

## GENERAL NOTICES • ALGEMENE KENNISGEWINGS

## DEPARTMENT OF AGRICULTURE, FORESTRY AND FISHERIES

## NOTICE 257 OF 2020



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## NEWS STATEMENT BY THE NATIONAL AGRICULTURAL MARKETING COUNCIL

**APPLICATION FOR THE CONTINUATION OF A STATUTORY MEASURE:  
INDUSTRY 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**

On 1 April 2020, the National Agricultural Marketing Council (NAMC) received a request from the Wheat Forum, that the Minister of Agriculture, Land Reform and Rural Development, in terms of section 15 of the Marketing of Agricultural Products Act (MAP Act), establish the following statutory levy (VAT excluded) for the different winter cereal commodities, to be collected and administered by the Winter Cereal Trust, for a period of four years:

Commodity	Period	Amount (Excluding VAT)
Wheat	1/10/2020 to 30/09/2024	R 14.50 per metric ton
Barley	1/10/2020 to 30/09/2024	R 14.50 per metric ton
Oats	1/10/2020 to 30/09/2024	R 6,00 per metric ton

Separate accounts will be administered in respect of levies collected on the above-mentioned commodities.

This request was unanimously decided on by the Wheat Forum members on the recommendation of the Wheat Forum Steering Committee, on behalf of the directly affected groups in the winter cereal industry.

The proposed levies will be utilised for the funding of information (as performed by the SA Grains Information Services (SAGIS)), quality and grading (as performed by the SA Grain Laboratory), transformation, administration, capacity building, research, the Supply & Demand Estimates Committee, and pre-breeding research (that provides building blocks for breeding).

Statutory levies have been imposed over the past years on wheat, barley and oats to provide financial support for research projects, generic market information and to assist with the development of emerging farmers of winter cereals in South Africa. The current statutory measure regarding levies on wheat and barley, as promulgated by Government Notice No. 40318 of 30 September 2016, that currently amounts to R12/ton (excl VAT) on wheat and R5/ton (excl VAT) on barley, will expire on 30 September 2020.

**Council Members:** Mr. H. Prinsloo (Acting Chairperson), Ms. F. Mkile, Mr. H. Mohane, Mr. B. Mokgatlhe, Ms. N. Mokose, Prof. D. Rangaka and Mr. G. Schutte

**Industry consensus and certain conditions:**

According to the applicant, the industry value chain is no longer comfortable with the Winter Cereal Trust as administrator of statutory levies in its current format. It was reported to the Forum that decisions by the Trust are often taken on the basis of a majority vote, without the decisions being aligned to the requirements and needs of the industry as a whole. For this reason, the Forum members unanimously agreed to submit an application for the continuation of the statutory levies, but that it is to be administered by a revised Winter Cereal Trust. The revisions that are required encompass three amendments to the Trust Deed.

This resulted in the unanimous decision by the Forum members to apply for the continuation of the statutory levies, but to submit the application on the explicit condition that the Trustees are to be instructed to submit to the Master of the High Court the following Trust Deed amendments and to implement such amendments prior to the commencement date of the new levy period:

- (i) to reduce the number of Trustees, which represent the Minister of Agriculture, to three instead of the current six;
- (ii) to delete the provision allowing the Chairperson of the Board to have a casting vote; and
- (iii) to insert a provision that the Chairperson of the Board shall always be elected from the ranks of the Trustees that represent the industry value chain.

The industry consensus regarding the continuation of the levies and the administration thereof by the Winter Cereal Trust is absolutely dependent on the above condition. Should this condition not be accepted, the Forum will regard the application to be null and void and will explore alternative structures for the administration of the levies or other options for securing the funding required for vital industry functions. Should the condition be accepted, it will be required by each nominating constituency to instruct its representative Trustee(s) to adhere to the condition, which implies the filing and implementation of the required amendments to the Trust Deed before 1 October 2020.

The Forum members further reached consensus that, should this conditional application be approved as submitted, the Winter Cereal Trust will endeavor to annually utilise at least 25% of the net levies recovered for transformation projects within the winter cereals industry.

**Business Plan:**

The income by means of the proposed levies is based on an expected success rate of 95% in the collection of levies. It is budgeted that an average total income of R49.2 million, of which R44.2 million would be from the wheat levy, could be collected in the next four years, depending on the crop size.

The Wheat Forum agreed that the utilisation of statutory funds to support research functions, is based on the following:

- Projects that are to be supported must be demand-driven;
- All applications must be evaluated by a technical committee, which will make recommendations to the Board of Trustees;
- All funds collected during a financial year will be made available for utilisation during that financial year;

- Funds will be allocated to various fields of research on the basis of a model accepted by the winter cereal industry. Provision is made for the following categories:
  - non-breeding related projects;
  - public good;
  - capacity building.

The guidelines of the NAMC regarding the utilisation of statutory levy funds, which currently stipulate that at least 20% of levies collected should be used for transformation projects, were taken into account.

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 envisaged budget for the first year (2020/21) is as follows:

	R
Administration	3 734 108
Commission payable to levy collectors	1 230 201
Information	3 159 552
Transformation	12 302 008
Research (excluding breeding)	28 782 163
<b>Total</b>	<b>49 208 032</b>

#### **Directly affected groups:**

The categories of directly affected groups, which would probably be affected by the new 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 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 unanimous resolution adopted in this regard by the Forum.

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.

#### **Invitation to comment:**

As the proposed statutory levies are consistent with the objectives of the Marketing of Agricultural Products Act, the NAMC is investigating the level of support for this specific statutory levy application.

**Directly affected groups in the winter cereal industry are kindly requested to submit any comments or objections regarding the proposed statutory levies with conditions, to the NAMC per e-mail to [lizettem@namc.co.za](mailto:lizettem@namc.co.za) on or before 22 May 2020, to enable the Council to formulate its recommendation to the Minister in this regard.**