Agribusiness Mergers

Issue

Farmers depend on inputs more than ever. Technology costs are built in to the prices of seed and crop protection chemicals and the markets have fair competition. Mergers of some of the world’s largest agricultural chemical and seed providers could be of little consequence or even benefit farmers. In contrast, producers may face other complications as a result of mergers. As these unfold, we will learn details and perhaps have a clearer picture.

Background

Over the past year, mergers of significant agricultural companies who are in the business of producing a great deal of America’s farm inputs have been enacted or seriously discussed. By the end of 2015, the agricultural chemical company DOW finalized a merger deal with DuPont. While the details of the consolidation are being reviewed by the Securities and Exchange Commission, a firm agreement has been reached by the two industry giants. At the time of publication, a deal worth $43 billion between ChemChina and Syngenta has been agreed to but not finally approved by the appropriate regulatory agencies. ChemChina, a state owned company in China, agreed to terms with the seed and chemical company last year. Another deal involving Bayer and Monsanto has been closely watched by a spectrum of groups including farmers, company executives, and those in the stock exchange business. Executives at Monsanto have made it clear they will not shy away from consolidations or buyouts. In May, an unsolicited offer of $62 billion came from Bayer. The offer was considered for nearly a month before Monsanto rejected with no counter offer. Many expect negotiations are not finished.

Questions:

1. Are there unforeseen problems created by mergers and potential mergers of some of the world's largest farm input providers?
2. How do you think consolidations will affect input prices?
3. Will consolidations affect the way chemistries and seed are developed and marketed?

Farm Bureau Policy:

Farm Input Costs (Partial)

Corporate mergers and consolidations have reduced the amount of competition among farm suppliers and the impact this consolidation may have on input costs, has become a major concern of farmers. Farm Bureau
should continue to push for a thorough evaluation of any further consolidation of our input suppliers. USDA should work closely with the Department of Justice in their review and investigation into mergers, consolidations or concentration of agricultural input suppliers. We are concerned about consolidation by agricultural equipment dealers at the direction of equipment manufacturers. The loss of competitiveness among dealers severely restricts farmers’ rights to find the best available price and is contrary to a competitive retail market.