

Quick Facts

Summary

The SAP® Agricultural Contract
Management application provides comprehensive support for handling all your contracts throughout their lifecycles using agricultural-specific terms and conditions. The software can help you more effectively control and track all expenses related to individual deals and consolidate complex settlements with your business partners.

Business Challenges

- Optimize agricultural contracts despite operating in a context of rapidly changing prices and regulations
- Streamline contract management by centralizing information and processes
- Increase transparency for contract performance

Key Features

- Comprehensive contract management
 Handle all contracts throughout their lifecycles using accurate, agricultural-specific contract terms, automatically execute contract application, and settle contracts for standard and complex scenarios
- Contracts for many types of commodities – Include terms for flexible pricing, time periods, quality criteria, optionalities, and quantity tolerance
- Support for contract amendments, cancellations, washouts, and commingled stock scenarios – Handle multiple contracts with thousands of business partners
- Integration with risk management software – Benefit from optional interfaces provided by the application

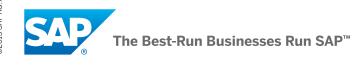
Business Benefits

- Flexible and dynamic management of commodity contracts with their pricings, contract terms, and conditions
- Automated high-volume processing and business-by-exception decisions during contract application based on configurable business rules
- Increased transparency of individual contract performance through consistent management of contract expenses

For More Information

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www.sap.com/services-and-support /custom-application-development /prebuilt-solutions.epx.



Demand for food is up, but supplies are becoming scarcer. Production costs have increased, currencies and markets are volatile, and risk has become palpable. Despite these challenges, agricultural firms are expanding along the value chain through mergers and acquisitions – making a complex business even more complex. Transparency into individual contract performance is as elusive as it is now essential.

MANAGE AGRICULTURAL CONTRACTS OVER THEIR ENTIRE LIFECYCLE

Optimizing agricultural contracts in today's climate of rapidly changing prices and regulations requires increasingly sophisticated skills for managing complex contract structures. To execute contracts effectively, you need all contract-related information in one place. For business scalability, you need a single solution that can help you manage contracts for multiple commodities.

The SAP® Agricultural Contract Management application provides comprehensive support for handling all your contracts throughout their lifecycles using agricultural-specific contract terms. With SAP Agricultural Contract Management, it is possible to incorporate particular terms for quality, tolerances, optionalities, and expenses - both planned and unplanned. You can create contracts for specific periods of time, fix prices with their components - such as basis or futures - and manage contracts with partial or no pricing. The software can help you establish pricing at different times during execution and address partial quantities.

Expenses of individual deals can be effectively controlled and tracked. Contract amendments and cancellations are supported, and related fees will be considered in the subsequent settlement process. And you can consolidate complex settlements with your business partners.

Integration with risk management solutions is optional, with SAP Agricultural Contract Management providing generic interfaces for such an approach.

CREATE AND MONITOR CONTRACTS FOR MANY TYPES OF COMMODITIES

SAP Agricultural Contract Management helps you manage contracts for thousands of business partners and for a wide range of "soft" commodities – including corn, wheat, other cereals, rice, soybeans, coffee, cocoa, sugar, and cotton.

EXECUTE AND SETTLE CONTRACTS MORE EFFECTIVELY

With SAP Agricultural Contract Management, you can flexibly assign deliveries to multiple contracts and validate loads against available quantities, contract terms for qualities, optionalities, and tolerances. You can also adjust contract fulfillment based on commodity quality and quantity. However, even at this point in the process, it is not necessary to have established a price.

The software can help you capture load information through the load data capture functionality. It offers the possibility of receiving the load data from weigh bridge systems or through a user screen.

It is common industry practice to set up contracts on a generic basis and determine the specific material before or during contract execution. For this purpose, the solution helps you determine the materials that are allowed in order to apply a specific contract.

Based on configurable business rules, loads can be automatically applied to contracts, with available pricings and other documents generated automatically in the background. The business rules allow for fully automated application, semiautomatic application, or manual application. The rules are highly flexible and can be set up on the basis of customer, material, and location.

The application facilitates the evaluation of discounts and premiums for quality schedules, optionalities, and tolerance schedules. It includes functionality to support a contract application manual work center. Through this comprehensive software, the user can split loads between many contracts, create spot contract requests, and manage decisions to be made about specific applications of loads to contracts.

The software helps you calculate the settlement amount of contracts based on available pricings, evaluated quality information, weights, and discounts or premiums for executed optionalities and quantity tolerances met. If all pricings are available, and the quality information and weights are available as defined per contract, settlements can be made final. If not, settlements will be provisional. The solution can support several provisional settlements of a single deal until it is finalized.

The solution provides functionality to incorporate all expenses that can be recovered from the counterparty and deducts it from the settlement amount. The contract settlement functionality of SAP Agricultural Contract Management includes a settlement work center, which supports the simulation of settlements. Settlement logs can be reviewed to analyze settlement calculations; settlements

can be manually created, approved, and released; and status can be reset. The functionality allows for multilevel user authorizations, which support segregation of duties, and individual settlements as well as group settlements are supported.

There will be cases where settlements that have been finalized require adjustments in the overall transaction. For just these circumstances, the software supports adjustment settlements while maintaining transparency and allowing you to measure individual deal performance.

Washouts are handled through nonstandard settlement functionality of SAP Agricultural Contract Management, which includes support for the settlement of all fees associated with the washout transaction. After the settlement calculation is completed, the amounts are transferred to sales and distribution software from SAP for billing and to materials management software from SAP for invoicing.

The solution can monitor the events that must occur to realize purchases and recognize revenue. When those events occur, necessary postings are triggered automatically.

SAP Agricultural Contract Management can help you execute contracts involving either standard scenarios – such as purchase contracts, sales contracts, and spot purchase contracts – or intercompany and intracompany processes. It supports more complex business scenarios as well – so-called back-to-back processes (pegging two independent business transactions).

The software also supports exception scenarios – such as tracking unapplied ticket scenarios, reversal and return scenarios, washouts, and circles.

USE ADDED FEATURES TO MAKE CONTRACTS EVEN MORE EFFECTIVE

SAP Agricultural Contract Management offers a variety of other features to help you handle contracts more efficiently and cost-effectively.

Inventory true-up functionality – Certain inventory must be valued at a market rate, and certain quantities moving into and out of an agricompany's locations must be included in this valuation. The application provides functionality for performing mark-to-market valuations according to your specific needs.

Cancellations – If counterparties decide that a certain quantity of the contract is no longer needed, they typically have the option to cancel this quantity. You can use the software to cancel unneeded quantities and incorporate any fees associated with reducing the quantity of the contract. You can apply pricing for the quantity that is to be cancelled, which can be different from the remaining contracted quantity.

Contract closures – Commodity contracts for bulk goods are rarely filled to the exact quantity for which they are confirmed. More commonly, deliveries result in an under- or overfill quantity that is applied to the contract or to a different contract. The application lets you customize residual

quantity thresholds and ensure that, once the final delivery for the contract is made, the necessary steps are taken to close a contract against any further deliveries if certain conditions are met.

INCREASE FLEXIBILITY, TRANSPARENCY, AND SCALABILITY

Using SAP Agricultural Contract Management can improve your business in several key ways. First, it supports the highly flexible and highly dynamic management and execution of your commodity contracts and automates high-volume processing during harvest time. Configurable business rules facilitate business-by-exception decisions, which can significantly reduce the number of manual transactions related to each contract, saving you considerable time and effort.

The software increases transparency by helping you manage the contract and track all adjustments and expenses related to the contract – all in one place. This provides you with transparency on how individual contracts have performed.

For More Information

To learn more about the many ways that SAP Agricultural Contract Management can help your business, contact your SAP representative or visit us online at www.sap.com/services-and-support/custom-application-development/prebuilt-solutions.epx.

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