

A Brief Assessment of the Procompetitive Effects of Organizational Restructuring in the Ag-Biotech Industry

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Today the [International Center for Law & Economics](#) (ICLE) Antitrust and Consumer Protection Research Program released a [new white paper](#) by [Geoffrey A. Manne](#) and [Allen Gibby](#) entitled:

A Brief Assessment of the Procompetitive Effects of Organizational Restructuring in the Ag-Biotech Industry

Over the past two decades, rapid technological innovation has transformed the industrial organization of the ag-biotech industry. These developments have contributed to an impressive increase in crop yields, a dramatic reduction in chemical pesticide use, and a substantial increase in farm profitability.

One of the most striking characteristics of this organizational shift has been a steady increase in consolidation. The recent announcements of mergers between Dow and DuPont, ChemChina and Syngenta, and Bayer and Monsanto suggest that these trends are continuing in response to new market conditions and a marked uptick in scientific and technological advances.

Regulators and industry watchers are often concerned that increased consolidation will lead to reduced innovation, and a greater incentive and ability for the largest firms to foreclose competition and raise prices. But ICLE's examination of the underlying competitive dynamics in the ag-biotech industry suggests that such concerns are likely unfounded.

In fact, R&D spending within the seeds and traits industry increased nearly 773% between 1995 and 2015 (from roughly \$507 million to \$4.4 billion), while the combined market share of the six largest companies in the segment increased by more than 550% (from about 10% to over 65%) during the same period.

Firms today are consolidating *in order to innovate and remain competitive* in an industry replete with new entrants and rapidly evolving technological and scientific developments.








According to ICLE's analysis, critics have unduly focused on the potential harms from

increased integration, without properly accounting for the potential procompetitive effects. Our brief white paper highlights these benefits and suggests that a more nuanced and restrained approach to enforcement is warranted.

Our analysis suggests that, as in past periods of consolidation, the industry is well positioned to see an *increase* in innovation as these new firms unite complementary expertise to pursue more efficient and effective research and development. They should also be better able to help finance, integrate, and coordinate development of the latest scientific and technological developments — particularly in rapidly growing, data-driven “digital farming” — throughout the industry.

Download the paper [here](#).

And for more on the topic, revisit TOTM’s recent blog symposium, “Agricultural and Biotech Mergers: Implications for Antitrust Law and Economics in Innovative Industries,” [here](#).

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