

APPLICATION FOR STATUTORY MEASURE: BREEDING AND TECHNOLOGY LEVY ON LUPINES
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 LEGUME INDUSTRY
TO FORWARD COMMENTS REGARDING THE REQUEST FROM GRAIN SA FOR A
LEVY ON LUPINES FOR BREEDING AND TECHNOLOGY PURPOSES**

The National Agricultural Marketing Council (NAMC) received a request from Grain SA, that the Minister of Agriculture, Land Reform and Rural Development, in terms of section 15 of the Marketing of Agricultural Products Act, Act No 47 of 1996 (MAP Act), approve the proposed statutory levy on lupines for a period of two years, to stimulate and ensure new breeding technology in the industry. Furthermore, that the following levy rate (VAT excluded) be approved by the Minister:

Commodity	Period	Amount (VAT Excl)
Locally produced lupines	1/10/2021 to 30/09/2022	R35 per metric ton
	1/10/2022 to 30/09/2023	R35 per metric ton

The proposed levy amount is based on 1% of the average lupine price from 2013 to 2020.

Statutory levies for breeding and technology purposes have been imposed over the past few years on wheat, barley, oats and soybeans to create sustainable breeding research funding models. These levies have been administered by the "SA Cultivar and Technology Agency" (SACTA). SACTA, a Non-Profit Company, was established to act as Administrator of the Breeding and Technology System, to eventually administer breeding and technology levies on most self-pollinated crops. The Board of Directors of SACTA includes industry role-players that are directly affected by the payment and/or utilisation of the levies, as well as two representatives appointed by the Minister of Agriculture, Land Reform and Rural Development.

According to the applicant, a statutory levy on lupines is necessary to stimulate and ensure new cultivars and breeding technology in the industry in order to improve yields and to sustain food security in the country. The levy has proven to be very effective and successful for all the other crops already taking part in the Breeding and Technology levy system.

Although a very small crop in the Western Cape, lupine production has great potential. Lupines as a crop is an excellent rotational and alternative crop in especially the Western Cape, where producers have limited options of alternative crops to cultivate. Rotation of crops improves soil health and nutritional status and benefits all other crops produced in the rotation process, such as wheat, barley and canola. This would contribute to the sustainability of grain and oilseed production in the Western Cape. Increased lupine production would also help supply the Western Cape with a source of protein, which the region currently has to transport from the northern parts of South Africa or have to import it from abroad. Therefore, bringing into South Africa the latest cultivars and technologies that are already available in other countries are crucial for the growth, development, and competitiveness of the local lupine industry.

In approved, the levy will be payable to SACTA by buyers, processors and persons issuing a silo receipt, and will be recovered from producers. Persons paying the levy may claim 2,5% commission on the amount of the levies recovered, in accordance with the conditions set by SACTA from time to time.

PARTICULARS REQUIRED IN TERMS OF SECTION 10 OF THE MAP ACT

The relevant particulars, as required in terms of section 10(2) of the MAP Act, to be included in a request for the establishment of a statutory measure of this nature, are as follows:

1. The proposed statutory levy would relate to lupines that are produced in the Republic of South Africa;
2. The manner in which the objectives referred to in section 2(2) of the MAP Act will be advanced (namely increased market access for all market participants, promotion of the efficiency of the marketing of agricultural products, optimisation of export earnings from agricultural products and the enhancement of the viability of the agricultural sector) is summarised below:

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

The agricultural sector is expected to ensure food security, strengthen the economy and create job opportunities. This can be reconciled with the provisions of Section 2(3) of the MAP Act. In order to achieve these aims and to further the competitive position of the lupine industry in the Republic of South Africa, cultivation of high yielding crops from seed varieties that are most suited for particular regions is essential.

A portion of the funds collected by means of the levy will be focused on small-scale farmers and transformation of the lupine industry in the Republic of South Africa. SACTA, that will administer the levy, will be responsible for allocating at least 20% of levy income to transformation initiatives and report to the National Agricultural Marketing Council annually.

3. The Administration of SACTA will take responsibility for the collection of the levy and for the administration functions associated with the proposed levy. The levies collected shall be administered in a separate account for lupine. SACTA shall be audited in accordance with generally accepted accounting practices.
4. Annual audits will be executed by the Auditor-General.

BUSINESS PLAN:

The income by means of the statutory levy is based on a success rate of 80% in the collection of levies. By experience in some of the other smaller crops, this might however be very optimistic, but 80% is still used for budget purposes.

The following income is budgeted for the two years:

SACTA Estimated budget: Lupine levy

Financial year	Estimated crop size (Tons)	Levy amount (R/Ton)	Budgeted levy income (80%) R	Possible Seed breeders' distribution R	Transformation Expenditure R	Administration cost R
2021/22	13 700	35	383 600	278 110	76 720	28 770
2022/23	13 700	35	383 600	278 110	76 720	28 770

These statutory funds will be used to support breeding research functions, based on the following:

- The levy funds are earmarked for commercial breeding activities by seed companies based on their performance and utilisation in the seed market;
- These funds will be distributed according to the calculated market share of each seed company;
- At least 20% of the levy income will be used for transformation and development projects, of which the business plan will be considered by the NAMC;
- The budget for administration costs represents approximately 5% of the expected income by means of statutory levy on lupines during the next two years; and
- The levy is applicable on local production only.

As the proposed breeding and technology levy is consistent with the objectives of the MAP Act, the NAMC is investigating the possible implementation of the relevant statutory levy.

Directly affected groups in the legumes industry are kindly requested to submit comments or objections regarding the proposed breeding and technology levy on lupines to the NAMC in writing (e-mail lizettem@namc.co.za) on or before 21 May 2021, to enable the Council to formulate its recommendation to the Minister in this regard.