Code of Conduct: Annexure B - Checklist for Purchase of Fruit

1. <u>AGENCY (FRUIT SOLD ON CONSIGNMENT)</u>

1.1 **Check with whom you are doing business - is the exporter/grower a Pty (Ltd), close corporation or sole proprietor? Is the exporter/grower a member of a recognized industry association?** As may be required of you, do not hesitate to ask the industry association questions about the member's financial position and trade references.

1.2 **Confirm in writing that the exporter is to act as agent to the grower (the principal) on a commission/fee basis.**

1.3 **Estimate/determine the amount of fruit (cultivar, size, class) to be delivered by week. Define standards and quality of the fruit, and address time and temperature protocols.**

1.4 **Define the point of intake and disbursements**.

- ❖ Where is the point of intake? (e.g. Is it at the farm gate, pack house, after PPECB inspection, or on the ship at the Port of exit?)
- ❖ Exporter will only pay for disbursements from point of intake but producer must reimburse these (exporter permitted to deduct from income).
- ❖ Concerning packaging material, if there is an expense before the point of intake, who is to pay? Clarify.
- ❖ What brand is to be used?

1.5 **Is there a minimum guaranteed price ("MGP")?**

- ❖ How much?
- ❖ On what particular fruit?
- ❖ When is it payable? (e.g. 50% on passing PPECB inspection and balance after passing

inspection at Port of entry)

- <u>The deal should always</u> be dependant on the grower supplying the estimated amount of fruit and agreed quality.

1.6 Is an advance on the selling price going to be paid?

- If so, when? (e.g. 60% of estimated selling price)

- This advance is always refundable if not part of an MGP. If the fruit sells for less than the expenses incurred, the exporter can deduct from other fruit income from the same producer. If there are insufficient funds, the producer must reimburse the exporter.

- An advance is <u>not</u> refundable by the grower if it is part of an MGP.

1.7 Define a process to deal with <u>quality problems with the fruit abroad</u>. Very important is to include how and when the producer will be told about the problem. Both parties must decide on a mechanism for inspection by the producer, and how the fruit will be dealt with.

1.8 Is there going to be any "*pooling*"? Confirm that there is often "*pooling*" by market by week, subject to the fruit being the same type and quality. Debate why this is just and equitable.

1.9 Determine risk and who, if anyone will obtain insurance.

1.10 Agree on the commission/fee to be paid to the exporter (e.g. 10% of selling price or Rx per kg).

1.11 With regard to the accounting aspect of the transaction, deal with how things will be managed, and a procedure in case things don't go as planned. Determine how this will be done, and at whose cost?

1.12 Deal with your securities for disbursements. For example, the exporter may have a lien over the fruit in respect of all disbursements it has incurred. Provide that either party must notify the other in the event that an application to liquidate or sequestrate has been brought on either party.

1.13 Rebates, if they arise either directly or indirectly due to the contribution of the producer's fruit, are to be declared. Determine whether these are to be paid across to the producer, kept by the exporter or shared between the producer and exporter (if so in what proportion).

1.14 Record which law is applicable to the contract being signed between the grower and exporter (e.g. South African law or British law?)