Farmlands Procure to Pay process

Farmlands is implementing EDI (Electronic Data Interchange) to support our procure to pay processes. EDI will be enabled through a third party digital network, provided by ProAgrica.

When fully operational, **EDI will be the only way Farmlands will process inventory purchase transactions with all suppliers**.

The ProAgrica EDI Network will process the following electronic messages/transactions, all of which will be mandatory:
1. **Purchase Order** – Farmlands will create inventory/stock/product Purchase Orders and send them to suppliers via the ProAgrica EDI Network.
2. **Purchase Order Confirmation** – Suppliers must either accept the Purchase Order or request a change (quantity, price, delivery date) via the ProAgrica EDI Network.
3. **Purchase Order Change** – Farmlands will send an updated Purchase Order via the ProAgrica EDI Network to reflect any changes requested in the supplier's change confirmation. For suppliers that cannot process Purchase Order versions, the ProAgrica EDI Network will send the final (updated) purchase order in an email for manual update by the supplier in their system.
4. **Shipment Notice (ASN)** – Suppliers must send an electronic packing slip via ProAgrica EDI when they ship the products. Paper packing slips will still be sent with the goods. The paper packing slip must include the ASN number.
5. **Invoice** – Suppliers must submit invoices via the ProAgrica EDI Network. The invoice must reference the ASN number.

Farmlands will support EDI transactions that are either fully integrated with suppliers' back office systems (ERP) or provide access to a Web based portal (Websupplier) where the EDI messages can be manually processed (received and sent) by suppliers.

The benefits to suppliers of the ProAgrica EDI Network will be:
1. The Purchase Order reflecting the contractual commitment between Farmlands and suppliers, reducing invoice queries.
2. Faster and more accurate processing of invoices, contributing to timely invoice payments.
3. Visibility of the status of invoices, including invoice queries in advance of invoice payment.

Supplier preparation for EDI

In preparation for transitioning to EDI, suppliers must immediately adopt the following in their current sales processes with Farmlands:

1. The Purchase Order is the contractual commitment between Farmlands and the supplier. If the products, quantity, price or delivery dates are not accepted by the supplier then this must be notified to Farmlands within 1 working day of them receiving the Purchase Order.

2. Any change to a Purchase Order must be agreed with Farmlands and an updated PO received by the supplier before any goods are shipped.

3. Suppliers must not automatically place Purchase Order products onto back order. If there are products on the Purchase Order that the supplier does not have in stock when the Purchase Order is received:
   - If the ordered quantity can be supplied on the delivery date specified on the Purchase Order, Farmlands does not consider this a back order. The Purchase Order can be confirmed/accepted without update.
   - If the ordered quantity can be supplied within 5 working days after the delivery date specified on the Purchase Order, Farmlands does not consider this a back order. The Purchase Order can be confirmed/accepted without update.
   - If the ordered quantity cannot be fully supplied within 5 working days after the delivery date specified on the Purchase Order, Farmlands must be notified within 1 working day of the supplier receiving the Purchase Order. In discussion with the supplier, Farmlands may then:
     - Adjust the order quantity to reflect what can be supplied
     - Cancel the Purchase Order or applicable product on the Purchase Order
     - Accept the back order proposal and adjust the Purchase Order to reflect multiple delivery dates

   In all cases, an updated Purchase Order will be sent to the supplier to reflect the changes. The supplier must not ship any products until the updated Purchase Order has been received.

4. All products delivered must be accompanied by a Packing Slip (Delivery Note). This document must not be handwritten, must not include product pricing, must not be a tax invoice and must relate to only 1 Purchase Order.

   The packing slip must include:
   - The supplier trading name and address
   - A clearly identified, unique reference number which is the same as, or is referenced on, the relevant invoice
   - The Purchase Order number the delivery relates to
   - The delivery address
   - A list of all Product items delivered listed in the same sequence as the relevant Purchase Order

5. Invoices for the delivery of products must:
   - Relate to one Purchase Order only
   - Relate to one packing slip only

   Invoices must include the following information:
   - In the invoice header section:
     - Supplier trading name and address
     - Supplier GST number and the words "Tax Invoice"
     - Date of invoice
     - Purchase Order number the invoice relates to
     - Packing Slip number the invoice relates to
     - Any (agreed) freight or other invoice charges
   - In the invoice details section:
     - The products that were delivered (as per the Packing Slip), including quantity and price
     - Any product specific charges such as levy, pallet or other returnables

Any invoices that relate to multiple Purchase Orders or multiple Packing Slips, or do not reference the Purchase Order and Packing Slip numbers, will be rejected and returned to suppliers for amendment and resubmission.

Farmlands will be contacting suppliers to ensure the above standards are adopted in preparation for their move to the ProAgrica EDI Network.

Timeframes

The Farmlands ProAgrica EDI Network will be available to all suppliers from November 2020.

All suppliers that are already on the ProAgrica Network are required to be trading with Farmlands via the ProAgrica Network by December 2020. This includes:

1. For existing ProAgrica Enterprise (integrated) customers:
    o Purchase Order and Invoice EDI transactions (at least)
    o EDI Purchase Order Confirmation will be available but manual Purchase Order confirmations will also be allowed
    o Final Purchase Order versions (if changes are required after confirmation) will be sent by Farmlands but can be received by supplier via email for manual update to the sales order
    o ASN will be available but will not be mandatory
2. For existing ProAgrica Websupplier (portal) customers:
    o All five EDI transaction types will be mandatory

All suppliers that process less than 80 Purchase Orders a month are required to be trading with Farmlands via ProAgrica WebSupplier (portal) by December 2020.

All remaining suppliers are required to be trading with Farmlands via the ProAgrica EDI Network by February 2021, across all five of the procure to pay transaction types.

Existing ProAgrica Enterprise customers are required to be trading with Farmlands via the ProAgrica Network across all five of the procure to pay transaction types by February 2021.

The same standards as noted above under 'Supplier Preparation for ProAgrica EDI' will apply when trading using the ProAgrica EDI Network. This includes:

Purchase Orders must be agreed and updated prior to shipment:
    1. A delivery (packing slip/ASN) relates to 1 Purchase Order
    2. 1 delivery (packing slip/ASN) relates to 1 invoice

The notable differences will be:
    1. The paper packing slip sent with the goods must include the ASN number. The ASN number can be either the packing slip number itself or a separate reference field on the packing slip.
    2. The EDI invoice must reference the ASN number.

Supplier Adoption

Joining the ProAgrica Network to be enabled for EDI is led by ProAgrica but is a joint project including the supplier, Farmlands and ProAgrica teams.

The time and effort required will differ between suppliers based on:

1. The extent EDI is used in the business with other customers today
2. The ProAgrica solution adopted (Enterprise for integrated or WebSupplier for portal)

A ProAgrica representative will be contacting suppliers to discuss the best approach for each supplier.

Suppliers will be responsible for the initial set-up and ongoing processing costs of connecting to the ProAgrica EDI network. Ongoing costs are typically based on a fixed cost per end to end transaction.