

September 5, 2007

The Honorable _____
United States Senate
_____ Senate Office Building
Washington, DC 20510

Sent via facsimile: (202) _____

Dear Senator _____,

The undersigned organizations are writing to express our deep concern over a proposal that would drastically cut the maximum length of time for which USDA GSM-102 export credit guarantees can be provided to finance the export sales of U.S. agricultural products. The length of time the guarantee may be available is commonly known as "tenor." Tenor is the critical element in the operation of an effective USDA export credit guarantee program.

The ill-advised legislative proposal, which was added to the House version of the Farm Bill after the Bill had left Committee, would unilaterally reduce the tenor of GSM-102 credit guarantees from three years to only 180 days.

GSM-102 has been tremendously successful, having supported some \$82 billion in U.S. agricultural exports over the past 25 years. GSM is not a commodity-specific program. Export credit guarantees are available for virtually all U.S. agricultural commodities, from program crops to specialty crops, from bulk grains to processed food, fiber, and forestry products and high value products.

A cut in the tenor of GSM-102 loan guarantees to less than three years would eliminate the value the program brings to all of these U.S. agricultural exports in competing against exports from other origins, including exports from countries that enjoy the advantages of outright export subsidies and monopoly state trading entities. It is for this reason that our competitors have persistently sought to limit the maximum tenor of GSM-102 loans to 180 days in international trade negotiations. Thanks to the collaborative efforts of industry, the Administration, and enlightened Members of Congress, we have been successful in fending off such damaging proposals to-date.

We should emphasize that, in the case of the WTO Doha round negotiations, the U.S.'s willingness to reduce the tenor of GSM-102 to 180 days is conditional upon the complete elimination by our competitors of their outright export subsidies, as well as the monopoly practices of export state trading entities. These issues are still the subject of negotiation in the Doha talks. A unilateral cut in GSM-102 to 180 days would eliminate the U.S.'s leverage for gaining these important concessions from our competitors.

According to the CBO, a cut in GSM-102 tenor to 180 days would generate a reduction in budget authority of \$370 million over 10 years. This represents a cut in our commitment to support U.S. agricultural exports via GSM-102 of almost 54 percent. Most importantly, a reduction in tenor to 180 days would render the program ineffective, terminating its ability to support U.S. exports.

The proposed cut in tenor should also be viewed in the context of cutbacks and other difficult changes to the overall U.S. export credit guarantee program proposed by the Administration and included in the Bill reported by the House Agriculture Committee.

These changes include:

- Repeal of the Supplier Credit Guarantee Program.
- Repeal of the GSM-103 program (which provided export credit guarantees of up to 10 years).
- Repeal of the 1 percent cap on fees charged to exporters using the GSM-102 program.

These repeals already reduce authorized export credit tenors by 70 percent (from 10 years to only 3 years), eliminate altogether two of our three agricultural export credit guarantee programs, and increase the cost of using the only remaining program. These cuts alone generate \$50 million in budget authority "savings" over 10 years.

We understand the need for, and do not oppose, these difficult changes; however, we must oppose the proposed tenor reduction and the de facto termination of the sole remaining program - GSM-102.

Congress should vigorously support GSM-102, the only USDA export credit guarantee program that would remain available to level the playing field for U.S. agriculture. A cut in GSM-102 tenor to less than three years would effectively end the program's viability, damage US exports, and undermine the position of the US in the ongoing WTO Doha negotiations. We urge you and the other members of the Committee to maintain the current law maximum authorizing the tenor for GSM-102 loan guarantees at three years.

We would be pleased to meet with you to discuss this matter further. If you desire to do so, please contact Gary Martin, President and CEO, North American Export Grain Association, at (202) 682-4030.

Thank you for your consideration of our views on this important matter.

Sincerely,

American Cotton Shippers Association
American Feed Industry Association
American Soybean Association
CropLife America
National Barley Growers Association
National Corn Growers Association
National Council for Farmer Cooperatives
National Cotton Council
National Grain and Feed Association
National Oilseed Processors Association
National Sorghum Producers
North American Export Grain Association
North American Millers' Association
Pet Food Institute
US Rice Producers Association
US Wheat Associates

cc: USTR and USDA-FAS