



FEDERAL ANTIMONOPOLY SERVICE

Seed Market in Russia: Competition Issues

**International conference
«Antimonopoly Policy: Science, Practice and Education»**

**December 7, 2016
Skolkovo IC**

Doctrine on Food Security of the Russian Federation:

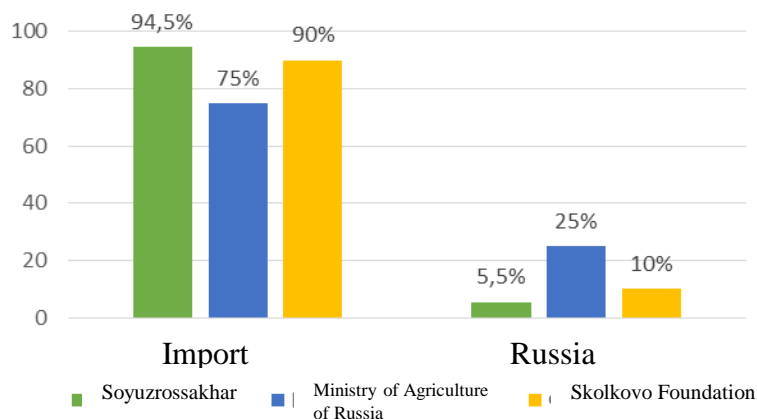
*«Sustainability of development of the country's economy requires implementation of the state regulation measures for surmounting... **the decrease in national genetic animal and plant resources**»*

The Russian seed market: two blocks of problems that are intrinsically related to competition issues:

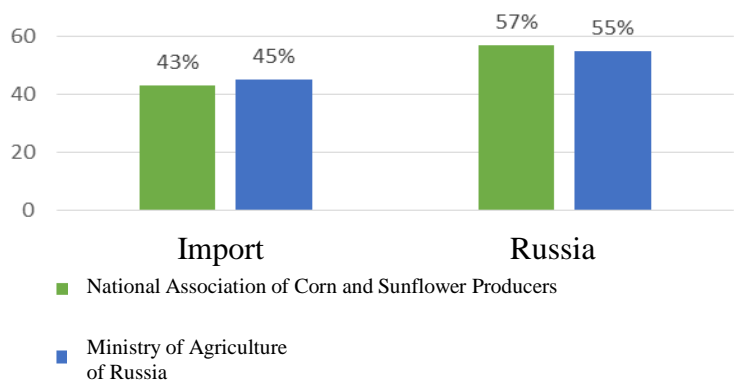
- ✓ ***high dependence on import of seeds of certain cultures***
- ✓ ***underdevelopment of the Russian seed industry*** (selection activities, production and treatment of seeds)

Use of Russian seeds on the Russian market in 2015 *

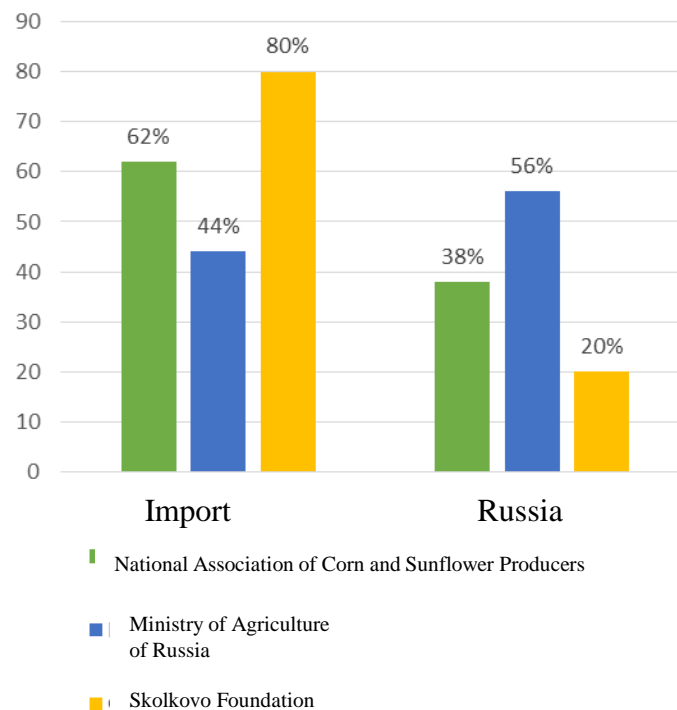
Sugar beet



Corn

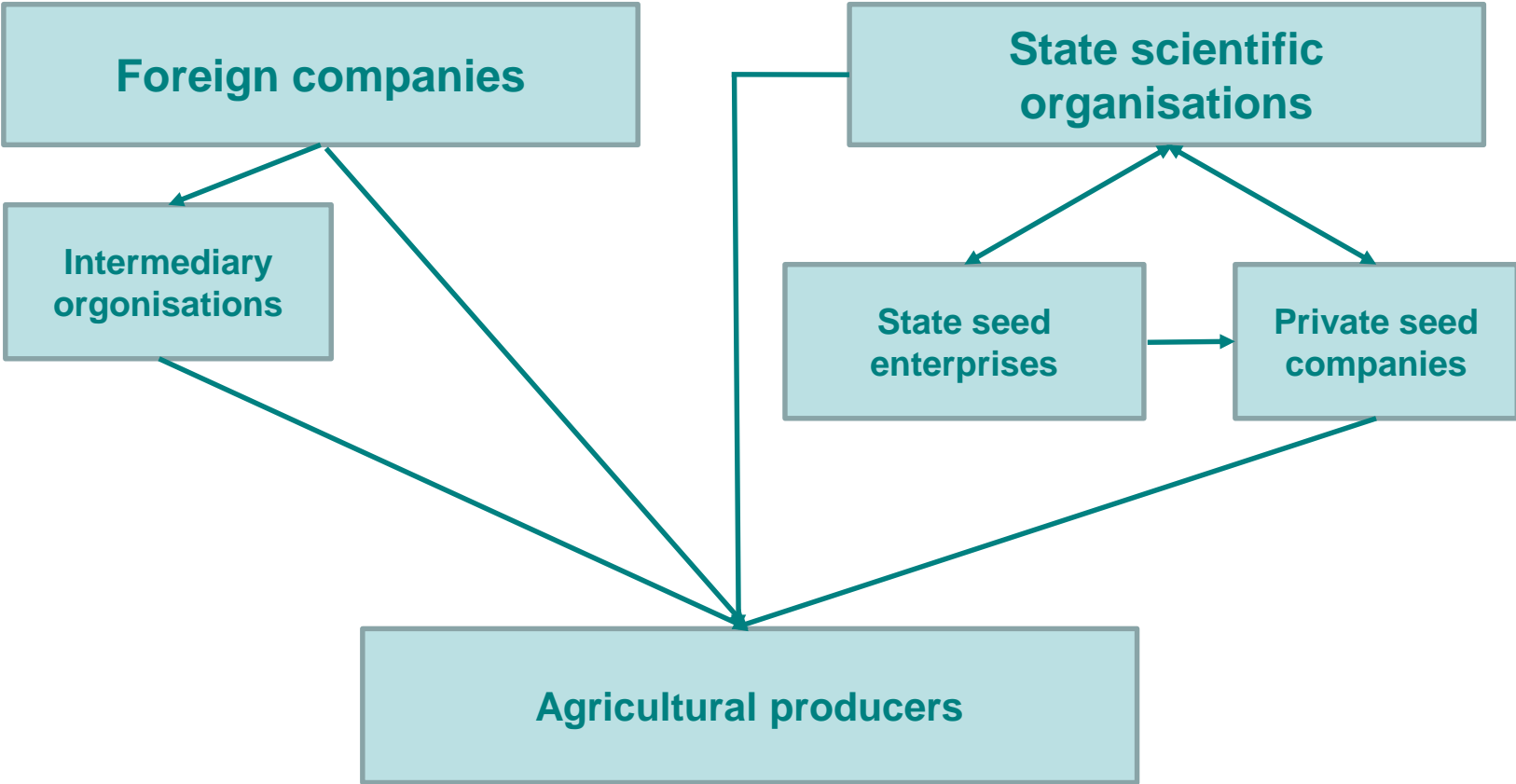


Sunflower



*According to data of industrial associations, Ministry of Agriculture of Russia and Skolkovo Foundation

Structure of Russian Seed Market



The currently existing access system to the Russian seed market creates uncertainty on volumes and quality of imported seeds :

- ✓ *no reliable data is available on volume and channels for import of seeds to the Russian market*
- ✓ *system of registration for seeds approved for use in the Russian Federation does not provide a unique identification of varieties when seeds are imported*
- ✓ *no thorough quality control of supplied seeds exists*
- ✓ *no centralized collection of information on conditions of seeding and its results exists*
- ✓ *no system of arbitration for disputes with seed companies exists*

RESULT:

- ✓ *use of low-quality seeds reduces the competitiveness of Russian agricultural producers*
- ✓ *delivery to the Russian Federation of low-quality seeds of known foreign manufacturers that use aggressive marketing policy creates unequal competitive conditions for domestic seed suppliers*
- ✓ *because of the poor quality of imported seeds the agricultural producers cannot benefit from the right provided for to them by the Civil Code and related to reproduction of seeds in farms*
- ✓ *agricultural producers are not protected in disputes with foreign seed companies*

Decree of President of the Russian Federation “On Measures of Implementation of State Scientific and Technical Policy in the Interests of Agriculture Development” *at state level projects are implemented on creation of new varieties (sugar beet, potato, viniculture)*

Problems *(on the example of sugar beet)*

- ✓ *broken links between science and business for determining direction of research*
- ✓ *mechanism of participation of business in planned researches is not developed*
- ✓ *no necessary diversity of initial breeding material is available*
- ✓ *no necessary equipment and technologies are available for using the accelerated selection process and new biotechnological methods*
- ✓ *no effective measures of state support aimed at simulating growing domestic seed are undertaken*

Mergers and acquisitions on seed market approved by FAS Russia in 2016:

- ✓ Merger of American companies *Dow Chemical and DuPont* (the sum of deal \$130 billion)
- ✓ Acquisition by the Chinese state corporation *ChemChina* of the Swiss company *Syngenta* (the sum of deal \$43 billion)

While analysing transactions, traditional approaches were used envisaged by Procedure on Conducting Analysis of State of Competition on Commodity Markets approved by the FAS Russia's order including while determining product market borders where the counterparties act, and their market shares

Similar transactions require changes to approaches of their analysis and estimation of effects on competition:

- ✓ batch of offered products, which entails a change of approach to determining product market boundaries*
- ✓ consolidation of demand from agricultural producers, who previously were consumers within separate markets*
- ✓ possibility of limiting access of potential competitors to innovative products and technologies*
- ✓ impact of a transaction on related markets*
- ✓ recording of other autonomous transactions committed on market that lead to changes in market structure on a global scale*

Suggestions aimed at ensuring competitive conditions on the seed market:

- ✓ implementing a system of measures aimed at leveling the competitive conditions for foreign and domestic seed producers, ensuring the protection of interests of domestic agricultural producers and consumers, as well as stimulating development of the seed business in Russia*
- ✓ measures should cover among others the protection of intellectual property rights issues and ensure a fair and non-discriminatory access to selective achievements and new technologies*
- ✓ development of new methodological approaches to consideration of economic concentration in the markets of genetic material, taking into account the specifics of functioning of these markets and their impact on global food markets*
- ✓ global nature of processes in this market requires consolidation of efforts of the antimonopoly authorities of developing countries (BRICS, CIS and etc.) while developing adequate responses*

BRICS Working Group on Food

Report: «Developing competition on food markets of BRICS: further steps and new challenges»

- ✓ *problems of agro-genetics market and competition*
 - *intellectual property rights in the context of competition protection*
 - *global economic concentration: new approaches to antimonopoly regulation of transactions*
- ✓ *infrastructure limitations on the market of agricultural commodities and food*
- ✓ *state support of agriculture in the conditions of food markets' globalisation*
- ✓ *retail chains and abuse of market power*

THANK YOU FOR ATTENTION!

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