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RESPONDING TO DAVID WOLPERT'S LETTER ON SCRAP FOOD LEVIES TO EASE HARDSHIP ON CONSUMERS: A DIFFERENT PERSPECTIVE

Dear Editor

The letter entitled “Scrap food levies to ease hardship on consumers” by David Wolpert published on www.businesslive.com on 26 February 2023, refers.

The Marketing of Agricultural Products (MAP) Act stipulates that the National Agricultural Marketing Council (NAMC) must investigate all applications for statutory measures (including statutory levies) and to make recommendations to the Minister responsible for agriculture. Once approved by the Minister, statutory measures are promulgated in the Government Gazette. As part of the investigations process for all statutory measure applications, the NAMC ensures there is sufficient support from directly affected groups for the proposed statutory measures. The guideline for sufficient support is that there must be an indication that at least 67% of role players subject to the proposed statutory measures, representing at least 67% of the production volume of the product, must support an application for statutory measures.

On an annual basis, the NAMC also compiles a report which can be regarded as a summary of all statutory measures applicable in South Africa. This report is based on audited financial statements as provided by the administrators of statutory measures. The latest (2022) survey indicates that the level of all statutory levies is on average 0.7% of the value all agricultural products on which levies are applicable at the first point of sale. The statement by Mr Wolpert of “statutory levies of 3 – 4% of the price of their products”, is therefore incorrect.

In fact, in his letter, Mr Wolpert refers to “consumer statutory levies”. This is wrong. Statutory levies in South Africa are paid by producers and in some instance by other supply chain role players. South Africa

has a free-market system where supply and demand determines prices, and hence it is highly unlikely that producers can shift the cost of statutory levies to consumers.

The purpose of statutory levies implemented in terms of the MAP Act is to finance generic functions in the relevant industries. Generic functions refer to functions which are for the benefit of all directly affected groups in the relevant industries and, by extension, the agro-food value chain at large. Examples of generic functions are research and development, information, export promotions and quality control. The NAMC guidelines further stipulate that 20% of all levy expenditure must be on transformation (that is financing of activities aligned to AgriBEE sector codes, for example, enterprise development, employment equity, etc.). According to the 2022 survey, about 47% of total statutory levy expenditure was spent on research, 9% on export promotion/market access, 6.7% on information and 20.0% was spent on transformation projects.

As the policy advisory entity to the Minister responsible for agriculture, the NAMC holds the view that statutory measures are beneficial to society. The fact that statutory measures are beneficial to society is supported by research. A typical example is seed breeding, financed through levies, which has been shown internationally to enhance crop yields and therefore food production, resulting in lower real food commodity prices. A 2018 study by BFAP demonstrated that South African breeding and technology levies have a positive impact on yields and competitiveness of integrated agricultural value chains. The BFAP study makes the conclusion that in order for the South African agricultural sector to remain economically sustainable and reach its envisioned targets with respect to growth, employment creation and food security, set by the National Development Plan (NDP), continued investment in and access to cutting-edge technology will remain a key driver.

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