

U.S. Food and Agricultural Exports to Cuba – Uncertain Times Ahead

Presentation to the Colloquium

“Economic Transformation in Cuba”

Bildner Center for Western Hemisphere Studies

City University of New York

May 21, 2012

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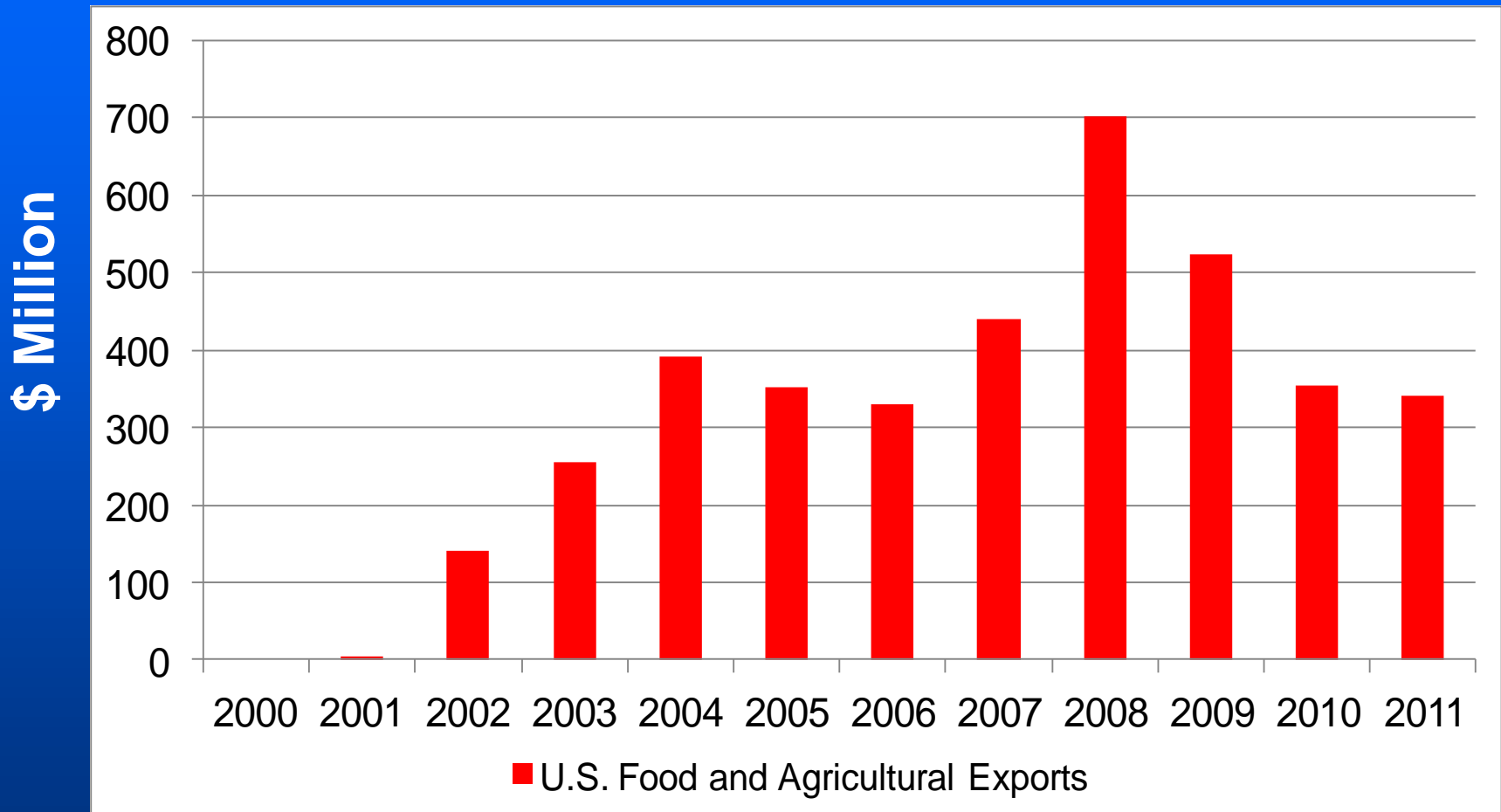
Food and Resource Economics Department



Trade Sanctions Reform and Export Enhancement Act (TSRA)

- **In 2000 the U.S. Congress passed and President Clinton signed the TSRA legislation which allowed U.S. firms to sell agricultural and food products and medicine to Cuba.**
 - **One way trade only**
 - **All sales must be in cash**
- **Cuba didn't purchase from the U.S. until late 2001 following Hurricane Michelle.**
- **More than \$4 million worth of agricultural and food products were delivered to Cuba in the last 6 weeks of the year!**

U.S. FOOD AND AGRICULTURAL EXPORTS TO CUBA, 2000-11

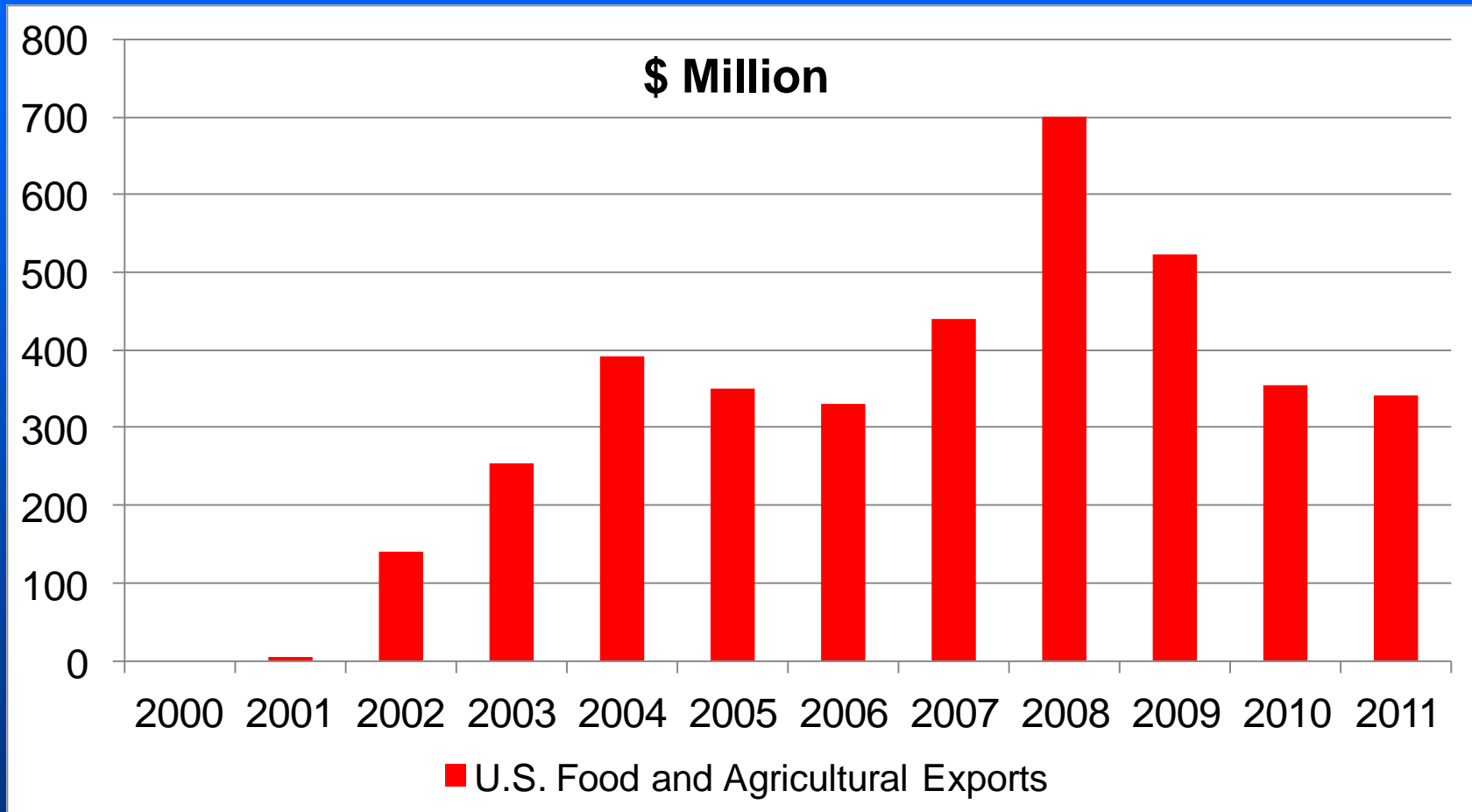


Source: U.S. Department of Commerce

TO CONSIDER TODAY:

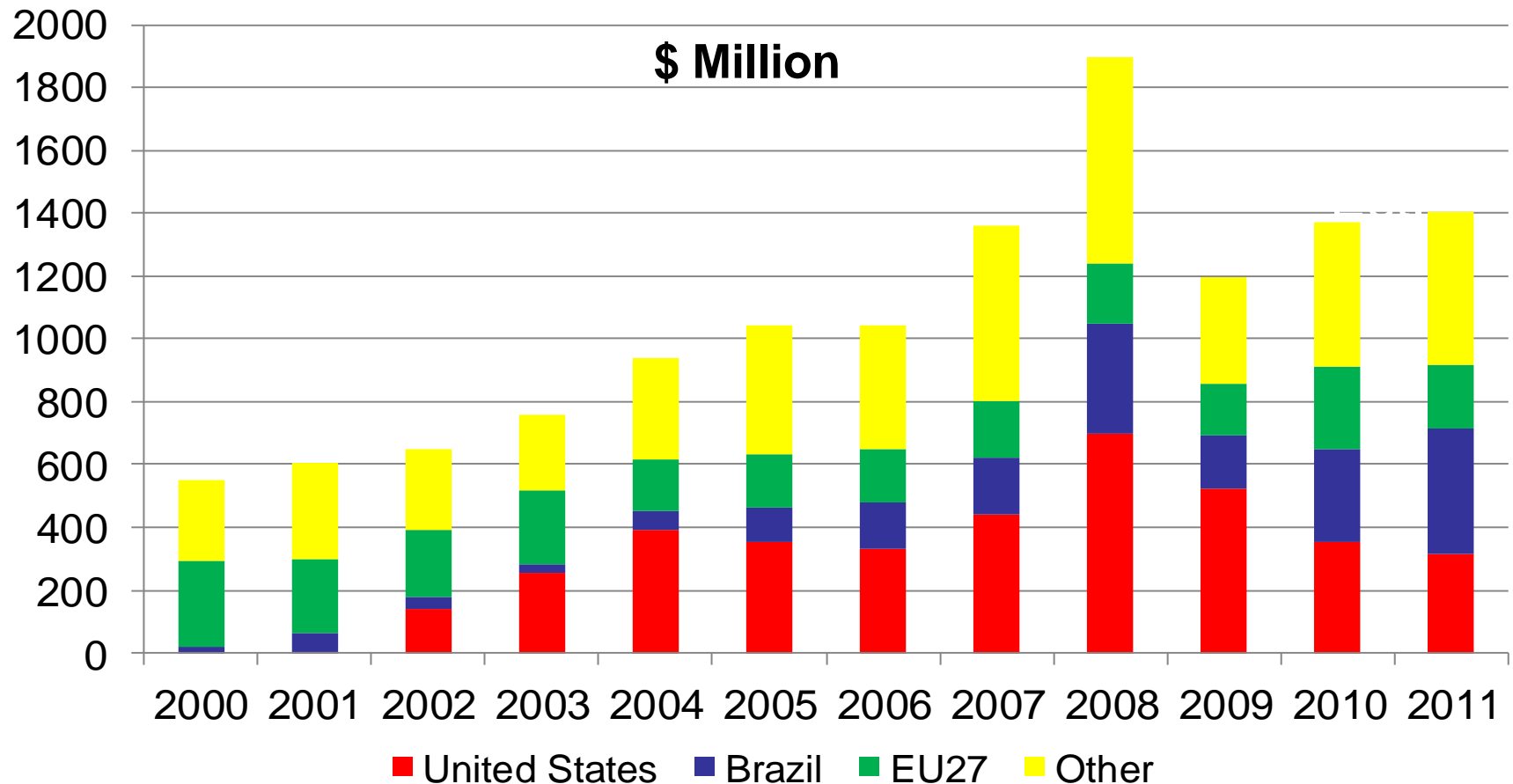
- Explosive increase in the role of the U.S. in Cuba's food and agricultural markets after 2001
- Decline in the U.S. role since 2008
- Factors driving these changes:
 - Fluctuating commodity prices
 - Cuban policy
 - U.S. policy
 - Policies of other countries
- Prospects for the future

U.S. FOOD AND AGRICULTURAL EXPORTS TO CUBA, 2000-11



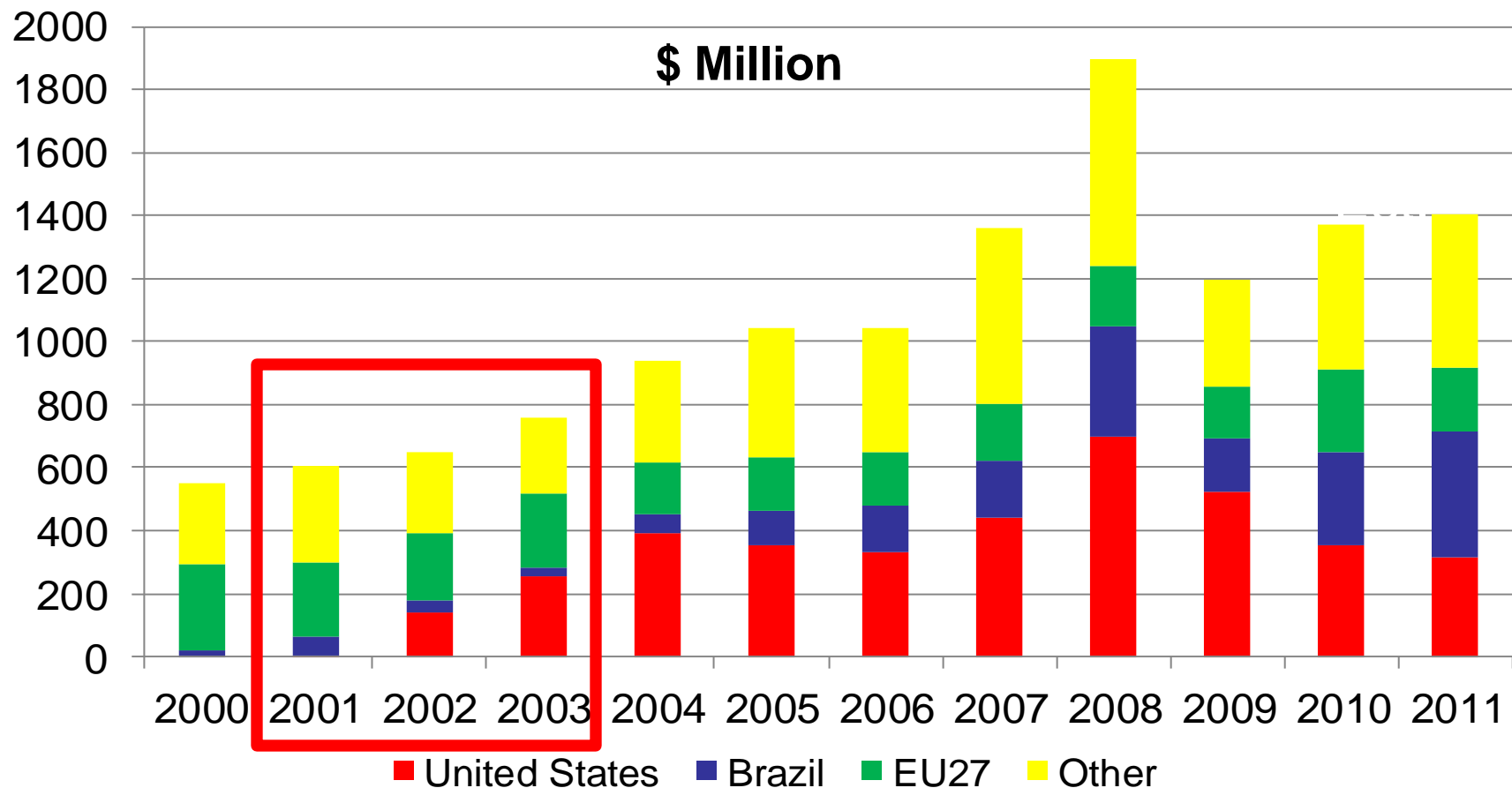
Source: U.S. Department of Commerce

CUBAN FOOD AND AG. IMPORTS BY COUNTRY, 2000-11



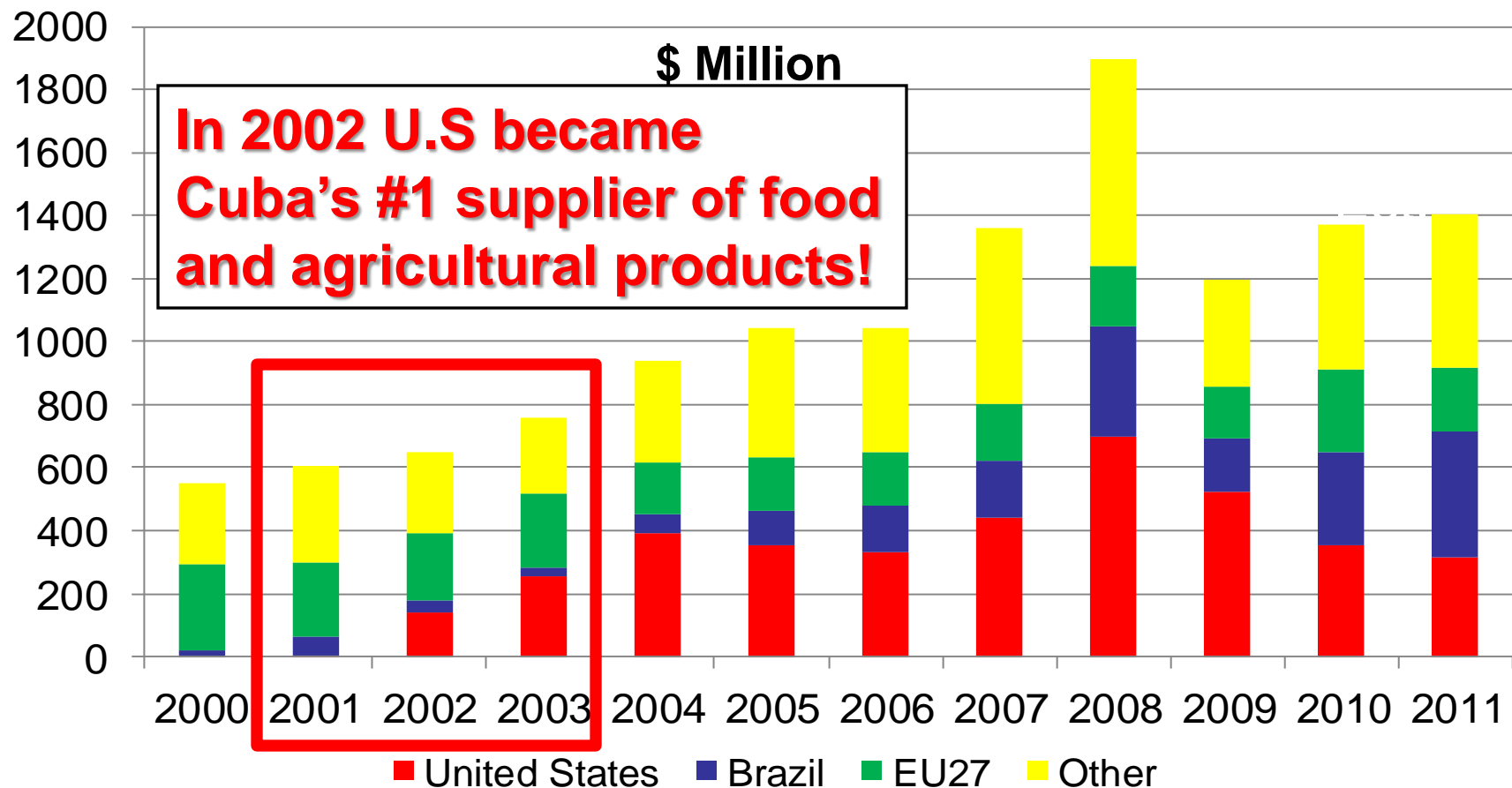
Source: GTIS

CUBAN FOOD AND AG. IMPORTS BY COUNTRY, 2000-11



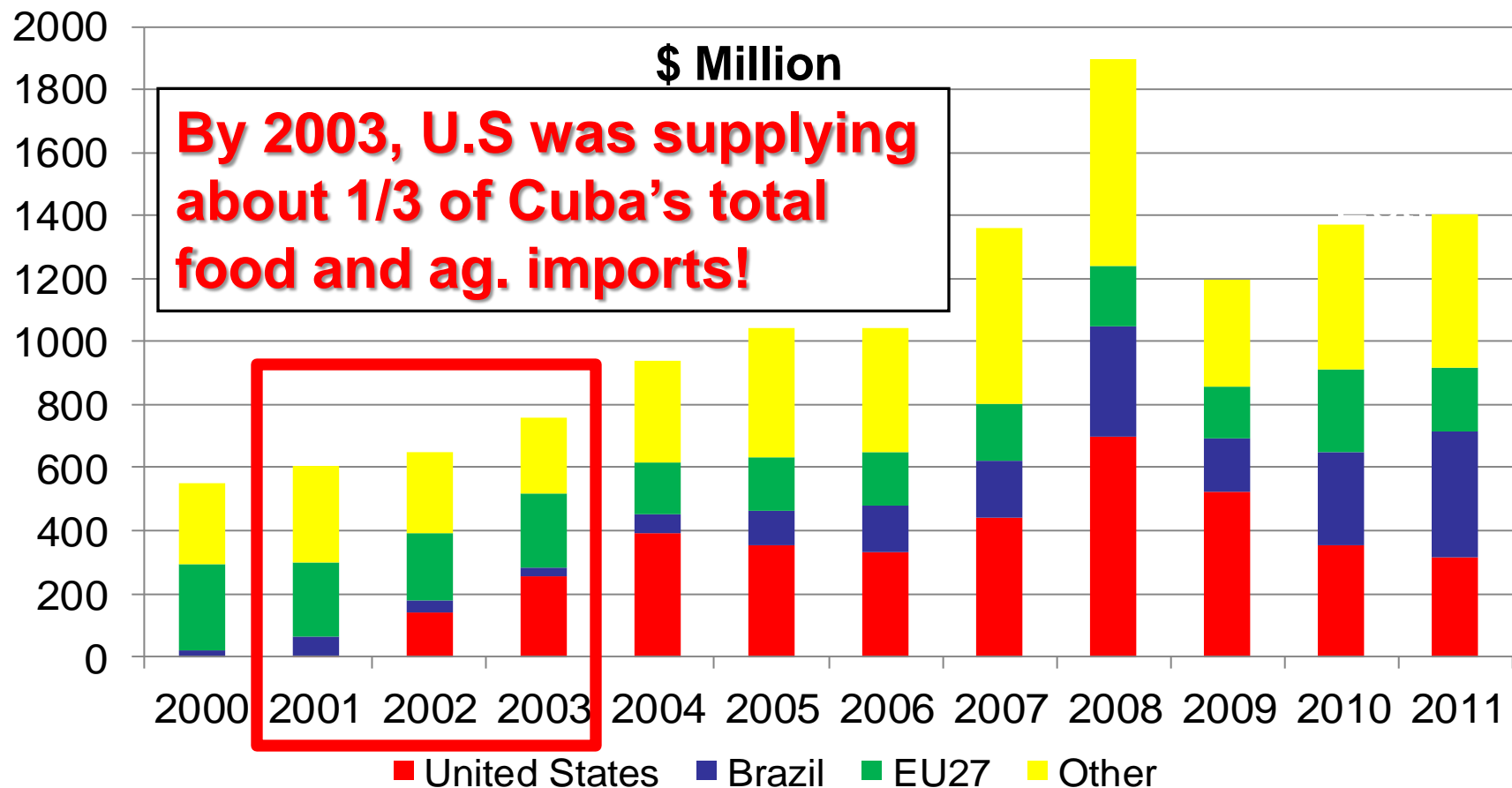
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CUBAN FOOD AND AG. IMPORTS BY COUNTRY, 2000-11



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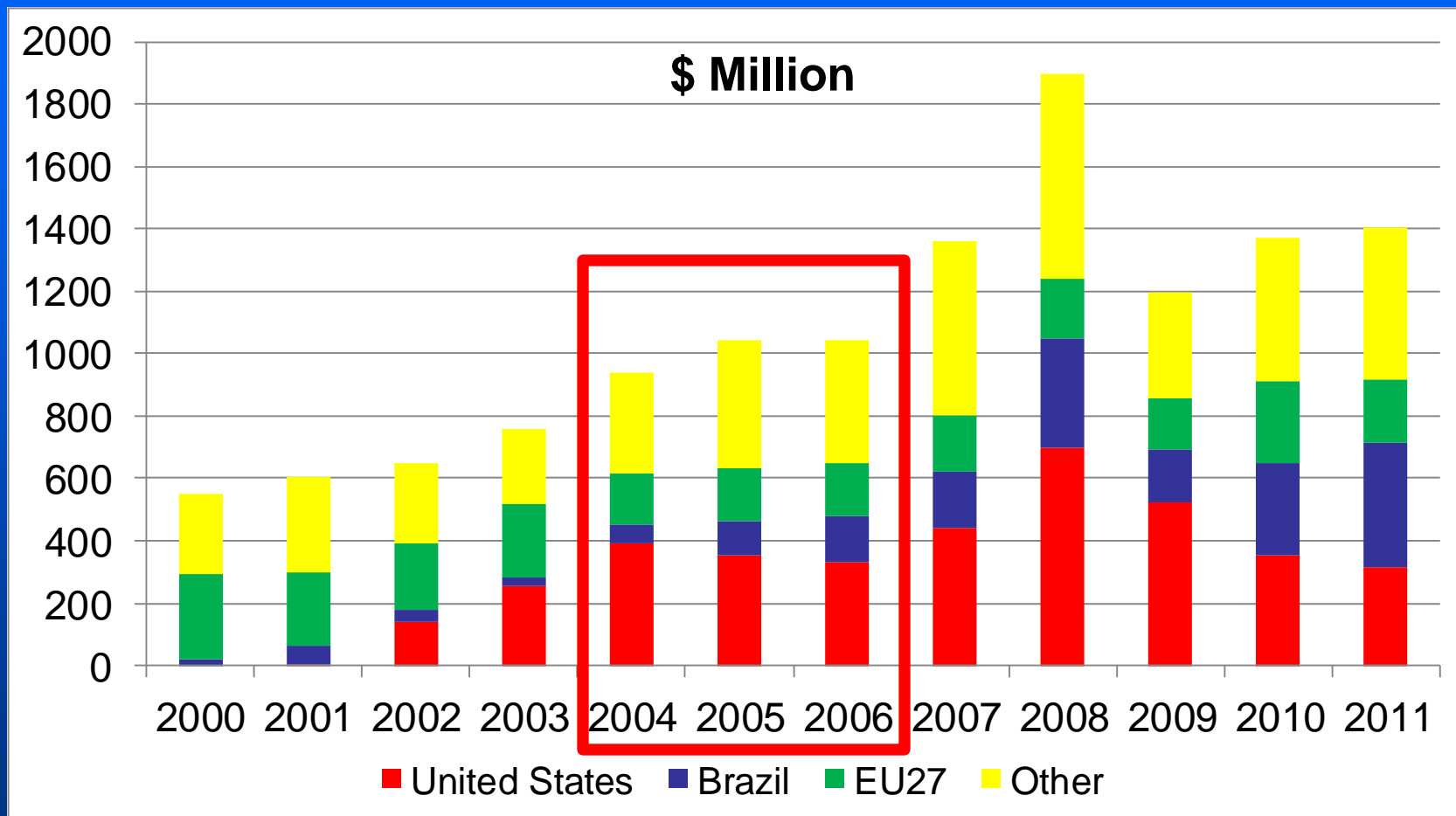


Source: GTIS

IN SUPPLYING ABOUT 1/3 OF CUBA'S FOOD IMPORT NEEDS IN 2003, THE UNITED STATES WAS

- Cuba's **4th** largest supplier of TOTAL IMPORTS (after Venezuela, PRC and Spain)
- Cuba's **5th** largest trading partner overall - imports plus exports (after above countries and Canada)
- Highlights the trade potential between the U.S. and Cuba!

CUBAN FOOD AND AG. IMPORTS BY COUNTRY, 2000-11

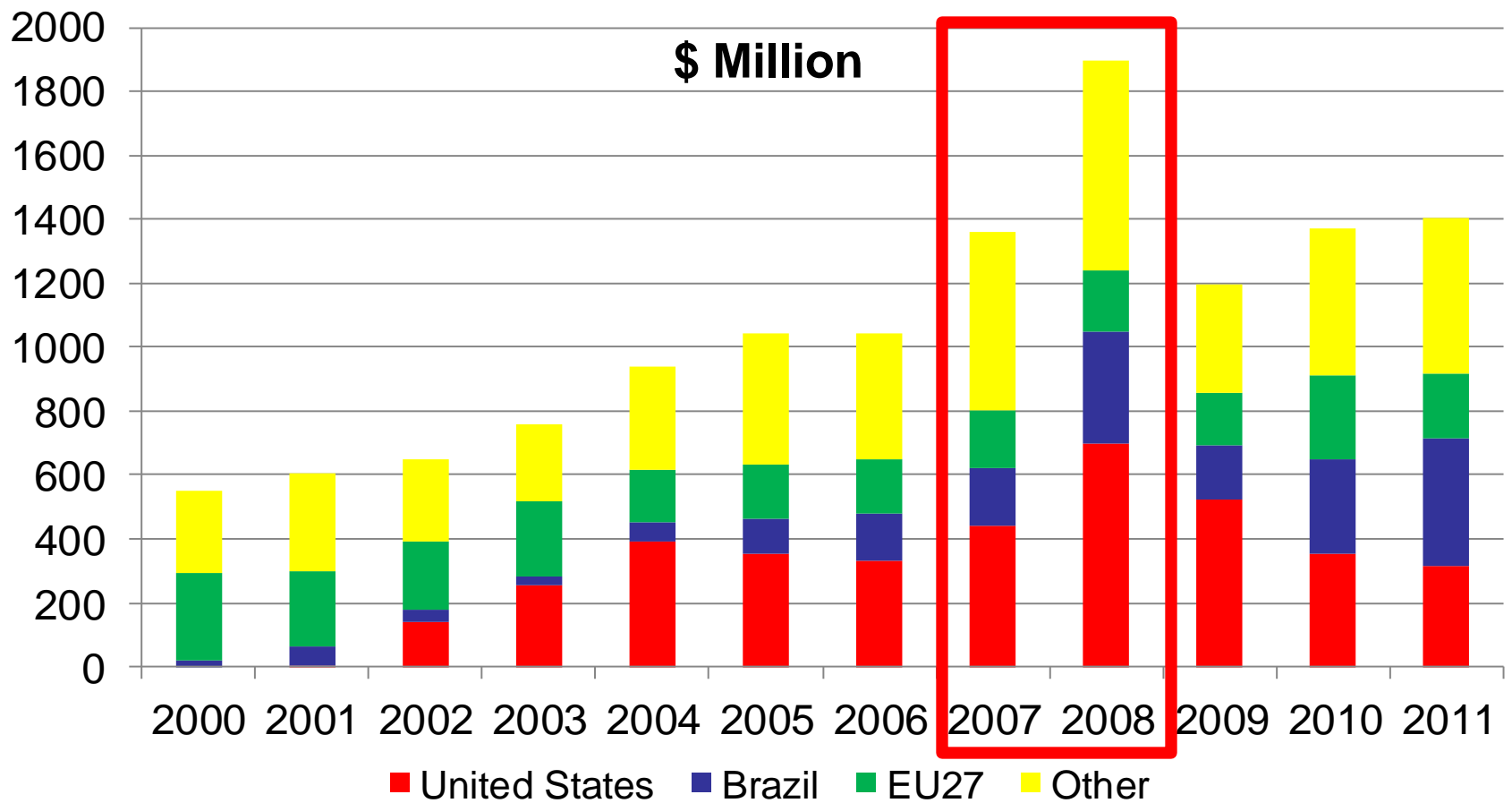


Source: GTIS

WHY DID U.S. EXPORTS TO CUBA DECREASE IN 2005 AND 2006 WHEN CUBA'S IMPORTS WERE INCREASING?

- In late 2004 the U.S. government announced that it was reassessing the cash sale provisions for sales to Cuba.
- Cuban government reacted by reducing purchases from the United States to reduce its exposure.
- New terms (2006) = irrevocable letter of credit in place before ships leave U.S. ports.
- **Perverse consequences – U.S. policy change saved Cuban government millions in demurrage charges – used to purchase food from other countries!**
- In 2007 the Cuban government became more comfortable with new U.S. terms and increased purchasing again.

CUBAN FOOD AND AG. IMPORTS BY COUNTRY, 2000-11



Source: GTIS

2008 HURRICANE SEASON – most destructive in Cuban recorded history



T.S. Fay: 8/16 – 8/18

H. Gustav: 8/30 - 9/1

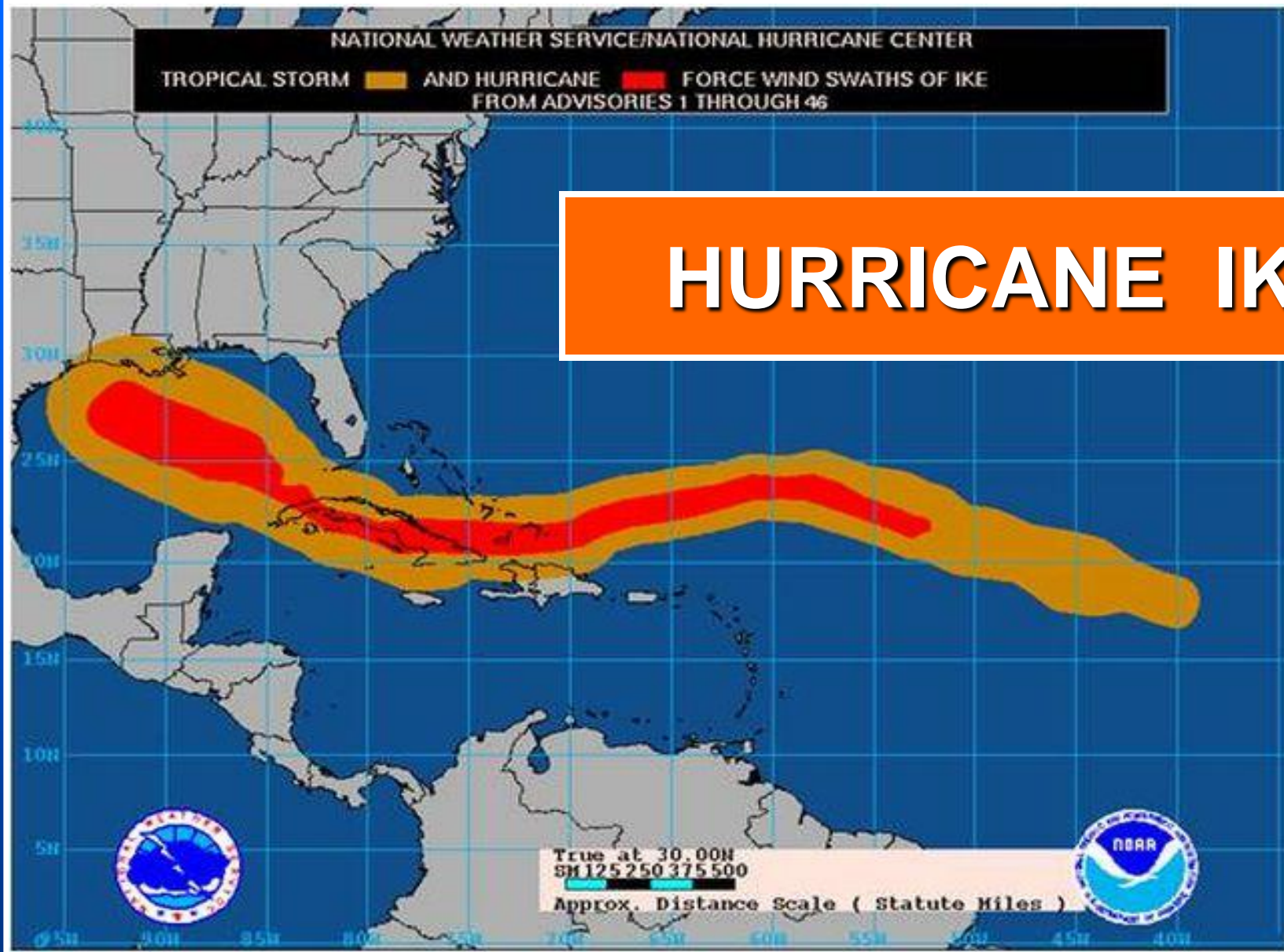
H. Hanna: 9/2 – 9/3

H. Ike: 9/8 – 9/9

T.S. Paloma: 11/8 – 11/9

NATIONAL WEATHER SERVICE/NATIONAL HURRICANE CENTER
TROPICAL STORM AND HURRICANE FORCE WIND SWATHS OF IKE
FROM ADVISORIES 1 THROUGH 46

HURRICANE IKE



2008 HURRICANE SEASON

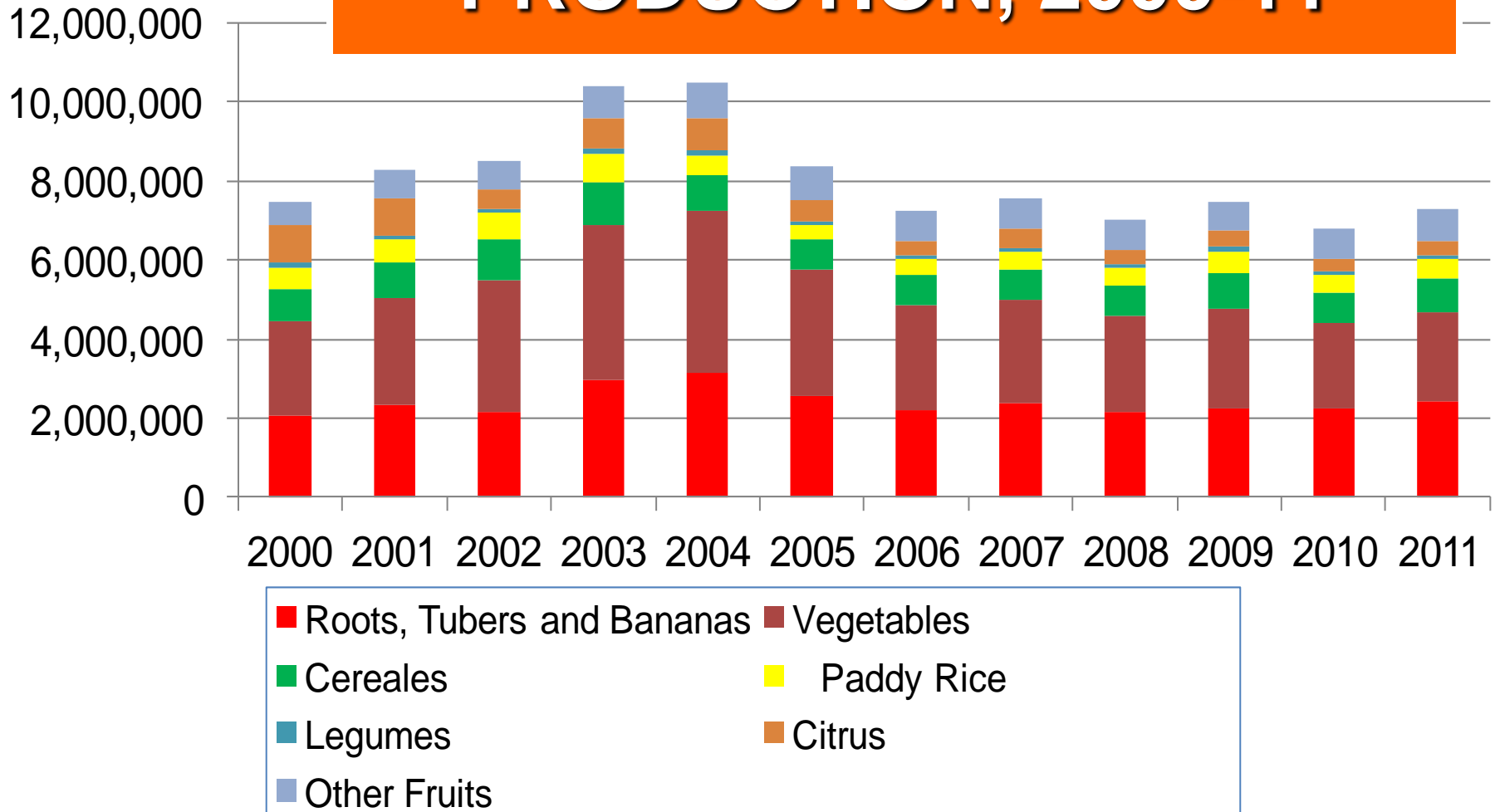
- Hurricane damage (crops in field lost from winds and flooding, tree damage, and losses of stored food)
- U.S. a major beneficiary because of:
 - + Geographic proximity
 - + Lower economic order quantities
 - Cash sale requirements
- U.S. food and agricultural exports to Cuba increased by more than $\frac{1}{4}$ of a billion dollars between 2007 and 2008 to over \$700 million.
- Commodity prices high in 2008

A STRIKING ANNOUNCEMENT IN 2008

- In 2008 a Cuban Ministry of Agriculture official publicly reported that **OVER 80% OF CUBA'S TOTAL FOOD SUPPLY WAS IMPORTED!**
- This led to a more formal, stated policy goal of “the replacement of imports, beginning with foodstuffs and agricultural products, as a strategic objective for Cuba” (Granma, December 26, 2008).

CUBAN AGRICULTURAL PRODUCTION, 2000-11

Metric tons



Source: Cuban Anuario Estadístico

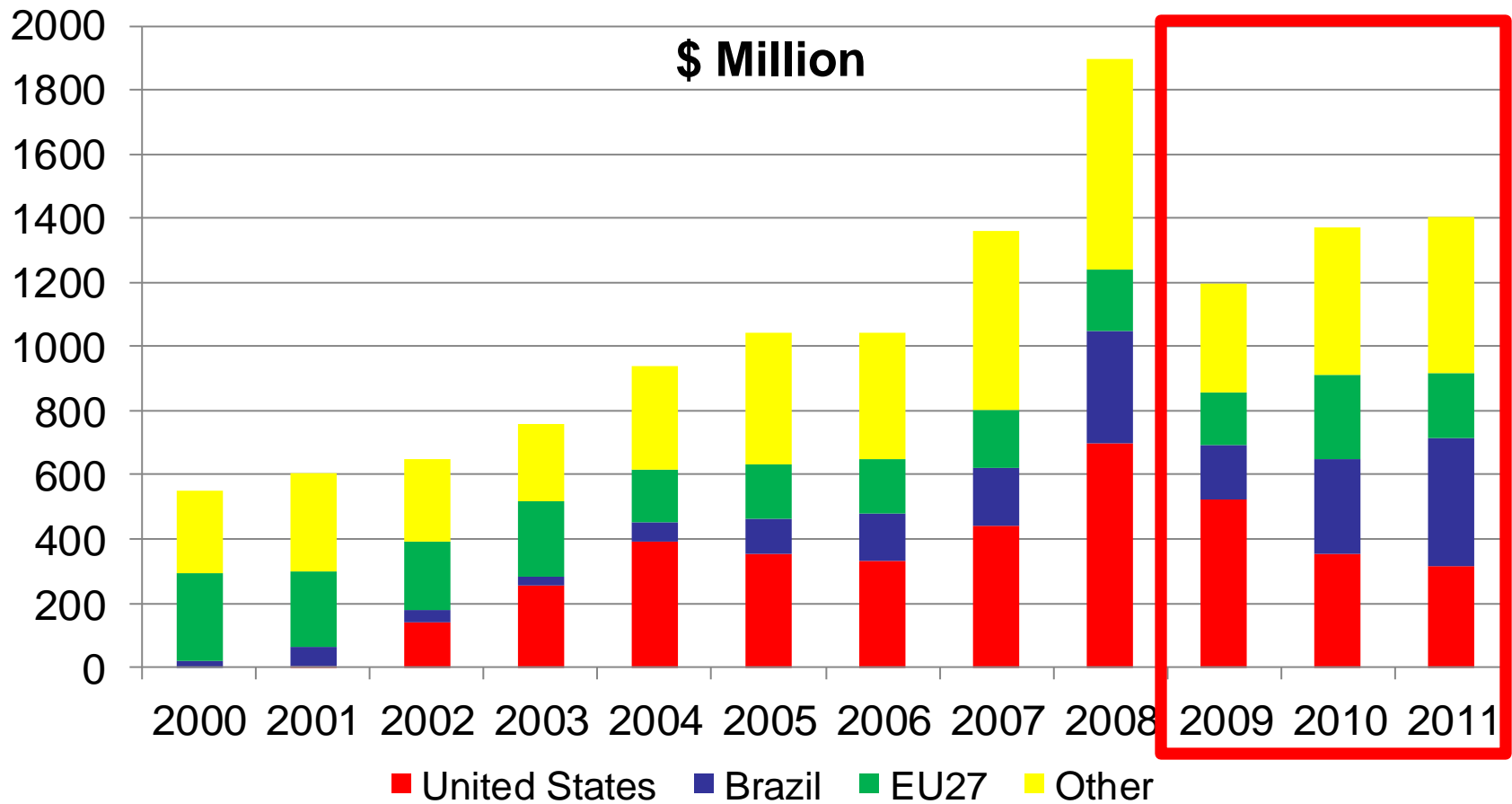
TROUBLING TRENDS

- Declines in Cuba's domestic agricultural and food production after 2004
- Meant continued reliance on imported food
- Financial situation constrained Cuba's ability to import food from the United States
- **A FOOD CRISIS APPEARED TO BE LOOMING, UNTIL . . .**

A POSITIVE DEVELOPMENT

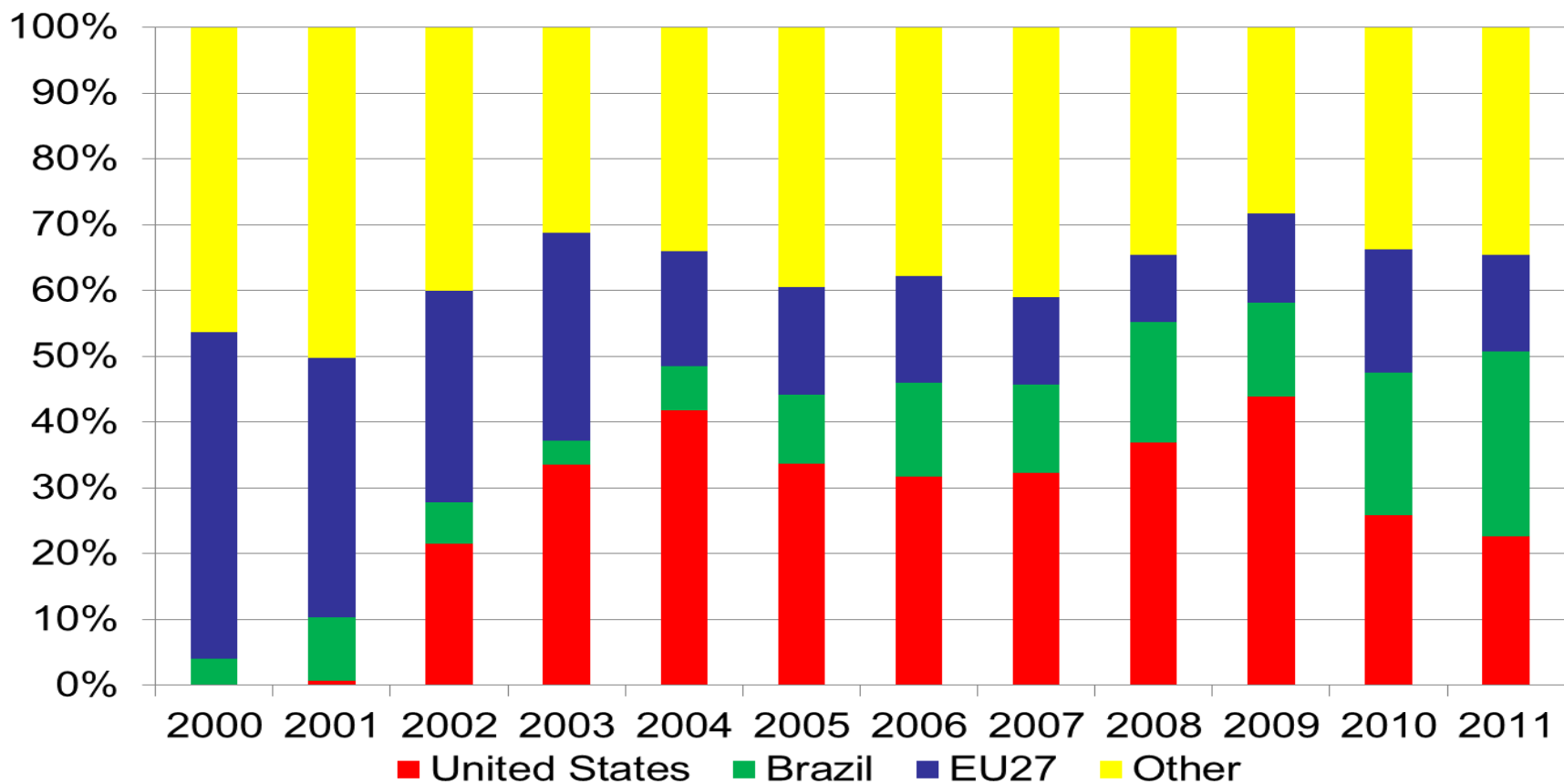
- + In 2008 some countries begin to offer Cuba credit for agricultural purchases

CUBAN FOOD AND AG. IMPORTS BY COUNTRY, 2000-11



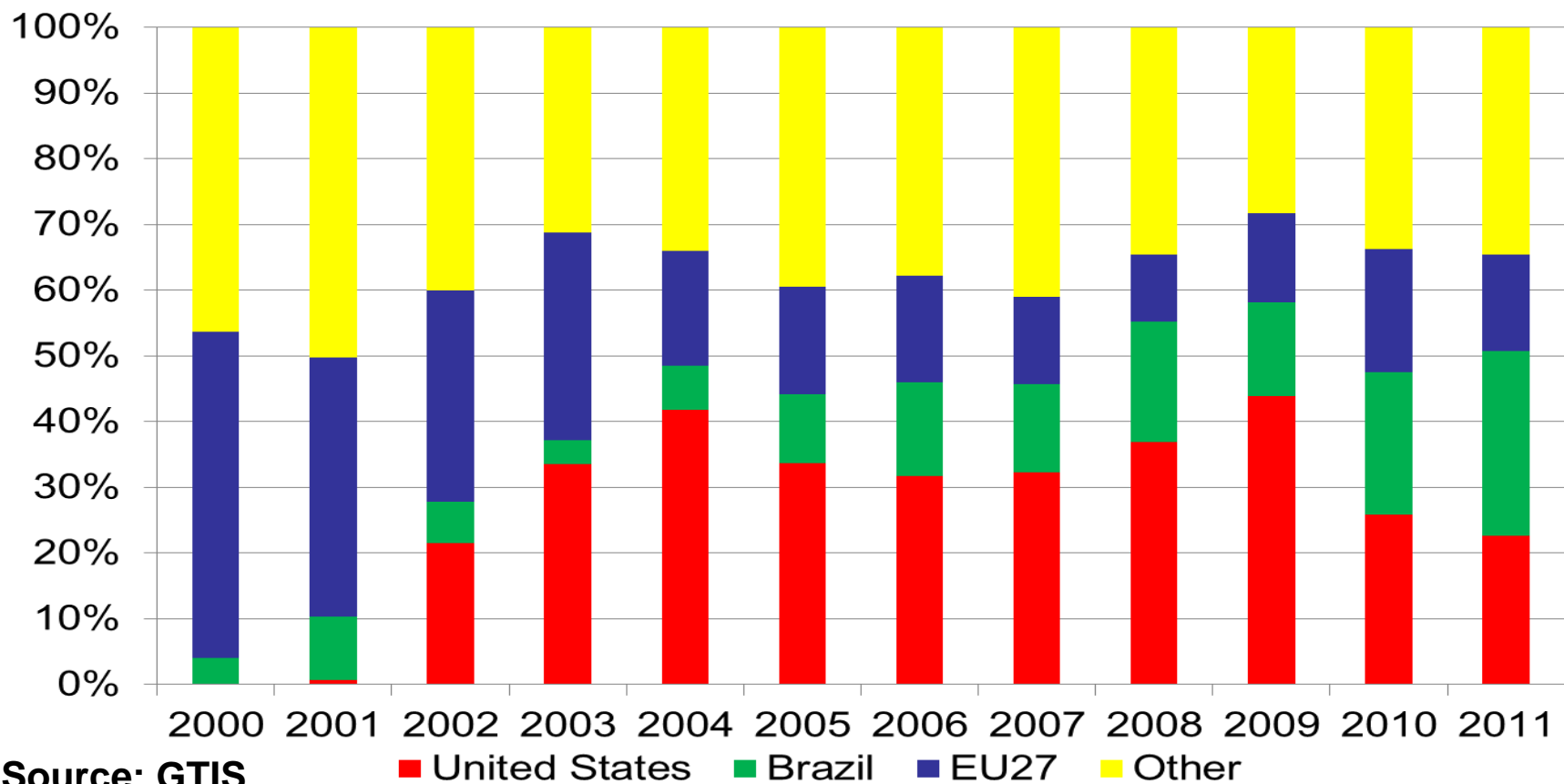
Source: GTIS

CUBAN IMPORTS OF TSRA-ELIGIBLE AG. PRODUCTS - SHARE by Major Suppliers, 2000-11



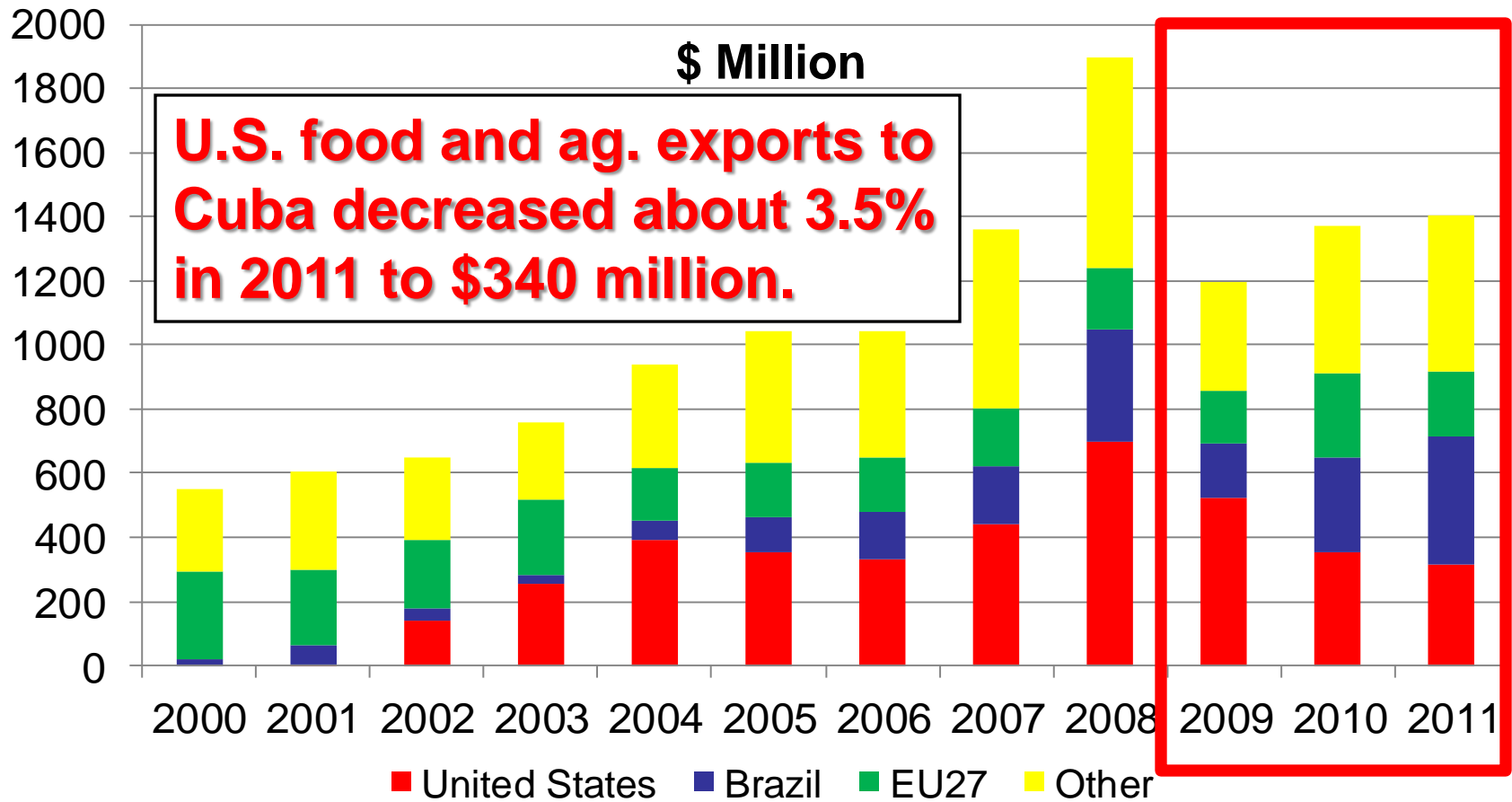
Source: GTIS

CUBAN IMPORTS OF TSRA-ELIGIBLE AG. PRODUCTS - SHARE by Major Suppliers, 2000-11



In 2011 BRAZIL BECAME CUBA'S #1 SUPPLIER OF FOOD & AG. PRODUCTS

FUTURE PROSPECTS FOR U.S. FOOD AND AG. EXPORTS TO CUBA?



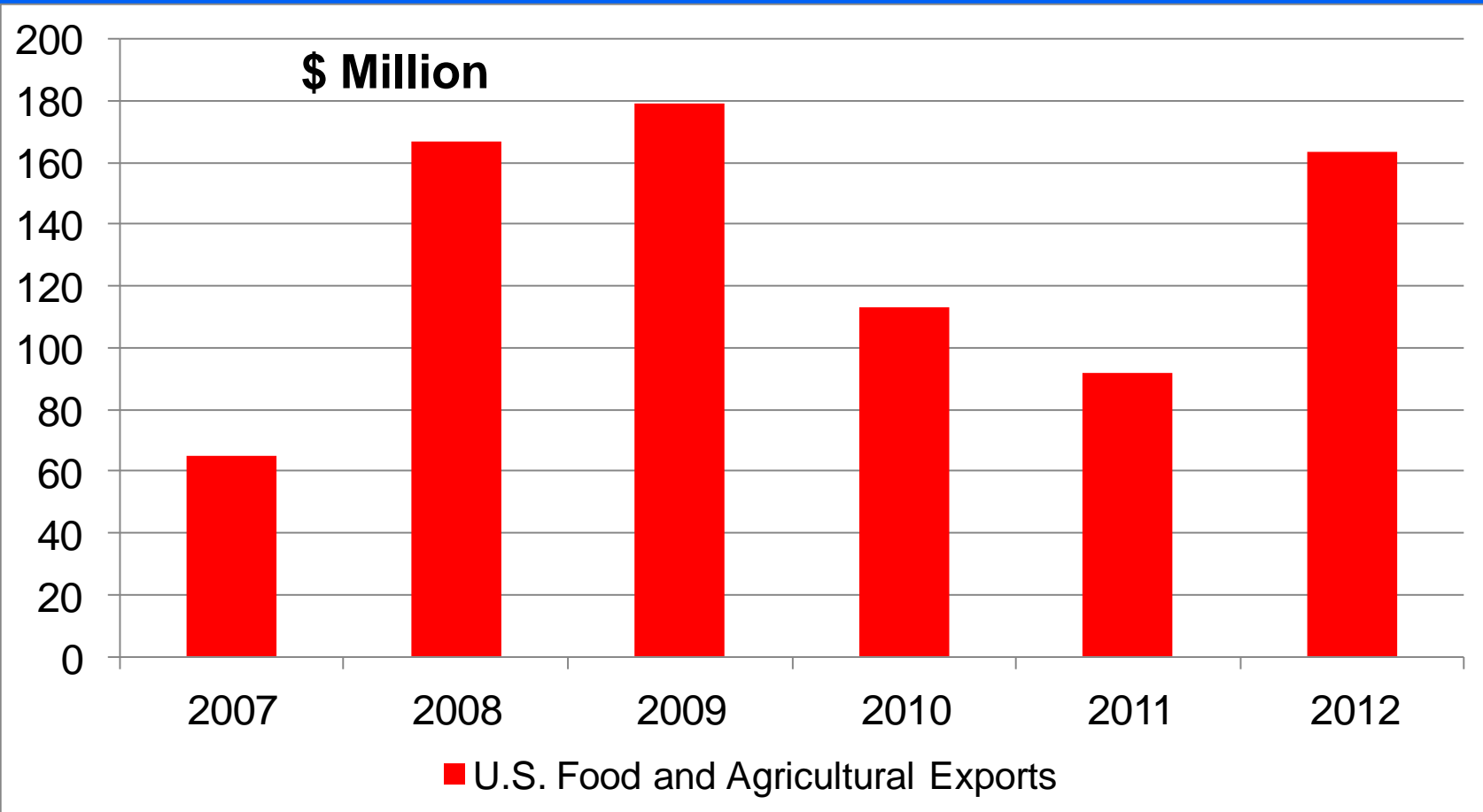
Source: GTIS

FUTURE PROSPECTS . . . ?

- At the USDA Agricultural Outlook forum in February, I made two observations about the near term prospects for U.S. food and agricultural exports to Cuba:
 1. I expected Cuba's purchases from the United States to remain fairly stable in 2012, although there is a "wild card" . . .

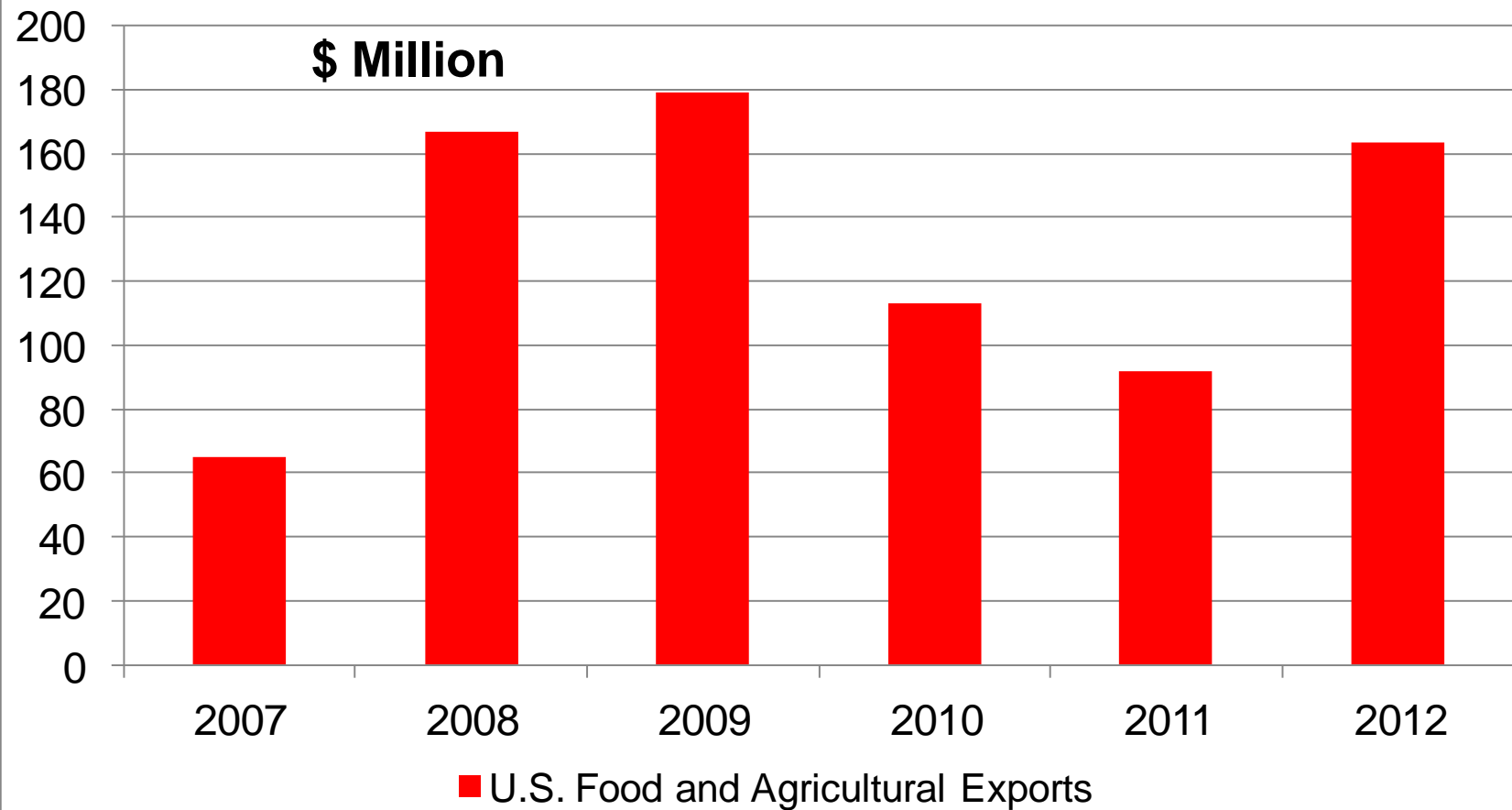
But maybe I was wrong!

U.S. FOOD AND AG. EXPORTS TO CUBA, January to March, 2007-12



Source: U.S. Department of Commerce

U.S. FOOD AND AG. EXPORTS TO CUBA, January to March, 2007-12



First quarter 2012 exports almost as high as in record year or 2008!

OTHER CONSIDERATIONS

- One quarter does not a year make!
- What factors could be driving this?
 - Maybe the Pope's visit . . . ?

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	Jan to Mar 2011	Jan to Mar 2012	% change
	Million \$		
BULK	\$66.1	\$95.3	44%
INTERMEDIATE	\$9.7	\$12.0	24%
CONSUMER- ORIENTED	\$15.8	\$55.9	254%
TOTAL	\$91.6	\$163.2	78%

Values increased about 8% more than quantities, indicating only slight price increases.

FUTURE PROSPECTS . . . ?

- My second observation from my presentation at the USDA Agricultural Outlook forum about the near term prospects for U.S. food and agricultural exports to Cuba:
 2. The increasing role of Brazil could further erode the U.S. share of Cuba's food and agricultural imports

BRAZIL IS A “WILD-CARD” AND COULD TAKE U.S. SHARE IN SOME COMMODITIES

- Brazil has recently invested in Cuba's poultry industry
- Brazil is assisting with soybean production
- President Rousseff's recent visit
- \$680 million to refurbish Cuba's Port Mariel
- \$400 million in credits for food purchases
- \$200 million to improve agriculture
- AND if there is any question about Brazil's level of interest . . .

BRAZILIAN EQUIPMENT IN CUBA, October 2011



BRAZILIAN EQUIPMENT IN CUBA, October 2011



BRAZILIAN EQUIPMENT IN CUBA, October 2011



THE CUBANS READILY ADMIT THAT THIS IS A “MODEL” FARM

- Sugar production is reported to have improved this season.
- Brazil is becoming an increasingly important player in Cuba.
 - ✓ Cuba's #1 food and agricultural import supplier in 2011
- Foreign investment has the potential to dramatically change Cuba's agricultural sector!

POTENTIAL FOR CUBAN AGRICULTURE IS HUGE!



Cuba has:

- **Extensive arable land**
- **Good soils**
- **Water**
- **Climate**
- **Good farmers**

CUBA'S POTENTIAL GAME CHANGER – OIL!

Photo by:
Javier Galeano
Associated
Press
January 19,
2012

