

# Exporting New Zealand agri-technology to Ireland

**The Challenge:** Trying to meet a bank's security requirements to enable it to issue a Euro 1.4 million advance payment bond to an international buyer

**The Solution:** The Treasury's New Zealand Export Credit (NZEC) provided its Contract Bond Guarantee as security to enable an exporter's bank to issue the advance payment bond



**The Benefit:** Innovative Dairy Systems was able to negotiate a higher advance payment to help fund the upfront costs of its project

When Hamilton manufacturer Innovative Dairy Systems (IDS) won a Euro 4.5 million contract to deliver a cheese making machine to a large food manufacturing company in Ireland it encountered a significant challenge.

The challenge wasn't a technical one, even though the buyer wanted a machine with the capacity to produce up to eight tonnes of cheese per hour – that's the equivalent of four hundred 20kg blocks of cheddar, gouda or mozzarella! IDS had already provided a similar cheese making machine to this buyer, who was now building a new site to become one of Europe's largest diversified cheese manufacturers.

Instead the challenge related to funding this large project, over several months and involving key sub-contractors. For example, IDS sub-contracts the stainless steel fabrication, and the manufacture of conveyor belts and valves to local Hamilton-based companies, who all require advance payments.

IDS negotiated a 30% (Euro 1.4 million) advance payment from its Irish buyer to assist with its working capital. In return, the buyer required IDS' bank to provide an advance payment bond that matched this amount.

An advance payment bond is an on-demand financial guarantee which allows a buyer to have its deposit fully indemnified in the event its supplier fails to properly perform its contractual obligations.

"An advance payment bond is a reasonably common requirement where a higher deposit is sought on a project," explains Phil Quinn, NZEC Senior Business Originator. "Because it's on-demand, a bank will require tangible security from their customer. This can be a challenge for many small to medium enterprises, particularly for larger contracts."

When IDS encountered difficulty providing its Bank with security for 100% of the value of the advance payment, they both approached NZEC for its General Contract Bond Guarantee support.

“New Zealand Export Credit performed due diligence on our company and financials, and we needed to demonstrate a good track history” says IDS owner, Ian Booth. “This process may sound rigorous, but it actually was very good.”

NZEC approved and issued its General Contract Bond Guarantee to IDS’ bank, which provided the security for the advance payment bond. “We were impressed by IDS’ proven technology, their capable and local supply chain, and a profitable contract” says Phil Quinn.

“NZEC’s support got us over the line with our bank, kept our buyer happy, and meant that we could start with the process of building the machinery.” Ian adds, “As a result of this new project, we’re receiving more enquiries which will benefit ourselves and our local manufacturing suppliers.

“Going forward, our future is looking really bright.”

Innovative Dairy Systems: <http://www.ics-conveyors.co.nz/Products/IDS-Cheese-Machines>

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If you want to understand more about how our [General Contract Bond Guarantee](#) may help support your export opportunities then get in touch or [click here](#)

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