

Supply Chain Scenario Export Credit Guarantee

NZ based Primary Export Cuts Ltd (Prime Cuts) secures bank funding with New Zealand Export Credit Office (NZECO).

Prime Cuts is a processor of red meat who sell into a number of offshore markets. Prime Cuts has experienced growth in exports over recent years and to meet this growth has recently made the decision to install a new processing line, which will cost \$8.5m. Prime Cuts has obtained quotes from a number of international and domestic equipment suppliers.

Local supplier Meat Engineering Products Ltd (had the capability to supply the goods and put in a tender to Prime Cuts). One of the international equipment suppliers offered Prime Cuts seven years to pay for the equipment, with these terms being supported by the export credit agency from the suppliers' country. The export credit agency support appealed to Prime Cuts as it would enable them to access additional funding from their bank without placing stress on their working capital as well as enabling them to obtain a loan for a longer period than they would have without the export credit agencies support.

When they assessed the quotes from each supplier Prime Cuts considered how it would be able to fund the transaction as the company currently use most of their bank limits to help support their working capital needs.

Prime Cuts discussed the funding of the transaction with their bank noting their preference for a local supplier who could be on-site quickly if there were any problems with the equipment. Given this equipment was integral to Prime Cuts ability to increase its export sales their bank suggested that they contact the NZECO to see whether NZECO could match the terms being offered by the overseas export credit agency, using NZECO's ***Export Credit Guarantee***, to guarantee a loan facility provided to Prime Cuts.

NZECO made an assessment of Prime Cuts creditworthiness and worked with their bank to arrange a seven year financing package, which extended the level and tenor of the loan that Prime Cuts' bank could provide. Critically for Prime Cuts' they were able to choose a local New Zealand supplier and also obtain support in relation to their bank funding.