



Perspektief | Perspective

Nuusbrief | Newsletter

09/12/2016 WEEK 49 - 2016

[KLIK HIER VIR DIE AFRIKAANSE WEERGAWE](#)

[CLICK HERE FOR THE ENGLISH VERSION](#)

In this issue...

- **IMPORTS OF GMO'S FROM THE USA**
- **WHEAT SEED "DOUBLE DIPPING" AND THE BREEDING AND TECHNOLOGY LEVY**
- **AGRICULTURAL PRODUCTION CONDITIONS**
- **GRAIN SA LEVY**
- **NEW FERTILIZER HANDBOOK**
- **SYNGENTA GRAIN ACADEMY REGISTRATIONS NOW OPEN**
- **STAY INSPIRED...**

IMPORTS OF GMO'S FROM THE USA

Dr Dirk Strydom, Manager: Grain Economy & Marketing, Grain SA

» After almost a year of negotiations all the GMO events for imports from the USA was approved for commodity clearance by the Department of Agriculture, Forestry and Fisheries (DAFF). This opens the market for imports from the USA to South Africa for both GMO white and GMO yellow maize.

Explanation of important terms:

Commodity clearance: This is a trade clearance meaning it can be imported into South Africa but it cannot be planted locally.

General release: This means that these events can be planted locally

Grain SA concerns:

A considerable amount of commodity clearance applications has been processed in the past few months without general release keeping our farmers from benefiting from these new technologies. The 2015/16 production season has been characterised with one of the most severe droughts. The local production shortage is currently being imported from the world market. The current drought has not been declared a national disaster. From an economic point of view the SA grain growers remain disadvantaged when commodity clearances are approved without considering the impact on local production. If these events do not get registered for general release in South Africa, our local producers are competing on an uneven playing field against the USA, given their technology development.

It is very important to ensure that South Africa compete in a competitive environment in order to provide long term sustainability in food production and food security. In Figure 1 and 2, it is clear that South Africa is not producing the same yields as the competing countries on a global platform. Although South Africa made tremendous improvement and achieved good growth averages we are still behind. This is mainly due to competing countries accessibility to better technology which is not yet available in South Africa but also due to better climatic conditions.

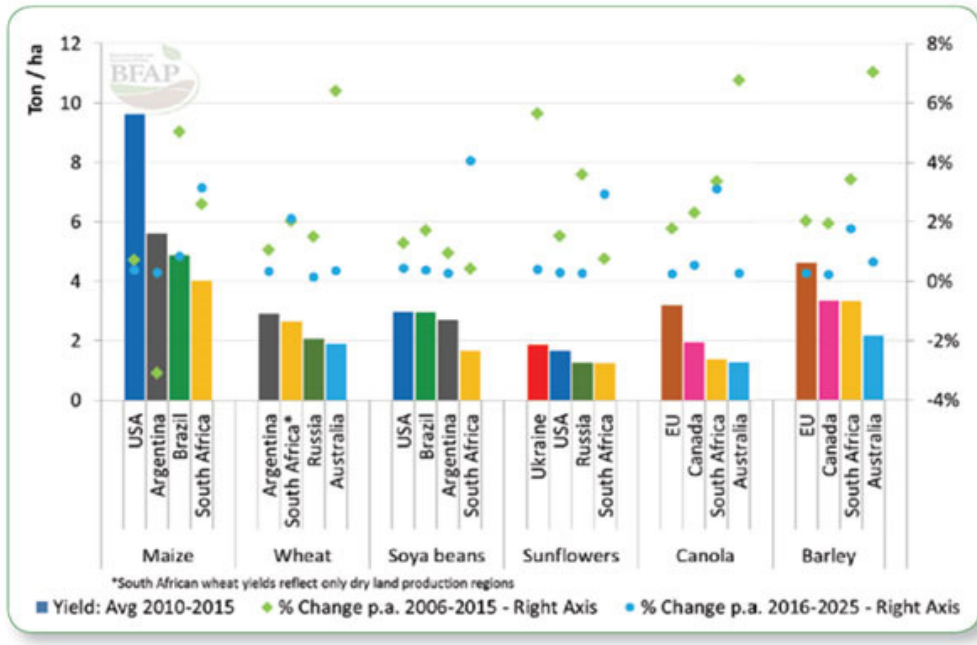


Figure 1: International yield and yield growth comparisons
Source: BFAP 2016 and Agribenchmark

More specific in terms of maize South Africa is below the International average sample, especially on typical dry land production areas. The international sample is at 8 tons/ha where South Africa is closer to 3.8 tons/ha for the 2015 season. Yield is a variable that have a direct impact on the gross margin of a producer.

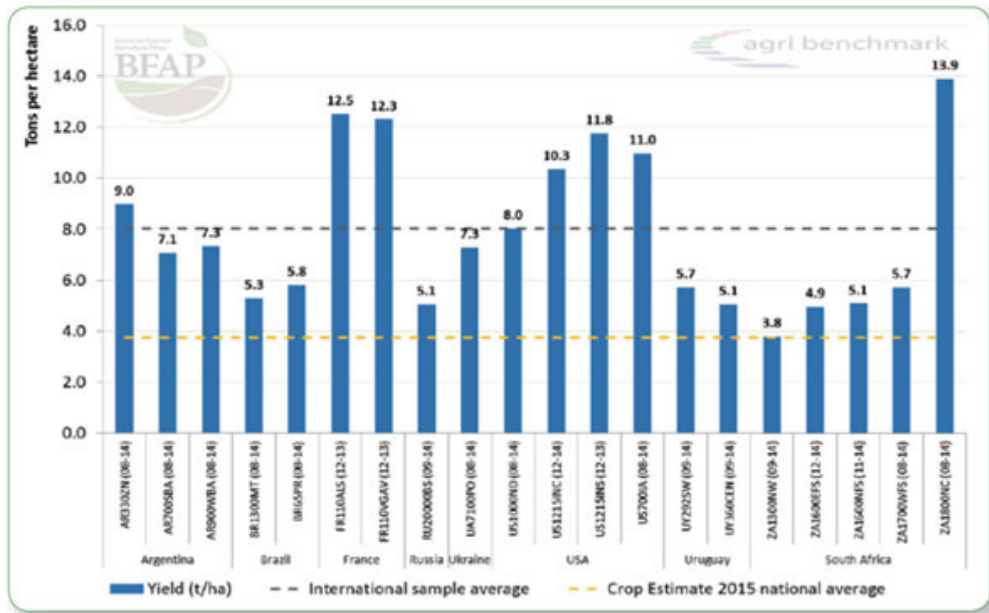


Figure 2: International maize yield comparisons
Source: BFAP 2016 and Agribenchmark

Another important variable is the production costs, as indicated in the figure below the productions costs of typical maize farms in South Africa is also much higher than the competing countries and more specifically the US. This is for a few reasons, not only are the inputs more affordable in these countries but they have direct and indirect subsidies as well. This means that South Africa cannot compete on a competitive basis in terms of gross margin due to competing countries obtaining better yields and having lower production costs.

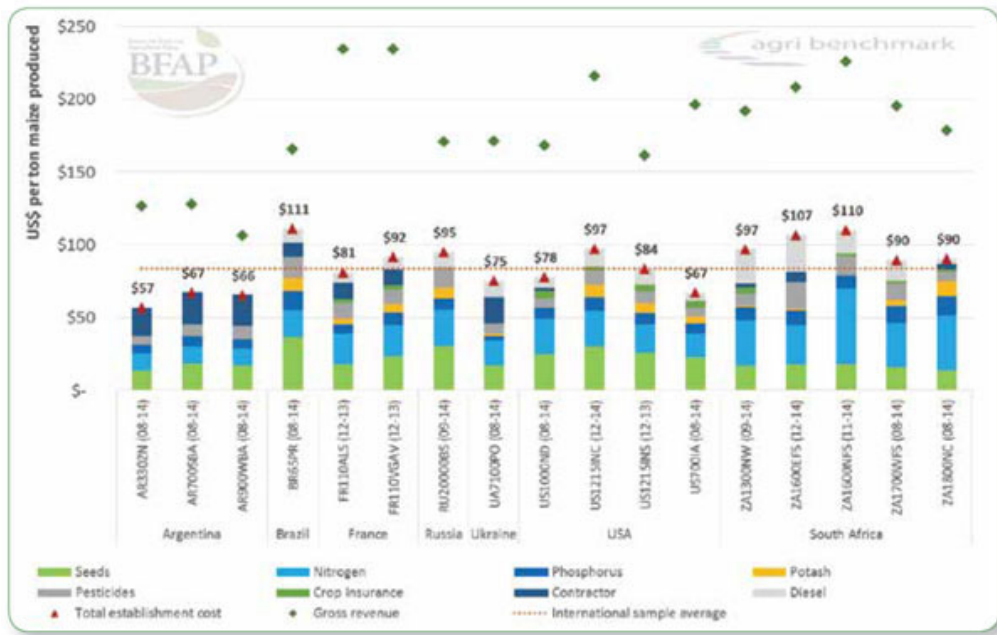


Figure 3: International production cost comparisons
Source: BFAP, 2016 and Agribenchmark

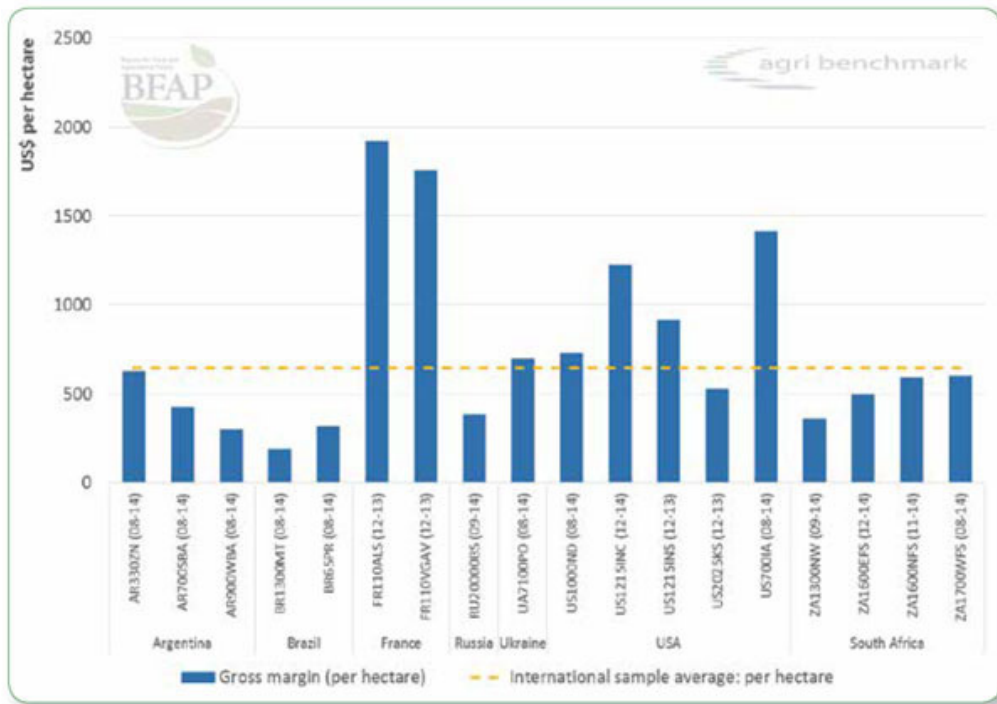


Figure 4: International Gross Margin comparisons
Source: BFAP, 2016 and Agribenchmark

As explained above the yield and production costs have a direct impact on the gross margins and it is clear from Figure 4 that the typical South African maize farms have gross margins below its competitor's levels. In conclusion, if the commodity clearance is approved for the GMO-events, maize that is produced with better technology, government support and produced at lower costs can be imported, then local producers will not be able to compete on a competitive level. However, this competitiveness can improve if the local producers also have the same technology and this is why commodity clearance must be accompanied with general release.

Commodity clearance should only be granted in exceptional circumstances and should never become the norm. South African producers are at a competitive disadvantage against countries where it is allowed to plant these events. In the event of extreme circumstances, such as a threat to national food security and South Africa been declared a disaster area, commodity clearance is supported with special import conditions.

It is important to keep to following also in mind:

- These imports can only take place when import permits are granted
- There is still strict import protocols in place that can have an effect on logistics

[Back to Top](#)

WHEAT SEED "DOUBLE DIPPING" AND THE BREEDING AND TECHNOLOGY LEVY

Corné Louw, Snr Economist: Inputs, Grain SA

» Grain SA noted members' concerns about the so-called "double dipping" of a seed company after the R25 per ton statutory Breeding and Technology Levy (SACTA) came into effect.

We wish to categorically state that Grain SA had two prerequisites from its members for negotiation on the Breeding and Technology Levy, specifically that:

1. The levy shall be a percentage of the grain price; and
2. No "double dipping" should take place.

It indeed has been negotiated with seed companies in this manner from the start. The "double dipping" practice has been investigated by Grain SA.

In Cape Town it is true that 99% of the market consists of one company's seed. The older and base seed is increased by the local coop and agribusinesses on an agency-basis for Sensako. The agricultural businesses then market the increased seed of Sensako directly to producers. The price of the seed consists of the cost + profit related to the coop or agribusiness plus a "profit" to Sensako, **currently erroneously indicated as royalty**. Seed companies are entitled to make a profit from seed sales, which should not necessarily be viewed as a royalty and "double dipping".

Previously Sensako was compensated through the statutory levy of the Winter Cereals Trust. This will be replaced with the SACTA levy on 30 September 2017.

The size of this "profit" will depend on the degree of competition in the market and producers' resistance to buying new seed. The system for 2017 has been modified in such a way that seed companies that perform better (new varieties), receive more of the statutory funds. The previous regime was less performance driven.

Enquiries: Contact

Andries Theron (082 873 1350) or Corné Louw (082 820 5762)

[Back to Top](#)

AGRICULTURAL PRODUCTION CONDITIONS

Petru Fourie, Research Coordinator & Production Cost Analyst, Grain SA

AGRICULTURAL PRODUCTION CONDITIONS - as on 8 December 2016

General: Producers in the eastern parts of the country has mostly completed summer grain crop plantings which generally appears generally nice. Rain patches occurred in the western parts of the country and severe winds are being experienced. Plantings in the western parts have halted in certain areas and should be completed once sufficient rain occurs.

North West

- Southern parts:** ± 30% of the maize hectares have been planted.
- It is relatively dry in some areas with rain needed to complete the planting process. Very few sunflower has been planted to date.
 - The optimal planting date for maize is up to mid-Dec
- Northern parts:** ± 50% of the maize hectares have been planted.
- Producers are idle in certain areas because it is too dry. The more west you move the drier it gets, with lesser plantings.
 - Soybeans plantings should be completed by the end of this week, with less than 10% of sunflowers that have been planted.

Limpopo

- **Dryland maize plantings:**
 - Rain occurred in patches. Producers started planting here and there but expectations are that the biggest % of producers will start planting in two weeks time.
- **Commercial maize and soybean irrigated plantings:**
 - Wheat harvesting is completed with average yields achieved for the region. Maize plantings has mainly been completed with some soybeans still being plant here and there.

Northwest Free State

- Producers have completed approximately 60% of their maize hectares.
- Severe winds occurred and caused damage to crops that are now growing.
- Talk of winds having extinguished soybeans in certain areas.
- Producers have halted maize plantings in some areas, as it is too dry to continue and due to damage caused by the winds.
- Not many sunflower has been planted to date.
- General widespread rain is needed.

Eastern Free State

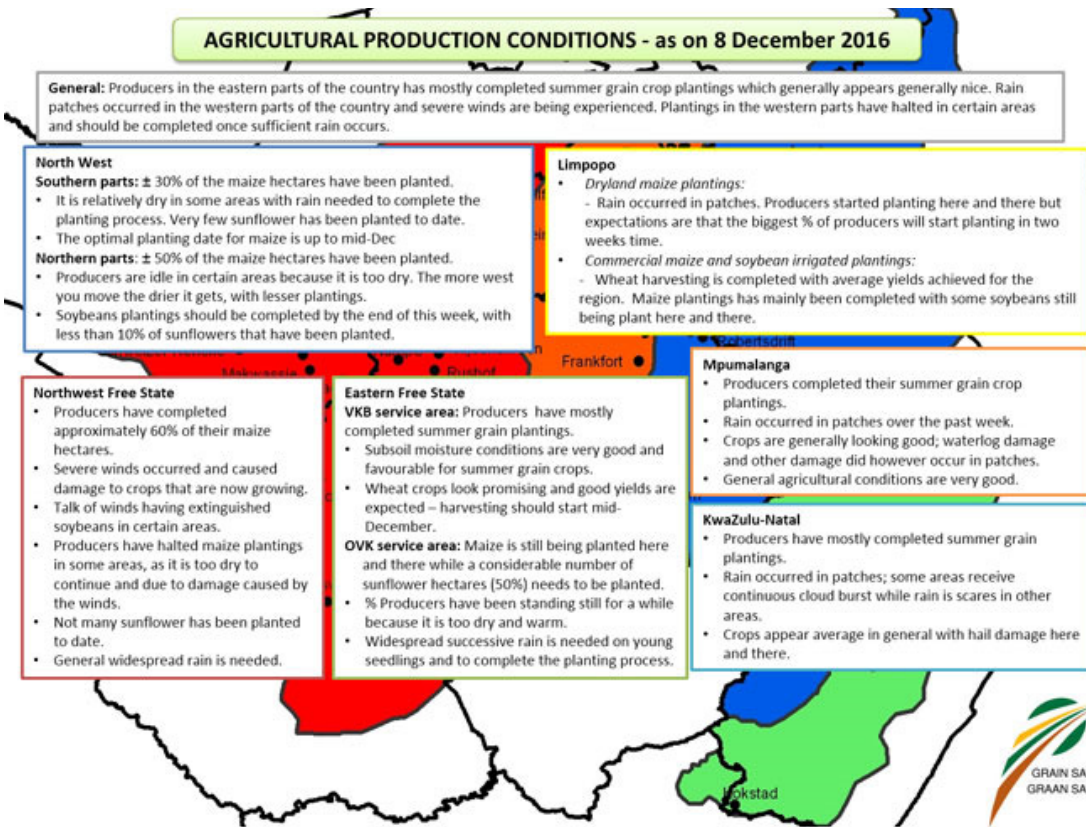
- VKB service area:** Producers have mostly completed summer grain plantings.
- Subsoil moisture conditions are very good and favourable for summer grain crops.
 - Wheat crops look promising and good yields are expected – harvesting should start mid-December.
- OVK service area:** Maize is still being planted here and there while a considerable number of sunflower hectares (50%) needs to be planted.
- % Producers have been standing still for a while because it is too dry and warm.
 - Widespread successive rain is needed on young seedlings and to complete the planting process.

Mpumalanga

- Producers completed their summer grain crop plantings.
- Rain occurred in patches over the past week.
- Crops are generally looking good; waterlog damage and other damage did however occur in patches.
- General agricultural conditions are very good.

KwaZulu-Natal

- Producers have mostly completed summer grain plantings.
- Rain occurred in patches; some areas receive continuous cloud burst while rain is scares in other areas.
- Crops appear average in general with hail damage here and there.



[Back to Top](#)

GRAIN SA LEVY

GRAAN SA BEDRYFSHEFFING

IS JOU GRAANHEFFING BETAAL?

VORDERING VAN HEFFINGS

A) Direkte inbetaling

(Kry u faktuur by Graan SA en stuur u BTW-nommer saam met u bewys van betaling na members@grainsa.co.za)

Graan SA
ABSA
Rekeningnommer: 790 810 007

B) Met behulp van vorderingsagente



Wat word benodig deur die vorderingsagent?

- Voltooi slegs magtigingsvorm
- Vorm verkrygbaar by Graan SA Hoofkantoor asook by www.grainsa.co.za
Kontaknommer – 086 004 7246



[Back to Top](#)

NEW FERTILIZER HANDBOOK

» The Fertilizer Association of Southern Africa (Fertasa) publishes the Fertilizer Handbook/Bemestingshandleiding, a collection of scientific principles and guidelines on soil fertility and plant nutrition. The guidelines were recently revised and updated for fertilizing maize, vegetables, lucerne and wheat. New chapters were also added on precision farming and canola. The first print run of this revised edition has sold out, but more books will be available towards the end of January 2017. To be notified when the books are available again, please send an email to monique@fertasa.co.za.

[Back to Top](#)

SYNGENTA GRAIN ACADEMY REGISTRATIONS NOW OPEN

Syngenta Grain Academy

LEADERSHIP IN THE
CONNECTION ECONOMY



REGISTER TODAY!

DON'T MISS OUT ON THIS ONCE-IN-A-LIFETIME OPPORTUNITY.

Syngenta believes that the future of agriculture should be shaped rather than left to chance. Syngenta and Grain SA believe that young farmers need to be equipped with leadership skills, to lead differently on their farms and take the lead in agricultural bodies, agricultural debates and in agricultural forums and discussions with Government.



THE PROGRAMME FOCUS

Four intra-organisational zones are the focus of leadership learning in the programme:

- ① Personal leadership or leading oneself
- ② Leading one other individual or one-on-one leadership
- ③ Leading a team or a group of followers
- ④ Being a follower within a team led by another leader



For more information and to register for this once-in-a-lifetime opportunity, please contact:

Cecile Bester | cecile_marie_bester@syngenta.com | 082 608 5921 | www.grainacademy.co.za
by not later than 10 December 2016.

The Syngenta Grain Academy is brought to you in partnership with Grain SA and the University of the Free State Business School. This programme is accredited on NQF Level 7.



GrainAcademy

www.grainacademy.co.za



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www.syngenta.co.za



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[Back to Top](#)

STAY INSPIRED...

With the year coming to an end, we wish to thank all our members and agricultural partners for the continued support throughout the year. Grain SA's offices will close on 23 December 2016 and reopen on 3 January 2017. We wish you and your loved ones a blessed Festive Season and leave a little Christmas gift idea with you ... until next year!

'To your enemy, forgiveness. To an opponent, tolerance. To a friend, your heart.
To a customer, service. To all, charity. To every child, a good example. To yourself, respect.'

~ Oren Arnold

[Back to Top](#)

GRAAN SA • GRAIN SA

Posbus 74087 • PO Box 74087

Lynnwood Ridge 0040



+27 (0)86 004 7246



www.grainsa.co.za



+27 (012) 807-3166



alzena.gomes@grainsa.co.za

Navrae/Enquiries: Alzena Gomes - alzena.gomes@grainsa.co.za