

**NOTICE 178 OF 2010**

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

**REQUEST FOR STATUTORY MEASURES:**

**LEVIES TO FINANCE RESEARCH, INFORMATION AND DEVELOPMENT,  
FOR WHEAT, BARLEY AND OATS**

It is hereby made known in terms of section 11 of the Marketing of Agricultural Products Act, 1996 (Act No. 47 of 1996), that the Minister of Agriculture, Forestry and Fisheries has received a request from the Wheat Forum for statutory measures (levies) 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 objection or representation regarding the proposed levies, with the National Agricultural Marketing Council within 14 days of this publication.

Submissions should be in writing and be addressed to:

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**CHAIRPERSON: NATIONAL AGRICULTURAL MARKETING COUNCIL**

**REQUEST FOR A STATUTORY MEASURE (LEVIES) ON WHEAT, BARLEY AND OATS IN  
TERMS OF THE MARKETING OF AGRICULTURAL PRODUCTS ACT, 1996  
(ACT NO 47 OF 1996), AS AMENDED**

**1. STATUTORY MEASURE – LEVIES**

The Wheat Forum, on behalf of the winter cereal industry, requested that the Minister of Agriculture, Forestry and Fisheries, in terms of section 15 of the Marketing of Agricultural Products Act (MAP Act), by notice in the *Government Gazette*, direct that levies be imposed on all winter cereal sold, imported, processed or converted, exported, and in respect of which a SAFEX silo receipt has been issued if the levy in respect of such a winter cereal has not been paid before.

The rates of the levies (VAT excluded) for the different winter cereal commodities were proposed as indicated below:

Wheat: 1/10/2010 to 30/9/2011	R14-00 per metric ton
1/10/2011 to 30/9/2012	R15-00 per metric ton
1/10/2012 to 30/9/2013	R16-00 per metric ton
1/10/2013 to 30/9/2014	R17-00 per metric ton
Barley: 1/10/2010 to 30/9/2011	R13-00 per metric ton
1/10/2011 to 30/9/2012	R14-00 per metric ton
1/10/2012 to 30/9/2013	R15-00 per metric ton
1/10/2013 to 30/9/2014	R16-00 per metric ton
Oats: 1/10/2010 to 30/9/2011	R10-00 per metric ton
1/10/2011 to 30/9/2012	R11-00 per metric ton
1/10/2012 to 30/9/2013	R12-00 per metric ton
1/10/2013 to 30/9/2014	R13-00 per metric ton

Separate accounts will be administered in respect of levies collected on the above-mentioned commodities (namely wheat, barley and oats).

**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 statutory measures, are as follows:

- 2.1 The proposed statutory measure would relate to wheat, barley and oats (hereafter referred to as winter cereal).

The categories of directly affected groups, which would probably be affected by the establishment of the proposed statutory measures, 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.

- 2.2 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 letters received from organisations concerned.

- 2.3 The proposed statutory measure 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.
- 2.4 The manner in which the objectives referred to in section 2(2) of the Act (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) will be furthered, are summarised below.

According to the Wheat Forum, the purpose and aims of this statutory measure are to provide financial support in respect of the gathering and dissemination of information, as well as scientific research, to the benefit of the winter cereal industry.

#### **Support to the winter cereal information function**

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

In order for the market to operate effectively, the industry regards the provision 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 nationally and internationally accepted as an objective and reliable supplier of information. A statutory levy is required to ensure that the winter cereal industry shares in the proper collection and dissemination of information by SAGIS.

Proper and accurate winter cereal market information that is provided in a continuous and timeous manner, will not only increase market access for all participants, but will also promote efficiency in the marketing of winter cereals and winter cereal products. Winter cereal market information furthermore enhances the viability of the winter cereal industry in particular and the agricultural sector at large.

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

Winter cereals and winter cereal products are annually exported to neighbouring countries and in record crop years significant volumes are also exported overseas. To achieve optimisation of export earnings, reliable market information is essential.

#### **Support in respect of research on winter cereals**

The agricultural sector is expected to ensure food security, strengthen the economy and 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 of the South African agricultural sector, despite the lack of high-potential arable land, could to a great extent be attributed to the development and application of agricultural research results. The complex interaction between changing behavioural patterns in crops and external factors that are affecting them, such as disease and pests, often impact negatively on production and quality, thus creating an urgent demand for new technology in order to keep the

agricultural sector profitable. Account should also continually be taken of consumer preferences within the market.

With regard to research on winter cereals, specific infrastructure has been created over time. It is essential that the above infrastructure, created by contributions from the winter cereal industry, be retained and maintained to the benefit of the 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 winter cereals.

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

**The following matters were considered by the Wheat Forum in determining the proposed levies on winter cereals:**

- An increase in research applications have been experienced by the Winter Cereal Trust over the past years, which could not be accommodated within the available funds of the Trust.
- An increase of the available funds is required to partly compensate for diminished funds available for research and also to make provision for new research projects to be funded.
- The guidelines of the National Agricultural Marketing Council (NAMC) regarding the utilisation of statutory levy funds stipulate a 20% contribution to transformation projects.
- The calculation of a continued levy and the budget of the Winter Cereal Trust are dependent on Government continuing to fund its proportion of winter cereal research.
- The Auditor General frowns upon levy funds that are not utilised in a particular year and carried forward to the next year, which complicates the administration and utilisation of an average levy amount over a four year period.
- An average levy amount over the next four year period will imply a significant increase on the current levy amount, whereas an increasing levy per year alleviates the initial increase to some extent.
- It is therefore preferable to have different but fixed levy amounts published in respect of each year rather than to publish a percentage and leave it to the parties involved to adjust the levy amount every year.
- An annual increase in the levy over the next four years is needed in order to allow for inflation and for the funds to remain on par with the industry's requirements.
- The leviable tonnage of wheat is expected to increase annually over the next four years.

- 2.5 The current statutory measure regarding levies on winter cereals, as promulgated by Government Notice No. R.958 of 29 September 2006 will expire on 30 September 2010. The new statutory measure should come into operation on 1 October 2010 and remain in place for a four-year period, i.e. until 30 September 2014.
- 2.6 The Administration of the Winter Cereal Trust will be responsible for the collection and administration functions associated with the statutory measure requested.