

COFECE conditions concentration between ChemChina and Syngenta in the pesticide and herbicides markets

- *To close the concentration, the parties must accept and comply in full with the conditions imposed by COFECE's Board of Commissioners.*
- *Approved with no remedies, the transaction would strengthen ChemChina's market position in several markets for herbicides and fungicides, which would give it a leading position and a considerable gap from its major competitors.*
- *The transaction as originally proposed would imply a significant reduction of alternatives available for farmers to protect their crops from harmful pests, as well as price increases in some herbicides and fungicides, resulting in rising costs for their activity.*

Mexico City, April 11, 2017.- The Board of Commissioners of the Mexican Federal Competition Commission (COFECE) challenged the purchase of Syngenta's assets by ChemChina, as the proposed transaction would harm competition in the markets for selective herbicides for the control of broadleaf weed and grasses (broad spectrum) in sugar cane, as well as contact fungicides in several crops.

ChemChina is a Chinese state-owned company engaged in the research, development, and manufacture of chemical products. Its subsidiary Adama is primarily active in the manufacturing and distribution of products for the protection of agricultural crops and seeds treatment. Syngenta is a public company based in Switzerland that participates globally in the research, development, manufacture and marketing of seeds and crop protection products.

COFECE's investigation found problematic market overlaps in the production and distribution of agrochemical products. In particular, the takeover would have significantly impeded effective competition in the following markets: i) selective herbicides for weed control (broad spectrum; broadleaf weeds, and grass weeds) for the cultivation of sugar cane; and (ii) contact fungicides for several crops. If the operation was carried out without conditions, ChemChina would have held a high market share in these markets.

In addition, COFECE identified barriers to entry to new competitors, associated to the large amount of resources to be invested and time required for the development of new agrochemicals, and registration with the competent authorities. Therefore, the transaction as originally proposed, would have substantially lessened competition as follows:

- a) With Syngenta leaving the market, ChemChina would consolidate its leadership in terms of market share, increasing the gap from its major competitors.
- b) In the markets in which competition concerns arose, there are no competitors with sufficient market power to counterbalance an attempt to increase prices by ChemChina.
- c) The transaction would have significantly reduced the alternatives available for farmers to protect their crops from harmful pests, which would raise the price of the agrochemicals and, resulting in increased costs for crop growers.

To ensure that after the transaction, competition prevails, COFECE's Board of Commissioners determined that it would only be authorized if the companies accept, among others, the following commitments:

- The divestment (to a third party) of five Syngenta's specific products, to eliminate problematic overlaps in these markets
- The buyer(s) of these assets must be independent from both ChemChina and Syngenta, and must be able to compete sustainably with the parties.
- Prior to the divestment, the Commission must be involved in the evaluation of the potential buyer.

This resolution has been notified to a ChemChina and Syngenta. To close the transaction, the parties must submit a written statement accepting in full the conditions imposed by the Commission, which aims at protecting the competition process.

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The Federal Economic Competition Commission is entrusted with safeguarding competition and free market access. Through this, it contributes to consumer welfare and the efficient functioning of the markets. Through its work it seeks better conditions for consumers, greater output and better services and a "level playing field" for companies

