A competition panorama: upcoming challenges in the agribusiness sector

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In February 2020, the Department of Economic Studies (DEE – *Departamento de Estudos Econômicos*) of Brazil's antitrust authority, CADE (*Conselho Administrativo de Defesa Econômica*) issued a new installment in its Cadernos do CADE (CADE Journals) series: "The Agricultural Inputs Market" (*Mercado de Insumos Agrícolas*). The document presents an extensive and highly detailed analysis of CADE's experience in reviewing the markets for seed, agricultural pesticides, and agricultural machinery and equipment. It stresses the importance of these markets for the Brazilian economy, and points to features that require CADE's constant attention: the high number of mergers and acquisitions; the complexity of the markets; and the direction of the markets' technological evolution.

One of the most important conclusions in the DEE's work shines light on how the technologies in these markets complement one another. Originating in improvements in legal protections for innovations (especially biotechnological innovations), these complementary technologies have links to biotechnology, seed and agricultural pesticides, and their development is parallel and sometimes interlinked. Aside from traditional concerns over horizontal concentration and vertical integration in any one of these markets, recent practice (confirmed by the DEE's report) reveals that CADE's attention is also directed to the portfolio effects arising out of the complementary nature and conglomeration of players' activities in the sector, and especially their ability to amplify and reinforce the effects of horizontal concentrations and vertical integrations taken individually. CADE's recent more detailed analyses, and the remedies adopted in some cases, clearly show the authority's concern with spillovers of the portfolio effects, particularly their ability to increase barriers to entry (by potentially requiring an integrated, simultaneous entry in various markets), and to reduce the capacity of equally efficient competitors to offer integrated solutions or competitive packages, with a potential leveraging of economic power from one market into another.

The process of technological innovation is continuing, and the DEE notes that new complementary innovations are likely, involving digital technologies and precision agriculture, which have the potential to bring together fertilizers and agricultural machinery to create even broader integrated solutions, making the borders between these markets even more porous. The application of digital platforms to agriculture has the potential to be the core of new business models based on integrated packages that can bring together even more solutions in these various complementary markets. Concerns over acquisitions of innovative startups in the agricultural sector (agtechs) are likely to make them the first front on which CADE will focus its attention. The second is likely to be a continuing assessment of portfolio effects and the effects of conglomeration, and especially the ways in which they can amplify competition effects in each market, considered individually.

The DEE also points to a trend to closer international cooperation among competition authorities. Closer cooperation serves both to improve analysis of harmonized remedies, when they are necessary (without losing sight of the fact that global remedies may supplant local remedies), and to deal with specific antitrust issues in certain jurisdictions.

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