

SACTA talks about Statutory Levies for Breeding and Technology

Gert Heyns

Chief Executive Officer, SACTA



Efficient plant breeding is of utmost importance for food security. The goals of the South African seed industry have always been to develop new varieties which deliver higher, more stable yields, which are adapted to the diverse climatic challenges and which deliver higher margins per hectare for grain producers. Disease resistance with fewer crop inputs and more efficient use of resources is also a priority.

Plant breeding and development of GM-technology is very expensive and takes years of research and development before a new variety is ready for the market. Concurrently, ensuring a good return on investment for research and innovation is important to continue providing adaptable varieties in an ever-changing environment.

South Africa has various acts in place to govern proper intellectual property (IP) protection, such as the Plant Breeder's Rights Act (Act 15 of 1976) and Plant Improvement Act (Act 53 of 1976). An extension to these acts, however, is so called Farmer Privilege, which allows a producer to retain grain for planting on his own farm, in subsequent seasons. For example, important grain crops like wheat, barley and soybeans are self-pollinating crops. This implies that grain from a planted crop can be retained and replanted, with very few implications on genetic purity, yield, and other agronomic characteristics. This has led to large volumes of grain being used as seed in various crops. In wheat the level of farm saved seed is about 65% and in soybeans a level of 75% to 80% has been reached.

Unfortunately, due to the low return on investment experienced by seed companies, investments in developing new varieties and introducing new bio-technologies have diminished over time. Producers and other industry role players noticed that yields had stagnated and that other countries had access to new bio-technologies. For these reasons, producers declared their willingness to pay a levy on grain sold and for a reliable system to be developed to incentivise seed companies to invest in open pollinated crops in future.

Enters the SA Cultivar and Technology Agency

The SA Cultivar and Technology Agency (SACTA) was formed as a non-profit company, to ensure that breeding and technology levies would be paid to seed breeding companies and plant breeder right holders.

We have a board of directors and are run according to the Companies Act. The board of directors consist of two members from SANSOR, two members from Grain

SA, one from Agbiz Grain, two ministerial appointees and one soybean industry specialist. As SACTA's Chief Executive Officer, Gert Heyns takes responsibility for the proper communication of the nature, goals and objectives of the levy for breeding and technology.

SACTA is not crop specific but can administrate levies for all self-pollinated crops. As an independent, capable and experienced administrative partner, we are able to form close relationships with all representation of significant role players in the agricultural market.

How does the Levy Function?

Worldwide, many royalty collection systems have been developed. The efficiency of these systems varies considerably with regards to protection of IP and collection levels. Due to the market size and cost involved in South Africa, the need was to have a simple, self-regulating compulsory system.

Under the Marketing of Agricultural Products Act (Act 47 of 1996) any industry or affected party can apply for a statutory levy to be imposed on the sale of grain or a product by the producer. This would then serve as an end point royalty and would be compulsory. Since it is a statutory levy, certain conditions must be met. These conditions are the following:

- » Levy amount cannot be more than 5% of a specific commodity price;
- » Administration fees cannot be more than 10%; and
- » 20% must be used for transformation.

The benefits of a statutory levy system are the following:

- » It is a self-regulating system (efficiency in wheat is >93%);
- » Levy is collected at the first point of sale;
- » All producers pay the same amount; and
- » Risk is shared with producers.

If crops fail due to drought and so forth, less levy is paid. If breeding companies do not deliver improved genetics and technology, their market share will decline and their income from royalties decline.



Which Crops currently have a Breeding and Technology Fee?

Wheat, Barley and Oats

During the 2016/17 and 2017/18 seasons, a Breeding and Technology fee was introduced for wheat and barley. The fee at that time was R25 per ton. A new application was submitted for the 2018/19 and 2019/20 seasons and oats was included. The current levy is R30 per ton for these crops.

Two full seasons have been completed and the available funds have been paid to breeding companies and institutions, according to their market share.

Soybeans

An application for a breeding and technology levy was submitted during 2016. Due to various complications, the approval for the statutory levy was approved during July 2018.

The fee at this stage has been approved for two seasons. The first season is from 1 March 2019 to 29 February 2020 and the second from 1 March 2020 to 28 February 2021. A new application will be submitted to accommodate the breeding and technology needs for the period 1 March 2021 onwards.

The breeding and technology fee for soybeans is R65 per ton for the first year and R80 per ton for the second year. The fee is based on 1.2% of an estimated grain price at the time of application. One percent (1%) of the fee will be divided between germplasm owners who hold plant breeder's rights, according to their market share. The current bio-technology owner will be allocated 0.2%.

Market Share

It is SACTA's responsibility to determine the market share of each participating company. To do this we have developed a formula for cereal crops and soybeans. This formula makes use of parameters like seed sales, farmer declaration, grain silo analysis and market research. Different weights are allocated to the parameters and market share has been calculated from that.

"We are happy to announce that ground-breaking work is underway to make use of DNA analysis to determine market share in soybeans."

New Technologies

The development of this system of incentivising seed and technology companies to breed and/or introduce new bio-technology to the South African market, has motivated a number of companies to commence with the needed trial work to be done with the purpose of submitting the necessary data for deregulation of new technology.

"As SACTA, we are confident that South African grain producers will be able to share in the best of available technology over the next two to four years."