

Nationalists v/s Multinationals

Government dares Monsanto with 70 percent cut in technology fees

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The Union Ministry of Agriculture has notified a sharp, 70 percent reduction in fees payable to Mahyco-Monsanto Biotech (MMBL) for its patented cottonseed technology, disregarding the company's threat that it would have "no choice but to re-evaluate every aspect of our position in India", if this were to happen.

The issue has acquired nationalist vs multinational overtones and might deter investors from coming to "Make in India".

The Ministry has set the maximum selling price for a 450-gram pack of the genetically-modified seeds known by the trade name Bollgard II or BG-II at Rs.800 for the whole of India. This includes a technology fee of Rs.9 and seed value of Rs.751.

The maximum selling price of the previous version called BG-I has been fixed at Rs.635. The Ministry has said that no technology fee is payable for it, as it is off patent. BG-I was the first genetically modified cottonseed which India approved for cultivation in 2002.

MMBL was charging Rs.163 per pack as technology (trait) fees for BG-II, which has two insecticidal genes obtained from agro-bacteria for greater resistance to a deadly pest called bollworm. It has been asserting that trait fees are governed by private agreements and cannot be decided by the government. Trait fees are different from royalty for which MMBL charges a lump sum when licensing the technology.

The Agriculture Ministry brought Bt cottonseeds under price control last December. MMBL has moved the Delhi High Court against the order, and specifically against government regulation of trait fees. But it failed to obtain relief at a hearing on March 9. The next hearing has been fixed for March 23.

Currently, various states have price control orders. Maharashtra had fixed the price of BG-II at Rs.830 for the 2015 sowing season, ahead of the monsoon. The rate in Telangana, Andhra Pradesh, Gujarat, Tamil Nadu, and Karnataka is Rs.930. In Punjab and Haryana, it is Rs.1,000. The Central government order supersedes them all. It introduces a single price for the whole country.

Earlier attempts by states to fix trait fees were quashed by the courts though they have upheld their authority to fix prices.



Representational Image

The nine-member price committee set up by the Agriculture Ministry did not have a representative of MMBL though BG-II covers nearly all of India's cotton acreage.

"We are in the process of examining the notification in detail and will be able to comment only after we study the document in its entirety," MMBL's spokesman said.

Kalyan Goswami, the executive director of the National Seeds Association of India (NSAI), said he was "pleased to note that the farmers' voice had been heard by the Ministry of Agriculture". NSAI had asked the Ministry to lower the trait fee because BG-II technology was facing "redundancy". NSAI is a party to the dispute in the High Court.

There have been reports of pink bollworm developing resistance to the technology in parts of Gujarat, Maharashtra and Telangana. The state-owned Central Institute of Cotton Research said that about ten percent of the crop had been affected. But the resistance can be managed. The technology is still effective against other varieties like the American bollworm and the spotted bollworm.

"We strongly oppose the decision... as it violates the principles of free market economics," Shivendra Bajaj, Executive Director of the Association of Biotech-led Enterprises-Agriculture Focus Group (ABLE-AG) said in a statement. ABLE-AG is a grouping of 13 agri-biotech companies.

"By slashing trait fees, the government has clearly shown that it is going for short-term populist measures rather than supporting innovation... The decision will be detrimental in the long run as companies may have to reconsider their investments in seed-based R&D... due to the current uncertain environment," Bajaj added.

In this battle of between nationalists and a multinational who will come on top?

The president of NSAI is Prabhakar Rao, the founder and managing director of Hyderabad-based Nuziveedu Seeds Limited (NSL). MMBL has terminated the licenses of NSL and its two subsidiaries, which were its largest franchisees. MMBL says the three companies have not paid it about Rs.165 crore in trait fee dues collected from farmers. Rao is said to be close to the Agriculture Minister.

The Ministry has also made a reference to the Competition Commission of India (CCI) to investigate MMBL for abuse of dominance. The CCI will look into the issue.

There has been a virtual, though not formal, split in the NSAI, with multinational members of the association opposing the NSAI's official stance in favour of price control and reduction of trait fees.

Some commentators have warned the Agriculture Ministry against sending a message that would unnerve investors. The government has been urged to try competition, not price controls as means to reduce prices. Encouraging technologies rival to BG-II should be the route to take, it was suggested.

Several business newspapers have said the government should not be disincentivising innovation and firms like Monsanto.

But while the government is talking about "Make in India", its Ministers seem to be unmaking the effort. IANS

(Vivian Fernandes is Editor of www.smartindianagriculture.in. Views expressed are strictly personal.)

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