SAP Agricultural Contract Management & Commodity Risk Management

THE BEST RUN **SAP**

Farm to Consumer Agribusiness Value Chain
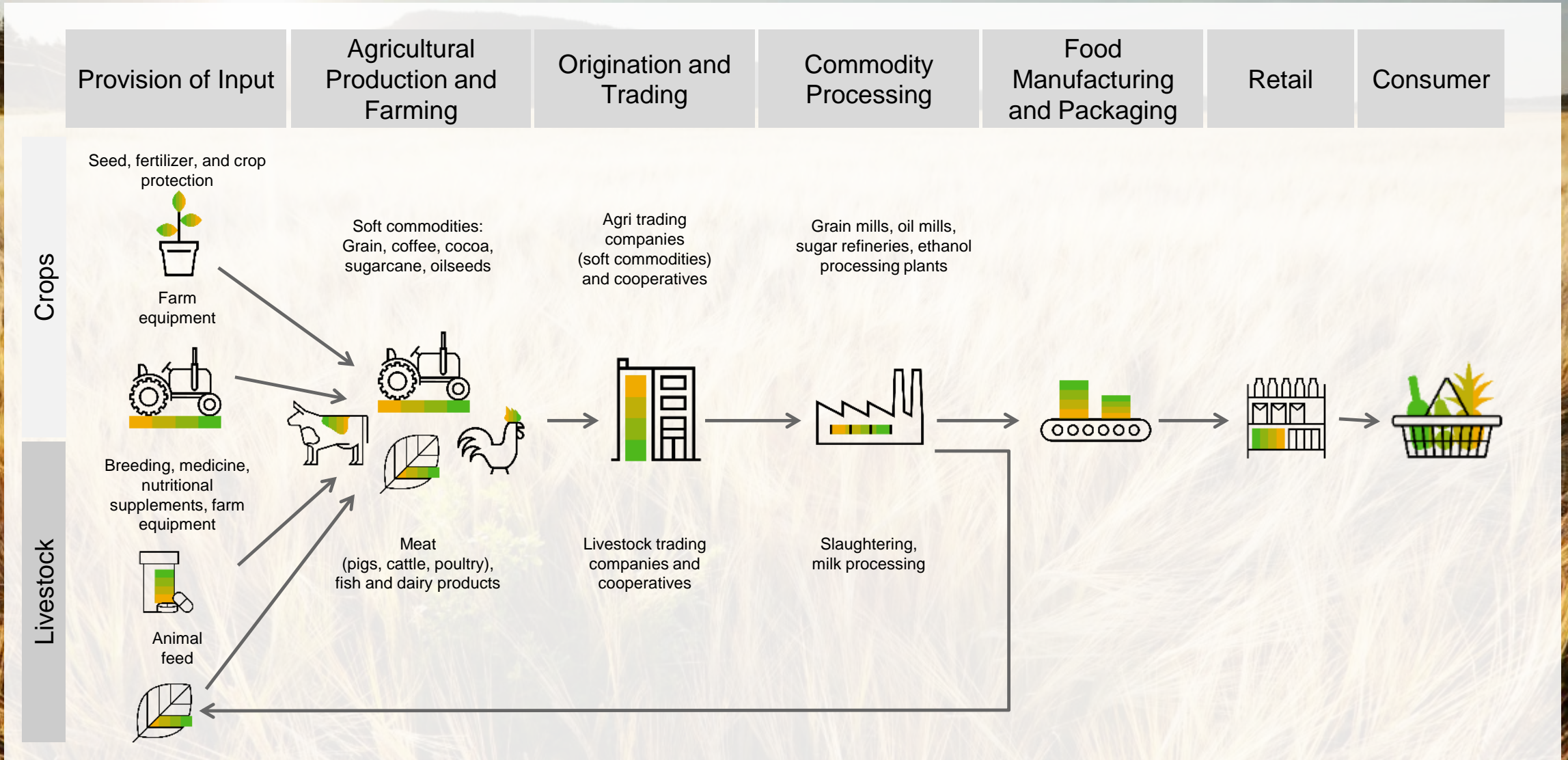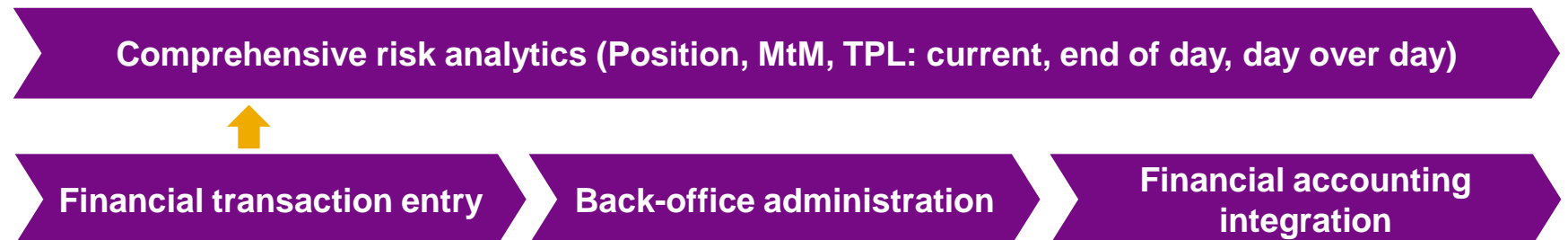
SAP's Approach to Commodity Origination and Trading
SAP Agricultural Contract Management / Commodity Risk Management solution for exchange traded crops

Agricultural Contract Management

Contract | Call-off | Load Data Capture | Contract Application | Settlement | Invoicing | Revenue Recognition

Commodity Risk Management

Comprehensive risk analytics (Position, MtM, TPL: current, end of day, day over day)

Financial transaction entry | **Back-office administration** | **Financial accounting integration**

SAP has successfully co-innovated with Agribusiness customers
Example: Co-Innovation with Cargill around Commodity Origination and Trading

Cargill co-innovates supply chain with SAP

https://www.youtube.com/watch?v=yQsYDCcXrZk&t=1s

- Cargill and SAP have built a strong partnership

- A key area for co-innovation is Commodity Origination and Trading

- The solution enables Cargill to standardize business processes and data on a single platform

Key Business Requirements in Agricultural Origination & Trading

1   How to establish pricing at different times during execution, for partial quantities, with multiple components building up the price?

2   How to capture specific contract terms for quality, optionalities, tolerances?

3   How to assign deliveries to multiple contracts and change these assignments flexibly?

4   How to make adjustments to contract fulfillment based on changing commodity quality /weight information?

5   How to manage fees associated with a deal and how to recover expenses related to the contract with the counterparty?

6   How to manage the market risk associated with the deals?

7   How to manage 3rd party stock at my location and how do I manage my stock at a 3rd party location?

End-to-end agricultural contract management & commodity risk management

	Finance	**Agricultural contract management**		**Commodity risk management**	**Accounting**

Front office

Forecast

Call off Orders / Nominations ◄┄┄► Contracts with commodity pricing

Financial transactions

Risk management

Define risk strategy

Define risk policy

Risk analytics
- Position
- Mark to market
- TpL (DoD MtM)

Back office and accounting

Logistics and delivery execution, application ┄┄► Inventory

Approvals, correspondence ┄┄► Valuation ┄┄► General ledger

Provisional invoice ┄┄► Differential, final invoice

Deal settlement ◄┄► Fees and margins

Accounts receivable and payable

The SAP Agricultural Contract Management application helps you streamline business processes from end to end – enabling accurate, timely, and profitable procurement, sales, and hedging of commodities.

Become an Intelligent Enterprise faster with SAP Model Company

- Get a reference solution with preconfigured processes and data for your industry and/or your line of business
- Take advantage of leading practices and processes, accelerators, and business and implementation guides
- Simplify all phases of your deployment project including discovery and user adoption

SAP S/4HANA, bulk transportation extension for SAP Agricultural Contract Management
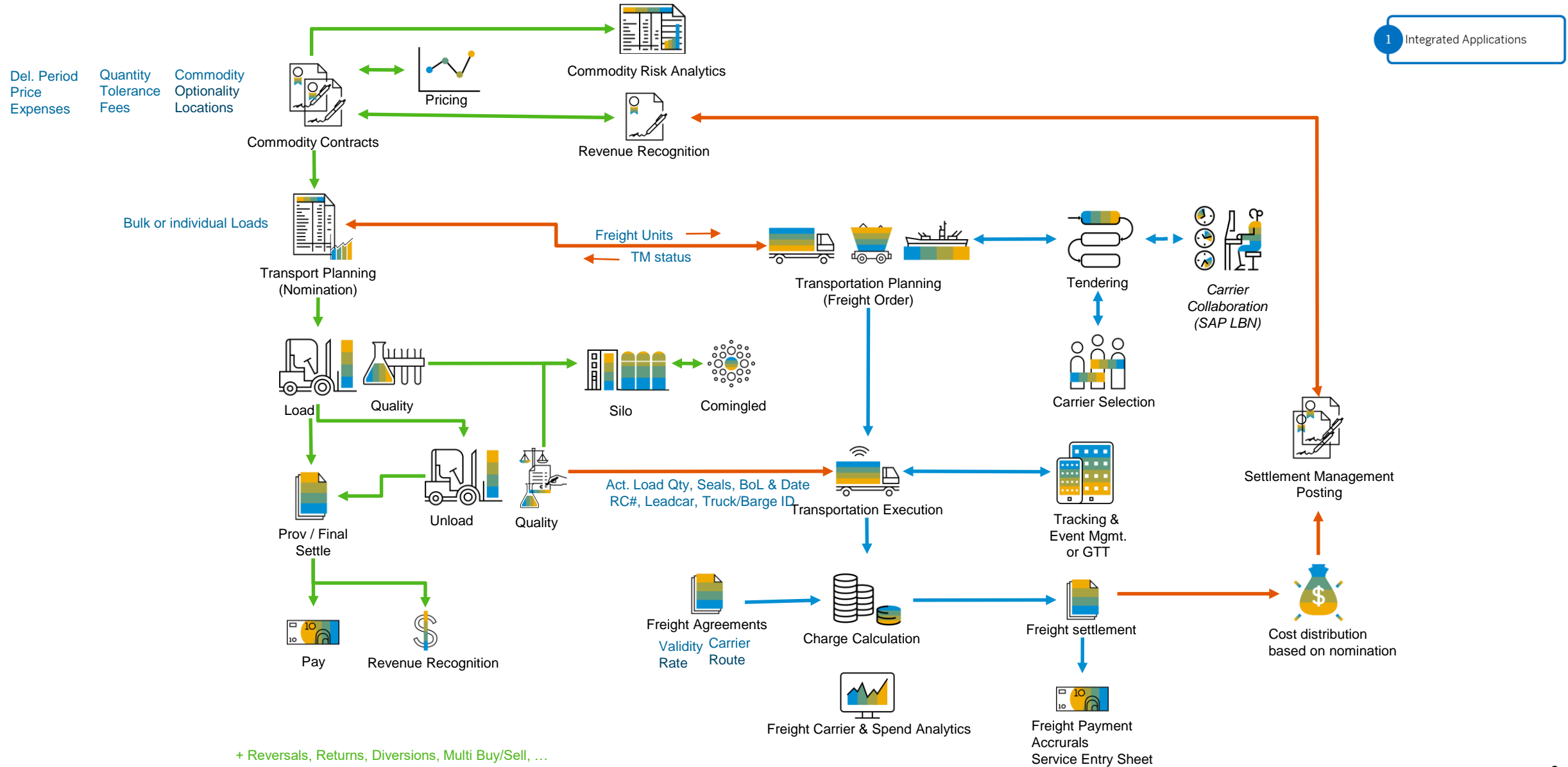
Intelligent user experience: FIORI Launchpad Tiles indicating workload and allowing to work on exceptions

ACM / CM allows **high degree of automation** through delivered interfaces, e.g.

- Contracting through portal / web interfaces
- Loading through weighbridge connection
- Settlement batch process enabled

Enables new **"work on exceptions" approach** through FIORI Smart Business Tiles based on user specific workload:

- Contract approval, management & pricing
- Application unapplied & provisional
- Settlement review & release

Workload
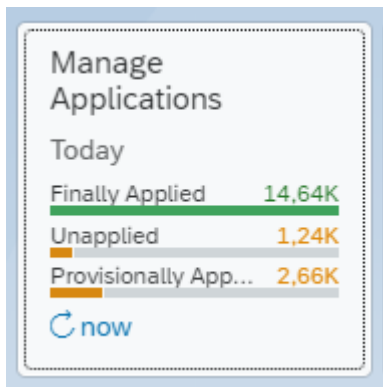
Overview List & perform task

Detailed Info

Intelligent processes: Brisken Market data Hub App on SAP Cloud Platform

https://www.sapappcenter.com/apps/4063#!overview
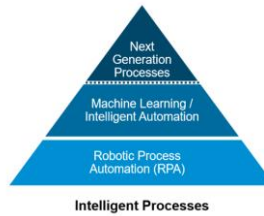
- Pricing and risk management for commodities and currencies is typically based on market data from exchanges

- Market data information is stored in SAP Commodity Management and can be uploaded through an open interface

- Driven by several customer requests, SAP has recently started a partnership with Brisken who have build a SAP Cloud Platform based market data hub application initially for currency data, now extended for commodity market data

Predefined SAP Analytics Cloud Content
Become an Intelligent Enterprise with instant business insight

ACM/CM Risk Content

Target Roles: Trader, Risk Manager, Risk Officer, CFO & Finance

- Market data & news

- Commodity risk analytics – real-time / current

- Commodity risk analytics – end of day and day over day comparison

- Business partner trade analytics (current open trades)

Data Connectivity & consumption

- Live Models, mobile enabled

Additional Intelligent technologies

- Search to Insight (Natural Language)
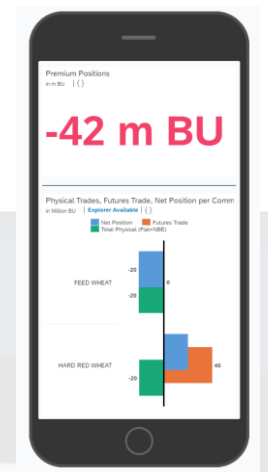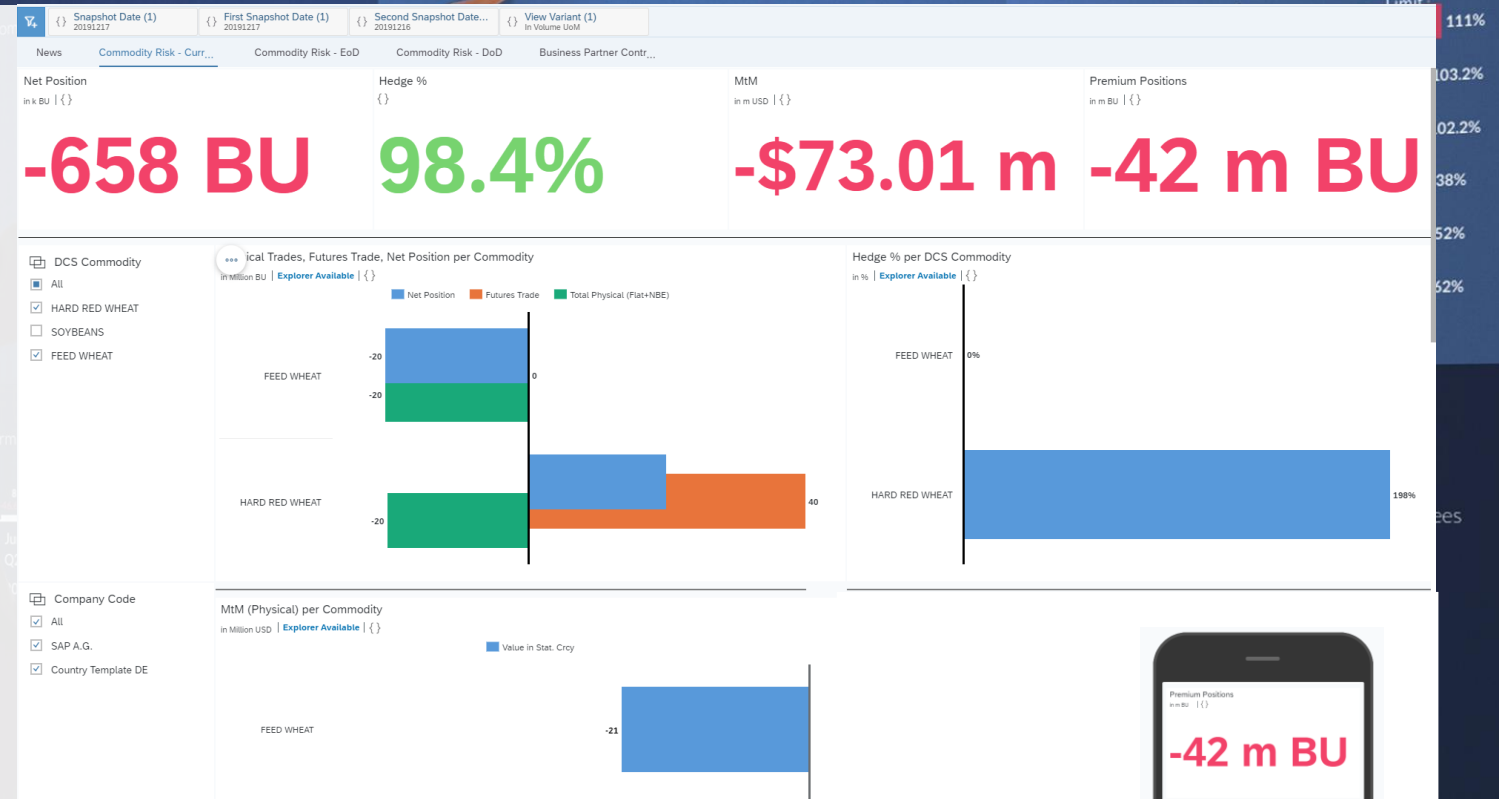
Integrated end to end demo

Create 3ʳᵈ party (purchase) contract using template, including pricing of future component
- ❑ Soybeans, delivery period November 2019, 10.000 BU
- ❑ Pricing: 10.000 BU @ 9.09 USD, CBOT ZSF20 (Jan 20), Basis unpriced

Risk Management
- ❑ Position
- ❑ Mark-to-Market
- ❑ Hedge with Future (2 lots, ZSF20)

Unload truck from weighbridge [AUTOMATIC / THROUGH INTERFACE]
- ❑ Unload Quantity and apply to contract
- ❑ Receive quality

Review Application
- ❑ Allows to apply unapplied contracts, to re-apply to other contracts or to split to multi contracts

(self-) Settlement
- ❑ Automatic or manual (self) settlement
- ❑ Release and create documents incl. FI/GL integration (Accounts Payable)

Interactive Roadmap

In interactive Roadmap, please filter on SAP S/4HANA, Agricultural Contract Management (S/4 OP), Risk Management for Commodities (S/4 OP)

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