

SUPPLIER CREDIT GUARANTEE PROGRAM

WHAT IS THE SUPPLIER CREDIT GUARANTEE PROGRAM?

The Commodity Credit Corporation (CCC), U.S. Department of Agriculture (USDA), administers export credit guarantee programs for commercial financing of U.S. agricultural exports. The programs encourage 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 Supplier Credit Guarantee Program (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. Regulations for this program are found in 7 CFR 1493, Subpart D.

HOW DO I APPLY FOR THE PROGRAM?

- Exporter must qualify as a program participant. Send basic company information to USDA/FAS
Telephone: 202-720-0335
Fax: 202-720-0938
- Determine if USDA has announced credit guarantee coverage for the importing country and product to be imported.
- Check with USDA/Washington, D.C.'s Agricultural Trade Office and USDA/FAS web site:
<http://www.fas.usda.gov>
- The exporter and importer negotiate terms of the export credit sale, including arrangements for execution of the promissory note.
- Once a firm sale exists, and before export, the U.S. exporter applies for payment guarantee from USDA. Send sales information to USDA:
Telephone: 202-720-3224
Fax: 202-720-2949
- Once the application is approved, the exporter pays guarantee fee to USDA. Guarantee fee is:
 - 45 cents per \$100 (up to 90 days)
 - 90 cents per \$100 (over 90 days and up to 180 days)
- Exporter ships the product as agreed.
- Exporter submits Evidence of Export report to USDA. Report due within 30 days for vessel/air shipments; within 60 days for rail/truck shipments. (Also, Exporter certifies that the U.S. denominated promissory note is in place).
- For immediate payment, exporters may assign guarantee to a U.S. financial institution.
- Importer receives the products and makes payment as outlined in the promissory note.
- If a payment is late, the exporter must inform USDA.
 - Within 10 calendar days of due date - file notice of non-payment.
 - Within 6 months of due date - file claim.
- USDA will pay claims that are in good order and will seek the full overdue amount from the importer.
 - Monies recovered are shared pro rata with the exporter.

ABOUT THE SUPPLIER CREDIT GUARANTEE PROGRAM

The Supplier Credit Guarantee Program (SCGP) became effective on August 30, 1996 and in fiscal year (FY)1999 wood products were added to the list of commodities eligible under the program. Since then the U.S. wood products industry has increasingly found that the program is indeed a useful tool in gaining access to overseas market. The program offers payment guarantees (currently 65 percent up to 180 days) of the export value of a sale, thereby, helping exporters enter new markets with better financing terms. In FY 2001, the program was utilized for \$2.6 million in forest products sales to Mexico. Under the FY 2002 program, as of November 17, 2001, forest products sales totaled about US \$415,000.

U.S. VENEER COMPANY EXPANDS SALES IN LATIN AMERICA BECAUSE OF SCGP

Recently, FAS staff spoke with Mr. Marcio Murta, Latin America Export Manager for Atlantic Veneer Corporation about his experience with the SCGP. Mr. Murta learned about the program from Charles R. Green, International Trade Specialist - Forest Products, North Carolina Department of Agriculture and Consumer Services last summer. According to Mr. Murta, the SCGP has helped his company to provide leverage for existing lines of credit in Mexico and Brazil and has enabled it to expand export sales to new markets such as Chile. In Mexico, he estimated that they have been able to increase sales more than 60 percent due to the guarantees provided by the program. Mr. Murta finds the program very useful in Latin America countries since obtaining letters of credit is not always as easy as in markets in Asia. He also believes that this program has helped his company to compete against suppliers such as Europe who can offer lower prices or have credit programs available.

For the list of commodities eligible for this program, visit the web site:

<http://www.fas.usda.gov/excredits/exp-cred-guar.html>

For more information about this program and other exporter assistance programs, visit the web site: <http://www.fas.usda.gov/export.html>