

USA Rice Federation President And CEO, Betsy Ward Visits Havana, Cuba

First of a seven part series on US/Cuba agricultural trade

REGINA LAROSE
JOHN LAROSE
MidAmerica Farmer Grower

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Prior to 1959, the U.S. was the number one supplier of rice to Cuba. Today the U.S. falls in third place behind Vietnam and China. Although rice is produced in Cuba, production is not sufficient to meet the demands of its 11 million citizens. Per capita consumption of rice in Cuba is 140 pounds, the largest in the Western Hemisphere. It is estimated Cuba imports 700 thousand metric tons of milled rice

people. Americans cannot exercise their constitutional right to travel to Cuba."

"The more tourist that come here the bigger the operating power, the bigger our imports, even if we continue to deal with our traditional suppliers the U.S. could become a significant supplier for Cuba," he said.

U.S. rice quality is not a problem for Cuba. Cubans prefer U.S. rice over rice from Vietnam and China. According to Lehrer Cuba consumes 800 thousand metric tons of rice per year. When Lehrer asked Alvarez what he thought of American rice, Alvarez responded, "excellent quality." "Americans are reliable. The Americans are ef-



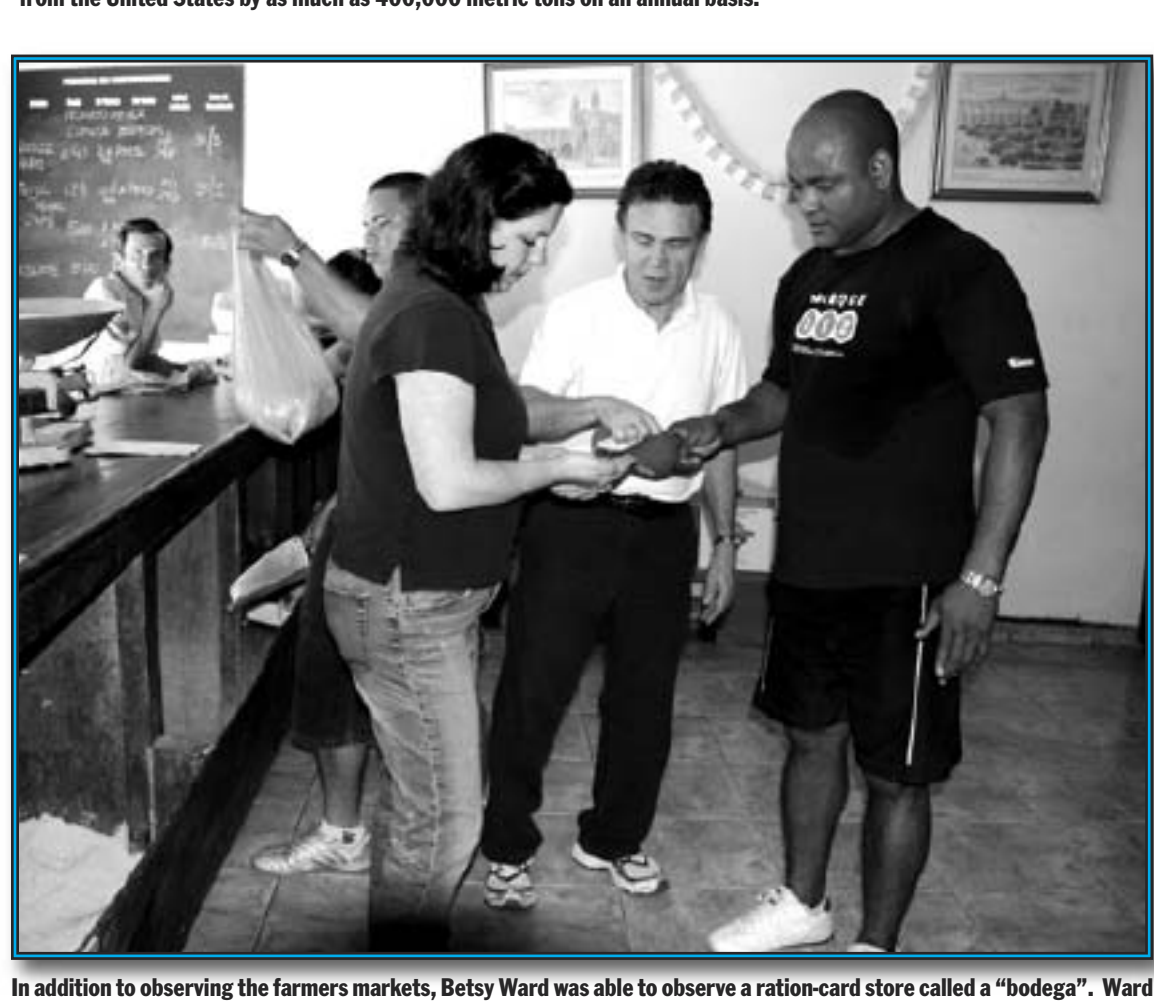
Discussing opportunities to increase rice imports from the United States are from left to right, Raul de la Nuez Minister of Trade, an interpreter, ALIMPORT President and CEO Pedro Alvarez, USA Rice President and CEO Betsy Ward and Alberto Betancourt, advisor ALIMPORT.



In a meeting Pedro Luis Padron expressed his concern over influential Cuban-American groups in Florida who want the embargo continued. From left to right are Lic. Viviana Garcia Fonesca, Director of the North American Commercial section of the Ministry of Exterior Commerce; Pedro Luis Padron, Vice Minister of Foreign Affairs, Cuban government; an interpreter; Pedro Alvarez, President and CEO ALIMPORT; Marvin Lehrer, Senior Advisor for Cuba USA Rice Federation and Betsy Ward President and CEO of the USA Rice Federation.



(Left Photo) USA Rice President and CEO Betsy Ward and ALIMPORT President Pedro Alvarez shown during trade discussions with government and trade officials in Havana. Alvarez has a strong desire to increase the purchases of rice from the United States by as much as 400,000 metric tons on an annual basis.



In addition to observing the farmers markets, Betsy Ward was able to observe a ration-card store called a "bodega". Ward and Senior Advisor for Cuba Marvin Lehrer, center, inspect rice at the bodega managed by Ruben Orenillos.



Farmers now being allowed to grow a limited amount of crops for profit has brought about the "farmers markets" common in many parts of the world. Among other products being sold were rice, beans, corn, fruits, vegetables, pork and chicken.

annually. According to the USDA, in 2004 the U.S. supplied about 25 percent of Cuba's rice imports. In 2007 the U.S. supplied rice to Cuba fell to 9 percent. What happened to Cuba, this U.S. trade partner located just 90 miles from Florida? Can anything be done to improve the U.S. position in 2008? Will the U.S. ever be number one again? USA Rice Federation, President and CEO, Betsy Ward made a trip to Cuba to find out.

Ward evaluates trade with Cuba

The trip was the first to Cuba for Ward. Ward explained her goal was to become acquainted with Cuban trade officials and to determine what effect the 2005 clarification of cash-in-advance rule and escalating commodity prices had on Cuban rice imports. "The tightened rules the Office of Foreign Asset Control (OFAC) put in place in 2005, made it more difficult for exporters and for the Cuban import agency to receive our rice. The exporter had to be paid before the rice was shipped. It created a riff on both sides. Cubans looked elsewhere for their supplies."

Ward said, "Until about 2005 cash-in-advance meant by the time the ship got to Cuba, the exporter was paid. Now cash-in-advance means the exporter must be paid before the ship leaves the U.S. port."

"It added another layer of difficulty. Congress objected to this change, USA Rice Federation objected to this change. We knew it would impact trade."

Cuban trip agenda

Betsy Ward and USA Rice Federation Senior Advisor for Cuba, Marvin Lehrer, who accompanied Ward during the visit to Cuba, attended numerous high level meetings during their brief stay in Cuba. Ward and Lehrer met with Pedro Alvarez, president and CEO of ALIMPORT. ALIMPORT is the government agency that imports all of the food imports for Cuba regardless of the country of origin. They also met with Foreign Minister of Trade, Raul De La Nuez, Minister of Agriculture rice industries group VP, Hector Henriquez and Vice Minister of Foreign Affairs, Pedro Luis Padron and Lic. Viviana Garcia Fonesca, Director of the North American Commercial section of the Ministry of Exterior Commerce.

While in Cuba, Ward and Lehrer also visited with Ruben Orenillos manager of a bodega, a Cuban supermarket and chef Eddy Fernandez, president, Cuba Federation of Chef Associations. They also traveled to Pinar del Rio and toured a farmer's coop, a vegetable farm, a rice seed production farm and finally a rice mill.

Legislation hurdles Ward and commodity producers must overcome

The sanctions against Cuba have been around since the 60s. According to the U.S. Department of the Treasury Office of Foreign Assets Control (OFAC), the July 8, 1963 Trading With the Enemy Act restricted trade with Cuba. "The basic goal of the sanctions is to isolate the Cuban government economically and deprive it of U.S. dollars." These sanctions are still in force today. As time has passed many changes have been made. The Cuban Democracy Act of 1992 and the Trade Sanctions and Export Enhancement Act (TSRA) of 2000 offered an export partner to the U.S. on limited terms.

The Cuban Democracy Act of 1992 and the TSRA of 2000, authorizes the sale and export or re-export of medicine and medical supplies, food and agricultural commodities to Cuba. In 2000 Congress enacted the (TSRA) after lobbying by farm groups and agribusiness firms who experienced declining agricultural exports and lower commodity prices in the late 1990's.

In 2005 OFAC issued a clarification of the cash-in-advance rule. The new interpretation defines cash-in-advance to mean U.S. sellers must receive payment before shipments depart U.S. ports. In reality the reinterpretation requires payment in hand prior to loading of the ship. This clarification caused a reduction of U.S. rice imports to Cuba.

Ward starts at the top

In Cuba Ward and Lehrer attended high level meetings with Cuban officials. While meeting with Foreign Minister of Trade Nuez, he expressed his appreciation for the USA Rice Federation's continued efforts on Cuba's behalf. Ward told Nuez, she would continue her work on the pro-trade effort.

In meetings with Ministry of Agriculture rice industries group VP, Hector Henriquez and Vice Minister of Foreign Affairs, Pedro Luis Padron, Ward and Lehrer discussed ways to expand U.S. rice trade with Cuba as the demand for U.S. rice continues to grow.

Ministry of Agriculture VP Henriquez stated, "We are open to imports of rice from the U.S. as it has great acceptance with our people." Henriquez accompanied the group on the farm tours.

Vice Minister Padron, expressed his concern over the powerful enemies Cuba has in the United States. Padron was referring to some influential Cuban-American groups in Florida. These well positioned Miami and Dade county residents have pressured the U.S. government to continue the embargo he said. Ward reassured Padron that the Federation would continue to focus on resolving these issues in Washington D.C.

ALIMPORT'S situation

Alvarez, and his staff explained, "ALIMPORT is not in the politics business and I am not a politician." Alvarez said, "as a result of the 2005 clarification we were not really encouraged."

We (ALIMPORT) are in business and our mandate is to secure food for 11 million people."

After the 2005 OFAC rule change U.S. rice imported by ALIMPORT fell to 9 percent placing the U.S. behind Vietnam and China. Cuba imports approximately 700 thousand metric tons of rice annually.

"Ours is not a chargeable organization, we pay for what we buy and therefore we do business with those who do business with us. Those who accept our exports, also those nationals who come down to Cuba as tourist," explained Alvarez.

"America is not allowing nationals to come to Cuba as tourist. America is preventing Cuba from generating cash so that we could buy more rice."

"America is not offering any assurances or guarantees of reliability, quite the opposite the more I bought from them (U.S.) the more pressure I saw on the blockade. The feeling that we were getting originally when we first started to buy from the U.S. was that the easier we purchased from the U.S., the easier it would become to ease restrictions," explained Alvarez.

Alvarez said, "The decision lies with the U.S. administration and the blockade on Cuba. The decision lies with the White House, Washington and Congress. As long as those issues remain outstanding U.S. imports will be limited."

Alvarez believes the embargo is tough on the U.S. and Cuba. He said, "It (the embargo) is a criminal action. It is also hurting the American

efficient and competitive. However, because of the U.S. laws they are unreliable for us. American regulations are hitting hard on the American suppliers when this is compared to the competitors. What is next for the American exporter? I wonder why I am being prevented from dealing with a neighbor, an 11 million strong neighbor that is extending a hand of peace and friendship," added Alvarez.

Ward told Alvarez, "When we return to the United States we are going to try to put together a Congressional delegation to visit Cuba. There is a tremendous amount of interest in Congress and Cuba at this moment."

Rice basic food product in Cuba

Lehrer explains the Cubans concern about the international crisis for food commodities. "It is a country that is nearly 100 percent dependent on basics, wheat, corn, soybean complex and rice. Those are the basic food products in Cuba. They eat a lot of bread and pasta and they certainly eat a lot of rice. They have a traditional economic system here, they either give away basic foods or it is highly subsidized. As these commodities prices have exploded, their costs have gone up and it is a relatively poor country so how they manage their supply of food here strategically, is a big issue for them."

Lehrer explains why American tourism is important to Cuba. "The country needs cash. One of the great ways they can get cash is from American tourists. They process that cash into buying rice. It is very hard to compete against Vietnam who gives them credit. It is something that helps them out, not having to put up cash prior to shipping."

ALIMPORT distributes rice to its 11 million citizens through bodegas. Lehrer explained Cubans are given ration books which they take to bodegas, ration card stores. Bodegas are located throughout the country and approximately one in every four blocks in the cities.

"The Cuban government, on a monthly basis, gives Cubans basic items such as rice, beans, coffee and vegetable oil as well as other necessities."

Ruben Orenillos runs the bodega Ward and Lehrer visited in Havana. He was asked about the Cuban response to American rice, he said, "When we have it, it flies out the door, it is magnificent."

Lehrer explains that Ruben puts rice in non-descript bags. The Cuban people do not know what country it is from. Because Ruben's place is a neighborhood bodega and the neighbors all know each other, when American rice is available neighbors quickly spread the word. Ruben explained Vietnam rice quality is low and the rice must be cleaned before cooking. American rice is clean Cubans do not have to wash it before cooking.

USA Rice Federation in Cuba

From 1999 to 2001 USA Rice Federation sponsored several trade missions, discussed trade opportunities with ALIMPORT and others. In November 2001 USA Rice Federation had exhibits at the International Havana Fair, becoming the first U.S. company in more than 40 years to show products at a Cuba show. From 2002 to 2008 the USA Rice Federation has made numerous trade missions to Cuba. They have exhibited at Cuban trade shows, sponsored children's and chef's events and have attended many trade meetings.

USA Rice Federation has worked with the Cuban Culinary Association on several occasions. They have sponsored such events as Cuban chef of the year, American rice with Cuba and trade shows. Lehrer stated Cuban chefs had to be taught how to cook with American rice, mainly convincing the chef, American rice did not need to be washed prior to cooking.

Cuban farm and rice mill tour

Minister of Agriculture rice industries group Vice President, Hector Henriquez, joined Ward and Lehrer at the Cuban farmers coop office in Pinar Del Rio Province for a vegetable farm, rice seed production farm and rice mill tour.

One farmer coop effort the group visited had 18 greenhouses each house being 540 square meters. Tomatoes, cucumbers and green peppers were the main crops. The group supplies the hotel and tourist industry. It appears the tourist industry is increasing as evidenced by the plans to double the greenhouses. The manager of the greenhouses stated that he could sell all that he can produce.

Henriquez explained that seven years ago the Cuban government began allowing private farmers to utilize up to 65 hectares of land to grow rice or other crops and market the production privately as a free enterprise.

In addition on a smaller scale Cuban citizens are also allowed to use small parcels of land to grow vegetables and livestock. These individuals are allowed to market their production at local neighborhood farmers markets that are springing up all over Cuba.

The 1450 hectare rice seed production farm visited by the group looked as good as any seed production farm in the United States. It was totally laser leveled and irrigated by gravity flow from nearby reservoirs. Cuba grows seven varieties of rice and Henriquez stated red rice is not a problem in Cuba. The fields were all void of any weeds as workers rogued all the fields. The Cuban acceptance of Cuban rice is good, equal to import quality said Henriquez.

The last stop for Ward and Lehrer was a renovated rice mill in one of Cuba's western provinces. Rice mills in Cuba are in great need of repair and most experts and officials agree that milled rice would dominate future rice imports.

Ward has a plan

Ward realizes she has a tough battle ahead but, she has a plan. Ward said, "We need to re-group with our Congressional representatives who support an opening of trade to Cuba. Bush said he would veto any legislation lessening the restrictions. There are not enough supporters to override a veto. The best case scenario in the interim would be some sort of tweaking of the law that allows the U.S. to make it easier to sell to Cuba."

"Our hope is that a Congressional delegation will come to Cuba soon and see what the situation is. We want to work on trying to bring a few of these Cuban technical folks we met with, to the United States to see our rice facilities."

Ward said that she will be making an effort to improve the pro-trade effort. "One of the things I realized in Cuba; was that we need to have a more concerted pro-trade effort in Washington with all agriculture commodities working together and including other interested parties like the travel industry that have an interest in changing this trade legislation."

"It would be a great benefit for our industry if we could establish normal trade with Cuba," said Ward.

Watch for the second article of this seven part series. The second article 'U.S. Cuba Sequence Of Events That Effected Agriculture Trade From 1959 to 2000', is scheduled to run in the May 23, 2008 MidAmerica Farmer Grower issue.