

Developments in the grain industry

Agbiz Media Day
25 November 2016



Developments:

Wheat Industry

- Revival of the Wheat Industry
- Statutory Levies on Wheat
- Breeding & Technology Levy System
- Relaxation of wheat cultivar release requirements
- JSE Guaranteed grade for Wheat
- Wheat Indaba



Developments:

Revival of the Wheat Industry

PROBLEM STATEMENT

- New seed companies do not enter the market because of the lack of returns on investment due to farm-saved seed.
- South Africa is thus denied new seed technology which is available to our international competitors

2012 Funding for seed breeding

- Find a sustainable and effective research funding model
- Propose a breeding & technology levy based on end point royalty (EPR)

2014 Revitalisation of the Wheat industry

- Find ways to turn around the decline of the wheat industry
- Participate in DAFF Value Chain Round Table for Wheat



Developments:

Statutory Levies on Wheat

INDUSTRY OPTION	LEVY AMOUNT & PERIOD	COLLECTED BY	ADMIN BY	COMMENTS
A Two (2) statutory levy applications: Original proposal				
Industry levy	R12 – 4 yrs	WCT	WCT	Release criteria remain, but relaxed for yield;
Breeding levy	R19 – 2 yrs	SACTA	SACTA	Not acceptable to NCM & SACB.
B One (1) statutory levy application:				
Statutory levy INCLUSIVE of the Industry levy AND Breeding levy	R31 R12 – 4 yrs R19 – 2 yrs	 WCT WCT	 WCT SACTA	Release criteria remain, but relaxed for yield; WCT pays over ring-fenced funds for breeding to SACTA Breeding levy will be distributed based on results achieved and thus stimulate innovation.
C One (1) statutory levy application:				
Industry levy	R 3 – 4 yrs	WCT	WCT	No release criteria; Only SAGIS, SAGL will be funded; PLUS 20% for Transformation
PLUS Producer voluntary contribution	R ?			Grain SA (producers) propose levy only for research, breeding & 20% for Transformation. Breeding levy will be distributed based on results achieved and thus stimulate innovation.
D Status Quo				
Current statutory levy	R17 – lapses in 2016	WCT	WCT	Not acceptable to the rest of the role players, except NCM and SACB since the portion allocated to breeding is insufficient and is allocated to projects of which outcomes are not guaranteed. Farmers that save seed still skip payment of seed royalties. Seed companies will disinvest in SA.

Developments:

Statutory Levies on Wheat

Breeding & Technology Levy

NAMC / MINISTERIAL APPROVAL	LEVY AMOUNT & PERIOD	COLLECT	ADMIN	COMMENTS
Two (2) levy applications: Industry levy Breeding levy	R10 – 4 yrs R25 – 2 yrs	WCT SACTA	WCT SACTA	Effective 1 October 2016 Release criteria relaxed for yield Not acceptable to NCM & SACB

Developments:

Breeding & Technology Levy System

SA Cultivar & Technology Agency

- Levy on all open-pollinated crops
- SACTA MOI & Board Directors (Grain SA, SANSOR & Agbiz Grain)
- 2.5% fee for levy collection (Agbiz Grain members)

Levy on wheat

- Seed licensing and royalties:
 - commercial certified seed multiplied, cleaned and supplied to producers.
Has no bearing on SACTA BTL
 - farm saved seed retained by farmers, cleaned and planted.
This royalty will be forgone; SACTA levy replaces this

Levy on soybean (formula = 1% for germplasm &
0,5% for existing technology)



Developments:

Relaxation of wheat cultivar release requirements

Criteria should have a healthy balance between yield and quality.

Driven by the free market, dictated by demand.

For the last 20 years:

- Breeding focus – quality only. Threatening survival of local wheat industry.
- Release criteria excluded yield & denied producers any incentive/benefits by producing higher yielding wheat crops.
- High quality South African wheat - upgrade the low quality imported wheat.
- Quality - entry barrier for new entrants into breeding.



Developments:

JSE Guaranteed grade for Wheat

- Agbiz Grain members agreed to individually make available to the market, minimum quality guaranteed silo receipts.
- New JSE Silo Certificate with a Guaranteed Grade (GG).
- The JSE also approved the concept and will implement such in 2017.
- GG contract structured in such a way as to allow every service provider to complete the essential elements of the agreement (cost, volume constraints, application procedure, duration, transferability, grade etc.) in line with their own preference.
- Local processors will appreciate the grade guarantees
- Local wheat price expected to receive support in the cash market compared with relevant import parity level.



Developments:

Wheat Indaba

- Agbiz Grain event for all role players in the wheat industry, upstream and downstream, to communicate the changes that have been implemented to revive the wheat industry.
- There will be one event in Pretoria and one in the Western Cape as follows:
 - Friday, **17 February** 2017 – Grain Building, Pretoria
 - Tuesday, **21 February** 2017 – Elsenburg



THANK YOU

Mariana Purnell

mariana.purnell@agbizgrain.co.za

www.agbizgrain.co.za

www.agbiz.co.za

@AgriChamber

