

Monsanto seed essay



Monsanto Company is a global supplier of agricultural products that had sales in excess of \$6.3 billion in 2005 (c-548).

It sold genetically modified (GM) canola seeds in Canada and GM soybean seeds in the United States. The company developed a patented process in Canada that “covered the gene and process for insertion...and cells derived from that process,” and in the United States covered the entire plant. By using this patented process, seeds had an increased resistance to glyphosate (many generic herbicides contained this) and would survive being sprayed. This was the stated object of the patented invention. These plants were known as Roundup Ready. Monsanto’s Protection of Intellectual Property Monsanto has been extremely aggressive in protecting the patents on their GM seeds.

This is clearly evident by looking at the company’s payroll. They maintain an annual budget of \$10 million and employ 75 full-time associates whose job is “devoted solely to investigating and prosecuting farmers”(c-553). Monsanto has been utilizing two primary methods to protect their intellectual property: contractual agreements and legal. Monsanto used contractual agreements to protect their intellectual property by having their customers agree to a “limited use” license agreement when they purchased their seeds.

A common practice and tradition in the farming community had been seed-saving, a practice called “brown-bagging” in which farmers saved the seeds from one year’s harvest and used them in the following years. The idea behind the limited use agreement was to assure that farmers were only using the Monsanto seeds for the one year that they purchased them. For

additional enforcement, Monsanto included in the contract that they had the right to inspect a farmer's fields for up to three years after the one year agreement was signed in order to ensure that the farmer had not saved and planted the Monsanto seeds. If a farmer wanted to use the Monsanto product in the future, they would be required to purchase another individual year's worth of seed and agree to another one year contract.

Of all the actions taken by Monsanto to protect their intellectual property, this is the most ethical. By signing this contract with the company, a farmer knowingly and willingly used Monsanto's patented seeds and agreed not to save or plant the seeds for another season. The next method that Monsanto used to protect their intellectual property was to sue farmers who unlike the previous example, often claimed they had no idea they were "using" the Monsanto seeds. It had been documented that seeds could travel up to 13 miles, and eventually germinated on another farmer's property; even if the unsuspecting farmer had no intention of using the Monsanto product (c-555). The courts have continuously upheld rulings that Monsanto was protected under intellectual property laws rather than common law.

Common law supports the practice of seed-saving for food security (c-552). Monsanto maintained that "they did not go after farmers who end up with GM canola because of unintentional cross-pollination ... their concern is to go after someone who purposefully plants the seed to create a competitive advantage." Social and Ethical Questions There are still many farmers that would prefer not to utilize genetically modified seeds and instead continue using more "organic" farming methods, as most did prior to the introduction of GM seeds. However, with the penetration of Monsanto and its competitors

into the seed industry, it is extremely difficult for farmer's to use the old "organic" methods. The question as to whether the utilization of genetically modified seeds is ethical is still debatable.

There are theories stating that the use of GM seeds is because they "enhance taste and quality, reduce maturation time, increase nutrients, yields, and stress tolerance, improve resistance to disease pests and herbicides...and [provide for] more efficient processing," but there are still many that believe that their use is unethical. The reasons behind these convictions are because GM seeds, have "potential human health impacts including allergens, transfer of antibiotic resistance markers, and other unknown effects as well as potential environmental impacts including: unintended transfer of transgenes through cross-pollination, unknown effects on other organisms (e. g. , soil microbes), and loss of flora and fauna biodiversity. " Another ethical question raised within this case is if, and by what means should Monsanto continue enforcing the licensing agreements? If they would only have made the farmers destroy the crops that were proven to be grown with Monsanto seeds, their actions would be understandable.

However, Monsanto often took their actions a step further and went after the farmers aggressively, often financially depleting them. The company frequently charged \$25, 000 – \$50, 000 when they discovered that seeds were being planted and harvested without a contract (c-552). This amount proved to be significantly more than the farmers would ever have gained by harvesting the seeds. Monsanto was trying to set a strong example along with the consequences that would occur to the violating farmers in order to

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enforce compliance with others. Monsanto's patent protection policy also encouraged farmers to report their neighbors who they suspected were using the patent protected seeds without paying the fee.

As a motivational factor, the company offered "rewards" to farmers who generated leads about other farmers who may have been in possession of Monsanto's patented seeds on their farmland. This had serious effects on many farming communities which were built on years of trust and family relationships. Monsanto also found a legal way to enter a farmer's property to take seed samples with little to no evidence of wrongdoing, another example of them acting unethically. Although legally protected, the pursuit of the farmers appeared to be unethical.

Their goal seemed to be more about generating cash from people who were not using their product rather than protecting themselves against farmers who were attempting to take advantage of their technology. A utilitarian approach would analyze the utility of Monsanto's actions to the farming community as a whole, and judge the actions as ethical or non-ethical based on this utility. Monsanto's protection of its own intellectual property generated high utility to the community of farmers who already owned and paid for the use of Monsanto's GM seeds. Monsanto's actions also generated negative utility towards farmers who were the victims of lawsuits and heavy financial consequences. A utilitarian approach would suggest that Monsanto's actions in protecting its intellectual property generated high utility to the farming community, because it protected near 85% of the farming community. Sales from Seeds and Genomics Division Monsanto Company had a considerable portion of their total net sales derived from <https://assignbuster.com/monsanto-seed-essay/>

their seeds and genomics division, and that percentage grew from 29% in 2001 (\$1601 mil of \$5450 mil) to 52% in 2005 (\$3252 mil of \$6294 mil net sales).

Financial Analysis The seeds and genomics business segment has had a major positive financial impact on Monsanto's bottom line over the 2001 to 2005 time period. As we specifically look at the seeds and genomics business segment, there were significant increases in net sales, gross profit and EBIT from 2001 to 2005 (Exhibit 1). When using these same three financial parameters and compare how the seeds and genomics segment performed against Monsanto's other major business segment, namely agricultural productivity, the growth in the seeds segment again outshined their counterparts (Exhibit 2). When evaluating the financial picture a third way and comparing how the seeds and genomics segment performed as a portion of Monsanto Company, it again paints a clear picture that it was the seeds and genomics' growth that was driving the success of the company.

This was shown by the seeds segment increase in net sales of 40% from 2004 to 2005, while Monsanto Company had an increase in net sales of 16% in net sales for the same period (Exhibit 3). The same holds true for the two years prior. When looking at some very simple liquidity, leverage and financial performance ratios and indicators, they also reaffirm that the company financially was in pretty decent shape in 2005 compared to what it had been only 3 years back (see further discussion in Exhibit 4).

Problems Genetically modified seeds and the patents protecting the intellectual property relating to these are very important to the future financial success of Monsanto.

If the company does not pursue patent protection and the infringements vigorously, what are the long term financial ramifications? If they continue on the same path, what are the ethical and social implications? The reputation of the company appears to be disintegrating as the number of lawsuits increase. Potential Courses of Action 1. Enforce less stringent intellectual property patent protection, including elimination of the tip line. In order to make society really believe that Monsanto is looking out for their best interest, one option would be to less stringently enforce patents.

This may help with the negative reputation that Monsanto has obtained, but still allow them to enjoy patent protection. Protecting their patents is important, but may not be financially beneficial because of the continued deteriorating relationships with some farmers. However, according to the article “ Trouble with Percy”, Monsanto stated that they did not go after farmers who ended up with GM seeds because of unintended cross-pollination. . Continue to vigorously enforce the agreements and penalize those who are abusing the patents through legal channels. There are two ways to analyze the consequences of continuing on the same path of aggressive patent reinforcement.

If Monsanto continues to vigorously sue their customers, this may lead to further destruction of the company’s reputation. However, Monsanto believed that farmers who had paid a technology fee for the use of patented products expected the company to prevent other farmers from growing crops from Monsanto seeds without paying a fee. Financially, full enforcement of patent infringement may be necessary to protect their patents and ensure a return on their \$400 million annual research expense

(c-551). 3. Revamp the strategy to make social responsibility a higher priority through greater awareness.

There is a need to reeducate the public about the benefits of Monsanto's GM seeds and make sure they are aware that Monsanto is acting socially responsible, focusing on the good things the GM seeds can/will be doing for the greater good of society. 4. Develop an environmentally safe herbicide to remove seeds from unwanted areas. Removal of unauthorized Monsanto GM seed used by farmers who either intentionally or accidentally suffered pollination from neighboring fields can be an expensive and devastating process.

To minimize the costs of removal, Monsanto should invest in new technology that would allow for safe, cheap, and efficient removal of unauthorized plants. Similar to the idea of improving plant resistance to herbicides, Monsanto's should attempt to genetically modify plants to be weak to a cost efficient chemical that is safe for the environment. Fields found violating Monsanto's intellectual property would be therefore sprayed with the chemical allowing for removal Monsanto patented technology without destroying the violating farmers field. 5. Invest research and development money to analyze the feasibility of terminator or closed germination seed technology. This will minimize the possibility of the illegal use of a GM product.

The result is that all seeds that would be pollinated with a terminator seed will not produce a plant in future years. This will destroy the seed from any farmer who has unintentional cross pollination. However, there may be

significant legal hurdles for Monsanto to release a terminator seed.

Additionally, in order to limit the possibility of the illegal use of its patented product without damaging non-user's product, Monsanto should continue to invest research and development money towards closed-germination, non-seeding technology. A non-seeding plant requires the legal user to purchase seeds each season because they have nothing to save. Additionally it will virtually eliminate cross pollination with neighboring farms.

This product will save money in the long term for Monsanto because it will remove the need for a large legal department. It will be a socially responsible product that will help maintain Monsanto's current financial success, and provide future product life cycle development of seeds. 6. Improve corporate image through philanthropy or some type of strategic corporate giving.

Monsanto can improve their public image by getting involved in some type of strategic corporate giving or philanthropy.

Strategic Recommendations The seeds and traits segment represents a major financial growth opportunity. With the net income and gross profit from this division exceeding that of the agricultural segment, the expansion and protection of the products and their patents in the seeds and traits division should be the primary focus for the upcoming years. Therefore, given the listed potential courses of action, we have determined that a combination of the above suggested actions will provide the most beneficial result for all stakeholders involved. The specifics of these actions are described below in more detail. Our first recommendation is to continue the full enforcement of patent infringement with the intention of maintaining

patent and intellectual property protection. Monsanto has earned the right to protect their patents and should be able to maintain this benefit.

The general consensus is to lower the amount of money that is being pursued for patent infringement to either align with profits actually generated and/or removal of the product. This would be beneficial for the company in a twofold manner. First, the reputation of the company would improve as farmers become more aware that the fines are solely a means of patent protection, rather than a means of putting them out of business. Second, Monsanto can still maintain strong patent protection for their genetically modified seeds. Monsanto Canada Inc. is trying to more actively publicize the advantages and benefits of GM seeds to the farming community, which in the long term will improve their public image.

A press release from the company stated that herbicide-tolerant seeds resulted in a “ 29% decrease of chemical use, increased yields, and contributed to an average of \$5. 0 net gain per acre. ” According to Dr. Martha Crouch, Associate Professor of Biology at Indiana University, “...it takes millions of dollars and years of research to develop the biotech crops that deliver superior value to growers. Future investment in biotech research depends on a companies’ ability to share in the added value created by these crops. Consider what happens if growers save and replant patented seed.

First, there is less incentive for all companies to invest in future technology, such as the development of seeds with traits that produce higher-yielding, higher-value and drought-tolerant crops. In short, these few growers who

save and replant patented seed jeopardize the future availability of innovative biotechnology for all growers. And that's not fair to anyone. " It would be our recommendation that the company continue to make the public aware of why they are continuing to enforce patents including the fore mentioned benefits. The proposed timeline is immediately. Second, we recommend the elimination of the tip line.

Currently, the public feels as if Monsanto is on a " witch hunt. In reality, Monsanto is trying to find farmers that are unrightfully using genetically modified seeds without paying the necessary fees. The intention is not to put these farmers out of business, but simply to collect the profits that rightfully belong to them. This is especially important when dealing with members of the community whose crops were inadvertently contaminated with the GM seeds, or were reported by disgruntled neighbors. The removal of the tip line is an important action to take in order to better the reputation of the company. The proposed timeline is immediately.

Third, we recommend that Monsanto take a more socially responsible position to lessen the consequences of its unintentional use. As we mentioned above, farmers often were sued for amounts significantly above the profit potential. Those that inadvertently had GM seeds on their property were punished the same as those who knowingly used the seeds illegally. This needs to be addressed. A portion of resources used by Monsanto in the protection of its own intellectual property should be reallocated into new research and development that would allow for easy removal of intentional or accidental violations of Monsanto seeds. If successful, this would allow

Monsanto to deal with violators of its intellectual property more efficiently, while also protecting the environment and farmers from losing entire crops.

Results of these efforts would be a more positive public image for Monsanto in the eyes of both the public and farmers, which should result into higher long term profits. The proposed timeline is 2006-2007. Fourth, as a result of the general public's view on genetically modified products, additional education is imperative. Currently, there is a divide between those that agree with genetic modification and those who do not. Monsanto needs to raise awareness as of the benefits of genetically modified seeds; the company needs to make the public aware that utilizing the seeds will further the farming industry and allow for greater production.

The company needs to investigate and report what adverse effects that genetically modified seeds may have on the environment and human consumption. If proven to have no negative consequences, Monsanto should publish the results in order to assure society of their safety. Consumers need to know not only the potential benefits of the GM seeds, but also need to be assured that there are no threatening consequences of the usage. This new image of social responsibility would assist Monsanto in gaining higher net sales, growth of market share in the seed market, and the potential to enter into new seed markets both domestically and globally. The proposed timeline is 2006-2007.

Last, Monsanto is being perceived in the farming community as a “bully” based on their relentless, stop at no cost approach in protecting its intellectual property. This is especially concerning, considering the growth

that the company has enjoyed from their seed division. This will be an area where they look to continue to gain market share moving forward in the future. One way the company can achieve a better reputation is by reaching out to the farming community through acts of philanthropy. Since there are some in the farming community who are against the use of GM seeds and prefer to only use organic substances when spraying their crops, Monsanto will always face some level of scrutiny from within the industry. Knowing this, running a set of television ads that dispel rumors and myths about GM seeds, or just donating money to a research company could be seen as ingenuous and false.

Monsanto should instead look to get involved in targeted communities and develop lasting relationships. One way to do this would be to have a presence in the major agricultural, farming schools and programs in the United States and Canada. First, they could sponsor a scholarship in their name that encourages students to get involved in the agricultural field. This will show that they are dedicated to the future of the farming industry by investing in education. Another idea would be to hold “town hall” breakfast meetings one Saturday per month at select local co-op’s. There would be a different topic discussed; examples include: how to spray Monsanto seeds in the most efficient manner that can reduce overspray and waste, or how to be the most environmentally conscious when watering seeds during the hot summer months.

The locations could rotate; a suggestion would be to first go to the areas that have experienced the most hard feelings in the past. In addition, there could be question and answer sessions where farmers from organic farms bring

concerns to the discussion. By encouraging these farmers to attend, Monsanto would show their ability to be open and honest to the farming community. These plans need to be constructed by Monsanto's board of directors, and the timeline is each successive year.

Using philanthropy is something that is intended to be used for the long term benefit of the company and society alike, and Monsanto needs to begin thinking about the long-term consequences of their actions beginning now.

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