

Export News and Opportunities

Horticultural exporters, do not overlook the billions of dollars 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. Under the FY 2001 GSM-102 and SCGP, USDA has authorized \$4.5 billion in credit guarantees to help facilitate sales to over 60 developing countries, Japan, China, Hong Kong and Taiwan. As of February 9, horticultural exporters have registered \$1.3 million in fresh fruit, frozen fruit, fruit and vegetable concentrate, fresh vegetables, tree nut and wine sales under Supplier Credit. Use GSM and SCGP to avoid possible importer and importer's 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.

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sales of any of the eligible commodities published in FAS program announcement PR 0240-00, issued June 12, 2000 or as superseded.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 which are currently not eligible.

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

Since the last publication, USDA amended the GSM-102 program for the Southeast Asia Region for fiscal year 2001 to change the country destinations. Eligible destinations are Malaysia, the Philippines, Thailand, Vietnam, Singapore and Papua New Guinea. Authorization for coverage to the Southeast Asia Region remains unchanged at \$90 million. All other terms and conditions as previously announced remain the same.

On February 7, USDA modified the GSM-102 repayment terms for South Korea from semiannual to annual payments. The total FY 2001 allocation to South Korea remains unchanged at \$590, with \$95 million still unallocated. All other terms and conditions as 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 Commodity Credit Corporation (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 amounts 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

Since the last publication, USDA authorized \$5 million in supplier credit guarantees for sales of U.S. agricultural commodities to Azerbaijan under the SCGP for fiscal year 2001. On February 9, USDA authorized \$75 million in supplier credit guarantees for sales of U.S. agricultural commodities to the Southeast Balkans Region for fiscal year 2001. The Southeast Balkans Region includes Romania and Bulgaria. The SCGP for the Southeast Balkans Region replaces the \$25-million SCGP for Bulgaria announced on November 9, 2000, in program announcement PR-0470-00.

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. 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 0002-01, issued January 10, 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).

FY 2001 GSM-102 COVERAGE

| Country | Announced Allocation (In Millions of Dollars) |
|-------------------------|---|
| BALTIC REGION | 15.0 |
| CARIBBEAN REGION | 95.0 |
| CENTRAL AMERICA REGION | 110.0 |
| CENTRAL EUROPE REGION | 10.0 |
| CHINA/HONG KONG REGION | 300.0 |
| EGYPT | 100.0 |
| INDIA | 20.0 |
| INDONESIA | 500.0 |
| KOREA | 420.0 |
| MALAYSIA | 100.0 |
| MEXICO | 500.0 |
| MOROCCO | 10.0 |
| NIGERIA | 9.0 |
| PHILIPPINES | 100.0 |
| POLAND | 25.0 |
| SOUTHERN AFRICA REGION | 50.0 |
| SOUTHEAST ASIA REGION | 90.0 |
| SOUTHEAST EUROPE REGION | 25.0 |
| THAILAND | 290.0 |
| TURKEY | 345.0 |
| WEST AFRICA REGION | 14.0 |

FY 2001 SUPPLIER CREDIT GUARANTEE COVERAGE

| Country | Announced Allocation (In Millions of Dollars) |
|-------------------------|--|
| BALTIC REGION | 10.0 |
| CARIBBEAN REGION | 10.0 |
| CENTRAL AMERICA REGION | 10.0 |
| CENTRAL EUROPE REGION | 20.0 |
| CHINA/HONG KONG REION | 50.0 |
| EGYPT | 10.0 |
| ISRAEL | 20.0 |
| JAPAN | 50.0 |
| KAZAKHSTAN | 5.0 |
| KOREA | 50.0 |
| MEXICO | 100.0 |
| POLAND | 10.0 |
| SOUTH AMERICA REGION | 20.0 |
| SOUTHEAST ASIA REGION | 50.0 |
| SOUTHEAST EUROPE REGION | 20.0 |
| TAIWAN | 50.0 |
| TURKEY | 5.0 |
| WEST AFRICA REGION | 45.0 |
| YEMEN | 10.0 |