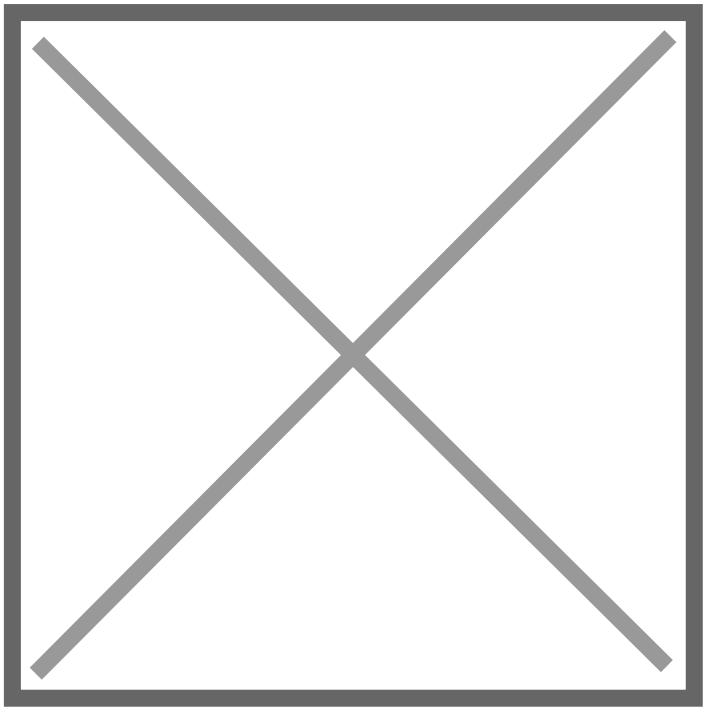


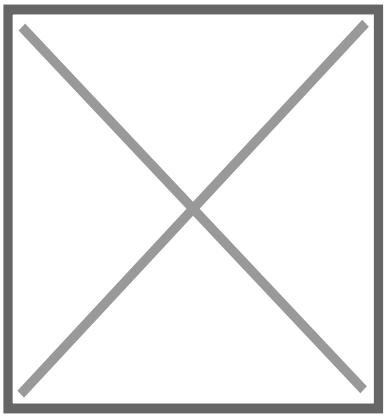
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NEWS ANALYSIS

AP's stand on Bt cotton royalty will have far reaching impact



The Andhra Pradesh government has moved the MRTPC against Mahyco-Monsanto Biotechnology Ltd contending that the seed company is charging abnormally high trait value of Rs 1,250 as royalty from the farmers for 450 gm of Bt cotton seed.

On January 2, 2006 the Andhra Pradesh government moved the Monopolies and Restrictive Trade Practices Commission (MRTPC) against Mahyco-Monsanto Biotechnology Ltd (MMBL) on the "exorbitant" royalty being collected by it for Bt cotton. Besides MMBL, the state government has made Nuziveedu Seeds Ltd, Mahyco, Proagro Seed Company Ltd, Raasi Seeds Pvt Ltd as parties in the case.

The Andhra Pradesh government noted that the farmers used to pay Rs 1,850 for a 450-gm packet of cottonseeds, of which Rs 1,250 is being paid to Monsanto as royalty. In the last three years, cotton farmers in Andhra Pradesh bought Bt cottonseeds worth Rs 130 crore of which Rs 78 crore went to Monsanto as royalty. Thus, the state observed that significant increase in cost of production virtually ate away the margin of farmers. The state government had blacklisted MMBL for selling Bt cottonseeds, as it has observed that the company has not agreed to pay compensation to the state cotton farmers who had suffered losses in the last four years due to crop failure.

The case at MRTPC was scheduled to be heard on January 10, but was postponed to January 27. Yet again the hearing was postponed to February 27, sources said. The MRTPC's decision on the Andhra Pradesh case is likely to set a precedent. The government of Gujarat is considering approaching MRTPC against the seed company over exorbitant royalty. Gujarat is a state where the experts believe that unauthorized planting of unofficial variety of Bt cotton was sold for as low as Rs 450 a packet and nearly 60 per cent of the crop or about 50 lakh bales produced in 2005-06 season, represent use of unofficial or unapproved GM cottonseed. Many pleas to the governments from the industry failed to yield any positive results and to protect interests of the innovators of technology.

Reacting to the government's move, Ranjana Smetacek, director, corporate affairs, Monsanto Holding Pvt Ltd said, "We believe that Bollgard is gaining increasing acceptance in all the cotton growing states, including Andhra Pradesh. Bollgard technology was introduced in Andhra Pradesh in 2002 through three Mahyco hybrids, and subsequent years saw the introduction of additional Bollgard cotton hybrids from Rasi Seeds, Ankur and Nuziveedu Seeds. The acres planted to Bollgard hybrid cottonseeds since 2002 increased from 10,000 to 700,000 acres in Andhra Pradesh and 72,682 to 3.1 million acres in the country. This large scale planting of hybrids with Bollgard technology is proof that the benefits are being derived from these seeds by farmers in the country in general and Andhra Pradesh in particular."

Even an IMRB survey released in April 2005 found out that the net profit increase for Bollgard farmers was Rs 5,950 per acre or over 60 per cent over conventional cotton. Another key finding was the reduction of an average 4 to 5 pesticide sprays against bollworm, which translates into a saving of Rs 1,137 per acre.

She observed that farmers recognize the value of Bollgard, which continues to gain acceptance among them in the nine states where it is being sold. The ever-increasing Bollgard plantings demonstrate that the Indian farmer is willing to adopt a technology that delivers consistent benefits in terms of reduced pesticide use and increased income. Farmers use this technology based on the agronomic need they face in their fields. In other words, each farmer has a choice and can determine if this technology will create value for them.

Monsanto has licensed Bollgard technology to 21 different Indian cottonseed companies which have incorporated the trait into their best hybrid seeds. At present 20 Bollgard hybrids are being grown on approximately 3.1 million acres across India's nine cotton-growing states in 2005. This and the 150 percent growth of sale of Bt cottonseeds in 2004-05 show the acceptance of technology by the farming community across the country including Andra Pradesh.

Regarding the high pricing, Ranjana Smetacek informed, "In the agriculture industry, the pricing philosophy is based on sharing the value that products and technology deliver to farmers. Factor such as replacement cost (cost of current agronomic methods and their effectiveness, benefits, and limitations), agronomic benefits (additional yield benefits, labour, equipment and fuel savings or application flexibility that a product or technology provides to farmers), and non-agronomic benefits (time savings, efficiency, risk-management, peace of mind, etc.) may used to determine price. Technology fees may be part of the price charged to farmers, and are used both to support current products in a market, and to fund research that will deliver new products. These fees are shared with the retail technology channel, seed partners, and Monsanto shareholders and cover the costs of doing business.

Regarding compensation to the farmers, she said, "Monsanto is not directly involved in this compensation matter. Among the companies mentioned in the media report, only Mahyco has a compensation claim pending against it. Mahyco has got a stay order in court and are exploring their legal defenses.

Reacting to the issue, the industry people who wished anonymity observed that it is a sorrowful situation and should be resolved at the earliest. The rigid stand of the Andhra Pradesh government will definitely have far reaching effect and in long term it will impact the seed industry. It will only affect the farmers who are actually reaping the benefits of the technology and not the government. The seed companies are investing a lot on R&D to develop new technologies to serve the farming community effectively. Steps have been taken to get the best result from the research activities so as to pass it on to the farming community.

In an era of innovation and product patent, state and central governments have been funding projects on agri biotechnology. Even companies are investing on research activities with commercial values in mind. They wait for years to have the fruits and to share profits with the society. Government intervention at the time of commercialization might come in the way of investments in research and development in an era of new technologies. Yet the government has a role to play to put check on the monopoly and sale of spurious seeds so that the benefits would be shared by all.

Narayan Kulkarni