

NOTICE 363 OF 2014

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

....

**INVITATION TO DIRECTLY AFFECTED GROUPS IN THE WINTER CEREAL INDUSTRY TO
FORWARD COMMENTS REGARDING THE REQUEST FROM THE WHEAT FORUM**

The current statutory measure regarding levies on winter cereals, as promulgated by Government Notice No. R.727 of 22 August 2010, will expire on 30 September 2014.

The Minister for Agriculture, Forestry and Fisheries and the National Agricultural Marketing Council (NAMC) received a request from the Wheat Forum, on behalf of the directly affected groups in the winter cereal industry, for the introduction and promulgation of statutory levies (VAT excluded), for the different winter cereal commodities for a one-year term, at the same rates than the past year, as indicated below:

Term	Wheat	Barley	Oats
1/10/2014 to 30/9/2015	R17 per metric ton	R16 per metric ton	R13 per metric ton

These levies will be payable 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.

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

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

The support for the proposed statutory levies 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.

The proposed statutory levies 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.

According to the Wheat Forum, the purpose and aims of these statutory levies are to provide financial support in respect of the gathering and dissemination of information, as well as scientific research and transformation initiatives 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 accepted, both nationally and internationally, as an objective and reliable supplier of information. Statutory levies are 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, which is provided continuously and timeously, will increase market access for all participants and will promote efficiency in the marketing of winter cereals and winter cereal products. Winter cereal market information also enhances the viability of the winter cereal industry and the agricultural sector at large.

Market information further enhances food security by making available the information on national stock levels of winter cereals. The measure will 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. In record crop years it is also exported overseas. In order 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 successful 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 diseases 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 is also continually taken of consumer preferences within the market.

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

The development of new cultivars with improved quality and yield 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 in South Africa.

Support for transformation initiatives

The Winter Cereal Trust has endeavoured to increase funding for transformation initiatives over the years. The Trust mainly focuses on the consideration of projects to assist emerging farmers by providing financial assistance in respect of the following:

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

A specific budget is allocated to each project and the Trust makes its contributions through the Grain Farmer Development Association (GFADA).

Deliberations regarding continuation of winter cereal levies

In its deliberations regarding the continuation of the wheat levy, the Wheat Forum took cognisance of the following:

- An increase in research applications have been experienced by the Winter Cereal Trust over the past years.
- The guidelines of the National Agricultural Marketing Council (NAMC) regarding the utilisation of statutory levy funds, which currently stipulate that at least 20% of levies collected should be used for transformation projects.
- Levy funds are required to partly compensate for the diminished funds for research and also to make provision for new research projects to be funded.
- The calculation for continued levies and the budget of the Winter Cereal Trust are dependent on Government continuing to fund its proportion of winter cereal research.
- According to the Wheat Forum, the continuation of statutory levies on winter cereals is also dependent on clarity being obtained regarding the Marketing of Agricultural Products Amendment Bill, as some of the provisions thereof may impede negatively on the industry. For this reason the continuation of levies is requested for only one year and not for four years as before. This will allow the industry the opportunity to get clarity on the Amendment Bill and to investigate possible alternatives for the funding of important industry functions.

The proposed levies could amount to an income of approximately R53 million. The Administration of the Winter Cereal Trust will be responsible for the collection and for the administration functions associated with the statutory levies requested. The Board of Trustees have appointed specific persons to carry out these functions. These persons are designated and authorised by the Minister as inspectors to perform the functions referred to in Section 21 of the Act. Annual audits will be executed by the Auditor-General.

As the proposed statutory levies are consistent with the objectives of the Marketing of Agricultural Products Act, the NAMC is investigating the possible implementation of the relevant statutory levies to report back to the Minister.

Directly affected groups in the winter cereal industry are kindly requested to submit any comments or objections regarding the proposed statutory levies to the NAMC in writing (fax 012 341 1911 or e-mail lizettem@namc.co.za) on or before 6 June 2014, to enable the Council to formulate its recommendation to the Minister in this regard.