inc., a corporation which, through its subsidiaries, manufactures sporting goods, from 1987 until his retirement in 1994. He currently sits on the board of directors of Atlas Copco N.A., a company traded on the Stockholm Stock Exchange.<sup>38</sup>

#### Gordon F. Brunner (64)

Appointed to Scotts' board in July 2003, Brunner is a member of the audit committee. Brunner was formerly chief technology officer and a director of Procter & Gamble. He has been chairman of the Science Advisory Board at Scotts since its inception in 2000.<sup>39</sup>

#### John Walker (62)

Since September 1994, Walker has been the Chairman of Advent International plc, Europe, a London based, private equity management company which manages over \$3 billion on a global basis.<sup>40</sup>

#### Director and Executive Pay

For details of the directors' and executives' salaries see:

<http://yahoo.multexinvestor.com/Officers.aspx?target=executiveofficers/list&ticker=SMG>

#### Major Shareholders

The Hagedorn Partnership L.P. Beneficially owns approximately 37% of Scotts' common shares on a fully diluted basis and has sufficient voting power to influence the election of directors and the approval of other actions requiring the approval of the company's shareholders.<sup>41</sup>

Top Institutional Holders <sup>42</sup>	Shares	%Out*	Value**	Reported
Capital Guardian Trust Company	1,579,600	5.02	\$85,535,340	31-Mar-03
Barclays Bank Plc	1,258,183	4	\$68,130,609	31-Mar-03

Wachovia Corp New	1,236,979	3.93	\$66,982,412	31-Mar-03
Kaplan (J.L.) Associates LLC	1,013,925	3.22	\$54,904,038	30-Sep-02
Liberty Wanger Asset Management, L.P.	977,200	3.11	\$52,915,380	31-Mar-03
Aronson + Partners	908,700	2.89	\$49,206,105	31-Mar-03
FMR Corporation (Fidelity Management & Research Corp)	696,200	2.21	\$37,699,230	31-Mar-03
Price (T.Rowe) Associates	689,000	2.19	\$37,309,350	31-Mar-03
Thompson/Rubinstein Investment Management, Inc.	636,136	2.02	\$34,446,764	31-Mar-03
Bear Stearns Asset Management, Inc.	581,051	1.85	\$31,463,911	31/03/03

Top Mutual Fund Holders <sup>43</sup>	Shares	%Out*	Value**	Reported
Price (T.Rowe) Small Cap Stock Fund	842,000	2.68	\$45,594,300	31-Dec-02
Liberty Acorn Fund	570,000	1.81	\$30,865,500	31-Mar-03
Evergreen Equity Trust-Emerging Growth Fund	213,700	0.68	\$11,571,855	31-Mar-03
Liberty Acorn Usa Fund	167,200	0.53	\$9,053,880	31-Mar-03
Fidelity Contrafund Inc	130,500	0.42	\$7,066,575	31-Dec-02
Pacific Select Fund-Small Cap Equity Portfolio	116,800	0.37	\$6,324,720	31-Dec-02
GCG Trust-Capital Guardian Small Cap Series	111,000	0.35	\$6,010,650	31-Mar-03
College Retirement Equities Fund-Stock Account	106,227	0.34	\$5,752,192	31-Dec-02
Ishares S&P Smallcap 600 Index Fd	98,459	0.31	\$5,331,554	30-Sep-02
BNY Hamilton Small Cap Growth	96,065	0.31	\$5,201,919	31-Dec-02

\*Institutional holdings as a percentage of the current shares outstanding.

\*\*Hypothetical value based on price of \$54.15 as of 14-Jul-03. Position may have increased or decreased since the report date.

Share price

Information regarding the company's share price, including a graph showing share-price fluctuations can be found at: <http://finance.yahoo.com/q?s=smg&d=1y>

#### Analysts

The following analysts follow Scotts:

Firm	Analyst
CIBC World Markets Corporation	Joseph Altobello
CL King & Associates	Jim Barrett
SunTrust Robinson Humphrey	William Chappell
National City	Jim Halloran
Value Line	Jerry Kaplan
Credit Suisse First Boston	Alice Bebee Longley
Banc of America Securities	William Steele

#### b) Subsidiaries & alliances

##### Subsidiaries

The company's subsidiaries include:

Subsidiary	Country of incorporation
Hyponex Corporation	US
Sandford Scientific Inc	US
Scotts Canada Ltd	Canada
Scotts Temecula Operations, Llc	US
Scotts-Sierra Crop Protection Company, Inc	US
Scotts-Sierra Horticultural	US
Scotts-Sierra Horticultural Products Company	US
Scotts' Miracle-Gro Products, Inc	US
Scott's Sierra Investments Inc	US
Scotts Australia Pty Ltd	Australia
Scotts Holdings Ltd	UK
The Scotts Company (UK) Ltd	UK

This list is not comprehensive. For details of some of the company's global brand and recent acquisitions see [Brands](#) and [History](#) respectively.

Scotts is currently in the process of buying the Australian gardening business Yates, whose products include Zero herbicide and Thrive fertiliser. The sale is expected to be completed in October 2003 and is subject to a number of conditions including regulatory and shareholder approval.<sup>44</sup>

#### Alliances

- Scotts Japan Ltd

In 2001 Scotts established Scotts Japan Ltd., which markets lawn fertilizers and pesticides in Japan, in partnership with the Japanese chemical companies Mitsui & Co., Ltd and Ishihara Sangyo.<sup>45</sup>

- Monsanto

In 1998 Scotts entered into a collaboration with the Monsanto company to "bring the benefits of biotechnology to the multi-billion dollar turfgrass and ornamental plants business."<sup>46</sup> Under the agreement, Scotts and Monsanto have agreed to share technologies, including Monsanto's extensive genetic library of plant traits and Scotts' proprietary gene gun technology to produce 'improved' transgenic turfgrass and ornamental plants. As from 1999, Scotts also have an agreement with Monsanto for exclusive US, Canada, UK, France, Germany and Austria agency and marketing rights to its consumer Roundup herbicide products.<sup>47</sup>

- New Zealand's Crop & Food Research

In 2002, the company signed a research and commercialisation agreement with New Zealand's Crop & Food Research that could lay the groundwork for the production of flowering ornamental plants 'enhanced' by biotechnology. The company announced that the research will initially focus on 'improved' geraniums, although these are unlikely to be available commercially for several years.<sup>48</sup>

- Large US Retailers

The company has a close relationship with several of the big US retailers which account for a large percentage of the company's sales. The company's top four retail customers together accounted for over 75% of the company's North American Consumer net sales in 2002 and 42% of its outstanding accounts receivable as of September 30th, 2002. The North American Consumer segment in turn makes up 70% of the company's worldwide net sales. Home Depot, Wal-Mart, Lowe's and Kmart accounted for approximately 37%, 18%, 11% and 10%, respectively, of the company's North American Consumer net sales in 2002.<sup>49</sup> In April 2003, Scotts was named 'Supplier of the Year' by Wal-Mart reflecting the closeness of their relationship.<sup>50</sup>

Scotts has an exclusive marketing deal with Home Depot which is the sole stockist of the company's Turf Builder Grass Seed. The company has a similar agreement with Lowe's as the sole stockist of its Miracle-Gro Select Plants.<sup>51</sup>

### 3. Influence

## Lobby Groups

Scotts is a member of the following lobby groups in the US:

- **Crop Life America<sup>52</sup>(formerly the American Crop Protection Association)**

This group claims to represent the developers, manufacturers, formulators and distributors of plant science solutions for agriculture and pest management in the United States. According to the organisation's website, its member companies produce, sell and distribute virtually all the crop protection and biotechnology products used by American farmers.<sup>53</sup> The group has a biotechnology committee which acts as the legislative, regulatory and public affairs voice for the plant biotechnology industry.<sup>54</sup> The group's list of member companies reads like a Who's Who of chemical and agri-biotech baddies and can be found at: [www.croplifeamerica.org/public/about/#mem](http://www.croplifeamerica.org/public/about/#mem) . More information on this organisation's sinister activities can be found at [www.ewg.org/dirtymoney/acpa.html](http://www.ewg.org/dirtymoney/acpa.html) .

- **RISE (Responsible Industry for a Sound Environment)<sup>55</sup>**

RISE is a lobbying and public relations trade organization founded to defend "urban usage" of pesticides. This includes pesticides used in homes and schools (on termites, fleas, cockroaches, etc.) landscape uses, and urban pest and vegetation control. The group is dedicated to providing "a strong unified voice for the specialty pesticide industry", promoting a positive public image and opinion, and promoting the use of "industry products".<sup>56</sup> According to the group's website it "provides information to key lawmakers whose decisions affect the entire industry" and "educates legislators about the benefits of specialty pesticide and fertilizer use and the risks posed by pests, that left untreated can cause serious health and safety threats". It also boasts of having "an excellent working relationship with the EPA". Its core members include Monsanto, DuPont, and Dow AgroScience.<sup>57</sup> More information regarding this group's appalling history can be found at: [www.ewg.org/dirtymoney/rise.html](http://www.ewg.org/dirtymoney/rise.html) .

- **Grocery Manufacturers of America<sup>58</sup>**

GMA is the world's largest association of food, beverage and consumer product companies.<sup>59</sup> According to the group's website it "advances the interests of the food, beverage and consumer products industry on key issues that affect the ability of brand manufacturers to market their products profitably" and influences "public policy (both federal and state, legislative and regulatory) to secure the most cost-effective statutory and regulatory framework".<sup>60</sup> The organisation has consistently lobbied against the labelling of food in the interest of consumers, arguing that consumers are protected by existing safety legislation. The group argues that labelling foods containing GM ingredients, produced using bovine growth hormone and containing pesticides merely serves to "needlessly frighten" consumers.<sup>61</sup> For more information on the group see: [www.ewg.org/dirtymoney/gma.html](http://www.ewg.org/dirtymoney/gma.html) .

- **BIO (Biotechnology Industry Association)<sup>62</sup>**

According to the group's website, BIO is the world's largest organisation representing the biotech industry, representing more than 1,000 biotechnology companies, academic institutions, biotechnology centres and related organisations in all 50 U.S. states and 33 other nations. The group also boasts of providing "aggressive advocacy in the halls of Congress and the White House."<sup>63</sup>

Scotts is a member of the following lobby groups in the UK:

- **Garden Industry Manufacturer's Association<sup>64</sup>**

According to the group's website, its basic objective is "to promote and protect the commercial, trading and industrial interests of UK and EU based companies supplying the UK garden industry." It achieves this, in part, "by representing the opinions and views of garden product suppliers, both within the industry and to other bodies and associations, and as the need arises, to the media and government".<sup>65</sup>

- **Growing Media Association (formerly the Peat Producers Association)<sup>66</sup>**

According to the organisation's website its objectives include representing "the interests of the growing media industry to Government, Government bodies, consumers and other organisations." The organisation has consistently downplayed the wildlife value of peatlands and the role of horticulture in their destruction.<sup>67</sup>

## Influencing research and education

Through its 'Give Back to Grow' classroom gardener awards, Scotts has tried to ensure that children in classrooms all over the US have positive associations with its brand from an early age. Scotts also supports a variety of community initiatives in order to paint itself as a 'good corporate citizen.' One of the company's projects is an Urban Garden Academy in Columbus, Ohio which teaches volunteers how to establish community and urban gardening programs that help "to turn vacant lots and rundown parks into beautiful

green spaces". No doubt using a fine array of Scotts' pesticides, herbicides, fertilisers and peat products.

Scotts is an 'sustaining associate' of the American Phytopathological Society (APS). This is a non-profit, professional, scientific organisation dedicated to the study and control of plant diseases.<sup>68</sup>

#### Influencing Higher Education

As part of their coursework, students from the Fisher College of Business at Ohio State University had to take part in a product concept competition for Scotts' next Ortho Weed-B-Gon marketing campaign. The students had to come up with a concept statement for Weed-B-Gon with Scotts using the winning team's ideas in a subsequent advertising campaign.<sup>69</sup>

Scotts is a sponsor of the Center for Business Research at the University of Massachusetts, Dartmouth.<sup>70</sup> The centre assures businesses that through it they can "secure direct access to the full resources of the University".<sup>71</sup>

Scotts offers various scholarships including one in Landscape Design/Build at Columbus State Community college and one in Environmental Horticulture at the University of Florida.<sup>72</sup>

A representative of Scotts sits on the executive board of the Center for Retailing Excellence, Sam M. Walton College of Business, University of Arkansas. The centre was established in 1998 "to bridge the gap between university faculty, students and the retail industry". Members of the Center's executive board also include representatives from Bristol-Myers Squibb; Coca-Cola; and Wal-Mart Stores Inc.<sup>73</sup>

#### Links with government

Scotts' director Arnold W. Donald was appointed by President Clinton to serve on the President's Export Council for International Trade.<sup>74</sup>

#### Public Relations

"If there's a better business to be in please let us know"

*"There's no better company than Scotts"* James Hagedorn, Scotts president and CEO<sup>75</sup>

Scotts' *Give Back to Grow* report makes truly fascinating reading. It paints a picture of a company striving for environmental and social justice, helping disadvantaged communities to better their environments and generally "helping to make the world more beautiful".<sup>76</sup> Scotts has worked hard to build itself an image of a 'good corporate citizen' by supporting a variety of community projects throughout North America and Europe.<sup>77</sup>

#### PR companies

PR companies that Scotts have retained in the US include:

- Lord, Sullivan & Yoder (LSY)  
250 Old Wilson Bridge Road  
Columbus  
Ohio 43085-0800  
Tel: 614.846.8500  
Fax: 614.846.2679  
Website: [www.lsy.com](http://www.lsy.com)

LSY strategically wrote the company's 2000 Annual Report "to convey key messages about Scotts' financial accomplishments."<sup>78</sup>

and in the UK:

- Weber Shandwick Worldwide  
Aldermay House  
15 Queen Street  
London  
EC4N 1TX  
Tel: 020 7329 0096  
Fax: 020 7329 6009  
Email: [wswukceo@webershandwick.com](mailto:wswukceo@webershandwick.com)  
website: [www.webershandwick.com](http://www.webershandwick.com)

The company's other clients include Coca-Cola, DuPont and Nestlé.<sup>79</sup>

Advertising agencies<sup>80</sup>

Scotts relies heavily on advertising to create demand for its products (see Strategy). Advertising agencies that Scotts have retained in the US include:

- **Momentum**  
7777 Bonhomme Ave # 1000  
St Louis, Missouri  
Tel: (314) 290-4800

and in the UK:

- BMP DDB Ltd  
12 Bishops Bridge Road  
London  
W2 6AA  
Tel: 020 7258 3979  
Fax: 020 7402 4871  
Website: [www.bmpddb.com](http://www.bmpddb.com)

BMP DDB Ltd is involved in the advertising of the *Fisons*, *Miracle-Gro* and *Levington* brands. Its other clients include Exxon Mobil, Unilever and Oxfam.

- BJK & E Media  
25 Wellington Street  
London  
WC2E 7DA  
Tel: 020 7379 8080  
Fax: 020 7240 0792  
Email: [tirwin@bjke.co.uk](mailto:tirwin@bjke.co.uk)

BJK & E Media is a media buying specialist and its other clients include TotalFinaElf and J.P. Morgan.

- Carat Ltd  
Parker Tower  
43-49 Parker Street  
London  
WC2B 5PS  
Tel: 020 7430 6000  
Fax: 020 7430 6299  
Email: [tim\\_kirkman@carat.co.uk](mailto:tim_kirkman@carat.co.uk)  
Website: [www.carat.co.uk](http://www.carat.co.uk)

Carat Ltd is a media buying specialist and is involved in the advertising of the company's *Levington* brand. Other clients include TotalFinaElf and Pfizer.

- FSW Group Ltd  
Manor Farm Barns  
Fox Road  
Framingham Pigot  
Norwich  
NR14 7PZ  
Tel: 01508 491 400  
Fax: 01508 494 088  
email: [mail@fsw.co.uk](mailto:mail@fsw.co.uk)

FSW Group Ltd is involved in advertising for Scott's UK Professional segment. The company's other clients include Bernard Matthews and Rover.

#### **4. Corporate Crimes**

Scotts pledges to "do our best in order to improve the environment and the communities in which we live

and work".<sup>81</sup> Quite how this equates to strip mining one of the rarest wildlife habitats in the UK (see [Peat Extraction](#)) is not made clear in the report.

According to Scotts:

*"Our products play a key role in maintaining a healthy and beautiful environment. Lawn fertilizers help maintain thick, vigorous lawns that absorb rain, control runoff and cool the earth. Control products help eradicate pests that destroy landscapes and carry disease. And garden fertilizers create fuller blooms and larger, healthier plants."<sup>82</sup>*

Fertilisers pollute waterways, causing algal blooms and deoxygenation of the water. This can result in the death of fish and a marked decrease in biodiversity. Control products destroy biodiversity, cause pollution and pose potential health risks to humans.

Scotts aspire to create a world full of lush green lawns, white picket fences and neat flower beds, where irritating pests and weeds (aka biodiversity) are abolished through a combination of fertilisers, pesticides and herbicides. Although the potential consequences for the environment and human health could be devastating, 'Scotts' World' sure will look pretty.

Below is a small selection of Scotts' Corporate Crimes - this is in no way a comprehensive overview of Scotts' wrong doings:

#### Working Conditions

##### 'Streamlining'

In the financial year 2002, Scotts' laid off approximately 340 administrative, production, selling and other employees in North America and Europe due to "reduction in force initiatives and facility closures and consolidations." In the financial year 2001, the company closed its Swinefleet factory in Yorkshire and it is due to close its manufacturing plant in Bramford, England in 2003.<sup>83</sup>

##### Health and safety

Scotts has a dismal health and safety record, with its prolonged exposure of its employees to contaminated vermiculite (see below) demonstrating just how little weight the company gives to the welfare of its employees. The most recent serious health and safety incident that occurred at a Scotts plant, was a fork-lift accident at the company's plant in Chino, California in 2002. The accident resulted in the death of a Scotts' employee.<sup>84</sup>

#### Endangering the public's health

##### Vermiculite

In April 2001, 20 years after Scotts told employees it was researching alternatives to vermiculite, the company finally announced plans to phase out the use of vermiculite in its products. The company had known that the product could potentially be contaminated with asbestos since 1971.<sup>85</sup> At least five Scotts workers have died and dozens more have become ill due to asbestos fibres that they inhaled while handling vermiculite, which the company used in potting soil and in fertilizers. The company initially denied that the ore caused any health problems but now acknowledges the deaths and illnesses.<sup>86</sup> In 1981, two of Scotts' employees attempted to sue Scotts for \$5.9 million. Scotts could not be held liable however, since it is covered by the Ohio's Workers' Compensation System which shields companies from lawsuits in exchange for payments into a fund that supports injured workers.<sup>87</sup>

Despite Scotts learning in 1971 that the vermiculite it was obtaining from W.R. Grace Co.'s mine in Montana was contaminated with asbestos, the company failed to inform its workers until 1976.<sup>88</sup> Even then Scotts downplayed the risks. "Very small trace amounts of asbestos exist in the vermiculite ore used in our Trionized Process" stated a memo sent to the workers. "Ongoing testing by Scotts has shown that the levels of asbestos found in our plant are well within levels which the government has established as acceptable." However, information the company submitted to federal and state regulators in the 1970s and '80s showed that workers were exposed to short-term asbestos levels "well above" 10 fibres per cm<sup>3</sup> of air - more than five times the level allowed under Occupational Safety & Health Administration (OSHA) regulations at the time.<sup>89</sup>

Scotts waited a full 10 years, until 1980, to stop accepting vermiculite from the Montana mine. For the past two decades, the company has used vermiculite from a mine in Virginia and two in South Carolina. According to the US Geological Survey, asbestos has been found to be a contaminant in all three mines.<sup>90</sup>

In 1986, the US Environmental Protection Agency (EPA) concluded that asbestos exposure at any level has the potential to cause cancer and in 1989 prohibited the manufacturing, importation, processing and distribution of most products containing asbestos. This ban was overturned in 1991, after a three-judge panel of the 5<sup>th</sup> US Circuit Court of Appeals ruled that the agency did not adequately consider the economic effects of the ban.<sup>91</sup>

In April 2001, Scotts officials claimed that the company's sources of vermiculite were asbestos free. However, they later clarified their definition of the term and said that any asbestos contaminating the ore was well below regulatory limits. Scotts still denies that vermiculite poses any health risks. "I don't think it's an issue of safety, but we have 140 years of trust to manage here", said a company spokesman, explaining the company's decision to stop using the ore. "its an issue of perception. And that's sad, because vermiculite is such a great product".<sup>92</sup>

## Pesticides

### Illegally selling pesticides

In November 2002, The New York State Department of Environmental Conservation (DEC) took Scotts to court for failing to register two pesticides before selling and distributing them in New York State. The unregistered pesticides included a new formulation of Grubex that contained the active ingredient halofenozide. This product was subsequently denied registration, because of concerns about groundwater contamination, particularly in Long Island, which relies on a sole source aquifer for drinking water. During the course of the registration review, it was discovered that Scotts had sold Grubex to retail stores throughout the state, including stores on Long Island. Scotts was fined \$300,000 and was required to pay \$900,000 towards an Environmental Benefit Project for the disposal of old, unregistered, unusable or unwanted pesticide products.<sup>93</sup>

### Carbaryl

Carbaryl is an insecticide used in a variety of Scotts' products, including Ortho Bug-Geta Plus - which the company claims is safe to use around fruit and vegetables;<sup>94</sup> Ortho Bug-B-Gon Garden & Landscape Insect Killer Granules;<sup>95</sup> Ortho Bug-B-Gon Lawn & Soil Insect Killer with Grub Control;<sup>96</sup> and, in Australia, Defender Home Garden Grasshopper Caterpillar Carbaryl Insecticide.<sup>97</sup> According to the US Environmental Protection Agency, headaches, memory loss, muscle weakness and cramps, and anorexia are caused by prolonged low-level exposure to carbaryl resulting from cholinesterase inhibition.<sup>98</sup> The chemical is also a suspected carcinogen and has been implicated in a variety of other health problems.<sup>99</sup>

### Malathion

Malathion is another insecticide used in several of Scotts' products, including Ortho® Mosquito-B-Gon Tree & Shrub Spray<sup>100</sup>, Ortho® Malathion Plus® Insect Spray Concentrate<sup>101</sup> and in Australia, Defender Home Garden Scale Plus Insect Spray.<sup>102</sup> According to the US Agency for Toxic Substances, malathion interferes with the normal function of the nervous system. Exposure to high amounts of malathion in the air, water, or food may cause difficulty breathing, chest tightness, vomiting, cramps, diarrhoea, watery eyes, blurred vision, salivation, sweating, headaches, dizziness, loss of consciousness, and death.<sup>103</sup>

### Benomyl

All pesticides sold or distributed in the United States must be registered by EPA, based on scientific studies showing that they can be used without posing unreasonable risks to people or the environment. The law requires that pesticides which were first registered before November 1, 1984, be re-registered. Benomyl was scheduled for re-registration in 2002; however, during 2001, the registrants of benomyl, which included Scotts, requested voluntary cancellation. Scotts used benomyl in some of its lawn fungicide products. Because of the voluntary cancellation decision, EPA did not complete risk assessments for benomyl.<sup>104</sup>

Benomyl is a recognised endocrine disruptor and developmental and reproductive toxicant. Effects associated with benomyl include liver toxicity, developmental toxicity (such as foetal eye and brain malformations and increased mortality), and reproductive (testicular) effects. It is also considered a possible human carcinogen. The chemical achieved notoriety in 2001 when a string of lawsuits were brought against DuPont (which marketed the chemical under the trade name Benlate) by parents whose children were born without eyes, after their mothers were exposed to the fungicide during pregnancy. EPA expects that use of any remaining benomyl products will end in 2003, given that production ceased in 2001, and the sale and distribution of benomyl products will end on December 31, 2002.<sup>105</sup>

## Other Pesticides

Below are just a few of the chemicals used in Scotts' pesticide products:

- Triforine – recognised developmental toxicant and suspected immunotoxicant.<sup>106</sup>
- Resmethrin - recognised developmental toxicant and suspected neurotoxicant.<sup>107</sup>
- **Permethrin** – suspected carcinogen and endocrine, gastrointestinal and reproductive toxicant.<sup>108</sup>
- **Esfenvalerate** – suspected endocrine toxicant.<sup>109</sup>
- **Metalddehyde** – suspected neurotoxicant.<sup>110</sup>
- **Diazinon** - suspected developmental and reproductive toxicant and neurotoxicant.<sup>111</sup>
- **Bifenthrin** – suspected carcinogen and neurotoxicant.<sup>112</sup>
- **Phenothrin** - suspected endocrine and kidney toxicant and neurotoxicant.<sup>113</sup>
- Tetramethrin – suspected carcinogen and neurotoxicant.<sup>114</sup>
- Acephate - suspected carcinogen and neurotoxicant.<sup>115</sup>
- Fenbutatin Oxide – suspected developmental toxicant.<sup>116</sup>
- **Propoxur** – suspected carcinogen, reproductive toxicant and neurotoxicant.<sup>117</sup>

According to Environmental Defense, there is insufficient data available for a safety assessment of all of these chemicals.<sup>118</sup> In other words Scotts, having completely failed to adequately assess their safety, is subjecting millions of people worldwide to a cocktail of chemicals that are recognised, or suspected, to be harmful.

## Environmental Issues

### Pollution

Scotts is currently involved in several legal actions with various government agencies relating to environmental matters.<sup>119</sup>

### Pollution around the company's Marysville factory

Scotts' officials describe the company as “a model environmental citizen”, yet Scotts has an appalling record of pollution around its Marysville factory in Ohio. The Marysville factory was opened in 1957, and from then until the mid-1990s the company dumped fertilisers, herbicides and pesticides that didn't meet quality control criteria into landfills, lagoons and fields surrounding the site.<sup>120</sup> The chemicals stored in this way included DDT and chlordane, both known carcinogens suspected of a variety of other toxic effects.<sup>121</sup> For details of other chemicals found in the environment around the Scotts plant see:

[www.dispatch.com/news/special/scotts/739294.html](http://www.dispatch.com/news/special/scotts/739294.html) .

Over the years these toxic chemicals have leached from the landfill sites surrounding the factory, been sprayed onto nearby fields and been spilt or discharged into nearby rivers. The US Environmental Protection Agency (EPA) didn't start investigating the pollution until 1987, when Scotts released 35,000 of wastewater into Crosses Run, a stream that meanders through the company's property. The chemicals killed fish 10 miles downstream in O'Shaughnessy Reservoir, a source of drinking water for the nearby city of Columbus. Scotts was ordered to pay a \$35,000 fine, however it took another decade before the company eliminated most of the waste lagoons and dismantled waste treatment plants that had discharged pollution into the stream.<sup>122</sup>

Another serious pollution incident occurred in 1993, when nitrogen-laden wastewater was sprayed on nearby farm fields, resulting in the death of 1,800 fish. In 1998, a neighbour reported to EPA that the company had been “pulling dead fish from their pond all day”. According to state inspectors, by the time they arrived on the scene, Scotts had already taken 1,000 to 2,000 dead fish to a landfill, making it impossible to determine what had killed them. Water samples collected the same day revealed levels of ammonia and several pesticides dangerous to humans in Crosses Run. The chemicals included dieldrin, endosulphan and heptachlor. The same year, the city of Columbus sent EPA a letter expressing concerns regarding high levels of nitrate and phosphorous contamination in the Scioto River. Water sampling traced the contamination back to the Scotts plant.<sup>123</sup>

In 2001, following four years of deliberations, the company finally came to agreement with the Ohio EPA, who had initiated an enforcement action against Scotts in 1997 regarding pollution from the site. The company agreed to pay a \$275,000 fine and to undertake remediation activities on site.<sup>124</sup>

### Biotechnology

The Scotts Company is the world leader in non-agricultural biotechnology. Through alliances with Sanford Scientific Inc., Rutgers University and Monsanto, Scotts has exclusive rights to commercialise transgenic turfgrasses – or “Frankengrass” as Steven M. Zien, executive director of Biological Urban Garden Services (BUGS) refers to it.<sup>125</sup> Scotts is also attempting to 'improve' flowers and other ornamentals through

transformation.<sup>126</sup> Industry officials claim that, if licensed, GM lawn and garden products could have sales reaching \$10 billion annually.<sup>127</sup>

Scotts' alliance with Monsanto has focussed on trying to produce turfgrass that requires less mowing and water, ornamental plants that last longer and produce larger and more plentiful blooms, and plants that will allow for more efficient weed control. Scotts has been working since 1997 on Roundup Ready(R) turfgrass, which is tolerant to Monsanto's Roundup(R), under a research agreement with Monsanto. In 1998 the relationship was expanded to cover new applications for Roundup Ready technology, as well as other 'improvements' to ornamental plants, including annuals, perennials, roses and woody ornaments.<sup>128</sup>

#### Dangers of Frankengrass

According to Scotts' 'Give Back to Grow' report it is "developing grasses that allow weeds to be controlled with less toxic chemicals". However, glyphosphate (the active ingredient in Roundup) kills anything with which it comes into contact, and serious concerns have been raised regarding Roundup Ready turfgrass. Because of its broad-spectrum properties, the use of Roundup in lawns is currently limited to spot treatments. However, if Roundup Ready lawns were to be installed, gardeners would then be able to apply Roundup over the entire lawn area. The use of this herbicide would be likely to increase dramatically on home lawns, school grounds, athletic fields and golf courses all over the world – no doubt leaving Monsanto and Scotts rubbing their hands with glee at the associated rise in profits.

A number of potential problems could result from the commercialisation of Roundup Ready grass:

- Increased glyphosphate use, resulting in pollution and damage to non-target plants, leading to a loss of biodiversity and potentially harming wildlife dependent on native plants for food.
- Development of glyphosphate resistant weeds
- Economic harm resulting from the contamination of conventional turfgrass growing grounds.
- Economic harm to growers near GM planted grasses due to contamination by GM materials and herbicides.

Mark Schwartz, head of the branded plants group at Scotts, has suggested that the company may use Monsanto's Terminator technology in order to prevent genetic contamination, however in 1999 Monsanto's CEO Robert Shapiro promised to abandon its development of this technology.

Currently GM grasses in the US are regulated by the US Department of Agriculture (USDA). Recently the International Centre for Technology Assessment (ICTA), along with the Center for Food Safety, brought a lawsuit against USDA, regarding its failure to evaluate GM grasses as "noxious weeds". The group wants USDA to label the grasses as such, to avoid their future commercialisation. The group is seeking a court order to end field trials until the lawsuit is settled.

Although Scotts and Monsanto have now withdrawn a recent petition to USDA to deregulate GM grass, Peter Jenkins from ICTA believes that they are likely to resubmit one soon.<sup>129</sup>

#### Peat Extraction

According to Matt Phillips from Friends of the Earth, Scotts is "a world leader in peatland degradation".<sup>130</sup>

Scotts makes much of its recycling record, pointing out that recycled by-products such as bark, manure and garden waste account for about 70% of the raw material used to produce its various growing media products.<sup>131</sup> However, the company fails to mention that the remaining 30% includes products such as peat, which is gathered using completely unsustainable harvesting techniques. For more information on the value of peat bogs and the threats facing them see: [www.foe.co.uk/campaigns/corporates/case\\_studies/scotts](http://www.foe.co.uk/campaigns/corporates/case_studies/scotts)

Garden retailers, TV gardening celebrities and even some peat companies have accepted that a peat-free future is "...not only the preferred rout but potentially inevitable".<sup>132</sup> However, rather than use its position as the worlds largest garden product company to assist this transition to peat-free gardening, Scotts has chosen to fight it. The company recently relaunched its peat products under the hugely successful Miracle-Gro brand in an attempt to boost sales. Scotts have also been deliberately attempting to mislead the public, since nowhere on the Miracle-Gro packaging does it say that the product is peat based.<sup>133</sup>

#### Scotts' agreement with English Nature

According to Scotts 'Give Back to Grow' report it has recently:

"entered into a ground-breaking agreement with the English government and environmental groups to restore three peat bogs operated by the company to maintain a unique wildlife habitat". The company also claims to have "won praise for its environmental commitments".

The agreement to which the company is referring is one reached with English Nature to halt peat extraction at Thorne and Hatfield Moors in Yorkshire and Wedholme Flow in Cumbria. These are England's largest remaining lowland peatbogs and represent one of the most important wildlife habitats in the UK, being of international conservation importance. The sites were all designated by the UK government as top wildlife sites and parts of them are proposed as Special Areas of Conservation under the EU Habitats Directive. Scotts continued to damage them, in the face of widespread public condemnation, by exploiting legal loopholes that are a hang-over from the end of World War II.<sup>134</sup>

In response to criticisms of its practices, Scotts' managers and spin doctors released a series of deeply misleading public statements. For example, in the industry journal *Horticultural Week*, Operations Director at Scott's substrate division, Nick Templeheald, claimed that "*we extract from places of no wildlife interest - adjacent to designated SSSIs, but entirely separate from them*". This was despite Scotts' operations on Thorne Moors SSSI, Hatfield Moors SSSI and Wedholme Flow SSSI being within the boundaries of the respective Sites of Special Scientific Interest. The areas were selected by the UK Government's conservation advisers because of their wildlife value, and the designation put them in the top 8% of UK land area in wildlife terms.<sup>135</sup>

The agreement with English Nature followed a long period of delaying tactics by the company - in order to allow it a "last-ditch mega-grab of peat"<sup>136</sup> before it agreed to end extraction. This is not the first time that Scotts has used such tactics and it seems that the corporation is now adept at using delaying tactics to slow down legal proceedings. For example, in 1990 the US government filed a suit against Scotts, seeking a permanent injunction against peat extraction at a site in New Jersey. However, the company's lawyers held the suit in 'administrative suspension' for 12 whole years, and peat extraction did not cease at the site until 2002.<sup>137</sup>

Under the deal, which was reached in April 2002, following extreme pressure from environmental groups,<sup>138</sup> Scotts agreed to end extraction immediately at Thorne Moors and Wedholme Flow and to phase out extraction on Hatfield Moors within the next three years. The deal will cost the British taxpayer a cool £21.1 million. Despite Scotts being compensated for a huge loss of earnings at the taxpayers expense, the company still states it "has access to adequate supplies of growing media to ensure demand is met for company products for the foreseeable future".<sup>139</sup> Scotts will continue to extract peat from its other peatbog sites in the UK such as Carnwath Moss in Scotland, which is a designated Site of Special Scientific Interest (SSSI).

The company has agreed to undertake restoration work on the three sites, for which it will receive additional compensation from English Nature.<sup>140</sup> Activists are extremely doubtful of Scotts' ability to satisfactorily undertake this work, given its track record of environmental destruction.<sup>141</sup>

With the closure of UK peat mines, the problem may also just be shifted overseas. Imported peat will form a greater proportion of the market, with new bogs being destroyed in Ireland or the Baltic States.<sup>142</sup>

#### Faulty products

In June 2000 the United States Environmental Protection Agency announced that The Scotts Company would voluntarily recall its Ortho Ready-to-Use Home Defense Indoor and Outdoor Insect Killer after it was reported that the products' containers had a mechanical malfunction that caused exposure to people using them.<sup>143</sup>

## 5. Further Information and Resources

#### Scotts' websites

Consumer website: [www.scotts.com](http://www.scotts.com)

Investor website: [www.smgnyse.com](http://www.smgnyse.com)

The investor website contains lots of useful information including the company's SEC Form 10-K which details some of the company's current court cases.

#### Food not lawns

A non-profit, avant-gardening collective based in Eugene, Oregon, in the US. They have a website which highlights the evils of lawns and what better use the space could be put to:

[www.foodnotlawns.com/newfiles/overview.html](http://www.foodnotlawns.com/newfiles/overview.html)

#### Peat Alert

A group campaigning against peat extraction in the UK. Contact: Peat Alert , c/o CRC, 16 Sholebroke Avenue, Leeds, LS7 3HB, email: [info@peatalert.org.uk](mailto:info@peatalert.org.uk) , [www.peatalert.org.uk](http://www.peatalert.org.uk)

Friends of the Earth

Have produced a series of briefings on peat extraction and Scotts:

[www.foe.co.uk/campaigns/corporates/case\\_studies/scotts](http://www.foe.co.uk/campaigns/corporates/case_studies/scotts)

The Columbus Dispatch

Has produced a series of articles on Scott's appalling pollution record in Ohio and the human cost involved in Scotts' vermiculite dealings:

[www.dispatch.com/news/special/scotts](http://www.dispatch.com/news/special/scotts)

Vermiculite

For more information on vermiculite see the US Environmental Protection Agency website:

[www.epa.gov/asbestos/verm.html](http://www.epa.gov/asbestos/verm.html)

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- 3 Scotts (2002) 2002 Financial statements and other information, available from [peg.gordon@scottscsco.com](mailto:peg.gordon@scottscsco.com)
- 4 Main sources: Scotts (2002) History, <http://2001.scottscsco.com/companyinformation/History.cfm> , viewed 10/7/03; Pederson, J.P. (1998) The Scotts Company, *International Directory of Company Histories*, 22:474-476.
- 5 Scotts (2002) Company History, available from [peg.gordon@scottscsco.com](mailto:peg.gordon@scottscsco.com)
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- 8 *Ibid*.
- 9 MSN (2003) The Scotts Company: Key Developments, <http://news.moneycentral.msn.com/ticker/sigdev.asp?Symbol=SMG> , viewed 11/7/03.
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- 11 Seedquest (2002) NZ-US partnership researches novel flowers, *Seedquest news*, [www.seedquest.com/News/releases/2002/march/4317.htm](http://www.seedquest.com/News/releases/2002/march/4317.htm) , viewed 10/7/03.
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- 13 Scotts (2002) 2002 Summary Annual Report, available at: [www.smgnyse.com/ireye/ir\\_site.zhtml?ticker=SMG&script=700](http://www.smgnyse.com/ireye/ir_site.zhtml?ticker=SMG&script=700) , viewed 10/7/03.
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