

Contact Details:

Tel office +264 61 379 500
Fax office: +264 61 22 5371
E-mail: nabdesk@nab.com.na
Website: www.nab.com.na

Physical address:

Agricultural Boards' Building
30 David Hosea Meroro Road
Windhoek
Namibia

Postal address:

PO Box 5096
Ausspannplatz
Windhoek
Namibia



WM Marketing Agreement: 2022

AS DECIDED BY THE BOARD AT ITS MEETING HELD ON 29 NOVEMBER 2011:

IT IS THE RESPONSIBILITY OF THE NAB TO ENSURE THAT THE MARKETING OF CONTROLLED CROPS TAKES PLACE WITHIN ORDERLY ARRANGEMENTS, BASED ON CONSENSUS PRINCIPLES. PRODUCERS AND PROCESSORS MUST AGREE ON SUCH PRINCIPLES PRIOR TO THE COMMENCEMENT OF THE NEXT MARKETING PERIOD, IF NOT, THE CURRENT MECHANISM WOULD STAY EFFECTIVE UNTIL A CONSENSUS AGREEMENT COULD BE REACHED, UNLESS 4 MONTH NOTICE IS GIVEN BY EITHER PARTY AS OUTLINED IN THIS AGREEMENT.

Resolution NAB Board: 2009/86/48:

AGREEMENT

Regarding the white maize marketing mechanism and reference price formula for the 2022-marketing season

"A world class regulator of a vibrant, diversified & sustainable crop industry."

Mr. Michael Iyambo (Chairperson)
Dr. Marina Muller (Vice-Chairperson)
Mr. Jason Emvula (Member)
Mrs. Josephine Fugre (Member)
Mr. Tarcisius Shingundu (Member)

Mr. Hubertus Hamm (Member)
Mrs. Wilhelmina Handunge (Member)
Mrs. Ferdina Inkono (Member)
Mrs. Elina Kalundu (Member)

Mrs. Joycelyn Kangotue (Member)
Mr. Ludie Kolver (Member)
Mr. Lukas Mbangu (Member)
Mr. Leon Nel (Member)

Mr. Hubertus Hamm (Member)
Mrs. Wilhelmina Handunge (Member)
Mrs. Ferdina Inkono (Member)
Mrs. Elina Kalundu (Member)

FW *WAA*

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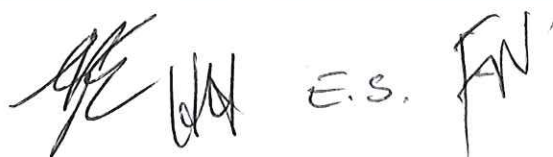
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Resolution NAB Board: 2009/86/48:

Following the consensus reached between the leaders in the processing and the production sectors regarding the delivery and intake of white maize during the closed-border period from 1 May each year and until the commencement of the open-border period, the following principles shall apply:

1. OVERALL PRINCIPLES

- 1.1. The rules and formulas set out in this document are based on principles and not situations.
- 1.2. White maize will further hereto, be referred to as the grain or maize/ white maize. A producer shall refer to a person involved in the cultivation of white maize, while a miller shall refer to a person involved in manufacturing white maize grain products.
- 1.3. Wherever WM1 is mentioned throughout this document it shall equally apply to good quality cleaned white maize (as graded in accordance with grading regulations as stipulated in government notice 71 of 18.05.1994).
- 1.4. Closed-border period: - For white maize refers to the period from 1 May each year, until all available grain harvested from 1 April, is sold and partially milled.
- 1.5. Restricted import period: - If the bulk of the domestic harvest is not available on 1 May, restricted imports will be allowed and carefully monitored per miller until such time when sufficient maize is available and no imports will be allowed. Within this period, millers may not refuse to purchase any domestically produced maize due to sufficient imported stock.
- 1.6. The grain crop harvested after the opening of the borders and before 31 March the following year shall be sold within the open-border period and sold, subject to 5.3.
- 1.7. Only white maize harvested from 1 April may be offered to be purchased under this arrangement in terms of section 2 of this agreement and only offered from the 1st of May.
- 1.8. Prices for grain (reference price or, fortnightly average SAFEX spot price) refer to the minimum (mill-door) prices that millers may offer to producers. The transportation of maize from farm-gate to mill door will be at the cost of the producer.
- 1.9. In addition to mill-door prices, millers and producers may mutually agree on a farm-gate price. The farm-gate price will reflect a realistic and mutually agreed transport price from the specific farm-gate to the buying mill-door to be subtracted from the floor/reference price.
- 1.10. Only producers and millers registered with the NAB may participate in terms of the price formula and protection mechanism of this agreement.
- 1.11. This agreement ensures that the producer price must not be less than the full import parity price, as per the price formula in this agreement.
- 1.12. The marketing of the grain crop must be executed or implemented within the parameters of this signed agreement in terms of principles and formulas.



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Resolution NAB Board: 2009/86/48:

2. PRICE PRINCIPLES AND FORMULAS

- 2.1 All mill-door prices are the same (irrespective of location). **The Reference/ Floor price** is a mill-door price or a farm-gate price if the transport from the specific farm-gate to the buying mill-door is subtracted. This floor price is applicable during the closed-border period and is calculated as follows:
- 2.1.1 The WM1 price formula is based on a five-year average of the actual SAFEX Spot Price over the whole five years with a full official inflation +
- 2.1.2 A fixed GMO-free premium, equal to 8% on the SAFEX component of the reference price, is applicable for both the open and the closed-border periods +
- 2.1.3 The transport differential of the formula is based on official road transport cost **ex-Sannieshof** (outward differential) landed Otavi (minus inward differential) **ex-Sannieshof** to the JSE in Randfontein. Three (3) quotations will be obtained to determine the official transport cost, based on road transport rate.
- 2.1.4 The transport differential component of the price formula must from time to time be changed in terms of the NAB resolution (*Board meeting of 17 July 2008: NAB Board: 2008/61/45*), that delegated authority to the CEO, in a transparent manner, amend the official transport based on the three (3) quotations principles for the road transport, if and when needed.
- 2.1.5 A 12 months Weighted Average Silo Premium based on Sannieshof premiums rates is applicable and shall be added to the final reference price and subject to yearly changes. The market-related SAFEX Weighted Average Silo Premium shall be determined at the beginning of April each year, for the marketing period commencing on 01 May of each year.
- 2.1.6 Furthermore, a 3.6% WM **levy** differential shall be added to the Reference Price and shall be calculated based on the reference price after adding SAFEX Weighted Average Silo Premium. The WM levy differential will remain at 3.6% until such time when the current NAB statutory levies changes.
- 2.1.7 During this period a **staggering reference** price will be applicable reflecting:
- Carrying/storage cost every fortnight as per SAFEX+
 - Finance costs on SAFEX component
 - The exact **reference price** will only be valid for the fortnight towards the end of June until early July. For the rest of the period, the price will stagger.
- 2.2 Should the calculated **SAFEX Spot Price- Weighted Average** for the previous **fortnight** period be higher than the Staggered Reference Price, then the price formula shall be as follows:



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- 2.2.1 The white maize price shall be calculated on the weighted average of the SAFEX Spot Price of the previous two weeks +
- 2.2.2 The GMO-free premium of 8 % calculated based on the SAFEX Spot Price- Fortnight Weighted Average +
- 2.2.3 The transport differential will be calculated on the official transport cost **ex-Sannieshof** (outward differential) landed in Otavi (minus inward differential) **ex-Sannieshof** to the JSE (SAFEX) in Randfontein, as per the 5-year average reference price calculation or as per clause 2.1.4 +
- 2.2.4 SAFEX Average Silo Premium calculated under 2.1.5, as per the 5-year average reference price calculation +
- 2.2.5 The average import levy (2.1.6) differential calculated based on the subtotal SAFEX – Fortnight Weighted Average, calculated in terms of 2.2.1 to 2.2.4.
- 2.2.6 The calculated Final SAFEX- Fortnight Weighted Average Price for the previous two weeks which is higher than the Staggered Reference Price shall be the applicable Price for WM1 for the next fortnight period.
- 2.3 A farm-gate price: farmer and miller may mutually agree on a transport price from the specific farm-gate to the mill door to be deducted from the reference price.
- 2.4 In cases where the white maize expected to be harvested and marketed by farmers in the Zambezi region is more than the tonnage allocated to the millers in the region, a pool floor pricing mechanism will be implemented by the NAB, and the following shall apply:
 - a. All the maize marketed by farmers from the Zambezi region will be bought by all millers at the same minimum price, irrespective of whether it is sold to millers in the Zambezi region or outside the region, to ensure that farmers still get a fair price.
 - b. This means the official transport cost from Katima Mulilo to Windhoek and handling cost at the collection center are shared amongst all the farmers based on the value of the total tonnage projected to be marketed from the Zambezi region, and deducted from the staggered floor price to determine the applicable pool floor price.
 - c. The NAB will compile and communicate a fortnight staggered pool floor price for white maize marketed from the Zambezi region during the marketing period.
 - d. The NAB will manage the pool funds and pay out the participating millers every month or at the end of the marketing season.

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Resolution NAB Board: 2009/86/48:

2.5 Producer and processor levies are calculated and administered as follows:

2.5.1 The WM **producer levy** of 1,4% is calculated on the fortnight SAFEX staggered floor price or the fortnight SAFEX- Fortnight Weighted Average Price (excluding import levy portion in the formula), irrespective of whether the white maize has been delivered at the mill door or, has been collected at farm-gate.

2.5.2 The WM **processors' levy** of 1.4 %:



- On domestic purchases, calculated on the reference price as outlined above (2.5.1);
- On imported grain (in open border period), the calculation is based on the actual SAFEX spot price plus official road transport to the respective mill, (unless otherwise proven by the processor).

2.6 A deduction of 6% is made from the applicable WM1 staggered Floor Price for white maize graded as WM2 in terms of the SAFEX grading specifications or regulations relating to the grading of maize.

3. STORAGE PRINCIPLES

3.1 As a last resort, white maize grain (WM1 or WM2) may be stored:

- a. On-farm until such time when the market becomes available. On-farm stored maize grain should be sold within the same marketing period. Storage should not jeopardize the quality of the grain, as it may result in losses (producer risk). The producer is responsible for any cost that may arise from storing his/her grain on the farm.
- b. Millers or silo operators must register the storage facility with the NAB and the NAB must approve the facility.
- c. At the Miller facility (storage or silo operator), the grain must be stored on behalf of the producer at such facility.
- d. Millers must notify the producer and the NAB if maize is transferred from the silo/storage facility to the milling facility
- e. At the miller's facility in a pool storage facility (silo or silo bags), All the arrangements/ modalities relating to the marketing of such grains must be communicated to the NAB by the millers or silo owners before 1 May.
- f. At the millers or silo owner storage facility: Quality and quantity must be maintained by the owner (risk for the miller or silo owner). Any white maize grain delivered at the miller's facility or silo facility by the producer for storage shall be graded to ensure adherence to the minimum standard.

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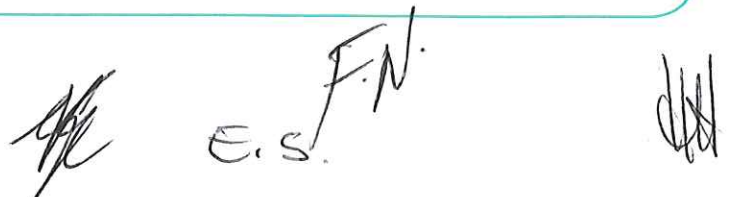
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- 3.2. Maize grain will be stored by a miller on a cost-recovery basis and will be sold by the owner of the grain at the applicable staggered floor price on the date of sale.
- 3.3. The stored grain shall be subjected to market-related handling (handling in or out) + fumigation and storage fees charged to the producer + cost of bags where applicable, and these charges will also depend on the method of handling or storage, and such charges must be calculated and communicated to the NAB by the miller or silo owner before 1 May.
- 3.4. A maximum of 1% will be deducted from the producer price for screenings for the maize that is loaded out to other millers to compensate for losses in the handling thereof (broken kernels with handling/screenings collected before storage) and shall be calculated on the volume stored.
- 3.5. Producers will only pay a handling fee for bulk loose/ bagged maize that is loaded out to other millers, and no handling fee will be charged to the producer for maize that is bought by the storing miller or silo owner.
- 3.6. Loading out of maize for sale to other millers will only take place upon receipt of a prior written instruction/ notice (at least 2 days' notice) from the producer or any person with a title deed to the grain.
- 3.7. Delivery slots of maize meant for storage should be arranged by the producer at least 48 hours in advance, before delivery.
- 3.8. The maize stored on-farm or miller facility for commercial purposes shall form part of the national harvest to be marketed during the specific period, and the border will not open for importation until such time when the stored grain has been bought by millers.
- 3.9. Maize stored on behalf of the producer will be paid by the miller within 14 days after it has been sold, based on the applicable Staggered Floor Price on the date of sale. The payment will be distributed proportionately to the producers concerned, based on the quantity sold from the stored grain and the share of each producer from the total stored grain.
- 3.10. Millers reserve the right to conduct GMO testing on any maize that is delivered at their facilities, and may refuse to buy/ store GMO positive maize, or such maize may be bought at a price less the GMO-Free Premium that forms part of the floor price.

4. PRODUCER PRINCIPLES

- 4.1 Producers agree to sell the grain:
 - a. Within the closed-border period: At least against the reference price as per sections 2.1 and 2.2 above;
 - b. Within the open-border period: At least against a price not less than the actual import parity for GMO-free grains (landed mill-door).

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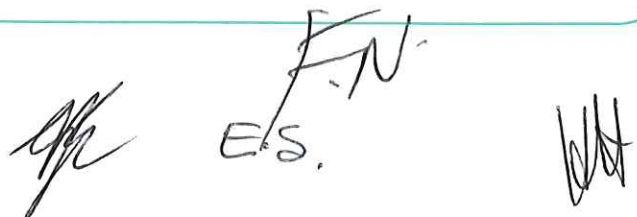
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Resolution NAB Board: 2009/86/48:

- 4.2 Producers have to inform the Board no later than the end of February of hectares planted and estimated grains harvested in April. These grains may be kept to be marketed from 1 May under the floor price mechanism.
- 4.3 Producers agree to fully disclose to the NAB, before the commencement of the marketing period (on 1 May), all grains (harvested in Namibia) before 1 April. Producers are not allowed to stockpile grain harvested before 1 April to be marketed from 1 May under the floor price formula.
- 4.4 The producer must:
 - a. Deliver with minimum impurities (as referred to in section 1.3).
 - b. Deliver the current year's yield harvested after 1 April.
 - c. Not expect millers to accept feed grade grains.
 - d. Register with the NAB and indicate the tonnage of white maize grain expected to be harvested and marketed to registered millers/ silos from 01 May.
- 4.5 Grains contemplated for harvesting and marketing outside the closed-border period should first be contracted to millers against a price not less than the actual road import parity (mill-door) price (as referred to in section 5.3.2).

5. PROCESSOR PRINCIPLES

- 5.1 Millers agree to fully disclose to the NAB, before the closed-border period, all volumes of domestically harvested grains in their possession.
- 5.2 Millers are entitled to have 3 weeks' grain supply (calculated on the previous closed-border period's milling rate) when the borders close on 1 May and declare it as "frozen" to be used only after the borders have opened.
- 5.3 Millers agree to purchase the total domestic grain:
 - 5.3.1 Within the closed-border period: At least against the applicable price formula as set out in sections 2.1 and 2.2 above);
 - 5.3.2 Within the open-border period: At least against a price not less than the actual road import parity for GMO-free grain.
- 5.4 The grain purchased shall be paid within 14 days of delivery. Failure to adhere to the 14-day payment principle will result in an annual nominal interest rate penalty of prime + 5 % charge based on the unpaid invoice amount, compounded monthly. In the case of non-payment of producers, the NAB, will not issue any import permits until the full producer debt (interest included) is settled in full, and if the producer remains unpaid for more than three (3) months, the NAB shall consider cancelling/ withdrawing the milling license for such a miller until such time the outstanding amount has been paid to the producer in full.

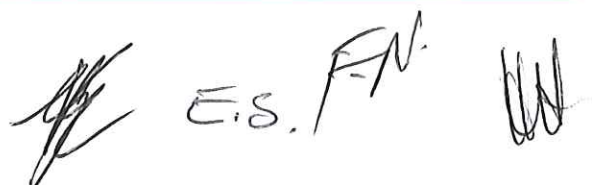
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Resolution NAB Board: 2009/86/48:

- 5.5 No price rebates or price reductions may be negotiated with producers. The only negotiation may be with regard to a farm-gate price.
- 5.6 Millers or Silos should only buy grains from farmers whose grain is registered with the NAB as proof that the grain is part of the domestic harvest, and before 01 May, the NAB will communicate to millers/silos the full list of farmers who have registered to sell white maize during the specific marketing season.
- 5.7 White maize grain that cannot all be purchased by millers or NSFR in the Zambezi region during the close border period shall be allocated to millers who are outside the region to take up before the commencement of the open border period or as prescribed by the NAB. In this case, the maize must be purchased at a price not less than the applicable pool floor price.
- 5.8 The following will apply for the millers to millers sales:**
- 5.8.1 The NAB will in April of each year, and in consultation with both producers and millers, (calculated on the expected white maize harvest), estimate each miller's grain requirement (allocation) during the closed-border period plus the maximum allowable 10 % that the miller is entitled to sell on to other millers in terms of this agreement.
- 5.8.2 In the case of miller to miller sales, then the minimum price is calculated as follows:
- 5.8.2.1 The buying millers will buy against **the ruling price of the day as bought from producers** of selling miller's mill-door purchase price (as set out in section 5.3.1) +
- 5.8.2.2 Storage cost+
- 5.8.2.3 Handling charges in and out + fumigation: Adjusted with full official annual inflation for the previous 12 months+
- 5.8.2.4 Additional charges for bag handling (unless it's more convenient for both the selling and buying miller to sell/receive bagged maize) +
- 5.8.2.5 Costs of bags (where appropriate).
- 5.9 Notwithstanding point 6.4, millers cannot refuse the borders to be opened while having 3 weeks' supply or less.
- 5.10 In instances where millers request producers to deliver in bags the provisions of 5.8.2.4 and 5.8.2.5, shall apply.
- 5.11 In instances where small-scale producers deliver in bags:
- 5.11.1 Producers may deliver in bags other than standard bags filled with 50 kg if so agreed with the buying miller. Bags must be of good condition and free from holes (as stipulated in the regulations relating to Grading & Classification of Maize No 71 of 1994).

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Resolution NAB Board: 2009/86/48:

- 5.11.2 Millers must pay producers for the bags as specified above (5.10) if the millers wish to keep (or give other bags instead).
- 5.11.3 Used bags will be valued at 40% of new bag prices.
- 5.12 Producer levies shall be deducted by the miller or NSFR from the producer price and paid over to the NAB.
- 5.13 It is illegal for a miller to purchase illegally imported (smuggled) grain and such cases shall be handled in line with the offenses and penalties as stipulated in the NAB Import, Export, and Transit rules and procedures for controlled agronomy products.

6. NAB RESPONSIBILITIES

- 6.1 Register all producers who are expected to market their white maize grain to registered millers/silos during the marketing season, and such registration will include the tonnage expected to be marketed during the specific month/s.
- 6.2 No imports/exports may take place without the applicable NAB permit.
- 6.2. The NAB will only issue import permits to millers registered with the NAB.
- 6.3. The official road transport differential will be finalised in April each year and may from time to time be changed transparently during the closed-border period as set out in section 2.1.4 of this document.
- 6.4. From 1 April each year, the NAB will independently verify stock levels in silos and other storage and before the closed-border period, inform the industry of those volumes not subject to this agreement. These volumes will not be considered for purposes of keeping the borders closed. Silo inspections will be concluded by the end of April each year.
- 6.5. The NAB will ensure that the borders officially close on 1 May each year.
 - 6.5.1 Should the bulk of the harvest not be ready for the market, restricted permits, for small quantities may be issued to ensure that millers maintain a 3-week stock level as calculated on the previous year's closed-border milling rate tonnage.
 - 6.5.2 The issuance of the restricted import permits referred under 6.5.1 will be carefully monitored by the NAB.
- 6.6 The NAB will allocate the marketable national harvest tonnage to millers/silos based on their historical average grain demand for the close border season of the previous year, less the grain tonnage sold to other millers. New millers or millers with no historical grain demand tonnage will be required to notify the NAB before 01 May, of the tonnage of local harvest they intend to purchase during the close border period.

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Resolution NAB Board: 2009/86/48:

- 6.7 The NAB will predict the expected date of the opening of the borders. This prediction will be based on accurate miller and producer information to determine the end of the intake of the maize harvest and the milling thereof. The milling industry should be timely informed of the date of opening of borders to allow proper logistic planning before the borders open.
- 6.8 In the case of grading disputes, both parties must be present and agree on the method of the sample taking. The NAB will forward the sample to the South African (SA) Grain Laboratory (an independent 3rd party) for analysis. The party in the wrong will be responsible for the said expenses.
- 6.9 The content of this agreement will apply on the condition that the NAB endorses and manages this agreed floor price by way of:
- 6.9.1 Its regulatory powers (i.e. by not issuing import permits for white maize until the said grain has been marketed).
 - 6.9.2 Honouring and upholding all-white maize raw material and finished product control measures without any relaxation.
 - 6.9.3 Instituting and maintaining effective border control measures;
 - 6.9.4 Considering adherence to the content of this Agreement as part of the milling license conditions. Effectively ensuring full compliance of all registered milling facilities and exercising its powers in terms of breach of these conditions.
- 6.10 After endorsement by the NAB Board, this document will be regarded as an agreement between the millers and producers implemented by the NAB in line with the Agronomic Industry Act, Act 20 of 1992.

7. COMPLIANCE WITH MARKET SHARE PROMOTION (MSP)

- 7.1 No miller should buy more than 10% of what s/he estimates to be his/her grain requirements (allocation) during the closed border period, based on crop estimates and no miller must exceed his grain buying quota by more than 10%. A miller only qualifies to resell the 10%, subject to written authorization from the NAB, before taking up such tonnage. A miller is therefore not entitled to insist on on-selling (to other millers) more than the 10 % of his/her closed-border requirement (allocation) before the borders can open.
- 7.2 To avoid unfair competition when the borders open for imports, millers who did not buy any of the local harvests, may only start to import 3 weeks after the opening of the borders to avoid importing (cheaper grain) while the other millers still have 3 weeks of local maize in stock.
- 7.3 Millers who do not intend to buy any of the domestic harvests, must inform the NAB before the end of April each year to avoid any allocation.



ES.



AS DECIDED BY THE BOARD AT ITS MEETING HELD ON 29 NOVEMBER 2011:

IT IS THE RESPONSIBILITY OF THE NAB TO ENSURE THAT THE MARKETING OF CONTROLLED CROPS TAKES PLACE WITHIN ORDERLY ARRANGEMENTS, BASED ON CONSENSUS PRINCIPLES. PRODUCERS AND PROCESSORS MUST AGREE ON SUCH PRINCIPLES PRIOR TO THE COMMENCEMENT OF THE NEXT MARKETING PERIOD, IF NOT, THE CURRENT MECHANISM WOULD STAY EFFECTIVE UNTIL A CONSENSUS AGREEMENT COULD BE REACHED, UNLESS 4 MONTH NOTICE IS GIVEN BY EITHER PARTY AS OUTLINED IN THIS AGREEMENT.

Resolution NAB Board: 2009/86/48:

8. AMENDMENTS TO THIS AGREEMENT

- 8.1 If in a specific region, organised agriculture and the millers jointly propose to make specific changes to this Agreement for a win-win situation in that region, without harming other regions, this shall be possible, subject to the concurrence of the four signatories to this Agreement.
- 8.2 This agreement (in terms of principles and formulas – not in terms of the absolute value of N\$) will continue indefinitely until either party gives the notice to renegotiate this agreement, but this has to be at least by 1 August before the dry-land planting season. The final agreement approved by the NAB Board must be in place at least two months before the commencement of the marketing season.

Thus, agreed and signed on 10 May _____ 2022

Chairman: NGPA: [Signature] Chairman: APA: [Signature]

Chairman: LRFU: [Signature] Green Scheme Representative: [Signature]

[Signature]
NAB Representative (As witness)