

MEDIA RELEASE

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Competition Commission prohibits proposed seed merger

On Wednesday, 8 December 2010, the Competition Commission prohibited the proposed merger between Pioneer Hi-Bred International, a US based multinational seed producer controlled by DuPont, and the locally based seed company, Pannar Seed. The Commission found that the merger would substantially prevent or lessen competition in the maize seed market in South Africa. This market is characterised internationally by increasingly high levels of concentration and collaboration between firms in the cross-licencing of intellectual property. The South African market comprises three major firms – the merging parties and the multinational, Monsanto.

The Commission considered claims by the merging parties that the transaction would lead to technological, efficiency and pro-competitive gains from combining their germplasm and introducing new breeding technologies. The Commission, however, found the potential benefits claimed by the parties unconvincing and unlikely to outweigh the anti-competitive harm which the merger might cause.

“Maize is a staple food in South Africa, and higher levels of concentration in the seed market may dis-incentivise local innovation and increase the likelihood of price increases to the detriment of farmers and consumers” said Competition Commissioner, Shan Ramburuth,.

This transaction was classified as an intermediate merger in terms of the Competition Act, vesting the Commission with the authority to approve or prohibit it. The parties may, however, request the Competition Tribunal to reconsider the decision of the Commission.

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