



# APAC CREDIT SALES POLICY

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## **1. The purpose of this Policy is as follows:**

- ✚ To enforce compliance to the Agricultural Produce Agents Act (Act 12 of 1992), and the Rules;
- ✚ To assure that full transparency is retained throughout the transaction;
- ✚ To provide a governance structure that serves as a good practise guideline for all relevant parties;
- ✚ The uniqueness of the different fresh produce markets and their trading environments are recognised and respected.

## **2. Definitions:**

- a. Credit Committee: A committee consisting of representatives from each agency and the market authority at the fresh produce market.
- b. Producer Credit Sales: Transactions that takes place on credit, where the producer provides the credit in terms of Rule 32.4.
- c. Agent Credit Sales: Transactions that takes place on credit, where the agent provides the credit.
- d. Agreement: Agreements between the relevant parties containing the details in terms of approval, defines the roles and conditions linked to the specific transactions.
- e. Working days: This entails counting the date of sale as the first working day.

## **3. General**

- a. Agents will ensure that they familiarise themselves and comply with the National Credit Act (Act 34 of 2005), the Agricultural Produce Agents Act (Act 12 of 1992) and the relevant market bylaws where applicable at all times.
- b. The credit committees of fresh produce markets should establish effective communication channels in order to be timely aware of buyers that defaulted and poses a possible credit risk for more than one fresh produce market or agent.

- c. Fresh Produce Markets should validate the identity of buyers, in order to ensure the credibility/validity of buyer cards.

#### **4. Producer Credit Sale – Rule 32.4:**

*Producer credit sale transactions are defined as transactions whereby the fresh produce agent may only sell the producer's fresh produce on credit if written consent was obtained from the producer and with reference to specific buyers. The payment of such transactions will still be effected within five working days.*

#### **4.1 Agreements: Minimum Requirements**

##### **4.1.1 Producer/Agent Agreement**

- i. The fresh produce agent must obtain the producer's written consent to sell the fresh produce on credit.
- ii. The agreement must contain the details of the buyers to whom the fresh produce will be sold to on credit.
- iii. The producer can specify the credit limits, such as the amount per agency, sales person and/or per market.
- iv. The producer must specify the period of the consent.

##### **4.1.2 Agent/Buyer Agreement**

- i. A written agreement must also exist between the fresh produce agent and the buyer.
- ii. The agent must obtain from the buyer a copy of their VAT certificate, business registration and/or Identity Document.
- iii. The agreement will stipulate the buyer's credit limit.
- iv. The terms of repayment must be contained
- v. Buyers must have a valid registered buyers' card.
- vi. The signed agreements must be submitted to the fresh produce market, who will capture the information on the system and confirm the details of the buyer.
- vii. Fresh Produce Agents must retain the original agreements for a period of three years after the agreement expired.

- viii. Only the buyer/s specified in the producer's consent letter will be linked onto the system, to the specific producer.
- ix. Only accredited buyers approved by the credit committee will be allowed to buy on credit.

## **4.2 Sales**

- i. Credit sales transactions must be captured on the producer credit sales screen (with the reference number of the producer/agent agreement).
- ii. The account sales report will indicate either:
  - Unpaid producer credit sales
  - Or paid producer credit sales

These reports must be faxed, emailed or posted weekly to the producers.

- iii. Daily reports will be available on the system to indicate which buyers are due to settle their account.
- iv. Agents will initiate the necessary control measures to monitor and manage payment of unpaid producer credit sales.

## **4.3 Terms**

- i. The buyer will be allowed 4 working days (or less, depending on the market decision) to pay for producers' credit sales. The amount will be deducted within the prescribed period determined by the market from the buyer's account
- ii. Failure by the buyer to pay within the prescribed period will result in the buyer's credit facility being blocked, and the amount will be deducted from the agencies nominated account. If the agency does not have money available, the agency will be blocked for any further overdraft sales until the account is settled.
- iii. When a buyer is blocked for credit sales, the market authority/other agencies on the market will receive a warning notification.
- iv. The buyer's account will only be unlocked if
  - the outstanding overdraft sales amount is paid
  - payment will automatically be applied first to the debtor's oldest debt
  - the credit committee had re-evaluated the buyer's credit worthiness.
- v. The aforementioned terms will be specified in the agent/buyer agreement that needs to be signed by both parties.

## **5 Agent Credit Sales**

*Agent credit sales transactions are defined as cash transactions whereby the agent provide credit to the buyer to procure fresh produce.*

### **5.1 Agreements: Minimum Requirements**

- i. An agent/buyer agreement must be entered into, stipulating the terms and conditions of the agreement.
  - The agreement will stipulate the buyer's credit limit.
  - The terms of repayment must be contained
  - Buyer must provide consent that if he/she defaults to pay, that a warning notification may be sent to other agents.
  - Fresh Produce Agents must retain the original agreements for a period of three years after the agreement expired.
- ii. The agreement must be captured by the market on the system and a specific agreement number will be allocated which must be used by the agent to transact agent credit sale transactions.
- iii. Buyers must have a valid registered buyers `card.
- iv. Agents will have a separate account with funds available for agent credit sales transactions.
- v. Only accredited buyers approved by the credit committee will be allowed to procure on credit.

### **5.2 Sales**

- i. Sales transactions must be captured on the agent credit sales screen (with the reference number of the buyer).
- ii. The system will validate that funds are available on the agent's card where after the buyer's card must be swiped in order to transact the sale.
- iii. If the buyer's card is not present, the buyer card number together with the Inspector card must be used.
- iv. The system will print the invoice to the buyer.
- v. The account sales report will indicate agent credit sale transaction .
- vi. Daily reports will be available on the system to indicate which buyers are due to settle their account.

- vii. When a buyer defaults to pay, a warning notification may be issued to market management/other agents.
- viii. A system generated exception report will indicate names of buyers who have defaulted on payment. The credit committee should obtain the exception report daily as well as ensure it is tabled at each credit committee meeting.

#### 5.2.1 Sales Returned

- i. Produce sold on credit that is returned must be captured on the agent credit sales return screen (with the reference number of the buyer and the original sales docket reference number).
- ii. Credit sales returns must be offset against the outstanding credit sales.
- iii. Credit sales returns must be reflected on the account sales report.

### **5.3 Management of debtors**

- i. Agents must indicate on the monthly trust reconciliation the outstanding debtors in terms of producers credit sales and agency credit sales.

## **6 Booking up of shortages (shortage sales)**

- i. Agents must book stock shortages on the shortage sale screen.
- ii. Shortage sales must be approved by a Market Authority Inspector.
- iii. The system must prevent agents from booking shortages at an amount below the consignment average.
- iv. The account sales report will indicate shortage sales.