



05/10/2012
WEEK 40 – 2012

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Value added tax relief on sorghum and sorghum meal

Wessel Lemmer (senior economist: Industry Services, Grain SA)

► Mandated by a meeting of the sorghum industry on 10 June 2011, Grain SA submitted a request to Treasury, dated 25 October 2011, in which the VAT zero rating on sorghum and sorghum meal was requested.

Present at the meeting were role-players throughout the value chain. These role-players included Agricol, ARC-GCI, Dannhauser Malt (Pty) Ltd, Isithebe Malt Plant, King Foods Corporation, Pannar Seed, SANSOR, Senwes, Boyne Roller Mills, United Breweries and Grain SA.

Previous efforts to lobby National Treasury to grant a zero rating on sorghum and sorghum meal, were unsuccessful for reasons that include the tax base, equity considerations and the appropriateness of such concessions on the poor. The National Treasury is of the view that the merit of zero rating sorghum and sorghum meal does not outweigh these policy concerns. The reasons are:

- Charging different VAT rates on different goods is generally an ineffective way of trying to assist the poor.
- The limited benefits passed through to consumers via tax zero rating do not lead to an anticipated increase in consumer demand and will not assist producers.
- The current zero rating of other grains would not create a competitive advantage relative to sorghum
- Sorghum is not consumed mainly by the poor and is not extensively important in the budget of poor households as is the case of maize meal. Sorghum and sorghum products have therefore little merit for so-called pro poor VAT concessions.

National Treasury is not convinced that VAT relief is the most appropriate, equitable and cost-effective way to assist the sorghum industry. The decline in sorghum production is noted and support could possibly come from the Department of Agriculture if there is a strong case to be made.

Grain SA's request to grant a VAT concession for sorghum for a number of years (five) is not supported by National Treasury for four reasons:

- The structural adjustment in the price of sorghum seems to be permanent and would not improve through VAT zero rating.
- It would be politically and socially problematic to reverse such a concession once it has been absorbed into the market structure for sorghum.
- Such a concession might be more beneficial to wholesalers and retailers, as the retail price is unlikely to decrease to the full extent of the VAT concession.
- Any VAT concessions will trigger further requests for even more concessions.

Additional VAT concessions will add complexity to the VAT system and compliance costs to the vendor and are also inefficient because they are not targeted at the poor.

National Treasury take note of the declining sorghum industry, but taking all the above into consideration, Grain SA's request cannot be supported.

Barley market information for the May 2014 planting season

Wessel Lemmer (senior economist: Industry Services, Grain SA)

► Leon Groenewald retires as chairman of the Western Cape Barley Industry Committee

On Wednesday, 26 September 2012, Leon Groenewald retired as chairman of the Barley Industry Committee in the Western Cape. RD Erasmus was appointed to replace Groenewald as chairman. Groenewald wishes the new chairman great success and urges barley producers to support Erasmus with the same loyalty that he enjoyed. The retiring chairman thanks all barley producers and wishes them a successful harvest and a blessed future. Grain SA would like to thank Groenewald and his spouse for his leadership and personal time that was invested over the years as chairman of the malting barley industry of the Western Cape.

SAB/M's cultivar needs for 2013

The following cultivar needs (**Table 1**) was received from SAB/M regarding the 2013 production season. Contact your agricultural company and confirm your seed order for the upcoming planting season.

Table 1: SAB/M cultivar needs for 2013.

Cultivar needed	Quantity (ton)	% of total
• Erica	60 000	37,5%
• Nemesia	60 000	37,5%
• SSG 564	20 000	12,5%
• S6	20 000	12,5%
• S9	3 000	1,875%
• S12	1 000	0,625%
Total	160 000	100,0%
SAB requirement	160 000	100,0%
Difference	-	-
Import substitute		
S5	20 000	
High nitrogen Nemesia	5 000	
	185 000	

Barley producers should please take note that planting and seed orders must be done in consultation with your agricultural company. Plantings must be done in accordance with the malting barley market's cultivar needs. Please do not just assume that the production of malting barley will be taken up unconditionally. Unless you produce for the feed barley market, you must do your plantings strictly according to the requirements that was agreed upon with you and please do not plant more of a cultivar than what will be taken up individually from you by the malting barley market.

Grain SA is aware that agricultural businesses are currently conducting a "Intention to plant/sow malting barley" survey among producers, that will give producers more clarity regarding the supply and demand of individual cultivars.

Surplus barley

No guaranteed market for surplus barley currently exists, although Grain SA is working on it. Opportunities, such as the exporting of malting barley to African/other countries and local markets, such as transport, are being investigated.

National Barley Industry Committee

Grains SA's Executive has decided that the National Barley Industry Committee will in future function as a Specialist Working Group within the existing Grain SA structure. For this purpose, a work method will be put in writing and implemented. The next National Specialist Working Group meeting is planned for before the end of 2013. The final date for this meeting will later be communicated to members of the committee.

Agricultural conditions for wheat as at 3 October 2012

Petru Fourie (economist: Industry Services, Grain SA)

► Summer planting areas

For winter crops in the summer planting area the general agricultural conditions looks good. The wheat is still relatively young, which will necessitate good follow-up rains.

Free State

Producers in the central areas of the Free State report that their wheat looks very good. Average yields are expected providing that follow-up rains occur for the rest of the season.

Producers in the Eastern Free State report that the wheat crop looks promising. The wheat is still young, but with good follow-up rains during October and middle November, average to above average yields can be expected.

Winter planting areas

Wheat in the Western Cape looks good in general and good yields are expected.

Swartland

Conditions in the Swartland looks extremely good and above average yields are expected. Producers should begin harvesting by the middle to the end of October.

Southern Cape, Rûens area

During the past season the agricultural conditions in the Overberg Agri service area was very favourable for winter crop cultivation due to the timely and good rains that occurred. Producers should begin harvesting their wheat within approximately a week and above average yields are expected.

In the SSK area (Swellendam, Riversdale, Heidelberg and Mossel Bay) the wheat looks very good. Producers here have already started harvesting, but should be busy in all earnest within about two weeks. Above average yields are expected.

How to prevent quelea damage to wheat

Corné Louw (senior economist: Industry Services, Grain SA)

► Redbilled quelea can cause great damage to wheat crops. Producers are encouraged to act well within time and not to wait until after these finches have already caused damage.

If queleas are spotted in your surroundings, you can contact the Department of Agriculture, Forestry and Fisheries for assistance. You are however advised to first follow these steps:

- Identify the correct sleeping or breeding place of the flock.
- If the identified area is not the property of the complainant, the complainant should get permission from the land owner to enter the property and for possible control measures.

For an in loco inspection and control of redbilled quelea, contact Mr Colin Burke at (012) 319-7574 or 082 451 4861.