

A Game-Changing Supply Chain contract

The Challenge: How to protect payment risk for a transaction with significant upfront cost?

The Solution: The Treasury's New Zealand Export Credit provided trade credit insurance to mitigate non-payment risks, under its "Domestic Supply Chain" mandate

The Benefit: Mountain Red had the confidence to scale up for a large contract to a New Zealand exporting company



Nelson-based company Mountain Red had been selling deer velvet products for almost 20 years when it suddenly hit the big time.

It won a contract to supply a substantial amount of raw deer velvet powder to a leading New Zealand manufacturer of health and vitality supplements. The buyer wanted the deer velvet powder for a nutraceutical product that was to be exported to China.

Mountain Red's owners Campbell Berry-Kilgour had a background in pharmaceuticals, while his wife Karen Morley had a family history with deer farming. Drawing on these experiences, they apply a lean business model by outsourcing the growing of deer velvet and the manufacture of it into powder and supplements.

This new deal offered the opportunity to boost Mountain Red's turnover by 30 percent, and suddenly the race was on to source and pay for enough deer velvet to satisfy the buyer's demand.

Deer velvet is harvested in summer, and at the start of each calendar year Mountain Red looks to source enough deer velvet to fulfil its orders across the coming year. The deer farmers require up-front payments, while buyers of Mountain Red's products may not place orders for several months, and often full payment does not occur for a few months after that.

"We could cope with this cashflow requirement when our numbers were modest, but this huge order was different," says Campbell. "Suddenly we needed to front up with a substantial amount of cash to buy and process stock and this raised concerns about what might happen if our buyer delayed their payment or even failed to pay."

Campbell spoke to his Westpac Commercial bank manager, Paul Salvador, who suggested contacting New Zealand Export Credit (NZEC).

“NZEC has a mandate to also support New Zealand companies that supply goods or services that are integral to an exporter,” explains Thomas Sheng, NZEC Business Originator. “In this case Mountain Red’s deer velvet powder was a key ingredient into the final export product.”

Because Mountain Red was seeking cover on a single buyer, the private sector advised that they were unwilling to provide this cover. NZEC assessed the Buyer’s financial statements in order to obtain comfort around its ability to pay.

Campbell welcomed NZEC’s thorough due diligence on their buyer. “We had an expert set of eyes saying ‘Yes, this is okay, carry on’. And they worked very, very quickly. It was straight in, let’s get this done.”

The raw deer velvet powder deal went through without a hitch, and Campbell says the support from NZEC was a major part of the deal’s success.

“Without the trade credit insurance we would have probably had to restructure the supply over a longer timeframe. Instead, it gave us a great deal of assurance, and took some of the sleepless nights away.”

As anticipated, the success of this significant supply deal in the relatively small velvet market has brought Mountain Red to the attention of even bigger buyers.

“It has given us confidence,” Campbell says. “We are now in discussions with even bigger companies.”

Mountain Red: www.mountainred.nz/

If you want to understand more about how our [trade credit insurance](#) may help you in a domestic supply chain transaction, please [click here](#) or get in touch:

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