

## EMBARGO: FOR IMMEDIATE RELEASE



National Agricultural  
Marketing Council

Promoting market access for South African agriculture

APPLICATION FOR A STATUTORY LEVY IN TERMS OF THE MARKETING OF AGRICULTURAL PRODUCTS ACT, 1996, (ACT NO 47 OF 1996), (MAP ACT) AS AMENDED

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### INVITATION TO DIRECTLY AFFECTED GROUPS IN THE OILSEEDS INDUSTRY TO FORWARD COMMENTS REGARDING THE REQUEST FROM THE SUNFLOWER AND SOYBEAN FORUM FOR THE ESTABLISHMENT OF A BREEDING AND TECHNOLOGY LEVY ON SOYBEANS

The Minister and the National Agricultural Marketing Council (NAMC) received a request from the Sunflower and Forum for the establishment of a **Breeding and Technology Levy on soybeans**, as indicated below (VAT excluded).

Commodity	Period	Amount (VAT Excl)
Soybeans	1/03/2017 to 28/02/2018	R65 per metric ton
	1/03/2018 to 28/02/2019	R80 per metric ton

The categories of directly affected groups which would probably be affected by the possible establishment of the proposed statutory measure are those groups of persons who are party to the production, purchasing, storing and processing of soybeans in the Republic of South Africa. The levy will be payable by the persons involved at the first point of sale, namely the buyer of soybeans, or the processor or converter thereof, or the person issuing a silo receipt.

The manner in which the objectives referred to in section 2(2) of the MAP Act will be advanced, namely the increasing of market access for all market participants, the promotion of the efficiency of the marketing of agricultural products, the optimisation of export earnings from agricultural products and the enhancement of the viability of the agricultural sector, are summarized below:

The purpose and aim of this statutory measure are to compensate breeders of soybean varieties for their contribution towards obtaining and utilising improved international agriculture related intellectual property to the benefit of the soybeans industry in the Republic of South Africa.

Sustainable commercial farming, the industries that they support, and food security in South Africa are to a large extent dependent on the cultivation of high yielding crops from seed varieties that are most suited to the particular region. Plant breeding is the science of changing the traits of plants to produce desired characteristics.

The development of new cultivars with improved quality and yield characteristics constitutes an important part of breeding and technology research undertaken by various organisations. The continuous development of new cultivars is indispensable to the sustained production of soybeans in South Africa.

Worldwide, the levels of Plant Variety Protection (PVP) legislation and protection for self-pollinated crops is insufficient to guarantee a return on investment on intellectual property for the holders of such plant breeder rights. This is due to PVP exceptions such as the "Farmer's Privilege" and the fact that the offspring/grain produced from self-pollinated crops has the same genetic content as the parent. This means that seed can be harvested and replanted. It creates a situation where growers could, for example, only purchase one season's seed, then lawfully save seed of his harvest for the next, and subsequent planting seasons.

The consequence is that commercial seed sales are jeopardised by:

- low volumes (since it is cheaper to retain grain for seed); and
- low prices (since any increase in prices triggers an increase in the use of farm saved seed).

International networks are critical in seed breeding with most agriculture related intellectual property owned by, or under foreign control. Without an appropriate mechanism to receive adequate compensation, and to account for the risk of exploitation, South Africa remains an unattractive destination for agriculture related intellectual property associated with self-pollinated crops. This means that South African access to internationally held nurseries, markers, techniques and technologies is being constrained. The result is that South African producers currently do not have access to improved agriculture related intellectual property that is available worldwide.

The Sunflower and Soybean Forum has realised the need for a sustainable industry research funding strategy for self-pollinated crops. The members of the Forum have agreed to apply for a breeding and technology levy on soybeans to encourage and stimulate the breeding and the introduction of the latest GMO technologies in soybeans crops for the benefit of the production, processing and other value-adding industries in the Republic of South Africa.

The applicants proposed that the Breeding and Technology Levy be administered by the "SA Cultivar and Technology Agency" (SACTA), a Non-Profit Company. SACTA is administering breeding and technology levies on behalf of other self-pollinated crops, such as wheat and barley. The Board of Directors of SACTA is constituted to include industry role players that are directly affected by the payment of the levies and the utilisation thereof. The role of SACTA is as follows:

- Act as collection agent by facilitating the process whereby a levy system, as provided for by the MAP Act, can be implemented in respect of self-pollinated crops on behalf of the Principals and in terms of the provisions of the Agency Agreements;
- collect the levies on behalf of the Principals, and
- distribute the levies, including any interest or other income earned in respect of the levies, minus the Facilitation Fee, to the Principals according to the predetermined market share for the sole purpose of funding research and related activities by the Principals within their sphere of business.

Although good co-operation is normally experienced from role players in the industry, it remains necessary to impose statutory measures in respect of levies, for the following reasons:

- Historical experience has shown, both in South Africa and in other countries, that voluntary levies have a short life-span and are not generally successful for the funding of industry services.
- Agricultural research, especially the development of new varieties, cannot randomly be started and stopped. In order to have effective breeding programmes with top quality researchers, ongoing funding is required. The insecurity of voluntary levies leads to uncertainty and poor results in the long-run.
- The principle of "user-pay" is difficult to apply, as the results and application of variety development cannot be withheld from those that do not pay levies, especially in the case of self-pollinated crops such as soybeans.
- The entire value chain benefits from improved varieties, which are high yielding as well as drought, disease and insect resistant, and this justifies Government intervention. Affected

groups will have a say in the utilisation of funds due to the representation on the Board of Directors of SACTA.

The income by means of the proposed statutory levy is based on an expected success rate of 92% in the collection of levies. The business plan envisaged for the first year is as follows:

<b>Breeding and Technology Levy on Soybeans</b>	
	<b>2016/2017</b>
	<b>R</b>
Income budgeted	51 493 780
Expenditure:	
Administration (Audit fees, office rental, salaries, traveling and Board expenses)	3 862 034
Commission payable on levies collected by customers (2,5%)	1 287 345
Breeding & Technology payout to seed companies based on their performance and utilization in the seed market	37 075 522
Transformation done by seed companies	9 268 880
	<b>51 493 780</b>

The guidelines of the NAMC regarding the utilisation of statutory levy funds, which currently stipulate that at least 20% of levies collected should be used for transformation projects, were taken into account.

As the proposed Breeding and Technology Levy on Soybeans is consistent with the objectives of the MAP Act, the NAMC is investigating the possible implementation of the relevant statutory levy, in order to make a recommendation to the Minister.

**Directly affected groups in the soybeans industry are kindly requested to submit comments or objections regarding the proposed Breeding and Technology Levy on Soybeans to the NAMC in writing (fax 012 341 1911/ 086 626 4771 or e-mail lizettem@namc.co.za) on or before 10 February 2017, to enable the Council to formulate its recommendation to the Minister in this regard.**