

Corporate Concentration in Indian Agriculture

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Abstract

The agricultural industry has undergone astounding restructuring activities in the last few years by the way of mergers, acquisitions and takeovers. This wave of mega mergers has transformed the structure of farming at global level. Numerous studies have been made by the researchers and the social developers to ascertain whether these mergers are beneficial or become a hindrance to the world economy. Several policy makers are of the view that corporate concentration in the food chain activity as well as agricultural input sector is becoming a necessity in today's era. But the opposing aspects regarding it are also gaining much attention. Many agricultural nations like India are witnessing the concerns regarding the control of their agricultural production in the hands of transnational companies. The question of sustainability in the agriculture has also been raised at the international level with the upcoming mergers in this field. That is why, it has become integral to delve in to the agricultural corporate concentrations happening in all around the world so as to find appropriate policies in lieu of eliminating the constraints involved in it. This paper aims at unfolding the intensity of mega mergers in the field of agriculture and also the afterwards impacts of it on the concerned economies.

Keywords: Corporate concentration, environment, agriculture, resourcefulness and everlasting opportunities

Introduction

In the today's consolidation era, mergers have become a prerequisite for the growth of a nation. It is considered as the safest opportunity window for having one's place in this global competitive world. Technical innovations, international competition, cost and operational efficiencies duly contribute to this phenomenon. There is not even a single sector which has remained aloof from the imprints of the restructuring activities. Agriculture too is not an exception from this trend. DuPont-Dow Chemical, Chem China-Syngenta, Bayer-Monsanto are the fame of agricultural corporate concentrations finding space in the columns of esteemed worldly newspapers. Strategists, economists and analysts are having varied views regarding the fairness of mergers and acquisitions in the field of agriculture. India, being the agricultural economy, is bearing the effects of such global restructuring activities.

What is Corporate Concentration?

Now the question arises, what is corporate concentration, which is affecting the masses in numerous ways? It is a kind of business strategy adopted by the organizations which results in huge investments in a particular sector for profit motives, increasing market share and reducing costs. It may include diversification of new products in to the global market or amalgamations with huge giants and also indulge in mergers and acquisition activities to expand the organizations at international level.

Whether it is a manufacturing sector, healthcare sector, retail sector, IT sector or food sector, each has been engulfed in the realm of corporates. Agriculture too has undergone profound consolidation changes in the preceding century. The financialization of food sector has encouraged the investors to

make their investments in corporate consolidations. Now days, it has been witnessed that the agriculture is tyrannized by the corporations which are engaged in merger and acquisition activities so as to have a treat of monopoly and oligopolies in the market. The dominance of Monsanto Company in the seed industry exemplifies the breakneck pace of corporate concentration in that sector. Today Monsanto controls 60% of the corn seed market, 62% of the soybean market, 95% of the transgenic cotton seed market and is quickly consolidating control of vegetable, sugar beet and wheat markets. Monsanto's transgenic soybeans and corn cover 92% and 85% of total U.S. acreage of those two crops, respectively. (*Corporate Concentration in Agriculture*, 2010)

Overview of Indian Economy

Agriculture sector is the fortress of the Indian economy. It contributes near about 14 percent to the Gross Domestic Product (GDP) of the nation and is engrossed with half of the nation's population. Although the contribution of this sector is declining over the years, yet agriculture continues to remain a sector full of resourcefulness and everlasting opportunities. The Indian agriculture market is evolving as an organized market having access direct to the farmer. The latest technologies, government policies, research and development works stimulate the consolidations in this sector.

Initially, the wave of mergers in Indian agriculture starts because of huge costs involvement in research and development of this sector. To become competitive and technologically upgraded the Indian agro firms starts getting bigger along with the acquisition and consolidation with transnational companies. Some of the core examples are listed as follows:

- In May 2011, Coromandel International Ltd (CIL), India's second largest Phosphatic fertilizer company, acquired Sabero Organics Gujarat Limited (SOGL) providing entry into the crop protection business.
- On April 2015, the Competition Commission of India had approved Zuari's offer to take control of Mangalore Chemicals & Fertilizer Ltd (MCFL) to strengthen its presence in the existing market.
- In Nov 2015, the major agrochemical company UPL Ltd. Announced a merger with a seed firm Advanta to give the provision of solution in agriculture through a single entity.
- In July 2018, India's UPL Ltd, a maker of crop protection and agrochemical products, said that it was acquiring Arysta Life Science Inc, the farm pesticides business of the US's Platform Specialty Products Corp, for \$4.2 billion. The combined entity is expected to be the fifth-largest agrochemicals company in the world. (DHILLON, 2018) [4].

Overall among the major agricultural giants, UPL has grown 10 X in 10 years through more than 20 acquisitions globally. Coromandel has also seen healthy growth on the back of multiple acquisitions such as Liberty Phosphates, Godavari and Sabero. Multiple opportunities for relatively smaller acquisitions exist in the Indian market (small or niche seed companies as an example). Depending on the maturity of their product pipeline, these can be attractive opportunities which larger fertilizer companies can evaluate. (*Megamergers Impact on Indian Agri Industry*, 2016)

Not only Indian agriculture mergers but the corporate concentrations at global level are also having its consequences upon the agricultural set up of India. For instance, the recent Bayer's takeover of Monsanto worth \$66 billion will cause disruption for the Indian farmers.

Unintended Impacts of Corporate Concentration in India

The mania of huge scale mergers is gaining limelight in the world economy. The nation which has to feed more than 1.2 billion people and is the fourth largest producer of world agrochemical products, is keeping a watchful eye on the mergers. ("The Impact of Mergers in the Agrochemical Industry-Aurum Equity Partners LLP", n.d.)

The proposed mega mergers before the Competition Commission of India (CCI) such as Bayer-Monsanto is drawing the attention of critics, economists and agricultural scientists in India. This is because of its implications over farmers, prices, environment, economic and political set up of the nation. Some of the impacts of mergers and acquisitions in Indian context are given below:

- **Reduction in the Well-being of Farmers:** Corporate concentration is said to be a major roadblock in the amelioration of the farmers. It has also been reported that the giant corporations' mergers in food system reformulate the policies in such ways that will go against the welfare of the farmers and fill the pockets of the large-size income holders.
- **Lower Competition and Innovation:** If only a few numbers of companies will have its upper hand in the market, then automatically the competition will get lessened. This will create ill effects for the infant companies who want to do innovations, pursue new technologies and products in the Indian Agriculture. Thus, it will lead to the sluggish improvement in the crop yield and quality. It may be also possible that they

concentrate only on making products for the most blockbuster crops, thereby ignoring smaller markets and less profitable crops. ("The Impact of Mergers in the Agrochemical Industry-Aurum Equity Partners LLP", n.d.)

- **Degradation of Environment:** It has been found that the lucrative concentration activities in agribusiness may seem to generate tremendous results in its initial period. But later on, it resulted in adversely affecting the natural resources like soil, water and biodiversity of the entailing regions.
- **Unfair for the Local Community:** It has also been found out that the corporate concentrations in the field of agriculture will take away the profits from the local community to the distant investors in all around the world. The income of the rural agriculturalists will get slackened by the introduction of the transnational companies in the agricultural industry. This result in draining of the value of domestic family farmers, small and medium scale producers, labor, independent retailers and consumers.
- **Corporate Influence in Politics:** When some of the giant multinational corporations have high say in the markets, they try to grab the political set up of the nations in which they operate. India, being the largest democracy in the world, is becoming an eye candy for the large corporate enterprises for having dominance in one or another way.
- **Price Rise:** Less number of market players would create monopolistic and oligopolistic prices of agricultural commodities. According to some media reports, since Monsanto entered into India in 1998 the price of cotton seeds have increased by almost 80,000% (from Rs. 5-9 per kg to Rs. 1,600 for 450 grams). (M M Sharma, 2018) This ever growing inflation may duly affect the overall economy in a bad way.
- **Choke Startups and Innovations:** It has been reported that the dominance of giant mergers like Bayer-Monsanto, DuPont-Dow Chemical will choke the domestic innovations and future Startups of India. This will dampen the 'Skill India' and 'Make in India' initiative of Indian government.
- **High Cost of Technology:** The indispensable part of agriculture is the tools which are equipped in the Indian farming system. Indian farmers are already facing a major problem in accessing the latest technology to enhance their productivity levels. The involvement of the corporate in this sector will intensify the current situation and benefit only the few parties having lump sum amount in their hands.
- **Epidemic of Farmer's Suicides:** It is of the opinion that the corporate led agriculture in India may prove troublesome for the farmers as it aggravate the stress among the farmers in paying high cost debts. This will become a major driving force behind the epidemic of farmers' suicides in India. Till March 2016 reportedly 3 Lakhs Indian farmers committed suicide trapped in debt and crop failure, 84% of these suicides are attributed directly to Monsanto Bt. Cotton. (M M Sharma, 2018) [3].
- **Control in Fewer Hands:** As the consolidation acts are rapidly gaining its momentum in the field of agriculture and its allied activities, big businessmen has gaining influence over the production of food. For example, Monsanto controls 85% of the BT cotton market in India. The possession of intellectual property rights over certain

agriculture technologies and products by the major corporations both at domestic and international level. *“One of the major anticompetitive effects of globalization has been a rapid concentration of market power away from producers into the hands of a limited number of trade and retail companies.... This situation means that even when farmers organize and aggregate, produce quality goods, and sell collectively, they have insufficient volumes of sale to negotiate effectively with four to five giant corporations.”* IAASTD Global Report, p. 466

- **National Health Issues:** India is already prone to malnutrition and poverty. The emergence of consolidation in the food chain will augur national health issues in this sector as the production of cheap quality and unhealthy processed food is on the menu of several transnational retail giants of the world.
- **Averse Organic Farming:** The search of organic food is also being disheartened as the several organic companies that were working for the national interest is now engulfed in the clutches of global food processing organizations. On the lines of ‘Make in India’ and ‘Skill India’, the ruling government is actively encouraging the Indian farmers to cultivate organic produces. An increasing number of the Indian customers are ready to pay higher prices for organic food, which could enhance the income of farmers. (“The Impact of Mergers in the Agrochemical Industry-Aurum Equity Partners LLP”, n.d.) However, the agribusiness corporate concentration suppresses this initiative to promote their products.

Conclusion

Indian economy continues to accentuate as a dynamic agricultural economy accompanying affirmative government policies and regulations which provide a huge potential to the consolidated companies to have an upper hand in this sector. The ample scope in Indian agriculture is likely to cluster major giant market players. In a nutshell, the full impact of the mergers and acquisitions in the agricultural sector is still unfolded and can be known in the near future. However, the necessary policies and regulations must be adopted by the Indian government so as to avoid the ill effects of corporate concentration in agriculture. In this context the IAASTD North America/Europe report remarked *“Vertical integration of successive stages in agricultural and food supply chains under the control of single corporate organizations or clusters of corporations can reduce the competitive power of farmers who have become disadvantaged, inadequately rewarded “price takers” facing limited opportunities for their produce.... There is thus an urgent need to develop policy instruments to remove incentives for farm concentration and agribusiness concentration.”*

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