

DEL CAMPO SUPREME, INC.: USING CREDIT INSURANCE AS A TOOL FOR SAFE GROWTH

Faced with the often unpredictable business challenges presented by globalization, changing consumer behavior, and key demographic shifts, Del Campo Premium, Inc. added credit insurance to its risk management strategy to proactively mitigate risk as it grows its top line.

THE CHALLENGE

While some companies accept the risk of customer payment defaults as an inevitable business reality, Del Campo Supreme, Inc., a Southwestern distributor of high-quality tomatoes and peppers, preferred to take control. The volatility inherent to the produce industry brings with it many unexpected bankruptcies – otherwise healthy companies can be suddenly and severely impacted by unexpected price swings, leaving suppliers exposed to considerable payment risks. As a result, Del Campo sought to implement a seamless preemptive strategy to help mitigate its risk and protect its industry-leading market share.

“Our industry brings daily changes and challenges, which makes it hard for us to know if a customer will collapse overnight,” said Cathy Jimenez, Credit Manager at Del Campo.

Years in Business: 39
Years with Euler Hermes: 11

Region:



United States

Sector:



Produce

Challenge:



Protection against catastrophic loss

Policy Benefits:



Secure better borrowing & finance options



Comprehensive credit function support



Safer sales growth



Protection against catastrophic loss

THE SOLUTION

For Del Campo, managing bad debt involves a series of credit management strategies, including being credit insured through Euler Hermes. A top-rated distributor, Del Campo has a variety of high-profile clients including major food chains, food service operators, and retailers across the U.S. and Canada. The company's executives understand the many benefits credit insurance can bring to its entire buyer portfolio.

"Even though we have tight control of our accounts receivable portfolio, we always have that reassurance from Euler Hermes, just in case," said Jimenez. "Our credit insurance policy not only offers us security in the event of non-payment, but also provides robust knowledge that allows us to take an informed view on whether we should offer credit to certain companies. We rely on information that is created by peers, or industry-specific publications such as The Produce Book and Red Book. Euler Hermes seems to have the most accurate and detailed information on the financial health of the produce industry overall, especially at the global level."

A professional and strategic approach to risk management has kept Del Campo safe through its impressive growth. The company leverages Euler Hermes as a partner, enhancing the efficiency and effectiveness of its in-house credit staff. It relies on Euler Hermes' proprietary knowledge to inform credit limits, and depends on Euler Hermes' proactive credit monitoring to warn of any risk exposure changes. Since Del Campo began working with Euler Hermes in 2008, the company has not experienced a single credit loss due to this thorough risk mitigation approach.

As a seller of fresh food, Del Campo has access to another loss protection tool – the Perishable Agricultural Commodities Act (PACA). This Federal law regulates fair trade in the produce industry and prescribes a method for creditor relief in the event of a bankruptcy, though the timeframe in which suppliers are made whole can be long and unpredictable. Del Campo understands both the benefits and limitations of this tool.

THE OUTCOME

"Our Euler Hermes policy provides us with more options if a dispute occurs," Jimenez explained.

Del Campo also leverages its credit insurance policy as a powerful financing tool. With its largest asset, its accounts receivable, secured with Euler Hermes' AA S&P rating, allow financial institutions to extend more credit options.

With a credit insurance policy in place, Del Campo can focus on growing its business and solidifying its brand position as the leading food supplier for a healthy and wholesome lifestyle. The company can rest easy knowing that growth won't open it up to increased risk.

"Local distributors will call us inquiring about credit insurance," said Jimenez. "I tell them there is a cost, but it's easily offset by what you get. When you think about the benefits and what you could lose if a customer went bankrupt or just failed to pay, the cost of credit insurance balances out. I strongly recommend it."

"Euler Hermes acts as an extension to our team and provides us with the credit function support we need to optimize our business. If Euler Hermes underwrites the risk when we request a limit, then we can get on with growing our business."

– Cathy Jimenez, Credit Manager at Del Campo



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