

Export News and Opportunities

Are you interested in exporting but hesitating because you are concerned about getting paid? If so, do not overlook the billions of dollars the U.S. Department of Agriculture (USDA) makes available to help facilitate sales to buyers in countries where credit is necessary to maintain or increase U.S. sales but where financing may not be available without credit guarantees. Invest the time to learn more about the Export Credit Guarantee Program (GSM-102) and Supplier Credit Guarantee Program (SCGP) to increase your sales and lower your risks. Use GSM and SCGP to avoid possible importer and foreign bank defaults on payments and ensure that American farm and food products continue to move to markets around the world. USDA does not provide financing, but it guarantees payments due to U.S. exporters in case the foreign banks or importers default. As of June 8, horticultural exporters have registered \$3.08 million in sales under SCGP.

You may learn more about GSM-102 and SCGP regulations, country specific press releases and program announcements, and a Monthly Summary of Export Credit Guarantee Program Activity on the Internet at:

<http://www.fas.usda.gov/export.html>

GSM-102

On June 12, USDA amended the GSM-102 Program in the Caribbean Region, Central America Region, and South America Region to allow for the financing of sales through eligible banks approved by Commodity Credit Corporation (CCC) in the Caribbean, Central, and South America Regions. Exporters are advised to obtain from their foreign buyer the name of the CCC-approved foreign bank that will be opening the letter of credit. All other terms and conditions as previously announced remain the same.

On May 31, USDA amended the GSM-102 for Indonesia. This amendment increases the program allocation to \$650 million from \$500 million. All other terms and conditions previously announced remain the same.

The GSM-102 program makes available credit guarantees for sales of U.S. agricultural commodities overseas. USDA does not provide financing, but guarantees payments due from foreign banks. USDA typically guarantees 98 percent of the principal and a portion of the interest. The GSM-102 program covers credit terms from 90 days to 3 years.

Under the program, once a firm sale exists, the qualified U.S. exporter applies for a payment guarantee before the date of export. The U.S. exporter pays a fee calculated on the dollar amount guaranteed, based on a schedule of rates applicable to different lengths of credit periods. The CCC-approved foreign bank issues a dollar-denominated, irrevocable letter of credit in favor of the U.S. exporter, ordinarily advised

or confirmed by the financial institution in the United States agreeing to extend credit to the foreign bank. The U.S. exporter may negotiate an arrangement to be paid as exports occur by assigning the U.S. financial institution the right to proceeds that may become payable under the guarantee, and later presenting required documents to that financial institution. Such documents normally include a copy of the export report. If a foreign bank fails to make any payment as agreed, the exporter or the assignee may file a claim with USDA for the amount due and covered by the guarantee. USDA will pay the U.S. bank and will take on the responsibility of collecting the overdue amount from the foreign bank.

Supplier Credit Guarantee Program

The SCGP is unique because it covers short-term financing extended directly by U.S. exporters to foreign buyers and requires that the importers sign a promissory note in case of default on the CCC-backed payment guarantee. The SCGP emphasizes high-value and value-added products, but may include commodities or products that also have been programmed under the GSM-102 program.

The SCGP encourages exports to buyers in countries where credit is necessary to maintain or increase U.S. sales but where financing may not be available without CCC guarantees. Under the SCGP, CCC guarantees a portion of payments due from importers under short-term financing (up to 180 days) that exporters have extended directly to the importers for the purchase of U.S. agricultural commodities and products. These direct credits must be secured by promissory notes signed by the importers. CCC does not provide financing but guarantees payment due from the importer.

GSM-102 and SCGP

The following tables present the FY 2001 GSM-102 and SCCP for which USDA has allocated credit guarantees for sales of U.S. horticultural products. The table also includes horticultural sales (exporter applications received) that have been registered under GSM-102 and SCGP. For most countries and regions, exporters may apply for credit guarantees on a first-come-first-served basis to cover sales of any of the eligible commodities published in FAS program announcement PR 0096-01, issued March 20, 2001 or as superseded. The following horticultural products are eligible under the export credit guarantee programs: dried fruit; fresh fruit; frozen fruit; canned fruit; 100-percent fruit juices; fruit and vegetable concentrates, pastes, pulps and purees; honey; hops or hops extract; beer; tree nuts; fresh vegetables; canned vegetables; dried vegetables; wine; and brandy. The General Sales Manager will consider requests to establish an SCGP and/or GSM Program for a country or region or amend an authorized program to include horticultural commodities and products that are currently not eligible.

(For further information on the SCGP or GSM-102 Program for horticultural commodities, contact Yvette Wedderburn Bomersheim on 202-720-0911 or Rochelle Foster on 202-720-2936).

FY 2001 GSM-102 COVERAGE

Country	Announced Allocations --coverage in millions of dollars--
Algeria	25
Azerbaijan	5
Baltic Region	15
Caribbean Region	95
Central America Region	110
Central Europe Region	10
China/Hong Kong Region	300
Dominican Republic	25
East Africa	5
Egypt	100
India	20
Indonesia	500
Jordan	50
Kazakhstan	10
Korea	575
Lebanon	10
Malaysia	100
Mexico	500
Morocco	10
Nigeria	9
Peru	80
Philippines	100
Poland	25
Romania	25
Russia	40
South America Region	370
Southeast Asia Region	90
Southeast Europe Region	25
Southern Africa Region	50
Sri Lanka	35
Thailand	290
Tunisia	30
Turkey	345
West Africa Region	14

FY 2001 SUPPLIER CREDIT GUARANTEE COVERAGE

Country	Commodity	Announced Allocations	Exporter Applications Received	Balance
		--coverage in millions of dollars--		
Azerbaijan		5.00	0.00	5.00
Baltic Region		10.00	6.46	3.54
Caribbean Region		10.00	0.83	9.17
Central America Region		30.00	20.52	9.48
Central Europe Region		20.00	0.00	20.00
China/Hong Kong Region		50.00	0.26	49.74
	Wine		0.01	
Egypt		10.00	8.39	1.61
	Fruit, Fresh (180)		0.53	
Israel		20.00	0.08	19.92
	Wine (180)		0.08	
Japan		50.00	0.01	49.99
	Vegetables, Fresh (180)		0.01	
Kazakhstan		5.00	3.33	1.67
Kenya		2.00	0.00	2.00
Korea		50.00	2.26	47.74
	Fruit, Fresh (180)		1.90	
	Wine (180)		0.10	
Macedonia		5.00	3.24	1.76
Mexico		100.00	81.44	18.56
	Wine (180)		0.01	
Poland		10.00	0.04	9.96
Russia		10.00	6.71	3.29
South America Region		20.00	0.24	19.76
Southeast Asia Region		50.00	0.62	49.38
	Fruit/Vegetable Concentrates (180)		0.01	
	Fruit, Frozen (180)		0.01	
	Tree Nuts (180)		0.25	
	Wine (180)		0.01	
Southeast Balkans Region		75.00	0.00	75.00
Southeast Europe Region		20.00	0.00	20.00
Taiwan		50.00	0.02	49.98
	Wine (180)		0.01	
Turkey		5.00	4.60	0.40
	Tree Nuts (180)		0.15	
West Africa Region		45.00	3.58	41.42
Yemen		10.00	0.00	10.00