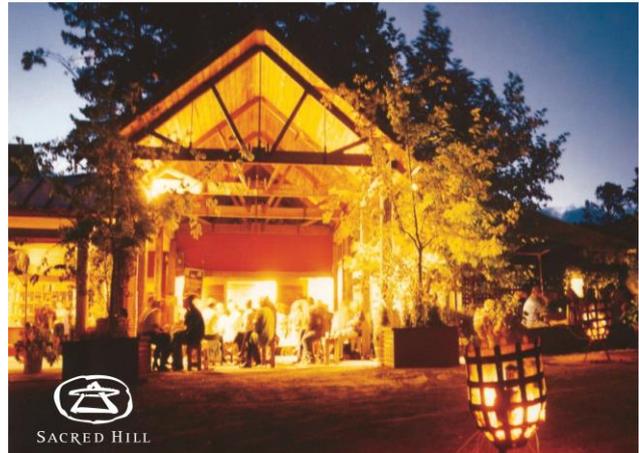


# Protecting Wine Exports to Poland

**The Challenge:** How to protect your payment when entering into a new market.

**The Solution:** The Treasury's New Zealand Export Credit team (NZEC) provided its Letter of Credit Guarantee to Sacred Hill's bank to protect 100% of the payment risk.

**The Benefit:** Sacred Hill was able to establish a new buyer relationship with full confidence.



**Sacred Hill Vineyards was keen to break in to Poland – but the family business needed support to get its iconic orange label onto shelves in this emerging market.**

It's a long way from Sacred Hill's home, in Hawke's Bay's Dartmoor Valley, to the dinner tables of Poland. But those were the horizons the family-owned vineyard started to explore in 2016, as it produced its 32nd vintage.

Global sales and marketing manager Glenn Cunningham says Poland came in to focus because he met an impressive young distributor with established networks in the market. However, the distributor didn't have the commercial history necessary for Sacred Hill's insurers to take on the risk of sending shipments to Poland. There was no way Glenn was going to send the shipment without insurance.

"We wanted to dip our toe in the water in Poland – but in a controlled way. Every company has its own in-house rules around trading terms. For us, credit insurance cover must be secured before shipping to a new distributor," Glenn says.

The distributor got around this issue by paying, up-front for Sacred Hill's first shipment to Poland; about \$85,000 of product. The distributor quickly sold that shipment and ordered another – but he couldn't fund the second shipment up-front. He asked for payment terms.

Glenn was determined to ship the wine – and equally determined to do it without risking even modest exposure for his employers.

"Losing \$85,000 wouldn't put this business under pressure, but it's not my money to lose. I certainly wouldn't want that on my sales record – particularly if there are ways of mitigating that risk. I was confident we could find a way to insure the shipment."

Sacred Hill's insurer refused to insure the shipment on open account terms, and recommended obtaining a Letter of Credit, which is another tool commonly used in international trade to mitigate payment risk.

"A Letter of Credit is a guarantee from your buyer's bank that you will be paid after the presentation of compliant documents, such as shipping documents", says Thomas Sheng, NZEC Business Originator. "The benefit of a letter of credit is that the payment risk passes from your buyer to a, typically, more creditworthy bank."

The buyer did get a letter of credit from its Polish bank and Sacred Hill then asked for its New Zealand bank to “confirm” the payment of this letter of credit. While the Polish bank was an investment graded entity, the New Zealand bank did not have a credit relationship with this bank.

Sacred Hill’s bank approached the Treasury’s New Zealand Export Credit team (NZEC) to guarantee payment of the Polish bank’s letter of credit. NZEC researched the financial strength of the Polish bank and agreed to guarantee payment of the Polish bank’s letter of credit.

“NZEC provided a 12 month policy which gave Sacred Hill the confidence that its second container of wine would be paid, as well as any future shipments to Poland via this letter of credit arrangement, over the following year”, says Thomas.

“Obtaining a New Zealand bank’s confirmation of a letter of credit may also enable earlier payment of the letter of credit, which can help a company’s cashflow”.

Glenn says NZEC’s work to secure payment for Sacred Hill’s second shipment ran parallel to New Zealand Trade and Enterprise (NZTE) efforts to develop the Polish market. Sacred Hill gained significant value from invitations to NZTE events such as a Polish - New Zealand Day.

“With the support of NZEC and NZTE, we have been able to flourish in this new market. Government initiatives like these, to stimulate and assist exports, are a fantastic thing.”

Sacred Hill Vineyards, owned by the family of original founders Mark and David Mason, continues to enjoy a strong and growing relationship with its Polish distributor.

At the moment, United States consumers are gripped by a New Zealand wine frenzy so Sacred Hill is prioritising the high-return US market. It’s achieving outstanding sales across its everyday drinking wine and is attracting new fans to its best-known wine, the Rifleman’s Chardonnay.

But when Sacred Hill has a chance to look beyond the traditional markets of Australia, the US and the United Kingdom, Glenn expects the business may again seek NZEC support to reach new consumers.

<https://sacredhill.com/>

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If you want to understand more about how our [Letter of Credit Guarantee](#) may help mitigate your payment risk then [click here](#) or get in touch:

**Call us: 04 917 6060**

**Email: [export.credit@treasury.govt.nz](mailto:export.credit@treasury.govt.nz)**

This document is available [on our website](#)



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