A handful of corporations control world food production.
Introduction

Battle of the giants

The world’s human population and food consumption are growing - does this mean the number of companies involved in the food sector is growing as well? The opposite is true: big corporations buy smaller companies and thus increase their market share and power.

Hence, companies can dictate prices, terms and conditions and, increasingly, the political framework. Much of what we consume in the North is being produced more cheaply in the Global South. The profits are made by only a few, predominantly Northern, companies. The big losers are the plantation workers and small farmers in the South, as they are the weakest links in the “value chain.” No other section of the population is hunger so widespread. More and more ecosystems are being degraded and destroyed.

Major concentration in a few years: In 1996, the ten biggest seed companies had a market share of less than 30%. Today, the three largest control more than 50% of the market. Often seeds become more expensive with fewer varieties available. The three market leaders in seeds are also major pesticide producers.

The powerful control the chain: Farmers are pressurised by corporations; they are paid low prices for their products such as soya, wheat, and maize, and they pay high prices for seeds, pesticides, energy, fertilizer and animal feed. The recorded food price crisis of 2008 led to higher profits for corporations, and not for farmers who have to bear all the risks.

Who gains? Vietnamese aquaculture farmers produce Pangasius fish, for which Northern consumers pay around US$ 10 per kilo. The farmer gets US$ 1. After deduction of production costs their income is 10 cents per kilo. And the farmers bear all the risks of aquaculture such as fish diseases and weather problems; many also have debts to the aquaculture companies.

Controlling the chain: In addition to horizontal integration, where one company controls a large share of the market, corporate strategies aim at vertical integration by processing the product and producing inputs. This is not about distributing business risks across several sectors but about controlling the value chain and access to cheap raw materials.

Value chains instead of nutrient and energy circulation: What used to be produced on the farm as part of a circular economy – seeds, young animals, feed, fertilizer – is today a global industrial “value chain” for food and agrofuels, with negative consequences for soil, water, climate, animal protection, and health.

Lobby instead of competition: The influence of food corporations on politics and the public is growing. Thousands of lobbyists promote corporate interests. Corporate lobbyists often also work in government institutions. They often successfully lobby for corporate interests on food standards, approval of pesticides, GM seeds, trade agreements, or the public research agenda.

World trade dominates prices: 85% of all food is consumed close to where it is produced. Nevertheless, global trade has a disproportionate influence on prices. On the stock market, batches of the same soy or maize may be traded speculatively several times over, thus increasing price volatility.

This document shows in brief how industrialization and concentration in the global food sector undermine sustainable food systems and food sovereignty. Sustainable agriculture is based on small-scale, diverse farming and local and regional production.
Who controls our food?

- There are about 1.2 billion farmers on around 500 million farms worldwide, of which 80% are small-scale, plus 600 million farm labourers.
- Nestlé already controls part of the coffee planting material. In Mexico, Thailand, Indonesia, and the Philippines, Nestlé has 20 million coffee bushes under contract farming.
- By 2020, Nestlé wants to increase this to 220 million coffee bushes.

Market leaders enter other sectors. Syngenta does not just produce pesticides and seeds, but also provides credit for vegetable production. The biggest cereal trader Cargill extends credit to farmers, produces food and feed, trades in energy, stock exchange products, and much more.

The biggest coffee trader Cargill: Example of vertical integration

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Cargill: Example of vertical integration

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The coffee value chain

- Around 25 million farmers produce coffee that is consumed by 500 million consumers. Just three companies control 60% of the global coffee harvest and the companies trade in 50% of the coffee.
- Nestlé has 16% of the coffee business. In order to increase this to 200 billion coffee beans, Nestlé already controls part of the coffee planting material.

“Traditional Farm”

- Food, feed, fertiliser, and young animals were produced and used on the farm as part of a circular economy. There were only a few external inputs and the food produced was sold locally. Now these markets are all separate.

Pesticides (p. 11)

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Fertiliser (p. 11)

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Production

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Processing

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Trade

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Retail

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Sectors in the value chain

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Livestock breeding

### Market leader

- Charoen Pokphand (CP Group) (Thailand) 3.4%
- The few remaining poultry genetics companies are US based.
  - Aviagen (US) 17.2%
  - Peter (US) 14.5%
- The world's largest company for genetically modified (GM) seeds.
- Genes has substantial market share in the United States and Europe.
- The most important competitor of CP Group is the US based company Monsanto.
- Monsanto, already the world's largest seed producer, has entered the lucrative business of animal genetics.
- Producing one kilogram of meat requires on average three litres of grain and soy. These resources cause feed and emits about 3.5 billion tonnes CO₂ annually, according to the FAO.
- But growing consumption of industrial animal products requires more and more industrially produced feed. More than 90 % of global soya-bean production goes into feed; soyabean cultivation is linked to forest destruction, especially in South America.
- Two thirds of nitrous oxide emissions, which remain more than 100 years in the atmosphere, are partly caused by the methane, originate from concentrate feed-based livestock agriculture and its feed production. The feed sector is increasingly responsible for climate change.
- Almost unutilised by the public, animal breeding has been converted into a highly concentrated biotechnology-based industry.
- The largest corporations control the genetics of several livestock spaces. The chemical corporation Monsanto, already the world's largest seed producer, has entered the lucrative business of animal genetics.

### Problems

- Industrial livestock production is divided into various stages. The breeders deliver young eggs and the semen of hybrid “(sexed)” hens to the multiplier farms. These “closed systems” prevent further breeding from the multiplier farm and include vaccines, which are applied to each generation by geneticists. This is known as the “horizontal” or “vertical” supply chain.
- “Sexed Semen” technology for cattle breeding.
- Some antibiotic resistance genes have been found in veterinary medicines, which may be resistant to multiple antibiotics.
- The outbreak of SARS (Severe Acute Respiratory Syndrome) in 2002-2003 in China, Hong Kong, Singapore and Canada, and the outbreak of Avian Influenza are examples of how industrial livestock production can spread diseases.
- In 2010, the world’s largest pig breeder merged to form Genus plc (GB). In 2011, the company achieved a turnover of almost half a billion US dollars. Genus has substantial market share in almost all industrial countries and increases its profits through a licensing model. Thus, Genus generated 33% growth in profits while many of its customers made losses during the crisis in 2008.2009. The basis of the profit is the hybrid breeding of pigs. The multiplier farmers have to buy animals from the breeder continually. The corporation does not sell animals from the pure breeding strains which are closed to produce the hybrids.

### Facts

- The feed market amounted to 870 million tonnes in 2011, worth US$350 billion. The 10 leading manufacturers account for around 28 % of global feed production.
- The ten largest feed manufacturers control by volume 16 % of the world market. Fifty per cent of all livestock feed is produced by just three companies.
- Nevertheless, a few companies do have an “effective population size” as geneticists can select from the entire population and the animals are genetically identical.
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farming systems, not only because of the economic losses involved but also because of the loss of biodiversity in crop varieties. In the US alone, it is estimated that the loss of crop biodiversity due to the use of GM seeds alone is worth saving for the next sowing season, and because of intellectual property rights on seeds, which prohibit the saving of seeds and seed exchange between farmers. In Tanzania, 95% of seeds are still produced by farmers, while in Switzerland less than 30% of wheat seeds are produced by farmers. In Europe, the companies (Monsanto, Dupont, Syngenta, BASF and Bayer) own half the patents on plants. In May 2012, Pioneer filed its first lawsuit in the US. Although the suit is not yet in court, the global spread of GM seeds and the power of seed companies has made the issue of intellectual property rights a significant concern in the context of seed saving and exchange.

The global commercial seed market is growing rapidly and has become highly concentrated over the last twenty years. In 2008, only 1 percent of all seed companies produced 90 percent of all seeds. This trend is likely to continue, as the concentration of the seed market is estimated to be US$ 34.5 billion for 2011.

The following diagram documents the strong consolidation of the seed market over the last two decades. It shows the ownership of seed companies, highlighting the dominant role played by multinational corporations in the seed sector. The diagram also includes information about the global proprietary seed market, which is estimated to be US$ 34.5 billion for 2011. The anti-competitive effect can lead to a massification of varieties and a decrease in diversity.

In the Philippines, over 3,000 rice varieties were grown before the Green Revolution in the 1960s. Twenty years later, there were only two rice varieties on 98% of the Philippines' total planted area. The worldwide erosion of diversity is massive. An estimated 75% of all crop plant varieties were irretrievably lost in the 20th century.

Problems

The International Assessment of Agricultural Knowledge, Science and Technology for Development (IAASTD) identified the following problems arising from concentration:

- Concentration in a handful of hybrid seed companies.
- Concentration in research, and the development of any new varieties of seeds.
- Concentration impedes market entry for new companies.
- The anti-competitive effect can lead to a massification of seed prices. For example, prices for cotton seed have increased by three or four times since genetically modified (GM) cotton was introduced in the US and there was a substantial increase in prices in developing countries as well.

The concentration of the seed market has serious implications for small farmers and the diversity of crop varieties. The loss of diversity is a threat to food security and nutritional diversity. Small farmers rely on locally adapted crop varieties for their livelihood, and the loss of diversity undermines their ability to adapt to changing environmental conditions. The concentration of the seed market also limits the ability of farmers to choose from a wide range of varieties, and can lead to the capture of farmers by seed companies through the use of compulsory licenses and other anti-competitive practices.

Market leader Monsanto was founded in the USA in 1901. Its first product was the artificial sweetener saccharin. The company then developed into one of the biggest chemical producers in the US, and began pesticide production after World War II. Monsanto's slogan is: "Losing our revenge, the world is best-selling herbicide. Monsanto began its seed production in the 1980s and developed genetically modified (GM) cotton, which allows Monsanto to own its own herbicide Roundup (Glyphosate). Today, Monsanto controls 96% of the GM seed market. In just a few years, countries have lost to the US a total of more than 7 million seeds. Through the acquisition of Genex, the world's biggest producer of vegetable seeds for USD 1.6 billion in 2009, Monsanto became the global market leader for vegetable seeds as well.

Loss of diversity of varieties

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TOP 10 seed corporations
Fertilisers

Between 1996 and 2008, the fertiliser market grew by 31% due to rising production of feed and biofuels. The Top 10 of the fertiliser industry has a market share between 31% in 2009. Yara is the world largest fertiliser producer and trader. Furthermore, it also produces CO₂ and nitrogen products for the explosives industry. Yara operates in 50 countries, has around 7600 employees, and posted revenues of US$10.8 billion in 2009. Its head office is in Oslo; the Norwegian state is the biggest shareholder. Between 2006 and 2009, Yara bought up seven other companies. Yara also promotes the development of chemical-intensive industrial agriculture in Africa.

Problems - Phosphate becomes scarce: While in the past, phosphates were returned to the fields via animal (and human) excreta, today mostly chemical fertilisers are used. This means that global phosphate deposits are being heavily exploited so they will last only for a few decades.

- Fertilisers damage ecosystems: Only a small part of the nitrogen from artificial fertilisers reaches the plants – the largest part contaminates soil and water. But a large part of the nitrogen that escapes from the fields can be taken up by microorganisms and disappear from ecosystems. Over-fertilised water bodies also lack oxygen, which many aquatic organisms need.

- Fertilisers damage the climate: Potassium becomes scarce: Potassium has already become a problem because many think that without it there would be more hungry people. However, the projected world population of 8 billion in 2050 will not be fed if meat consumption was lower. Excessive meat consumption and agribusiness are the main new causes of hunger, in addition to on population growth.

Marine life wiped out due to over-use of fertiliser

In 2008, the journal “Science” reported that around the globe about 400 coastal regions, covering an area equal to the size of the UK, were dead because of fertiliser run-off and oxygen deficiency.

Agricultural chemicals have shaped industrial farming for decades. Because pests develop resistance to the chemicals, new pesticides need to be developed continuously or several pesticides are applied in combina-

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Pesticides
Half of the world’s population live in rural areas. They generate well over half of their food from agriculture. 80% of the world’s population depend on small farms for their livelihood. These producers produce around half of all our food.

An estimated 400 million farmers work on industrial plantations and farms. The big farms are increasingly held by banks or other big companies, which provide credit to farmers for seeds, agricultural chemicals, young animals, and feed.

With rising agricultural prices, the interest of investors is growing rapidly. Every year, an area the size of France is sold or leased to foreign investors. This land grabbing particularly affects Africa.

In South America, 14 million people are exposed to the adverse effects of plantation farming, especially of soybeans. Small-scale farming families are usually left out from their lands. They are frequently exposed to pesticide poisoning and the consequences are illnesses and birth defects. Palm oil plantations in Indonesia displace small-scale farmers, just as agrofuel plantations do in other regions like Africa or South America. Small-scale farming families often cannot enforce recognition of their land rights against powerful investors.

Demand from abroad: The EU has set an agrofuel target of 10% by 2020. The USA is responsible for 45% of world soy production. 25% of soy production is exported, making it the second largest producer of soybeans and maize. China’s massive soy and maize purchases and the droughts in Argentina and Russia in 2010 caused price fluctuations from which the trade giants profited. In the second half of 2010 alone, the value of Bunge shares increased by 30%. Agrofuel targets in the EU, US, and other regions expand their trading opportunities further.

The biggest purchasers of agricultural commodities are responsible for hunger among many small farmers. Small farmers are forced out of the market above all by the privileged state of corporations. For example, many Brazilian farmers have been forced to sign contracts with French giant Archer Daniels Midland, Bunge and Dreyfus. Bunge has a claim on their harvest and land. Starving peasants and children in forced labour: Bunge is no innocent bystander. olive oil, palm oil, and palm kernel oil.

Olivier de Schutter, denounces the pricing pressure: low producer prices lead to deteriorating social conditions. He calls on states to prevent unfair practices of trade companies and to remove market imbalances. He is contract farming where farmers produce on credit and thus sell the produce to corporations in advance at a price set by the corporate. Important data on contract farming is available as producers are usually obliged to keep the content of the contracts secret.

Problems

Stand representatives and children in forced labour: Bunge is not innocently a bystander. Many Brazilian farmers have been forced to sign contracts in advance with French giant Archer Daniels Midland, Bunge and Dreyfus. Bunge has a claim on their harvest and land. Starving peasants and children in forced labour: Bunge is no innocent bystander.

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Food processing

Problems

The processing corporations exploit their power to the detriment of producers. The South African competition authority has accused several milk processors of price fixing. That competition has also found the farmers with whom they had their milk purchase agreements to be their market sole milk processors. In Brazil, Nestlé and Unilever have purchased the farmers’ milk cooperatives and thus did not leave the farmers any alternative outlet.

In China, Nestlé persuaded the government that girls grow taller if they consume milk. A school milk programme then prepared the ground for the milk industry. …

Extremely bad working conditions prevail in meat processing. In the U.S. it is the most dangerous factory job, according to Human Rights Watch. Furthermore, wages … Tyson Foods Inc., the world’s largest meat processor, has been accused of such working conditions for many years.

The processors must take far more responsibility for conditions in the supply chain. This includes the duty to respect human rights throughout the value chain, as well as to avoid a negative impact on the environment.

Food retail

Problems

The most powerful retail corporations often push suppliers under pressure. Under such pressure practices include retroactive changes to conditions, fees for listing products on their lists and on their shelves, threats of deleting or restricting levels of business with competing retailers.

Concentration is both industrial and among countermarketants has advanced greatly, particularly in developing countries. In India, where small retailers are still dominant, Walmart and Carrefour were punished for unfair trade practices; both had to publicly confess to their abuse in newspaper ads.

Walmart

Walmart Stores from Bentonville, Arkansas, is the world’s largest food retailer, at the top of the list of company revenues with ExxonMobil, …

Market share of the TOP 3 food retail corporations For food in European countries (2008; *2004)


TOP 10 supermarket corporations

Edeka (Germany) 0.70 %
AEON (Japan) 0.70 %
Kroger (USA) 0.85 %
Aldi (Germany) 0.85 %
Rewe Group (Germany) 0.70 %
Ahold (UK) 0.70 %
Tesco (UK) 0.90 %
Carrefour (France) 1.50 %
Schwarz Group (Germany) 0.90 %
Walmart (USA) 2.70 %
Other companies 89.50 %

TOP 10 in food processing

Cargill (USA) 2 %
Unilever (Netherlands) 2 %
Coca-Cola (USA) 2 %
Mars Inc. (USA) 2 %
ADM (USA) 2 %
ABInBev (Brazil) 3 %
Tyson Foods (USA) 2 %
Nestlé (Switzerland) 7 %
PepsiCo (USA) 3 %
Kraft (USA) 3 %

Nestlé has more than 600,000 farmers in 80 countries and has contracts with the most powerful retail corporations, such as Walmart and Carrefour. It is the most powerful food retailer in many countries and has been accused of many abuses.

For food in European countries (2008; *2004)

By 2012, 76% of food retail in the UK was controlled by four corporations: Tesco 29.5%, Asda 17.5%, Sainsbury, 16.7%, Morrisons 12.3%. They put tremendous pressures on their suppliers. Between 2000 and 2010, UK roils processors received their share of the negative margins.4-6 These processors have been accused of not paying the farmers more than the cost of production, and in addition they bear all the risks.

The market share of the top ten-selling food processors amounted to 26% of the total volume in 2009. Wu-flatsen with ranging from around 15% to 30% for striking producers, the profit margins are among the highest in the food chain.

The large food corporations make their huge profits particularly by focusing on the expanding middle-class in emerging economies like Brazil, India, China, and Indonesia as well as the market segment of expensive branded goods. During the banking crisis they grew mainly through company acquisitions.

The latest top deals were the acquisition of the British chocolate maker Cadbury by Kraft Foods in 2010, and Nestlé’s acquisition of Pfizer Nutrition for US$ 13 billion, subject to approval by competition control authorities.

Market leader Nestlé SA based in Vevey, Switzerland, is the world’s largest food corporation with a turnover of US$ 103 billion. Its milk products, soft drinks, sweets, convenience foods, pet food, fast food, ice cream, ... an excessively high compensation payment for the nationalisation of a Nestlé subsidiary during the famine in Ethiopia.

In retail, global market shares are much lower than in other sectors. But national market shares and the share volume of sales in Walmart, the world’s largest corporation – mean the retail corporations have major market power.

In 2004 the hundred largest supermarket corporations had a 24% share of global food retail sales, by 2007 it had risen to 35%.

The total sales of food retail were estimated to be US$ 1,389 billion in 2009. The sales of food retailers had a share of 10.5% Source: France Food 7, 3rd millennium

The total sales of the sector are estimated to be US$ 7,180 billion in 2009. The ten largest retail corporations had a share of 10.5 %.

Source: Planet Retail, ETC Group 2011

The sale of food retail were estimated to be US$ 1,389 billion in 2009. In 2004 food retail sales were US$ 1,089 billion. At US$ 23 billion, profits were 5.1% higher than in the previous year.

Walmart exerts downward pressure on prices for suppliers and pays low wages. In the U.S., competition with Walmart is growing, because wherever Walmart opens new supermarkets, the standard of living is being eroded. Unions and workplaces replaced in “special companies” are dependent on social welfare while working, and community tax revenues fall.
1. Countries to introduce more effective measures to prevent oligopolies. Market power as such is not prevented by competition laws, only misuse of market power is punishable. And competition laws focus, first and foremost, on consumer prices. The anti-cartel authorities rarely investigate how mergers and acquisitions of big corporations are subject to approval by anti-cartel authorities, present thresholds may not be adequate to address market dominance. The contracts in contract farming should be checked. Abusive practices in purchase, trade, and advertising should be stopped. Consumer associations in many countries are weak and do not currently have the right to go to court.

2. Public subsidies to be transparent and encourage sustainable agriculture. Subsidies usually benefit large companies. Furthermore, many subsidies support industrial agriculture with all its negative social and environmental impacts. With its agricultural and ecological direct payments, Switzerland is one of the countries moving in the right direction.

3. International regulation to punish human rights violations by corporations. The right to food is stipulated in international agreements and is monitored by the UN Commission on Human Rights. However, it is not currently possible for the United Nations to prevent or to punish corporations in the food sector for violations of the right to food. Appropriate instruments must be created so that corporations can be controlled both internationally and nationally and can be held accountable.

4. Food sovereignty to be supported. Trade policy rules must allow countries to protect their local markets from dumping by big export nations. Investment agreements should be transparent, and clauses that allow corporations to sue countries for limiting them should not be permitted. Sustainable regional food production, trade, and processing should be protected and promoted.

5. As a consumer – what can I do? For consumers, it is almost impossible to keep track of the value chain of our food. In 2010, EvB (Berne Declaration) asked Swiss retailers, whether they knew which seeds were used to produce the fruits and vegetables in their range of products: they all said no. Even the supermarket do not know about the food’s origin, have you ever asked anyone about it? Therefore, what is needed first is more information and transparency on the chain of custody from seed to plate.

Of course, we can do something now:

- Ask retail personnel repeatedly about the origin, supply chain, and the social and environmental background of the products;
- Demand more transparency with letters to the management and requests in suggestion boxes;
- Buy seasonal and regional products at local markets and directly from producers;
- Choose fair trade and organic products;
- Avoid the brands of big companies.

What applies to the single consumer of course applies to purchasers in administrations and private companies as well.
Seeds, young animals, feed, fertiliser – all things that used to be produced on the farm itself, are today separate sectors of the industrialised and globalised food value chain. This also includes trade, processing and selling of food. The most vulnerable in this chain are those who cultivate and produce these foods: the farmers. Small-scale farmers in the Global South come under great pressure through horizontal and vertical integration (concentration) in these production processes, in order to keep food prices low, often by exploiting them or other informal market-based solutions.

This fact sheet documents the processes of concentration in food production and shows how, with corporate concentration, a few major global companies have increasing powers to dictate prices, conditions, and in some cases even government policies.

For further information:
- de Schutter, Olivier, UN Special Rapporteur on the Right to Food. (Dec 2010) Addressing Concentration in Food Supply Chains: The Role of Competition Law in Tackling the Abuse of Buyer Power.
- The Canadian NGO ETC Group has researched and published data on concentration in the food sector for years. ETC Group 2013 data used in this report will be published by ETC group in a forthcoming report. See also “Who will control the Green Economy?”, ETC Group, October 2011.
- For PDFs: www.etcgroup.org
- Vorley, B. Food Inc. Corporate concentration from farm to consumer, London 2003
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