

2016 | 2017

# Business Plan



AGRICULTURAL PRODUCE AGENTS COUNCIL





# Business Plan

2016 | 2017

REPORT IN TERMS OF SECTION 11 (5A) OF THE AGRICULTURAL PRODUCE AGENTS COUNCIL ACT, ACT 12 OF 1992

BUSINESS PLAN OF THE FORTHCOMING FINANCIAL YEAR CONTAINING DETAILS ABOUT TRAINING, PROMOTIONAL AND OTHER ACTIVITIES COUNCIL WILL UNDERTAKE DURING THE YEAR.

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# 01

## 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 practising those occupations, according to section 9 of the Agricultural Produce Agents Act (APA Act), 12 of 1992.

### OUR VISION

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

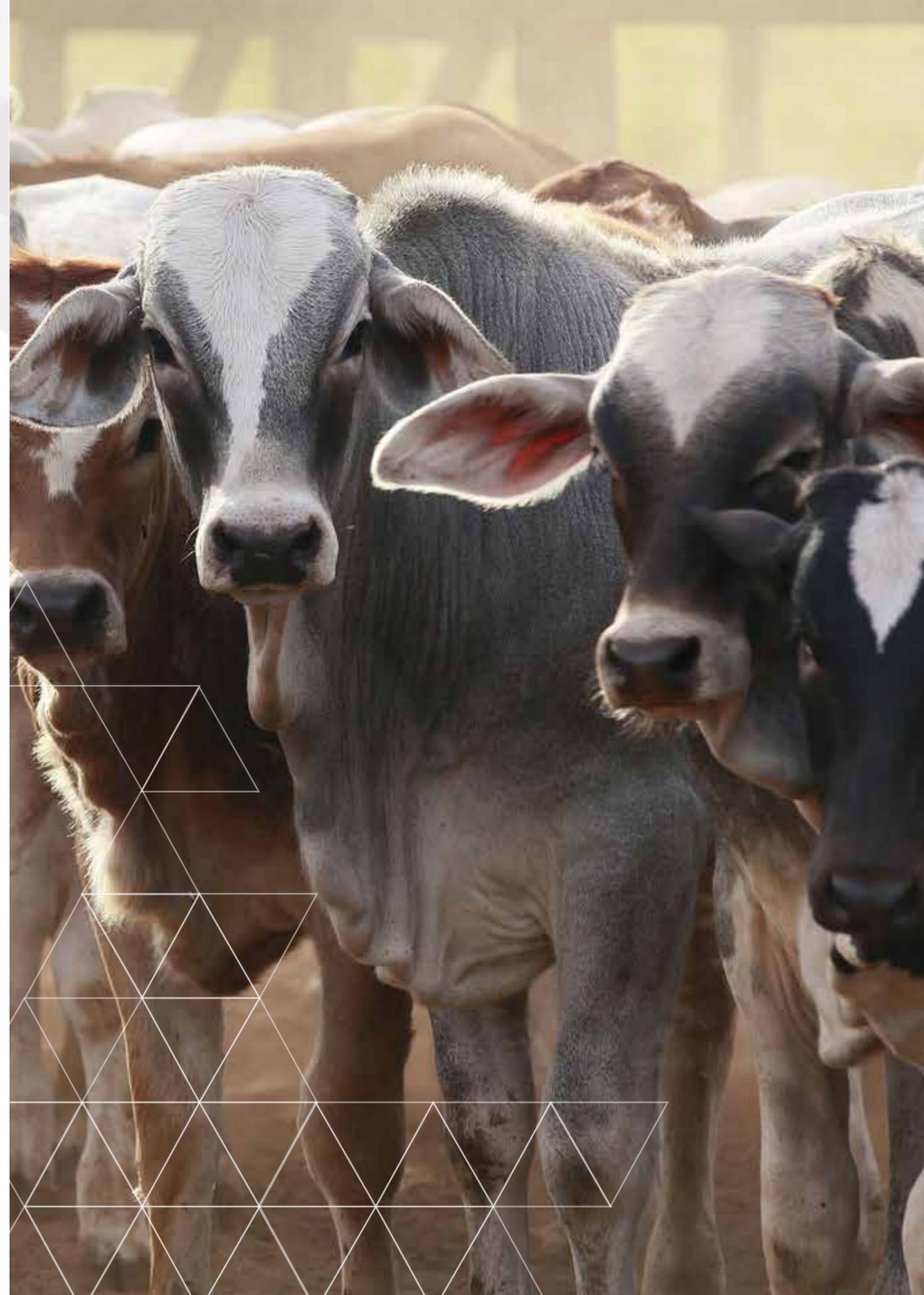
### OUR MISSION

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

- fulfil 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 APAC to effectively contribute to 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.





## Executive Summary

# 02.

## EXECUTIVE SUMMARY

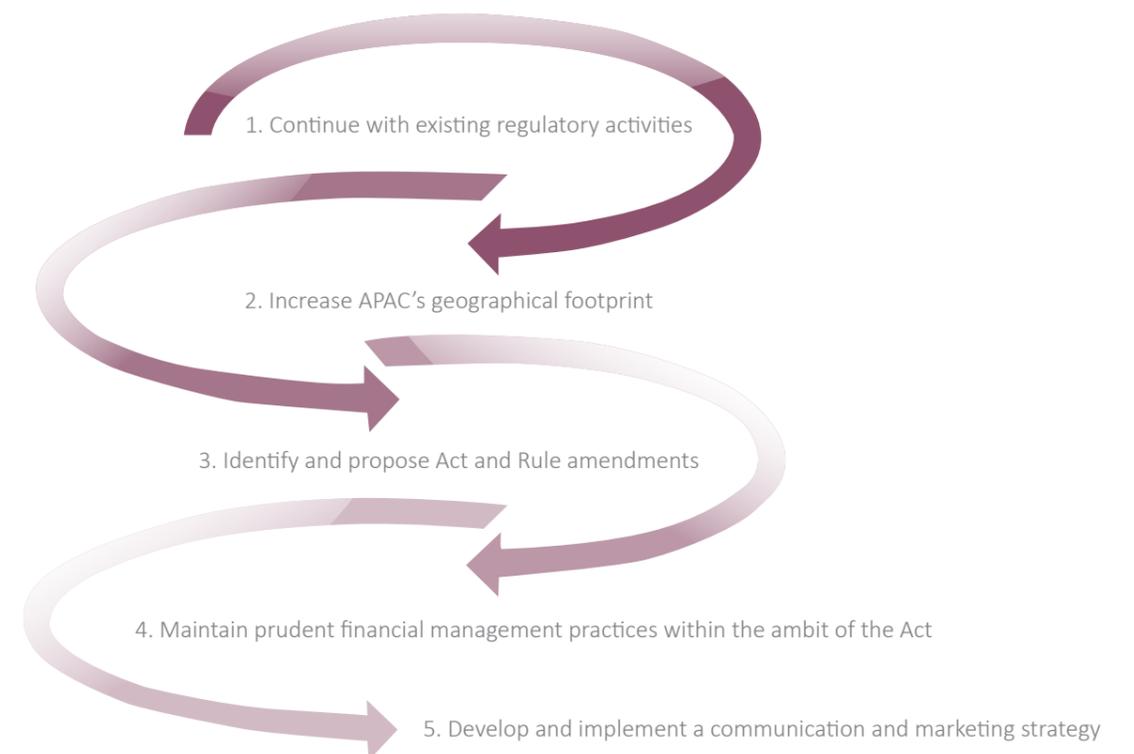
The Agricultural Produce Agents Council (APAC) is a statutory body whose primary reason for existence is found within the Agricultural Produce Agents Act, Act 12 of 1992, which is to regulate and control certain activities of fresh produce, export and livestock agents. Furthermore, APAC also has a responsibility to maintain and enhance the agent occupation.

APAC's work is subject to various factors within its internal and external environment, which are mainly the demands of the industry it was created to serve. As the economic outlook for South Africa will remain challenging for the foreseeable future, it is important that APAC takes stock of its achievements and shortcomings.

On 4 December 2015, we held a workshop to prioritise our strategic objectives for the next three years. The workshop followed a systematic process to evaluate our current status, our role players, and the rules of the game and, with the aid of a SWOT analysis, determine the opportunities for the future. Council reiterated that APAC's core mandate remains to effectively regulate the agent occupation, trading annually in excess of R60 billion, taking into consideration limitations which we hope to resolve in the future.

### OVERVIEW OF STRATEGIC OBJECTIVES FOR 2016/2017

The following strategic objectives were identified to ensure that APAC remains an effective regulatory body:





## DETAILED STRATEGIC OBJECTIVES FOR 2016/2017

### OBJECTIVE 1- CONTINUE WITH EXISTING REGULATORY ACTIVITIES

We will continue to perform our existing regulatory activities as reflected below.

#### Registrations

- New
- Transfers
- Disqualifications
- Annual directors vetting

#### Fees

- Annual fees
- Fidelity Fund contributions
- Guarantees

#### APAC Administration

- HR
- Finance & Procurement

#### Occupation development/ enhancement

- Marketing & promotions
- Policy making
- Training
- Transformation

MANAGE

#### Trust reconciliations

- Reviews
- Trust account winding up
- Training

#### Audit reports

- Reviews
- Auditor verification
- Auditor checklist
- IRBA

#### Unclaimed monies

- Reviews
- Advertise

REVIEW

#### Compliance & stock audits

#### Investigations

- Internal
- External

#### Disciplinary proceedings

#### Special projects

- Training/workshops
- Sub-committees
- Mentorships
- Market intelligence
- App development
- Freshmark systems

PERFORM

#### Registering agencies and sales personnel

- Before considering new applications, we will introduce a compulsory requirement for applicants to register and pass certain training modules on the web-based platform, developed for potential agents.
- Even though we currently follow a hand-holding process with new agencies registering, we will develop a more formal process to guide agencies to identify key business success factors and mitigate failure factors.
- We will continue to conduct CIPC searches on all directors to identify any possible conflict of interest pertaining to other businesses.
- We will continue to annually reconcile our records of registered agents to identify and address unregistered agents.
- We will investigate the feasibility of an online web-based portal for the submission of administrative activities related to agencies, such as registering new agents.

Detailed Strategic Objectives for 2016/2017

03

## Evaluation of disqualified applications

- The Ad Hoc committee established in 2013 will continue to re-evaluate applications that were disqualified in terms of Section 16.6 of the APA Act, with due regard to applicants' constitutional rights, ensuring compliance with the Promotion of Administrative Justice Act.
- We will closely monitor agents who have been issued with temporary conditional certificates to ensure they meet the requirements attached to their appointment and that their ethical behaviour sets an example for other agents.

## Reviewing trust reconciliations and audit reports

- We will continue to update the website with information about submissions of trust reconciliations and audit reports, late submissions, and will name agencies with trust shortages and audit qualifications.
- Agencies that need to be consistently reminded to submit their trust reconciliations or audit reports pose a high risk for farmers and expose the Fidelity Fund to possible claims. APAC will take sterner action against transgressors, even if they do submit their documents prior to disciplinary hearings, as this will decrease future risks and administrative burdens.
- We will finalise the detailed manual on how to perform a trust reconciliation, and distribute it to all agencies. The aim of the manual is to broaden administrative staff's knowledge on how the transaction flow of receiving and selling fresh produce influences the trust account's deficit or surplus, as the stock forms part of the agency's trust account.
- We will also continue providing the annual trust reconciliation workshop as it has proven to be an effective training mechanism for agencies with new administrative staff and newly registered agencies.
- We will continue to engage with the Independent Regulatory Body for Auditors (IRBA) to incorporate best practice principles in auditing standards.
- We will continue to monitor the effectiveness of the auditor checklist implemented in the previous year to ensure it remains effective in identifying irregularities, agencies over-exposing their financial risk, conflict of interest, etc.

## Compliance audits

- We will continue to conduct compliance audits at fresh produce agencies to monitor compliance to specific requirements of the Act, such as the lead time in producers' payments, as well as to verify evidence of weekly reporting, check the reasonability of deductions made from producers' sales, assess timeframes of selling the produce, etc.
- In the previous year, we developed a trust reconciliation compliance report as a tool to identify certain red flag areas regarding the severity



of non-compliance and trust account deficits. We will investigate whether this report can in future be incorporated in the online portal submission, as it provides a more accurate view of an agency's financial position.

- We will continue to use various mediums, such as the quarterly newsletters and IMASA AGM, to communicate compliance concerns and to encourage ethical trading.

## Stock audits

- We will continue to conduct surprise quality stock audits, which entail counting the fresh produce per producer, per cultivar and per size.
- We will conduct in-depth investigations on the outcome of these stock audits, as this provides insight into issues such as illegal credit sales and late sales, incorrect disposal procedures followed, the volume of theft on markets, etc.
- We will continue to engage with fresh produce markets, and where needed, train market personnel to streamline their stock audit procedures so that the outcome is more accurate.
- We will continue to observe trends in stock audit statistics and intervene as required.
- We will continue to engage with industry stakeholders to obtain the additional funding we need to meet the numerous requests by producers and stakeholders to increase the number of stock audits per market.
- We will finalise the development of a tablet app which will be used during the stock audit process, as it is a more interactive system and eliminates the manual process of calculating the outcome of a stock audit.

## Conducting investigations and taking disciplinary action

- We will continue to investigate areas of concern detected during stock and compliance audits, as well as formal complaints received from industry stakeholders.
- We will draft an internal complaint resolution guideline, as we have observed that 40% of complaints lodged with APAC could have been resolved if they had been directly reported to the agencies' managing directors. The aim would be to set a national standard on the process to be followed with complaints prior to them being escalated to APAC.
- 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.
- We will continue to engage with the markets' IT service providers to ensure our custom designed reports enable speedy and accurate investigations.
- Even though our strategy is focused on assisting and supporting agencies, we will not hesitate to take stern action against agents with severe transgressions.

## Training

A critical success factor for regulatory compliance is training, which not only enables a person to comply with legislation but also ensures increased customer satisfaction and professionalism.

- In the current year, we developed an online web-based training platform, with various modules on different topics. The training platform provides detailed information and examples of legislative requirements applicable to fresh produce, export and livestock agents. Even though the enrolment to the specified modules will become compulsory for new applications registering in the 2016/2017 financial year, existing agents will also be encouraged to do the online training modules.
- We will continue to provide governance workshops to fresh produce agents across the country to remind them about their legislative responsibility to trade ethically.
- We will conduct a survey to establish additional training requirements of agents.



### Driving systematic transformation initiatives

At the strategic workshop 8 elements were identified as driving forces of systematic transformation initiatives within the regulatory ambit:

**Purpose** – APAC has the core function of regulating and enhancing the agent based system of trading in agricultural produce.

**Function** – APAC may only act within the ambit of the Act.

**Activities** – As prescribed by the Act and enhanced by the rules, represents the core functions and activities. Proposed activities are promoted by proposed Act and Rule changes.

**Programme** – Determine the current status of transformation at agencies by referring to the AgriBEE Sector Codes.

**Structure** – Ensuring representation at various decision making platforms and committees;

**Strategy** – Establish how we can achieve the goals with strategic partners.

**Relationships** – Leverage relationships through various platforms (AgriBEE Charter Council, PMA career fairs, etc.).

**Communication** – Use various mediums to communicate regulatory requirements and submit status report to the Council.

Taking the above into consideration, we will take the following actions:

- Continue to attend and render assistance to the AgriBEE Charter Council as a vehicle to establish and implement transformation initiatives.
- Evaluate the outcome of the internship programme implemented in the current year and make any amendments needed to ensure it remains an effective mechanism to introduce the agent model to students as well as identify existing entrepreneurial opportunities.
- Continue to request AgriBEE compliance level from any new agencies that register, and encourage them to comply to the AgriBEE Sector Code.
- Continue providing coaching and an administrative course to existing BEE agencies to ensure that they thrive in their businesses.
- APAC and the Department of Agriculture, Forestry and Fisheries are in the process of forming a joint venture to capacitate smallholder fruit and vegetable producers, with the knowledge and understanding of fresh produce markets and the agent model in South Africa. We are currently sourcing additional funding, after which we hope to begin the training programme in April 2016. Apart from empowering smallholder producers regarding the functioning of fresh produce markets, we believe the training programme will also contribute to increasing sales on markets and the profit will benefit agents, markets, producers and the community.

### OBJECTIVE 2- INCREASE APAC'S NATIONAL FOOTPRINT

We have implemented several successful regulatory initiatives over the years to timely detect and rectify non-compliance. To build further momentum on this, we need to develop a national footprint as a mechanism to:

- Increase the number of preventive activities performed by APAC such as stock audits and compliance audits.
- Strengthen the relationship with agents and market personnel by having an APAC staff member available to provide guidance on legislative aspects.
- Facilitate the process of identifying and educating producers regarding the legal duties of agents.

In the period under review we will develop a comprehensive footprint plan to guide the successful roll-out of the project, as well as to assist in approaching industry stakeholders in sourcing additional funds for the project.

### OBJECTIVE 3- IDENTIFY AND RECOMMEND PROPOSED AMENDMENTS TO THE ACT AND THE RULES

#### Amendments to Rules

- After various deliberations with industry stakeholders, the proposed amendments to the Rules for livestock and export agents have been concluded and will be submitted to the Department of Agriculture, Forestry and Fisheries for consideration, approval and Gazetting.
- Having taken into consideration changes within the fresh produce agents' environment, proposed amendments were made to the Rules for fresh produce agents. However, two further processes need to take place which may result in changes to these proposals:

- The outcome and recommendation of the Competition Commission’s investigation into how market transactions such as credit sales, late sales and price discrimination impact on unfair competition.
- A workshop in February 2016 in which stakeholders can provide input on the current amended version, which may result in further deliberations to ensure the amended Rules enable fresh produce agencies to operate in an ethical framework.

#### Amendments to the Act

- We will continue to follow up on the progress on passing the amended Act.
- We will identify aspects that require further amendments to the Act, such as ensuring that producers have a dual responsibility to mitigate their risks.
- We will investigate other countries that also have an agency model that is regulated by legislation, with a view to possibly visiting those countries to explore best practices.

#### OBJECTIVE 4- ENSURE SOUND FINANCIAL MANAGEMENT PRACTICES

We will continue to ensure effective financial management is achieved through our finance strategy that focuses on consistency, accountability, transparency, integrity, financial stewardship and maintaining a no audit qualification status.

We will continue with:

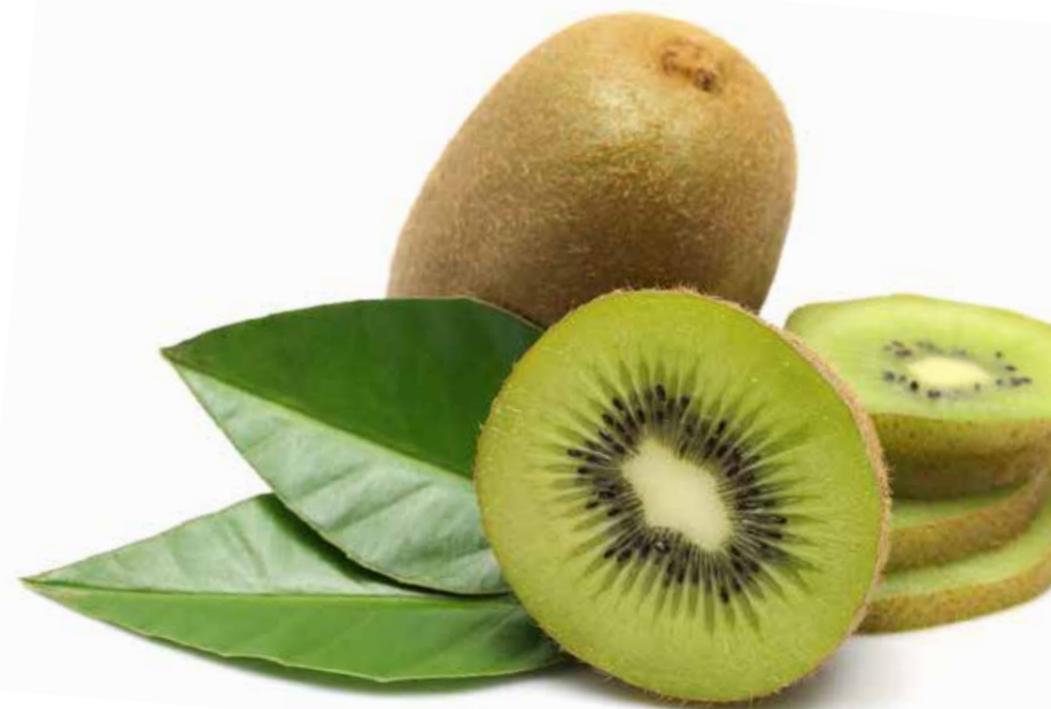
- Sound debt management with a target of less than 7% irrecoverable debt.
- Reviewing in conjunction with IMASA the maximum Fidelity Fund contribution amount in order to grow the capital within the next six years to the recommended R40 million.
- Reviewing, and where needed, increasing fresh produce agents’ guarantees as this helps to not deplete the Fidelity Fund for expenses related to investigations, disciplinary hearings and paying farmers’ claims.
- Obtaining the best interest rates for investing the Fidelity Fund’s capital.
- Increasing the value we receive on current Fidelity Fund expenses, such as scheduling disciplinary hearings within the same day or week to save on the costs of tribunal members, and renegotiating the cost of outsourced suppliers.

#### OBJECTIVE 5- DEVELOP AND IMPLEMENT A COMMUNICATION AND MARKETING STRATEGY

Our marketing and promotion strategy will continue to focus on:

- Campaigns aimed at educating farmers about the legal responsibilities of agents, and encouraging farmers to report irregularities promptly so as to mitigate claims against the Fidelity Fund.
- Through various mediums, we will also make farmers aware of their dual responsibility to manage and monitor their own financial risk, as they are also responsible for the preservation of the Fidelity Fund.
- Engaging with industry stakeholders to create awareness of the benefits of utilising the aggregated services offered by registered agents functioning within the regulatory environment.
- Publishing articles and doing presentations at farmers’ days that caution producers about the risks of doing business with unregistered agents.
- Distributing an annual report on registered and deregistered agencies and sales personnel to markets and industry stakeholders.
- Exhibiting at career fairs with the aim of promoting the entrepreneurial opportunity available within the agent occupation.

#### SUMMARY – STRATEGIC OBJECTIVES 2016/2017





Appendices 

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APPENDIX 1  
SWOT ANALYSIS

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> <li>• The Agricultural Produce Agents Act, Act 12 of 1992</li> <li>• Council's knowledge and experience of the legislative environment</li> <li>• Statutory powers</li> <li>• Increased awareness of APAC among stakeholders</li> <li>• Current activities to detect and prevent producers' risks</li> <li>• Agility of rule changing process</li> <li>• APAC's website as a communication mechanism and to enhance transparency</li> <li>• Self-regulating of exporters enhanced by the FPEF</li> <li>• Web-based training platform</li> <li>• Stakeholders' relationships</li> <li>• A complaint resolution process for producers and stakeholders</li> <li>• Experienced, dedicated and loyal operational team</li> </ul>	<ul style="list-style-type: none"> <li>• Need to revitalise the Act with current needs</li> <li>• Lack of sufficient resources</li> <li>• Unregistered agents</li> <li>• Lack of support from markets' management</li> <li>• Lack of ability to enforce their regulatory mandate</li> <li>• Insufficient Fidelity Funds</li> <li>• No export or livestock agents' Fidelity Fund (or insurance)</li> <li>• Insufficient ability to manage all principals / agents / market management relationships</li> </ul>
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> <li>• Producers insurance as a risk mitigating factor</li> <li>• Incorporate insurance in Rules</li> <li>• Align present circumstances and processes to the Act</li> <li>• Promote the aggregated services offered by agents to producers</li> <li>• Expand on proactive measures to detect and correct non-compliance</li> <li>• Ensure existing and new agents attend training and workshops that will empower them and encourage ethical trading</li> </ul>	<ul style="list-style-type: none"> <li>• Farmers' ignorance of unregistered agents and the ability of APAC to take action</li> <li>• Culture of deregulated environment</li> <li>• Producers losing faith in the agency system</li> <li>• Over-regulation increasing barriers to entry</li> <li>• Loss of key staff</li> <li>• Period it takes to amend the Act</li> <li>• Role players not understanding the Act and their responsibilities</li> <li>• Producers not mitigating their financial risks, which could deplete the Fidelity Fund</li> <li>• Lack of resource investment by municipalities</li> <li>• Agency owners not cultivating professional standards</li> <li>• Increased unethical conduct</li> </ul>

APPENDIX 2  
CONSTITUTION OF THE COUNCIL

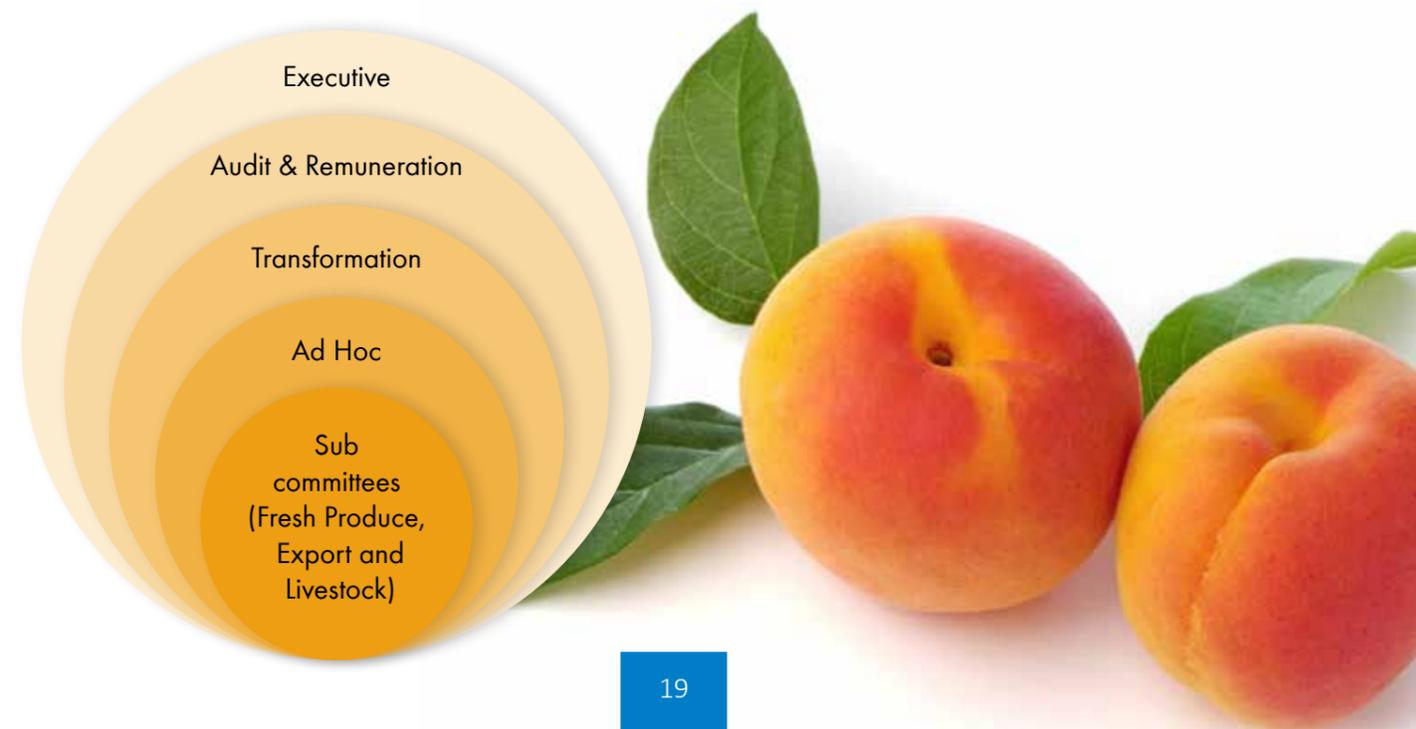
In terms of Section 3 of the Agricultural Produce Agents Act, 12 of 1992, the Minister appoints the 18 members of the Council for a maximum of three years. The members are eligible for reappointment. The Council currently consists of 12 members and has six vacancies.

Council members are as follows:

COUNCIL MEMBERS		END OF TERM
Chairperson (Fresh Produce Producer)	Mr TD van Zyl	4 March 2017
Fresh Produce Producer	Mr JR Heinlein	5 March 2018
Fresh Produce Agent	Mr U Rhoda	5 March 2018
Fresh Produce Agent	Vacant	-
Fresh Produce Agent	Ms TE Fredericks	4 March 2017
Livestock Producer	Mr W Clack	4 March 2017
Livestock Producer	Dr PW Prinsloo	5 March 2018
Livestock Agent	Mr J Minnaar	5 March 2018
Livestock Agent	Mr C Troskie	4 March 2017
Livestock Agent	Mr WJ Meyer	4 March 2017
Export Agent	Mr N van Staden	4 March 2017
Export Agent	Mr M Jensen	5 March 2018
Export Agent	Vacant	-
Designated	Vacant	-
Department of Agriculture, Forestry and Fisheries	Mr LS Manthata	5 March 2018
Designated	Vacant	-
Consumer	Vacant	-
Consumer	Vacant	-

Sub-committees

Council may appoint committees to advise it on any matters over which it has power, in accordance to Section 7(2) of the Act. Council has appointed five sub-committees as reflected below, in order to assist in the discharge of its duties. The sub-committees comprise of council members. However, external persons are invited as the need arises.





## Contact Information

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**AUDITOR** Mr J. Droskie, Registered Accountant & Auditor

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**BANKERS** Nedbank, Investec and Bidvest

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