



WHITE PAPER

Locking In Supply: Blanket Orders & Long-Term Contracts in ERPNext

How to turn a year-long price-and-quantity agreement into a live, draw-down contract your buyers and sellers actually work against.

For procurement & sales leaders · 8 min read

EXECUTIVE SUMMARY

A blanket order is a single long-term agreement to buy or sell agreed items, at an agreed rate, up to an agreed quantity, over a fixed period — with individual orders released against it as you actually need the goods. ERPNext ships this as a first-class document: the Blanket Order. This paper explains what a blanket order really is, exactly how ERPNext models both the buy-side and sell-side versions, how each Sales or Purchase Order draws down against the agreement, and how the system tracks ordered-versus-remaining quantity so you never over-commit. It's written for procurement and sales leaders who want price certainty and planning discipline without re-negotiating every release.

The problem: no price certainty, no plan

If you buy or sell the same materials month after month against one-off purchase or sales orders, you carry two hidden costs. The first is price volatility — every fresh order is exposed to whatever the market is doing that week, so a raw-material spike or a currency swing lands straight in your margin. The second is the scramble: rush buys when stock runs low, no committed volume to hand your supplier, and a planning team that can't see what's already promised.

The usual fix is a long-term contract — 'we'll take up to 10,000 units this year at this rate' — but that contract then lives in a PDF or a spreadsheet, disconnected from the transactions that consume it. Nobody can tell at a glance how much of the agreed quantity is left, whether a new order breaches the deal, or which rate should apply. The agreement and the operational system drift apart.

What a blanket order actually is

A blanket order is one standing agreement between two parties to trade specified items, at agreed rates, up to agreed quantities, over a defined period — typically a quarter or a year. It is not itself a shipment or an invoice. It's the umbrella: the commercial terms sit here once, and then you release the goods in stages against it as demand arises.

The releases are ordinary orders — a purchase order to a supplier, or a sales order to a customer — but each one is linked back to the blanket order and draws its rate from it. The agreement holds the ceiling (how much, at what price, until when); the orders do the work of actually moving product. That separation is exactly what a spreadsheet can't enforce and what an ERP can.

How ERPNext models it

ERPNext implements this as the Blanket Order document (in the Manufacturing module, series MFG-BLR-). It is a submittable document, and it works both directions via a single Order Type field:

- Order Type — 'Selling' ties the agreement to a Customer; 'Purchasing' ties it to a Supplier. The same document structure serves both buy-side and sell-side contracts.
- From Date / To Date — the validity window of the agreement. ERPNext enforces that From cannot be after To, and To can be extended even after the document is submitted.

- Items table — each line carries an Item Code, the agreed Quantity, and the agreed Rate. This is the heart of the deal: what, how much, at what price.
- Ordered Quantity — a read-only field on every item line that ERPNext maintains automatically as orders are released, so remaining = agreed qty minus ordered qty.
- Order No / Order Date and a Terms & Conditions section — to record the customer's or supplier's reference and attach the contractual terms.

What a Blanket Order holds

1

Order Type

Selling (a Customer agreement) or Purchasing (a Supplier agreement).

2

Party

the Customer or Supplier the long-term contract is with.

3

From Date / To Date

the period the agreed rates and quantities are valid for.

4

Items

for each Item Code: the agreed Quantity and the agreed Rate.

5

Ordered Quantity

auto-maintained per item as orders are released; remaining = agreed minus ordered.

Draw-down, and ordered-vs-remaining tracking

This is where the blanket order stops being a document and becomes a live control. From a submitted Blanket Order you create the actual transactions: a Selling agreement generates Sales Orders (or Quotations); a Purchasing agreement generates Purchase Orders. When ERPNext creates that order, it defaults the quantity to what's still outstanding — agreed quantity minus already-ordered quantity — copies the agreed rate onto the line as the Blanket Order Rate, and stamps the line with an 'Against Blanket Order' flag linking it back to the agreement.

As those Sales or Purchase Orders are submitted, ERPNext sums their quantities back onto the blanket order's Ordered Quantity for each item (ignoring orders that were later Stopped or Closed). So at any moment the agreement shows how much of each item has been consumed and how much remains. If someone tries to release more than the remaining quantity, ERPNext blocks it — with a configurable tolerance: a Blanket Order Allowance percentage in Selling Settings and Buying Settings lets you permit, say, a small over-draw beyond the agreed quantity, and refuse anything past that.

Why it pays off

Wiring the contract into the transaction layer changes how procurement and sales actually run:

- Price lock — the agreed rate flows onto every release automatically, so contracted pricing is applied consistently instead of being re-keyed or forgotten.
- Planning visibility — committed volume and remaining balance are on-screen, so buyers and planners release against a known ceiling rather than guessing.
- Fewer rush buys — a standing agreement means routine releases, not emergency negotiations every time stock dips.
- Stronger supplier and customer relationships — committing volume up front is real leverage for a better rate, and both sides work from one shared, auditable agreement.
- Control against over-commitment — the ordered-vs-remaining check (plus allowance) stops anyone from quietly blowing past the contracted quantity.

Limits, good practice, and getting help

A blanket order is a commercial and quantity control — not a delivery schedule. It fixes what, how much, at what price and until when; it does not, by itself, schedule releases or reserve stock, and it doesn't replace the Sales/Purchase Order, Delivery Note or Invoice that follow. Treat it as the ceiling, and let the released orders do the operational work.

A few practices keep it clean: set the allowance percentage deliberately (zero for a hard cap, a small figure where slight over-draw is acceptable); use the To Date extension rather than raising a fresh agreement mid-term; keep item codes and units consistent between the agreement and the orders drawn from it; and review the remaining balance before period-end so you either consume or renegotiate committed volume. Acube Innovations, an official ERPNext partner in India, helps procurement and sales teams set up blanket orders, the allowance and settings, and the reporting around draw-down — talk to a real ERPNext expert to map your long-term contracts onto ERPNext without over-engineering it.

KEY TAKEAWAYS

- 1 A blanket order is one long-term agreement — agreed items, quantity and rate over a period — that individual orders draw down against.
- 2 ERPNext's Blanket Order works both ways: Order Type 'Selling' (via Sales Orders) or 'Purchasing' (via Purchase Orders).
- 3 Each release defaults to the remaining quantity and copies the agreed rate, so contracted pricing is applied automatically.
- 4 ERPNext tracks ordered-versus-remaining quantity per item and blocks over-draw beyond a configurable allowance.
- 5 Use it as a price-and-quantity ceiling, not a delivery schedule — releases, deliveries and invoices still happen as normal orders.

FAQ

Can I use one ERPNext blanket order for both buying and selling?

No — each Blanket Order has an Order Type of either Selling or Purchasing. A Selling agreement is tied to a Customer and released via Sales Orders; a Purchasing agreement is tied to a Supplier and released via Purchase Orders. Create separate blanket orders for each side.

Does the agreed rate on a blanket order include GST?

The Rate on a Blanket Order line is the agreed base rate for the item, the same as on any order line. GST is applied through taxes and charges on the Sales or Purchase Order released against it, so tax is handled on the actual transaction — not baked into the blanket rate.

What stops someone ordering more than the agreed quantity?

ERPNext tracks Ordered Quantity against the agreed quantity for each item and validates every release. By default it blocks ordering beyond what remains; a Blanket Order Allowance percentage in Selling Settings and Buying Settings lets you permit a defined over-draw if your contract allows it.

What happens when a blanket order reaches its To Date?

The agreement simply stops being the source for new releases once its validity window closes. Because To Date can be edited after submission, you can extend an ongoing contract rather than recreating it — and you should review any unconsumed remaining quantity before period-end to consume or renegotiate it.

Talk to a real ERPNext expert.

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