Secretary Donald S. Clark
Federal Trade Commission
600 Pennsylvania Avenue NW
Washington, DC 20580

May 4, 2017

Re: China National Chemical Corporation proposed purchase of Syngenta AG

Dear Secretary Clark:

The National Farmers Union has advocated for more than a century for national and international marketplaces that do not disadvantage American farmers and ranchers. In light of the European Union and United States granting antitrust approval for China National Chemical Corp’s (ChemChina) proposed acquisition of Syngenta AG, we urge you to stand up for family farmers and ranchers and oppose the merger. The proposed takeover would disrupt trade flows and accelerate the international consolidation of food and agribusiness industries.

The proposed ChemChina-Syngenta merger occurs against a complex industry backdrop, marked by highly concentrated agricultural biotechnology and seed markets. For 30 years, major agribusiness companies have been acquiring small companies, consolidating the marketplace and increasing their market share. We are currently in the midst of a third wave of consolidation, as the ChemChina-Syngenta takeover is happening alongside proposed mergers of Bayer and Monsanto and Dow and DuPont.

If approved, ChemChina’s proposed $43 billion purchase of Syngenta would give the Chinese government control of the world’s largest manufacturer and distributor of agrichemicals and pesticides.\(^1\) The deal would be the largest Chinese purchase of any foreign firm in history and is larger than the next four largest deals combined.\(^2\) The takeover of the Swiss-based agrichemical and seed company would also give the Chinese government control of manufacturing facilities in the United States, perhaps explaining the 22 percent premium ChemChina offered.\(^3\)

ChemChina is especially leveraged – its debt is nearly ten times revenues – but government support for state-owned enterprises like ChemChina makes it easier to finance global expansion.\(^4\) ChemChina is financing the Syngenta deal with $50 billion in loans from foreign and Chinese lenders, including

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government-backed sovereign wealth funds or state-owned banks. The level of government financing suggests a considerable level of government interest and potential control over Syngenta if the proposed deal is approved.

The proposed takeover of Syngenta by a Chinese state-owned company would create a unique conflict of the Chinese government both approving and manufacturing seeds and agrichemicals, giving the post-merged ChemChina-Syngenta a significant commercial edge over its rivals in accessing the Chinese market. China’s seed market is the second largest in the world but the largest international seed companies only capture 20 percent of the Chinese market.

China’s buying power with a population of 1.38 billion people has significant capacity to influence what is produced in the U.S. In 2013, Shuanghui International Holdings, Ltd. (now known as WH Group) purchased Smithfield Foods for $4.7 billion, representing the largest purchase of a U.S. firm by a Chinese company to that point. Smithfield is the largest pork processor and hog producer in the United States. In 2015, Smithfield’s exports to China rose 50 percent and controlled 97 percent of U.S. pork exports to China.

While China is in the process of modifying laws and regulations governing biotechnology, many biotech food crops have not yet been approved for cultivation. At times, China’s regulatory approval process has hindered U.S. grain and oilseed exports. As a state-owned enterprise, ChemChina does not act in economically rational ways. Should Syngenta get preferential treatment after its acquisition by ChemChina, this could dramatically impact the competitiveness of the agriculture biotechnology sector.

Syngenta suggested that the company did not anticipate favored regulatory treatment from the Chinese government and even projected that the deal would pave the way for the approval of other U.S. crops and biotechnologies. But it admitted that the deal would give Syngenta “a lot of opportunities to totally transform the landscape for agriculture in China.” The proposed deal could give exports grown from Syngenta seeds preferential access to the China market and reinforce a barrier to crop exports grown from other companies’ seeds.

The Chinese government provides a host of benefits to its domestic enterprises that make them more competitive than international firms that operate without state subsidies. These firms receive below-market interest rate loans from state-owned banks and often the debt from these loans is forgiven or significantly written down. China’s policy to ensure food self-sufficiency provides a subsidy for domestic food processing, meatpacking and agricultural production. Additionally, China’s protection and manipulation of its currency provides a benefit to Chinese firms.

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12 Bunge (February 4, 2016).
If any or all of the proposed mergers in this third wave of consolidation are approved, American farmers and ranchers will be left with less choice and higher input prices. The ChemChina-Syngenta merger compounds those negative effects by creating trade barriers and uncertainty in international markets. The FTC should reject ChemChina’s proposed purchase of Syngenta.

Sincerely,

Roger Johnson
President
National Farmers Union