

Case study: Te Pari

NZECO solution: Access Trade Finance and Mitigate Repayment Risk

NZECO product: Trade Credit Insurance

Sector: Agritech



Growing Global

Family-owned manufacturing business Te Pari enjoyed robust trade with its UK distributor – but co-owner Jeremy Blampied knew exactly what he needed to unlock a huge jump in sales: generous payment terms.

Oamaru-based Te Pari had been selling livestock handling equipment to Shearwell Data in Somerset, England, for two years and sales were strong. Both companies were keen to increase the volumes they were trading, but Te Pari could only offer short payment terms.

“We wanted to grow the product but cashflow was constrained on both sides of the equation,” Blampied explains.

After seeing a presentation at Fieldays from the New Zealand Export Credit Office (NZECO), Blampied began to see a win-win possibility in the form of NZECO’s Trade Credit Insurance.

Securing Trade Credit Insurance would cover any risk of non-payment for shipments and enable him to encourage more sales by offering the distributor 110-day payment terms. At the same time, Te Pari would still get paid for each shipment a week after it left New Zealand.

Because Te Pari was seeking cover on a single buyer for a relatively modest amount, the private sector referred Te Pari to NZECO for cover. NZECO assessed the distributor’s financial statements in order to gain comfort around its ability to pay.

NZECO’s short-term Trade Credit Insurance meant Te Pari’s bank, Westpac, could provide a trade finance facility which supported Te Pari’s working capital. Under this arrangement, Te Pari received funds equivalent to the purchase price of each shipment (less any deposits already paid) one week after the equipment left New Zealand. Once payment was received from Shearwell over three months later, Te Pari paid this back to Westpac. NZECO’s Trade Credit Insurance provided protection to Te Pari and Westpac in the event the distributor was unable to pay.

Blampied says favourable payment terms offer New Zealand companies a way to compete against low-cost rivals.

“It takes some of the discussion of your product away from price,” he says. “If your distributor is growing a business, they need cash, and we are offering an option which helps solve that problem.”

In order to secure NZECO’s support, Te Pari had to work through a thorough due diligence process. “It’s not easy money,” Blampied says. “There are hoops to jump through but once it’s set up, it’s brilliant.”

“This is exactly the kind of value add NZECO is looking to make when we support companies like Te Pari. We were pleased to assist Te Pari, who had a good buyer that was well-established within the UK and with whom they have a positive trading history” NZECO’s Phil Quinn says.

Te Pari started exporting in 2005 but the company committed to ramping up its offshore arm in 2015. Exports currently account for around 25 percent of sales and Blampied says this year’s accounts will show a marked increase in sales to Shearwell in the UK

Te Pari is now working towards an ambitious target of doubling exports within three years.

“The NZECO arrangement is definitely going to help us grow, no two ways about that,” Blampied says. “It’s given the distributor more confidence and it’s good for our cashflow. I’m already planning to offer it to other distributors.”

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