



EUROFORGE - scheduling in the steel supply chain

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Guideline for promoting a better understanding for the scheduling requirements of the partners of the steel supply chain

Starting position: liquidity problems of suppliers caused by shorter credit periods in purchasing, later payment of invoices in sales, and sometimes belated receipt of payment by the supplier are creating an enormous challenge for the financial management of small and medium-sized steel processing companies. Cheap supplier credit for OEMs and Tier1 Suppliers has its limits and is not beneficial for the image of the OEM and Tier1 Suppliers.

Predictability and reliability of important scheduling information is of vital importance for suppliers. The customer's market risk must not be passed on 1:1 to the supplier, who finds himself in an extremely uncomfortable sandwich position.

Because of their greater closeness to the market, customers must carry the responsibility for scheduling: they have the better possibilities for obtaining information about the market.

A EUROFORGE working group discussed a good practice guideline for promoting a better understanding for the scheduling requirements of the individual partners of the steel supply chain. Some general requirements for a cancellation of purchase orders and delivery schedules are been defined respecting the practical imperatives of a forging company. Attached scheme illustrates a good practice guideline for discussion with customers and steel suppliers which has to be adopted individually.

Bilbao, 2-10-2015



ESTIMATED SUPPLY CHAIN CUSTOMER COMMITMENT

Cases of engineering change or cancellation of P.O. need to be considered

STEEL PROCUREMENT :

- Forecast for steel supply: 6 months minimum: specific materials + specific sections min. cast batch
- Generally P.O. to delivery: “ about ” 3 months



*These 3 months steel, should be charged to customer in case of unexpected end of project.
The customer should inform supplier min. 6 months in advance before any termination.*

➤ Work in Process:

- Shearing
- Forging
- Heat treatment
- Final processing

about 4 weeks

- Machining/Coating/Painting/Assembly: plus 2 weeks + X weeks according to individual process

FINISHED GOODS: if available, 1 or 2 weeks based on average of last 3 months schedules

SAFETY/CONSIGNMENT STOCK: X weeks according to individual process



ESTIMATED SUPPLY CHAIN CUSTOMER COMMITMENT

ESTIMATED DEMAND FLEXIBILITY:

- **Week 1 and 2:** frozen period, no adjustment possible.
- **Week 3 and 4:** 2 weeks with variability of +/-10% according to the scheduled demand but not exceeding + /- 15% of annual agreed demand according to RFQ or individual agreement.
- **Week 5 to 14:** 10 weeks with variability of +/-15% according to the scheduled demand but not exceeding + /- 15% of annual agreed demand according to RFQ or individual agreement.
- **Beyond 14 weeks:** according to individual negotiation.

CONSIGNMENT STOCK: should be processed with EDI and not by manual invoicing.

Time of consignment stock: up to Max. 4 weeks

after these 4 weeks the balance of pieces not collected will be automatically invoiced on the **fifth** week.

Different guide lines have to be negotiated bilaterally.

This time frame could vary depending on the location of this stock:

- ❖ Central Europe
- ❖ Oversea
- ❖ Tbd

P.S.:

The clause of non-competitiveness can not be applied to all these cases.