

FALL CREEK FARM & NURSERY, INC.: BLOOMING BLUEBERRY SALES IN FOREIGN MARKETS

Blueberries taste so good, ship so well and deliver such huge health benefits that the industry is growing by leaps and bounds—proving very profitable for those like Fall Creek Farm & Nursery with significant market share. But to maintain that leadership position, the company knew it could not stand still—the company had to continue to grow deep roots all over the world.

THE CHALLENGE

The Oregon-based distributor provides premium blueberry plants to commercial fruit growers, nurseries and retailers worldwide. To survive and thrive, Fall Creek Farm & Nursery needs to harvest new opportunities when ripe and deliver before the business spoils. That means sowing seeds swiftly in new markets in foreign countries. But it also means taking on business risk. Someone who can pay reliably and ontime must be on the receiving end.

“Measuring a potential customer’s credit-worthiness in the U.S. and Canada is fairly simple, and we have legal means to pursue anyone who doesn’t pay their invoices,” said Boris Aust, the CFO for Fall Creek Farm & Nursery. “But in many countries, very little reliable information exists on customer payment history, and taking them to court can cost a lot—with very little chance of ever collecting on an unpaid invoice.”

That creates a problem, because along with inventory, receivables play a major role in the company’s financial model. Fall Creek Farm & Nursery secures bank loans based on inventory and receivables, and it’s those bank loans that make it possible for the company to keep growing and delivering healthy blueberry plants.

Years in Business: 41
Years with Euler Hermes: 6

Region:



United States

Sector:



Agriculture

Challenge:



Expand operations in foreign countries without risking nonpayment on large orders

Policy Benefits:



Provide credit protection against customer default



Complete reference checks quickly



Help expand revenue generated by sales to customers in foreign countries



Increase viability of conducting business anywhere in the world

THE SOLUTION

If a customer defaults on a large invoice, Fall Creek Farm & Nursery's potential can wither. So to lower the risk to receivables but still expand into foreign countries, the company searched for a trade credit partner with access to comprehensive credit and company information and the ability to check out customer references in foreign countries.

The company also wanted to accelerate the process for making credit decisions.

"We wanted to transact business with customers as quickly as possible, but before we extended credit, we needed to ensure they would not default on large transactions," said Aust.

Fall Creek Farm & Nursery found the answer to its challenge after an opportune meeting with its banker at Bank of America. The discussion first focused on utilizing letters of credit with foreign customers. But Aust discovered that it's a big burden for customers to secure a letter of credit from their bank because they need to reserve a portion of their credit line. The process is also complex, which is likely to slow down the speed of business.

Credit insurance allows companies to manage both commercial and political risks that are beyond their control. The service provides credit protection against a buyer's failure to pay on trade debts when they become insolvent or fail to pay within the agreed-upon timeframe.

Since relying on credit insurance from Euler Hermes going back to 2013, Fall Creek Farm & Nursery has enjoyed peace-of-mind knowing if a customer defaults or is slow to pay, the company won't suffer a significant hit to its receivables. "You never know when something might happen that causes a large customer not to pay," Aust warned. "Sometimes it can be something innocuous, such as the owner suffering a major illness that forces the business to shut down."



THE OUTCOME

Along with providing credit insurance, Euler Hermes proved to be a true business partner. They worked with Fall Creek Farm & Nursery to accommodate customers with payment issues to try to prevent situations from advancing to the claims stage. In two such cases, Euler Hermes extended the deadline before a claim needed to be filed and helped set up payment plans that allowed both customers to pay down their outstanding debt.

"Euler Hermes took a sincere interest in wanting all parties to come out in good shape. They allowed us to be flexible with our customers who had cash flow issues but were able to eventually pay us."

– Boris Aust, the CFO

Aust also appreciated that Euler Hermes credit insurance helped him and his team make credit decisions faster so the company could start conducting business sooner with foreign customers. "We are now more efficient in getting customers through the credit approval process," said Aust. "Euler Hermes provided online tools that made it simple to check customers out."

Utilizing credit insurance clearly helped Fall Creek Farm & Nursery expand its market share in foreign markets. The percentage of overall revenues generated from transactions with foreign customers increased from 30% to 55% since the company launched the partnership with Euler Hermes.

"With help from Euler Hermes, we established ourselves worldwide in many countries, including Mexico, Peru and Spain," Aust said. "We can now deploy production infrastructure into a new country without having to duplicate the credit administration function. When it comes to credit insurance, Euler Hermes can take us anywhere in the world!"

For more information you can:

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