



APAC looks after the producer's fresh produce



In terms of Act 12 of 1992, The Agricultural Produce Agents Council (APAC) was assigned the responsibility to protect the farmer's interests, namely the sale of his agricultural products. APAC performs this responsibility by regulating fresh produce, export and livestock agents within the framework provided by the Act.

As part of APAC's more hands-on approach, they identified the need in January 2009 to do sporadic stock audits of fresh produce on markets, in order to confirm that the consignments entrusted to the market agents are fully accounted for. As the APAC staff compliment consists of only three permanent staff, this meant the task had to be assigned to a third party. Since Prokon already had the personnel on all markets and the infrastructure to do affordable, reliable and regular stock audits, APAC saw it beneficial to partner with Prokon to administer stock audits.

The process:

Stock audits are conducted on a surprise basis at five to eight fresh produce markets per month. This entails that stock audits are conducted without giving notice, until the market closes for business, usually at 10h30 in the morning.

Depending on the size of the market, most fresh produce is physically counted on the market floor and compared with the computerized Freshmark report that reflects all consignments received. Due to the volume of fresh produce on bigger markets, a decision is made in advance which products will be counted and those not counted, are done at a later stage.

The stock audits are done by APAC's assignee, Prokon, together with the market personnel and the salesperson of the specific product. This is done to confirm the correctness of stock counted and for the salesperson to have the opportunity to indicate where all fresh produce is kept, such as in cold rooms, waiting to be discarded by the health inspector or to identify fresh produce still on the floor and not yet removed by the buyer.

Sales personnel are also present to provide information and documentary proof of fresh produce that was short during the audit due to late sales, credit sales, etc.

APAC also recently engaged with Freshmark Systems in order to design software that monitors the stock movement



during and after a stock audit. The software was piloted in June 2010 and will supplement the effectiveness of the existing stock audits.

What happens with the outcome of a stock audit?

Once the stock audits are finalised, Prokon provides APAC with a formal report showing full details of stock shortages, stock surpluses, late sales, credit sales and any additional observations made during the audit. During the past year 59 stock audits were conducted at 22 fresh produce markets, covering 10 diversified product lines. Regular meetings are also held between the Registrar of APAC and the Managing Director of Prokon in order to evaluate the outcome of the audits, problems experienced and processes followed to achieve the desired outcome.

APAC evaluates each fresh produce agent's stock audit report. Agents with severe stock shortages and/or surpluses are requested to provide a written explanation and the necessary documentary proof. In terms of late sales, agents are requested to provide proof of the late sale in order to ensure late sales are not used as a mechanism to bypass credit sales, which are only permitted if written consent was obtained from the farmer. The same steps are taken if credit sales are reported.

Depending on the outcome of the investigation, APAC determines whether it has, in fact, confirmed that the fresh produce was accounted for and that no losses were experienced by the farmer. In such cases no further action is taken.

The way forward:

Stock audits have become a vital tool for APAC to proactively monitor stock shortages and surpluses, as well as to determine the volume of late sales and credit sales. They also serve as a tool in identifying any intervention that is required such as:

- identifying training needs;
- enforcing processes and procedures prescribed by the Act;
- detecting problems prior to receiving complaints or queries from farmers;
- identifying shortcomings in legislative requirements that are outdated as well as a lack of standardized processes for all fresh produce markets, which all play a vital role towards leveling the playing field and achieving the industry's full potential.

The above issues are addressed by taking them up with the relevant role players in the industry. Even though some processes take longer to achieve the desired outcome, they will all eventually contribute to successfully achieving APAC's mandate, as well as for the greater good of the industry.

For the farmer, the benefit of regular stock audits is security in knowing that his fresh produce are indeed on the market floor and that he will receive payment within five working days after the fresh produce was sold.

Look out for our next article as it will provide detailed information on the outcome of stock audits conducted during the past year.

