United States Department of Agriculture
Foreign Agricultural Service

FACT SHEET

March 2007

Facility Guarantee Program

The U.S. Department of Agriculture's Facility Guarantee Program (FGP) is designed to expand sales of U.S. agricultural products to emerging markets where inadequate storage, processing, or handling capacity limit trade potential. The program provides payment guarantees to finance commercial exports of U.S. manufactured goods and services that will be used to improve agriculture-related facilities.

Emerging markets often lack the infrastructure to support increased trade volume. Export sales of U.S. equipment or expertise to improve ports, loading and unloading capacity, refrigerated storage, warehouse and distribution systems, and other related facilities may qualify for facility guarantees, as long as these improvements are expected to increase opportunities for U.S. agricultural exports.

Under this program, USDA's Commodity Credit Corporation (CCC) guarantees payments due from approved foreign banks to exporters or financial institutions in the United States. USDA's Foreign Agricultural Service (FAS) administers this program on behalf of the CCC. The financing must be obtained through normal commercial sources. Typically, a guarantee covers 95 percent of principal and a portion of interest. FGP regulations are found in the Code of Federal Regulations 7 CFR 1493.

Qualified Projects
The Secretary of Agriculture must determine that the project will primarily promote the export of U.S. agricultural commodities or products to emerging markets.

Emerging Market
An emerging market is a country that the Secretary of Agriculture determines: (1) is taking steps toward a market-oriented economy through the food, agricultural, or rural business sectors; and (2) has the potential to provide a viable and significant market for U.S. agricultural products.

U.S. Content
Only U.S. goods and services are eligible under the program. The CCC will consider projects only where the combined value of the foreign components in U.S. goods and services approved by the CCC represents less than 50 percent of the eligible sales transaction.

Initial Payment
An initial payment representing at least 15 percent of the value of the sales transaction must be provided by the importer to the exporter.

Payment Terms
Payment terms may range from 1 to 10 years, with semi-annual installments on principal and interest. The applicable

program announcement will specify actual payment terms.

Payment Mechanism

Payment must be made to the exporter in U.S. dollars on deferred payment terms under an irrevocable foreign bank letter of credit.

Coverage

The CCC determines the rate of coverage (currently 95 percent) that will apply to the value of the transaction, excluding the minimum 15-percent initial payment. The CCC also covers a portion of interest on a variable rate basis. The CCC agrees to pay exporters or their assignee financial institutions in the event a foreign bank fails to make payment pursuant to the terms of the letter of credit. The FGP does not cover the risk of defaults on credits or loans extended by foreign banks to importers or owners of facilities.

Additional Information

For more information, contact: Director, Credit Programs Division, Office of Trade Programs, FAS/USDA, Stop 1035, 1400 Independence Ave. SW, Washington, DC 20250-1035; tel.: (202) 720-6211; fax: (202) 720-2495.

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

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

FAS program announcements of FGP allocations 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