

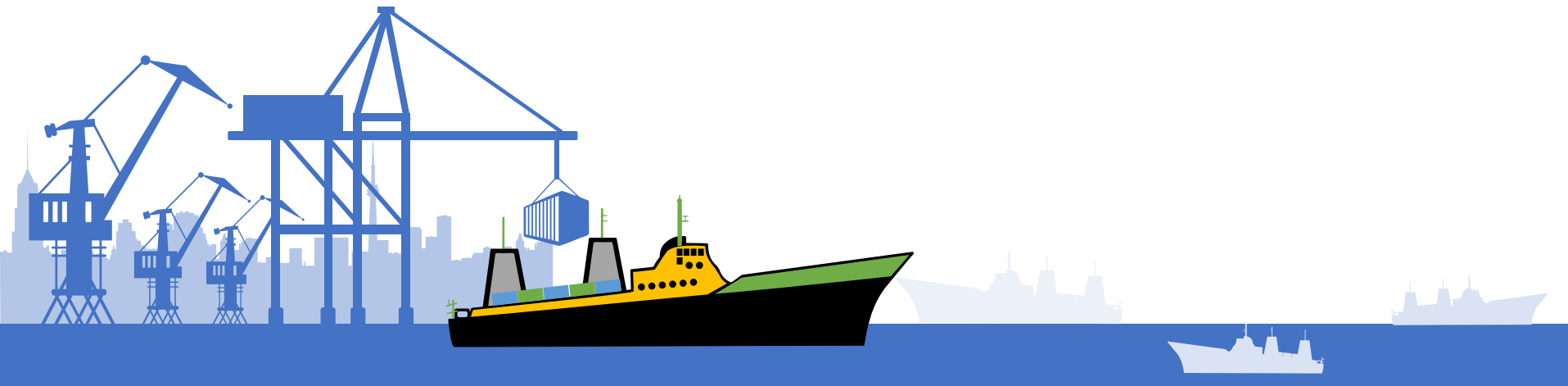
Current as of 11/13/2020

GSM-102 EXPORT CREDIT GUARANTEE PROGRAM



GSM-102 Export Credit Guarantee Program

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





Program Features

- Letter of Credit driven
- Mitigates non-payment risk
- Developing country focused
- Credit terms up to 18 months
- Up to 98% guarantee
- Only U.S. agricultural commodities are eligible

Requirements of Program Participants

Exporter

- Qualification required
- Has sales contract with importer for purchase of U.S. agricultural commodities
- Applies for credit guarantee

U.S. Financial Institution

- Qualification required
- Confirms Letter of Credit from approved foreign financial institution
- Exporter generally assigns credit guarantee to U.S. bank
- USDA assumes majority of repayment risk

Foreign Financial Institution

- Qualification required
- Many banks are currently qualified
- Issues Letter of Credit per instruction of the importer

Importer

- No qualification required
- Purchaser of U.S. agricultural commodities
- Responsible for financing
- Opens Letter of Credit with an approved Foreign Financial Institution

Destination country must be eligible for participation

L/C issuing banks do not need to be in the destination country (but within set regions)

Benefits for Program Participants

Exporter

Benefits

- Ability to target markets with greater risk
- Expand existing export sales or establish sales in new markets
- Immediate payment from U.S. bank

U.S. Financial Institution

Benefits

- Extend new credit lines with approved Foreign Financial Institutions or add to existing credit lines
- Expand business to include trade finance services
- Ability to lend up to 18 months tenor with USDA assuming up to 98 percent of the risk

Foreign Financial Institution

Benefits

- Ability to borrow for up to 18 months at potentially reduced lower interest rates
- Expand business to include trade finance services
- Extend new credit lines to customers or add to existing lines

Importer

Benefits

- May receive preferential repayment terms from local bank
- Ability to purchase high-quality U.S. agricultural commodities

GSM Comparison

Without GSM-102

- ✓ U.S. exporter carries 100% risk
- ✓ U.S. exporter may be reluctant to ship without pre-payment from importer
- ✓ Foreign Financial Institution may be unwilling to provide credit to importer
- ✓ Importer's financing may have unfavorable terms (shorter 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)
- ✓ Foreign Financial Institution may gain preferential repayment terms with U.S. bank
- ✓ Importer may gain preferential repayment terms with the Foreign Financial Institution

Carry 2% Risk

What Does a Transaction Look Like?

U.S.
EXPORTER

- U.S. exporter establishes a firm sales contract with an importer
- U.S. exporter applies for a credit guarantee
- Importer opens a letter of credit with an approved Foreign Financial Institution in favor of the exporter
- U.S. exporter assigns the credit guarantee to an approved U.S. bank
- U.S. exporter ships goods and the U.S. bank pays the exporter
- Approved Foreign Financial Institution makes payment to the U.S. bank
- Importer pays approved Foreign Financial Institution

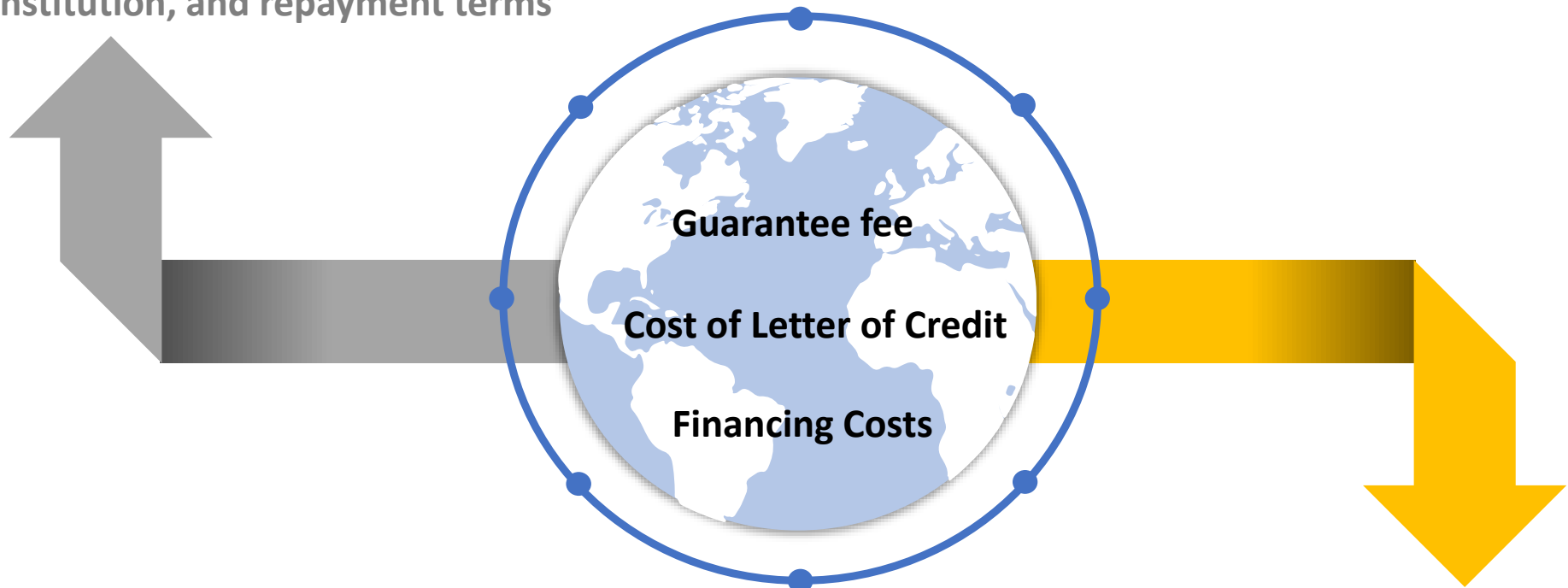
U.S. BANK

IMPORTER

FOREIGN
BANK

How much will it cost?

Guarantee fee (levied by USDA and paid by the exporter) is based on country risk, strength of approved Foreign Financial Institution, and repayment terms



Participants benefit from approximately
\$5 billion per year

Eligible Destinations

- Approximately 135 countries spread across three regions
 - Africa, the Middle East, Turkey, Caucasus, and Central Asia
 - Asia
 - Latin America

**Any bank approved by USDA within a given region can issue a letter of credit for a transaction in any approved destination country within that same region.*

Eligible Destination Countries in the Middle East and North Africa

Algeria, Bahrain, Egypt, Iraq, Israel, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Palestinian Territories, Qatar, Saudi Arabia, Tunisia, **United Arab Emirates**, and Yemen

Eligible Commodities

- Consumer-oriented, intermediate, or bulk
- 100% U.S. content requirement, except...
 - High-value products, which require a 90% U.S. content value

GSM-102 Supported Commodity Shipments to the Middle East and North Africa

- Algeria – Soybeans, wheat
- Egypt – Soybeans, yellow corn, dairy cattle
- Israel – Soybeans, yellow corn
- Lebanon - Soybeans
- Morocco – Wheat, yellow corn, soybeans, soybean meal, soy hull pellets, DDGS
- Saudi Arabia – Soybeans, yellow corn
- Tunisia – Soybeans, wheat, DDGS

Approved Banks in the Middle East and North Africa

United Arab Emirates

- Abu Dhabi Commercial Bank PJSC
- Mashreqbank, PSC

Multilateral

- African Export-Import Bank (Afrexim), Egypt

Egypt

- Commercial International Bank
- Export Development Bank of Egypt

Qatar

- Qatar Islamic Bank (Q.P.S.C.)

**Any bank approved by USDA within the Africa and Middle East, Turkey, Caucasus, and Central Asia Region can issue a letter of credit for a transaction in an approved destination.*

Approved Banks in the United States

- BAC Florida Bank
- Banco de Sabadell, Miami Branch
- Bank of America
- Bank of Montreal, Chicago Branch
- BBVA, New York Branch
- BMO Harris Bank N.A.
- CoBank, ACB
- Commerce Bank
- Commerzbank AG, New York Branch
- Deutsche Bank AG, New York Branch
- Deutsche Trust Company Americas
- East West Bank
- First Tennessee Bank, N.A.
- Habib American Bank
- HSBC USA, N.A.
- Huntington National Bank
- JPMorgan Chase
- KeyBank
- Mashreqbank PSC, New York Branch
- Mizuho Bank
- Rabobank Nederland, New York Branch
- Regions Bank
- Sumitomo Mitsui Banking Corporation
- Umpqua Bank
- Wintrust Bank
- WorldBusiness Capital, Inc
- Zions Bancorporation, N.A.

How to get started

Negotiate sales contract with exporter

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

IMPORTERS



How to get started

Obtain a DUNS Number

Register on SAM.gov

Submit qualification application

Negotiate sales contract with buyer

Submit request for credit guarantee and pay fee

Contact U.S. bank (if assigning guarantee)

EXPORTER



How to get started

FINANCIAL INSTITUTIONS

Provide audited financials for past three years

Identify shareholder ownership and management

Organizational structure (affiliate, branch, etc.)

Contact information of government regulator



Identifying Opportunities

GSM-102

- ✓ A U.S. exporter wants to do business in a riskier market and needs payment assurance
- ✓ An importer seeks 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 for increased sales volume

Keep In Mind



GSM-102...

...is not just for bulk commodities

Intermediate and processed foods are 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

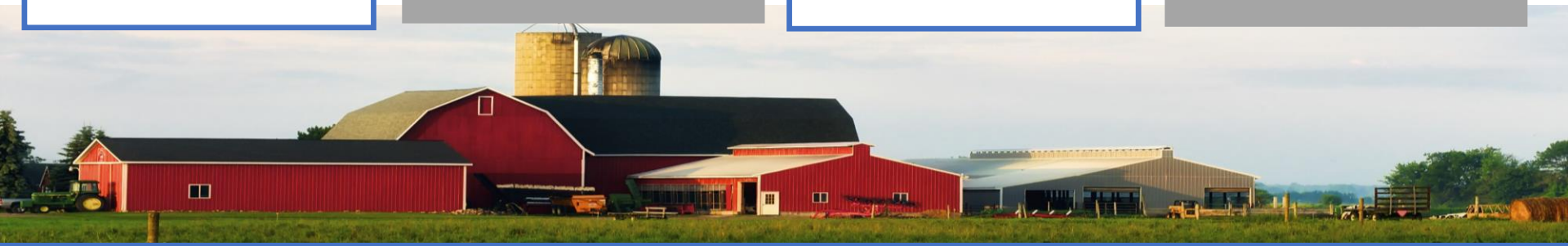
Small and medium-sized enterprises (SMEs) utilize the program



GSM-102...

...does not charge interest

USDA only charges a guarantee fee which is cost-recovery



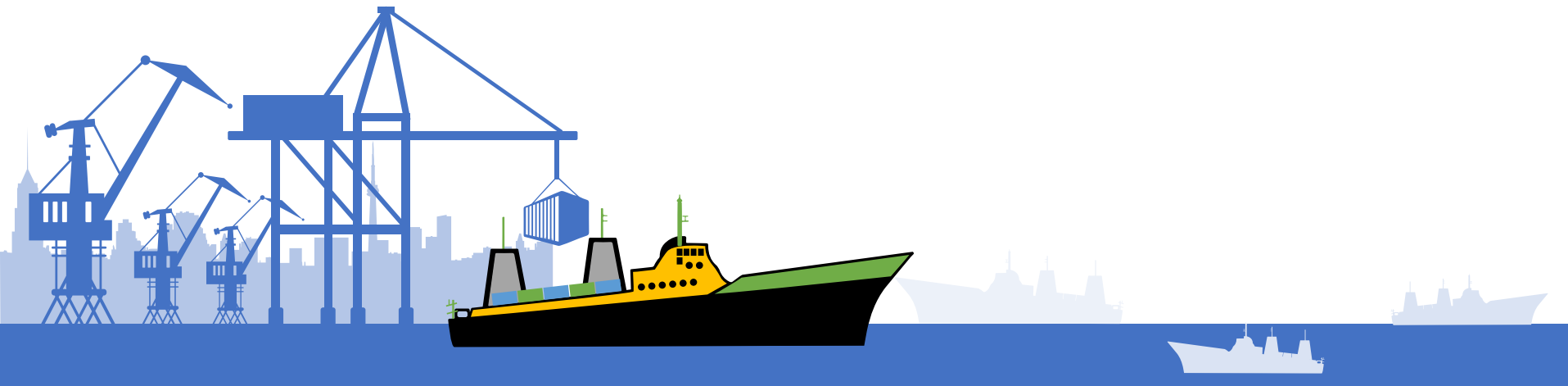
And now, the Facility Guarantee Program

Facility Guarantee Program



Facility Guarantee Program

Facilitates financing of manufactured goods and U.S. services to improve or establish agricultural-related facilities in emerging markets that is projected to primarily benefit U.S. agricultural commodity exports





Program Features

- **Loan guarantee program designed to facilitate development or improvement of agricultural-related facilities and infrastructure in emerging markets**
- **Projects must be projected to primarily benefit U.S. commodity exports**
- **Mitigates non-payment risk**
- **Letter of credit required (but certain terms and conditions may be contained in a related document)**
- **Credit terms up to 10 years**
- **15% initial payment, up to 100% guarantee on remaining 85%**

Program Participants

Exporter or “Seller”

- Has contract with buyer for sale of U.S. manufactured goods and services
- Applies for credit guarantee
- Typically assigns guarantee to a U.S. bank
- Pre-qualification required

U.S. Financial Institution

- If assigned guarantee from seller, confirms letter of credit from and negotiates loan with approved financial institution
- Pre-qualification required

Approved Financial Institution in MENA Region

- Issues letter of credit per instruction of the importer
- Negotiates loan with U.S. financial institution
- Pre-qualification required

Importer or “Buyer”

- Has sales contract with U.S. seller for purchase of manufactured goods and U.S. services
- Opens letter of credit with pre-approved bank in favor of exporter
- No pre-qualification required

Benefits for Program Participants

U.S. Exporter/Seller

Benefits

- Ability to target markets with greater risk
- Expand existing export sales or establish sales in new markets
- Immediate payment from U.S. bank

U.S. Financial Institution

Benefits

- Extend new credit lines with non-U.S. banks or add to existing credit lines
- Expand business to include trade finance services
- Ability to lend up to 10 years with USDA assuming 100 percent of the risk

Approved Financial Institution in MENA Region

Benefits

- Ability to borrow for up to 10 years at potentially reduced lower interest rates
- Expand business to include trade finance services
- Extend new credit lines to customers or add to existing lines

Importer or “Buyer”

Benefits

- Ability to purchase manufactured goods and services to establish agriculture-related facilities or infrastructure to expand existing operations
- Improved facilities or infrastructure will allow for increased imports of U.S. agricultural commodities
- May receive preferential repayment terms from local bank

Eligible Destination Countries in MENA

Algeria, Bahrain, Egypt, Jordan, Kuwait, Lebanon, Morocco, Oman, Qatar, Saudi Arabia, Tunisia, and United Arab Emirates

**Any bank approved by USDA can issue a letter of credit for a transaction in any approved country.*

FGP Transaction Eligibility

- USDA must project that the transaction will primarily benefit U.S. agricultural commodity exports and will consider the following in making this determination
- USDA must determine the transaction will not have any negative environmental or social impacts.
 - U.S. seller must submit social and environmental screening document with application for payment guarantee

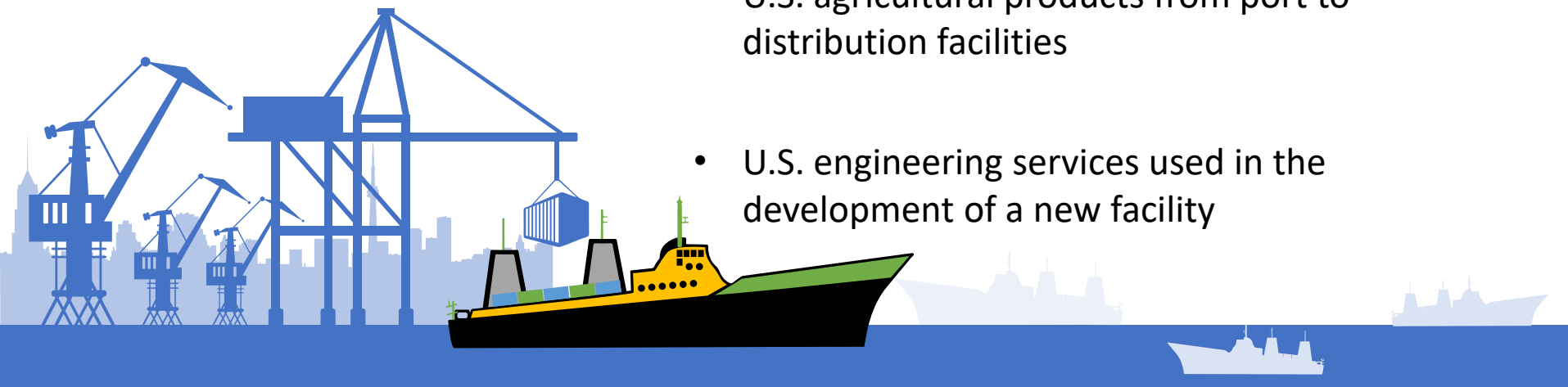
FGP Content Provisions

USDA's payment guarantee can cover:

- U.S. manufactured goods
- U.S. services (e.g., engineering consultation)
- Non-U.S. goods (if U.S. are not available or practicable)

Sample Transactions

- Purchases of equipment to upgrade existing grain or oilseed storage or processing facilities
- Construction or improvement of a soybean crushing facility
- Construction or improvement of cold storage facilities
- Procurement of vehicles to transport imported U.S. agricultural products from port to distribution facilities
- U.S. engineering services used in the development of a new facility



How to get started

Negotiate sales contract with U.S. seller

Establish relationship with local bank that is a FGP participant

If a FGP participant is not available, encourage a bank to apply

Work with bank to issue letter of credit and negotiate terms

IMPORTERS OR “BUYERS”



How to get started

FINANCIAL INSTITUTIONS

Provide audited financials for past three years

Identify shareholder ownership and management

Organizational structure (affiliate, branch, etc.)

Contact information of government regulator



Important Items to Remember



U.S.
EXPORTER

- USDA provides payment guarantees – not direct loans
- Importers or “Buyers” must open a letter of credit with a pre-approved bank in favor of the exporter
- USDA covers the U.S. exporter (or more typically the U.S. financial institution) in case of non-payment by the approved bank issuing the letter of credit
- USDA does not guarantee payment by the importer to the issuing bank
- Transaction must be projected to primarily benefit U.S. agricultural exports



U.S. BANK



IMPORTER



APPROVED
ISSUING
BANK

Helpful Websites

GSM-102 Export Credit Guarantee Program

Search “USDA FAS GSM-102”

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

Facility Guarantee Program

Search “USDA FAS FGP”

<https://www.fas.usda.gov/programs/facility-guarantee-program>

GSM-102 and Facility Guarantee Program Participating U.S. Financial Institutions

Search “USDA FAS GSM-102 APPROVED US BANKS”

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

Global Agricultural Information Network (GAIN) Reports

Search “USDA FAS GAIN”

<https://gain.fas.usda.gov/#/>



U.S. Department of Agriculture Foreign Agricultural Service

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