

Breeding and technology levies: The role of SACTA

By Gert Heyns, CEO of SACTA

An approved breeding and technology levy on wheat and barley has been introduced over the past two seasons. Last year the levy, which applies to wheat, barley and oats, was approved for a further two years. A statutory levy, which came into effect on 1 March, has also been approved for soya bean breeding and technology.

There are some important agricultural crops that are self-pollinating. In the case of self-pollinating crops, producers can hold back grain from those crops with a view to replanting. While this practice is legal, it also means that large volumes of grain are being held back for this purpose, resulting in low seed sales.

Seed companies are therefore reluctant to make large investments in new products and technology, unless systems can be put in place that provide for fair compensation for their genetic rights.

The role of SACTA

Producers are willing to pay a grain supply levy if it paves the way for the development of new cultivars and technology. However, there must be some guarantee that the fund will be properly administrated and controlled. Such an administrative body would also have to ensure that available funds are used specifically for new breeds and technology.

The South African Cultivar and Technology Agency (SACTA) is a non-profit company established to manage the fund. SACTA is governed by the *Companies Act, 2008*

(Act 71 of 2008). The SACTA board of directors is made up as follows:

- Two directors on behalf of Grain SA.
- Two directors on behalf of the South African National Seed Organization (SANSOR).
- Two directors on behalf of the Minister of Agriculture.
- One director on behalf of Agbiz Grain (grain silo industry).
- One director on behalf of the soya bean processing industry.

The benefits of SACTA

Compared to several existing industry structures, an organisation such as SACTA promises many benefits. The following are among the key benefits:

- It is not crop-specific and can facilitate the administrative function for all self-pollinating crops.
- It is a low-cost administrative company (administrative functions are provided by L&L Agricultural Services, a well-known agricultural administration company).
- It represents new cultivars and technology at various operational levels.
- With the acquisition of statutory levies, there are certain obligations that have to be met. One such obligation is that 20% of the collected amount must be spent on transformation. SACTA needs to comply with this by means of developing and implementing transformation plans in line with the guidelines of the National Agricultural Marketing Council.

Levy funds

Each seed company that contributes to the prosperity of the specific crop and products (cultivars and biotechnology) is entitled to fair compensation. It is SACTA's task to determine each role-player's market share and to pay out the available funds accordingly.

Producers can be of great help in determining each company's market share. One of the key factors determining market share is the portion each company derives from the delivered grain crop. Producers are therefore requested to declare, as accurately as possible, which cultivar and seed company was used. This information must be supplied to the grain handler upon grain delivery.

SACTA will then process this information, along with other information such as seed sales, market research and grain analyses, into a formula that will determine market share.

An urgent appeal is being made to producers to assist in this regard.

Administrative obligations

It is important to note that the levy on a ton of grain to which a statutory levy applies is only charged once. The following is therefore important for buyers, processors and handlers of such grain:

- The levy amount can be recovered from the grain producer.
- The levy should be charged at the first point of trading.
- The levy must be charged at the first point of processing, if it has not already been charged at trading.
- The levy must be charged when a silo certificate is issued, if the levy has not yet been charged by a buyer or processor.
- If grain is purchased from any party other than the producer, it must be verified whether the charge has already been levied. 📍

If there is any uncertainty regarding the deduction of a levy, grain buyers can contact Awie Coetzee on 082 818 9620 or awie@lagric.co.za, or Sakkie Kloppers on 076 221 3554 or sakkie@lagric.co.za.