

USDA'S EXPORT CREDIT GUARANTEE PROGRAMS



FOREIGN AGRICULTURAL SERVICE

United States Department of Agriculture

LINKING U.S. AGRICULTURE TO THE WORLD

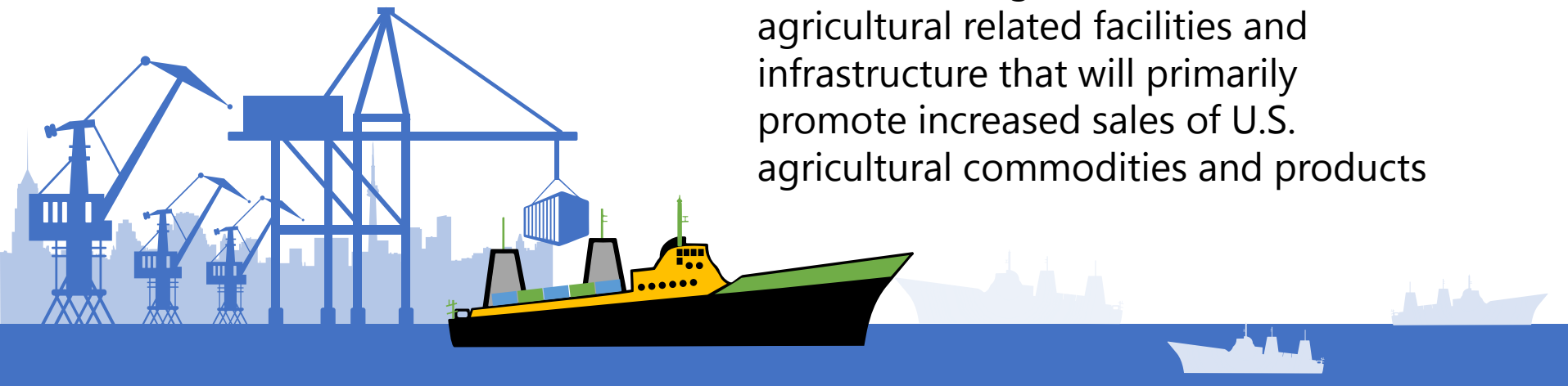
Our Programs

GSM-102

Provides credit guarantees to encourage financing of commercial exports of U.S. agricultural products

Facility Guarantee Program

Facilitates the financing of manufactured goods and services for agricultural related facilities and infrastructure that will primarily promote increased sales of U.S. agricultural commodities and products



GSM-102

Program Features



**Protects U.S. exporter/bank
against non-payment**

Letter of credit driven

Credit terms up to 18 months

Emerging market focused

98 percent guarantee

GSM-102 Program Participants

U.S. Exporter

Benefits

- Expand export sales by entering new markets or increasing sales in existing markets
- Ability to get paid at export by assigning guarantee to approved U.S. financial institution
- Ability to target riskier customers and countries

U.S. Financial Institution

Benefits

- USDA takes majority repayment risk
- Expand credit lines to correspondent FFI
- Add new correspondent FFIs
- Ability to lend up to 18 month tenor at potentially reduced interest rates
- Expand trade finance services to customers

Foreign Financial Institution

Benefits

- Access to U.S. dollar financing with correspondent USFI
- Ability to borrow U.S. dollars for up to 18 months and at potentially reduced lower interest rates

Importer

Benefits

- May receive financing from FFI
- Ability to purchase high quality U.S. agricultural goods

Country/Region must be approved for participation

How does it work?



U.S.
EXPORTER

- U.S. exporter establishes firm sales contract with buyer and applies for guarantee
- Importer obtains a letter of credit from foreign bank to cover the sale
- U.S. exporter assigns the guarantee to a U.S. bank
- Goods are shipped and U.S. bank pays exporter
- Foreign bank makes payment to U.S. bank
- Importer pays foreign bank



IMPORTER



U.S.
FINANCIAL
INSTITUTION



FOREIGN
FINANCIAL
INSTITUTION



Eligible Destinations

- Primarily emerging markets
- Approximately 130 eligible destination countries

Foreign Financial Institutions

- Programs are **regional**
- FFIs issuing the letter of credit need not be located in same country as importer

Eligible Commodities

- Consumer ready, intermediate or bulk products
- 100% produced in the USA, if bulk
- High value products must be 90% U.S. content

How much will it cost?

Guarantee fee based on country risk,
strength of FFI, repayment terms



**Approximately \$5 billion in available
guarantees announced each fiscal year**

How to get started

FOREIGN FINANCIAL INSTITUTION

**Provide audited financials
for past three years**

**Identify shareholder
ownership and management**

**Organizational structure
(affiliate, branch, etc.)**

**Contact information of
foreign government regulator**



How to get started

IMPORTER

Negotiate sales contract with buyer

Establish relationship with local bank that is a GSM-102 participant

If a GSM-102 participant is not available, encourage a bank to apply

Work with bank to issue letter of credit and negotiate terms



Approved Banks - Panama

- BAC International Bank, Inc.
- Banco Aliado
- Banesco, S.A.
- Banistmo, S.A.
- BCT Bank International, S.A.
- Capital Bank, Inc.
- Credicorp Bank, S.A.
- Global Bank Corporation
- Multibank Inc.
- Prival Bank, S.A.
- Unibank, S.A.

Any foreign bank approved by USDA can issue a letter of credit for a GSM transaction in the same region.

Other approved Foreign Financial Institutions

<https://www.fas.usda.gov/programs/resources/gsm-102-approved-foreign-financial-institutions>



Eligible GSM Destinations

Latin America

Keep In Mind



GSM-102...

...is not just for bulk commodities

Intermediate and processed foods are also covered, including fruits and vegetables, wood and paper products, grocery items and more



GSM-102...

...is not just for large dollar-value transactions

There is no minimum transaction size



GSM-102...

...is not just for large companies

Small and medium-sized enterprises (SMEs) utilize the program



GSM-102...

...does not charge interest

USDA only charges a guarantee fee which is cost-recovery



Facility Guarantee Program Features



**Protects U.S. exporter/bank
against non-payment**



Letter of credit driven



Credit terms up to 10 years



Emerging market focused



**Goods and services can be
used to establish/improve
facilities or infrastructure**



Eligible Destinations

- Primarily emerging markets
- Approximately 90 eligible destination countries

Foreign Financial Institutions

- No geographic restrictions
- FFIs issuing the letter of credit may participate in a project in any eligible destination country

Transaction Eligibility

- USDA must determine transaction primarily promote export of U.S. agricultural products
- Must show there will be no negative environmental or social impacts
- Guarantee can cover U.S. goods, U.S. services, and/or non-U.S. goods (with some conditions)

FGP Sample Transactions

- Construction of grain storage facility
- Equipment purchase for upgrade of existing grain or oilseed processing facilities
- Procurement of vehicles to transport imported goods from port to distribution facilities
- Improvement of cold storage facilities at port
- U.S. engineering services used in development of a new facility or infrastructure
- Portion or component of a larger project

FGP Credit Terms and Coverage

- Maximum tenor = 10 years, BUT...
 - USDA will determine maximum tenor on a case-by-case basis, based on transaction details.
- Initial payment of 15% is required from the buyer to the seller.
- Maximum coverage = 100% of the net contract value (after deduction of the 15% initial payment)
- Fees are available on the FAS website for all foreign financial institutions.

FGP Content Provisions

USDA's payment guarantee can cover:

- U.S. goods
- U.S. services
- Non-U.S. goods: if requested by the seller AND USDA determines that U.S. goods are not available or not practicable.
 - This includes local costs of up to 30%.
 - The seller must request a coverage waiver to justify the coverage of non-U.S. goods.

FGP Application Process

1. Letter of interest (OPTIONAL)

Seller submits basic transaction information (project description, location, benefit to U.S. agricultural commodities) that allows USDA to make an initial determination of whether the transaction *may be* eligible for FGP coverage.

Fee = \$200 (non-refundable)

2. Initial application

Seller submits the bulk of the detailed information about the transaction (location, description of all goods and services, coverage waiver request, etc.)

Fee = \$1000, or \$800 if letter of interest previously submitted. Fee is non-refundable.

3. Final application

Seller submits final information about the transaction (final list of goods and services to be covered, guarantee value, guarantee fee, etc.). Seller pays full guarantee fee (less the initial application fee and letter of interest fee, if applicable).

Seller submits environment and social impact assessment (ESIA), or other requested information, if required. ESIA made available for public comment.

Identifying Opportunities for Program Referral

GSM-102

- ✓ A U.S. exporter would like to do business in a risky market and needs payment assurance
- ✓ An importer seeking to buy U.S. ag products but lacks financing
- ✓ A U.S. exporter and importer have an existing business relationship
- ✓ U.S. exporter unable to provide additional financing assistance to importer with increased sales volume

FGP

- ✓ A country lacks facilities for storage, processing, etc. of ag products and exporter is therefore unable to expand U.S. ag products in that market
- ✓ Equipment upgrade is needed
- ✓ Additional refrigeration/cold storage equipment would allow more imports of U.S. product

Useful Links

Eligible Commodities

<https://www.fas.usda.gov/programs/export-credit-guarantee-program-gsm-102/eligible-commodities-gsm-102-program>

Approved Financial Institutions

<https://www.fas.usda.gov/programs/resources/gsm-102-approved-foreign-financial-institutions>

GSM Fee Calculator

https://apps.fas.usda.gov/gsm_web_fee_calc/calc.html

FGP Calculator

https://apps.fas.usda.gov/fgp_web_fee_calc/calc.html

GSM-102 Allocations and Availability (click on each region for eligible destinations in that region)

<https://www.fas.usda.gov/programs/export-credit-guarantee-program-gsm-102/gsm-102-allocations>

FGP Eligible Destinations

<https://www.fas.usda.gov/programs/facility-guarantee-program/fy-2016-fgp-allocations>



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