

# Commodity Groups Exert Strong Push To Lift Cuban Embargo

Fourth In A Continuing Series

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*(Editor's Note: MidAmerica Farmer Grower interviewed the Presidents and CEOs of six national commodity organizations and president of the American Farm Bureau to learn their opinions on trade with Cuba. This is the first of a series of two articles on that issue.)*

If trade with Cuba were an issue that the United States' commodity organizations could effect, it would be a done deal immediately. Unfortunately, the red tape of government has made nearly every effort of these groups seem futile.

Representatives of every commodity group have expressed support for lifting the embargo with Cuba. All recognize the benefit to both U.S. producers, suppliers and exporters as well as to the people of Cuba who must pay exorbitant prices to import from distant countries while receiving commodities of lesser quality than is available 90 miles away in the United States. All these groups have traveled to Cuba to help normalize relations, some as many as 10-12 times in recent years. Most organizations lobby Congress and have published position papers that firmly state their desire to lift the embargo. All cite the need for a change.

## A Word From The American Soybean Association

Stephen L. Censky, Chief Executive Officer with the American Soybean Association (ASA)

is we have a standing law currently that prevents any significant business relationships from developing between the two countries," said Hobbie. "It requires licensing to travel. We need the permission of the Department of Commerce to trade with them.

"We are not allowed to spend any government funding to enhance trade with Cuba, even



Photo by John LaRose

Stephen L. Censky, Chief Executive Officer with the American Soybean Association said the ASA feels the embargo has resulted in lost sales for the U.S. and no political change in Cuba.

though we are allowed to travel there," Hobbie said. "Our members have to pay for that themselves. We found the country very anxious to buy U.S. commodities."

Unfortunately, the restrictions that they pay cash before the product leaves the United States has hampered their ability to buy. Yet they have been buying a half million metric tons or 20 million bushels of corn annually from the

Dwight Roberts, President and CEO of the US Rice Producers answers questions during a press conference at the Hotel Nacional in Havana regarding U.S. - Cuba trade issues. Pictured are L to R, Kirby Jones, President Alamar Associates, Dwight Roberts, and Pedro Alvarez President and CEO of Allimport.



said his organization feels the embargo has been ineffective in bringing about political change in Cuba. Instead, it has resulted in lost sales opportunities for U.S. manufacturing and agriculture.

The ASA worked with other commodity groups to lobby Congress in 2000 to pass legislation that allowed for the sale of food and medicine to Cuba. As a result of that, U.S. sales have increased. However, in 2005 some restrictions were placed on sales to Cuba, and if those were changed U.S. food exports would increase.

"This last calendar year of 2007, we exported about \$114 million in terms of soybeans, soybean meal and soybean oil. It is a good market for us," he said.

Since the restrictions were placed on the market in 2005, soybean sales to Cuba have been about the same while soybean meal value has gone up; however, the actual tonnage shipped has gone down. The 2005 interpretations did have a negative effect on trade with Cuba.

"The treasury department's reinterpretation of the rules in 2005 requiring cash in advance has disrupted trade," Censky said. "When the legislation passed, the initial interpretation was to allow for the payment right before the goods were physically delivered. The treasury reinterpreted that and now they require payment before shipment leaves the United States. That's very highly restrictive. We don't have those requirements on any other country. The other restriction is that no U.S. bank can be involved in the financial transaction. We see that as a hindrance. That increases the overall banking costs, because U.S. exporters have to go to their bank, then their bank has to go to a third country bank which then deals with Cuba to get the payment. It just increases the price of the transaction by getting a third country bank involved."

Another restriction Censky doesn't think should be in place is on the use of government credit guarantees or even U.S. market development funds.

"We receive funding from both the soybean checkoff as well as from the U.S. Department of Agriculture (USDA) to carry out market development activities around the world," he explained. "We can't use a dime of either producers' checkoff dollars or the money that comes from the USDA to do any kind of market development activities in Cuba."

There are a few other countries like that, Iran and North Korea. Yet, Cuba is a unique situation. For U.S. soybeans and soybean products the soybean association has a very high market share in Central America and throughout the Caribbean. In fact, before the embargo was in place, Cuba was the organization's biggest foreign country market in the world for soybean meal.

"We were shipping the meal, given the proximity from the Gulf down to Cuba to support their livestock industry," Censky said. "Of course, now they have gone to other suppliers, Brazil and Venezuela. We have been able to get some of that back since 2000 and we would like to get even more back.

"We will see with the new administration taking office whether there is an opportunity to try to pursue that," Censky said.

While ASA isn't sure what efforts it will take to encourage lifting the embargo, Censky said his personal opinion is that will be when Fidel Castro passes away, allowing U.S. policy makers to look beyond the present policy that hasn't worked for the last 40-plus years. Censky said his hope is that the embargo will eventually be dissolved.

"Gradually we are seeing a little bit of this within the Cuban-American community. They recognize that we need to move on. The Cuban-American community wants to travel to Cuba, they want to visit relatives and I think eventually we are going to get a change in policy. From an ASA standpoint, we want to do whatever we can to facilitate that."

A change in U.S. administration is also his hope for a change in policy. Businessmen, exporters and marketers are excited about increasing sales to Cuba. The ASA's first preference is to dissolve the embargo completely, but most will be happy to see even some improvement in communication.

"Yet, again, \$114 million worth of trade in this last year isn't bad," he said. "Cuba right now is our 11th largest market in the world for soybean meal and they could become an even larger market in the future. So far this year we've exported around 4 million bushels of soybeans, and the equivalent in soybean meal of about 7-1/2 million bushels of beans, so a total of around 14.5 million bushels of beans.

"That's this marketing year. That's equivalent to about 12 percent of Missouri's soybean production. So it's a sizeable quantity and again we think it could be even greater. Cuba is not only a market for soybeans but also soybean meal and that meal market is extremely important because as we have increased biodiesel production in this country that increases the use of soybeans which are being crushed for the oil for biodiesel; but by doing so you put more soybean meal into the market. One of the concerns of our processors and farmers is how to find a home for all the meal that is placed on the market."

## U.S. Grain Council Comments

The U.S. Grain Council, headed by President and CEO Kenneth Hobbie, promotes the exportation of corn, sorghum and barley products from the United States, and works to help develop export opportunities. This organization has been very active in Cuba since 1997, actually traveling there before the first trading began. As an organization its structure is different from other commodity groups. The U.S. Grain Council has a contract with the USDA to enhance and carry out overseas trade. However, trade with Cuba is covered under national legislation.

"The main reason trade with Cuba is curtailed

United States for several years.

He said there's been an effort for a long time in Congress, led by Congresswoman JoAnn Emerson, to dissolve the trade embargo with Cuba.

"There have been some modifications in the procedures, some loosening of the rules for obtaining licenses, but other measures have not been significantly improved," Hobbie said. "Lobbyists from Florida and New Jersey work very hard to keep the current legislation in place."

Hobbie said that while this administration has been less willing to consider changes in the law, other administrations have been unwilling to lift the ban as well.

"Neither Democrat nor Republican administrations have shown a willingness to lift the ban," he said.

## Rice Producers Respond To Situation

Since 2002, the U.S. Rice Producers Association (USRPA) has been to Cuba 10 to 12 times to foster trade there. However, it has become more difficult for U.S. citizens to get a Visa.

"People have been denied since then," said USRPA President and CEO Dwight Roberts.

Hurricane Michelle in the fall of 2001 was the spur that opened trade with Cuba in the 21st Century. USRPA worked to get the U.S. government to allow rice shipments to aid the people.

"Our government allowed us to donate," Roberts continued, "but the Cubans reacted with a 'thank you, but no thank you,' but 'we'll be happy to buy food products from you.' So from that the U.S. government tweaked the embargo and allowed the sale of food products to Cuba on a cash basis with a list of other restrictions. We were off and running in moving rice into Cuba."

At that time the rice sent to Cuba was milled rice, but Roberts said he's in favor of the sale of any type of rice to Cuba. Even Fidel Castro himself said the country was better off buying milled rice because of a need to upgrade their mills. The mills are located in the interior of the country so purchasing rough rice adds the cost of transport.

"It's more cost effective for them; and with rice prices today, Pedro Alvarez (president and CEO of ALIMPORT, the government agency responsible for food imports to Cuba) told me recently when I was there that they paid \$97 a ton for paddy rice. That was when they first started buying rice. Today prices of paddy rice are in the neighborhood of \$500 a ton."

Prices in Thailand and Vietnam on a milled basis are around \$800 a ton. When you add \$140 a ton freight rate, the United States can easily compete with that plan.

"They do not export paddy rice from Asia so the Cubans have to crunch the numbers to see which is the best deal for them," Roberts added. "I think they will continue to buy a combination of the two, they know what their internal issues and costs are and when their harvest comes off. Maybe there are times of the year that their mills are too busy to take paddy rice, but other times paddy rice could be a better deal for them."

Roberts said he learned in an email that Cuba bought 10,000 tons of U.S. rice for April shipment.

"They were looking for an additional 10,000," he said. "They've just about stretched their credit in Vietnam, plus the type of rice they are getting out of Vietnam is just trash. Cubans know rice, I mean they really know. Americans don't even take the time to look at it but Cubans look at the color, they smell it, they know their rice and how well it cooks."

"I have spoken at the U.S. Cuban trade talks that they've had a time or two and we're fixing to host our Second Annual Rice Congress of the Americas," Roberts said. "It's going to be in Brazil later this month. Last year we had the first one in Cancun and we had people from 22 different countries there. Alvarez came and spoke and we have someone that covers the main markets. It was a very good presentation and we've kept Cuba very much involved in the Western Hemisphere."

"When I say we educated the Cubans, we also shared our opinions on the market with the Cubans. Our thoughts on the world marketplace, western hemisphere, Asian influence and that type of thing and having them a part of this Rice Congress of The Americas has been real important because they rival Mexico as the number one importer of rice in the western hemisphere or close to Brazil on a sheer volume basis."

Roberts and the USRPA found the people of Cuba very friendly and eager to deal with them.

"They know us and we know them well," Roberts said. "Our efforts are to give them a better understanding of the U.S. rice industry, how we are structured and operate, our feelings on the western hemisphere and trade within the region, not just with Cuba but with their neighbors. We spent a lot of time in an education phase with the Cubans."

For a country of 11 million people, Cuba eats about as much rice as Mexico. Mexico bought 800,000 tons of rice in 2007 from the United States, Cuba bought 600,000 or 700,000 tons.

"Brazil some years can approach 800,000 from Uruguay and Argentina and maybe a little bit from the United States so everyone falls off drastically after that," Roberts continued. "They're one of the major importers and players. Per capita consumption of rice in Cuba is probably the highest in Latin America. Haiti would be very high. The poorer countries have the higher per capita consumption."

Roberts thinks the visits to Cuba have created the relationships that are necessary for trade to take place.

"I believe that if we did not have an embargo, we would immediately sell in the very first year several hundred tons more than we're selling now, even if the Cubans did not like us, which is totally false," he said. "They are as friendly a people as I have known, and buying rice from the United States is still a good deal because of the proximity, especially in these times of high oil prices and high freights."

Cuba's tourism industry is growing and Roberts feels that even if the entire embargo is not lifted, travel back and forth should be allowed. Tourists from Europe and other countries regularly visit Cuba, but Americans cannot. Δ

(See next week's MidAmerica Farmer Grower for the second part in this series.)



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