

Agbiz Grain media statement

13 December 2021

For immediate release

Introduction of inspection services on grains and oilseeds halted

The Appeal Board that was appointed by the Director-General of the Department of Land Reform and Rural Development (DALRRD) to rule on the implementation of the inspection services on grain and oilseeds, found that it was unlawful and not procedurally fair. The Board ruled that the fees cannot be rationally linked to the capabilities that need to be exercised or to the duties that need to be performed. The Board received five applications against Notice 382.

This follows the appointment of Leaf Services in 2016, as an assignee of the DALRRD to render inspection services on behalf of the department. It was announced in the *Government Gazette* of 25 June 2021 that inspection fees on grains and oilseeds would be applicable from 12 July 2021. The inspection fees would have been R1,80 /ton on raw grains and oilseeds and 2c per bread.

Agbiz Grain general manager Wessel Lemmer said Agbiz Grain opposed the introduction of inspection services and argued that the sectors in the grain value chain are sufficiently self-regulated. “None of the sectors required the introduction of inspection services by DALRRD and there is no evidence of complaints or transgressions submitted that justifies the inspection of stakeholders. The introduction of inspection services will lead to 13 000 inspections.”

“Although it can be legally justified it is not justifiable to add a layer of cost of about R74 million on the food value chain.” Agbiz Grain did declare that the association proposed to Leaf Services to consider a volume-based approach to collect the fees at the first point of sale. It will be the most efficient way to collect the money in line with how statutory levies are collected according to the Marketing of Agricultural Products Act. It should be noted that different statutory levies are collected for different products while Leaf Services proposed a single levy of R1,80 per ton across different commodities.

He said imposing a single levy across commodities would impair certain product types while it would benefit others. “This will lead to cross-subsidization that will not result in a fair outcome. In addition, care must be exercised not to subsidize the tariffs on processed products from the tariffs raised on raw commodities.” Agbiz Grain has also raised the concern that Leaf Services may accumulate and control potential reserves and made proposals on how this can be addressed. Finally, Agbiz Grain

objected against a couple of procedural issues, how the R1,80 per ton was determined and emphasized the fact that Leaf Services failed to reach an agreement on the frequency of inspections needed before they decided to announce in the *Government Gazette*.

The Board further recommended that the Director-General should consider additional regulations to facilitate appeals of this nature as the current arrangements are insufficient.

Agbiz CEO Dr John Purchase welcomed the final decision by the Appeal Board. “It ensures the protection of stakeholders in favour of lawful and fair procedural processes,” he said.

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