

COFECE-033-2017

COFECE conditions Dow DuPont *concentration of ethylene and insecticide byproducts businesses*

- *A transaction without conditions would result in a company with high participation in these markets as well as a considerable gap from its closest competitor.*
- *This would mean a reduction of competitive pressure that could result in the increase of prices in these products.*
- *The companies' divestiture of parts of their DuPont insecticide and Dow acid copolymers and ionomers businesses is required.*
- *The cooperation of European Union and United States competition authorities was essential for the analysis of this concentration.*

Mexico City, June 27, 2017.- The Mexican Federal Economic Competition Commission's (COFECE or Commission) Board of Commissioners determined the conditional approval of the concentration between *The Dow Chemical Company (Dow)* and *DuPont de Nemours and Company (DuPont)*. Among said conditions are the divestiture of the acid copolymers and ionomers business as well as the foliar insect control against chewing insects for diverse crops, property of Dow and DuPont, respectively. Had the transaction taken place as it was notified, the process of competition and free market access would have been put at risk.

The concentration is part of a global transaction that consists in the combination of the businesses of these economic agents to form a new company *DowDuPont*.

Dow is an American company that operates six subsidiaries in Mexico, dedicated to the production, import or sale of herbicides, fungicides, insecticides and other agricultural products that include seeds, silicone products, chemicals for plastic packaging, diverse chemical products, coatings, infrastructure solutions and construction materials, among others.

DuPont is an American company that operates 11 subsidiaries in Mexico, dedicated to industrial and commercial pectins, citric byproducts and food additives, as well as the production, manufacturing, commercialization, import, export and processing of diverse chemical and soy lecithin products. They also sell seeds, among other activities.

Upon analysis of the transaction as notified, COFECE found that both companies overlap in four groups of goods in Mexico: i) seeds; ii) products in crop protection; iii) products

1



specialized in food and health (including diverse goods, such as food texturizers and ingredients); and iv) science materials (which include ethylene byproducts and other chemicals).

In the Commission's analysis, the transaction would unlikely hinder, diminish, damage or impede competition and free market access of the sale of seeds and specialty products. However, the concentration might affect competition in acid copolymer and ionomer, which are part of the ethylene group of byproducts. This situation is repeated in the case of products in crop protection, specifically in the markets of commercialization of foliar insecticides that combat chewing insects in diverse crops (avocado, cranberry, eggplant, broccoli, zucchini, chayote fruit, chili pepper, cabbage, Brussels sprout, colli flour, asparagus, raspberry, strawberry, tomato, apple, melon, walnut, potato, cucumber, watermelon, tomatillo and blackberry) sold under the brands *Avaunt* and *Coragen*, property of *DuPont*

COFECE considered that, the concentration would result in:

- The consolidation of the new company, *DowDuPont*, as a consumer alternative for these products, setting a considerable gap from its closest competitors.
- The reduction of competitive pressure could result in price increases and supply restrictions.
- A significant reduction of alternatives in crop protection, an increase in prices of agrochemicals and higher production costs in the insecticide markets against chewing insects, might be observed by farmers.

Consequently, the Board of Commissioner's approval is conditional to the divestiture of the foliar insecticides that combat chewing insects in diverse crops business. The buyer(s) must be independent and autonomous of *Dow* and *DuPont*, as well as having the capacity, experience and sufficient means to maintain itself as a viable competitor. Additionally, the buyer(s) are subject to COFECE's approval.

In regards to the acid copolymer and ionomer business, the Commission accepted the Korean *SK Global Chemical* company acquire the business from the companies to reduce risks in this market.

Dow and *DuPont* have been notified of this resolution. To close the transaction, the parties must submit a written statement accepting in full the conditions imposed by the Commission, which aim at protecting the competition process.

Things you need to know about: [Notification thresholds \(in Spanish\)](#) and [Notification requirements](#).

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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.