

NOTICE 679 OF 2009

NATIONAL AGRICULTURAL MARKETING COUNCIL
MARKETING OF AGRICULTURAL PRODUCTS ACT, 1996
(ACT No. 47 OF 1996)

REQUEST FOR A STATUTORY MEASURE:

**LEVY ON SORGHUM TO FINANCE INFORMATION,
TRANSFORMATION AND RESEARCH**

It is hereby made known that in terms of section 11 of the Marketing of Agricultural Products Act, 1996 (Act No. 47 of 1996), that the Minister of Agriculture has received a request for a new statutory levy in the sorghum industry in terms of section 10 of the said Act as set out in the Schedule hereto.

Directly affected groups are hereby invited to lodge any comments regarding the proposed statutory levy with the National Agricultural Marketing Council, on or before 25 June 2009.

Submissions should be in writing and be addressed to:

Ms Lizette Mellet
National Agricultural Marketing Council
Private Bag X 935
PRETORIA
0001

Enquiries: Ms Lizette Mellet
Tel.: (012) 341 1115
Fax No.: (012) 341 1811
lizette@namc.co.za

CHAIRPERSON: NATIONAL AGRICULTURAL MARKETING COUNCIL

**REQUEST FOR THE CONTINUATION OF A STATUTORY LEVY ON SORGHUM
IN TERMS OF THE MARKETING OF AGRICULTURAL PRODUCTS ACT, 1996
(ACT NO 47 OF 1996), AS AMENDED**

1. STATUTORY MEASURE – LEVIES

The statutory measure that is requested by the Sorghum Forum, on behalf of the sorghum industry, is that the Minister of Agriculture, in terms of section 15 of the Act, by notice in the Government Gazette, direct that the parties specified hereunder, shall pay a levy on sorghum. The rate of the proposed levy (VAT excluded) is R16-00 per ton of sorghum, to be imposed on all sorghum –

- a) sold or disposed of, by or on behalf of the producer thereof;
- b) imported into the Republic of South Africa;
- c) processed or converted or caused to be processed or converted into a sorghum product, by or on behalf of the producer thereof, if the sorghum product is intended to be sold or disposed of; and
- d) exported from the Republic of South Africa if the levy in respect of such sorghum has not been paid before.

The proposed levy will be payable by the first buyer of the sorghum, or by the processor or converter of the sorghum, or by the importer of the sorghum where the importer is also the processor thereof, or by the exporter of the sorghum.

Half of the amount of the levy payable by the buyer may be deducted from the purchase price which is payable to the producer or the importer, whatever the case may be.

An administration fee of R0,40 per ton (2.5%) may be deducted from the amount of the levy by the person responsible for the payment thereof.

2. INFORMATION REQUIRED BY SECTION 10 OF THE ACT

The particulars as required by section 10 of the Act to be included in a request for the establishment of a statutory measure, are as follows:

- 2.1 The proposed statutory levy would apply to sorghum.
- 2.2 The categories of directly affected groups, which would probably be affected by the establishment of the proposed statutory levy, are those groups of persons who are

party to the production, purchase and processing of sorghum, as well as the consumption of sorghum, in the Republic of South Africa.

- 2.3 The support for the proposed statutory levy on sorghum by the different categories of directly affected groups in the sorghum industry, as represented on the Sorghum Forum, is evidenced by the letters received from industry associations and organisations concerned.
- 2.4 The proposed statutory levy will apply to the whole of the Republic of South Africa in order to have a uniform levy, without the discrimination that would exist in imposing a levy in certain areas and not in others.
- 2.5 The establishment of the statutory levy that is requested, will further the objectives of the Act as stipulated in section 2(2) thereof. The establishment will also not contravene section 2(3) of the Act.
- 2.6 The manner in which the objectives referred to in section 2(2) of the Act will be furthered, namely increasing 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, is summarised below.

The purpose and aim of the statutory levy is to provide financial support for the gathering and dissemination of information, for transformation initiatives and for scientific research, for the benefit of the sorghum industry.

(i) **Support for the sorghum information function**

The maintenance of macro industry information is regarded as critical for strategic planning by the sorghum industry, as well as for individual directly affected groups.

In order for the market to operate effectively, the industry regards the supply of generic market information to all role-players, on a continuous basis, as essential. The SA Grain Information Service (SAGIS) has, since its establishment, been accepted as an objective and reliable provider of information, both nationally and internationally. A statutory levy is required to ensure that the sorghum industry shares in the gathering and dissemination of information by SAGIS.

Proper and accurate sorghum market information, in a continuous and timeous manner, not only increases market access for all participants, but also promotes efficiency in the marketing of sorghum and sorghum products. Proper market information furthermore enhances the viability of the sorghum industry and the agricultural sector at large.

Market information further enhances food security, as the information on national stock levels of sorghum are available. The statutory levy will also not be detrimental to the number of job opportunities within the economy or to fair labour practice.

Sorghum is annually exported to neighbouring countries and in record crop years it is also exported overseas. To achieve the optimisation of export earnings, reliable information is deemed to be essential.

(ii) **Support for research on sorghum**

The agricultural sector is expected to ensure food security, to strengthen the economy and to promote social wealth by providing job opportunities in rural areas. This aim can be reconciled with the provisions of section 2(3) of the Act. In order to achieve these aims the agricultural sector is dependent on continued research.

According to experts in the field of research, the performance hitherto of the South African agricultural sector could, despite the lack of high-potential arable land, to a large extent be attributed to the development and application of agricultural research. The complex interaction between changing behavioural patterns of crops and external factors that affect the crops, such as diseases and pests, often impacts negatively on production and quality. This creates an urgent demand for new technology in order to keep the agricultural sector profitable. Account should also be taken of changing consumer preferences within the market.

With regard to research, specific infrastructures have been created over time. It is essential that these infrastructures, which were created by past contributions from the industry, are retained and maintained to the benefit of the South African sorghum industry.

The development of new cultivars with improved quality characteristics constitutes an important part of research undertaken by various organisations. The continuous development of new cultivars is indispensable to the sustained production of sorghum.

From the above it is clear that the aims of research are fully reconcilable with the objectives of the Act as stipulated in section 2(2).

(iii) **Support for transformation initiatives**

The Sorghum Trust has increased its funding to transformation initiatives over the last three years, but not enough projects seem to be initiated by the sorghum industry. The Trust therefore approved that consideration could in future be given to projects for assisting emerging sorghum farmers by providing financial assistance in respect of the following:

- (a) initial soil correction through the acquisition and application of lime, which includes the cost of one soil analysis;
plus
- (b) payment of all or a portion of the crop insurance premiums on behalf of the farmers;
plus
- (c) payment of a portion of the cost of an extension officer (or experienced commercial farmer who acts as mentor) for the specific farmers.

Existing sorghum projects of Agri-Businesses could be utilised for such projects, in order to ensure that successes are achieved and to ensure that the necessary checks and balances (auditing systems) are in existence with regard to each project. A specific budget would be allocated to the project and the Trust would make proportionate contributions to each Agri-Business,

Payments will be made to the Agri-Businesses as project managers and not to the individual farmers or input service providers. Specific conditions of the Trust would be that funding by the Trust are to be utilised exclusively for the production of sorghum, that the Trust is to be provided by certified expense statements in respect of the projects, that specified progress reports have to be submitted to the Trust, that all surpluses are to be paid back to the Trust within a set time, and that random visits could be made by the Trust to any of the projects concerned.

2.7 DATE OF IMPLEMENTATION AND DURATION OF STATUTORY MEASURE:

The current statutory levy on sorghum, as promulgated by Government Notice No. R. 166 of 24 February 2006 expires on 28 February 2010.

The statutory levy, as requested, should therefore come into operation on 1 March 2010 and remain in place for a period of four years i.e. until 28 February 2014.

It should be borne in mind that the levy will, in terms of the Act, be subject to evaluation and review by the National Agricultural Marketing Council at least every two years. Furthermore, the Act provides for the application to be made for the repeal of statutory measures.

2.8 MOST APPROPRIATE BODY TO ADMINISTER MEASURE:

The Sorghum Trust will be responsible for the collection and administration functions associated with the statutory levy that is requested. The Board of Trustees has appointed persons to carry out these functions. Such persons will have to be designated and authorised by the Minister as inspectors, in order to perform the functions referred to in Section 21 of the Act.

2.9 PARTICULARS ON ENFORCEMENT:

Levy inspectors will have to be designated and authorised by the Minister to perform the functions referred to in section 21 of the Act. Defaulters will be reported to the various industry principals and if necessary to the NAMC. Legal action will be taken where necessary. The Administrator will meet with levy inspectors and accountant on a monthly basis to discuss progress with regard to levy collection. The Trust administrators will report to the NAMC on a quarterly basis regarding the status of levy collection and the appropriation of levy funds. The Administrator will ensure compliance with the requirements of the Auditor-General in terms of the Public Finance Management Act. The Administrator will remind persons on a monthly basis to submit return forms and pay the levies, and keep them informed on the appropriation of levy funds.