

# USDA

## FOREIGN AGRICULTURAL SERVICE

GSM-102 EXPORT CREDIT GUARANTEE PROGRAM

# GSM-102 Export Credit Guarantee Program

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Miami, Florida

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## FAS History

- ❑ USDA founded by President Lincoln in 1862
- ❑ Foreign Agricultural Service Division – USDA’s Bureau of Agricultural Economics - Created in 1930
- ❑ Foreign Agricultural Service created in 1953

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### *FAS Mission*

*Create economic opportunity for  
American agriculture by expanding global  
markets*



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### Commodity Credit Corporation

- ❑ Federally chartered corporation
- ❑ Secretary of Agriculture = Chairman of the Board
- ❑ Created to support farm incomes and maintain adequate supplies of agricultural products
- ❑ Statutory authority for the Export Credit Guarantee Programs is granted to the CCC

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### PURPOSE OF GSM-102 PROGRAM

- ✓ *Promote international agricultural trade*
- ✓ *Encourage the extension of financing*
- ✓ *Risk mitigation - protects exporter or U.S. bank against losses if the foreign bank defaults on its obligation*

Provides credit guarantees to encourage commercial financing of U.S. agricultural commodity exports, thereby assisting U.S. exporters in making sales that might not otherwise occur.

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### Program Participation

- Approved Countries/Regions
- Approved Foreign Banks
- Qualified U.S. Exporters
- Approved U.S. Banks
- Importers do not need to be approved



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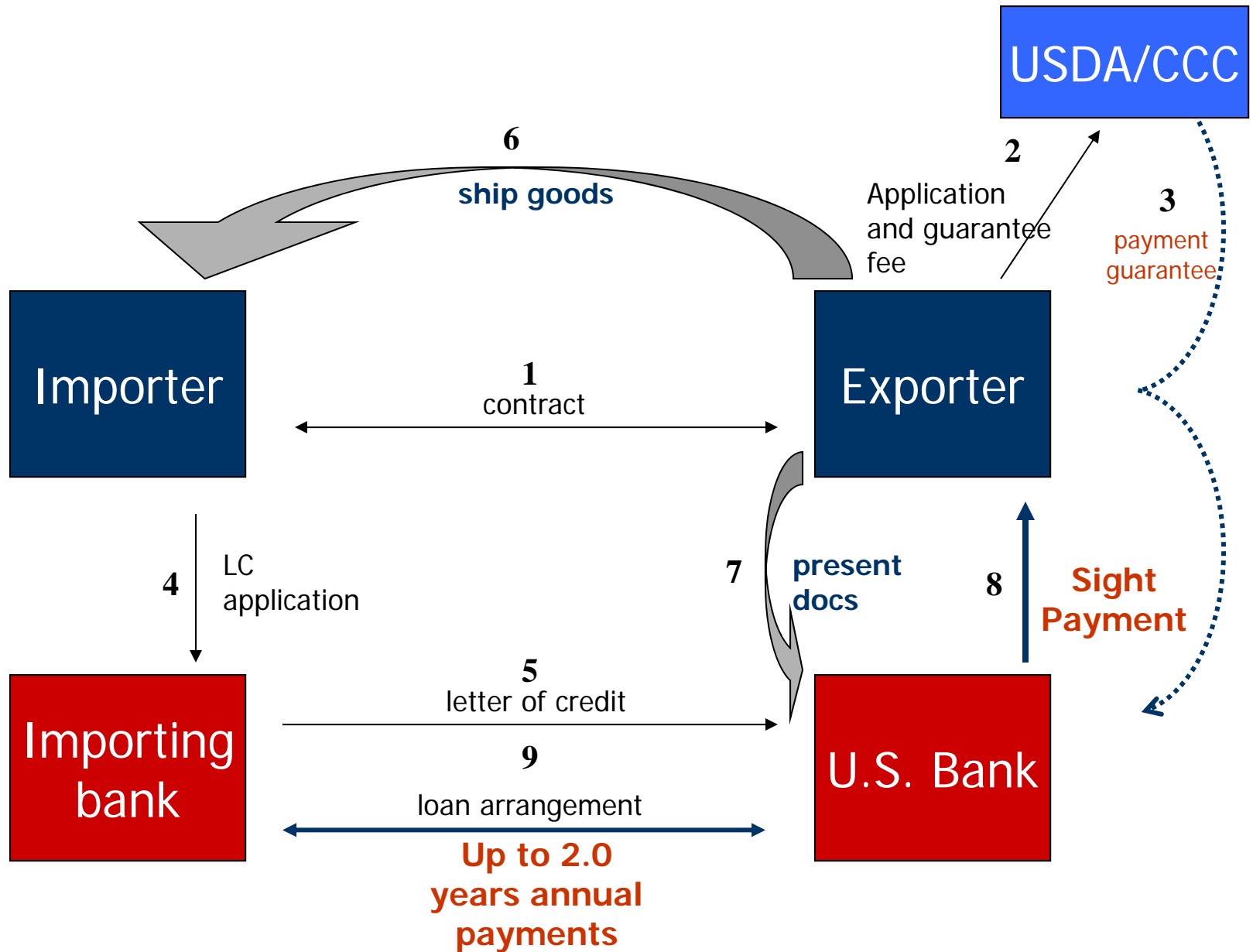
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### **How GSM-102 works**

- Guarantees payments by a foreign bank, facilitating commercial financing between an exporter's bank and the foreign bank for sales of U.S. agricultural products
- Financing mechanism: letter of credit (L/C)
- Covers up to 98% of the loan principal and a portion of the interest
- Currently covers terms up to 2.0 years, with maximum terms based on country risk
- Freight is generally covered
- Currently have 76 bank-eligible countries and almost 140 foreign banks with credit limits

# GSM-102 Deal Flow Chart





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### Step by Step

- U.S. exporter qualifies to participate
- U.S. exporter negotiates a firm sales contract with importer
- Exporter applies for guarantee coverage; pays guarantee fee
- USDA issues guarantee to exporter; exporter (typically) assigns guarantee to a USDA-approved U.S. bank
- Importer applies for L/C & USDA-approved foreign bank issues L/C in favor of the exporter

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### **Step by Step** continued

- Exporter ships commodity & presents documents to U.S. bank
- U.S. bank pays exporter at sight and extends financing terms to foreign bank
- Foreign bank pays U.S. bank per terms of financing which must be consistent with USDA guarantee
- Importer pays foreign bank per terms established between these parties
- If foreign bank defaults, holder of the guarantee files claim with USDA

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### **BENEFITS to FOREIGN BANK**

- Access to trade finance with U.S. banks
- Increased credit lines from U.S. banks
- Ability to borrow in U.S. dollars up to 2.0 years
- Potentially lower funding costs (interest rates and fees)
- Ability to support and finance customers

### **BENEFITS to U.S. BANK**

- Less risk - USDA takes 98% of principal repayment risk
- Ability to leverage credit lines to foreign banks
- Better use of country and counterparty limits
- Ability to lend up to 2.0 years
- Ability to lend at lower rates because of USDA guarantee
- Establish or improve correspondent banking relationships
- Service U.S. exporter client



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### GSM-102 COMMODITIES

- ✓ 100% produced in USA
- ✓ Consumer Ready, Intermediate and Bulk
- ✓ CCC "basket" of commodities
- ✓ High-Value products (90% U.S. Content)

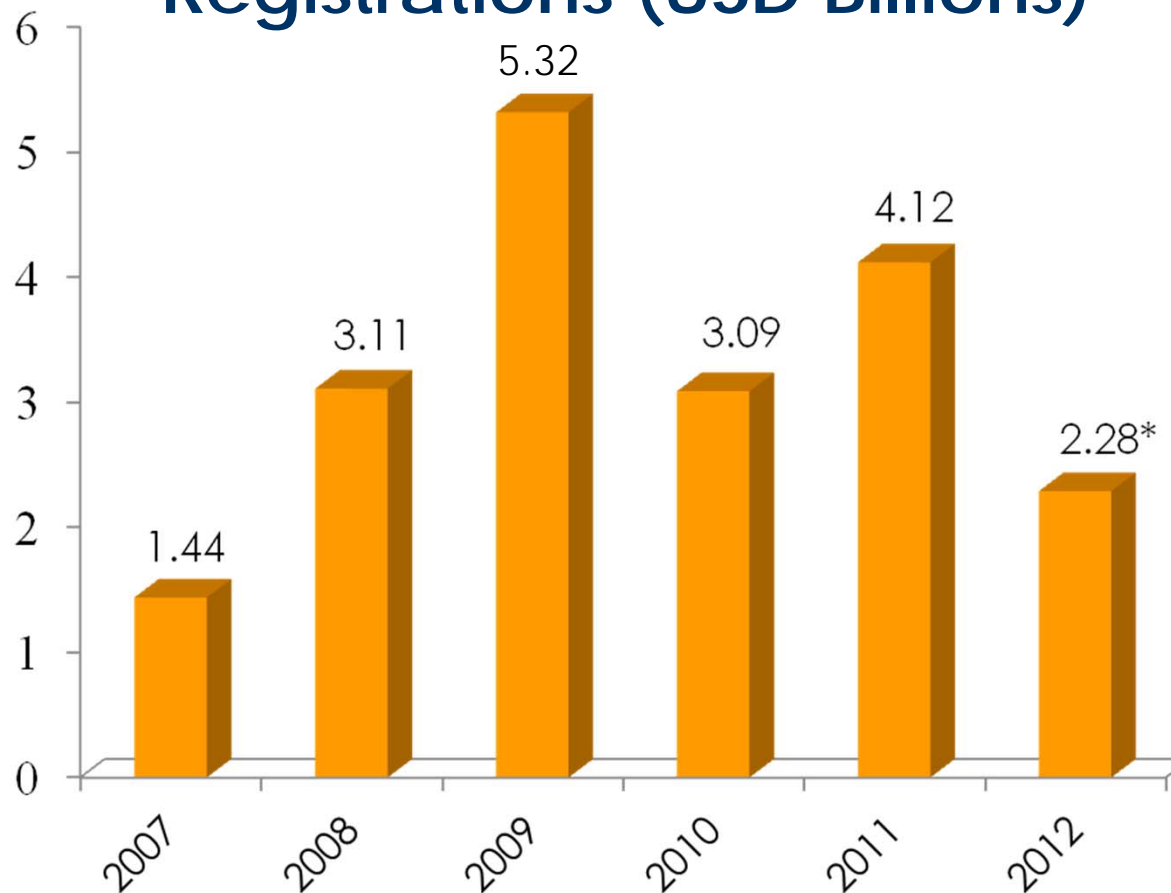


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### Registrations (USD Billions)



\* As of 26 April 2012

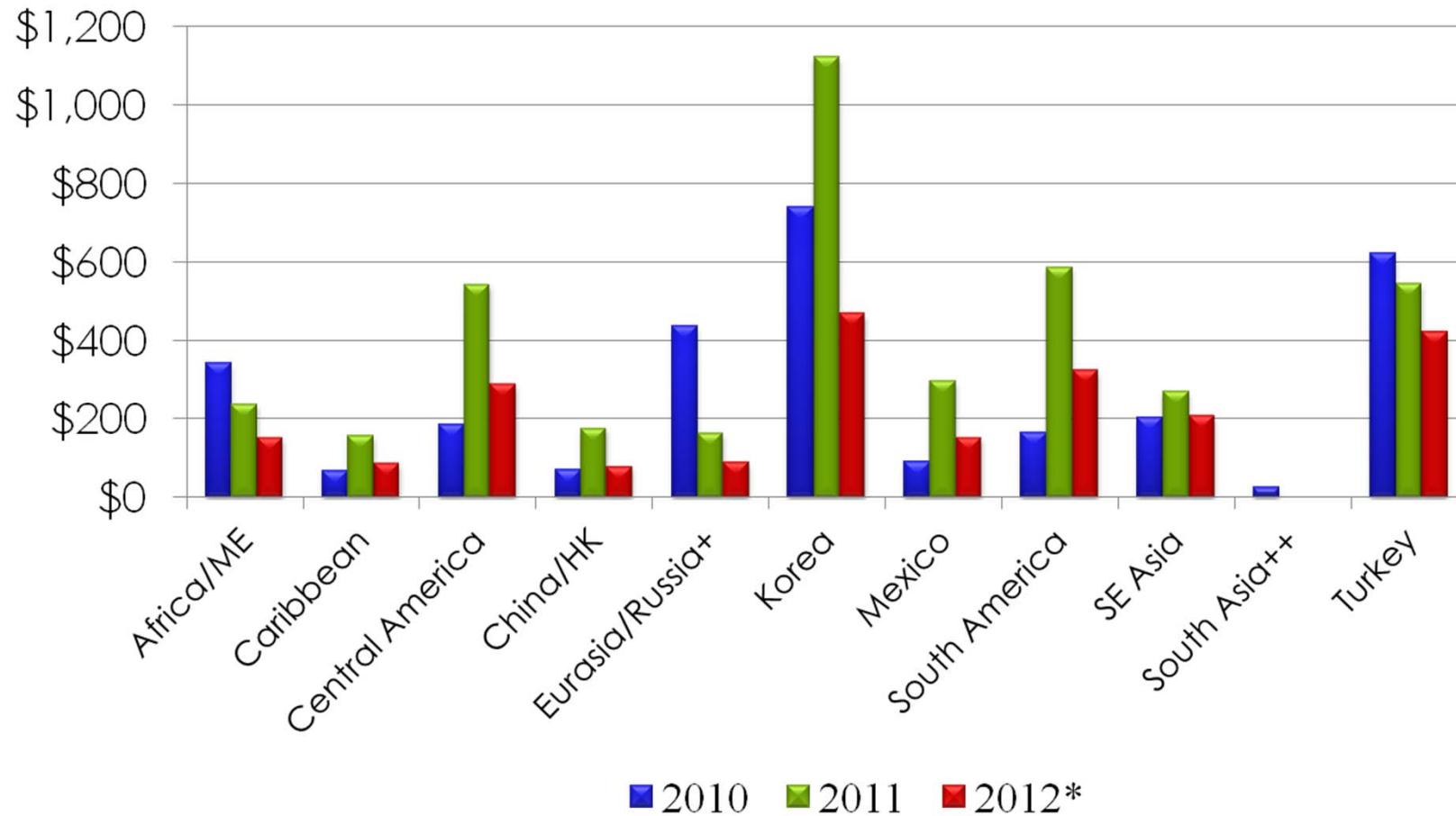
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# GSM-102 Global Usage FY 2010 – 2012 (in USD millions)

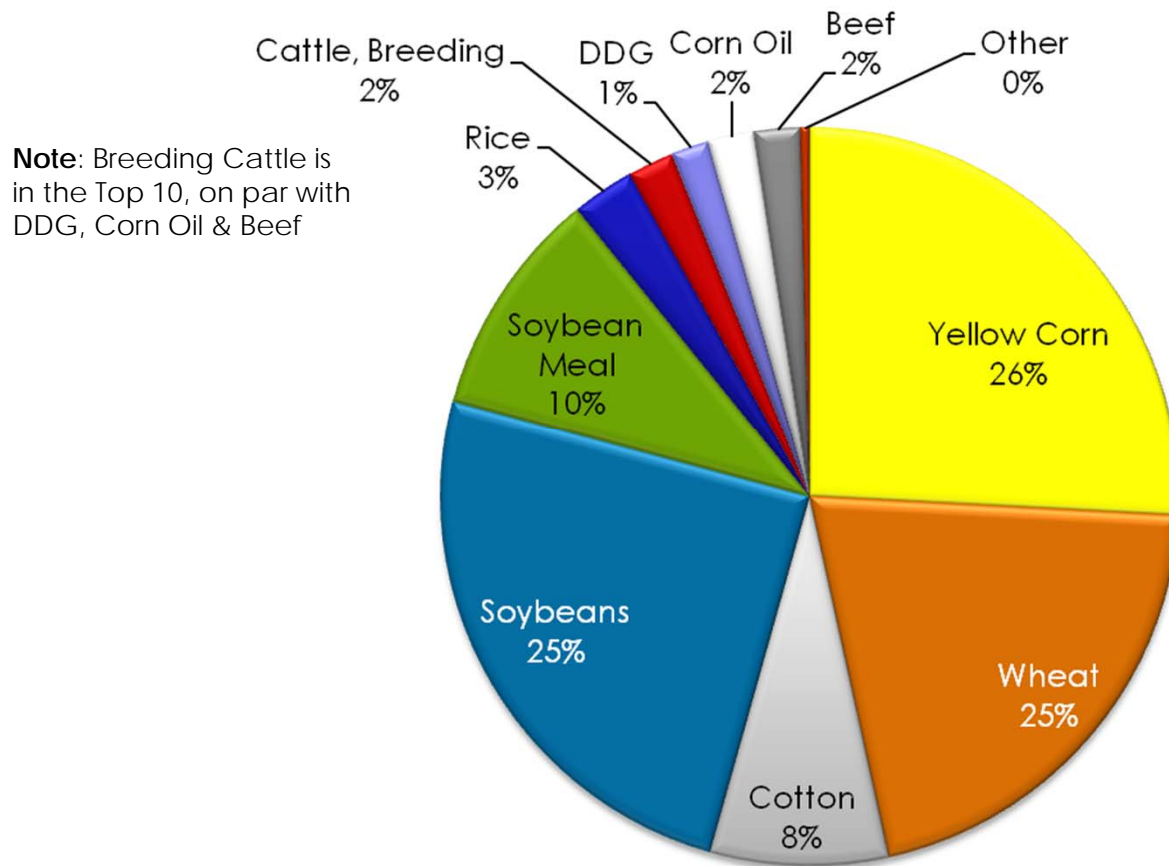


\*As of 26 April 2012  
 +Region discontinued in 2012  
 ++ Region discontinued after 2010

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### Top Commodities under GSM-102 FY 2012\*



\* As of 26 April 2012

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### FY 2012 Programming (\$5.5 Billion per Farm Bill)

Country/Region	
Africa/Middle East	\$400 Million
Caribbean	\$325 Million
Central America	\$600 Million
China/Hong Kong	\$250 Million
Georgia	\$50 Million
Korea, South	\$1,350 Million
Mexico	\$ 400 Million
Russia	\$200 Million
South America	\$675 Million
Southeast Asia	\$500 Million
Turkey	\$ 650 Million
Reserve	\$100 Million
<b>TOTAL:</b>	<b>\$5.5 Billion</b>



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### GSM Approved Banks in Western Hemisphere

#### **CENTRAL AMERICA**

Costa Rica (5)

El Salvador (3)

Guatemala (8)

Honduras (5)

Panama (12)

#### **CARIBBEAN**

Dominican Republic (1)

Jamaica (1)

Trinidad & Tobago (3)

#### **MEXICO**

Mexico (3)

#### **SOUTH AMERICA**

Chile (5)

Colombia (4)

Paraguay (4)

Peru (6)

Uruguay (1)

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### **Facility Guarantee Program (FGP)**

FGP provides payment guarantees to finance commercial exports of U.S. manufactured goods and services that will be used to improve agriculture-related facilities. Program designed to expand sales of U.S. agricultural products to emerging markets where inadequate storage, processing, or handling capacity limit trade potential.

*Program information:*

*<http://www.fas.usda.gov/excredits/facility-new.asp>*

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### FGP

- Guarantees payments by a foreign bank, facilitating commercial financing between an exporter's bank and the foreign bank for sales of manufacturing goods and services
- Subject to the Organization for Economic Cooperation and Development (OECD) Arrangement on Officially Supported Export Credits (for capital goods) – disciplines fees, tenor, down payment requirement

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### FGP: Current Status

- No program announced for FY 2012: new regulation currently underway
- Two main program requirements in Farm Bill:
  - Eligible projects must “primarily promote the export of U.S. agricultural commodities.”
  - 2008 Farm Bill permits Secretary to waive requirement to use U.S. goods if such goods are not available or not practicable.
- Goal to re-announce program during FY 2013

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For more information on the GSM-102 program, visit:

[www.fas.usda.gov/excredits/ecgp.asp](http://www.fas.usda.gov/excredits/ecgp.asp)

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