



FEDERAL ANTIMONOPOLY SERVICE

Seed Market in BRICS Countries— Competition Issues

Report of the BRICS Working Group on Global Food Value Chains

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Main Aspects of the Report:

- *Timeliness of the research*
- *New approaches to assessment of market power – Concept of Global Value Chains*
- *Development of intellectual rights for wildlife objects*
- *Economic concentration on seed markets*
- *Seed markets in BRICS Countries*
- *Consequences of increasing consolidation on seed markets*
- *Conclusions*

Effective functioning of agricultural markets is the basis for national security of BRICS Countries

Changing paradigm of market functioning:

- *Increase of demand for food under scarcity of natural factors of production (soil, water)*
- *Need to increase effectiveness of production by means of using of high technological solutions, development of which requires significant financial resources*
- *Entering into market by transnational companies, which is followed by high level of concentration in particular segments of food chain and influence on relevant markets*
- *Extension of IP rights to wildlife objects*
- *Business models change (“package” solutions)*

Traditional Approach:

- *Consideration of any particular branch of the chain as a separate market*
- *Assessment only of horizontal or vertical integration*
- *Interference is possible only if a company dominates in one of the markets*

Concept of Global Value Chains:

- *Assessment of profit distribution among participants of the chain*
- *Connections between participants of the chain*
- *Identification of “key” resource which defines market power of a participant of the chain*

IP Rights to Wildlife Objects:

- *Patents to biotechnological solutions*
- *Patents to selective inventions, including those that are results of patented non-biological technological process*
- *Patents to technologies of biological protection*
- *Patent pools*

Result:

A complicated close system is created that leads to high concentration on seed market, impassable barriers to entry and ineffectiveness of public regulation

As a result of tremendous processes of economic concentration, a stably oligopoly was created on a global seed market

If mergers **Dow/DuPont**, **Monsanto/Bayer** and **Syngenta/ChemChina** are approved, 60 % of market will belong to three companies рынок будет принадлежать трем компаниям

New approaches to assessment of market power:

- *Taking into account “informal” seed turnover;*
- *Assessment of other forms of consolidation of companies: joint ventures, cooperation agreements, patent agreements*
- *Assessment of business model and its influence to relevant branches of food chain*
- *Possible change of approaches to thresholds, defining effects of merger to competition (disruptive technologies, big data, etc.)*

From practice of keeping seeds in farms after harvest to purchasing seeds from transnational companies, incl. in as a part of agro technological solutions

Consequences:

- *Monopolization of world seed market*
- *Dependence of national markets on imported seeds*
- *Possibility of system failures in supplying food to citizens because of exterritorial risks*
- *Possibility to control revenues of farmers by foreign companies*
- *Negative effects on development of relevant sectors of national economies (fertilizers, crop protection, agricultural machinery, etc.)*

Global nature of processes on the world seed market predetermines necessity to strengthen cooperation of BRICS Competition Authorities

Main directions of cooperation:

- *Elaboration of new methodological approaches to assessment of deals of economic concentration, based on the Concept of Global Value Chains taking into account social importance of the food markets*
- *Revision of interrelation between protection of IP rights and competition law for providing equal and non discriminatory access to selective inventions and new technologies*
- *Practical cooperation of BRICS Competition Authorities in consideration of mergers and trans boarder violations of competition laws*

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