

SOP: Raw Material Inventory Assessment and Procurement Planning

This SOP defines the process for **raw material inventory assessment and procurement planning**, including regular inventory audits, demand forecasting, supplier evaluation, procurement scheduling, cost management, and risk mitigation strategies. The goal is to ensure optimal inventory levels, prevent stockouts, reduce excess holding costs, and maintain uninterrupted production flow through effective planning and timely procurement of raw materials.

1. Purpose

To establish a standardized procedure for the assessment of raw material inventory and structured procurement planning, ensuring optimal stock levels and uninterrupted production.

2. Scope

This SOP applies to all personnel involved in inventory management, procurement, supply chain, and related departments responsible for raw material availability.

3. Responsibilities

- **Inventory Control Officer:** Conducts regular inventory audits and reports discrepancies.
- **Procurement Manager:** Oversees demand forecasting, supplier selection, procurement scheduling, and contract negotiation.
- **Production Supervisor:** Communicates production schedules and material needs.
- **Quality Assurance:** Assesses supplier and raw material quality.

4. Procedure

- Inventory Assessment**
 - Conduct physical inventory count weekly/monthly as per policy.
 - Compare physical stock with ERP/system records.
 - Identify discrepancies and investigate causes; rectify records as required.
 - Classify inventory (ABC/FSN analysis) to prioritize management efforts.
- Demand Forecasting**
 - Review historical consumption data and adjust for current production plans.
 - Consult with production team for upcoming requirements.
 - Use forecast models (moving average, EOQ, etc.) for raw material needs estimation.
- Supplier Evaluation & Selection**
 - Assess existing suppliers based on delivery performance, quality, and cost.
 - Evaluate new suppliers as needed through qualification procedures.
 - Maintain an approved supplier list.
- Procurement Planning**
 - Schedule orders to replenish inventory before reaching reorder points (ROP).
 - Consider lead times, supplier reliability, and safety stock levels.
 - Issue purchase requisitions and obtain management approval as necessary.
- Order Placement & Tracking**
 - Issue purchase orders to selected suppliers with agreed terms.
 - Track order status and expedite delayed shipments as needed.
 - Update inventory system upon raw material receipt and inspection.
- Cost Management**
 - Negotiate pricing and favorable terms with suppliers.
 - Monitor market trends and adjust procurement strategy for cost savings.
 - Evaluate carrying costs, stockout costs, and excess inventory risks.
- Risk Mitigation**
 - Identify critical raw materials and develop contingency plans.
 - Maintain buffer stocks and alternate supplier options.
 - Monitor supplier performance and address reliability issues swiftly.

5. Documentation & Records

Document/Record	Responsibility	Retention Period
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Inventory Audit Reports	Inventory Control Officer	3 Years
Demand Forecast Reports	Procurement Manager	3 Years
Supplier Evaluation Forms	Procurement Manager	3 Years
Purchase Orders	Procurement Manager	5 Years
Receiving Logs	Inventory Staff	3 Years

6. References

- Company Procurement Policy
- Inventory Management Procedure
- Supplier Qualification Guidelines

7. Revision History

Revision	Date	Description	Author
1.0	2024-06-26	Initial version	Process Development Team