

Corporate control and Mega-Mergers in food and agriculture

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

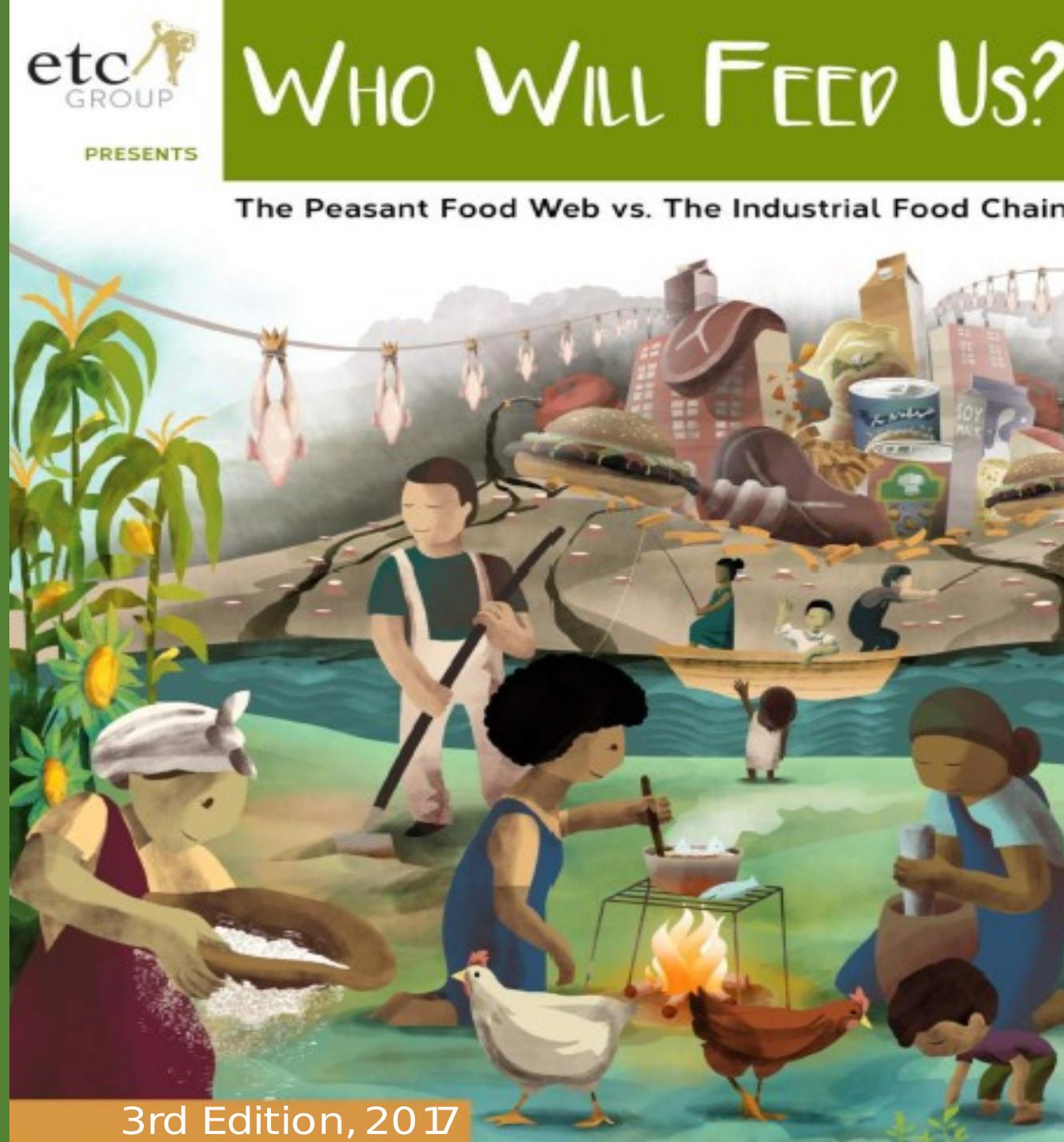
24 July 2018

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.



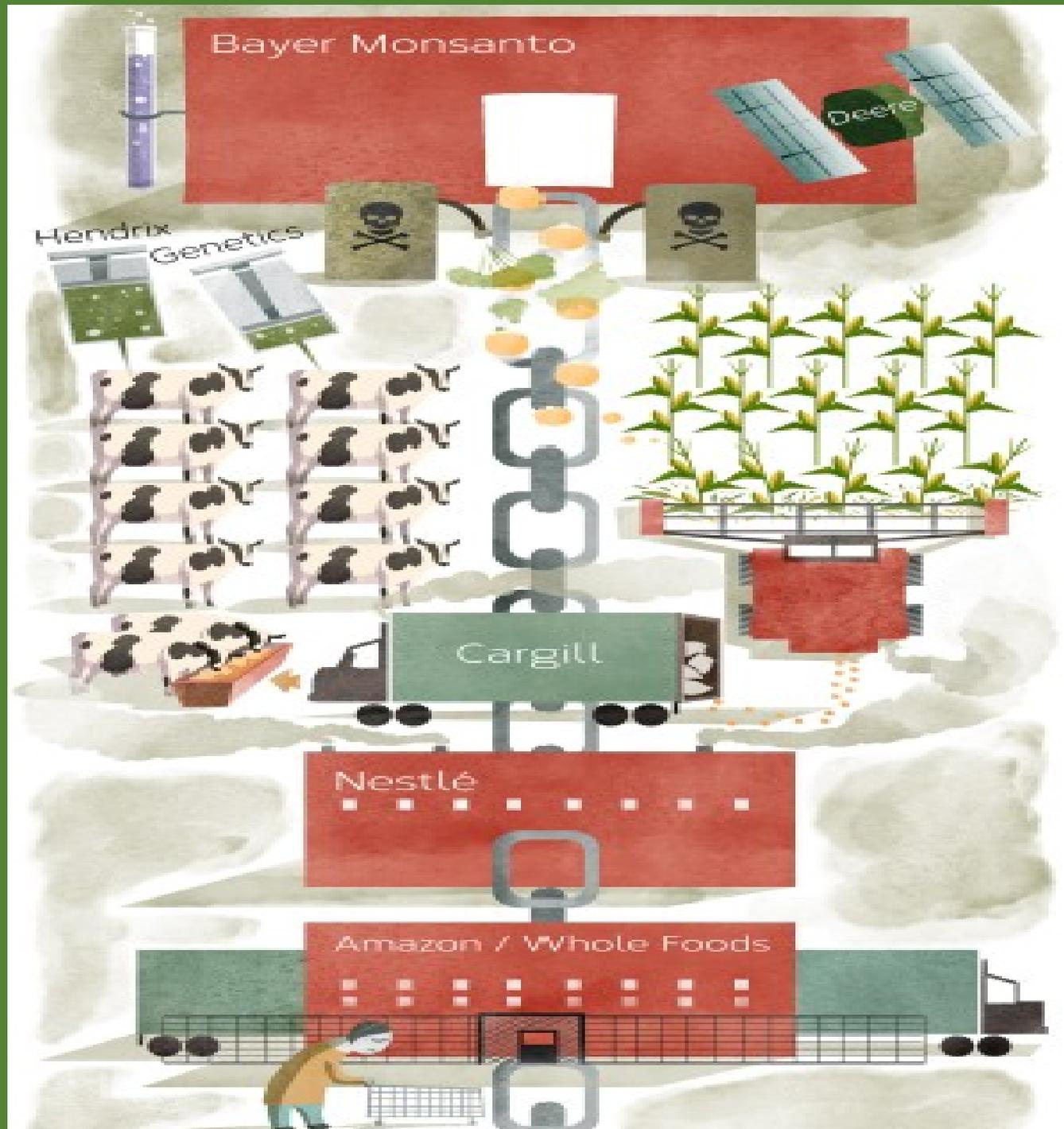
3rd Edition, 2017

Agribusiness Mergers In 2016...



And now...





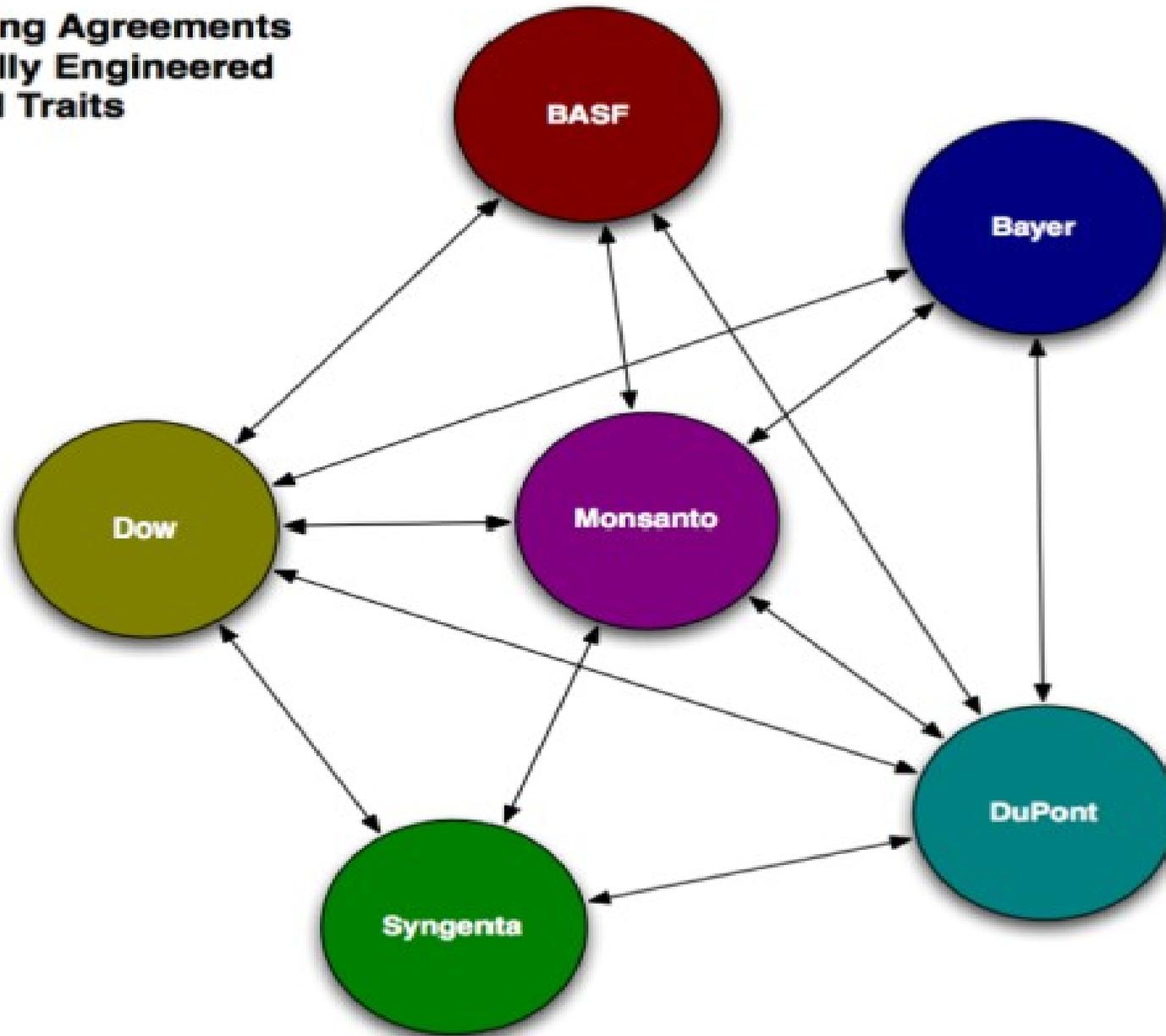
The Industrial Food Chain

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

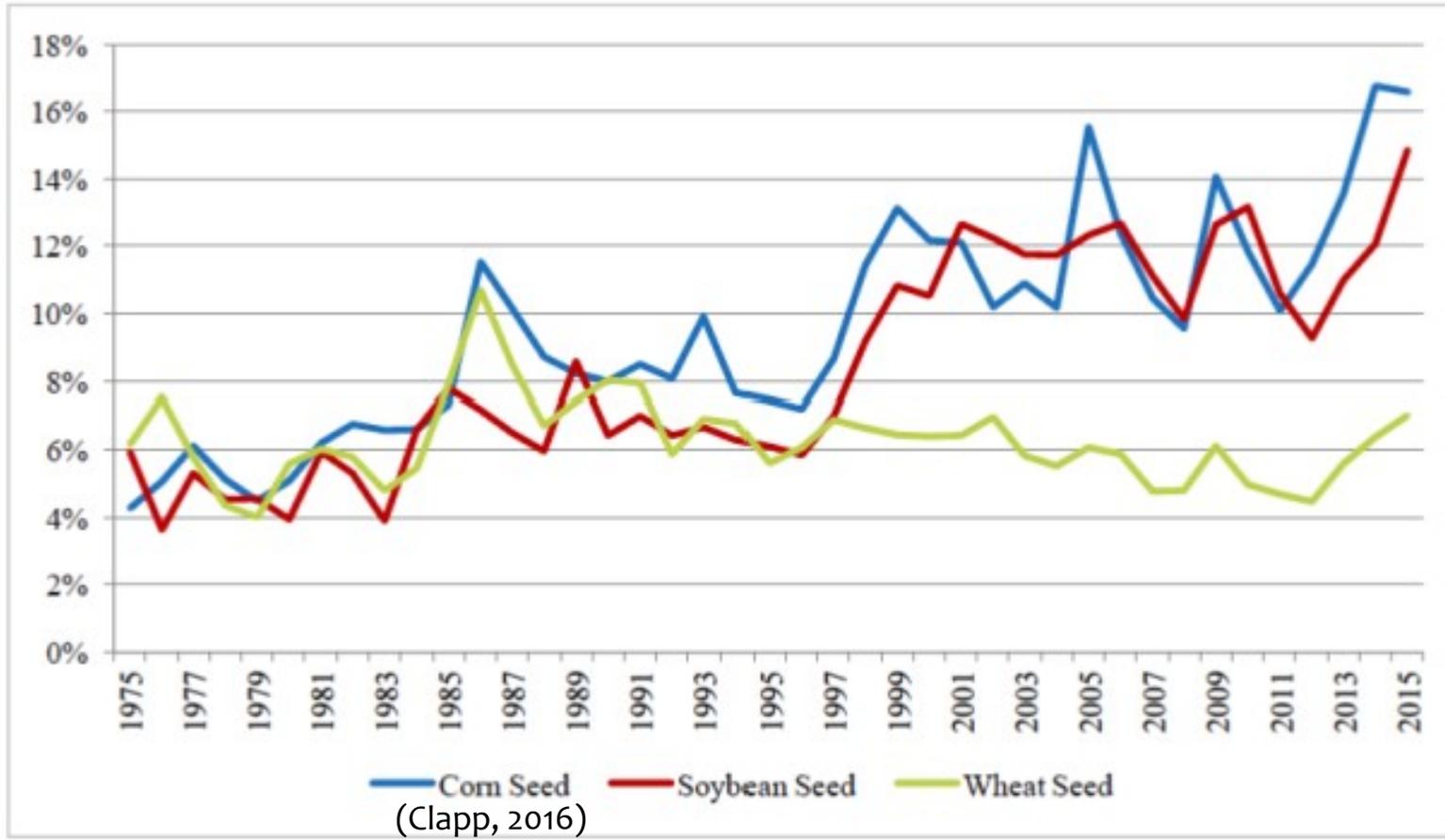


Large Asset Managers Investment in the 'Big Six'

	Monsanto	Bayer	Dow	DuPont	Syngenta	BASF
BlackRock	5.76%	10.09%	6.11%	6.61%	6.00%	8.30%
Capital Group	2.68%	3.68%	3.60%	10.69%	4.01%	0.91%
Fidelity	3.12%	1.71%	1.17%	3.54%	0.21%	0.50%
The Vanguard Group, Inc.	7.33%	2.30%	6.27%	6.87%	2.28%	2.31%
State Street Global Advisors	4.63%	0.50%	4.14%	5.01%	0.40%	0.45%
Norges Bank Investment Management (NBIM)	0.81%	1.64%	0.43%	0.63%	1.75%	3.00%
% Owned by the Top 6 Firms Before Mergers:	24.34%	19.93%	21.72%	33.36%	14.65%	15.47%

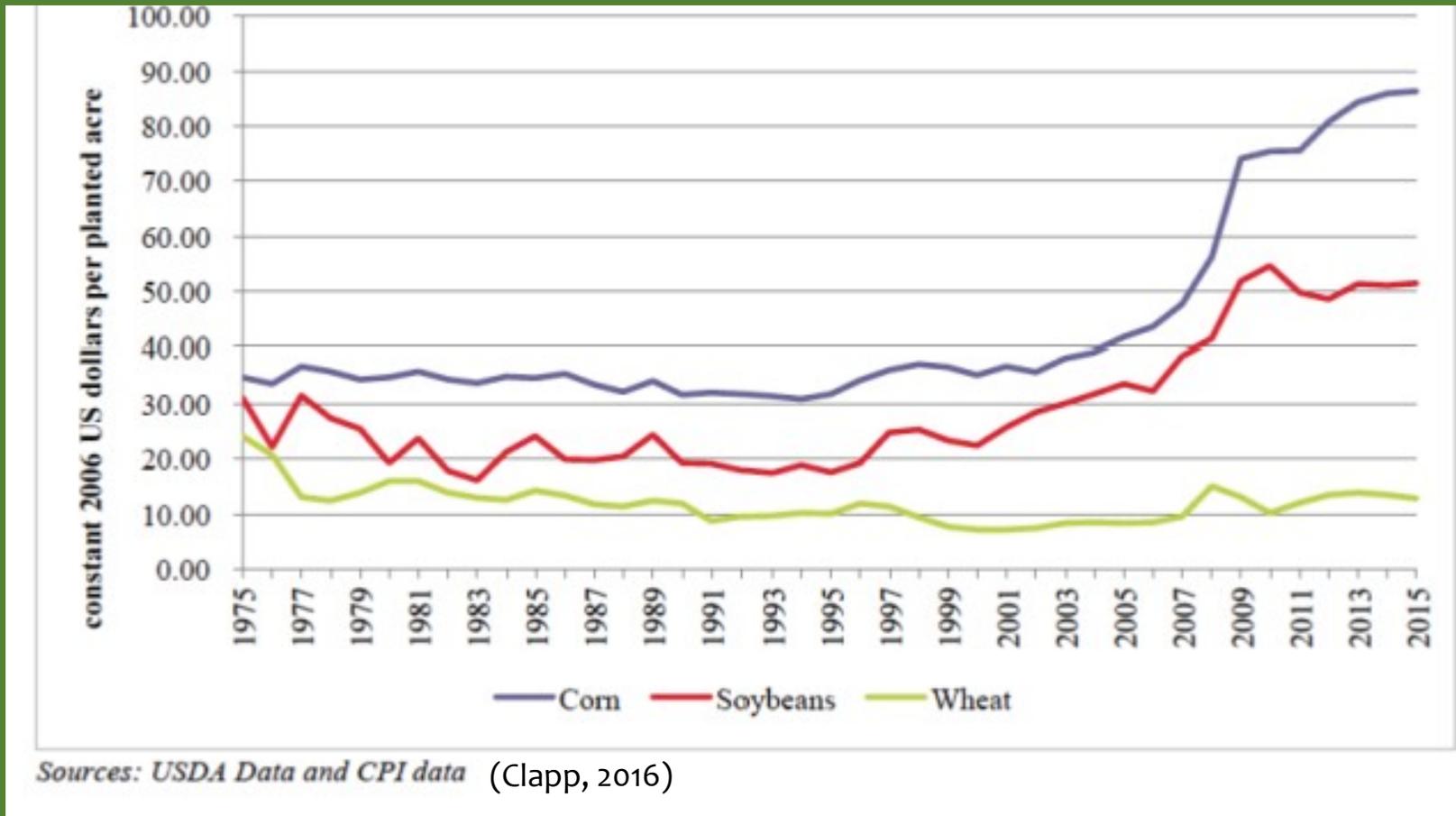
Source: Thomson Reuters Eikon Database (percentage of shares as of Dec.31, 2016). (Clapp, 2016)

US Seed prices as % of gross production value

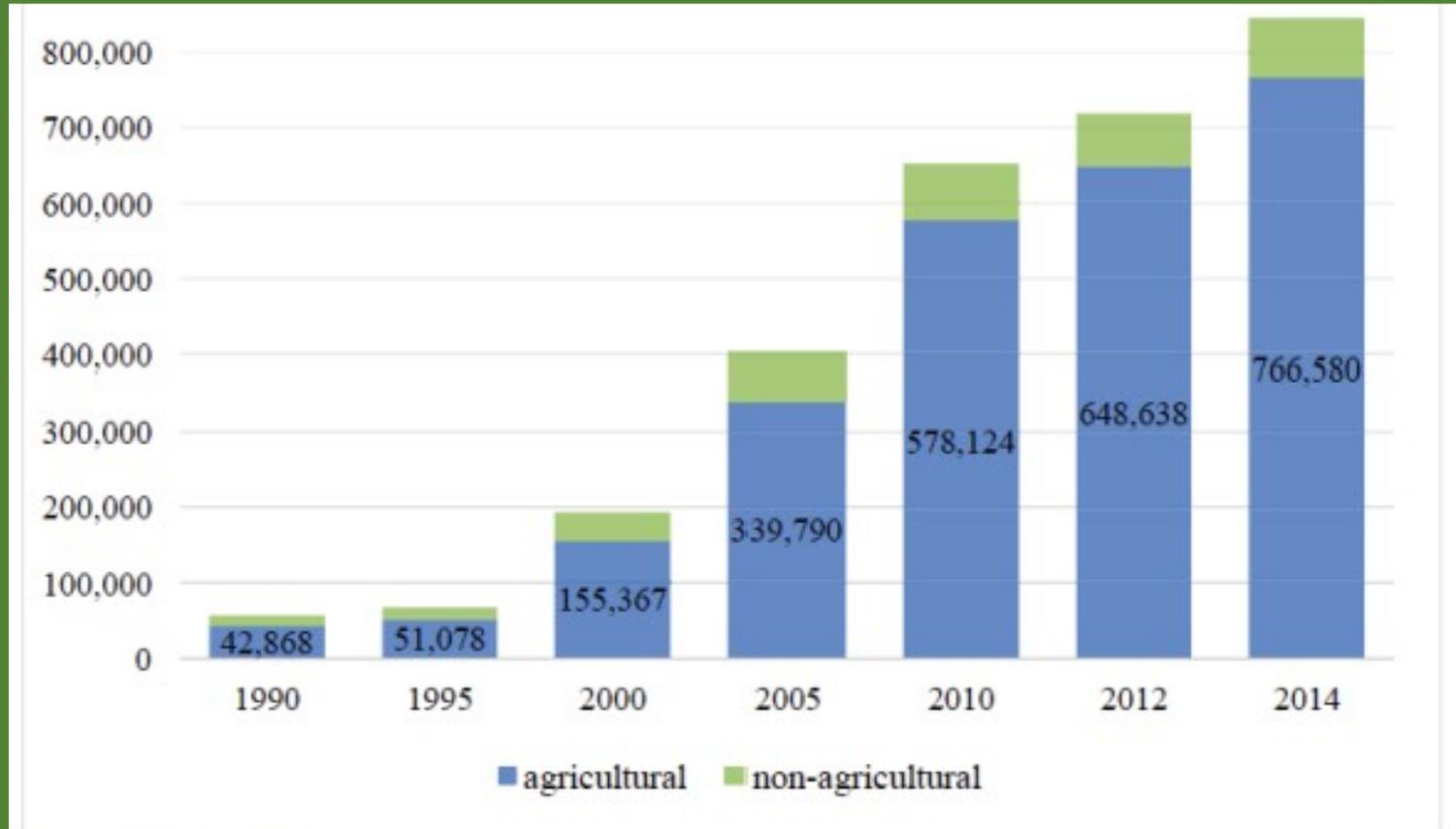


Source: USDA Data

Inflation Adjusted US Seed Costs 1975-2015

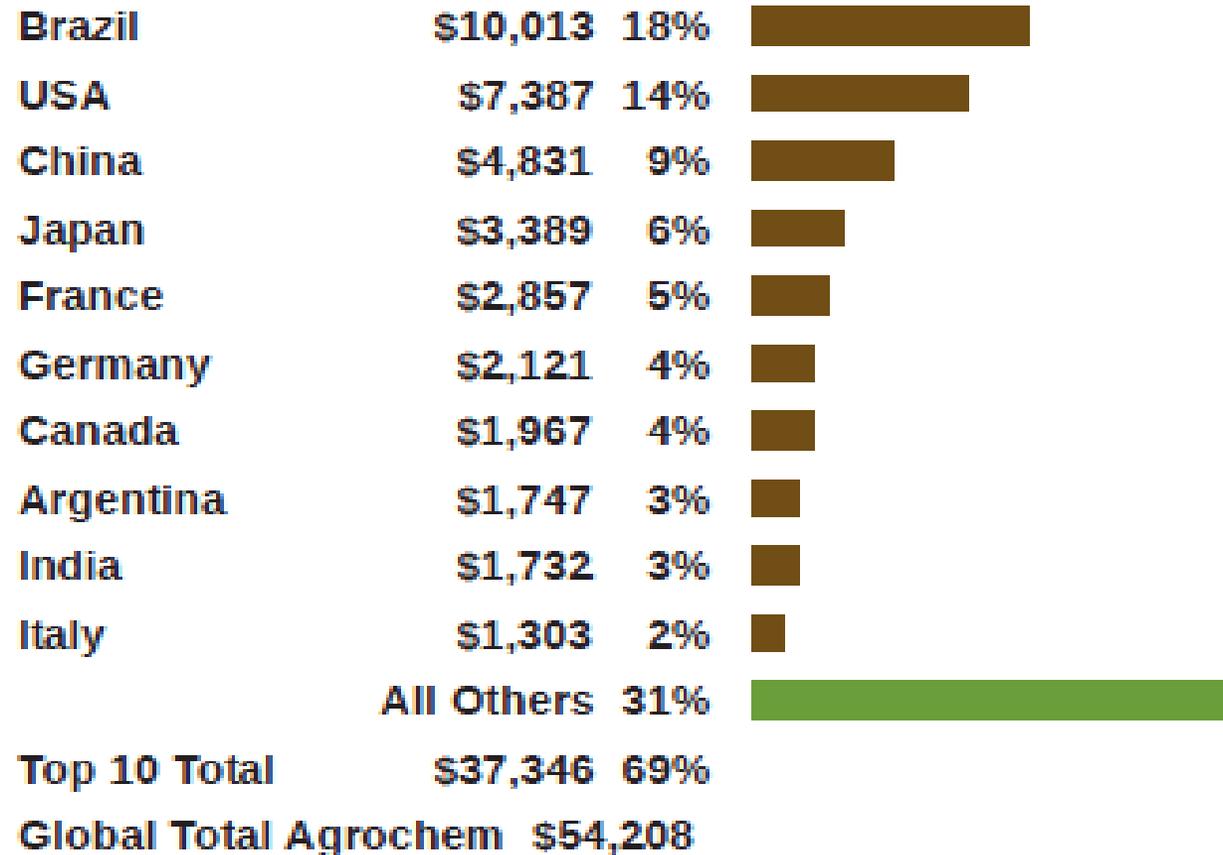


Global Glyphosate Use (1000kg) 1990-2014



Source: Benbrook 2016 (Clapp, 2016)

Top 10 Agrochemical Markets by Country, 2013, US\$ Millions



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)



PRO FORMA:

ChemChina + Syngenta – 24%

Bayer + Monsanto – 23%

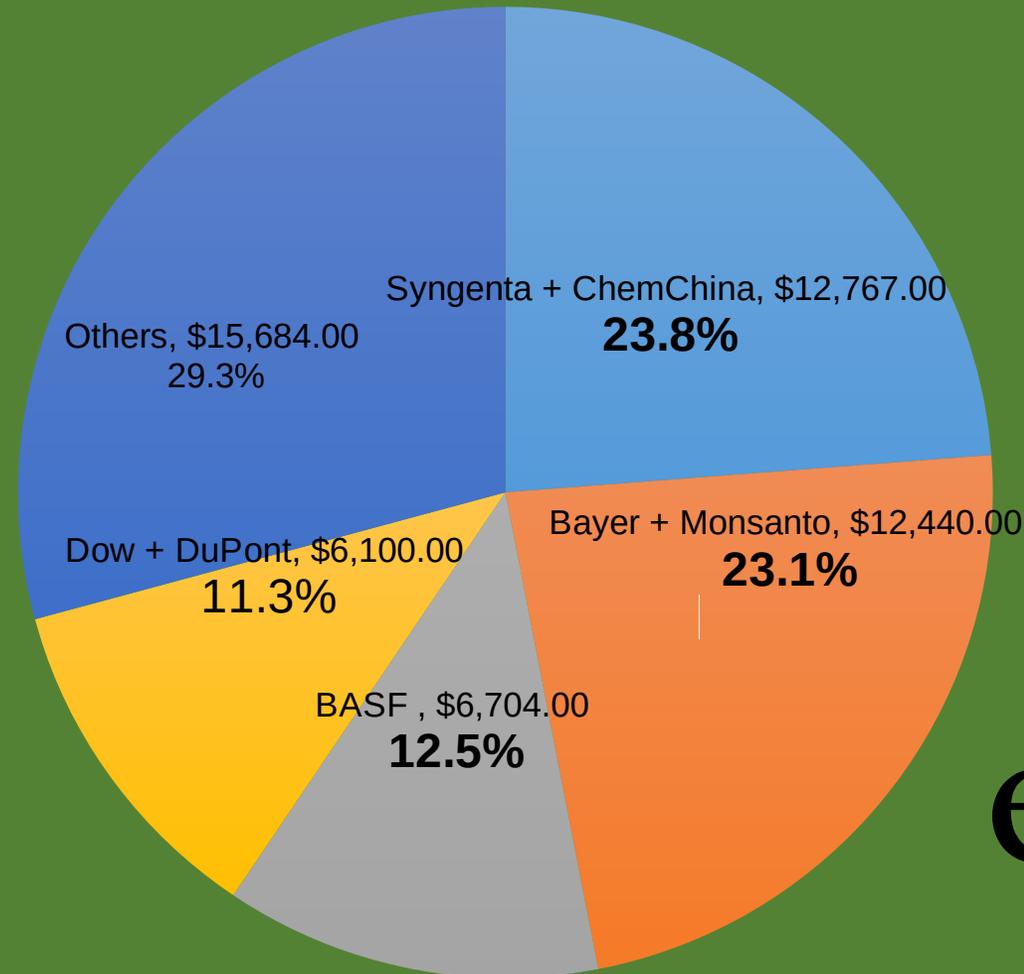
BASF – 12%

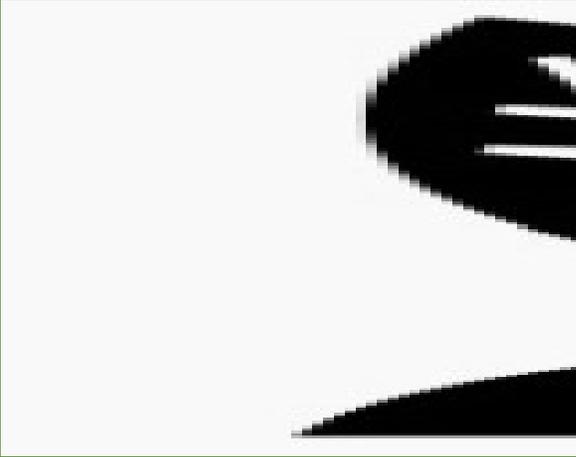
Dow + DuPont – 11%

- 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*)**

2018 Post-Merger

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





Commercial Seeds

\$37.4 billion market, 2017

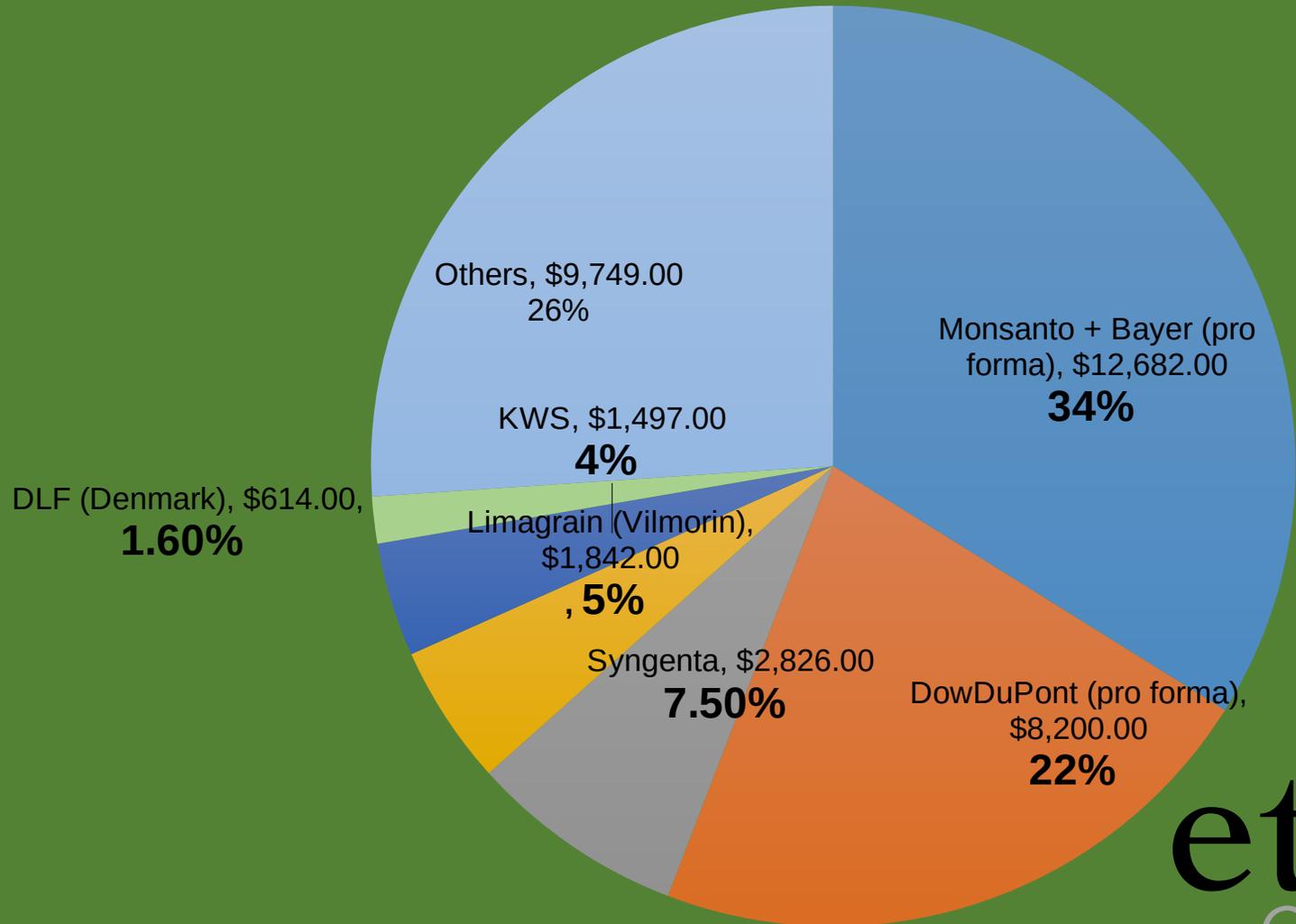
Top 4:

1. Monsanto + Bayer
2. DowDuPont
3. Syngenta (now ChemChina)
4. Vilmorin (Limagrain)

- 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*).

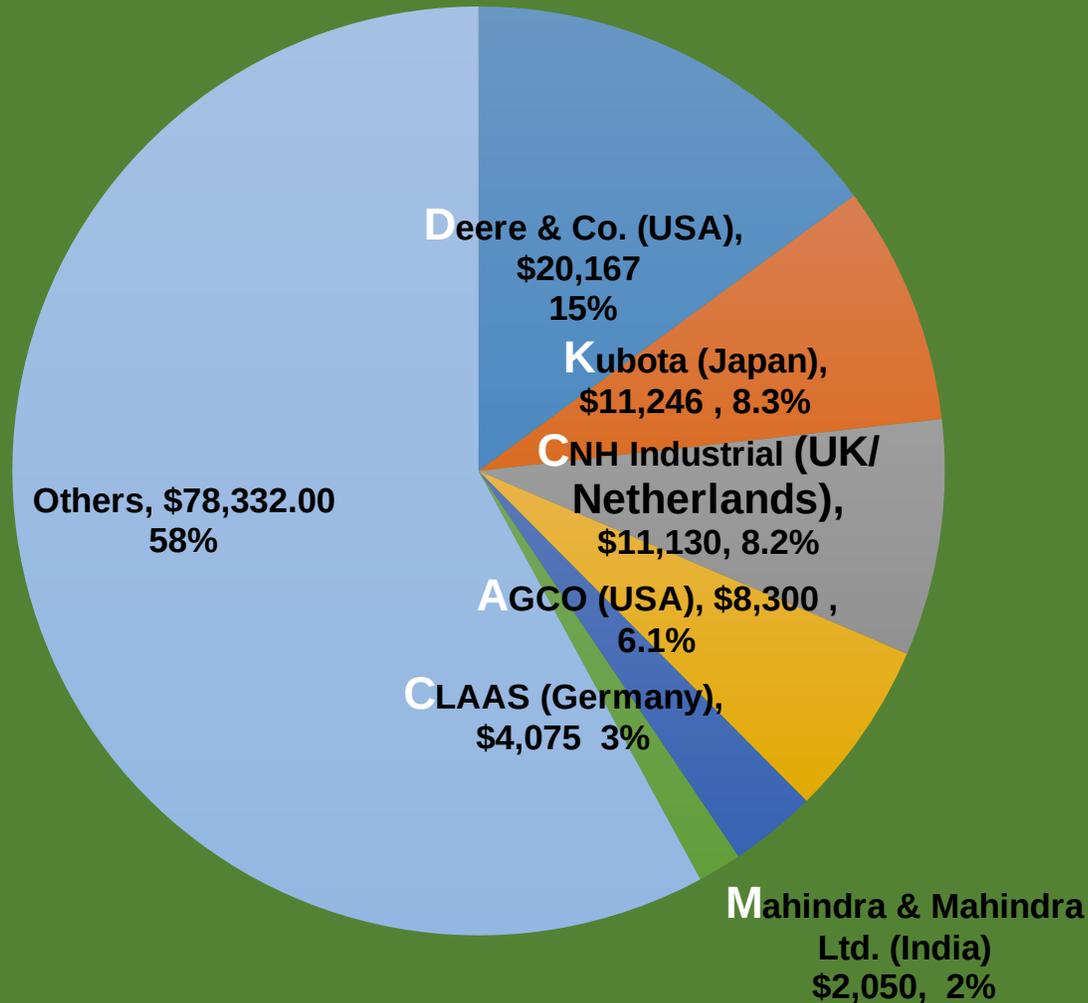
Seed and trait sales of the six leading companies (\$ million), 2017

Conservative World Market Seed Sale of \$37,410 million



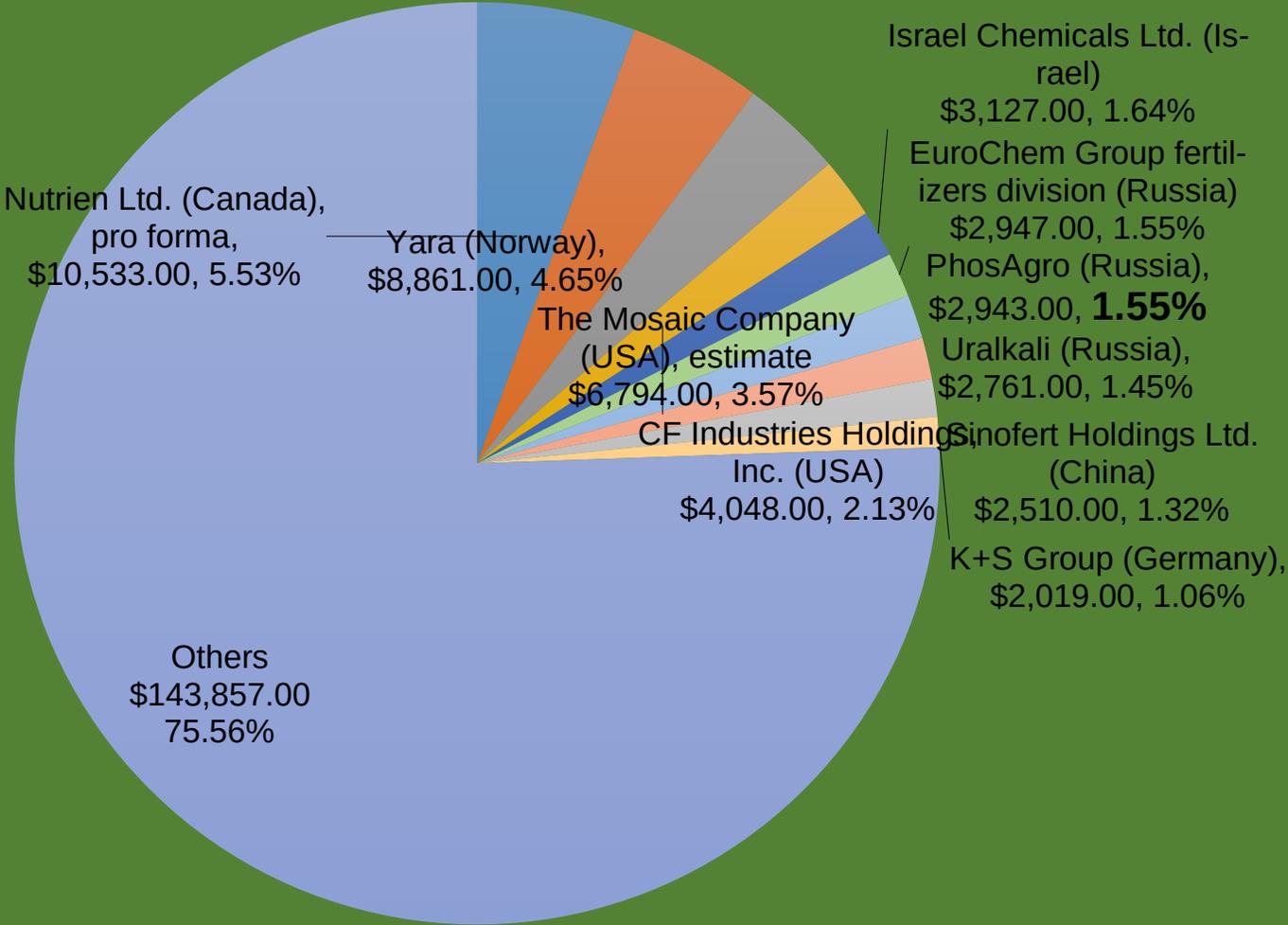
Top 6 Farm Machinery Companies, 2017

Estimated Worldwide Sales of \$ 135,300 million



World's Top 10 Fertilizer Companies, 2017

Estimated Worldwide Sales of \$190,400 million



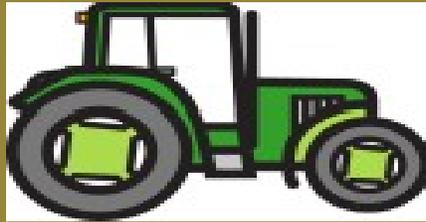
Industrial Farm Inputs: Market Size by Sector (2017)

Seeds



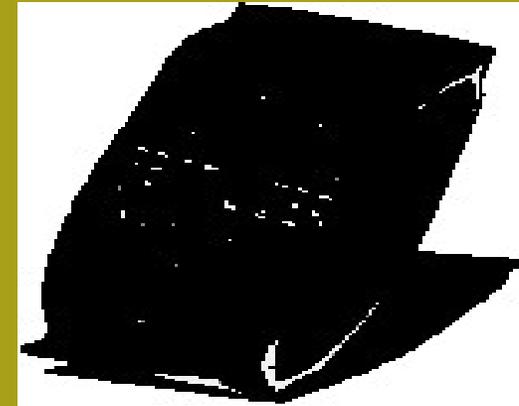
\$37 billion

Ag Equipment



\$135 billion

Fertilizer



\$ 190 billion

Pesticides



\$54 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**?

The Complete Package: Big Data and Genomics

- 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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