

APPLICATION FOR THE CONTINUATION OF STATUTORY MEASURES
(REGISTRATION, RECORDS AND RETURNS AND A LEVY ON COTTON LINT)
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 COTTON INDUSTRY
TO FORWARD COMMENTS REGARDING THE REQUEST
FROM COTTON SOUTH AFRICA**

In terms of section 11 of the Marketing of Agricultural Products Act, 1996 (Act No. 47 of 1996) (MAP Act), the NAMC hereby announce that the Minister of Agriculture, Land reform and Rural Development has received a request from Cotton South Africa (NPC), on behalf of the directly affected groups in the cotton industry, for the continuation of the following statutory measures for four years as from 1 April 2022:

- Registration with Cotton South Africa of producers, purchasers, processors, importers and exporters of cotton (in terms of section 19 of the MAP Act);
- the keeping of records and the submission of returns to Cotton South Africa by exporters, importers, processors and purchasers of cotton (in terms of section 18 of the MAP Act); and
- a statutory levy on cotton lint at an increased rate of **27.3c/kg** (VAT excluded) for 4 years, with annual adjustments equal to the preceding year's consumer price index published by Stats SA and communicated by Cotton South Africa, as from 1 April 2023, payable by South African ginners on cotton lint produced.

Statutory measures currently in place and administered by Cotton South Africa, namely the statutory levy of **26.5c/kg** (VAT excluded) on cotton lint produced, payable by ginners to Cotton South Africa, as well as the statutory measures relating to registration with Cotton South Africa of producers, purchasers, processors, importers and exporters of cotton and the keeping of records and the submission of returns to Cotton South Africa by exporters, importers, processors and purchasers of cotton, will lapse on 31 March 2022.

The current main functions of Cotton South Africa that will be continued with and which would be partly funded from the levy income, include the following:

- Acting as an industry forum for all cotton role players in the value chain.
- Developing of industry intelligence to inform sector decision-making and the rendering of information services to all role players.
- Enhancing of the marketability of cotton through official standards and standardised procedures, research and training.
- Creating awareness on cotton and its many uses.
- Coordination and co-financing of production research and development.
- Facilitation of transformation and growth of the cotton sector in an inclusive manner; and
- Assisting in driving the cotton sector towards sustainable practices that support economic, environmental and social operations.

The affected role-players as represented on the Board of Cotton South Africa, *i.e.* from farm to retail including labour, all supported the continuation of the statutory measures. Letters of support were received from:

- the South African Cotton Producers' Organisation which is the representative body for all South African cotton farmers.
- the South African Cotton Ginners' Association who represents the cotton ginners.
- the present 4 cotton spinners.
- the National Clothing Retail Federation of South Africa.
- the South African National Consumer Union and
- the South African Cotton Textile Workers Union.

The purpose and aims of the continuation of statutory measures are to enable Cotton South Africa to perform the following functions, which would be partly funded from the levy income:

- a) the rendering of information services to all role players;
- b) promotion of cotton production and usage;
- c) co-ordination of research;
- d) maintenance of quality standards and norms and provision of training in this regard;
- e) facilitation of the development of the emerging cotton production sector; and
- f) to act as the representative industry forum.

According to the applicant, the budgeted income from the proposed levies is estimated between R5.5 million and R9.0 million per annum on local production of cotton lint for the proposed levy period of 1 April 2022 – 31 March 2026. These forecasts are based on the assumption that a steady increase in the cotton crop is expected for the next few years and an inflation rate of approximately 5% per year. Other income for Cotton South Africa includes amongst others, contributions for small-scale farmer training, income from the provision of grading services to outside parties, cotton mark royalties, and investment income.

As the proposed continuation of statutory measures is consistent with the objectives of the MAP Act, the NAMC is investigating the possible implementation of the proposed statutory measures.

Directly affected groups in the cotton industry are kindly requested to submit comments or objections regarding the proposed continuation of statutory measures to the NAMC in writing (e-mail lizettem@namc.co.za) on or before 20 August 2021, to enable the Council to formulate its recommendation to the Minister in this regard.