

Energy & Commodities – Agricultural Commodity Price Risk Management U.S. AGRICULTURAL COOPERATIVE

A Leading Agricultural Cooperative Moves its Price Risk Management, Hedging and Reporting from Spreadsheets to SaaS with FIS' Kiodex

The company

An agricultural cooperative, founded nearly 100 years ago, represents family-owned farms across the Northwestern United States. The cooperative produces premium quality milk, butter, sour cream, cottage cheese and other dairy products for institutions, the food industry and individual consumers around the world. As one of the top five dairy cooperatives in the US that exports a significant share of its production, it is exposed to global dairy supply and demand dynamics. While the exports are critical for maintaining the growth of the cooperative's dairy production, it also increases the need for efficient commodity price risk management processes across multiple functions, from procurement and the sales divisions.

The challenge

Members of the cooperative, also known as patrons, rely on the cooperative to provide hedging services for the milk they sell to the cooperative. With over 10,000 members, the cooperative found that it was no longer possible to manage price risk and reporting securely or effectively using spreadsheets. It needed a more scalable and automated solution. Also, in addition to offering hedging services to patrons, the cooperative also offers risk management services to customers who buy the finished dairy products. The cooperative has a 360-degree risk profile which requires expertise to ensure purchases and sales remain in balance, and that a physical position backs each hedge. The cooperative's hedging practice is a tightly controlled service, monitored by senior management to ensure the practices conform to the strategies approved by the hedging committee.

THE OBJECTIVES

- Move price risk management from spreadsheets to a secure and scalable SaaS solution
- Support the 360-degree hedging program with physical position balancing and hedging capabilities
- Implement hedge accounting treatment for all qualifying hedges
- Generate robust reports across the organization and an audit trail of all activities
- Reduce price risk, enhance hedging capabilities, and strengthen competitive advantage

THE SOLUTION

- Allows deployment of a range of strategies and easily adapts to changing hedging requirements
- Provides a full view of roll-up risk across various divisions
- Supports the 360-degree hedging program with advanced reporting capabilities, including hedge accounting and a complete audit trail for all hedging activities
- Generates robust reports through easy-to-use configurable dashboards
- Enables the company's IT team to achieve rapid implementation with minimal internal support through a vendor-supported SaaS solution

The cooperative also wanted to capture the benefits of hedge accounting treatment for all qualifying hedges. To do all that, it needed a system that could also provide management reporting and an audit trail of all activities.

The solution

After evaluating several vendors and consultants, the cooperative's risk committee chose FIS' Kiodex Risk Workbench due to its ability to provide a wide range of price risk management strategies and support its 360-degree hedging program, including hedge accounting and a complete audit trail for all hedging activities. The solution also allowed the cooperative's risk committee to manage risks across the entire organization and generate reports of roll-up risk for proactive risk management. One of the most important differentiating factors was the solution's easy-to-use reporting interface. The robust reports are constructed with a familiar Excel look and feel, like a Pivot Table in appearance and functionality. FIS' solution provided the cooperative's users with a secure and auditable system of record, as well as the tools necessary to grow and enhance their reporting business processes.

The results

FIS' Kiodex Risk Workbench allowed the cooperative to quickly implement complex commodity price risk management strategies and robust auditing capabilities without requiring additional hardware, headcount or a long and costly implementation. Prior to the implementation of Kiodex Risk Workbench, the cooperative's risk management team manually managed the reporting that was time consuming, in-flexible and prone to errors. Now, the cooperative has the capabilities in place that provide a holistic view into risk, allowing proactive risk management and efficient auditing. This resulted in improved control, reduced cost and fewer hedging errors, that ultimately allow the cooperative to scale up its hedging services and improve margin without increasing its costs.

FIS Solutions for Energy & Commodities

FIS solutions for energy and commodities help utilities and retailers, pipeline and storage operators, marketers and traders as well as integrated energy companies compete efficiently in global markets by streamlining and integrating the trading, risk management and operations of physical commodities and their associated financial instruments. Through real-time data, connectivity and analysis, FIS solutions help you achieve transparency and regulatory compliance, optimize end-to-end transaction and operational lifecycles, and meet time-to-market needs with flexible deployment options. As your technology partner, we can help take advantage of the latest innovation and explore new opportunities. For more information, email us at getinfo@fisglobal.com.

About FIS

FIS is a global leader in financial services technology, with a focus on retail and institutional banking, payments, asset and wealth management, risk and compliance, consulting and outsourcing solutions. Through the depth and breadth of our solutions portfolio, global capabilities and domain expertise, FIS serves more than 20,000 clients in over 130 countries. Headquartered in Jacksonville, Florida, FIS employs more than 55,000 people worldwide and holds leadership positions in payment processing, financial software and banking solutions. Providing software, services and outsourcing of the technology that empowers the financial world, FIS is a Fortune 500 company and is a member of Standard & Poor's 500® Index. For more information about FIS, visit www.fisglobal.com.

