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Executive Director

Ref. NSAI/2017/119

Dr. Rajiv Kumar  
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November 27, 2017



Dear Sir,

**Subject: Procedures to be followed to allow Foreign Countries to Indian Markets – Need for a Clear Policy to define participation of Foreign Companies in Seed Sector.**

Greetings from NSAI!!

This is with reference to our meeting with you on 22<sup>nd</sup> November, 2017. In the meeting we have updated you on the Indian FDI policies in Agriculture. We would like to submit the concerns raised by us in yesterday's meeting in the interest of safe guarding country's sovereignty.

#### **The Present Scenario in India**

- a) At present India allows 100% foreign investment (FDI) in seed sector including both in research activities like trait development, crop improvement activity and in commercial activities like seed production, processing and marketing of seeds.
- b) Initially GOI has made a policy to allow 100% foreign participation in Research and Development activities in Seed Sector to promote the crop improvement research in the country and to make available superior varieties. It was envisaged that production and distribution will be done by the local companies.
- c) Later such 100% foreign participation in commercial activities like seed production and seed marketing was also allowed.

#### **The Scenario in other Asian Countries**

- a) While keeping in mind the strategic importance of having local ownership in seed sector, countries like China, Thailand, Indonesia etc., have not allowed majority control to foreign companies in seed sector.
- b) In all these countries, only for research and development purposes 100% foreign ownership is allowed whereas the seed production and distribution is not allowed with majority foreign ownership. In these countries, a seed company must have more than 51% local ownership. In China, in addition to 51% local ownership, a company with foreign shareholding is constantly monitored and is confined only to specified regions only. No company with foreign holding is allowed to operate nationwide.
- c) Indonesia which has allowed 100% ownership initially has come with a new legislation 2 years ago to reduce the foreign ownership to below 50% for seed companies. The foreign seed companies are now transferring the shares to local persons to meet the requirement.

- d) Interestingly, all the large MNCs which are present in India, are also operating in all these countries including China, Indonesia etc., despite ownership restrictions without any complaints (China completely restricts sending out any parent lines or varieties developed in China to a foreign country. However, China encourages export of hybrid seeds. **Therefore, it is pertinent to note that by following foreign ownership restriction to below 49%, there may not be any withdrawal of foreign seed companies from India.**
- e) **Because of the above policies, Indian seed companies are not able to set up 100% owned subsidiaries in countries like China, Indonesia, and Thailand etc. This hinders the growth opportunities for Indian seed companies outside India.**
- f) **It is also a myth that not allowing GM traits may not encourage foreign investment in Indian seed sector. No major European country allowed GM crops despite which all the major global companies including American companies operate in Europe. As such the merit of allowing GM traits in the backdrop of failure of all 5 Bt cotton traits approved by GEAC in India leading to distress to the farmers needs to be considered. This shows the short utility and potential huge losses to the farmers due to failures of the traits after a short span of 5-6 years.**

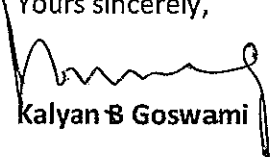
On the contrary, companies from these countries are able to set up their 100% subsidiaries and compete with the Indian companies. Though the Biodiversity Act prohibits sending out any genetic resource, the situation as it exists in India can result in pilferage of valuable bio resources of India by exploitation of Indian biological resources by foreign companies. The same resources will come back to India as new introductions/varieties with PVP rights leading to increase of seed cost to the Indian farmers.

Needless to mention that, by allowing 100% subsidiaries of global seed companies, India is sacrificing its food security but not gaining anything substantial. It's a paradox that if an Indian company starts operations in China or Indonesia, they can own less than 49% whereas companies from China and Thailand are already operating in India with 100% subsidiaries. Acquisition of a global European seed major like Syngenta by China is an indication of the importance China is giving to the seed sector.

NSAI, in the capacity of the apex body of Indian Seed Industry, would like to appeal to you to recommend to the concerned Ministry to review the background, facts and figures of the decision to allow 100% foreign ownership in seed companies and to take appropriate steps to retain majority stake with Indian Citizens in seed companies engaged in activities of Seed Production and distribution. We may continue the present policy of allowing majority or 100% foreign ownership only in Seed Research activities.

Thanking you,

Yours sincerely,



**Kalyan B Goswami**