
NEWS STATEMENT BY THE NATIONAL AGRICULTURAL MARKETING COUNCIL

**THE SOUTH AFRICAN GRAIN FARMERS ASSOCIATION'S
APPLICATION FOR THE CONTINUATION OF A STATUTORY MEASURE:**

**INDUSTRY LEVIES ON WHEAT, BARLEY AND OATS IN TERMS OF THE MARKETING OF
AGRICULTURAL PRODUCTS ACT, 1996, (ACT NO 47 OF 1996), AS AMENDED**

INVITATION TO DIRECTLY AFFECTED GROUPS IN THE WINTER CEREAL INDUSTRY TO
FORWARD COMMENTS REGARDING THE STATUTORY MEASURE APPLICATION

On 14 July 2020, the National Agricultural Marketing Council (NAMC) received a request from the South African Grain Farmers Association's (SAGRA), that the Minister of Agriculture, Land Reform and Rural Development, in terms of section 15 of the Marketing of Agricultural Products Act (MAP Act), establish the following statutory levies (VAT excluded) for the different winter cereal commodities, to be collected and administered by the Winter Cereal Trust, for a period of four years:

Commodity	Period	Amount (Excluding VAT)
Wheat	1/10/2020 to 30/09/2024	R 14.50 per metric ton
Barley	1/10/2020 to 30/09/2024	R 14.50 per metric ton
Oats	1/10/2020 to 30/09/2024	R 6,00 per metric ton

Separate accounts will be administered in respect of levies collected on the above-mentioned commodities.

The Wheat Forum was unanimous about the abovementioned proposed statutory levies on winter cereals. However, the Wheat Forum was divided about the Winter Cereal Trust as administrator of the proposed levies with the current composition and manner of operating.

SAGRA recommends that the Administrator of these levies continues to be Winter Cereal Trust. SAGRA still believes that the Winter Cereal Trust is the relevant authority to administer the levies. The Winter Cereal Trust has been and still is properly constituted because its board and committees are representing all relevant stakeholders. The Winter Cereal Trust has for the past 20 years successfully administered the statutory levies which has supported the winter cereal industry's research, market information and transformation of the sector. Furthermore, the Winter Cereal Trust has broadened the support to include the beneficiation of previously disadvantaged individuals. Therefore, SAGRA is of the opinion that the Winter Cereal Trust has the capacity to administer the proposed statutory levies.

The proposed levies will be utilised for the funding of information (as performed by the SA Grains Information Services (SAGIS)), quality and grading (as performed by the SA Grain Laboratory), transformation, administration, capacity building, research, the Supply & Demand Estimates Committee, and pre-breeding research (that provides building blocks for breeding).

Statutory levies have been imposed over the past years on wheat, barley and oats to provide financial support for research projects, generic market information and to assist with the development of emerging farmers of winter cereals in South Africa. The current statutory measure regarding levies on wheat and barley, as promulgated by Government Notice No. 40318 of 30 September 2016, that currently amounts to R12/ton (excl VAT) on wheat and R5/ton (excl VAT) on barley, will expire on 30 September 2020.

Industry consensus and certain conditions:

It should be noted that the recent application for the continuation of the above statutory levies, which was submitted by the Wheat Forum to the NAMC on 1 April 2020, was retracted on 10 July 2020. Industry had consensus to submit the request for the continuation of the levies and the administration thereof by the Winter Cereal Trust, on the explicit condition that certain amendments had to be made to the Trust Deed prior to the commencement of the next marketing season for winter cereals, which will take effect on 1 October 2020.

As it seemed unlikely for the Trustees to agree and implement the required amendments to the Trust Deed before 1 October 2020, without the active intervention of their nominating bodies, and resulting disruptions in the provision of critical industry functions, members of the Wheat Forum unanimously decided to retract the application. Furthermore, to urgently investigate alternative systems for the funding of vital industry services during the course of the next season, in order to have sufficient time to discuss and evaluate a proper long-term funding strategy for the industry going forward.

Business Plan:

The income by means of the proposed levies is based on an expected success rate of 95% in the collection of levies. It is budgeted that an average total income of R49.2 million, of which R44.3 million would be from the wheat levy, could be collected in the next four years, depending on the crop size.

The Wheat Forum agreed that the utilisation of statutory funds to support research functions, is based on the following:

- Projects that are to be supported must be demand-driven;
- All applications must be evaluated by a technical committee, which will make recommendations to the Board of Trustees;
- All funds collected during a financial year will be made available for utilisation during that financial year;
- Funds will be allocated to various fields of research on the basis of a model accepted by the winter cereal industry. Provision is made for the following categories:
 - non-breeding related projects;

- public good; and
- capacity building.

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.

Levy funds are required to partly compensate for the diminished funds for research and also to make provision for new research projects to be funded. The envisaged budget for the first year (2020/21) is as follows:

	R
Administration	3 734 108
Commission payable to levy collectors	1 230 201
Information	3 159 552
Transformation	12 302 008
Research (excluding breeding)	28 782 163
Total	49 208 032

Directly affected groups:

The categories of directly affected groups, which would probably be affected by the new proposed statutory levies, are those groups of persons who are party to the production, purchasing and processing of winter cereals, as well as to the consumption of winter cereal products in the Republic of South Africa.

The support for the proposed statutory measure on winter cereals by the different categories of directly affected groups in the winter cereal industry, as represented on the Wheat Forum, is evidenced by the unanimous resolution adopted in this regard by the Forum.

The proposed statutory levies will apply to the whole of the Republic of South Africa in order to have a uniform system of levies, without the discrimination that would exist on requiring levies in certain areas and not in others.

Invitation to comment:

As the proposed statutory levies are consistent with the objectives of the Marketing of Agricultural Products Act, the NAMC is investigating the level of support for this specific statutory measure application.

Directly affected groups in the winter cereal industry are kindly requested to submit any comments or objections regarding the proposed statutory levies, to the NAMC per e-mail to lizettem@namc.co.za on or before 7 August 2020, to enable the Council to formulate its recommendation to the Minister in this regard.