



# APAC NEWSLETTER

OCTOBER 2015

Dear Farmer

Maintaining the trust relationship between a farmer and an agent, is a dual responsibility. The Agricultural Produce Agents Act, Act 12 of 1992, and the Fresh Produce Agents Rules prescribe certain minimum requirements agents need to adhere to. Every farmer also has a responsibility to uphold these requirements in ensuring that both trust funds and stock are managed and controlled appropriately.

A key to this relationship is that the fresh produce never belongs to the agent or agency, but is entrusted to them. The farmer remains responsible for his or her fresh produce and must as far as possible mitigate against any risk.

As a farmer, it is important to understand the basic transaction flow of the fresh produce entrusted to an agent:

## 1. Recording of the fresh produce

It is important to ensure that once the fresh produce is delivered to the market agency, it is correctly recorded onto the relevant market IT system. Farmers should compare their delivery notes with the agency's reports by matching aspects such as delivery date, volumes and quality. Any deviations should be reported immediately to the agent and Agency Manager.

## 2. Sales

The selling of produce can take on one of two forms; cash or credit. In the event of a cash sale, a buyer will present the agent with their buyer's card, and as long as there are sufficient funds available, the transaction will be validated and the produce can be removed.

In the event of a credit sales transaction, one first needs to establish the type of credit sale transaction;

- Agent's credit sales transaction (proxy sales) whereby the agency pays on behalf of the buyer; or
- Farmer's credit sales transaction (overdraft sales) whereby the farmer has provided prior written approval with reference to specific buyers.

Irrespective of the type of sale taking place, farmers should ensure that their agents have implemented the APAC Credit Sales Policy. It is an important guide to full transparency of



the transaction and mitigates that farmers are overexposing their financial risk (as claims against the Fidelity Fund for overdraft sales are not permitted). The National Credit Act, Act 12 of 2005, is also applicable to giving credit and should be considered at all times.

Irrespective of the type of sales transaction that takes place, accounting and payment must still take place within 5 business days from the date the produce was sold.

### 3. Reporting on sold or discarded produce

In the modern trading environment, reporting and communicating to a farmer has become an easy task to fulfil and frequently takes place more often than what is legally required by the Act and Rules.

Various mediums exist to communicate, which include cellular telephone, fax, email, etc. However, strict minimum guidelines exist as to when and what should be communicated. The Rules determine that an agent must within 5 business days of selling or disposing of produce, communicate the following to their farmer for each consignment received:

- Name of the fresh produce agent;
- Name and address of the principal/producer;
- Date of receipt of the consignment;
- Delivery note number;
- The kind and class/grade of the fresh produce received, the quantity sold, the price/s received and the gross amount paid (prices may not be averages for the consignment or market);
- The amount and nature of each deduction for expenses incurred in the sale of the fresh produce;
- The amount and rate/scale at which remuneration was claimed;
- Particulars of any fresh produce, which has been discarded or in any other way found, unfit for sale.

### 4. Payments to farmers

Payment to a farmer must be made within 5 working days of the produce being sold and either a cheque or electronic transfer may be used as the means of payment.

### 5. General

In addition to the above, the following considerations must also be taken into account:

- Ensure that produce is supplied to an agency or agent that is registered with APAC and is in possession of a valid Fidelity Fund Certificate. Farmers are encouraged to request the agency for a copy of their fidelity fund certificate and the registration certificate of the sales person.
- Verify regularly the standing of the Agency on APAC's website in terms of trust reconciliation submissions, trust shortages, audit qualifications, disciplinary hearings held, etc.
- Visit your agent on the market as regularly as possible.
- Any irregularities must immediately be reported to APAC and the Market Manager to ensure proactive mitigation.

