From: Amy Kaleita <amy.kaleita@gmail.com>
Sent: Tuesday, December 29, 2009 3:34 PM
To: ATR-Agricultural Workshops <agriculturalworkshops@usdoj.gov>
Subject: Comment letter attached
Attach: KaleitaDOJ.pdf

Attached please find a comment letter; two hard copies have been mailed overnight as requested. The text of the attachment is also included below. Thank you.

Amy Kaleita

****

December 28, 2009

To whom it may concern:

This letter is in response to the request for comments on competition in the agribusiness sector, specifically in the seed business.

Farmers note that that the high cost of Monsanto products makes it difficult for the farmers to remain profitable, because they have little to no control over the price for which they sell their final product; they essentially get squeezed at both ends. This is true. Increased seed costs for farmers have not been offset by increased returns. Over the last several decades, increases in returns to the farmer have been outstripped by increases in seed prices.

Certainly, part of this is that biotech advances have improved yields, meaning more of the commodity on the market. But this is also a symptom of a bigger problem than the dominance of a handful of ag biotech firms. Subsidies and price supports legislated time after time in the Farm Bill discourage diversification. They also obscure market function and do more to hurt than help farmers in the long run.

Furthermore, the high costs of the final product reflect the high costs of bringing the product to the market. An estimated 40% of the final price of seed is from the research and development costs incurred during the plant breeding phase. Development of commercial varieties of transgenic crops generally has long lead times, and the testing and assurance requirements for deregulation that must precede commercialization can also be lengthy. Overall, the process of developing and bringing to market new strains of seed can take a decade or more. Early in the biotechnology industry, federal funding accounted for over 80% of the research expenditures in biotech crops, however, over time that level has decreased so that by 1996 federal funding was at 40%. The costs, therefore, are heavily borne by the ag biotech companies themselves.

In other industries – information technology and electronics, for example – the possibility of startup companies to advance innovation is higher, because the risks are lower. The time required to bring a new technology to market is lower; the possibility of multiple solutions to the same problem is higher (competing operating systems, for example, must satisfy a consumer's demand for fast and functional computing – contrast this with competing plant-protection genes that fend off a specific insect pest; the latter requires a much more specific and potentially unique solution). A second unique situation in the ag biotech seed business is that the hardware (seed) and the software (advanced genetics) must be sold in the same product – this increases the complexity of the business of commercializing biotech seeds, and increases the benefits to consumers and business elements alike in aggregating seed and biotech companies together.

Generally, economic benefits of transgenic seeds are shared (albeit unevenly) by all involved – according to a 2001

Iowa State University analysis of Monsanto's Roundup Ready soybeans indicated that 60% of the total economic benefit from their use went to the innovators as profit, 26 percent to producers, and 14 percent to consumers.

Rather than breaking up ag biotech companies through antitrust moves that place additional regulatory restrictions on these companies, or limiting the protections that promote their continued R&D investments, streamlining regulatory restrictions on biotech crops would go a long way towards enhancing competition. Because of the timeline and costs involved in bringing transgenic seeds to commercialization, only a handful of well-heeled companies are able to successfully accomplish this.

Patent and certification protections should remain, but the restrictions and regulations that discourage development of new biotech strains should be investigated, to see where arduous points in the process can be eased by retooling the federal guidelines. This would have multiple benefits; it would enhance competition in the market by removing one barrier to smaller companies to incur the risk associated with R&D; it would improve the genetic diversity of the seed stock at use in the US, which protects against ecological monopoly that is inherently vulnerable.

Furthermore, streamlining to the patenting process is necessary. Protection of intellectual property must be paramount, but stall tactics supported by the current bloated patent system interfere with technological advancement and offer only business advantages, rather than true and simple intellectual property protection, to the original patent holder.

As with many regulatory problems, the best strategy is to keep it simple: less regulation, not more.

Thank you for your consideration,

Amy Kaleita, PhD
Agricultural Engineer
Environmental Policy Fellow, Pacific Research Institute.