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## GOVERNMENT NOTICES GOEWERMENSKENNISGEWINGS

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### DEPARTMENT OF AGRICULTURE, FORESTRY AND FISHERIES DEPARTEMENT VAN LANDBOU, BOSBOU EN VISSERIE

No. 1001

5 November 2010

#### WINE INDUSTRY APPLICATION FOR THE INCREASE OF CURRENT STATUTORY LEVIES IN THE WINE INDUSTRY

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#### NAMC - REQUEST COMMENTS / INPUTS FROM ROLE PLAYERS IN THE WINE INDUSTRY

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The Minister of Agriculture, Forestry and Fisheries received a request from the wine industry, in terms of the Marketing of Agricultural Products Act (MAP Act), Act No 47 of 1996, for the increase of the current statutory levies in the wine industry.

On 16 April 2010, the following statutory measures were promulgated in the wine industry, for a new four year period, expiring 31 December 2013:

- Registration;
- Records & Returns; and
- Levies
  - o Information levy;
  - o Research and development levy;
  - o Wine export generic promotion levy; and
  - o Empowerment and transformation levy.

On 18 October 2010, an application was received for the increase of the following statutory levies:

- Information levy (increase of 22.4%)
- Research and development levy (increase of 10%), and
- Wine export generic promotion levy (increase of 5%).

It is proposed that the statutory levies be implemented for two years (from 1 November 2011), expiring 31 December 2013. The purpose of the statutory levies is to cater for inflation and other unforeseen circumstances.

The applicants for the proposed amendment of the current statutory levies are the South African Liquor Brandowners' Association (SALBA), representing traders, Wine Cellars SA (WCSA), representing wine cellars, and VinPro, representing wine grape producers.

It is proposed that the increase be implemented for two years from 1 November 2011. The following levy amounts are proposed:

		Proposed new levy amounts		
		Research levy 10% increase	Information levy 22.4% increase	Export levy 5% increase
1	Grapes intended for the production of wine	R15.82/ton (currently R14.35/ton)	R10.71/ton (currently R8.75/ton)	-
2	Grape juice concentrate intended for use in wine @ 17.4 degrees balling	2.26c/litre (currently 2.05c/litre)	1.53c/litre (currently 1.25c/litre)	-
3	Drinking wine	2.26c/litre (currently 2.05c/litre)	1.53c/litre (currently 1.25c/litre)	Bulk drinking wine: 7.96c/litre (currently 7.60c/litre)  Otherwise  10.95c/litre (currently 10.45c/litre)
4	Distilling wine or wine spirit @ 10% alc/vol	1.95c/litre (currently 1.77c/litre)	-	-

The MAP Act stipulates that a statutory levy may not exceed 5% of the price realised for a specific agricultural product at the first point of sale. The maximum of 5% must be based on a guideline price calculated as the average price at the first point of sale over a period not exceeding three years. The total wine statutory levy income as a percentage of the value of wine at first point of sale is approximately 1.9%.

The purpose and objective of the statutory measures in the wine industry and the payment of the **levy amount** for the funding of these objectives are as follows:

- Information levy

To fund the continued implementation, administration and enforcement of the statutory measures relating to registration and records & returns and to fund the processing, auditing, verification and dissemination of information. This levy will also be used for the continued running of the wine industry library.

With the implementation of the current statutory levies (approved for four years from 16 April 2010 expiring 31 December 2013) the information statutory levy was not increased. The increase of 22.4% is required after budget cuts of R4.27 million were made over the four year period.

- Research levy

To co-ordinate and fund research and development, training and technology transfer in the wine industry. The increase of 10% is required to cater for inflation.

- Export levy

To generically promote SA wines on selected export markets and to improve the efficiency of the export process. An increase of 5% is requested to cater for inflation and to create a greater awareness of Brand Wine South Africa outside of Europe namely in the USA, Canada, African countries (Angola and Nigeria), India, China, Japan and South Korea.

The NAMC believes that the proposed increase of statutory levies is consistent with the objectives of the MAP Act (as set out in section 2 of the Act).

Directly affected groups (e.g. wine producers, wine traders, wine spirit producer, and exporters of drinking wine) in the wine industry are kindly requested to submit any comments, in writing, regarding the proposed amendments of the statutory levies, to the NAMC on or before 26 November 2010, to enable the Council to finalise its recommendation to the Minister in this regard.

ENQUIRIES:

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