



CSM Proposal for
***“The impact of market concentration on public policies
for food security and nutrition”***
**as part of the CFS Multi-Year Programme of Work
(MYPOW) 2018-2019**

Background information regarding the proposed topic and justification of food security and nutrition policy aspects

Market and corporate concentration is a long-standing characteristic of the agricultural sector, but has reached an apex in the past two years as five ‘mega-mergers’ in the agri-input sectors have attracted international attention.ⁱ In the coming years, concentration along the agri-food chain, from inputs to traders to retailers, will become an increasingly relevant issue for food security and nutrition, and particular for public policies on the national level aiming at the progressive realization of the right to adequate food. Some figures related to the status of concentration:

- **Seeds and agrochemicals:** six companies (who, if mergers are approved, will become three companies) would control 60% of global seed sales and 71% of pesticides sales.
- **Livestock genetics:** two companies control approximately 90% of laying chicken genetics globally and three leading pig breeders dominate global markets.ⁱⁱ
- **Fertilisers:** the fertiliser industry has long operated in government-sanctioned export cartels organized by fertiliser type. For example, only three companies (PotashCorp, Mosaic and Agrium) control all potash sales in North America through a marketing venture known as Canpotex (Canadian Potash Exporters); PotashCorp and Agrium recently announced their merger, which would create an entity that controls 90% of the global market.ⁱⁱⁱ
- **Farm machinery:** the three biggest farm machinery companies accounted for almost half of global farm machinery sales in 2014. Deere, the largest farm machinery company, recently agreed to acquire Monsanto’s Precision Planting LLC but is wrapped up in a US anti-trust lawsuit because the merged company would control 86% of the precision planting market.^{iv}
- **Food traders:** commodity firms are increasingly dominated by multinational input companies or large processors and retailers. Because of high levels of concentration across activities and sectors, commodity traders are increasingly operating as “cross-sectoral value chain managers [with] enormous power to shape key aspects of the global food landscape”.^v

The rationale for concentration is that mergers allow companies to consolidate R&D efforts and maximize innovation, and to integrate supply chains and deploy new technologies more quickly on a larger, more global scale. These rationales are contested by experts in food security and nutrition.

These experts cite concerns that the new round of mergers will reshape the food system with implications for input costs, public subsidies, consumer prices and innovation, potentially leading to reduced agricultural research and development (R&D), reduced diversity and choice for farmers and consumers, and a decline in policy participation for farmers and smaller agricultural companies.

This kind of market concentration fundamentally enters in conflict with those public policies for food security and nutrition which have been developed in many countries in a participatory and inclusive way by strengthening smallholders' access to local, national and regional markets, and designing national programs in support of small-scale food producers as the most important contributors to food security and nutrition. It is likely that the mergers under review will not only increase global market share of the companies involved, dwarfing regional and local competitors, but will also increase their regional geographic spread and policy influence at global, regional and national levels. Industry concentration will increase the bargaining power of large agribusiness firms. The merged international entities will be influential on more continents and in more countries, with a greater capacity to influence governments on the nature of international foreign aid, agricultural development and multi-lateral trade agendas—their capacity already greatly exceeds that of agricultural producers and consumers.

Increased market concentration and increased influence of large-scale agribusiness in shaping public policies has led in many countries to the phenomenon of “shrinking space” for civil society regarding their participation political deliberation processes on food security and nutrition policies. Moreover, many of the documented cases of repression and criminalization against small-scale farmers, indigenous peoples, agricultural and food workers, fisherfolks, landless, pastoralists and human rights defenders are intimately linked to increased corporate influence in public policies.

Description of how the topic contributes to CFS objectives and mandate as well as explanation of the value add/rationale for the Committee addressing this matter

CFS MANDATE and VALUE ADDED:

The CFS offers an inclusive policy forum that allows CFS members from all continents, Rome-based agencies, other UN-bodies, small-scale food producer and other civil society organizations, private sector and research institutions to conduct a broad and in-depth political assessment about whether market concentration affects food insecurity and nutrition. The impact of the agribusiness mergers on developing countries – and smallholder producers – are not likely to be considered in either the home countries or major markets of the enterprises involved.

An HLPE report would offer a thorough and up-to-date analysis of the research and evidence on the impacts of market concentration on public policies for food security and nutrition would help national governments and regional institutions understand impact of market concentration



on food security and nutrition security and enable them to address these impacts. It would also help UN Rome-based agencies and other UN and global institutions better understand the changing landscape of corporate structures that influence food policies.

Contribution to CFS OVERALL OBJECTIVE:

Thorough and up-to-date information on the impact of market concentration on policies for food security and nutrition, from the UN- and national-level policy to civil society and academia, will enable decision-makers to make far-ranging deliberations and informed decisions about future mergers; will allow global policymakers to address the potential impacts of concentration across sectors; and, through the inclusive multi-stakeholder process, will give due consideration to the perspectives of potentially-impacted groups. These elements will be key for the policy convergence function and process within the CFS market concentration and food security and nutrition

RELEVANCE and GLOBAL IMPACT:

Current merger activity across the food chain foreshadows a sea-change in the agrifood industry that will impact producers, distributors, consumers and all other actors. For example, experts predict that this initial round of mega-mergers will trigger a second round of mergers in which farm machinery companies will acquire other input sectors, and an even smaller number of companies will control the entire chain of inputs.

This quote from the upcoming International Panel of Experts in Sustainable Food Systems (IPES-Food) expands on the impact of market concentration on smallholder producers^{vi}:

Regardless of whether smallholder producers participate as consumers of industrial agricultural products, they are not immune to the larger social and economic impacts of corporate consolidation. As ever-larger firms penetrate new markets, they seek the most favorable enabling environment in which to conduct business. Industrial firms actively shape trade and aid agreements and rural development policies to their advantage. They typically press for policies and programs to facilitate the introduction of new technologies and market-based activities. [...] The enabling environment may include, for example, harmonized seed laws, upgraded infrastructure, eased tax burden and regulations that are deemed industry-friendly.

A full program of work on concentration in the CFS will provide member-states, institutions and civil society an inclusive forum that provides horizon-scanning and early-warning capacities on these critical developments and trends that have far-ranging impacts on global food security and nutrition.

NO DUPLICATION:

There is currently no other international body directly addressing how agri-food mergers may impact food security and nutrition. The UN lost its ability to monitor and address market and corporate concentration when the UN Centre for Transnational Corporations was closed in 1993. Many mergers in the agri-food sector are cross-boundary, and are therefore difficult to assess or address in an inclusive, comprehensive way at the national level. The mandate, and

multilateral and multi-stakeholder nature of the CFS offers a logical space for this critical issue to be addressed at the UN.

KNOWLEDGE and EVIDENCE:

The implications for food security of mergers along the food chain are explored in an upcoming report from the International Panel of Experts on Sustainable Food Systems.^{vii}

IPES-Food: International Panel of Experts on Sustainable Food Systems. Thematic Report 03, "Too Big to Feed: Concentration in the agri-food industry" (Working title), 2016. In publication.

ROME-BASED AGENCIES SUPPORT:

Market concentration could have effects on public policies related to food security and nutrition (and on food security and nutrition more broadly) that impact the work of the other Rome-based Agencies. Reliable and current information on those impacts would therefore aid those agencies in more effective provision of support and advise to member-states and institutions in line with their respective mandates. For example, it would help inform the WFP as they distribute food aid, helping them understand who the commodity traders are, any competition they are facing in food prices, and give warning about possible food price crises. A program of work on concentration would inform IFAD of the causes of challenges facing small-scale producers in the changing landscape of corporate structures.

ⁱ These five international mergers are: ChemChina's acquisition of Syngenta; Dow's merger with DuPont;

ⁱⁱ ETC Group, "Putting the Cartel Before the Horse... and Farm, Seeds, Peasants, etc." *ETC Communique*, no. 111, September 2013. http://www.etcgroup.org/putting_the_cartel_before_the_horse_2013

ⁱⁱⁱ IPES-Food: International Panel of Experts on Sustainable Food Systems. Thematic Report 03, "Too Big to Feed: Concentration in the agri-food industry" (Working title), 2016. In publication.

^{iv} United States Department of Justice, "Justice Department Sues to Block Deere's Acquisition of Precision Planting." Press Release. August 31, 2016. [http://www.bloomberg.com/news/articles/2016-08-31/deere-deal-for-](http://www.bloomberg.com/news/articles/2016-08-31/deere-deal-for-monsanto-s-precision-planting-opposed-by-u-s-isj365rw)

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^v IPES-Food: International Panel of Experts on Sustainable Food Systems. Thematic Report 03, "Too Big to Feed: Concentration in the agri-food industry" (Working title), 2016. In publication.

Clapp, Jennifer. "ABCD and Beyond: From grain merchants to agricultural value chain managers," *Canadian Food Studies*, Vol. 2, No. 2, September 2015, p. 126.

Murphy, S., Burch, D., Clapp, J., 2012. Trade Secrets: The world's largest grain traders and global agriculture. Oxfam Research Reports. URL <https://www.oxfam.org/sites/www.oxfam.org/files/rr-cereal-secrets-grain-traders-agriculture-30082012-en.pdf>

^{vi} IPES-Food: International Panel of Experts on Sustainable Food Systems. Thematic Report 03, "Too Big to Feed: Concentration in the agri-food industry" (Working title), 2016. P. 40. In publication.

^{vii} A pre-press draft of this report is available upon request.