

Sponsored BA Collab Hour Q&A: Export Growth Opportunities for the Craft Brewing Industry

Q: We've had discussions with some major craft beer importers in Europe that have stated their cash flow cycle for U.S. craft beer imports can be 40-60 days (from ordering from the brewery, to being paid by their consumer). Would extending net 40 days, for example, be a good strategy?

A: [41m 17s] Yes, absolutely. We see this all the time. I'm located in Miami, where there are a lot of distributors. They're not the manufacturer, so when they sell their product overseas, they're selling to wholesalers also and those companies have to wait until they sell the product before they can pay. This is a similar question. So yes, I think that this is a very good strategy – give your buyer what they need if they need credit terms and then you can be protected against nonpayment by using an insurance product.

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Q: Does WIP include payroll for brewery production employees?

A: [42m 20s] I do not believe that it would include that, but you may want to check with your lender. I think Work in Process (WIP) is the actual product that has started to be made or manufactured but has not quite been finished yet. So, I don't believe that would fall into that category, but I would counsel you to check with your lender.

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Q: What countries do you provide support for?

A: [43m 0s] Richard Foy: EXIM provides support in about 190 countries. A complete list can be located at <https://www.exim.gov/tools-for-exporters/country-limitation-schedule>

Sharyn Koenig: We're open in 180 countries around the world, so I can't list them all in this webinar, but I will mention that there are some countries that Congress has specifically prohibited us providing support to. I'm sure you could figure out what those are but a few examples are Cuba, North Korea, and Syria. So, we are not able to provide support for certain countries for two reasons: A) We are congressionally restricted from doing so, and B) our economists on staff, with information from treasury and state departments, have determined that some countries as a whole do not represent a reasonable assurance of repayment. One example of that right now is Venezuela. Please remember we're a U.S. government agency. These are our tax dollars that pay for these programs, so you should be using them because you're paying for them. And on the other hand we have to make sure that there is a reasonable assurance of repayment so we can protect our tax dollars. I encourage you to go look at that country schedule and reach out to a regional office person or your insurance broker to answer any more questions you have about it.

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Q: Are all transactions in U.S. dollars (USD) or do breweries have to deal with foreign exchange (FX)? Does EXIM cover loss due to change in FX like the recent Euro/USD shift?

A: [44m 58s] Richard Foy: EXIM can support invoicing in foreign currency, however the currency inconvertibility cover would not apply. EXIM does not cover risk of exchange.

Sharyn Koenig: No. You'd have to pay the agreement fee with a lender if you want to do something like that. As far as currencies, most exporters that I've come across are still invoicing in USD. You will be allowed to invoice in certain currencies, including the Euro, if you want to. The thing to remember about

accepting foreign currencies as payment is that the transfer risk provision of your policy is going to be deleted. Because obviously, if you remember from the beginning of the webinar, we talked about transfer risk the transfer risk whereby your buyer makes a local currency deposit with the central bank and the bank has to convert to USD to pay you. If there's no need for conversion because you are accepting local currency, then that coverage will be deleted, so I caution you on that.

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Q: What if I want to increase the credit limit extended to my buyer?

A: [46m 19s] Richard Foy: EXIM Bank can review the limit at any time and increase limits as appropriate. Sharyn Koenig: There's two ways to answer that. If you've got a credit limit endorsed in your policy, just like you and I all have credit limits on our credit cards, you are going to have to read our credit standards and make sure you have enough information on that buyer to increase the limit, or enough favorable payment experience over the past 12 months to increase that limit on your own. If you don't have that kind of experience, I'd encourage you to get a little more credit information on the buyer. A couple of trade references would be great, maybe a current credit report, and get that in front of our underwriter so they can consider approving a higher limit for you. That's what we want actually, by the way – we want you to be able to increase your sales. So, when we get requests for higher limits, that means you're shipping more.

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Q: At what point in the sales discussion with a foreign buyer would EXIM be involved? Can you have a revolving policy, or do you need a signed purchase order prior to purchasing a policy?

A: [47m 25s] Richard Foy: EXIM Bank can put a policy in place for the exporter and add buyers to that policy as the need arises. If you have a buyer that you feel is serious and will result in an order, it's a good time to start the process.

Sharyn Koenig: You do not need a signed PO. You can take out your insurance policy now so that when you're negotiating with your buyer, you have that in your back pocket ready to go. Your buyer never knows about EXIM Bank. You look like the hero. Even if you are a very small craft brewer, it doesn't matter. You can tell them that if they want credit terms, your credit department (even if you don't have one) can approve a limit for you. They don't have to know that EXIM Bank is behind it unless you tell them. If you don't tell them, the only way they'll ever find out that EXIM Bank is involved is if you file a claim. If you file a claim that would be our first contact with the buyer. We would reach out to them and try to collect the money, then go from there. So, we never contact your foreign buyer – you are always in the drivers seat.

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Q: To start the process of getting working capital, what does a brewery need to show? Is a purchase order required?

A: [48m 54s] Richard Foy: Primary underwriting is performed by the bank/non-bank lender and depending on your needs their underwriting requirements differ. Contact an EXIM Regional Director for more specific guidance.

Sharyn Koenig: No, a purchase order is not required. Working capital is something that we would like to talk to you directly about – find out who your lender is to see if they're a delegate lender in our program, what is the size of loan that you need, if your bank is not a delegated lender we can try to connect you with one. So, I would encourage you to talk to a regional officer about your needs and we can take it from there.

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Q: Can you send me a link or contact information for a rep near me? (East coast/Baltimore)

A: [49m 46s] You can find a rep near you by clicking on this link:

<https://www.exim.gov/contact/regional-export-finance-centers/eastern-region>. You can also use this

link: <https://grow.exim.gov/exim-brewers-consultation-request>.