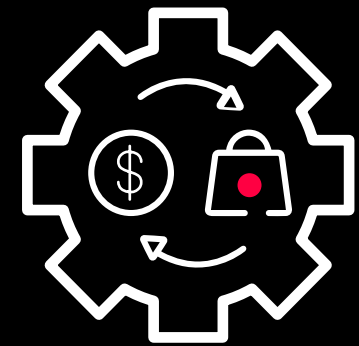


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Food industry: Addressing the key challenges in **trading** and **managing commodities**

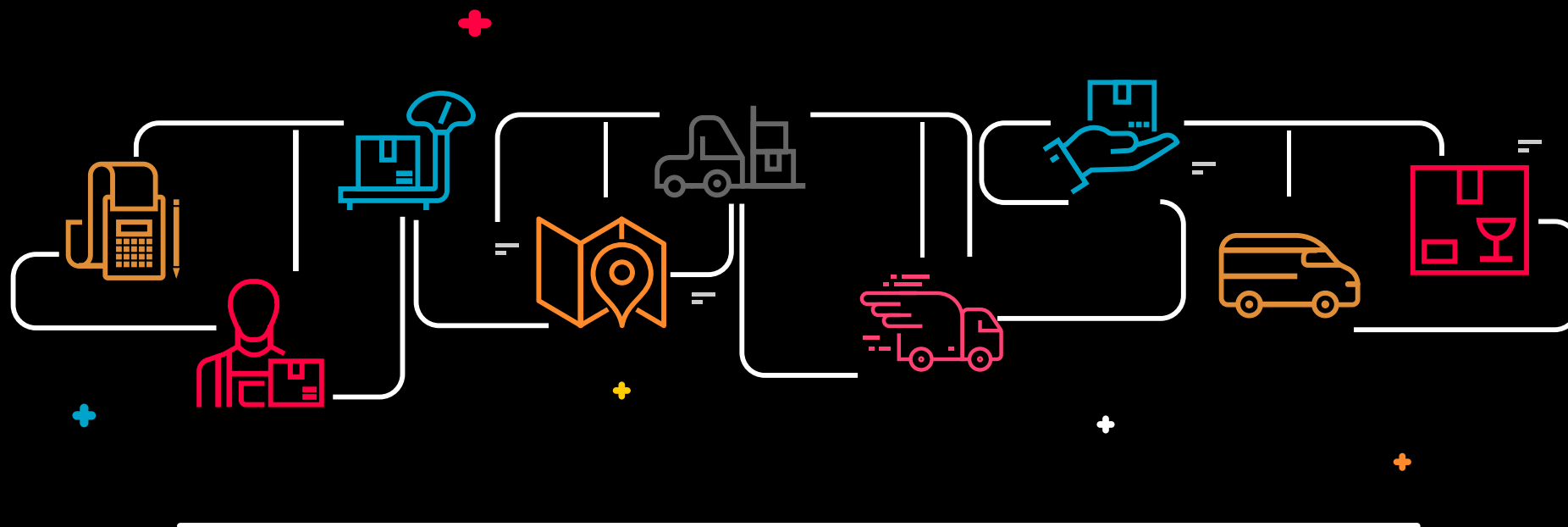


Industry Outlook

The global demand for food is expected to steadily increase over the next few years according to industry studies. Accordingly, the revenue in the food market amounts to US\$9.43tn in 2023. The market is expected to grow annually by 6.21% (CAGR 2023–2027).

The top 5 geographies by revenue are China, United States of America, India, Japan, and Indonesia.

The food market is expected to show a volume growth of **5.1%** in 2024.



Today, the business of producing and distributing food and beverage products is fraught with economic unease and supply chain instability

The highly complex world of commodities

Managing commodities in the food industry is highly complex as it involves various processes, dependencies, and risks. The high-level challenges include:



Consistent sourcing from suppliers at a constant rate and consistent quality.



Mitigating market risk as raw material prices tend to fluctuate.



Production planning is essential to ensure an adequate supply of multiple raw materials with optimized inventory costs.



Distribution is a key aspect to ensure selling is through the right channels.



Pricing is key to being on par with competitor prices and customer's willingness to pay.



Payments involve invoicing and settlements.

From procurement managers, supply chain officers to traders and risk managers, several stakeholders/personas are involved in the food industry. Each has a specific role to play and their own share of challenges. Here are the **challenges faced by key personas in the food industry**:



Inaccurate data capture:

The use of spreadsheets makes it hard to analyze huge volumes of data correctly or quickly, which is crucial for futures transactions. Given the massive scale of food businesses and market volatility, stakeholders need more viable options.



Too many systems to track:

Procurement officers in the industry often deal with hundreds of vendors and face difficulties in keeping track when systems and processes are not standardized. Managing inventory tracking, reconciling, procurements and payment processing with large numbers of suppliers are other tedious responsibilities that also eat into their time.



Traders' need for derivative trading and hedging:

Traders find it challenging to keep track of multiple exchanges of different countries, but they need the intel to keep a close watch on price fluctuations. Businesses in the food industry plan procurement at least a year in advance. The price fluctuation for raw materials needs to be managed. Hence, derivative trading and hedging become crucial activities that need to be managed efficiently.



Disparate systems for ERP and CTRM:

Traditionally, commodity traders use disparate systems for CTRM and ERP. The lack of an interface means the data isn't connected. This leads to a lack of concurrency, visibility, insight, poor decision-making, and even business/trading downtime, which can be costly. In contrast, an integrated ERP/CTRM will help manage processes and risks better.

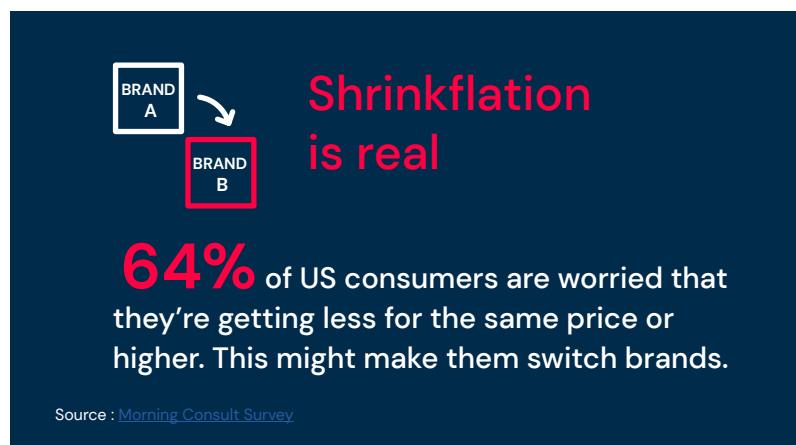


Complex pricing structures:

In futures transactions, knowledge of the price for any given week is critical. Reports that capture weekly price variations are essential but time-consuming and error-prone when done manually. For example, to derive relevant insights on various parameters such as volume and prices, an officer might have to perform six runs to create just one report. This results in precious time lost, and delays in insights and decisions.

Food companies must digitize commodity trading and risk management (CTRM)

In this unpredictable, challenging market scenario, food companies must rethink their operational strategies and build resilience. They must run their business like a well-oiled machine so that their end-consumers don't bear the brunt of uncertainties and delays. Ensuring happy and satisfied end consumers is a top priority for food companies.



CPG companies in geographies such as the US must soothe consumer worries around rising inflation and fears of recession when economic recovery is nowhere in sight. In parallel, they must address a more pressing need – the impact of all this volatility and uncertainty on consumers. It's vital that CPGs understand how their consumers view price changes and use that intel to devise their pricing and communications strategies. This will help build resilience across operations and edge out competitors. While it's not possible to predict future events with 100% certainty, access to data gives a starting point for companies to move ahead with the right strategies.

Some food companies have also enhanced the quality and frequency of proactive communication with supply chain and channel partners, investors, and consumers. This helps strengthen relationships and improve coordination and trust that provide stability in these uncertain times.

→)|(← **The hallmark of resilience**

Resilient organizations navigate through major business shifts by centralizing problem-solving as well as implementing and tracking initiatives. Establishing a cadence across functions to communicate and coordinate changes improves understanding and root-cause problem solving, and accountability to develop resilience.

Digitalizing CTRM should be a top priority for any food company right now.

Here are the top 3 reasons for doing so:



#1 Become more agile and negotiate faster, spot risk sooner, and assess opportunities promptly to increase profits. Integrating their systems and data sources across multiple processes and touchpoints will enable real-time access to data and reports, thus optimizing decision-making.



#2 Offer competitive prices and consistent quality to survive market volatility and improve the lifetime value (LTV) of the customers. LTV estimates the average revenue possibly generated by a customer throughout their lifespan as a customer. This insight helps inform many key decisions for the company around marketing budgets, forecasting etc.



#3 Improve value chain efficiency as the logical step for customer retention as it looks at the full gamut of business activities. This is achieved by defining a clear roadmap to mitigate uncertainties across operations and processes including procurement, production, and distribution. Digitization helps streamline these areas and enables a value chain analysis to identify improvement opportunities.

Navigating commodity trading and risk management challenges with Eka

Many companies use ERP systems for commodity management. But this proves ineffective because of the unique situations, complexities, and nuances involved which can't be managed by a system designed for generic business purposes. On the other hand, SaaS CTRM platforms can help translate data into exposure, track inventory, and focus on cash flow, positions and Mark to Market (MTM). In the current scenario, businesses need a level of intelligent analysis, which is not covered by legacy CTRMs.

Eka's Commodity Trading and Risk Management software addresses this need by giving procurement managers and risk managers a unified view of their procurement analysis and derivative trades.

Eka's cloud solutions are designed to enhance cross-functional collaboration and stakeholder communication.

Applications covered:

Pa	Procurement Analysis (includes analysis of variance, coverage, and basis)	Pm	Position and MTM	D	Derivatives
Br	Broker Reconciliation	S	Settlement Netting Summary	Ha	Hedge Accounting
Pl	Profit and Loss Explained (P&L Attribution)	Rm	Risk and Monitoring		

Connecting disparate systems with Eka



*PO – Purchase Oder | *SO– Sales order

Advantages of the TRM unlocked by Eka

- ✓ Integration of large volumes of data from multiple systems to analyze and gain insights
- ✓ Simulation of market changes, coverage, and spend as well as prediction of bottom-line impact
- ✓ Determination of results by running complex forecasting models and scenarios, and “what if” considerations
- ✓ Tracking of exposures and prediction of coverage by component and against changing market prices
- ✓ Consolidated views of coverage by component/supplier and individual cost contributors by component
- ✓ Evaluation of coverage movement over a time period
- ✓ Analysis of historical spend, supplier behavior, and pricing trends
- ✓ Provision of alerts on spend and coverage thresholds being breached and prediction of components most likely to exceed the budget
- ✓ Analysis of hedging strategies and tracking of market buy signals. Automatic/manual allocation of hedges to individual items is analyzed to track coverage at the most granular level
- ✓ Provision of customized insights with flexible and multiple hierarchies
- ✓ Simulation of multiple parameters – price, coverage, change in forecasted demand – and tracking of impact on covered/uncovered values and forecasted spend
- ✓ Definition and monitoring of hedging strategies
- ✓ Analysis of current and historical price trends to spot pricing and hedging signals based on market price trends
- ✓ Historical analysis of coverage and comparison with market trends to track its effectiveness

Simplifying procurement decisions

Getting procurement right is not easy. Procurement professionals have to evaluate budgeted spending, actual spending, projected spending and coverage across the enterprise to arrive at the best choices. If data supporting these decisions is scattered across systems and multiple locations, access to relevant information at the right time is challenging if they rely on voluminous, error-prone spreadsheets.

Eka's Procurement app offers smart solutions for manufacturing companies to track, monitor, analyze, and manage enterprise-wide budgeted, actual and projected spends.

Users can:



Simulate projected spend and perform detailed spend attribution analysis.



View coverage and price risks and perform market simulations to evaluate the resulting impact on coverage.



Receive alerts if coverage breaches corporate governance policies.

Source: [How consumer-packaged-goods companies can drive resilient growth | McKinsey](#).

[Turbulent Times Call for Advanced Risk Management: Practical Case Study of a Food Company | Commodities People](#).

Conclusion:

These are times of turbulence for the food industry. Decisions and changes implemented by food companies have a ripple effect on the world at large. Whether it's a smallish food brand or a large one relying on different kinds of commodities, numerous factors are making trading and managing commodities in a complex, and volatile environment. It calls for more than surviving the immediate challenge and being ready and resilient for future uncertainties. Food companies must arm themselves with better insights on commodity reporting and look for advanced risk management solutions now, more than ever.

With Eka's modern CTRM system, food companies can leverage new technology, make smarter trades, and accelerate business growth despite the market's volatility.





The power of one.

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.

To learn about how Eka can add value to your operations.

www.eka1.com info@eka1.com



EKA Energy technology house of the year



About Eka Software Solutions

Eka Software Solutions is a global leader in providing innovative solutions that help customers digitize and improve their direct materials business functions across agriculture, energy, metals, mining, and manufacturing industries. Built to accelerate customer's digital journey to the cloud, Eka's platform-driven solutions enable businesses to quickly adapt and overcome complex challenges in trading and risk, supply chain, business collaboration and financial management.

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.

For more information, visit www.eka1.com and follow us on [LinkedIn](#) and on [Twitter](#).