

GENERAL NOTICES • ALGEMENE KENNISGEWINGS

DEPARTMENT OF AGRICULTURE, LAND REFORM AND RURAL DEVELOPMENT

NOTICE 3547 OF 2025



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APPLICATION FOR A NEW STATUTORY MEASURE:
BREEDING AND TECHNOLOGY LEVY ON COTTON LINT
IN TERMS OF THE MARKETING OF AGRICULTURAL PRODUCTS ACT, 1996, (ACT NO 47 OF 1996),
(MAP ACT) AS AMENDED

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INVITATION TO DIRECTLY AFFECTED GROUPS IN THE COTTON INDUSTRY TO FORWARD COMMENTS REGARDING THE REQUEST FROM COTTON SOUTH AFRICA

In terms of section 11 of the Marketing of Agricultural Products Act, 1996 (Act No. 47 of 1996) (MAP Act), the NAMC hereby announce that the Minister of Agriculture has received a request from Cotton South Africa (NPC), on behalf of the directly affected groups in the cotton industry, for the establishment of the following statutory levy for a period of three years as from 1 April 2026 (*this application is separate from the recent application for the continuation of the statutory measures currently applicable and administrated by Cotton SA*):

- a statutory levy on cotton lint ginned from seed cotton, at a rate of 54 c/kg (VAT excluded) from 1 April 2026 to fund seed breeding and technology (endpoint royalty system) to be payable by South African ginners to an administrator, to be confirmed at the time of implementing the new levy, on cotton lint produced. A ginner who has paid the levy over to the administrator, may recover the amount of the levy from the producer or person from whom he has received the seed cotton.

The purpose of the new application for a statutory levy to facilitate an endpoint royalty system for cotton, for an initial period of 3 years, is in addition to the already approved statutory levy in place on cotton lint, and the recent application for continuation of statutory measures for 2026-2030. The current levy includes the 20% transformation allocation. Since this proportion of the levy is already included on cotton lint, the industry requested with this second levy application that the 20% aimed at transformation be waived.

The endpoint royalty system implies the collection of a fee from farmers at the processing point, which is the cotton ginnery. Collecting a fee and administering it through an independent company, such as the South African Cultivar and Technology Agency (SACTA), that is yet to be confirmed, will see to it that the two seed companies and the current technology holder will get an objective division of the levy proportion for plant genetics and the licensing fee for technology in the seed. This will ensure that seed companies can bring down the price of seed considerably and make it more affordable for farmers to buy cotton seed, a determining factor whether cotton is an affordable crop to cultivate. Ongoing conversations with value-chain input providers, like seed companies, the technology holder, ginners and farmers via the South African Cotton Producers Organisation (SACPO) has resulted in the decision that this is the best way forward for the industry, to ensure sustainable seed production and provision, access to affordable seed and technology and future investment by role-players in cotton production.

The endpoint royalty system will also benefit the smallholder, since it would make seed more affordable, and the dryland farmer will only pay for the benefit derived from the technology and

plant genetics which they have enjoyed for that specific season after harvesting and delivery to the ginnery.

Statutory levies for breeding and technology purposes have been imposed over the past few years on wheat, barley, oats, soybeans and lupins to create sustainable breeding research funding models. These levies have been administered by SACTA. This Non-Profit Company was established to act as administrator for the Breeding and Technology System of other crops, to eventually administer breeding and technology levies on most self-pollinated crops. The Board of Directors of SACTA includes industry role-players that are directly affected by the payment and/or utilisation of the levies, as well as two representatives appointed by the Minister of Agriculture.

The statutory breeding levies on the various products have proven to be effective and payments to the appropriate seed marketing companies were successfully made at the end of each marketing season. The implementation of a similar model for the cotton industry is therefore important to achieve the required benefits for the development of new seed varieties and investment in new biotechnologies to improve yields and production and maintain food security in the country.

If approved, the levy will be payable to the assigned administrator by ginners and will be recovered from producers. Institutions or processors, like ginneries who will be collecting and paying the levy over to an administrator, may claim 2,5% commission on the amount of the total levy collected to cover their costs.

PARTICULARS REQUIRED IN TERMS OF SECTION 10 OF THE MAP ACT

The relevant particulars, as required in terms of section 10(2) of the MAP Act, to be included in a request for the establishment of a statutory measure of this nature, are as follows:

1. The proposed statutory levy would relate to cotton lint produced in the Republic of South Africa.
2. The manner in which the objectives referred to in section 2(2) of the MAP Act will be advanced (namely increased market access for all market participants, promotion of the efficiency of the marketing of agricultural products, optimisation of export earnings from agricultural products and the enhancement of the viability of the agricultural sector) is summarised below:

The management of the levy is regarded as critical for strategic sustainable growth in the cotton industry and will be to the benefit of the directly affected groups respectively, i.e. the seed companies and the technology holder. Proper and accurate information or monthly returns of cotton lint as seed cotton is processed, will not only increase market access for all value-chain input providers, but will also promote investment in the industry in terms of seed security, seed quality and access to affordable seed, furthering research and development and access to technology.

The promotion of the production of cotton can make a significant contribution towards the level of household food security in South Africa, particularly in the more arid regions of the country where cotton is preferred over other summer crops which regularly fail. It is furthermore important that perceptions be changed in terms of crops more suited to those areas to feature more strongly. Research is essential for the furtherance of the primary cotton industry's competitive position, considering the extremely competitive marketing environment in which cotton competes with other crops, the export market, and the steady decline in cotton fiber production over the past few years. Research is also important for access to alternative cultivars and technology, for both commercial and small-scale farmers. Studies done by seed companies in relation to cultivar development, such as yield tendencies, adaptability and yield stability, make it possible for the cotton producer to make meaningful cultivar choices for specific conditions.

A portion of the funds collected by means of this levy will be focused on providing seed and technology for small-scale farmers and the developing cotton industry.

The newly established statutory measure will not only assist in enhancing market access for all market participants but will also enhance the viability of the cotton industry. The establishment of this measure will in fact further all the objectives of the Act as stipulated in Section 2 thereof.

3. Cotton SA requests that, since more than 20% of the funds collected by means of the general statutory levy on cotton already focuses on small-scale farmers and transformation of the cotton industry, the proposed breeding and technology levy on cotton lint be excluded from the 20% allocation for transformation.
4. The administrator will take responsibility for the collection of the levy and for the administrative functions associated with the proposed levy. The proposed cotton statutory levy collected shall be administered in a separate account by an independent authority. This administrator shall be audited in accordance with generally accepted accounting practices.
5. Annual audits will be available to the Auditor-General.

BUSINESS PLAN:

The income by means of the proposed statutory levy is based on a success rate of 100% in the collection of levies. The proposed levy amount is approximately 1.7% of the average cotton lint price from 2022 to 2024. The following income is budgeted for the next three years:

Estimated budget: Cotton breeding/technology levy

Financial year	Estimated crop size	Levy amount	Budgeted income	Amount before deduction of Administration costs	2,5% Commission (Ginneries)	0.5% Administration cost	Possible proportional distribution (Seed Co. and technology holder)
	(200kg lint bales)	(c/kg)	R	R	R	R	R
2026/27	65 198	54	R7 041 346	R6 865 313	R176 034	R343 266	R6 522 047
2027/28	68 458	54	R7 393 414	R7 208 578	R184 835	R360 429	R6 848 149
2028/29	71 880	54	R7 763 084	R7 569 007	R194 077	R378 450	R7 190 557

These statutory funds will be used to support breeding and research functions, based on the following:

- ☐ The levy funds are earmarked for commercial breeding activities by seed companies based on their performance and adoption in the seed market.
- ☐ These funds will be distributed according to the calculated market share of each seed company.
- ☐ The budget for administration costs represents approximately 3% of the expected income by means of statutory levy on cotton during the next two years; and
- ☐ The levy is applicable on local lint production only.

REQUEST FOR COMMENTS OR SUPPORT:

As the proposed introduction of the breeding and technology levy on cotton lint is consistent with the objectives of the MAP Act, the NAMC is investigating the possible introduction of this new statutory levy, in order to facilitate an endpoint royalty system for cotton.

Directly affected groups in the cotton industry are kindly requested to submit comments or objections regarding the proposed breeding and technology levy on cotton to the NAMC in writing (e-mail lizettem@namc.co.za) on or before 24 October 2025, to enable the Council to formulate its recommendation to the Minister in this regard.