

WHITEPAPER

Agiblocks Your go-to CTRM solution

A whitepaper about CTRM software
for commodity traders

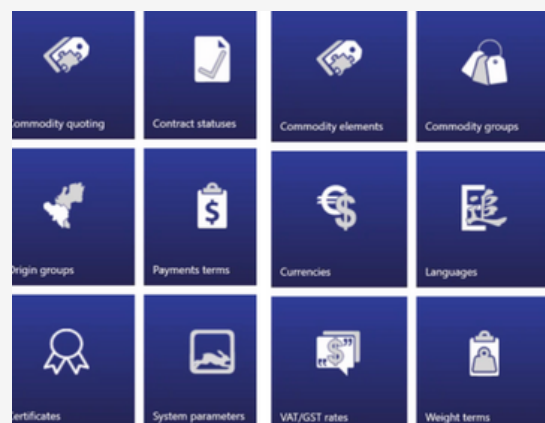
CTRM software challenges - and why Agiblocks is your go-to solution

Commodity trading is a volatile business that requires several types of data to be exchanged and confirmed, especially for OTC and physical markets. There are many, many different aspects to deal with all at once – ranging from physical commodities, commodity trading and speculative trading to commodity logistics and finance and risk management. And that's just the tip of the iceberg.

Yet, unlike the financial and tech sectors, the commodities back office is still slave to lengthy manual processes largely due to the myriad of complex data exchanged between counterparts. We know, because Agiblocks has been battling inefficiency and time-consuming labor for over a decade now.

As trade margins have decreased and oversight increased, keeping costs down and minimizing errors has naturally become the focus of many commodity-related firms. With change being the only constant in the industry, having an agile and adaptable, easy to implement out-of-the-box CTRM with low total cost of ownership is now mandatory. By taking the commodity-specific approach, Agiboo has managed to meet these needs of the user community – particularly smaller, more focused businesses – while also being able to offer an ecosystem of focused solutions and functionality to larger entities.

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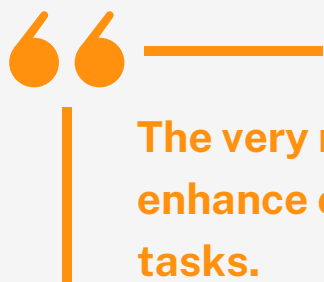


Commodity trade

Now, before we get into the specifics of Agiblocks and its solutions to some of the aforementioned problems, it's interesting to take a step back and zoom out a bit: what is it you should be looking for in CTRM software in general?

CTRM software is that category of software applications, architectures and tools that support the business processes associated with trading commodities. It features a broad set of functions that can vary considerably across different commodities. We're not just talking about the specifics of one commodity – such as the various different kinds of sugar or the preferred shipping methods of cocoa beans – but also about what assets are employed in the business, where those assets are located and what the company's business strategy and associated business processes are.

For starters, there are the obvious characteristics; any software solution should feature any and all variables and properties related to commodity trading; it needs to be auditable, which is to say banks should be able to verify it as a reliable product; and you should be able to link it, directly or indirectly, to your accountancy system in order to reduce manual maneuvers there as well. The key component however is that the system matches all the intricacies of the industry which it intends to support.



The very reason Agiblocks was developed was to enhance overall efficiency and reduce wasteful tasks.


Your software should reflect that and have all those variables and requisites built-in to allow you the freedom and flexibility necessary to do your job as a commodity trader.

The cocoa trade for instance is very peculiar and very specific. Your software should reflect that and have all those variables and requisites built-in to allow you the freedom and flexibility necessary to do your job as a commodity trader. In fact, the very reason Agiblocks was developed was to enhance overall efficiency and reduce wasteful tasks. All we needed was a way to streamline the daily use of both sets of software. Which is what we've done.

Industry-specific

Agiblocks is rich in functionalities and supports all the flexibility that characterizes the industry, specialized for a certain commodity or commodity group. It is the CTRM software solution that simplifies the daily practices of commodity trade professionals.

Our CTRM software has been developed with the single goal of making your fixed routine of commodity trading and risk management more efficient. Its clean user interface is simple with fast access to key functions. For every task, from creating a contract to evaluating your risk, all required information is readily available. It is as powerful on smartphones and tablet computers as it is on the desktop, so it's accessible anytime, anywhere.



Agiblocks simply does what it is supposed to do, and quickly adapts to any changes in the industry.

Adaptability

Agiblocks isn't limited to a single particular commodity



Another necessity of any good CTRM is the ability to be adaptive to the complex landscape of the industry it sets out to service. The cocoa industry for instance has a very rich history and heritage, but also a quintessentially dynamic future. A software solution should reflect that by being able to adapt to new developments and conditions. As so many things have changed over the years, we feel Agiblocks is unique in the continuous processing of all those variables. It simply does what it is supposed to do, and quickly adapts to any changes in the industry. So much so, that traders who've turned to Agiblocks have unanimously turned out to be valuable ambassadors for our services, spreading the gospel in our stead.

Agiblocks isn't limited to a single particular commodity, but rather it is focused on a group of commodities that it has extensive experience with trading – including but not limited to cocoa, coffee, sugar, dairy, grains and vegetable oils. For each of these commodities the business logic and processes needed to manage it effectively are embedded in Agiblocks and its modular design allows more commodities to be added whenever needed.

What this means though is that it includes specific functionality for specific commodities that are often missing from more general legacy CTRM solutions, including for example ratio hedging for cocoa, white premium trading for sugar and the option to switch from container loads to bags or boxes for coffee and nuts.

Though these may seem like small areas of functionality, to add them to an existing CTRM is a major undertaking as that the functionality needs to work across the system. For example, in position management reporting, for hedging purposes where traders need to hedge small quantities of commodities individually; both currencies and terminal markets, where it impacts pricing, price formulae and so on. Adding a small area of specificity for a commodity has huge ripple effects across the entire solution that also need to be considered.



Ease of use

We may have kept our clean user interface simple with fast access to key functions, but there's still a lot to explore. Which is a good thing. CTRM solutions need to be complex and rich in functionalities. Capturing all underlying details is simply a necessity for success.

At Agiboo we know you need to have all the relevant data, and it needs to be reliable so you can respond to the real situation. It needs to be supported by quality mechanisms, available in real-time and capturing everything from pricing/hedging to trading factors and specific functions and features. That is why we made sure Agiblocks is a commodity-specific CTRM solution: to match all the intricacies of your particular industry. Or, better yet, all the complexities of your daily routine.



Support and experience

The Agiboo team has significant experience in commodities industries and has supported many reputable customers in their commodity trade and risk management challenges. Our experience was built in senior management positions and leans on our operational involvement in commodity trading, procurement, finance and information technology. Our combined skills offer a practical breeding ground for consulting engagements, delivering end-to-end solutions with effective project management.

Implementation of any new CTRM system has, on average, a 25 percent success rate after the first full year. Agiblocks scores an impressive 93 percent thanks to the connectivity, scale and functionality of our commodity-specific solution. What are you waiting for?

The background of the top section features a blurred image of a calculator with various buttons like '+/-' and 'AC' visible. Overlaid on this are faint mathematical expressions, including 'EX.2 Simplify completely:', '(b) (x^2)^3 (y^3)^3 (z^2)^4 = x^6 y^9 z^8', and '(c) (2 x^2 y^2 z^4)^3 = 2^3 x^6 y^6 z^12'.

Risk Management

A big part of any CTRM system – about 50 percent, as the abbreviation would have it – has to do with dealing with risk. Commodity traders – as well as most other traders – tend to be risk averse. That is to say, they prefer situations with low uncertainty over situations with high uncertainty. Or better yet, no uncertainty at all. However, in economics and finance, as well as in life, things are never one hundred percent certain, nor do the most certain outcomes yield the best results. Luckily, there are tons of tools to deal with uncertainty as a solution to your risk aversion. And Agiblocks handles them all.

Take the price, for instance. The pricing of any commodity is obviously an essential part of a contract. You could argue all other sections of any contract merely generate input for determining the price.

A price can be settled in many different ways, ranging from a fixed price to a market related price. Of course, our Agiblocks CTRM solution can help you with all those steps, as physical contract management is where it excels. It supports trading management as well as financial management from the same source of data and within the same easily accessible application. Designed by traders, Agiblocks enables its users to focus on the essence of their trading.

As with every investment in every sector, there are risks involved when trading commodities, even when it's your actual business and not a portfolio strategy. It's easy to picture these risks when talking about mining and minerals like gold, steel and coal, or when discussing energy sectors like oil, gas and electricity. The agricultural sector too has its fair share of market risks though, whether it be in sectors like wheat, cotton and sugar, or related to coffee and cocoa beans. Luckily, risk can be managed – to a degree.

Commodity risk

Commodity risk is defined as any risk an entrepreneur faces due to changes in prices or any other variables related to any particular commodity. The management-part relates to any and all strategies applied to hedge or minimize these risks. For price risks, those strategies include anything from futures, options and forwarding contracts, to storing and price pooling – but there are several other types of market risk besides price changes alone. There are a number of parties exposed to commodity market risks, such as producers and manufacturers, exporters and importers and traders. The exposure level to these risks differs per party as do the measures to minimize these risks.

There are different specific risks per commodity market, but there are also common risks, which can be found on any type of commodity market. To successfully manage these risks and minimize their effect, a keen understanding of these risks is essential.

When entering any commodity market, it is vital to take these market risks into account and have a structured risk management system set up. This way, precautionary measures can be taken to limit the risks or determine whether or not possible profits outweigh expected risk. Let's focus on price risk, as price variations are the most well-known risk in commodities, as producers, manufacturers and consumers are all affected by it.



Risk Management strategies


At Agiboo, one of the foremost things we have noticed during all our years of developing and perfecting a suitable CTRM solution – that is as much about the RM as it is about the CT, or better yet simplifies the RM so you can focus on the CT – is the diversity of how people perceive market price risk and more prominently, the diversity on how they manage it.

There is no good or bad way, necessarily – but given that market price risk management has a long history there is still an apparent lack of standardization that shows us how complex it is to standardize and find a real common approach, despite the existence of professional exchanges and their focus on derivatives as the answer.



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It turned out to be quite a challenge, to create something which can capture all this flexibility and possibilities in a single software solution. We did it anyway.



Success of a CTRM system depends on an effective implementation

According to industry statistics, there's about a 75 percent failure rate when implementing any CTRM solution. Studies show it's not due to the product, but rather to the implementation. The adoption of the new system.

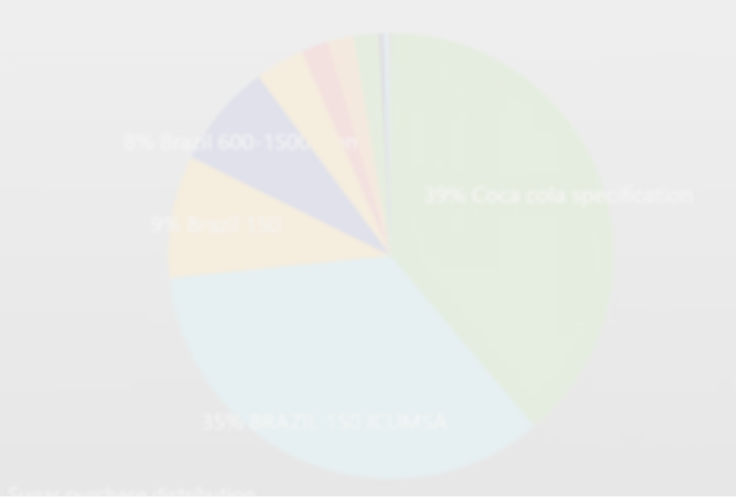
At Agiboo, we too believe that the success of a CTRM system depends on an effective implementation. Therefore, we've made it our mission to not only provide a best in class software solution, but an appropriate support system for accessible, successful implementation as well. That's why Agiblocks scores an impressive 93 percent success rate, thanks to the connectivity, scale and functionality of our commodity-specific solution.

Deployment of such a system is not daily routine for most of our clients, nor should it become a core concern for them. We are experienced in smooth transitions and have our clients up and running quickly. This rapid implementation is supported by the agility of Agiblocks, its flexible integration capabilities and its attractive user interface.

Before you even choose to implement our CTRM solution, we can start you off with an extensive (and free) demo of all the basics, to help you make the transition into a more efficient daily routine. Then there's the continuously updated Commodity Knowledge Center on our website to help you along. There's a whole library of useful information and whitepapers, and we do video's as well. We've recently introduced a new series of Agiblocks tutorials. In your everyday routine as a trader in agricultural and soft commodities, you are faced with long-term investments, multiple deliveries, optionality, premiums, quality differentials – the list goes on. In our videos, we show you all you need to know.



Agiblocks scores an impressive 93 percent success rate, thanks to the connectivity, scale and functionality of our commodity-specific solution.



What we have concluded is that it is not the available toolset that creates a diverse approach, but rather the individual translation of one's situation towards that tool. Apparently, the full set of variables that define your situation is what make it so complex to choose derivatives, choose how to apply them, and build a risk management procedure out of it. As a corollary, feedback from customers on their derivatives strategy continues to vary – greatly. Where one is not using them at all, the other has a complete range of instruments such as futures, options and OTC's.

The answers usually lies somewhere in the middle, and depends on the type of business; a trader of sugar has other interests than a manufacturer who uses cotton to make jeans or a producer who buys cocoa to make specialty chocolate. Furthermore, these commodities have their own specifics and dependencies of opportunities and physical limitations. And then there's the geographical location; a local approach can demand a completely different market price risk management as compared to international operations.

As a purchaser of commodities looking to make a finished product, you probably don't want to speculate on a lower price. But how do you mitigate risks, and protect your interests? A direct sell of a future along with your physical purchase contract? The long option of futures? Should you approach a financial institute to create a fancy OTC contract with the help of expensive experts? And will the fluctuation of the physical price be in line with the derivative? How to manage the differential between the two, as that is a risk as well? All those questions are all well and fine when it's just one contract. You could sit down, have it all worked out in one afternoon and be sure that your market price risk is covered. But what about multiple contracts? Which are all interrelated? How do I simply and streamline my risk management process without limiting the practical choice of instruments...?



Agiblocks to the rescue

One of the main reasons we have developed Agiblocks CTRM answers exactly that question. We offer a simplification of the views and risk control, while still managing a multitude of sophisticated and complex contracts. Allowing you to focus on the actual deal rather than all the underlying risk control and risk management. Our objective is to offer the full picture with just a single touch. It turned out to be quite a challenge, to create something which can capture all this flexibility and possibilities in a single software solution. We did it anyway.

We wanted to go the extra mile and facilitated mechanisms to put up hedge requirements as a result of physical trades or purchases. We chose to do so for specific markets, because understanding and facilitating all the intricate specifics of a given commodity is key – and an absolute necessity to provide our clients the maximum freedom and opportunity to use the best derivatives for their specific situation without worrying about how to control the risk.

Agiblocks CTRM solution can help you to hedge your bets in a commodity market, any commodity market, that is full of uncertainties and risk. Are you a trader, buyer or seller in soft and/or agricultural commodities and do you want to know more about commodity trading and our next-generation software? The full range of Agiblocks functionality is available within our newly improved demo environment. Familiarize yourself with the tools and features of our powerful and agile software solution and find out how you can improve your daily routine. Go to www.agiboo.com/demo.

REQUEST A **LIVE DEMO** IF YOU ARE:

01

A trader in soft
and/or agricultural
commodities

02

A buyer or importer
of soft and/or
agricultural
commodities (for
instance: a
producer
purchasing raw
materials)

03

A seller of soft
and/or agricultural
commodities

.. or if you are simply interested in our next-generation CTRM solution

Request Demo



About Agiboo

The commodity trade and risk management software Agiblocks incorporates detailed understanding of the specific business and information technology requirements to successfully deploy commodity trading and risk management. Agiblocks is positioned as a 'next generation' CTRM solution for commodity purchasers and traders.

Agiboo has its roots in the commodity trade and is one of the organizations driving commodity knowledge through the industry. People at Agiboo have their background in or did projects in a variety of commodity trading organizations. Products of Agiboo BV have been deployed in more than 20 commodity industry companies, where additional services have been delivered to more than 30 commodity industry organizations.

Senior staff at Agiboo has been exposed to senior management roles in trade, procurement, finance and information management. For its development and delivery processes Agiboo employs senior staff with each individually well over 20 years of experience in software development and delivery. Besides inhouse consultants and developers Agiboo has long standing relations with external software development and implementation consulting companies.

Agiblocks has been developed in one of the latest available software architectures, cloud services based and is designed to be accessible through any browser on any computer or tablet. Due to its design and its technology it offers a unique and intuitive user experience and is very scalable in its implementation. Together this facilitates easy implementations and a low total cost of ownership. Agiblocks can be deployed on a single server on site or made available in the cloud and is offered on perpetual license or on subscription basis. These alternatives make Agiblocks an attractive alternative for any CTRM need in almost any situation. Let's talk solutions.



Agiblocks is not just the next generation of CTRM systems, but a solution that truly meets all technical as well as business needs for anyone working in soft or agricultural commodities. That's why anyone looking for CTRM software for the commodity trade – whether you are a trader, buyer or seller dealing with single or multiple soft and/or agricultural commodities – should look no further. We've got you covered with Agiblocks, our flagship CTRM solution.