United States Department of Agriculture
Foreign Agricultural Service

# FACT SHEET

March 2006

# Supplier Credit Guarantee Program

The U.S. Department of Agriculture's export credit guarantee programs help ensure that credit is available to finance commercial exports of U.S. agricultural products, while providing competitive credit terms to buyers. The Supplier Credit Guarantee Program (SCGP) helps exporters offer direct, short-term credit to foreign buyers of U.S. food and agricultural products.

Under this program, USDA's Commodity Credit Corporation (CCC) reduces the financial risk to exporters by guaranteeing a large portion of the payments due from importers under financing arrangements of up to 180 days. The direct credit extended by the exporter to the importer for the purchase of U.S. agricultural products must be secured by a promissory note signed by the importer.

USDA's Foreign Agricultural Service (FAS) administers this program on behalf of the CCC, which issues the credit guarantee. The exporter or the exporter's bank provides the financing.

A substantially smaller portion of the value of exports (currently 65 percent) is guaranteed under the SCGP than under the Export Credit Guarantee Program (GSM-102), where the CCC is guaranteeing foreign bank obligations. FAS program announcements provide information on specific country and commodity allocations, length of credit periods, the required form of promissory note, and other program information and requirements. SCGP regulations are found in the Code of Federal Regulations 7 CFR 1493.

## Eligible Countries or Regions

Interested parties, including U.S. exporters and foreign buyers, may request that the CCC establish a program for a country or region. Prior to approval, the CCC evaluates the ability of each country to service CCC-guaranteed debt.

## Eligible Commodities

The SCGP targets specific U.S. agricultural products, with an emphasis on high-value products and market potential.

## Participation

The exporter negotiates the terms of the export credit sale with the importer. Once a firm sale exists, the qualified U.S. exporter must apply for a payment guarantee before the date of export. The exporter pays a fee calculated on the guaranteed portion of the value of the export sale.

Fee rates are based on the country risk that the CCC is undertaking, as well as the repayment term (tenor) under the guarantee. The new structure is in response to rulings by the World Trade Organization that export credit programs must be risk based and that fees charged for participation must be sufficient to cover long-term program operating costs and losses.

The CCC must qualify exporters for participation before accepting guarantee applications. An exporter must have a business office in the United States and must not be debarred or suspended from participating in any U.S. government program. Exporters who have previously qualified under the Export Credit Guarantee Program (GSM-102) or the Intermediate Export Credit Guarantee Program are automatically eligible.

## Financing

The importer must issue a dollar-denominated promissory note in favor of the U.S. exporter. The note must be in the form specified in the applicable country or regional program announcement. The U.S. exporter may negotiate an arrangement to be paid, in full or in part, by assigning to the U.S. financial institution the right to proceeds that may become payable under the CCC's guarantee. Under this arrangement, the exporter would also provide transaction-related documents required by the financial institution, including a copy of the export report, which must also be submitted to the CCC.

## Defaults/Claims

If an importer fails to make any payment as agreed under the payment guarantee, the exporter or assignee must submit a notice of default to the CCC. A claim for loss also may be filed, and the CCC will promptly pay claims found to be in good order unless the CCC determines that the guaranteed portion of the port value exceeds the prevailing U.S. market value of the commodity or product exported.

For CCC audit purposes, the U.S. exporter must obtain documentation showing that the commodity arrived in the eligible country and must maintain all transaction documents for five years from the date of completion of all payments.

## Additional Information

For more information, contact: Program Administration Division, Export Credits, FAS/USDA, Stop 1034, 1400 Independence Ave. SW, Washington, DC 20250-1034; tel.: (202) 720-3241; fax: (202) 690-1595. For program participation, contact: Operations Division,
Export Credits; tel.: (202) 720-6211; fax: (202) 720-2949.

Export credit guarantee program information, such as risk-based fee schedules and country ratings, and commodities eligible for coverage, is available on the FAS Web site: http://www.fas.usda.gov/excredits/default.htm

SCGP information also can be found at: http://www.fas.usda.gov/excredits/scgp.html

FAS program announcements of SCGP allocations by country or region are posted at: http://www.fas.usda.gov/excredits/exp-cred-guar.asp

General information about FAS programs, resources, and services can be found at: http://www.fas.usda.gov