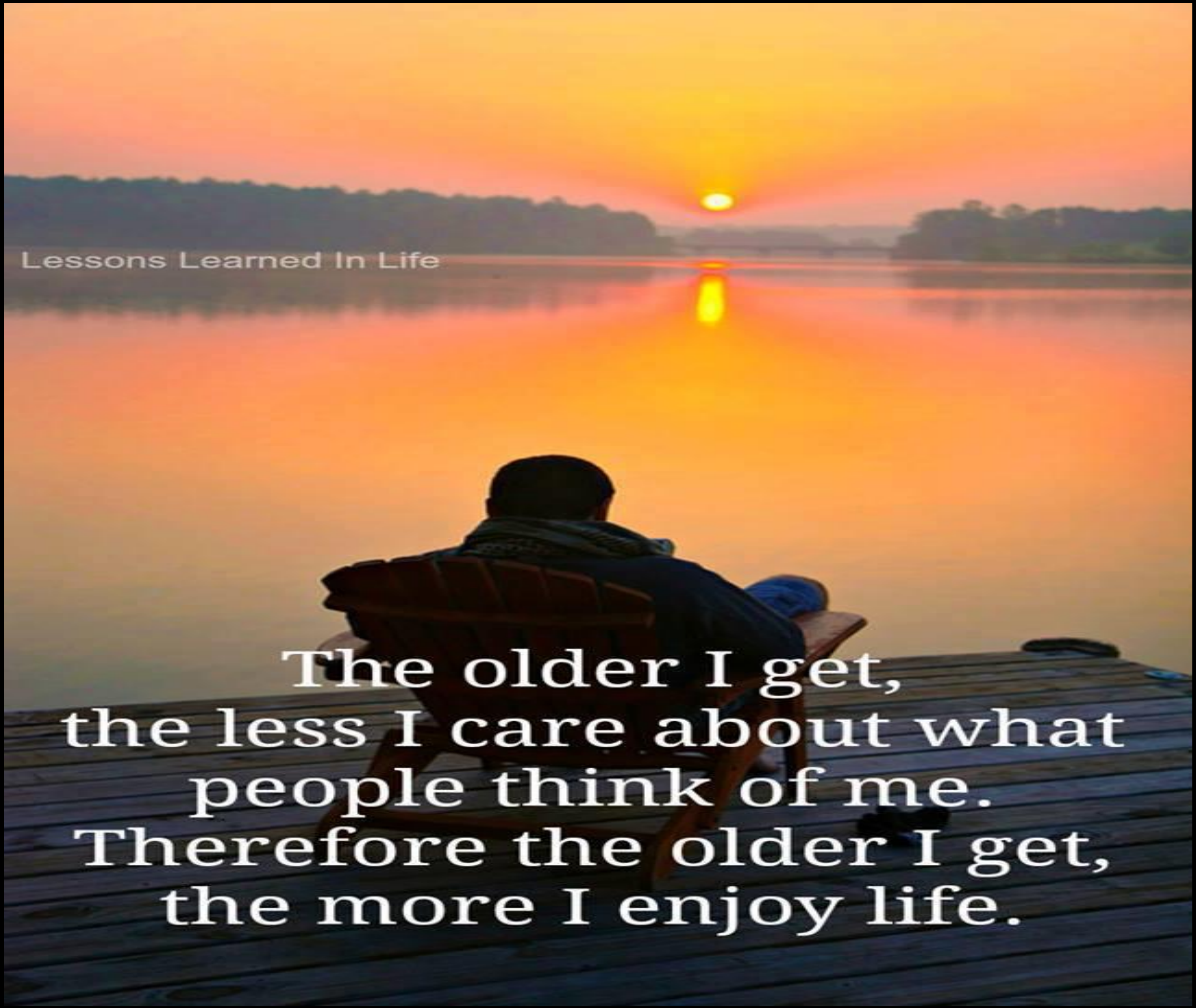
sacta
sa cultivar & technology agency.npc

Perceptions affecting the statutory levies on wheat

Andries Theron
Grain SA / SACTA

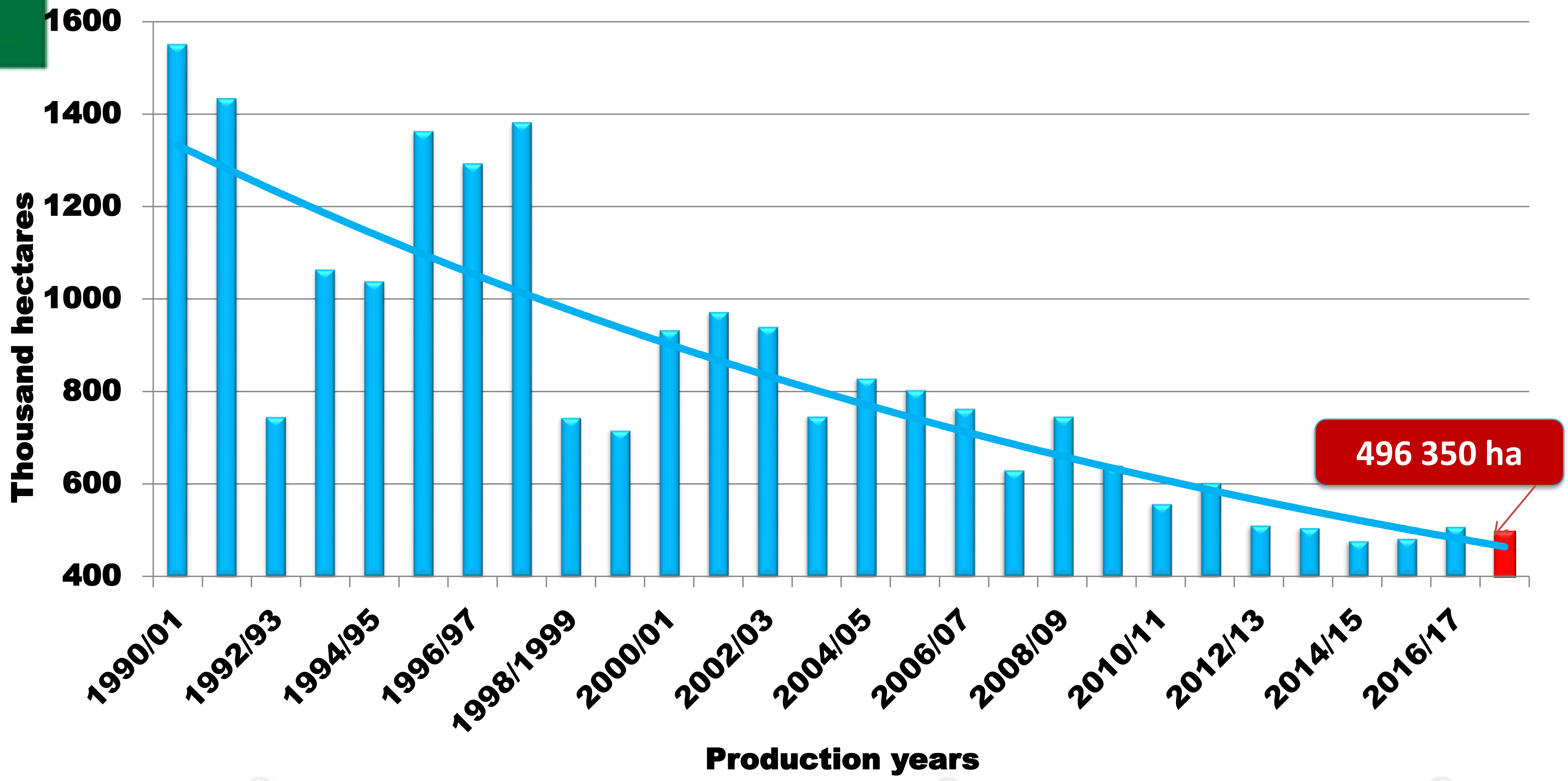
Content

- Introductory Remarks
- Status of the wheat industry
- Breeding & Technology levy
- Establishment of the South African Cultivar & Technology Agency (SACTA)
- Perceptions affecting statutory levy
- Opportunities in change
- Way Forward

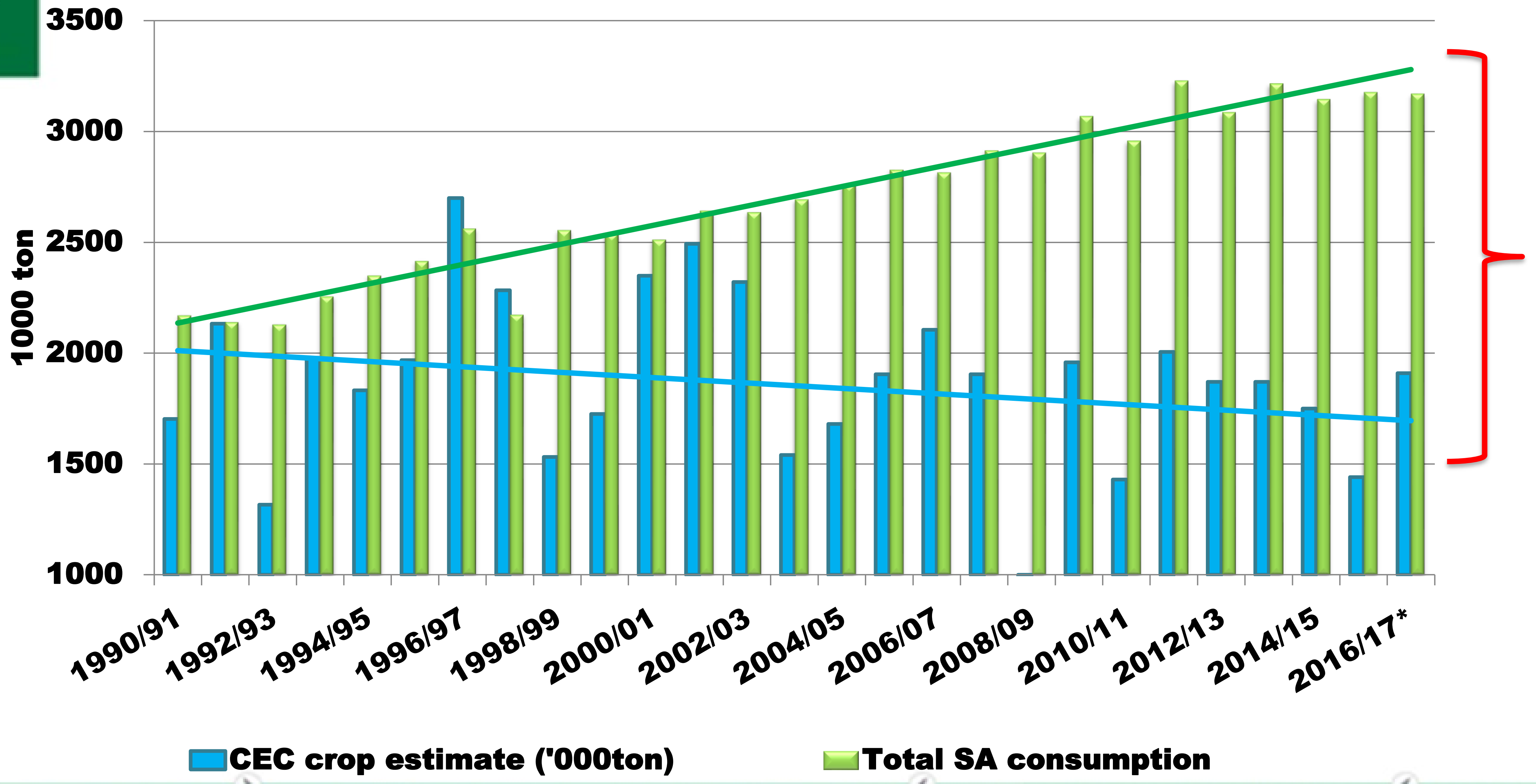

Lessons Learned In Life
The older I get,
the less I care about what
people think of me.
Therefore the older I get,
the more I enjoy life.

Status of the Wheat Industry

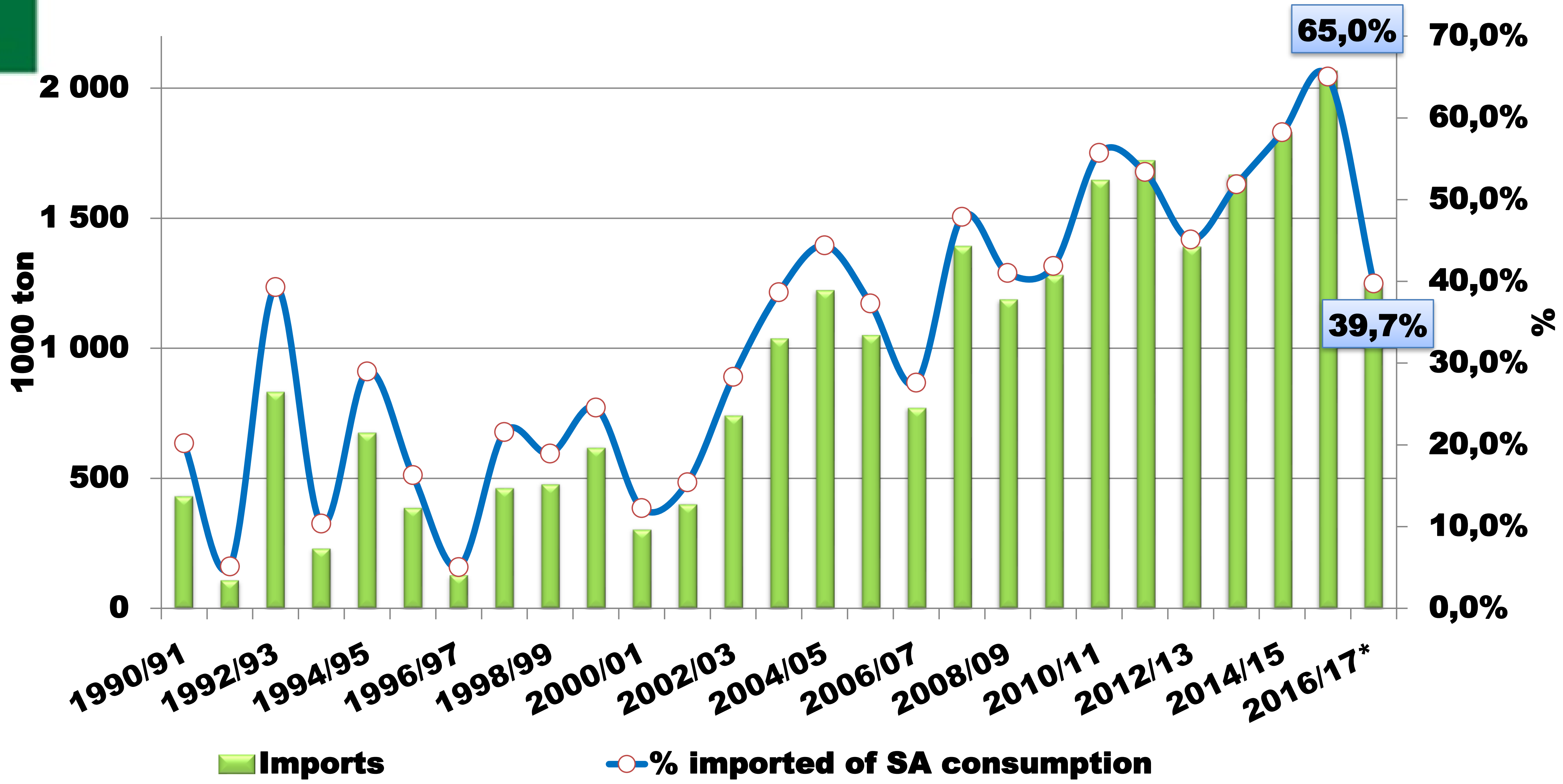
SA: Total area planted to wheat



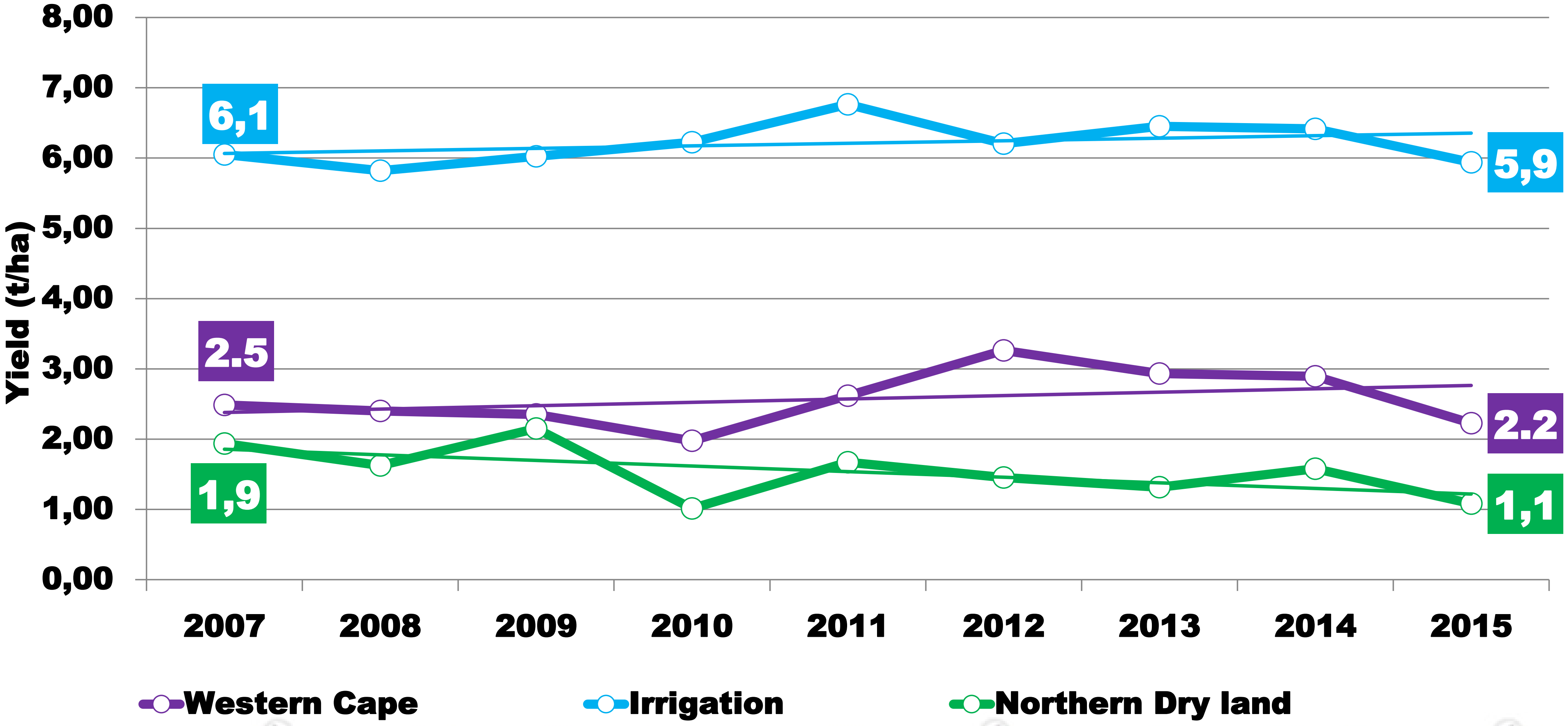
SA Production vs. consumption



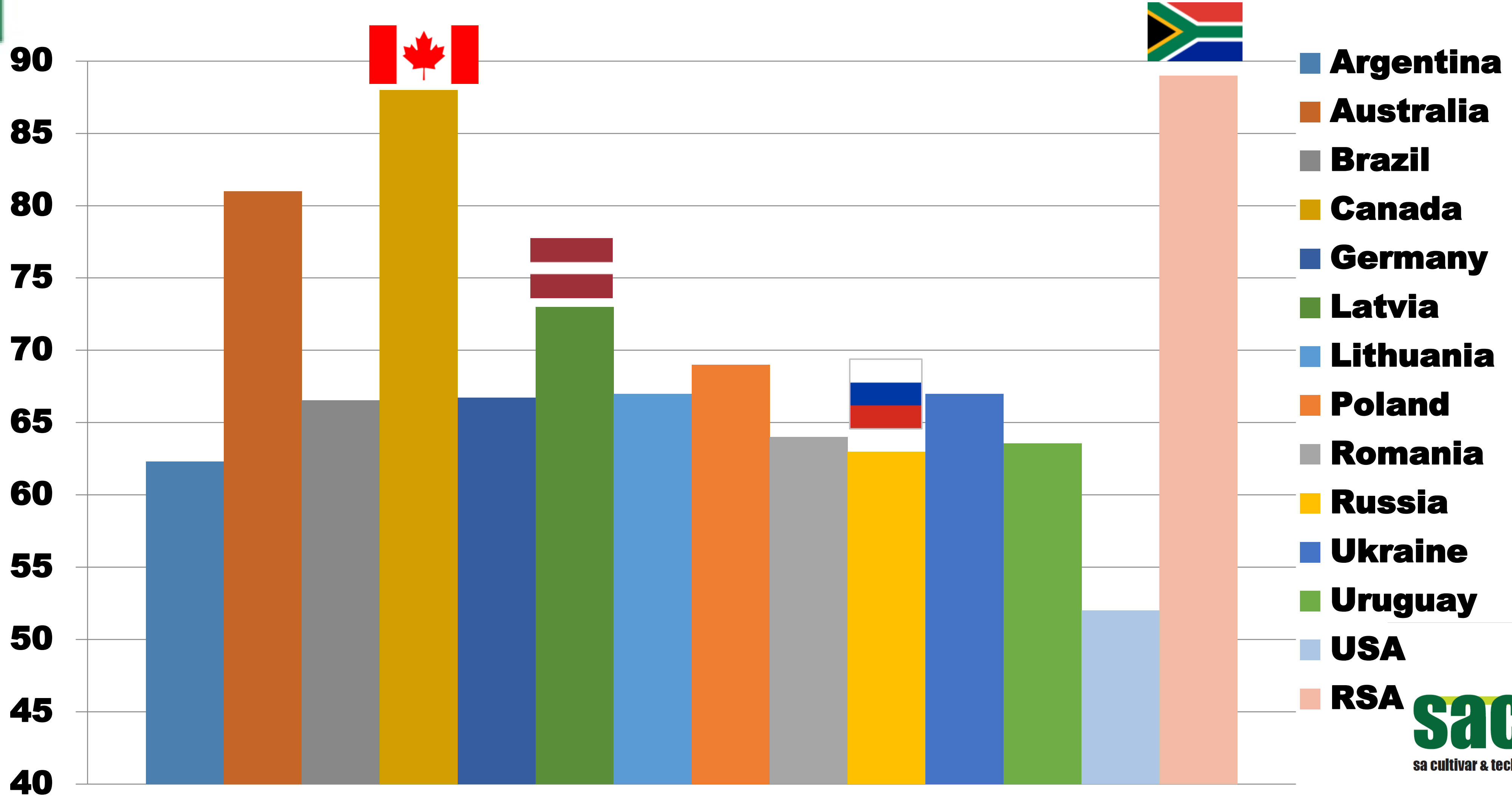
Wheat % imports of SA consumption



Yields in the 3 different production regions of SA



Baking worth weighted average
2006/2007 to 2015/2016 (10 Seasons)



Why a Breeding & Technology levy for South Africa??

- Wheat Industry in trouble
  - 2000 ++ Growing problems in the local wheat industry
  - Sustainability under pressure
  - Increased dependency on imports

SA faced with 2 major challenges

1. Legal farm saved seed

- ± 70% of wheat is planted with farm saved seed;
- Seed companies do not enter SA market due to farm-saved seed;
- SA denied new seed technology;
- Takes approximately 12 years to develop a new cultivar at great costs.

2. Yield vs. Quality

- SA has for too long concentrated on quality;
- Superior quality at the expense of yield.

Income = Yield x Price

Challenges

Yield vs Quality

- Quality parameter threatened the survival of the local wheat industry
- LAST 20 YEARS: Cultivar release criteria did NOT include yield
- Thus denied producers incentives of producing higher yielding wheat
- High quality SA wheat has been used to upgrade low quality imported wheat
- Quality is an entry barrier for new entrants into breeding

Challenges

Yield vs Quality

- Quality parameter threatened the survival of the local wheat industry
- LAST 20 YEARS: Cultivar release criteria did NOT include yield and denied producers incentives of producing higher yielding wheat
- High quality SA wheat has been used to upgrade low quality imported wheat
- Quality is an entry barrier for new entrants into breeding

Solutions

- 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 in South Africa

Working solution

Farm saved seed

New seed sales

=

Breeders income

Establishment of SA Cultivar & Technology Agency (SACTA)

- Established to act as collection agent on behalf of industry;
- Facilitates the process whereby a levy system can be implemented for self-pollinated crops;
- Distributing the levies to seed companies according to market share.

sacta
sa cultivar & technology agency.npc

SACTA: Rationale for a levy

- SACTA will address the need to improve the breeding of all self-pollinated grain and oilseed crops e.g. wheat, barley, soybeans etc.
  - Seeds from self-pollinated crops may be replanted by the farmer in the following season;
  - Subsequent crops are then planted without the expense of buying seed and thus
  - Diminish the income due to the seed breeding company.

- SACTA is an independent & legitimate industry body to administer the breeding levy.

sa cultivar & technology agency.npc

SACTA: Rationale for a levy

- SACTA is aligned with role players involved with plant breeding who are knowledgeable regarding breeding and technology;
- SACTA system will compensate breeding companies that perform.
  - New system aims to rectify the vicious cycle caused by farm-saved seed and is in line with the new Plant Breeders Act
- NOT a Government body

SACTA: Rationale for a levy

SACTA Mandate:

- Healthy balance between yield and quality;
- Driven by free market, dictated by demand;
- Industry should <u>NOT</u> lose its competitive advantage in terms of quality;
- There is clearly a demand and need for lower quality wheat, since the quality of imports do not match domestic quality parameters;
- Greatest demand by millers & bakers is for lower protein levels (B2 / 11%).

Breeding & Technology development

Advantages:

- Sustainable funding model for breeders;
- Performance will be rewarded;
- Attracting competition to the seed market;
- Self-regulate with regards to cultivars entering the market; according to market needs.

Breeding & Technology development

- System will enable local wheat industry to become more competitive:
  - Farmers become more productive though higher yields;
  - Improved yields will decrease unit costs.
- System is part of a major wheat turnaround strategy:
  - Increase local production and decrease dependency on imports;
  - Long-term strategy to assist national food security.

Calculation: Breeding & Technology Levy

- Levy as a % of wheat price
- Value of farm-saved wheat seed (BTLS factor) for the producer was calculated using:

• Hectares/province	• Seeding rate/ha	• Average yield
• Dry Land ha	• Tons seed planted	• Commercial sales/25 kg bag
• Cape ha	• 25 kg bags planted	• Irrigation share
• Irrigation ha		

Final determination of B&T levy to be collected by SACTA & calculated annually by NAMC, is based on: **A x B**

A = Daily Futures Market closing price, averaged over a 12-month period (1 September - 31 August)

B = BTLS factor

sacta
sa cultivar & technology agency.npc

Perceptions affecting the statutory levy

- **Establishment of SACTA & EPR was producer driven;**
- **Sustainability is yield driven and NOT price driven;**
- **Low seed prices was not a motive;**
- **Status quo is not a option.**

Worst perceptions

- Double dipping
- Agency agreements
- Wording used in agreements
- Original planning and calculations
- Breeders’ privilege or levy

Opportunities in change

- Farm-saved seed is a reality and will always be with us;
- Access to new cultivars is a <u>MUST</u>;
- Farmers don’t have the capacity to do farm-saved seed;
- New business models between Agbiz Grain and farmers

Way forward

- Perceptions create uncertainty

  Uncertainty → FAILURE

- Change creates opportunities

  Opportunities → SUSTAINABLE FUTURE

"No place for weakest links"

THANK YOU