



2014 | 2015

# BUSINESS PLAN

AGRICULTURAL PRODUCE AGENTS COUNCIL



# C O N T E N T S

EXECUTIVE SUMMARY **3**

OBJECTIVE, VISION, MISSION AND CORE  
VALUES OF THE AGRICULTURAL  
PRODUCE AGENTS COUNCIL **4**

OUR STRATEGIC OBJECTIVE FOR 2014/2015 **5**

APPENDICES **8**



# EXECUTIVE SUMMARY



The Agricultural Produce Agents Council (APAC) regulates the activities of fresh produce, export and livestock agents in terms of the Agricultural Produce Agents Act, 12 of 1992.

Our industry has been the subject of some discussion lately, especially with regard to the regulatory framework. What has emerged from those discussions is the need to preserve and protect the price discovery mechanism, at the same time we should sustain and grow fresh produce markets. To do this we require intervention and commitment from the various industry role players, as well as adjustments to the legislation.

Our three-year strategy, devised in February 2013, is providing us with a mechanism to contribute to and support the required changes. In the next financial year, 2014/2015, we will continue to effectively perform our regulatory functions as well as initiate additional activities that contribute to broader industry objectives.

## STRATEGIC OBJECTIVES FOR 2014/2015

The box below provides a summary of the strategic objectives of APAC for 2014/2015, the second year of our three-year strategy.

| STRATEGIC OBJECTIVE   | CORE ACTIVITIES  |
|---|--|
| 1. Zero claims against the fidelity fund.   | <ul style="list-style-type: none"> <li>• Continue with compliance monitoring, review procedures and initiate additional action to ensure our monitoring remains effective.</li> <li>• Take disciplinary action where severe non-compliance is detected.</li> <li>• Provide training to agents.</li> <li>• Develop and implement a marketing strategy that is informative and educational.</li> </ul> |
| 2. Maintain and enhance the agency model by: <ol style="list-style-type: none"> <li>a. increasing the number of regulated agencies and sales personnel</li> <li>b. achieving a target of 66% of fresh produce sold through agents</li> <li>c. doubling the capital of the fidelity fund.</li> </ol> | <ul style="list-style-type: none"> <li>• Register agencies and sales personnel.</li> <li>• Contribute to initiatives aimed at gaining farmers’ and stakeholders’ trust in fresh produce markets.</li> <li>• Develop marketing initiatives to promote the aggregated agency model.</li> <li>• Sound management and control of the fidelity fund.</li> </ul>   |
| 3. Drive systematic transformation initiatives.   | <ul style="list-style-type: none"> <li>• Establish and implement a transformation policy.</li> </ul>   |

# OBJECTIVE, VISION, MISSION AND CORE VALUES OF THE AGRICULTURAL PRODUCE AGENTS COUNCIL

## OUR OBJECTIVE

The objective of the Agricultural Produce Agents Council is to regulate the occupations of fresh produce, export and livestock agents and to maintain and enhance the status and dignity of those occupations and the integrity of those practicing those occupations, according to section 9 of the Agricultural Produce Agents Act, 12 of 1992.

## OUR VISION

To be an innovative, supportive, proactive and responsive regulatory body.

## OUR MISSION

To effectively and efficiently regulate the occupations of fresh produce, export and livestock agents to:

- fulfill our mandate under the Act
- protect against dishonest practices
- uphold our responsibility to maintain and enhance the occupations of fresh produce, export and livestock agents
- position the Council to effectively contribute in the development and transformation of the agency system of trading of agricultural products.

## OUR CORE VALUES

- **Fairness:** We will act with objectivity, empathy, integrity, prudence and transparency.
- **Attitude:** We will be an ambitious, professional, passionate, supportive, reliable and dedicated workforce.
- **Drive:** We will be driven to deliver our objectives defined by the Act.
- **Flexibility:** We will remain open to change and innovation.





# OUR STRATEGIC OBJECTIVES FOR 2014/2015

Below is a brief explanation of our strategic objectives for this year:

## 1. Strategic objective 1: Zero claims against the fidelity fund

### A. Continue with compliance monitoring, review procedures and initiate additional action to ensure our monitoring remains effective.

#### 1. Trust reconciliations

We will continue checking fresh produce agents' monthly trust reconciliations, as prescribed by the Act, and also broaden the verification of information by:

- Requesting detailed bank statements verifying deposits made in the following month; thus ensuring the balance of the trust reconciliation is a true reflection;
- maintaining and updating the online trust reconciliation submission;
- implementing a new reconciliation format for agencies that own private markets in order to separate agency and market expenses;
- monitoring bank statements for any irregularities;
- updating our website with information about submissions of reconciliations, in relation to late submission and naming agencies with trust shortages;
- continue to provide coaching to agencies' financial staff.

#### 2. Audit reports

- We are currently developing an auditor's checklist to be implemented in the 2014/2015 financial year. It will require agencies' auditors to conduct a more comprehensive audit of the trust accounts and report on a broader scope than what is currently required. A workshop will be held with the auditors to explain the new procedures.
- The checklist will increase auditors' expenses, but we will develop a mechanism to give rebates on fidelity fund contributions for those agencies that has no audit qualifications for two subsequent years.
- We have been engaging with the Independent Regulatory Body for Auditors (IRBA) to formally amend the format of the annual and interim audit reports as prescribed in the Rules, in order to align with their requirements. The new format will be implemented in this 2014/2015 financial year.
- An online submission procedure for auditors will be developed.
- The auditors employed by fresh produce agents will be checked on a continues basis in order to ensure accreditation to IRBA.

#### 3. Stock audits

- The focus will change from counting stock per market to counting certain cultivars per agency at periodical intervals. This will ensure more efficient and effective stock audits.
- We will review the SLA with sub-contractors in order to increase the number of stock audits conducted, without a significant financial impact.
- APAC staff will also conduct surprise stock audits during our visits to agencies.
- The outcome of stock audits will be used to establish additional requirements that need to be incorporated into the credit sales policy.

#### **4. Compliance audits**

- Compliance audits will be aligned with the auditor's checklist. This will assist us to identify areas of concern that requires further investigation and the implementation of corrective measures.
- The process and format in which compliance audits are conducted will be reviewed in order to have a less comprehensive, yet still effective process. Compliance audits as a mechanism to coach and mentor agents on best practice principles will be continued.
- Continue to use compliance audits as an opportunity to detect unregistered agents.

#### **B. Take disciplinary action where severe non-compliance is detected.**

- Continue with "self-regulating" initiatives such as listing agents' submissions on our website as well as "naming and shaming" agents found guilty at disciplinary hearings.
- Even though our three-year strategy is focused on assisting and supporting agencies, we will not hesitate to take stern action against agents with severe transgressions.

#### **C. Provide training to agents.**

- A survey will be done to evaluate whether the existing Comsell training is still an effective educational mechanism as well as to identify additional training requirements.
- We will continue translating training material into other languages in order to ensure agents are able to study the Comsell courses in other languages.

#### **D. Develop and implement a marketing strategy that is informative and educational.**

- We will continue with marketing strategies that educate and inform industry stakeholders about the function of APAC, the aggregated benefits of agents and other important aspects.
- A new marketing strategy will be developed with a marketing specialist to determine the most effective way to reaching our target audience. This will include research on how marketing funds can best be used to deliver the advertising message and which mechanisms are the most effective.

## **2. Strategic objective 2: Maintain and enhance the agency model by (a) increasing the number of regulated agencies and sales personnel and (b) achieving a target of 66% of fresh produce to be sold through agents doubling the capital of the fidelity fund.**

### **A. Registering agencies and sales personnel**

- Continue to make industry stakeholders aware of the legislative requirement that agents must register before they may act in that capacity, as this will ensure a self-regulating environment.
- Develop an online registration functionality to ensure a quicker turnaround time for new registrations.
- Engage with the Institute of Market Agents (IMASA) and the South African Union of Food Markets (SAUFM) to establish mentor programs for new agencies, as current statistics show that new agencies often close within a year of opening. This is often linked to poor financial management and a lack of marketing, sales knowledge and skills.
- In accordance with our aim to identify illegal traders, we will continue to provide reports on registered agents to producer organisations.

## **B. Contribute to initiatives aimed at gaining farmers' and stakeholders' trust in fresh produce markets.**

- Continue to attend, assist and support the National Steering Committee's aim to revitalize fresh produce markets.
- Complaints from farmers and producer organisations about disputes or illegal activities will be dealt with in a timely manner.

## **C. Develop marketing initiatives to promote the aggregated agency model of all three categories of agents.**

- Continue with marketing initiatives that will promote the key values of the aggregated agency model within fresh produce markets. The opportunity is to integrate the segments of the national fresh produce markets, regional markets and the retail sector, including hawker markets and export markets, regarding the key function of transparent market information.
- The marketing initiatives will also educate stakeholders about the need for sufficient market forces to have a cumulative or aggregated process of discovering the natural price of fruit and vegetables, thereby obtaining transparent and integrated information through the entire supply chain.

## **D. Management and control of the fidelity fund**

- To manage, control and safeguard the fidelity fund will remain a vital activity of APAC.
- Continue to initiate programmes aimed at reducing the risk of the fund as well as stimulating the growth of the fund.

### **3. Strategic Objective 3: Drive systematic transformation initiatives**

- During the current year our objective was to become members of the AgriBEE charter council as this will provide a platform for a collaborative approach with producers, agents, buyers and government and though the process has been extremely slow, we will continue to engage with the Department.
- Continue engagements with the University of Pretoria in order to promote the agent occupation and entrepreneurial opportunities that exist. Our aim is to incorporate this in their students' agri-marketing module 2014.
- We will also finalise the development of an intern programme at agencies, which will benefit the students, but also expose agents to new thinking and latest developments in the agriculture environment.





# APPENDICES

SWOT ANALYSIS      **APPENDIX 1**

CONSTITUTION OF THE  
COUNCIL      **APPENDIX 2**

BUDGET FOR FORTHCOMING  
FINANCIAL YEAR      **APPENDIX 3**





## APPENDIX 1

### SWOT ANALYSIS FOR 2014/2015

| STRENGTHS  | WEAKNESSES   |
|--|--|
| <ul style="list-style-type: none"> <li>• The Agricultural Produce Agents Act, 12 of 1992</li> <li>• Competent and dedicated staff and Council members</li> <li>• Training modules</li> <li>• Streamlined operational activities</li> <li>• Stock audits of all fresh produce markets</li> <li>• Active response to farmers' complaints by investigating each case</li> <li>• Receiving interim and annual audit reports for each agency</li> <li>• Receiving monthly trust reconciliations</li> <li>• Vetting of new applicants</li> <li>• Marketing strategy</li> <li>• Good track record</li> <li>• Good relationship with the Department</li> <li>• APAC brand known to more stakeholders</li> </ul>  | <ul style="list-style-type: none"> <li>• The limited scope to regulate export agents results in poor confidence in our ability to take action</li> <li>• Lack of control over co-operation by market management</li> <li>• Unwillingness of market managers to share Freshmark data with APAC results in an increased workload for APAC</li> <li>• Insufficient fidelity fund funding</li> <li>• Insufficient ability to manage all principals/agents relationships.</li> <li>• Lack of capacity to conduct sufficient stock audits</li> <li>• Only one supplier of IT systems to markets</li> </ul>   |
| OPPORTUNITIES  | THREATS  |
| <ul style="list-style-type: none"> <li>• Improve relationships with agents in order not to be seen as a "watchdog" only but also as a mentor</li> <li>• Implement more proactive measures to detect and correct non-compliance</li> <li>• Increase existing proactive measures</li> <li>• Implement service level agreements</li> <li>• Ensure existing agents attend training and workshops that will empower them and sustain their knowledge</li> <li>• Compile recommended legislative amendments in terms of fresh produce, export and livestock agents that will ensure a better regulated environment</li> <li>• Broad Based Economic Empowerment programmes</li> <li>• Increase the amount payable by agents to the fidelity fund to ensure it is sustained</li> <li>• Source additional funds</li> <li>• The draft Agriculture Produce Agencies Bill</li> </ul> | <ul style="list-style-type: none"> <li>• Credit sales conducted out of the framework of the Act</li> <li>• Fresh produce agents paying on behalf of the buyer (transparency and risk for the trust funds)</li> <li>• Off-market agents refusing to register is a threat to the agency system</li> <li>• Economic climate contributes to more fresh produce agents having trust account shortages and therefore a high level of claims, which could deplete the fidelity fund</li> <li>• Annual decrease of the fidelity fund due to not sustaining the fund</li> <li>• Language barriers</li> <li>• Lack of interest in attending training to broaden agents' skills and knowledge might result in not maintaining professional standards</li> <li>• The "regulated" agency system of trading replaced by the "unregulated" wholesale/retail system of trading, i.e. agents leaving markets and becoming wholesalers</li> <li>• Loss of trust in the agency system by producers</li> <li>• Lack of timely proclamation of the draft Agriculture Produce Agencies Bill</li> </ul> |



## APPENDIX 2

### CONSTITUTION OF THE COUNCIL

In terms of Section 3 of the Agricultural Produce Agents Act, 12 of 1992, the Minister appoints members of the Council for a maximum of three years.

Council Members are as follows:

|  | COUNCIL MEMBER  | DATE APPOINTED                                  | END OF TERM                                  |
|--|---|---|--|
| Chairperson and Fresh Produce Producer | Mr. TD van Zyl  | 16 March 2011                                   | 3 March 2014                                 |
| Registrar                              | Mrs. L Pretorius  | Ex Officio Member                               |  |
| Deputy Registrar                       | Mrs. S Nel  | Ex Officio Member                               |  |
| Department                             | Ms. M Mohapi  | 20 April 2012                                   | 4 March 2015                                 |
| Designated                             | Ms. S Malinga<br>Ms. GM Senyolo                         | 20 April 2012<br>20 April 2012                  | 4 March 2015<br>4 March 2015                 |
| Fresh Produce Agents                   | Mr. PM Botha<br>Mrs. TE Fredericks<br>Mr. MJ Oosthuizen | 20 April 2012<br>16 March 2011<br>20 April 2012 | 4 March 2015<br>3 March 2014<br>4 March 2015 |
| Export Agents                          | Mr. AG Petersen<br>Mr. S Symington<br>Ms. GA Backhouse  | 16 March 2011<br>20 April 2012<br>20 April 2012 | 3 March 2014<br>4 March 2015<br>4 March 2015 |
| Livestock Agents                       | Mr. C Troskie<br>Mr. WJ Meyer<br>Mr. CH Scheepers       | 3 March 2009<br>3 March 2009<br>20 April 2012   | 3 March 2014<br>3 March 2014<br>4 March 2015 |
| Livestock Producers                    | Mr. CJJ Pieterse<br>Mr. JN Swartz                       | 3 March 2009<br>3 March 2009                    | 3 March 2014<br>3 March 2014                 |
| Producers                              | Mr. JC Faure  | 20 April 2012                                   | 4 March 2015                                 |
| Consumers                              | Mrs. MD Snyman<br>Ms. CN Mhonto                         | 20 April 2012<br>20 April 2012                  | 3 March 2015<br>4 March 2015                 |



## APPENDIX 3

### BUDGET FOR FORTHCOMING FINANCIAL YEAR

#### AGRICULTURAL PRODUCE AGENT COUNCIL (APAC)

#### PROJECTED INCOME STATEMENT FOR PERIOD 1 APRIL 2014 TO 31 MARCH 2015

#### OPERATIONAL BUDGET

|  | BUDGET FOR THE YEAR<br>ENDING 31 MARCH 2014 | BUDGET FOR THE YEAR<br>ENDING 31 MARCH 2015 |   |
|--|---|---|---|
| <b>INCOME</b>  |   |   |   |
| Membership fees  | 2,797,859                                   | 2,973,439                                   |   |
| 102 - Fresh Produce Agencies (sliding scale fee)         | 1,378,160                                   | 1,469,400                                   |   |
| 750 - Fresh Produce Sales Personnel @ R890.00            | 634,296                                     | 667,500                                     |   |
| 141 - Export and Livestock Agents @ R5,932.90            | 785,403                                     | 836,539                                     |   |
| Commission - Unclaimed Monies                            | 32,000                                      | 35,000                                      |   |
| Interest received  | 240,000                                     | 250,000                                     |   |
| Administration Cost and Salaries Recouped                | -   | -   |   |
| <b>TOTAL INCOME</b>                                      | <b>3,069,859</b>                            | <b>3,258,439</b>                            |   |
| <b>LESS : EXPENSES</b>                                   | <b>2,884,026</b>                            | <b>3,117,541</b>                            |   |
| Administration costs                                     | 441,150                                     | 472,000                                     | 1 |
| Auditors fees  | 19,000                                      | 19,000                                      |   |
| Legal fees   | 10,000                                      | 10,000                                      | 2 |
| Bank charges   | 2,000                                       | 2,000                                       |   |
| Advertising/Marketing                                    | 134,500                                     | 168,000                                     | 3 |
| Depreciation   | 78,843                                      | 35,000                                      |   |
| Printing and stationery                                  | 80,000                                      | 80,000                                      |   |
| Post and fax costs                                       | 12,000                                      | 12,000                                      |   |
| Magazines subscription                                   | 1,000                                       | 1,000                                       |   |
| Salaries & Wages   | 1,509,353                                   | 1,691,541                                   |   |
| Travel & Subsistence                                     | 485,180                                     | 500,000                                     |   |
| Council Meetings   | 240,000                                     | 240,000                                     | 4 |
| APAC Staff   | 245,180                                     | 260,000                                     | 5 |
| Training of staff  | 25,000                                      | 25,000                                      |   |
| Catering - meetings                                      | 15,000                                      | 16,000                                      |   |
| Website updating   | 16,000                                      | 16,000                                      |   |
| PC Software, updates, virus protection, etc              | 20,000                                      | 20,000                                      |   |
| Maintenance and repairs (Office Furniture and Equipment) | -   | 6,000                                       | 6 |
| Office furniture/equipment                               | 35,000                                      | 50,000                                      | 7 |
| <b>Surplus for the year</b>                              | <b>185,833</b>                              | <b>140,898</b>                              |   |

Note: Depreciation is a non-cash item and therefore the surplus is actually more than reflected above.

**AGRICULTURAL PRODUCE AGENT COUNCIL (APAC)**

**PROJECTED INCOME STATEMENT FOR PERIOD 1 APRIL 2014 TO 31 MARCH 2015**

**FIDELITY FUND**

|  | <b>BUDGET FOR THE<br/>YEAR ENDING 31<br/>MARCH 2014</b> | <b>BUDGET FOR THE<br/>YEAR ENDING 31<br/>MARCH 2015</b> |    |
|--|---|---|----|
| <b>PROJECTED INCOME STATEMENT</b>          |   |   |    |
| Contributions 0.02 % - maximum of R100'000 | 1,905,277   | 1,963,002   |    |
| Recovery Legal Costs and Claims            | 160,000   | 170,000   |    |
| Interest received                          | 1,400,000   | 1,400,000   |    |
| <b>TOTAL INCOME</b>                        | <b>3,465,277</b>  | <b>3,533,002</b>  |    |
| <b>LESS : EXPENSES</b>                     | <b>3,566,000</b>  | <b>3,761,000</b>  |    |
| Administration costs                       | -   | -   |    |
| Provision for claims                       | 1,000,000   | 1,000,000   | 8  |
| Auditors fees                              | 18,000  | 18,000  |    |
| Bank charges                               | 10,000  | 10,000  |    |
| Investigation costs                        | 400,000   | 430,000   | 9  |
| Legal fees                                 | 1,300,000   | 1,400,000   | 10 |
| Training Expenses                          | 360,000   | 390,000   | 11 |
| Sponsorship                                | 8,000   | 8,000   |    |
| Stocktaking                                | 385,000   | 420,000   |    |
| System Reports Freshmark                   | 60,000  | 60,000  |    |
| Consultation Fees                          | 15,000  | 15,000  |    |
| Witness fees, travel & accomodation        | 10,000  | 10,000  |    |
| <b>Shortage for the year</b>               | <b>(100,723)</b>  | <b>(227,998)</b>  |    |



## EXPLANATORY NOTES TO THE BUDGET

| OPERATIONAL BUDGET |   |
|--------------------|---|
| 1                  | <b>Administration cost:</b> Expenditure relating to office rental, telephone, network connectivity, security, insurance and cleaning materials.   |
| 2                  | <b>Legal Fees:</b> Potential legal expenses relating to export agents and livestock agents.   |
| 3                  | <b>Marketing:</b> A new marketing strategy will be developed with a marketing specialist to determine the most effective way to reach our target audience. This will include conducting market research.                  |
| 4                  | <b>Travel and Subsistence - Council Meetings:</b> Provision is made for one Council meeting, four Exco meetings and six sub-committee meetings.   |
| 5                  | <b>Travel and Subsistence - APAC Staff:</b> Expenditure relating to conducting compliance audits at all agencies as well as to attend various industry meetings and workshops.  |
| 6                  | <b>Maintenance and repairs (Office Furniture and Equipment):</b> Most of the furniture and equipment is older than four years and therefore provision is made for any maintenance or repair that might be required.       |
| 7                  | <b>Office Furniture and Equipment:</b> Absolute and unserviceable equipment needs to be replaced. Provision is also made for additional filing units required in our store room.  |
| FIDELITY FUND      |   |
| 8                  | <b>Provision for claims:</b> Provision is made for possible claims against the Fidelity Fund.   |
| 9                  | <b>Investigation costs:</b> Expenditure regarding investigations at agencies where non-compliance is detected.  |
| 10                 | <b>Legal fees:</b> Provision is made for expenditure relating to conducting disciplinary hearings or for court applications.  |
| 11                 | <b>Training Expenses:</b> We are currently conducting a survey to establish additional training needs of fresh produce agents, as well as to determine improvements that needs to be made to the current Comsell courses. |









