

Bt Cotton seed manufacturing companies in turmoil

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The Bombay High Court's decision in September this year strongly upheld the validity of Maharashtra Cotton Seed Act, 2009, raising questions about the stability of Bt Cotton seeds prices. The state of Maharashtra and Andhra Pradesh have severely faced the heat of this regulation. The Bt cotton seed price control is in implementation in Maharashtra since 2008 onwards, through ordinances before the Act was lawfully passed in 2009.

Under the act, the government reserves and holds full rights in regulating the Bt cotton seed prices. The Act also says that seed companies need to pay compensations to farmers if the seeds fail to produce the necessary yields as expected.

At times, the prices were at fully financially viable levels to the seed industry, thereby strengthening seed manufacturers financially. Bt cotton offers the highest revenue to the seed industry, which is estimated to be `7,000 crore. It is grown in many states including Andhra Pradesh, Gujarat, Maharashtra, Haryana, Karnataka, Madhya Pradesh, Punjab, Rajasthan and Tamil Nadu. The state of Gujarat had a similar Act passed, but it was later set aside by the High Court of Gujarat. Currently, all other states, except Maharashtra and Andhra Pradesh, do not have any cotton seed price control enactments.

In India, significant seeds makers include Nuziveedu Seeds, Ankur Seeds, Mahyco, Rasi Seeds and Krishidhan. The Bombay High Court's ruling in this regard will irreversibly affect the seed production process. Says Mr M Prabhakar Rao, chairman & managing director, Nuziveedu Seeds Limited, "The Hon'ble High Court has mentioned that when there is price regulation, it will be the duty of the regulator to maintain financially viable pricing to the Industry." Indian seed industry being the sixth largest in the world, the country has become the second largest producer and exporter of cotton in the world.

In other words, the judgment has made it clear that while the government, which should take care of farmers interest is also obligated to take care of the industry's financial viability and provide for adequate return on investments.

Therefore, if the government follows the spirit and letter of the order, industry can expect price corrections every year in line with the cost escalation. If this is achieved, the outcome can be positive.