Corporate control and Mega-Mergers in food and agriculture

Forum Corporate Concentration in Food & Agriculture
Implications on Food Sovereignty in South East Asia

24 July 2018
Focus on Global South, ETC Group, CUSRI
Bangkok, Thailand
Real food...

• The “peasant food web”, (peasants, urban gardeners, artisanal fisheries and other small scale food providers), feeds 70% of the world population with less than 25% of the resources (land, water, fuel, etc).

• 80-90% uses own seeds.
Agribusiness Mergers
In 2016...
And now...
The Industrial Food Chain
Seeds and Pesticides: $96.7 billion, 2014

• The “BIG SIX” controlled Seeds and Agrochemicals until 2016
  • MONSANTO
  • SYNGENTA
  • DUPONT
  • DOW
  • BAYER
  • BASF

• More than 60% of commercial seed market and 70% of agrochemicals. 100% of transgenic seeds
Cross-licensing Agreements for Genetically Engineered Seed Traits

Phl Howard, Michigan State University  
September 2013
### Large Asset Managers Investment in the ‘Big Six’

<table>
<thead>
<tr>
<th></th>
<th>Monsanto</th>
<th>Bayer</th>
<th>Dow</th>
<th>DuPont</th>
<th>Syngenta</th>
<th>BASF</th>
</tr>
</thead>
<tbody>
<tr>
<td>BlackRock</td>
<td>5.76%</td>
<td>10.09%</td>
<td>6.11%</td>
<td>6.61%</td>
<td>6.00%</td>
<td>8.30%</td>
</tr>
<tr>
<td>Capital Group</td>
<td>2.68%</td>
<td>3.68%</td>
<td>3.60%</td>
<td>10.69%</td>
<td>4.01%</td>
<td>0.91%</td>
</tr>
<tr>
<td>Fidelity</td>
<td>3.12%</td>
<td>1.71%</td>
<td>1.17%</td>
<td>3.54%</td>
<td>0.21%</td>
<td>0.50%</td>
</tr>
<tr>
<td>The Vanguard Group, Inc.</td>
<td>7.33%</td>
<td>2.30%</td>
<td>6.27%</td>
<td>6.87%</td>
<td>2.28%</td>
<td>2.31%</td>
</tr>
<tr>
<td>State Street Global Advisors</td>
<td>4.63%</td>
<td>0.50%</td>
<td>4.14%</td>
<td>5.01%</td>
<td>0.40%</td>
<td>0.45%</td>
</tr>
<tr>
<td>Norges Bank Investment Management (NBIM)</td>
<td>0.81%</td>
<td>1.64%</td>
<td>0.43%</td>
<td>0.63%</td>
<td>1.75%</td>
<td>3.00%</td>
</tr>
</tbody>
</table>

% Owned by the Top 6 Firms Before Mergers: 24.34% 19.93% 21.72% 33.36% 14.65% 15.47%

Source: Thomson Reuters Eikon Database (percentage of shares as of Dec.31, 2016). (Clapp, 2016)
US Seed prices as % of gross production value

(Clapp, 2016)
Inflation Adjusted US Seed Costs 1975-2015

Source: USDA Data and CPI data

(Clapp, 2016)
Global Glyphosate Use (1000kg) 1990-2014

Source: Benbrook 2016 (Clapp, 2016)
### Top 10 Agrochemical Markets by Country, 2013, US$ Millions

<table>
<thead>
<tr>
<th>Country</th>
<th>US$ Millions</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>$10,013</td>
<td>18%</td>
</tr>
<tr>
<td>USA</td>
<td>$7,387</td>
<td>14%</td>
</tr>
<tr>
<td>China</td>
<td>$4,831</td>
<td>9%</td>
</tr>
<tr>
<td>Japan</td>
<td>$3,389</td>
<td>6%</td>
</tr>
<tr>
<td>France</td>
<td>$2,857</td>
<td>5%</td>
</tr>
<tr>
<td>Germany</td>
<td>$2,121</td>
<td>4%</td>
</tr>
<tr>
<td>Canada</td>
<td>$1,967</td>
<td>4%</td>
</tr>
<tr>
<td>Argentina</td>
<td>$1,747</td>
<td>3%</td>
</tr>
<tr>
<td>India</td>
<td>$1,732</td>
<td>3%</td>
</tr>
<tr>
<td>Italy</td>
<td>$1,303</td>
<td>2%</td>
</tr>
<tr>
<td><strong>All Others</strong></td>
<td><strong>$1,394</strong></td>
<td><strong>31%</strong></td>
</tr>
</tbody>
</table>

**Top 10 Total**: $37,346 69%

**Global Total Agrochem**: $54,208

**Source**: Phillips McDougall, *Industry Overview – 2013, May 2014*
Done Deals:

Over a span of 12 months, six agrochemical/seed corporations completed the three largest mega-mergers in the history of farm inputs.

• **ChemChina acquired Syngenta** for $43 billion—China’s biggest-ever foreign acquisition (June 2017). Discussing merger with SinoChem

• **Dow + DuPont** (now DowDuPont, inc. Corteva Agrisciences) $130 billion merger (September 2017)

• **Bayer absorbed Monsanto** in $62.5 billion deal – the largest foreign deal ever by a German company (June 2018)
Big Six are now a Foursome:
Pesticides ($53.6 billion market, 2017)

- In 1994, 4 firms controlled 28% of the global pesticide market.
- In 2000, 4 firms accounted for 41% of the global agrochemical market.
- Today, 4 firms control over 70% of the pesticide market (*pro forma*)

**PRO FORMA:**
ChemChina + Syngenta – 24%
Bayer + Monsanto – 23%
BASF – 12%
Dow + DuPont – 11%
2018 Post-Merger

Agrochemical sales of the leading companies, 2017 – PRO FORMA
Global Agrochemical Sales of $53,695 million

- Syngenta + ChemChina, $12,767.00 (23.8%)
- Bayer + Monsanto, $12,440.00 (23.1%)
- BASF, $6,704.00 (12.5%)
- Dow + DuPont, $6,100.00 (11.3%)
- Others, $15,684.00 (29.3%)
Commercial Seeds
$37.4 billion market, 2017

• 1994 – 4 firms accounted for 21% market share.
• 2000 – 4 firms accounted for almost one-third of the seed market
• Today, 4 firms control over two-thirds of the global market (pro forma).
• Top 6 firms account for almost three-quarters of the global market (pro forma).

Top 4:
1. Monsanto + Bayer
2. DowDuPont
3. Syngenta (now ChemChina)
4. Vilmorin (Limagrain)
Seed and trait sales of the six leading companies ($ million), 2017

Conservative World Market Seed Sale of $37,410 million

- Monsanto + Bayer (pro forma), $12,682.00, 34%
- DowDuPont (pro forma), $8,200.00, 22%
- Syngenta, $2,826.00, 7.50%
- Limagrain (Vilmorin), $1,842.00, 5%
- KWS, $1,497.00, 4%
- DLF (Denmark), $614.00, 1.60%
- Others, $9,749.00, 26%
Top 6 Farm Machinery Companies, 2017
Estimated Worldwide Sales of $135,300 million

- Deere & Co. (USA), $20,167, 15%
- Kubota (Japan), $11,246, 8.3%
- CNH Industrial (UK/Netherlands), $11,130, 8.2%
- AGCO (USA), $8,300, 6.1%
- CLAAS (Germany), $4,075, 3%
- Mahindra & Mahindra Ltd. (India), $2,050, 2%

Others, $78,332.00, 58%
World’s Top 10 Fertilizer Companies, 2017
Estimated Worldwide Sales of $190,400 million
Industrial Farm Inputs: Market Size by Sector (2017)

- Seeds: $37 billion
- Pesticides: $54 billion
- Ag Equipment: $135 billion
- Fertilizer: $190 billion

Who will dominate the chain?
Movement up and down the Chain

- Internet retail giant **Amazon** bought **Whole Foods** and launched **Amazon Fresh** to sell and deliver groceries.
- **Walmart** has beaten Amazon in a takeover bid of **Flipkart**, India’s largest home-grown internet retailer.
- **Walmart** and **Nestlé** are establishing “partnerships” with small-holder producers or are they just ”overseers”?
- **Cargill**, world’s largest food trader, buys **EWOS** (salmon farms) but also invests in synthetic biology food start-ups.
- **3G Capital** may purchase one or more of: **Unilever**, **Mondélez**, **Kellogg’s**, **General Mills** or **Campbell Soup**?
Agricultural input giants across all sectors are now vying to take command of the complete package: Big Ag’s data-driven, genomics-intensive future.

It no longer makes sense to examine ag inputs as discreet sectors. Driven by Big Data and genomics technologies, the borders are blurring; the interests are overlapping.
Take-Aways:

• Mega-mergers resulted in fewer, bigger companies re-shuffling their assets among a cozy agrochemical cabal.

• The hidden winner: German chemical company BASF picks up €7.7 billion of the ~€9 billion in assets shed by Bayer.

• Policy makers and anti-trust regulators don’t have the tools or teeth to clamp down on 21st century monopoly power.

• Market share is a very incomplete (and inadequate) measure of corporate market power.
Big Ag’s extreme market power impacts

- More agrochemicals, GM seeds and new biotech seeds (genome editing and others)
- Digitalization / robotization of agriculture
- Increased input’s prices
- Shrinking investment in public sector agricultural research, less varieties and more restrictions to seed exchanges
- More conditionalities for credits, rural programs and agricultural insurances
- Less small farms and more rural unemployment
- New national and international policies and regulations on seeds, phytosanitary standards, IPRs and other frameworks to displace peasant / small farmers production
- Policies to favor transnationals, including infrastructure and others
Ways Forward? 1/2

Global:

Popular and grassroots movements must continue denouncing/resisting the impacts of corporations on food and agriculture. Need to deeper understanding of the implications of mergers, including “the second round” of mergers.

• The United Nations must reinvigorate its capacity to monitor and assess Transnational corporate activities, including...
  • Monitoring and assessment (by industrial sector) via specialist UN bodies such as the CFS/FAO for activities relevant to world food security.
  • The further development of the UNCTAD Model Law on Competition and UN Set of Guidelines on Competition into a Treaty on Competition Policy;
Ways Forward? 2/2

Regional/National:

• Review existing competition laws and regulations;
• Incorporate analysis of technology “hub” or “network effects” in M&As;
• Encompass socio-economic (including employment and trade) and environmental impacts of transnational corporate activities;
• Create scope for “Third-Party” review of M&A assessments allowing the involvement of local governments, employees, farmers, consumers, and other affected parties;
• Entrench assessment of impact of M&A on innovation and access to information;
• Demand for transparency in deliberations and processes of Competition authorities
THANK YOU!

For more information:

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