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THE EFFECTS OF CORPORATE CONSOLIDATION ON MARKET COMPETITION, PRICING, AND SMALLHOLDER ACCESS IN AGRICULTURE

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Introduction

Corporate mergers and acquisitions are becoming a hallmark of contemporary agribusiness. Critics claim that these consolidations undermine market competition, raise input costs, and deny smallholder farmers access to important developments, while supporters maintain that they increase efficiencies, support R&D, and foster technological innovation. Given its importance to rural life and food security, the agricultural sector deserves particular attention when it comes to concentrated corporate ownership. The market for agricultural inputs saw a dramatic change between 2015 and 2018. The "Big Six" agribusinesses were whittled down to four key players: Bayer, Corteva, Syngenta, and BASF, following three significant mergers: Dow-DuPont, ChemChina-Syngenta, and Bayer-Monsanto. The end effect was an oligopolistic market structure in which a small number of multinational firms had a major impact on pricing, innovation, and competition. In addition to changing the supply chain, this consolidation changed the balance of power between input providers and farmers. For instance, the combination of Bayer and Monsanto created a business that dominates the agrochemical and seed industries, raising questions about regulatory control and monopolistic practices. These mergers raise concerns about the sustainability and inclusivity of agricultural innovation networks and have significant economic ramifications, especially for vulnerable stakeholders.

Keywords: Agribusiness consolidation, Market concentration, Monopolistic pricing, Smallholder farmers, Seed and agrochemical markets

Regulatory interventions

Market Concentration and Competition

One of the most visible impacts of M&As in agriculture is the increase in market concentration. The global agrochemical and seed industries are now dominated by a few corporations, including Bayer, Corteva, Syngenta, and BASF, primarily as a result of landmark M&As between 2015 and 2018.[640]

When a few companies control a sizable portion of the market, this is referred to as market concentration. The number of independent competitors frequently decreases when mergers and acquisitions (M&when) increase in frequency, especially among major firms in a sector. An industry's competitive dynamics can be drastically changed by this concentration of market power. The possible move toward oligopolistic or monopolistic pricing structures is one of the most obvious effects of this concentration. Businesses have more pricing

[640] European Commission, Case M.8084 – Bayer/Monsanto, Commission Decision of 21 March 2018.

power when they control a smaller portion of the supply of products and services. Dominant companies may raise prices to boost profit margins even if doing so lowers customer welfare if there isn't enough competition to keep pricing in check. This is particularly troublesome in critical industries like technology, healthcare, and agriculture, where consumers may have few other options and are forced to pay higher prices. Price is not the only factor impacted by fewer rivals; the pace and course of innovation are also impacted. Businesses are encouraged to innovate in competitive markets in order to stand out from the competition and gain market share. Nonetheless, dominant enterprises frequently have less motivation to innovate in highly concentrated marketplaces. Instead of spending money on expensive research and development (R&D), a company may decide to rest on its laurels and stick with its current product lines once it has achieved a significant level of market control. Long-term effects on technical development, economic vitality, and overall productivity growth within an industry may result from this stagnation. The consequences of market concentration are considerably more dire for smaller businesses and prospective newcomers. The establishment of substantial entry barriers is one significant effect. Large, established companies usually have strong brand awareness, enormous economies of scale, and vast distribution networks. Even if new businesses provide unique goods or services, these advantages make it very difficult for them to take off. Dominant companies frequently possess extensive and well curated patent portfolios in sectors such as biotechnology and pharmaceuticals, thereby obstructing access to vital inventions or procedures. Smaller players find it unaffordable to compete because they have to either pay exorbitant fees for patent licenses or take part in drawn-out, dangerous legal proceedings to contest them. Furthermore, start-up investment may be discouraged by crowded markets. If the path to market success is blocked by powerful incumbents, venture capitalists and other investors are less likely to support new entrants. A feedback loop results from this: less competition causes market concentration, which discourages innovation and new entrants and strengthens the position of established businesses. This may eventually lead to a less vibrant economy where consumers have fewer options, innovation slows down, and prices become more unappealing to consumers. In the Bayer-Monsanto merger, for example, the European Commission and Indian regulators both noted that the transaction would reduce competition in traits and crop protection products, ultimately impacting farmers' choices and increasing input costs.[641]

Pricing and Input Accessibility

Increased consolidation can lead to higher prices for seeds, pesticides, and fertilizers. Following the Monsanto acquisition, Bayer gained significant control over genetically modified traits and proprietary seed technologies, which critics argued could lead to monopolistic pricing in key markets like India, Brazil, and parts of Africa. Higher input prices disproportionately affect smallholder and marginal farmers who lack bargaining power or access to government subsidies. These farmers may either absorb increased costs or reduce input usage, potentially affecting yields and household income.

A study by the Organisation for Economic Co-operation and Development (OECD) indicated that consolidation in seed markets often correlates with price increases and reduced varietal diversity.[642] Corporate mergers and acquisitions (M&As) in the agricultural sector often result in the consolidation of vital input markets. This includes seeds, agrochemicals, and fertilizers—products that form the foundation of modern agricultural productivity. While M&As may offer synergies and operational efficiencies for businesses, they raise serious concerns about pricing and input

[641] Competition Commission of India, Bayer AG/Monsanto Co., C-2017/08/523.
[642] OECD, "Concentration in Seed Markets and its Impact on Innovation," OECD Food, Agriculture and Fisheries Papers, No. 132, 2020.

accessibility, especially for smallholder farmers and developing economies.

Market Power and Monopolistic Pricing

A new corporation that controls a significant piece of the input market is typically the outcome of large agribusiness mergers. The 2018 merger of Bayer and Monsanto is one such instance. The result of the combination is one of the world's largest integrated enterprises in the seed and agrochemical industries. This development alarmed authorities worldwide because Monsanto already had substantial intellectual rights over genetically modified (GM) seed traits and Bayer was a major pesticide maker.

Two industrial titans with leading positions in their respective fields were brought together by the merger: Bayer, which had a solid presence in agricultural chemicals, especially herbicides, and Monsanto, which was a world leader in genetically modified seeds and crop features. Regulators, farmers, and consumer advocacy organizations expressed grave worries about this vertical integration, in which a single business controls several phases of the agricultural supply chain. Critics were concerned that the combined company would have undue control over pricing, innovation, and access to agricultural supplies in addition to controlling a disproportionately significant amount of the worldwide seed and pesticide market. The corporation may be able to dictate terms to farmers with the market power gathered through such consolidation, which could limit their options and raise input costs.

In order to evaluate the merger's potential effects on competition, regulatory bodies in the US, the EU, and a number of other jurisdictions started thorough examinations. Antitrust officials were especially worried that the combination would hinder innovation, lessen competition, and make it harder for smaller businesses to enter the market. To maintain competition in the industry, Bayer and Monsanto had to sell off a number of important assets as a requirement for approval. To reduce monopolistic risks, Bayer, for example, decided to sell its seed and pesticide divisions to rival agrochemical company BASF. Given the synergies produced by integrated research, manufacturing, and distribution networks, many stakeholders contended that despite these divestitures, the merger would unavoidably shift market dynamics in favor of the combined business.

Additionally, the consolidation had wider ramifications for agricultural sustainability and global food security. Reduced genetic variety, reliance on proprietary technology, and the promotion of input-intensive farming practices that might not be appropriate for all areas are risks associated with a few number of businesses controlling the production and sale of seeds and crop protection products. Given this, the Bayer-Monsanto merger came to represent the broader trend of consolidation in global agribusiness, which is still changing farming methods, market dynamics, and the distribution of power in food production systems around the globe.

Because of the consolidation of intellectual property over genetically modified features, especially But cotton, critics in India were concerned that the Bayer-Monsanto combination would result in higher seed prices. India controls the price of cotton seeds, while other commodities are still susceptible to price increases.[643] This situation was mirrored around the world, with regulators in Brazil and Africa expressing worries that market domination may limit the supply of non-GM and indigenous seed varieties and lower competitive prices.[644]

Reduced Choice and Supplier Lock-In

M&A activity often results in a reduction of competitors, thereby limiting farmers' choices. In concentrated markets, farmers may be compelled to purchase bundled products—such as seeds and their associated herbicides—

[643] Competition Commission of India, "CCI Order in Bayer-Monsanto Merger," 2018.
[644] South Africa Competition Tribunal, "Merger Between Bayer and Monsanto," 2018.

from the same supplier. Monsanto, for example, was known for its strategy of pairing GM seeds with complementary herbicides like glyphosate. Post-merger, Bayer inherited and expanded this strategy, drawing criticism for creating closed-loop systems that limited farmer autonomy.[645]

Farmers may be discouraged from investigating more sustainable or alternative inputs due to such lock-in procedures. Additionally, switching suppliers becomes unaffordable, especially if a farmer has purchased equipment designed to work with particular brands of pesticides or seeds. Because of this, farmers are forced to keep buying from the same supplier despite price increases or the introduction of potentially better items onto the market, creating a cycle of dependency. For example, farmers who use genetically modified (GM) seeds from a certain business could also have to buy proprietary fertilizers and insecticides that are meant to work with those crops. The dependence on one company's product ecosystem is further cemented by the fact that equipment and planting methods are frequently modified to accommodate particular seed varieties. Because of this, the initial investment in a specific technological stack not only forces farmers to make ongoing purchases, but it also deters them from experimenting with different agroecological techniques or inputs that might be more beneficial for the sustainability of the environment or long-term soil health. Over time, this limited option weakens farmers' independence, reduces competition among input providers, and creates obstacles for creative or regional businesses that provide more economical or environmentally friendly solutions. In the end, these methods make agriculture less resilient and adaptable to changing market conditions and climate change.

Implications for Smallholder Farmers

In developing nations, smallholder farmers represent a substantial portion of the agricultural workforce. They often operate on slim margins and have limited bargaining power in input markets. Price surges caused by reduced competition can disproportionately impact these farmers. Following M&A consolidations, anecdotal evidence from sub-Saharan Africa and Southeast Asia indicated reduced access to competitively priced hybrid seeds and agrochemicals.[646]

Smallholder farmers are the backbone of rural economies and account for a significant share of the agricultural workforce in developing countries. With limited access to contemporary agricultural tools, these farmers usually work on small land plots—typically less than two hectares—and mostly engage in subsistence farming. Because of their size, smallholders frequently operate in extremely tight economic environments with narrow profit margins that provide minimal cushioning against shocks to the system. Their negotiating strength is reduced by their restricted access to cash, credit, and market intelligence, particularly in input markets where suppliers of machinery, seeds, fertilizer, and pesticides frequently have substantial market leverage. This vulnerability increases when market dynamics change as a result of mergers and acquisitions (M&As) between companies that produce inputs and agrochemicals.

Significant price increases for necessary agricultural inputs might result from M&As that lessen competition in the input supply industry. Because of economies of scale, bulk purchasing power, or access to financing instruments and subsidies, these price rises might be tolerable for commercial farms or major agribusinesses. Such price increases, however, might be disastrous for smallholder farmers. Due to their restricted options and lack of bargaining power, these farmers are usually compelled to decide

645 N. Chandrasekaran, "Bayer-Monsanto Merger: Implications for Indian Farmers," Economic & Political Weekly, Vol. 53, No. 10 (2018).

646 M. Kimenyi et al., "Input Market Access for Smallholder Farmers in Africa," Brookings Institution, 2019.

between using less inputs, which would reduce yield, or switching to subpar, frequently fake goods that are easily found in black marketplaces. This change may have a cascading effect: using inferior inputs results in worse crop quality and productivity, which impacts market pricing and earnings. Farmers are trapped in a cycle of low output and poverty as a result of the ensuing decline in profitability, which further deters investment in tools and technology that increase productivity.

Furthermore, the long-term effects go beyond the short-term financial difficulties that individual farmers encounter. National food security goals may be jeopardized by decreased smallholder agricultural productivity, especially in nations where the majority of the population lives in rural areas and where domestic food production is heavily reliant on them. Low-income households may be disproportionately affected by rising consumer market prices if food supplies diminish or become unpredictable owing to unstable production cycles. Therefore, the combined effect of pricing pressures brought on by M&A and dwindling agricultural productivity can exacerbate rural poverty, raise inequality, and obstruct more general developmental objectives pertaining to food security, health, and economic resilience. Given this, it is imperative that policymakers closely examine M&A activity in the agriculture sector, especially in light of its potential impact on national food systems and smallholder livelihoods.

Regulatory Interventions and Their Limitations

Regulators have attempted to impose conditions to maintain market balance. In the Bayer-Monsanto case, the Competition Commission of India (CCI) approved the merger only after Bayer agreed to divest certain seed and herbicide assets and license its GM traits to competitors. However, the effectiveness of such structural remedies is contested. Critics argue that divestitures do not guarantee the emergence of a viable competitor, particularly if the buyer lacks technological prowess or market presence.[647]

In an effort to preserve market equilibrium, regulators have tried to impose restrictions. Only after Bayer consented to sell off some of its seed and herbicide businesses and provide competitors licenses to its genetically modified (GM) features would the Competition Commission of India (CCI) allow the merger in the Bayer-Monsanto dispute. In the agrochemical and seed areas, where the combined company may have otherwise acquired undue market dominance, this conditional clearance was intended to lessen the possible negative impacts on competition. By guaranteeing that other market participants continued to have access to essential products and technologies required for efficient competition, the divestitures were meant to maintain a level playing field. The CCI also aimed to reduce the possibility of technical foreclosure, in which competitors would be excluded from crucial advancements, by mandating that Bayer license its GM features. The proactive approach regulators are taking in high-impact mergers to protect consumer interests, stop monopolistic activities, and foster innovation through healthy competition is exemplified by these structural and behavioral remedies. In industries like agriculture, where the distribution of market power has a direct impact on food security, prices, and farmers' access to reasonably priced, high-quality inputs, this kind of control is particularly important.

Similar concerns were expressed in the European Union, where the European Commission required Bayer to divest a significant part of its seed and pesticide business to BASF as a condition for approving the merger. Yet, questions remained about BASF's capacity to replicate Bayer-Monsanto's innovation pipeline and distribution network.[648]

[647] Competition Commission of India, supra note 1.
[648] P. Mehta, "Structural Remedies in Indian Merger Control: Lessons from Bayer-Monsanto," CUTS Institute, 2020.

Conclusion

In the agriculture industry, mergers and acquisitions have resulted in a more concentrated market, higher input costs, and fewer options for farmers, particularly smallholders in developing nations. Although they have certain advantages, such as efficiency and creativity, the dominance of a small number of multinational corporations jeopardizes competition and food security. Due to the limited performance of regulatory measures in preserving market equilibrium, more efficient oversight is required to guarantee equitable access and sustainability in agriculture.