

## How to beat slow-pay in produce sales

LITITZ — What is the cost of slow-pay to the fruit and vegetable industry?

The cost could be very high, says Assistant Secretary of Agriculture P.R. Smith.

With an average load of produce at the market costing \$15,000 and with some items as much as \$40,000, it obviously would not take long to extend significant amounts of credit in a short period of time, says Smith.

Like all successful businesses, fruit and vegetable farmers and other traders must capitalize their businesses. For the majority of persons, this requires some type of outside financing. Most financial agreements under which farmers and traders operate call for payment of loans on a fixed date.

Like it or not, when payment for the produce is not received when due, farmers and shippers can be turned into their customers' bankers overnight.

Because the produce industry is one that conducts its business and extends credit on a phone call or a handshake, Smith cautions all sellers and farmers to closely monitor their credit programs in such a way that possibility of cash flow and slow payment problems can be minimized.

Most knowledgeable and successful farmers and traders have strong credit policies that give them a shorter turn around time on their money. They have taken the responsibility for credit decisions out of the hands of salespeople. Decisions on who will receive credit and how much credit will be given and for how long are based on experience and knowledge of their customers' financial situations.

Changes in their customer's payment behavior also govern the extent to which they extend credit to them.

The assistant secretary says

many farmers and traders make the mistake of measuring "good" customers on the volume of merchandise bought. It is the successful sellers, Smith says, the measure "good" customers, not only on volume, but on when payment is made.

IN the interests of good credit management, sellers should have a firm agreement with their customers on when payment is expected. If payment is not made as agreed, sellers should ask for their money.

Buyers should be informed that excessive amounts of credit will not be given and that if payment is not made as agreed, steps will be taken to obtain payment, including filing of a complaint with the U.S. Department of Agriculture under the Perishable Agriculture Commodities Act.

Obviously, the seller would refuse any further credit until the account is current, Smith says.

Any new account should be

thoroughly researched, Smith says, before the first sale is made to determine whether the firm is able to pay, and whether persons in the firm had prior problems in the produce industry. Trade and financial rating publishers, along with PACA representatives, can provide important information on the history of many firms.

Some growers, shippers, and dealers have organized their own associations to take care of their credit problems, and in certain cases, to furnish dealers with a list of buyers who are not meeting their obligations.

PACA requires that payment for produce be made ten days from date of acceptance, unless there is a specific prior agreement between buyer and seller for a different time period. Complaints for the recovery of money can be accepted when payment is not made.

Smith points out these complaints are first handled informally. He stresses the high percentage of success in informal settlements, citing recovery of more than \$9 million a year for injured persons.

Where informal settlement cannot be worked out, a formal

complaint can be filed. If a reparation award is issued, the buyer is required to pay, or the firm's license to trade in produce is automatically suspended until the award is paid.

Reparation orders also require payment of interest from the date payment was due until payment is actually made. Recently, USDA raised the interest rate from eight to 13 percent to insure that injured parties were not put at a financial disadvantage when they have to borrow money to subsidize firms that fail to pay for produce.


Smith points out that USDA's responsibility in administering PACA is "to suppress unfair and fraudulent practices in the marketing of fruits and vegetables in interstate and foreign commerce."

He says complaints filed by injured persons for the recovery of money are handled promptly in an effort to obtain payment. If appropriate, arrangements are sometimes made for payments on account. When USDA officials determine that a firm has insufficient funds to conduct a business operation, has committed

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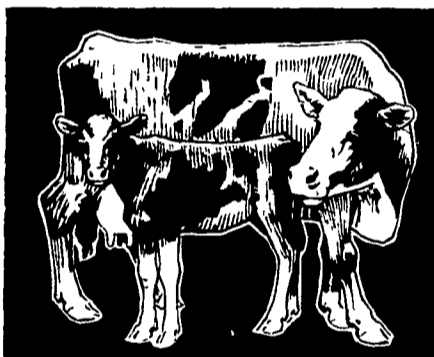


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