

# UNUS PRO OMNIBUS, OMNES PRO UNO

Does any CTRM solution fit your industry requirements?  
Challenges and considerations... A white paper



**Commodity**  
**Technology**  
**Advisory**

CTRM Market Research, Analysis and Insights

# INTRODUCTION

Many CTRM vendors have tried to create what we often refer to as the ‘all singing, all dancing’ CTRM solution. Their goal is to create that single CTRM solution that can cater for and meet the requirement of all commodities, both physical and financial, and also meet the needs for all industry segments in energy, metals and soft / agri commodities. However, after more than two decades and numerous attempts to get there, it is probably safe to say that most have failed to develop and bring to market a truly all singing, all dancing CTRM solution. However, new technologies and architectures make this vision ostensibly achievable through the use of an ecosystem of functionally deep vertical and wide horizontal services or applications. This white paper examines the idea of a single CTRM solution for all commodities and contrasts that with a different approach that some vendors are now pursuing in trying to develop commodity specific CTRMs that offer deep vertical and supply chain functionality.

# DESIGNING THE CTRM OR CM THAT CAN HANDLE MULTIPLE COMMODITIES

**Most firms that trade, produce or sell commodities have a requirement to support many different commodities. For example, metals smelters may also need to track some form of energy commodity fuel as well as the metal commodities that they deal in, or a food & beverage firm may need to manage multiple agricultural commodities as well as metals and energy for the manufacturing and packaging side of their business. A lot of trading or merchant firms will also trade multiple commodities and groups of commodities. Yet, there are also many firms that specialize in a specific commodity like Coffee or Cocoa, for example. Furthermore, while some will need to manage physical commodities and their supply chains, others will need to only deploy financial commodity management capabilities. It is, of course, this diverse group of prospective firms and industry segments that CTRM and CM vendors are marketing their solutions to.**

In the past, being a CTRM vendor meant ensuring selling licenses to new and existing users along with support & maintenance and other services. Now the emphasis is on subscriptions and recurring revenue of course. Due to revenue recognition rules for software licenses and just the nature of the market, revenues tended to be 'lumpy' and somewhat difficult to forecast. In order to hedge their bets and increase the size of their potential market, vendors would add capabilities for other commodities, different geographies and industry segments. As their product footprint grew, the solution software would expand in scope and in the number of lines of code becoming increasingly difficult to manage and increasingly difficult to test and deliver as bug-free code in the process. Furthermore, the vendor's knowledge of its own software would be entrusted in the hands of a few staff who were greatly in demand across the entire business making it even more difficult to meet customer expectations, constantly update and

enhance the software and/or support that software at the customer site.

Users would become rapidly familiar with this situation and chose to sometimes not update the software for fear of introducing new bugs and having their operations disrupted. They would then run the risk of falling further and further behind the latest versions of the vendor's solution until essentially they had an old and unsupported version of the software installed. Others would try to keep pace with the vendors' releases, which through the necessity of adding new customers, creating a broader market and keeping up with industry changes, would be 4-6 or more releases per year. Eventually, they too would fall behind, unable to keep up with all the changes that required testing and implementations. This is a familiar story to anyone in the industry. There are many businesses that are running multi-commodity CTRM solutions in older versions unable to upgrade to

the latest version for a variety of reasons. However, the level of the firm's investment in the current monolithic legacy solution is such that they cannot nor dare not make a change. Yet others will find that they are using a heavily customized version of a vendor's product as they requested and received enhancements during the implementation program. Now, they too are hindered in any attempt to upgrade by virtue of their custom modifications.

Others took a different approach. They recognized that there was no single CTRM or CM solution on the market for all commodities and instead brought in and deployed two or more different CTRM's for different groups of commodities, different regions or different aspects of their business and so on. This approach often suffers from all of the issues mentioned above as each solution is now a customized legacy monolith that cannot be upgraded or moved forward and these are knitted together through custom integration code to allow for an enterprise view of exposure and risk. This additional layer must also be updated if any of the underlying

solutions are upgraded and thus, while they may have a better functional fit for the specific commodities, they actually have a larger problem that lacks the needed business agility and is expensive to maintain.

There is another issue associated with all of this and that is that those who do not need to handle multiple commodities wind up procuring a solution that has much functionality that they will never use while lacking a lot of very important commodity-specific functionality that they do need. Essentially, single commodity firms usually end up with CTRM solutions that are over engineered in many respects and under deliver in specific areas. CTRM solution designed this way almost certainly lacked the detailed functionality for a specific commodity and supply chain and would need some form of off-system support for it to work effectively. If you procured such a solution for a specific commodity you were paying for more than needed and the solution would likely be overly complex to use as well. Let's explore this further.

# OVERLY COMPLEX SOLUTIONS FOR SINGLE COMMODITY BUSINESSES

**If you set out to build a CTRM or CM solution that is able to handle multiple commodities in a single system, then you need to design it in a way that it can be configured. The configuration will allow new commodity types to be defined to the solution along with attributes that need to be tracked along with the commodity (e.g. physical properties used in price formulae). The design is therefore generic and complex. This extends across the entire solution into areas like reporting, PnL and position calculation, pricing, invoicing, settlement and so on. In essence, the system is a very complex piece of software indeed and that makes it hard to configure and costly to implement and maintain.**

On the other hand, this complex and over engineered solution wasn't explicitly designed to manage the commodity your business specializes in. Important physical properties are not directly defined but are generically defined. This makes the solution appear unusual and unfit for purpose to the users, increases complexity and also the learning curve for users. For example, instead of using the solution, users find spreadsheets a better and more intuitive way to manage the business recording the data after the fact in the CTRM.

In essence then, the average CTRM or CM solution on the market today was never designed to manage a specialty commodity business. It was designed to appeal to a larger market and in that regard it is overly complex yet lacking in specifics for a single commodity specialist. That makes it not just expensive to implement and maintain but since it needs supplemental calculations and data, provides a continued need for spreadsheets and other add ons to the solution that in turn only make the possibility of error greater.



# A DIFFERENT APPROACH

**There is another approach to the problem and that is to build a software solution that cater for specific commodities and are pre-configured specifically for that commodity off the shelf. In a sense, ETRM solutions aimed at electric power have taken this approach since electric power is so different to other commodities and is also different in different regions. It makes physical electric power very difficult, if not impossible, to combine with a wide range of other commodities. That being said, many ETRM's for electric power will also try to handle carbon and natural gas as well.**

Rather than trying to cater to all commodities and supply chains and be master of none of them, some solutions are set up to offer very deep and specific functionality for a specific commodity like cocoa, sugar or cotton, for example. Any configurability is also set up for the commodity out of the box such as price feed integration or specific workflows. This then offers the user a fit for purpose solution at a lower cost as implementation time frames and support costs can be significantly lower. It also reduces risks of user rejection – an issue that many firms face with their all singing, all dancing CTRM that actually does no one's job particularly effectively.

For those managing multiple commodities, these

solutions can be provided by different modules in a modular CTRM that covers a range of specific commodities in detail or as an ecosystem of different vertical and horizontal solutions that communicate via API's perhaps even in the cloud. As ComTech has discussed in many articles in the past, the ecosystem or CTRM as an architecture approach, brings everything back full circle to a best of breed, mix and match environment and away from the older monolithic applications of the past. With more modern technologies, this is a practical and arguably desired outcome that provides greater flexibility, business agility and specificity at a lower cost of ownership.

# AGIBOO'S APPROACH

**A vendor that adopted this approach in the last few years is Agiboo. Led by seasoned professionals from the physical commodities industry that had a wide set of experiences installing and implementing various legacy CTRM solutions, Agiboo was founded because they thought there had to be a better way to do it. Its solution is called Agiblocks. It supports both trade management and financial management from the same source of data and within the same application. Its modular structure allows users to implement an end-to-end solution or to select individual functions to implement only the functions that they need. The philosophy behind its design has been to provide the specificity that users need for a specific commodity out of the box.**

Agiboo's CTRM isn't limited to a single particular commodity however, but it is focused on a group of commodities that it has extensive experience with trading including cocoa, coffee, sugar, dairy, grains, 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 CTRMs including for example,

- Ratio hedging for cocoa – Specific to cocoa is the need to hedge ratios, default.
- White premium trading for sugar – this premium is based in the differences between the rates of raw and white sugar.
- From container loads to bags or boxes for coffee and nuts – while specialty traders may buy in container loads, they will sell in bags or boxes.

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.

To get a bit further into this specificity for a commodity, let's consider coffee which has specific characteristics. For example, the physical characteristics of coffee can include origins, screen sizes or the amount of black and broken beans. Quality parameters such as grades, certifications and flavor patterns are also important in the physical trade. An additional complexity is that terminal markets are denominated in different units of measure (MT and LBS) to the trading and merchandising side that is based on MT, LBS and Bags. Add to this that coffee trading practices are different in different geographical regions and vary with the type of trade being performed by merchandise companies (shipping bulk coffee's versus shipping bags of specialty coffee).

Some merchants and coffee roasters also have blending processes as part of their trading process as well. There are a variety of distribution models needing a lot of flexibility in terms of logistics that may include comprise splitting and/or combining containers, truckloads or even pallets. A lot of this functionality will not be found in a generic, multi-commodity CTRM out of the box.

Agiboo has seen considerable success in recent years by offering commodity-specific and pre-configured versions of its Agiblocks solution to customers and it has gained a reputation for delivering these commodity-specific solutions as opposed to a more generic approach. As CEO Jan van den Brom says “The approach of providing pre-configured versions of Agiblocks for commodities like Cocoa or say Coffee is really paying off. It allows

smaller businesses to implement faster and more cheaply by reducing implementation complexity.”

As trade margins have decrease 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 – without also being able to offer an ecosystem of focused solutions and functionality to larger entities.



# 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 > 20 years 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 AGIBLOCKS 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.

Key differentiators of AGIBLOCKS are the configurability, accessibility and specific functionality it offers for the Sugar, Cocoa, Coffee, Dairy and other softs- and agri- commodity industries.

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.

For more information, visit [www.agiboo.com](http://www.agiboo.com)



# AGIBOO

# ABOUT

## **Commodity Technology Advisory LLC**

Commodity Technology Advisory is the leading analyst organization covering the ETRM and CTRM markets. We provide the invaluable insights into the issues and trends affecting the users and providers of the technologies that are crucial for success in the constantly evolving global commodities markets.

Patrick Reames and Gary Vasey head our team, whose combined 60-plus years in the energy and commodities markets, provides depth of understanding of the market and its issues that is unmatched and unrivaled by any analyst group.

For more information, please visit:

**[www.comtechadvisory.com](http://www.comtechadvisory.com)**

ComTech Advisory also hosts the CTRMCenter, your online portal with news and views about commodity markets and technology as well as a comprehensive online directory of software and services providers.

Please visit the CTRMCenter at:

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