

Cotton King

14 December 2006 | News



Cotton King

Attur is a city and a municipality in Salem district in the state of Tamil Nadu, situated approximately 55 km to the east of Salem. Attur is the main shopping center for the surrounding countryside and is the capital of the "Attur Taluk" region, which is principally an agricultural area. Attur is also famous for tapioca (cassava roots), and there are several tapioca-based industries today which manufacture products like javvarisi (sago) for markets all over India. What is little known is that Attur is the third largest hybrid cotton seeds production center. This has been made possible by Muthu Gounder Ramasami, Founder and managing director, Rasi Seeds. What is even lesser known is the fact that the low-profile Ramasami is a champion of technology and disciplined farming. Ramasami is the BioSpectrum Person of the Year 2006, who is silently bringing about the next revolution in agriculture by taking the technology to the farmers.

Rasi Seeds is a leading seed company in India with revenues in excess of Rs 300 crore. The second entrant to the most-watched Indian Bt cotton market, Rasi Seeds is credited for creating the demand for Bt cotton. In the 2004-05 cropping season, Rasi Seeds notched up sales of Rs 86.86 crore. And it more than tripled its sales in 2005-06 to Rs 309 crore. It has been the largest seller of Bt cotton seeds in India overtaking Mahyco. The success of Rasi has not come overnight. Muthu Gounder Ramasami founded the company in 1973.

What is striking is the fact Ramasami does not hail from a business family. He hails from an agricultural family. He was born in Kallanatham village, near Attur town, completed schooling in Attur and went to do BSc Agriculture from Madras Agricultural College in Coimbatore. He completed his course in 1966 and joined the department of agriculture. The students of agriculture were very sought after during the 1960s and he got the job while at college itself. He worked with the department from 1966 to 1973.

"That was the era when hybrids were introduced. Hybrid Bajra was a new crop and there was a high demand for it. I used to go to Bangalore and procure the seeds and gave it to the farmers. While doing so, I hit upon the idea to produce it. That is how I started producing the seeds, setting up Rasi as a partnership firm in 1973," said Ramasami.

There was demand and he was enthused and passionate about doing something on his own. So he went on a long leave and started the seed production. Small quantities were produced and sold to farmers. But that was not sustainable as the margins were meager and the risks high. He then considered producing seeds for some big companies and broad based himself. He touched base with companies in Jalna. So he was organizing seed production from 1975- 80s. The cotton carrier started in 1975. "This is how I started," reminisced Ramasami.

In 1973, when Ramasami decided to leave the department, his earning was Rs 450 per month. He left because of his passion for hybrids. "Hybrids were always attractive to me. I had the confidence that I could earn the amount equal to the salary that I was getting in the department through business. My parents, friends and relatives strongly opposed the move. But my wife realized that I was too passionate about it and supported me. She supported me all through the first 10 distressing years," recalled Ramasami. There were two bad phases during the initial few years, but he managed to sail over the bad phases because of his confidence. In the 1980s, the business stabilized and he was able to manage the family and educate the children.

Why did Ramasami choose Rasi as the name for his company? Rasi, in Tamil, means a heap of fortune in the farming community. "It is also coincidental that the name has initials of my name and that of my wife's (Sivagami)." Also Ramasami's family did not belong to Attur. They migrated from Rasipuram. "Rasi as a name itself is a big component of my success," added Ramasami.

Management in the field

He started with a small retail outlet in 1969 (Attur Agro Service) with pocket money. But slowly developed it, pledging the jewels in the bank and rotating the money. "I never thought about how to grow it. I always focused on striking the right balance between earning and investing and be engaged in the activity. I did not have long-term plans. I never looked beyond two years of planning. However, today it warrants me to think and plan for a longer term of say five years," said Ramasami. His success has been owing to his confidence, say his colleagues Dr CP Thiagarajan, research manager, Dr S Ramanathan, vice president, crop research and Dr V Subramaniam, vice president, research.

Ramasami always believed in intuition and took a logical approach in his endeavors. "I used to make a balance sheet of performance and prepare the next year's program. It was a logical approach. I learnt from my mistakes and quickly took the corrective measures." Ramasami's colleagues and staff confer that Ramasami is a man who loves to be in the research farms and see the hybrids growing. His strength lies in pooling the people and leverage on their strengths. He is gifted with the extreme ability to identify the strengths said Dr Thiagarajan.

In fact, Ramasami is so passionate about visiting the fields that it is an important part of his daily routine. He visits his

research farms every morning at 6 a.m in the morning and spends about an hour or so there when in Attur. Ramasami travels to Bt cotton fields across the country every month too.

His management baptism has happened on the field. There is no single role model for Ramasami. He used to go about absorbing special qualities-timeliness (timely supply), quality parameters from some company, systems from some of the companies. Seed producing systems were taught by the Seeds Certification Agency. "These are some of the qualities that I have absorbed into my style of working."

Belief in technology

Rasi's big break came in 1992 when it released its first cotton hybrid. Till then it was producing hybrid cotton and hybrid jowar on a large scale and was organizer for companies like Mahyco. "All along, I never concentrated on the marketing activities up to 1990. I was an organizer to somebody. I felt that was not getting enough returns. So I wanted to release our own hybrids. I roped in director of research and scientist of repute, Dr R Krishna Murthy, who joined us in 1988. Dr Krishna Murthy, who developed LRA5166, promised to develop a good breeder seed. That was the starting point of our development. The first hybrid was introduced in 1992-93 and it performed very well and the volumes picked up by 1995-96. And by 1998 we were the top sellers of hybrid cotton. The marketing activity was also started in 1992 by my son, who joined me after his MBA. Now we have established links across nine states."

Rasi has a massive R&D infrastructure. Its R&D unit is recognized by the Department of Scientific and Industrial Research. The research farms are spread across 140 acres and the infrastructure includes 55,000 sft Green House, state-of-the art fiber testing lab (HVI), seed testing laboratory. Its cotton hybrids RCH2, RCH 20, RCH 134 and RCH 138 were among the top ranking hybrids in the All India Co-ordinated Cotton Improvement Project. And the infrastructure is being added on. He is spending Rs 6 crore on a new research facility and Rs 4 crore on processing unit. His scientists are also working on transgenic cassava, rice, brinjal, okra, tomatoes, etc.

Ramasami is a strong believer of technology. This is reflected in all walks of his life not just hybrids and biotech. He is at ease using a mobile phone, laptop, a Sony digital camera, and many other gizmos. He is also diversifying and wants to make Rasi an integrated group. The outlined vision for Rasi is "Breeding to Branding". It aims to be across the entire value chain of breeding, contract farming, spinning, weaving, and garments. And he has the younger generation, his son and son-in-law, supporting him in accomplishing the dream.

Ch. Srinivas Rao



Person of the Year **Muthu Gounder Ramasami**

Position: Founder and managing director, Rasi Seeds

Date of Birth: September 12, 1944

Academics: Agricultural graduate from Madras Agricultural College, Coimbatore

Family: Wife Sivagami supported Ramasami in all his entrepreneurial initiatives. Son R Rajendran, 35 years, is the executive director. Son-in-law, S Senthilnathan, 36 years, is now director, finance. The duo are all set to take Rasi to the next level. Daughter is a housewife.

Other Hats: President of All India Crop Biotechnology Association; President of Tamil Nadu Seed Association; member of several associations like Association of Seed Industries, Seed Association of India, Seed Association of Madhya Pradesh, Seedsmen Association, Cotton Research and Development Association, Confederation of Indian Industry. Ramasami is also the chairman of Rasi Tex (In) Pvt Ltd, a textile mill.

"It was a tough decision, but it paid off"

How did you enter the Bt cotton seed business?

Bt cotton was commercialized in 1996 in the US and subsequently in Australia, South Africa etc. During the Asia Pacific Seed Association (APSA) meeting in Brisbane in 1997, there was a lot of talk on the Bt cotton. After the conference, Raju B Barwale of Maharashtra Hybrid Seeds Co. Ltd (Mahyco) came to our facility and asked us to consider Bt technology, as Rasi was a leader in the cotton seeds business at that point of time. I was very confused-the technology was new, the licensing itself needed upfront investment of Rs 50 lakh. But I made up my mind in favor of the technology after I attended the 1998 Athens meet of the World Cotton Research Conference. Scientists were highlighting the benefits of the technology. What really impressed me was the story of the South African farmers. The farmers used to travel for a distance of 2-3 km carrying water only to spray the cotton fields to protect from Bollworm attack. It is not an easy life for the farmers, more so for women farmers. By adopting the technology, the farmers in South Africa managed to increase the yield and reduce the pesticide consumption. It also made their life easier.

After hearing about that case, I was fully convinced that I should enter into the agreement for Bt technology and at any cost. Yet, it took me about a year to complete the deal as Rasi was the first company that was entering a sublicense system. The terms and conditions of the agreement were new. The agreement was for trait value sharing in the ratio of 70:30 in favor of Monsanto and an upfront license fee of Rs 50 lakh. Whatever we collect from farmer as trait value is shared between the seed company, the technology partner and the marketing partner. In 1999, we paid an upfront fee and Rasi became the first company to vouch for Bt technology. We decided to transfer Bt gene to five of our hybrid cotton lines. And one of the prime reasons for Bt cotton's success has been the choice of the hybrids.

What were the challenges that you had to overcome?

It took over three months to get the Review Committee on Genetic Manipulation (RCGM) approval and by end of 1999, we got the initial seeds for conducting research on transfer of Bt gene for cotton bollworm resistance. That was the starting point of our Bt cotton entry. Monsanto provided us very good training and we established the lab at Attur. We had access to the St Louis headquarters of Monsanto and they helped us in transfer of technology to our hybrids. We got the permission for limited field trials in 2002 and the large scale field trials in 2003. Out of the five hybrids, only one hybrid, RCH 2 Bt cotton, was permitted for release in 2004. This was a very tense phase for me as I had bet all my money on Bt cotton and it took some time for me to reconcile.

How did you manage it?

I decided to be on the fields and focus all my attention on giving good guidance to the farmers. I always believed that farmers would come back to us only if they saw good returns. Further, there were a lot of dissenting notes with the first approval of Bt

cotton in 2002. I realized the best way to address all this is through proper demos and by actively involving the farmers in every step, right from the selection of the hybrid. In 2003, we had gone for 475 trials in six states. We brought a large number of farmers to the field. We initiated the farmer visit program. All this created a good impression about the Bt cotton crop and the benefits. After the crop harvest, we started the farmers training program in a cluster of villages. Several lakhs of farmers participated in the six states. That is how we made ourselves ready for the market.

Our RCH2 Bt cotton was approved in 2004. And in the first year, Bt cotton was grown in 4 lakh acres. We ensured that our field force worked in the field to see to it that the four lakh acres where Bt cotton was being cultivated gave success. In 2005, four more hybrids were approved, with the five products, 18 lakh acres could be covered. And with this, we really took off. In 2006, we had prepared 27-28 lakh packets.

Were the farmers really ready for the technology?

There was not much information available to the farmers. We had to understand the sentiments of the farmer before propagating Bt. Our field force was increased by four times to 400 for the promotion of Bt cotton. We forgot everything else and concentrated on creating the awareness. What really helped in our favor was that till 1998, we were leaders in cotton seed marketing. Rasi was a preferred brand and farmers knew about our RCH2 (especially those in Maharashtra, Gujarat, and Andhra Pradesh). It was highly popular and a high-yielding seed. So when the hybrid with Bt was introduced, there was no resistance even though each packet was priced at Rs 1,700 compared to the non-Bt one at Rs 400 as they had already seen the benefits during the field trials. Farmers have realized the value of the technology and hybrids and made an advanced payment for the seeds.

Did you promote the technology on your own?

All the programs were on our own. There was no joint promotion activity. We were very careful not to identify ourselves with any company. Monsanto was only the technology provider.

One of the biggest challenges was in managing the expectation of the farmer. Our promos were aimed consciously at not increasing the expectations of the farmers. Our campaigns portrayed both the merits and demerits.

How do you view the current pricing policy?

The demand for Bt cotton has grown and the seeds command a premium price. Despite the fact that the prices were brought down from Rs 1,350 and fixed at Rs 750, dealers are not selling at MRP. Farmers buy it for Rs 1,000 per packet. It must be realized that the agro input delivery system is driven by dealers.

The present pricing policy needs to be re-looked. Today, every seed company realizes that it cannot do business without Bt technology. Everyone is making an effort to get a very good germ plasm. It has created a very healthy competition. RCH2 was a benchmark. We are trying to scale up. I am working on improving on RCH2. To sustain this, there must be a change in the pricing policy in 2007. It should be value driven. For example, any company can sell the seeds at 75 percent germination (approved by the DBT). But companies are taking initiatives and are seeing to it that more value is added to the seed. This means a lot of additional efforts and more investments. So the pricing should be flexible and be based on quality. The technology provider can influence some discipline. This is the only way one can ensure a better technology to the farmer.