

Maintaining secure sales through Covid-19



The Challenge: When Covid-19 hit, Mr Apple was determined to keep selling to its large international buyers with the confidence of trade credit insurance. Its primary insurer, Atradius, continued to support the vast majority of these buyers. However in some cases they were unable to increase their commitments.

The Solution: New Zealand Export Credit (NZEC) developed an expedited underwriting process for Kiwi exporters who were seeking ‘top-up’ cover for trade credit insurance during the pandemic. With risk sharing between Atradius and NZEC, Mr Apple was able to have security of payment for ongoing trade.

The Benefit: NZEC worked to match the level of cover Atradius was providing (up to NZD 1m) in trade credit insurance. In a matter of months, Mr Apple has utilised this risk sharing approach with Atradius to support trade with 22 customers where Atradius is writing a primary credit limit.

Covid-19 seeped into New Zealand just as the local apple industry was hitting the peak of its harvest.

The apples could still be picked, packed and shipped, the buyers were still willing, but insurers were suddenly very wary of carrying the risk of those overseas buyers not paying up.

One of the New Zealand apple industry’s biggest players, Mr Apple, was able to forge forward with its export season without the stress of carrying all the payment risk, thanks to trade credit insurance from the Treasury’s New Zealand Export Credit (NZEC).

Mr Apple’s CFO Peter Drury says security of payment is important to any business, especially exporters.

“It is fundamental to manage risk, and overseas customers always carry some payment risk. We have our own internal process where we make our own assessment of our customers’ ability to pay. You’ve got to do your due diligence and be very sure who you’re dealing with. On top of that, our Board always requires that we get as much security as we possibly can.”

Mr Apple enjoys a strong, loyal, decade-long relationship with trade credit insurer Atradius. But with the pandemic in full swing, insurers everywhere were adjusting their own risk appetites.

Many of Mr Apple’s trade partners struggled to provide the depth of information Atradius now required. Some didn’t have adequate trade history for Atradius’ new requirements, others didn’t show enough equity, and some just didn’t have time or capacity - in the face of Covid-19 - to quickly overhaul their financial documents to fit a format Atradius would accept.

NZEC senior business originator Michael Hoare says it was clear that, in the upheaval around Covid-19, insurers were pulling back on cover - yet exporters needed cover more than ever.

“We could see what the market needed and moved quickly to adapt our processes to support Kiwi exporters who required a top-up on their levels of insurance cover,” he says.

“Usually we require a very thorough credit check of both the exporter and their trade partner. But under a new streamlined underwriting process, we can offer top-up cover, matching dollar-for-dollar with their insurer, without requiring the trade partner’s financials. Mr Apple’s and Atradius’ own due diligence was so thorough that it generated a lot of confidence, and we were able to offer them cover within a few days of receiving the application.”

Atradius’ New Zealand Country Manager Farook Mohammed says he was delighted a workable solution could be found to support Mr Apple.

“We wanted to continue to support Mr Apple as we have for more than a decade, however the global situation had changed our information requirements.” Mohammed says. “It was great to be able to continue our partnership with NZEC to share the risk and for Mr Apple to quickly obtain additional coverage to those customers above the primary limits we had in place”.

Mr Apple’s NZEC trade credit insurance is in place for a year, and Drury says it has already been used to cover payments from 22 customers.

“This support added peace of mind, which was exactly what we needed in such challenging and changeable times,” Drury says.

“We employ more than 2,000 people at the height of the season, which this year coincided with New Zealand going into lockdown. We needed to know whether we could sell our product to willing offshore buyers without loading the business up with payment risk. NZEC gave us additional certainty, for which we were very grateful.”

Mr Apple was created in 2001 through the amalgamation of established players in the New Zealand apple industry. It is a wholly-owned subsidiary of Scales Corporation. Each year, it exports 5 million cartons of apples and has a turnover of \$200m. It is the largest vertically integrated apple company in New Zealand; arms of the business control everything from growing to shipping.

<https://mrapple.com/>

If you want to understand more about how our [Short Term Trade Credit Insurance](#) and how it may help you export through uncertain times [click here](#) or get in touch:

Call us: 04 917 6060 **Email:** export.credit@treasury.govt.nz

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