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The Role of Digital Technology in Overcoming Challenges for Food Traders





Food- the essence of our existence is a vital industry across the world. Over the past decades, this industry has witnessed tremendous demand changes with the rapidly expanding global middle class. As if the increasing demand was not impactful enough, many geo-political situations worldwide, have created high commodity volatility.

Consider the Russia-Ukraine war. As per the World Bank's report, the war caused a great shock to the commodity market across the world. It disrupted global patterns of trade, production and consumption leading to soaring prices that will remain till the end of 2024. This isn't a shock as both Russia and Ukraine are among of the largest producers of wheat, corn, barley, oil and fertilizers.

Animal Frontiers Journal has stated that our planet's projected population boom is marked at **9.6 billion** by **2050**. This population growth, coupled with the rise in per capita income in low-income countries are predicted to increase food demand by **48.6%**. These numbers pose a challenge to the food industry as well as the traders to meet the ever-rising demand.

Let us discuss more pertinent issues of the food traders while discussing their possible solution.



1. Procurement challenges: Since the past years, traders have been facing procurement challenges with backlogged transportation, fuel price hike, inflation, and war. This has led to limited resources. As per Procurement Magazine, in 2022, 'The US reported the lowest grain harvest since 2002, with wheat yields down by 41% from 2020.' These factors, along with erratic weather conditions and changes in demand lead to further difficulty for food traders to plan their procurement strategies and manage costs effectively. Also, after the pandemic, there has been an increasing demand for sustainable and ethically sourced food products. This demand has also led to a shift in the procurement practices as traders are now required to source products that meets the standards.



2. Rising supply chain costs: Any food supply chain is a costly affair with the pertinent costs rising from the following:



- **Energy and fuel costs** – This ever-increasing cost is mainly due to the increase in fuel prices in Europe, the US, and around the world.



- **Logistics and freight** – With the fuel shortage as a result of the Russia-Ukraine war coupled with an every increasing demand and fragile international relations, logistics have become a challenge for food traders.



- **Manpower** – Skilled and unskilled manpower is a great asset that, unfortunately, becomes tough to manage. Given the recessive nature of the markets, many are losing their jobs, and this creates an air of mistrust and a lack of security.



- **Investment in new technology** – Investing in technology is akin to planting a seed, the long term results far outweigh the present costs.



3. Quality assurance issues: The demand for quality food has been on a steep rise since the pandemic time. Today, traders and manufacturers are under increasing pressure to produce and distribute high-quality products across the world. However, we can pinpoint some of the common causes that affect the quality and safety of food products:



- **Food safety:** Food safety is a top priority for food traders. They need to ensure that their products are free from harmful contaminants and meet the regulatory requirements for food safety.



- **Quality control:** Food traders need to implement quality control measures to ensure that their products meet the desired quality standards. This includes monitoring the production process, testing the products, and ensuring that they meet the required specifications.



- **Traceability:** Food traders need to have a robust traceability system in place to track the origin of their products and ensure that they are safe and of high quality.



- **Supply chain management:** Food traders need to manage their supply chain effectively to ensure that their products are delivered on time and in good condition. This includes working with suppliers, transporters, and retailers to ensure that the products are handled properly.



- **Consumer trust:** Food traders need to build and maintain consumer trust by providing accurate information about their products, ensuring that they are safe and of high quality, and responding promptly to any concerns or complaints.

Overall, food traders need to be vigilant and proactive in addressing quality assurance concerns to ensure that their products meet the highest standards and meet the needs of their customers.



4. Lack of traceability: Today conscious consumers wish to know where all products and their ingredients, even the trace ones, come from. This demand means that data becomes even more important today. Retaining and sharing authentic information from each step of the food supply chain enhances food safety, strengthens brand integrity, and increases customer loyalty. However, the lack of traceability and transparency can create blind spots and expose unnecessary risks that weaken consumers' trust in your brand, leading to lower sales and profits. Upon further scrutiny, we see that traders need to track and trace products from farm to fork, ensuring compliance with food safety regulations, and managing the risk of food fraud and contamination. Additionally, food traders must be able to provide accurate and timely information to consumers about the origin, quality, and safety of their products.



5. Dependency on spreadsheets: Businesses in the past have relied on spreadsheets for good measure. But recent times have shifted the dynamics. Increased competition, rising prices, and a vast amount of data need a level of accuracy that spreadsheets cannot provide. This is chiefly due to spreadsheets creating siloed data due to a lack of data integration. This leads to botched analysis as different versions of the spreadsheets exist with different data synthesis leading to error-prone decision-making.



6. Disjointed ERP and CTRM: Companies that purchase or sell commodities handle extensive data that resides in various systems. Information on the master data, demand schedule, purchase order, and inventory balance are created in ERP. However, without a seamless connection with the CTRM solution, there are breaks in the process. This is because commodity procurement is a complex process that, with an isolated ERP, does not provide a clear picture of the costs and profits associated with each commodity transaction. This leads to a lack of transparency across the supply chain.



7. Growing regulations: Today food traders are meant to keep up with teeming and ever-changing regulations and ensuring compliance with them. This can be a time-consuming and costly process, especially for smaller businesses that may not have the resources to hire dedicated compliance staff. Another challenge is the potential for increased costs associated with compliance. For instance, new regulations may require additional testing or certification, which can be expensive. This can put a strain on businesses that are already operating on tight margins. In addition, regulations can also impact the supply chain as they may require suppliers to meet certain standards or provide additional documentation, which can create delays and increase costs.

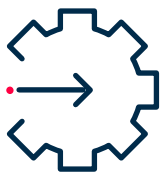
Now that we have addressed the pertinent concerns, let us look at the simple yet effective solutions to tackle them.

Utilizing modern solutions to meet food industry demands.

Today it is crucial to understand that the world has moved beyond the confines of manual labour. For any industry to be relevant, it should become digital. Such a cloud-based solution offers many advantages such as:



1. Upgrading from error-prone spreadsheets to a cloud-based integrated platform that seamlessly connects all services such as order management, inventory control, and logistics management, in a single, integrated platform.



2. Integrating ERP with CTRM is the right way forward to ensure the procurement team secures the right raw material inputs at the right time, quality, and quantity. The production schedule is also created in ERP and shared with CTRM to ensure the right commodities are delivered to each manufacturing location to meet the production schedule.



3. Meeting procurement challenges with derivatives ensures enterprises gain end-to-end management of exchange-traded and determine the rate of changes of a quantity concerning the other quantity.



4. Meet rising cost and quality assurances with tailor-made customizations that seeks out the best outcome for any organization. This includes applications such as Procurement analysis which aids in tracking, monitoring, analyzing, and managing all enterprise-wide spending which includes budgeted, actual, and projected spending.



5. Countering traceability concern with a CTRM solution that offers full traceability, help enterprises manage multiple products across different grade and locations. The solution should be able to show price exposure in real time which helps the team plan and track their workflow.



6. Meeting regulations standards with effective, precise reports that specify the required information. All this, while reducing workforce and time consumed. Along with utilizing Emission Hedging applications that cater to mitigating environmental compliances with real-time visibility into carbon portfolios with comprehensive insights.

Conclusion

The food industry has never faced a shortage of new challenges. Every decade has seen broader solutions and services to keep up with those new challenges. Now, it is time for the food industry to adopt a more futuristic and digital CTRM solution that helps them become future-ready.

A truly digital solution will enable the food industry to enhance customer experience by being more transparent and increasing their efficiency. It will also help automate processes, provide data insights and help improve decision making process that in turn, optimizes the entire supply chain.





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About Eka Software Solutions

Eka Software Solutions is a global leader in providing innovative, cloud solutions for commodity trading and risk management. Its platform-driven solutions for commodity trading help customers to overcome complex challenges and accelerate their cloud journey in an environment of continuous change. Our implementation methodology ensures delivery in quick timelines so that businesses can gain faster time-to-value. Eka supports customers in 50+ countries helping them achieve business transformation by solving complex challenges in a dynamic environment.

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