

Research Partnership Platform  
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The importance of the agro-food industry in concentrations,  
exploitations and exclusions in developing countries

Presentation by

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# UNCTAD RESEARCH PARTNERSHIP PLATFORM

The importance of the agro-food industry in concentrations, exploitations and exclusions in developing countries

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# Outline

- 1 Background: why agro-food matters
- 2 What restraints?
- 3 Cartels
- 4 Consolidations – mergers and global value chains
- 5 The hope of regional agreements?
- 6 Relationship of development needs for less concentration and more inclusion to the “consumer welfare as the one right standard” debate

## I. Agro-food: the importance in Africa

# “To End Poverty Worldwide, Fix African Agriculture First”

by John McArthur, Brookings op ed (2013)

Most of the poorest people live on small farms in rural area

Agriculture is the greatest source of livelihood

The people need food, and the farmers and livestock raisers need a chance to compete on the merits – but markets often fail them

An infographic with a dark blue background. On the left, a silhouette of a woman in a red dress stands in a field of falling raindrops. The text '70%' is written across her torso. To the right, the text 'SUB-SAHARAN AFRICA:' is underlined in red. Below it, the text 'OF PEOPLE LIVING IN POVERTY DEPEND ON RAIN-FED AGRICULTURE' is written in large white letters. At the bottom, a green field transitions into a cracked, brown field. A single red raindrop is positioned below the text 'AGRICULTURE'.

SUB-SAHARAN AFRICA:

70% OF PEOPLE  
LIVING IN POVERTY  
DEPEND ON  
RAIN-FED  
AGRICULTURE

#WOMEN  
FOOD  
CLIMATE

## II. The Restraints: Where we find them

- At every level, in trade and competition
  - Cartels – export and national - wheat, bread, flour, milk, coffee, beer, tea, sugar, poultry, fish
    - and inputs to farming: fertilizers
  - Monopolistic practices: seeds
  - Mergers and global value chains: concern with buyer power
  - Market access: impaired by subsidies, tariffs
- More hurdles
  - Local regulations, e.g. limiting transportation competition
  - Cross border cartels – rampant, and go undetected, un-prosecuted
  - SOEs and state restraints procured by vested interests
  - Trade restraints – the West bargains for free markets only when it helps them

# III. CARTELS

## Breaking South Africa's bread cartel

This famous cartoon was published in 2007 following the South African Competition Commission's successful bread cartel prosecution. It is a most effective illustration of why it is important to have laws against price-fixing and to enforce them effectively. In particular, it brings home that competition law is not an abstract matter of interest only to lawyers, but has real effects on the poor. Find out more about this case at [www.compcom.co.za](http://www.compcom.co.za).



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For more Zapiro cartoons visit [www.zapiro.com](http://www.zapiro.com).

# Cartels – from abroad and local, hurt the poorest

- Many cartels hurt the people as consumers directly
  - Food = high share of consumption basket, especially of poorest population
  - Wheat flour and bread overcharged in South Africa 7-42%; poultry (biggest source of protein for low income people) up to 25%
- Some hurt the farmers (producers) directly
  - Fertilizers can be half the cost of planting
  - Potash (fertilizer ingredient) cartel from Canada
  - Fertilizer cartel in South Africa; rigging government procurement in Zambia



# IV Consolidations and Global Value Chains

## “Bayer-Monsanto: An existential threat to South Africa’s food system”

African Center for Biodiversity 2017

- Creating world’s largest supplier of seeds and pesticides
  - With Dow/DuPont and ChemChina/Syngenta, 3 corporations control 60% of global seed market and 64% of agrochemical market
- Approved with conditions all over the world – protecting competition, employment, support for emerging farmers
  - **But why no injunction?**
- **Walmart/Massmart:** “It is found that the SDF has facilitated the entry and expansion of SMMEs in the agriculture and manufacturing sectors. It has also positively contributed to job creation and local procurement.”

## V. Regional

- The research of Simon Roberts and team at CCRED, U of Johannesburg, and African Competition Forum: the cartels are cross-border, often originated from “interactions between government departments and industry players as part of industrial development strategies.” Zambia, Kenya, Tanzania, South Africa, Namibia, Botswana.
- A program for regional enforcement; a marriage between competition and internal market trade (state restraint) law
  - Where is the regional enforcement?

# VI. Significance of the “consumer welfare as the only goal” debate to developing country competition policy

- 1 The debate as framed in the United States
  - New Brandeis versus New Madison
    - New Brandeis: We are being overpowered by excessive concentration; huge firms controlling our lives and not delivering to “the people”; protect competition process
    - New Madison: consumer welfare is the goal; public interest is not relevant, will contaminate the law; there is not excessive concentration; more concern with exclusion will protect competitors
- 2 Excessive concentration and exclusion as concerns of development
  - Market friendly industrial policy as important to protect stakeholders and give legitimacy and buy-in to the competition system

# The 'Double hour-glass structure of the Emerging Agri-industry System

