



AGRICULTURAL PRODUCE AGENTS COUNCIL

BUSINESS PLAN

1 APRIL 2012 - 31 MARCH 2013



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EXECUTIVE SUMMARY

The core function of the Agricultural Produce Agents' Council (APAC) is to enforce compliance by fresh produce agents, export agents and livestock agents through effective regulating processes and activities.

The regulatory framework of APAC is prescribed by the Agricultural Produce Agents Act (Act 12 of 1992) and the Rules, as amended from time to time. Additional initiatives by Council and the Registrar to strengthen the monitoring of compliance and to mitigate possible financial losses to farmers are also important to fulfil the mandate in a changing environment.

This business plan details our priority activities for the 2012/2013 financial year. It is based on an analysis of our strengths, weaknesses, opportunities and threats (see Appendix 1).

The box below provides a summary of the core activities and strategic objectives of APAC for 2012/2013.

CORE ACTIVITY	STRATEGIC OBJECTIVE FOR 2012/2013
1. Registration	<ul style="list-style-type: none"> Evaluate and amend the registration format for new applications Continue to vet new applications
2. Compliance monitoring	<ul style="list-style-type: none"> Conduct stock audits Conduct compliance audits Check trust reconciliations and audit reports Authenticate bank statements Monitor and evaluate conflicts of interest Broaden the scope of system transactions that can be viewed in order to regulate more effectively Submit recommended Act and Rule changes to the Department of Agriculture, Forestry and Fisheries Render assistance and support to fresh produce markets
3. Investigate and conduct disciplinary hearings and/or take legal action	<ul style="list-style-type: none"> Take disciplinary or legal action in cases of misconduct, theft or fraud Take action against unregistered agents Educate farmers about compliance through various marketing activities Administer and build the fidelity fund
4. Education and training	<ul style="list-style-type: none"> Provide distance training to agents Conduct an annual induction workshop for new sales personnel
5. Develop and transform the agricultural sector	<ul style="list-style-type: none"> Establish appropriate transformation initiatives to ensure a viable non-sexist, non-racial and non-discriminatory agency trading system that is aligned with the Constitution and other laws of South Africa
6. Operational systems, procedures and governance	<ul style="list-style-type: none"> Maintain effective and transparent internal control processes



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

OUR OBJECTIVE

The objective of the 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.

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 2012/2013

Strategic objectives for the 2012/2013 financial year, based on the SWOT analysis contained in Appendix 1.

1. REGISTRATION

a. Evaluate and amend the registration process for new applications

We will re-evaluate the application forms for new sales personnel and agencies to ensure that they provide information relevant to the process of issuing registration certificates or fidelity fund certificates.

b. Vetting of new applications

Vetting new applications provides us with essential decision-making information such as an agent's involvement in other businesses, which allows us to detect possible conflicts of interest early. The vetting also provides information on credit records, which plays a significant role in risk management, given that the agent receives the sales money on behalf of the farmer.



2. COMPLIANCE MONITORING

As APAC is the supervisory body of the agricultural agents profession, we are obliged to take all steps required to monitor and ensure compliance. Over the past three years, we have introduced several activities to monitor compliance that have proved effective. We will continue to perform these in the forthcoming financial year.

a. Conduct stock audits at all fresh produce markets

Conducting regular stock audits plays a vital role towards detecting stock shortages and surpluses and addressing non-compliance matters, whether remedial or punitive.

We will continue to conduct stock audits. However, the methodology used to conduct surprise stock audits will be reviewed, as fresh produce markets differ and therefore warrant different processes and procedures. This will also ensure the effectiveness and accuracy of the audits.

As stock audits are outsourced, we will also conduct a workshop with our assignees to ensure the audit processes followed are aligned to the expected outcome.

b. Conducting compliance audits

We will continue to conduct random compliance audits to confirm that agents adhere to legislation.

We will broaden the scope of our compliance audits to monitor a wider field that includes issues that farmers and industry organisations query or complain about. Some examples of the larger ambit we will monitor are:

- validating agents' credit sales transactions against invoices issued to buyers to confirm that prices paid to farmers reconcile with the actual amounts paid by the buyers, and
- monitoring the age analysis of stock on the floor to be able to identify areas that require intervention before the farmer lodges a complaint.

c. Checking fresh produce agents' trust reconciliations and audit reports

Checking agents' trust reconciliations monthly enables us to detect trust account shortages which can ultimately result in financial losses for farmers and possible claims against the fidelity fund.

We will amend the trust reconciliation format to include transactions such as agents' credit sales and producers' credit sales. This will assist us in effectively monitoring these transactions and identifying areas of risk.

The correctness of the trust reconciliations received is complemented by receiving two audit reports, interim and annual. These audit reports also serve as control mechanisms to monitor whether agents have paid over unclaimed farmers' money on time. We will continue to inform industry role players about unclaimed farmers' money, with the aim of tracing these farmers.

d. Request original bank statements once a year

We require a original bank statement each year to compare against the trust bank account number registered with APAC, therefore confirming compliance to the Rules.

We will conduct spot checks on the detailed bank statements in order to confirm that agents' commission

paid is in line with what they are entitled to and to check for any irregular expenditure. Last year, we were able to detect an agency's irregular expenditure that ultimately led to the closure of the agency. This shows the importance of continuing with this task.

e. Conduct a Companies and Intellectual Property Registration Office (Cipro) search on directors and share holders

In order to confirm that directors and shareholders are not involved in other business activities that might result in a conflict of interest as stipulated in the Rules, we will perform a Cipro search on the agencies that were not checked during the 2011/2012 financial year.

f. Broaden the scope of transactions and reports on the market system that can be viewed and monitored by APAC

In order to ensure that APAC is able to continue to remotely monitor certain compliance issues of agents that are situated in 19 municipal markets as well as 4 private markets, we will request Freshmark systems to broaden the scope of information that can be viewed by APAC.

g. Submission of recommended Rule changes to the Department of Agriculture, Forestry and Fisheries

To ensure relevant regulating and enforcing processes that support the fiduciary duty of agents, we have identified several provisions in the Act and the Rules that require amendment. This year, we have held several meetings to discuss these proposed amendments. However, due to the volume and complexity of some of the recommended changes, additional meetings and consultation need to take place before a formal submission can be made to the Department. We will finalise the process in the next financial year.

h. Render assistance and support to fresh produce markets

During the past year, we received various concerns and complaints from market authorities, agents and producers relating to matters that do not directly fall within APAC's scope. Examples include maintenance concerns relating to cold rooms, equipment concerns such as a dilapidated server, theft of fresh produce due to lack of proper security and relationship barriers between agents and market managers.

We believe that these issues do indirectly contribute to the volume decrease of produce sent to local markets (if compared over the past 10 years), and might ultimately lead to the diminishing of fresh produce markets. We have identified the need to intervene, assist, support and mediate some situations and will ensure that we initiate some structure and process flow to champion and address these concerns.

3. INVESTIGATIONS AND DISCIPLINARY OR LEGAL ACTION

a. We will continue to initiate investigations or investigate complaints made by producers and take disciplinary or legal action in cases of fraud, theft and misconduct

A core activity of APAC is that effective disciplinary management is practised to the benefit of the producers as well as the public. We will 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.

b. Take action against agents trading without registering with APAC

It remains a legal challenge for APAC to take action against unregistered agents due to the onus on APAC to have sufficient concrete evidence. However, we believe our drive towards making recommended



changes to the Act will address this matter in future. For the forthcoming year we will continue to take stern action where we do find sufficient evidence of illegal trading.

c. Educate farmers about compliance through various marketing activities

Educating farmers regarding the legislative processes that agents must adhere to plays a vital role in enforcing compliance. It also assists us in responding efficiently to whistle blowing.

Our marketing strategy involves education through various mediums such as articles in magazines, electronic newsletters, maintaining and updating our website with relevant information and engaging actively in forums and workshops.

4. EDUCATION AND TRAINING

a. Provide distance learning to agents

The education and training of fresh produce agents is a crucial function as it contributes towards compliance and professionalising of agents. APAC spends a considerable amount each year on training. However, we need to consider the impact this has on the fidelity fund.

We have therefore initiated steps towards distance learning, which will be more cost- effective but still give the desired results. In the year ahead we will monitor the results of the first phase and if proved successful, continue with the roll out of the remainder of the project.

b. Annual workshop for new sales personnel

New sales personnel entering our industry often do not have the relevant knowledge about our industry. This can limit their performance and ability to excel in their occupation. In the year ahead, we will initiate an induction workshop for new sales personnel, focussing specifically on aspects that will be presented by the relevant person such as the farmer, the market manager, the buyer, etc.

5. DEVELOPING AND TRANSFORMING OUR INDUSTRY

a. Establish appropriate transformation initiatives to ensure that the agricultural agencies sector complies with constitutional and other legal requirements

During the 2011/2012 financial year, APAC instituted a transformation plan. Subsequently a transformation committee of Council was established to strengthen the process. The purpose of this committee is to investigate and identify initiatives that will ensure that the agricultural agency sector complies with constitutional and other legal requirements and remains relevant, valuable and properly integrated in the agricultural industry. During the forthcoming year, this process will be finalised and a comprehensive action plan will be formulated.

6. OPERATIONAL SYSTEMS, PROCEDURES AND GOVERNANCE

a. Maintain effective and transparent internal control processes

We will maintain effective and transparent internal control procedures and policies, even though not fully compliant with the King III principles due to the size of the organisation.

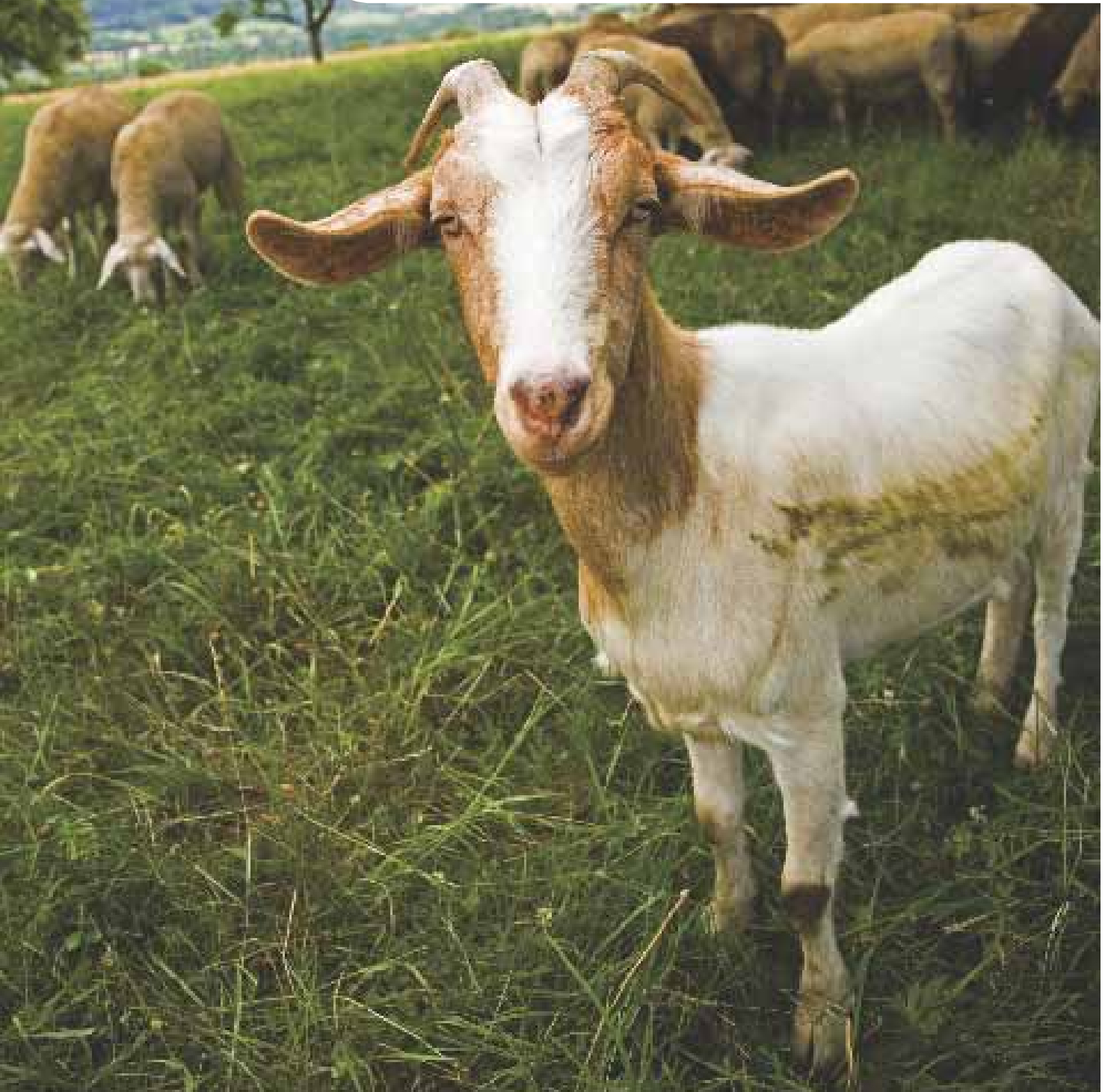
The establishment of the Audit and Remuneration committee will contribute towards further development of

existing policies and identification of areas that require guidelines. As a regulatory body we have a responsibility to maintain an effective accounting system with due regard to transparency and accountability. In the forthcoming year we will implement the Pastel Evolution Business system, which will create better financial controls, transparent audit trails, support direct links to SARS and provide statistical information.



APPENDICES

- APPENDIX 1:** SWOT ANALYSIS
- APPENDIX 2:** CONSTITUTION OF THE COUNCIL
- APPENDIX 3:** MARKETING PLAN
- APPENDIX 4:** BUDGET FOR FORTHCOMING FINANCIAL YEAR



APPENDIX 1: SWOT ANALYSIS FOR 2012/2013

Strengths	Weaknesses
<ul style="list-style-type: none"> • The Agricultural Produce Agents Act, 12 of 1992 • Competent and dedicated staff base and Council • Training modules • Streamlined operational activities • Stock takes on all fresh produce markets • Active response to farmers' complaints by investigating each case • Receiving interim and annual audit reports per agency • Receiving monthly trust reconciliations • Vetting of new applicants • Marketing strategy • Good track record 	<ul style="list-style-type: none"> • Act amendments • Lack of a proper HR structure • The limited scope to regulate export and livestock agents results in poor confidence in our ability to take action • Lack of control over co-operation by market management • Insufficient funding • Ability to manage all principals/agents relationships
Opportunities	Threats
<ul style="list-style-type: none"> • Improved relationships with agents in order not to be seen as a "watchdog" only but also a mentor • By executing audits and investigations to identify opportunities for improvement, efficiency and effectiveness • Implementing more pro-active measures to detect and correct non-compliance • Increasing existing proactive measures • Implementing service level agreements • Ensuring existing agents attend training and work shops that will empower them and sustain their knowledge • Compiling recommended legislative amendments in terms of fresh produce, export and livestock agents that will ensure a better regulated environment • Broad Based Economic Empowerment Programs • Increasing the amount payable by agents to the fidelity fund to ensure it is sustained • Sourcing additional funds • Section 7 Report 	<ul style="list-style-type: none"> • Credit sales conducted out of the framework of the Act • Fresh produce agents paying on behalf of the buyer (transparency and risk toward the trust funds) • Off market agents refusing to register • Economic climate contributing to more fresh produce agents having trust account shortages and high level of claims which might deplete the fidelity fund • Annual decrease of the fidelity fund due to not sustaining the fund • Language barriers • Lack of interest in attending training to broaden agents' skills and knowledge might result in not maintaining professional standards • The "regulated" agency system of trading discarded for the "unregulated" wholesale/retail system of trading, i.e. agents leaving markets and becoming wholesalers • Loss of trust in the agency system by producers.



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. L Hodzi	Ex Officio Member	
Department	Ms. M Mohapi	3 March 2009	3 March 2012
Designated	Mr. AD Young Mrs. Z Moyo	3 March 2009 3 March 2009	3 March 2012 3 March 2012
Fresh Produce Agents	Mr. PM Botha Mrs. TE Fredericks	3 March 2009 16 March 2011	3 March 2012 3 March 2014
Export Agents	Mr. AG Petersen Mr. S Symington Mrs. GA Backhouse	16 March 2011 3 March 2009 3 March 2009	3 March 2014 3 March 2012 3 March 2012
Livestock Agents	Mr. C Troskie Mr. WJ Meyer	16 March 2011 16 March 2011	3 March 2014 3 March 2014
Livestock Producers	Mr. CJJ Pieterse Mr. JN Swartz	16 March 2011 16 March 2011	3 March 2014 3 March 2014
Consumer	Mrs. M Snyman	3 March 2009	3 March 2012

