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Exporting In A Down Economy

By Kathy Edwards

Global trade is declining for the first time since 1982. Foreign demand for U.S. goods dropped 2.3 percent in April exceeding a decrease in imports. Foreign trade finance services are in growing demand as exporters seek ways to increase sales while managing risk. Private insurers, a mainstay for lumber exporters, must look to protect their own financial standing. The days of private credit insurance agents lining up for your business is gone for now. Instead exporters seeking to protect foreign and domestic receivables find coverage being reduced or withdrawn by firms that insured them for decades. Premium increases of 50 percent or more, frequent requests for more current financial information on buyers, and cancellation of coverage have become the norm for many private insurers. Brokers and uninsured firms seeking protection through private credit insurance companies find it difficult even obtain quotes.

While it is clear that world trade plays a key role in pulling our country and the world out of recession, where can small and large exporters find help in these troubling times? How can lumber exporters offer open account terms knowing that payments from foreign buyers will be long delayed or not received at all? How can suppliers be paid within a small number of days? When export orders might be the key to keeping employees working, can lumber mills risk accepting the order knowing they may not be paid? The key during global financial crises is and has been The Export Import Bank of the United States for the past seventy five years. Because ExIm is a U.S. Government organization, its focus is on job creation and retention rather than profit. For this reason, ExIm's underwriting philosophy has not changed as a result of the recession, nor have rates increased. In fact, ExIm reduced rates for small business policies by fifteen percent in October 2008.

So how can lumber exporters utilize ExIm programs to support them during these difficult times? The most useful products are ExIm's credit insurance policies. Lumber exporters that risk losing sales when private insurers cancel buyer coverage may insure this buyer through ExIm's Single Buyer Policy. When rates increase forcing exporters to risk losing orders due to price increases, or cash in advance requirements, ExIm's Multibuyer Policy might be the answer. ExIm's Multibuyer Policy enables exporters to sell on open account terms to approved buyers with assurance of 95 percent payment in the event of buyer default due to commercial or political reasons. When foreign buyers require sixty days to pay but suppliers demand payment in ten days, policies can be assigned to lenders for discount. This assignment protects lenders by making the lender an insured party to the transaction. Lenders, like exporters, are protected with the Full Faith and Credit of the U.S. Government. Finally, when exporters must cease operation because they can no longer get loans from their bank, ExIm and SBA can step up to the plate by issuing up to one hundred percent guarantee to the lending bank against loan default. Exporters who utilize these loan guarantees even receive a twenty five percent discount on credit insurance premiums.

Exporters who find themselves in dire circumstances might find relief and even growth during this difficult time through the support of programs offered by The Export Import Bank of the United States and the Small Business Administration Export Programs. There is no minimum or maximum size requirement to participate in ExIm programs. Let these programs be your safety net and perhaps even open new export opportunities which seemed too risky to consider previously.

World trade plays a key role in pulling our country and the world out of recession. There is help available. For more information go to www.export.gov. There you will find partners and brokers who are anxious to show how these products can keep your export boat afloat.

Editor's Note: Kathy Edwards founded Global Business Solutions in January 2004 and serves as its president. She is a 35-year veteran in the export arena. Her corporate career commenced in 1970 as one of three employees on the ground floor of First Union National Bank's newly created International Division. In 1978, Kathy expanded her international career to shipping as Export Transportation Manager for Crompton and Knowles Corporation. She further developed international business specialization in 1981 as Export Director for Intech Corporation, a textile machinery manufacturer located in Charlotte, N.C. In this capacity, Kathy conducted international market research and appointed international agents and distributors, thus establishing export markets in more than 20 countries.

Her formal education includes a B.S. in Business Administration from The University of Alabama and an M.B.A. with an International Concentration from Pfeiffer University, Charlotte, N.C. She has written two text books "Export Transportation Management" and "Export Documentation."

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