

A photograph of a modern building interior, featuring a wide staircase with a glass railing. Several people are walking on the stairs and on the ground floor. The image is overlaid with a green and blue gradient. A white circular graphic element is positioned on the right side of the image, partially overlapping the text.

Why the use of msg.classified procurement is worthwhile for you.

Purchasing of agricultural primary products made easy.

What is msg.classified procurement?



msg.classified procurement is a software component for classified purchasing.

It enables companies to purchase “unclassified” products. Usually, these are primary products such as raw milk, live stock or vegetables or herbs directly from the field.

Producers do not know the classification - the quality or the exact specification - of these products at the time of receipt. This often means that no exact price can be determined before delivery.

Why is msg.classified procurement so important for processors of agricultural goods?



What is a primary product?

Primary products refer to biological material that is minimally processed and is part of the total raw material (e.g., wheat grain is primary product and wheat ear is the raw material).

Which primary products are suitable for classified purchasing?

Milk, live stock (cattle, pigs, poultry), fish, vegetables, grain, oilseeds, fruit, cacao, coffee, root crops



What is classified purchasing?

In classified purchasing, the supplier is not remunerated only on the basis of the delivered quantity of the respective primary product. Remuneration is essentially based on the characteristics of the primary product recorded at the time of delivery.



How do you map the purchase of agricultural goods (primary products) in your ERP system?

Have you ever been in the situation where you purchase agricultural goods (primary products) from the producers and only determine the material composition of the goods upon delivery? Wouldn't it make sense to be able to enter the measured ingredients for the respective supplier batch in the ERP system and use these values as the basis for remunerating the producers in evaluated receipt settlement?

Why is msg.classified procurement so important for processors of agricultural goods?



How does classified purchasing of agricultural raw materials or primary products work in detail?

The producer notifies the processor of the quantity of the primary products to be delivered before the harvest. A contract is created, if necessary. After harvesting, an order is created with reference to the contract; upon delivery to the processor, the weight is measured using a truck weighbridge.

Weighing is used to record the goods receipt of the primary product quantities; a sample is also taken during this process. This sample is analyzed at ingredient level, e.g., for protein, fat, starch or pollutants. The result of this analysis is the basis for

- a) The remuneration of the producer
- b) The adjustment the recipes as well as production and sales planning
- c) The determination of supplementary primary product requirements in connection with excess stocks or shortages of particular ingredients of received deliveries

If the results of the laboratory analysis are within the specified target values, the delivered primary product can be processed further (release of the batch). When the batch is released by the laboratory, evaluated receipt settlement is triggered, i.e., the supplier receives a credit note for the delivered primary product based on the analyzed ingredients.

Why the use of msg.classified procurement is worthwhile for you.



Improving the basis for planning and profitability in the purchase of agricultural primary products

Challenge

- Regular purchase of primary products (e.g., grain, oilseeds, milk)
- Primary products differ in terms of their ingredients depending on climate and soil
- Suppliers are to be remunerated on the basis of the measures ingredients (laboratory analysis)
- Recipes, sales, procurement and production planning are to be quickly adjusted on the basis of laboratory values



Use and benefits of msg.classified procurement

- Sample taking at weighing
- The sample is analyzed in the laboratory regarding ingredients (e.g., fat, protein)
- Laboratory values are assigned to the batch (i.e. the primary product = material)
- Supplier (farmer) receives a credit note on the basis of the delivered quantity and the analyzed laboratory values
- Complete transparency about the purchased raw materials and their composition in terms of content
- Transparent and market-driven remuneration of the agricultural producers
- Numerical basis for accurate reporting and meaningful forecasting (sales and production planning)

Components of msg.classified procurement – Classification framework



The classification framework: Cockpit-based recording of quality and price characteristics



Challenge

- Processors of primary products (e.g., raw milk) does not have comprehensive information about the classification or quality of their primary product at the time of delivery to the processing plant
- An exact (purchasing) price can thus not be determined at the time of delivery

Use and benefits of the classification framework

- Quality and price characteristics can be recorded in a separate cockpit
- Recorded quality and price characteristics can be inherited
- User of inherited quality and price characteristics for price determination in the purchase order
- Inheritance takes place according to parameters to be set in master data

Components of msg.classified procurement - Settlement cockpit



The Settlement cockpit: Automated settlement processes



Challenge

- Management of the sample analyses of internal and external laboratories
- Payment process for the respective raw material as a complex algorithm based on
 - Legal requirements
 - Internal guidelines
 - Supplier agreements
- Creation of a posting document for the respective purchased raw material
- Distribution (dispatch) of the settlement to the producers
- Informative evaluations for each producer

Use and benefits of the Settlement cockpit

- Linking of producer sample to the respective delivery
- Classification framework provides the logic for price determination of the raw material based on
 - Ingredients
 - Other, price-relevant properties
- Integrated document flow up to individual producers
- Evaluations for each producer
- Settlement cockpit automates settlement
- Price determination on the basis of defined characteristics
- Mass price changes
- Invoice aggregation rules

Contact



Stephan Kronbichler
Head of Sales and Marketing
+41 (0)61 508 21 42
stephan.kronbichler@softproviding.com

msg systems ag
Robert-Bürkle-Straße 1
85737 Ismaning

+49 89 96101-0
+49 89 96101-1113

info@msg.group

value – inspired by people