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US dairy company improves hedging effectiveness and risk management with Eka

Background

A US dairy organization was looking for an effective way to monitor profit margins from milk and processed milk products. They needed to analyze costs and revenues on demand to ensure they were meeting company targets for profits and growth.

The company did not have real-time visibility into markets or their business, so they couldn't manage risk effectively or time markets. The existing process involved manually pulling data from existing systems, including spreadsheets for inventory, Oracle ERP for physicals, direct brokers' statement from multiple brokers, spreadsheets for additional information on inventory, and market data from multiple data feeds and websites. They would apply rules and adjustments to handle exceptions, process issues, correct inaccuracies and ensure the availability of data in existing source systems. This was a time-consuming process, the company's hedging strategy wasn't optimized.

Business challenge

The company's hedging decisions were delayed because so much time was spent creating reports. These reports sometimes had errors, so more time was spent reviewing them. The market would move by the time they could see true exposure, creating missed opportunities. Their risk policies were not in line with business defined thresholds.

Risk limit breaches often occurred and were not immediately detected. Analyses of gains and losses took valuable time to create, thereby increasing risk due to delays in identifying market risk.



Dairy companies need to continuously monitor and react to rapidly evolving consumer markets. Food fads and trends, population growth, and the expanding middle class in developing nations have led to significant market shifts. To ensure profits remain on target, dairy companies need to aggressively manage margins and continuously evaluate risks while quickly responding to market shifts.

Business Solution

The company implemented Eka's Position and Mark-to-Market, Procurement and Risk applications to consolidate and automate contracts and inventory from ERP, budgets and forecasts from spreadsheets and CSV broker statements from FCM for all products – butter, milk, cheese, etc.

The solution provides pre-built connectors to market data providers and allows for configuration of risk policies in line with business-defined thresholds for contract prices, profit margins and hedge allocation percentages.

The solution generates an overview of risk exposure by product and enables a review of year-to-date realized gains and losses.

Business benefits



Reduced risk

The company has access to instant executive dashboards and gets real-time alerts for breaches of risk limits so they can quickly respond to increased risk. With the Eka Risk application, the company can aggregate data from disparate systems, helping them mitigate risk exposure.



Fast insight

The management team can evaluate budgeted spending, actual spending, projected spending, and coverage across the organization in real time. With Eka's Position and Mark-to-Market application, the company can view exposure at the click of a button instead of waiting days for manual reports.



Rapid ROI

The solution was deployed in eight weeks and started providing benefits immediately. It has enabled faster, better decision making by providing real-time analysis of position and risk.



Accurate insight

Eka's automated solutions eliminate any chance of human error while they aggregate, blends, and analyze inputs from all data sources. Eka delivers one, accurate visual representation of position in real time.



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One team, one vision, one platform.



We help enterprises build the bridge between commodity management and direct materials.



We put customers, employees and our community first.



We forge long term relationships through one strategy, one team and one platform.

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Eka supports over 100 customers globally and has proven industry expertise in helping customers achieve digital transformation, solving complex business challenges in an environment of continuous change.

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