

U.S. Allows Limited Exports To Cuba

Third in a continuing series.

REGINA LAROSE AND JOHN LAROSE

MidAmerica Farmer Grower

HAVANA, CUBA

The world had seen a lot of changes leading up to the year 2000. Cuba-America relations were no exception. The year 2000 marked 40 years of actions and reactions by the U.S. and the Cuban governments.

U.S. farmers experienced low commodity prices and declining agricultural exports dur-

coarse grains and wheat in 2006. Rice exports fell from a high of 176,632 metric tons in 2004 to less than 60 thousand metric tons in 2007. **TROUBLE ON THE HORIZON**

The optimism and enthusiasm felt during the early 2000's by the U.S. agriculture exporters and Alimport began to waiver due to the actions taken during the early days of President Bush's administration.

Each year since 2000 lawmakers who represent agribusiness tried to pass legislation to



ing this period. U.S. commodity associations were searching for new and increased export markets to help the U.S. agricultural economy.

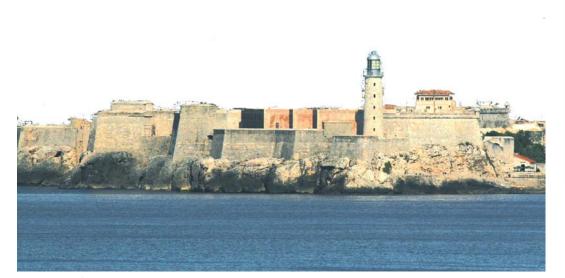
Cuba was experiencing destructive hurricanes around the turn of the century, some U.S. agriculture commodity organizations offered free food to Cuba in order to help the hurricane victims. Castro refused, but expressed a willingness to pay.

These and other circumstances brought the Cuban embargo to the forefront in the United

ease the embargo on trade and travel to Cuba.

The U.S. House of Representatives has been open to lifting the travel ban with the U.S. Senate joining in 2003. Each time, President Bush has threatened to veto the bill endorsing the recommendations of the Commission for Assistance to a Free Cuba (CAFC) report.

In Oct. 2003, President Bush directed the Department of Homeland Security to enforce the embargo more strictly and established the Commission for Assistance to a Free Cuba (CAFC).



Castillo de los Tres Reyes Magos del Morro, built in 1589, overlooks the entrance to the Port of Havana which is one of only two deep water ports in Cuba.

States. U.S. agriculture commodity organizations and other interested groups began lobbying Congress to allow agriculture commodities and medical supply exports to Cuba. As a result of this effort, Congress in 2000 enacted and President Clinton signed the Trade Sanctions and Export Enhancement Act (TSRA). In 2001 the Office of Foreign Assets Control (OFAC) and the Bureau of Industry and Security (BIS) introduced the rule changes to implement the TSRA. Agriculture exports to Cuba were off and running.

After 40 years, interests in both Cuba and the U.S. expressed hope that the future would bring changes for the better between the two countries.

As a result of requirements of the TSRA, Cuba became the only country in the world that paid cash for their imports from the U.S. Alimport was not overly pleased with the cash only rule but, it was a condition they could live with. U.S. exports to Cuba grew rapidly. It was a win win situation for American farmers, the U.S. economy and the citizens of Cuba.

Alimport is the sole Cuban agency authorized to import food from the United States. The majority of U.S. imports are bulk and after domestic food processing they are sold through the old peso markets (bodegas) such as; government ration stores, schools, hospitals, farmers markets, bakeries, and peso restaurants.

American farmers were able to provide Cuban citizens with staples such as rice, beans and wheat. Wheat cannot be grown commercially in Cuba. Cuba wheat imports total between \$130 million to \$150 million annually.

Cuba also imported meats and dairy products during 2000 to 2005. Nonfat dry milk and whole milk powder is reconstituted and given primarily to children in food rations by the Cuban government. Following the end of Soviet support, the Cuban government was not able to import cattle feed in large quantities. Grazing became a serious problem. In 2006 Cuba milk production was down to 0.8-1.8 gallons per cow per day. The U.S. average is 6.3 gallons per milking cow. According to their website, the mission statement of CAFC established by President Bush is to explore ways the U.S. can help hasten and ease a democratic transition in Cuba.

Originally chaired by Secretary of State Colin Powell, the CAFC website states the commission members include all Cabinet level agencies. Biographies on this website currently list; Secretary of State, Condoleezza Rice, Secretary of Commerce, Carlos Gutierrez, Chief of Mission, Michael Parmly and Cuba Transition Coordinator, Caleb McCarry.

Secretary of Commerce, Gutierrez is a Cuban-American, who was appointed to CAFC in Feb. 2005. The Department of Commerce regulates the BIS which regulates exports and re-exports to Cuba.

OFAC, in the Department of the Treasury, regulates imports from Cuba and financial transactions involving Cuban assets including travel to Cuba regulations.

Under the Bush administration OFAC issued a clarification on payments for agricultural and medical shipments to Cuba on Feb. 22, 2005. The terminology "payment of cash in advance" with regard to Commerce-licensed shipments to Cuba means payment of cash before the vessels carrying the goods leave the port at which they were loaded.

This change by OFAC significantly increased transaction cost to Cuba which in turn reduces the competitiveness of U.S. agricultural products.

In March, 2007, the United States International Trade Commission (ITC), at the request of Sen. Max Baucus of Montana, Chairman of the United States Senate Committee on Finance, investigated the economic effects of U.S. restrictions on agricultural sales to Cuba.

The ITC study, U.S. Agricultural Sales to Cuba: Certain Economic Effects of U.S. Restrictions concluded that eliminating cash-againstdocuments transactions as an eligible method of payment has had a substantial negative effect on the sale of agricultural products to Cuba.

The ITC study, reported, "Alimport refused to

	ANNUAL METRIC TONS OF COMMODITIES SOLD TO CUBA							
	2002	2003	2004	2005	2006	2007		
SOYBEANS	109,520	134,270	84,573	120,775	130,494	134,421		
COARSE GRAINS	225,246	329,580	484,051	509,372	356,081	651,875		
WHEAT	175,675	245,069	351,638	316,814	218,185	290,851		
RICE	55,214	87,659	176,632	153,854	157,538	59,750		
coarse grains =	corn, barley, sorghum and oats							
metric tons =	is 1,000 kg (or 1 Mg) or approximately 2,204.6 pounds							
	source: www.fas.usda.gov							
	U.S. export statistics for	or Cuba, TSF	A authorize	ed exports				
2002	\$138,634,784.00	2005	\$350,218,040.00					
2003	\$256,901,471.00	2006	\$340	\$340,433,442.00				
2004	\$391,990,382.00	2007 \$437,564,824.00		0				
	Tota source: U.SCuba		\$1,915,742 momic Counci	-				

Figure 2	Estimated effects of removing all U.S. financing and travel restrictions on U.S. agricultural exports to
Cuba	

Commodity	Cuban imports from the United States	U.S. share of Cuban imports	Cuben imports from the United States	U.S. share of Cuban imports
n staat state o waxay shekila	With restrictions	With restrictions	Without restrictions	Without restrictions
	\$ million	Percent	\$ million	Percent
Wheat	51	38	68 - 85	51 - 65
Rice	40	24	54 - 84	33 - 52
Com	43	71	47 - 49	78 - 85
Animal feed	42	78	44 - 48	79 - 85
Soybeans	32	99	31 - 32	99 - 100
Fats and oils	22	57	25 - 28	63 - 73
Dry beans	20	25	29 - 42	37 - 55
Poutiry	45	85	54 - 58	76 - 84
Beef	0.1	0.2	9 - 13	19 - 29
Pork	14	42	22 - 25	58 - 70
Milk powder	13	10	28 - 55	22 - 44
Other dairy	0.1	0.3	6 - 11	29 - 52
Processed foods	1	2	27 42	33 - 53
Fish products	0	D	12 - 18	34 - 54
Forest products	10	17	16 - 27	28 - 48
Other food products	5	3	42 - 73	30 - 52

Source: Global Trade Atlas and Commission estimates.

Note: Summing the individual partial equilibrium results for each commodity to obtain the total effect of removing restrictions is not supported by economic theory. The individual partial equilibrium results assume that prices in other markets remain constant and do not consider cross-commodity substitution.

The OFAC and the BIS rule changes to the 2000 TSRA was a blessing for American farmers and Cuban citizens. The United States exports to Cuba, mostly agricultural products rose from about \$6 million in 2000 to about \$350 million in 2006. (GAO) Totaling almost \$2 billion dollars by 2007.

U.S. farmers and Cubans were optimistical hoping for further relaxation of trade restrictions and felt the move towards normalization had begun. Many studies provided were conducted to determine the possibilities awaiting American farmers and Cuban citizens when normalization of trade occurred.

Economic Impacts of U.S. Agricultural Exports to Cuba, co-author, C. Parr Rosson, professor of agricultural economics at Texas A& M University, said in 2002, "If the embargo were lifted, the average American farmer would feel a difference in his or her life within two or three years." Rosson, in his study stated, the U.S. economy is losing up to \$1.4 billion annually because of the Cuba embargo and up to \$3.6 billion more annually in related economic output.

In a study conducted by Texas A&M for the Cuba Policy Foundation in 2003, lifting the travel ban to Cuba would provide an additional boost to American farmers. According to the Cuba Policy Foundation, "Lifting the travel ban would produce between \$126 million and \$252 million in annual U.S. agricultural exports to Cuba, above current levels of farm sales to the island."

Brian Alexander, Executive Director of the Cuba Policy Foundation said, "This report shows that there is a clear link between lifting the travel ban and helping the U.S. farm economy." By March 2003, OFAC loosened some restrictions on travel to Cuba and increased the amount travelers could carry from \$300 to \$3000.

Data collected from the USDA in figure 1, show the metric tons of commodities sold to Cuba from 2002 to 2007. Metric tons fell in

pay cash in advance because by doing so, the exported products would become Cuban property while still in the U.S. port, and thus would be vulnerable to confiscation by Cuban exiles in the United States with legal claims against the Cuban government."

North Dakota Commissioner of Agriculture, Roger Johnson in his testimony for the ITC study stated, "all shipments destined for Cuba without all embargo-required documents are stopped in Florida, often the result of government delays. Further, if a product misses the weekly ship to Cuba from Florida, the product must wait until the following week, jeopardizing product quality."

Kirby Jones, President, U.S.-Cuba Trade Association, in his testimony to ITC, stated the Administration has taken action to stifle agricultural exports to Cuba despite Congress' attempt to open trade in the Trade Sanctions Reform and Export Enhancement Act of 2000. Jones offered these actions as examples: (1) redefining "payment in advance," (2) freezing Cuban payments for U.S. products for investigations without any reason (3) threatening to investigate U.S. operations of foreign banks unless the banks terminate Cuban operations (4) prohibiting U.S. firms from using the the Netherlands-Caribbean Bank (5) permitting only one Cuban visit to each U.S. port annually and (6) intimidating U.S. firms by not granting permission to travel to Cuba.

The ITC looked at three different scenarios during their study; (1) removing U.S.financing restrictions on U.S. agricultural exports to Cuba (2) removing U.S. travel restrictions on U.S. agricultural exports to Cuba and (3) removing all U.S. financing and travel restrictions on U.S. agricultural exports to Cuba. Figure 2 details their findings. Δ

Next weeks article will feature interviews with the president's and CEO's of six national commodity organizations and the President of the American Farm Bureau concerning their views on trade with Cuba.