

USDA'S GSM-102 EXPORT CREDIT GUARANTEE PROGRAM



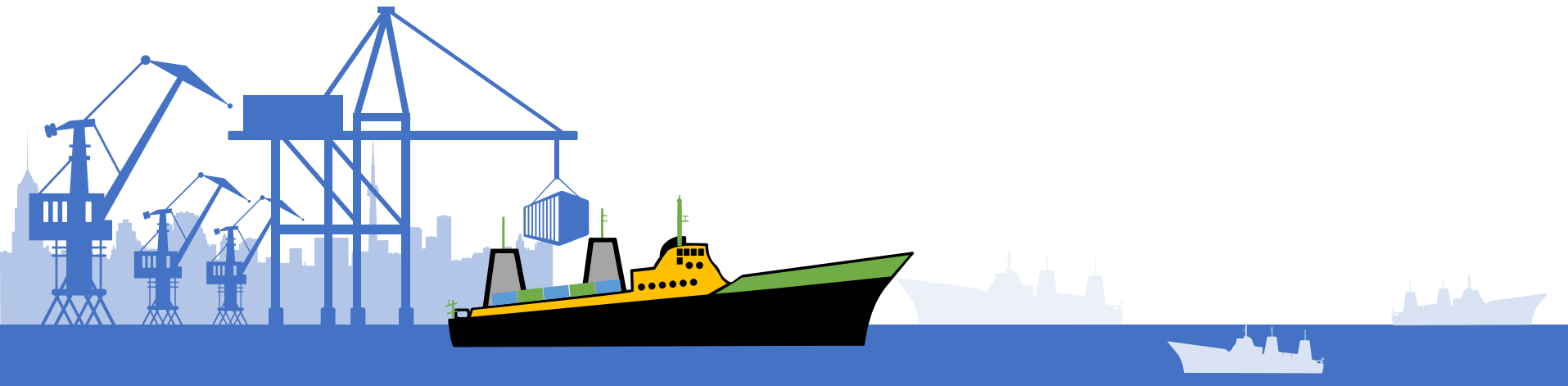
FOREIGN AGRICULTURAL SERVICE

United States Department of Agriculture

LINKING U.S. AGRICULTURE TO THE WORLD

GSM-102

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

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

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

How does it work?

A circular icon with a dotted border, containing the text "U.S. EXPORTER" in white capital letters on an orange background.

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

A circular icon with a dotted border, containing the text "U.S. BANK" in white capital letters on a yellow background.

U.S. BANK

A circular icon with a dotted border, containing the text "IMPORTER" in white capital letters on a blue background.

IMPORTER

A circular icon with a dotted border, containing the text "FOREIGN BANK" in white capital letters on a green background.

FOREIGN
BANK



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

GSM Comparison

Without GSM-102

- ✓ U.S. exporter carries 100% risk
- ✓ U.S. exporter reluctant to ship without payment in advance
- ✓ Local bank may be unwilling to provide credit to importer
- ✓ Importer's financing may have unfavorable terms (short repayment, higher interest, etc.)

Carry 100% Risk

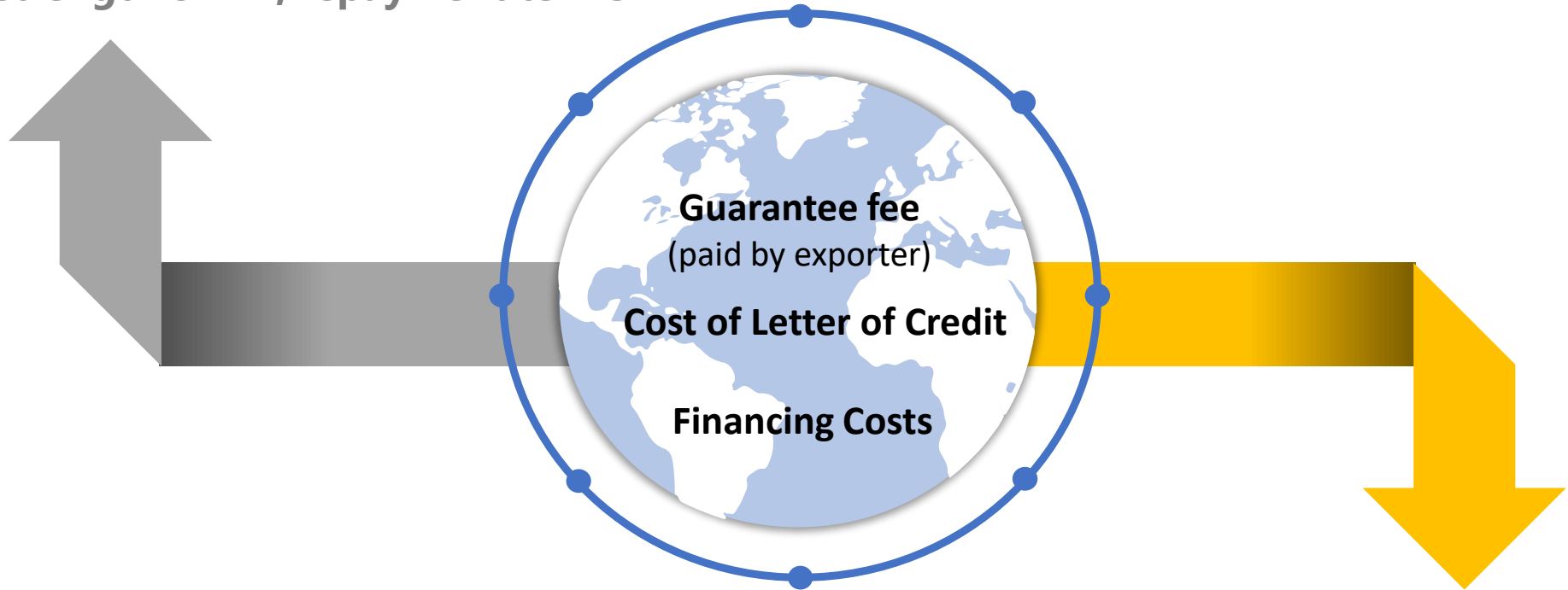
With GSM-102

- ✓ U.S. exporter carries minimal risk (or no risk when assigned to U.S. bank)
- ✓ U.S. exporter expands sales and will get paid upon shipment of products
- ✓ Importer gains repayment terms and can pay over time

Carry 2% Risk

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

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

IMPORTER



Eligible GSM Destinations Latin America Region



Common Misconceptions



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

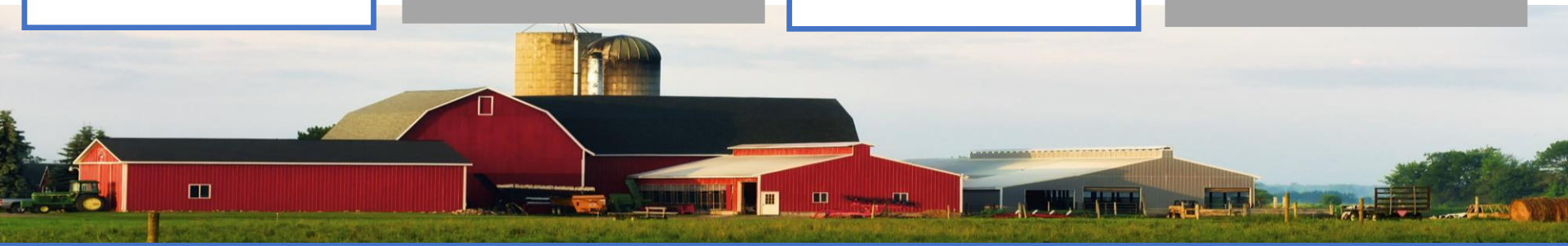
Small and medium-sized enterprises (SMEs) utilize the program



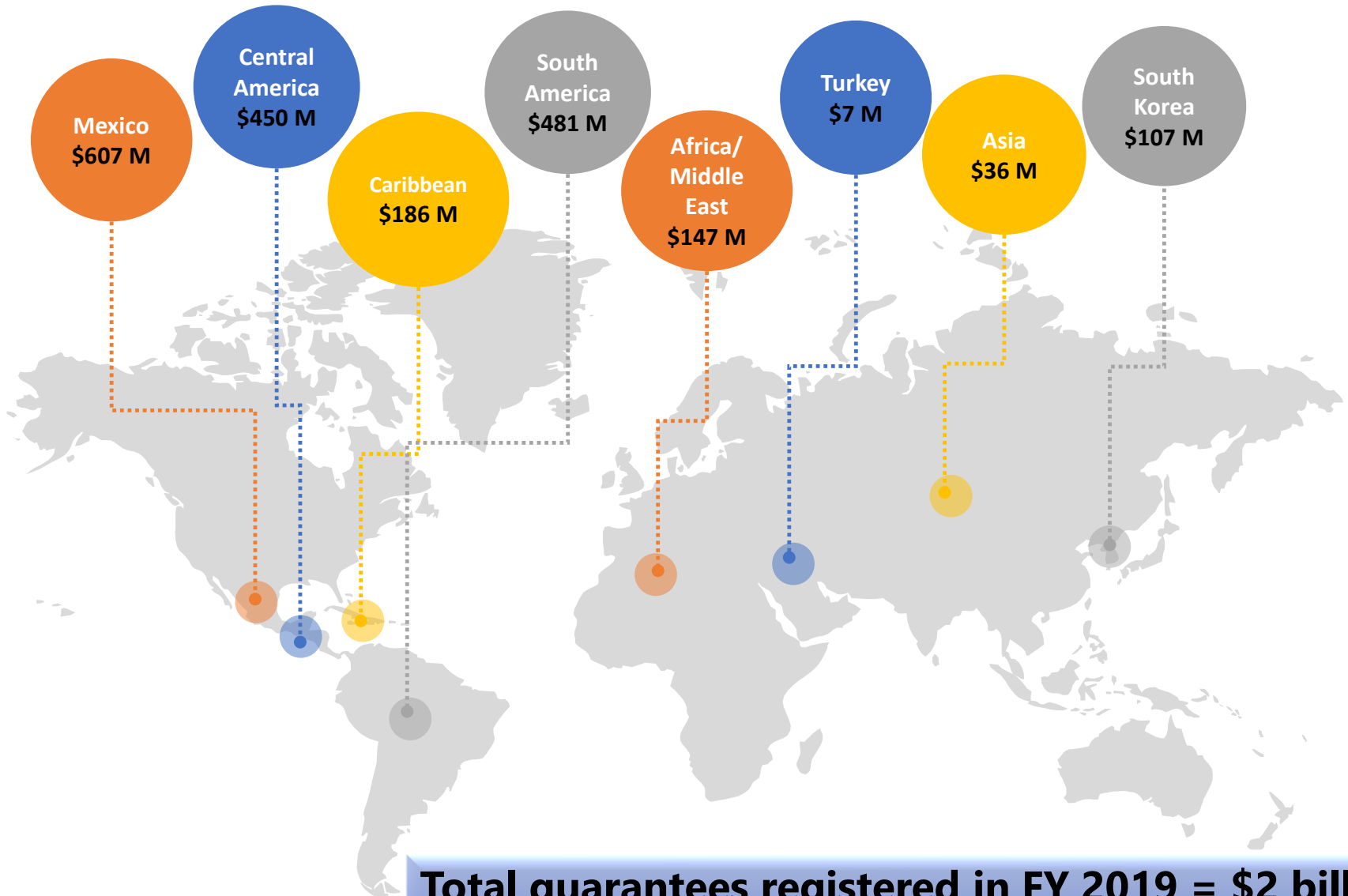
GSM-102...

...does not charge interest

USDA only charges a guarantee fee which is cost-recovery

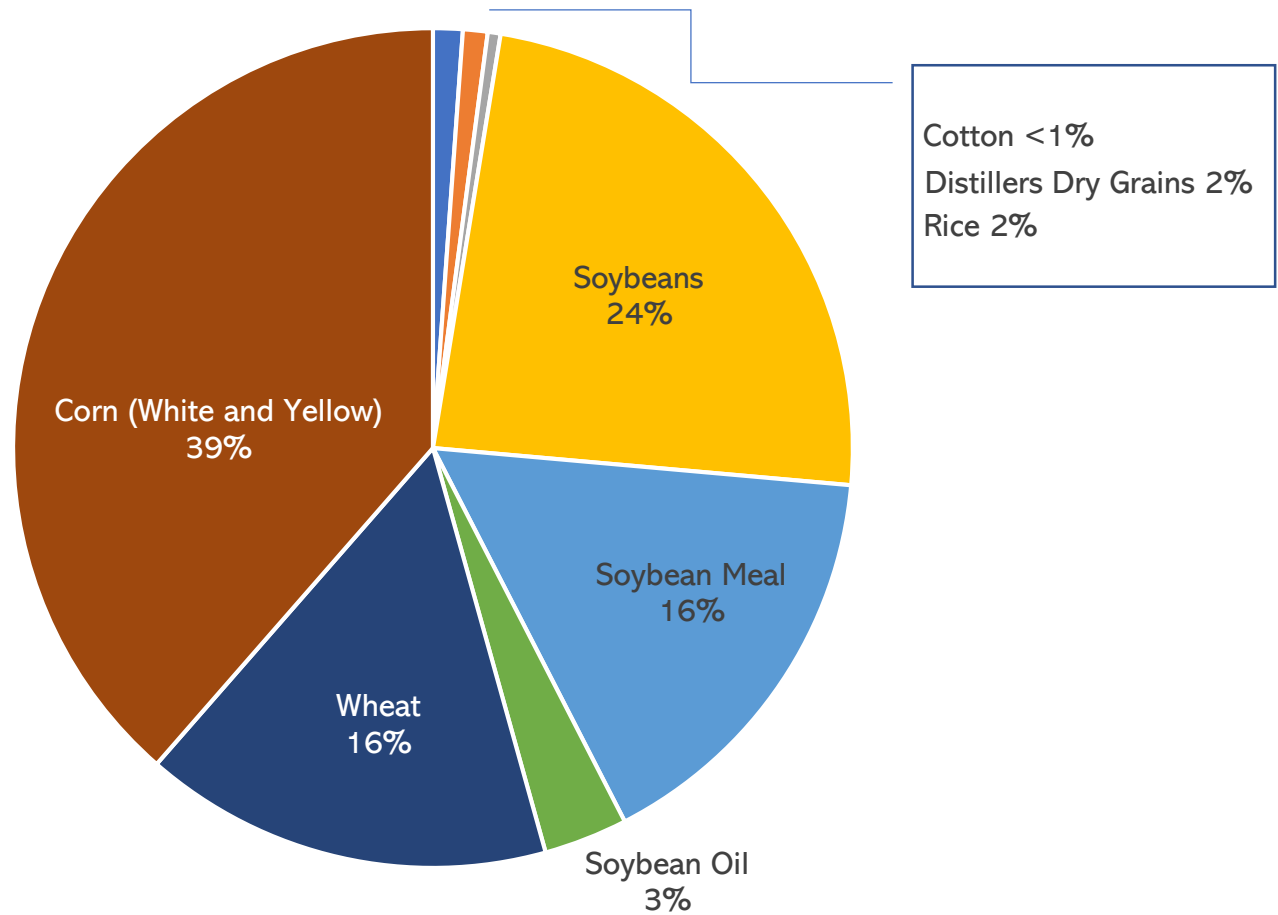


Global Usage FY 2019



Total guarantees registered in FY 2019 = \$2 billion

Top Commodities FY 2019



Next Steps:

Identifying Opportunities

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



USDA
Foreign Agricultural Service
Office of Trade Programs
Credit Programs Division

Michelle DeGraaf

Michelle.Degraaf@usda.gov

+1-202-720-2289

Maria Dorsett

Maria.Dorsett@usda.gov

+1-202-690-0159

Questions?

