



Trade with Cuba

January 2010

After more than 40 years of restrained ability to trade with Cuba, an island nation with little agricultural capacity but 11 million mouths to feed, momentum is increasingly building in the 111th Congress for easing trade and travel restrictions affecting the sale and delivery of agricultural goods. NAWG urges Congress to take advantage of this unprecedented drive and make positive changes with regard to trade with Cuba.

Potential for U.S. Wheat Exports

With no domestic wheat production, Cuba represents substantial potential for U.S. wheat growers. Cuba's 11.4 million people consumed an average of 890,000 MT of wheat per year over the past ten years. According to USDA's Foreign Agricultural Service, Cuba is the largest importer of wheat and wheat products in the Caribbean.

Cuba's population is more than 11 million and, as an island with limited agricultural production, is the largest importer of wheat in the Caribbean.

With sales totaling \$135 million, wheat was one of the top U.S. commodities exported to Cuba in 2008, second only to corn. Total U.S. agricultural exports to the island have been declining slightly for a number of years, and while the dollar value was up in 2008 due to high commodity prices, the full potential for wheat exports was far from realized.

The island's proximity and historical and cultural ties should make Cuba a natural trading partner for the U.S. Instead, the U.S. is sharing a substantial portion of the Cuban market with Europe, and Cuban buyers have said they can no longer afford to do business with the U.S. In neighboring Caribbean markets, the U.S. has maintained an average 80 percent market share over the last decade while averaging only around 35 percent of the Cuban market over the last few years. U.S. Wheat Associates estimates potential lost business of up to \$100 million per year in wheat exports due to restrictions placed upon U.S. wheat growers that do not burden our competitors.

The most restrictive aspects of U.S. policy toward Cuba on the U.S. wheat industry are:

- Financing restrictions requiring exporters to go through third-party banks and pay cash in advance of shipments leaving U.S. ports.
- Travel restrictions and licensing requirements through the Treasury Department's Office of Foreign Assets Control (OFAC).
- Travel restrictions on Cuban officials coming to the U.S.
- The generally negative policy environment between the U.S. and Cuba, which is not conducive to doing business.

Payment Rule Hindering Exports

Exports of U.S. agricultural products, including wheat, have been allowed since 2001 under the Trade Sanctions Reform Act (TSRA), but travel and financing restrictions make it difficult to sell

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Permanently overturning the 2005 “payment of cash in advance” regulation interpretation will give wheat growers the best opportunity to realize sales with Cuba.

products into the market. The cumbersome regulations enforced by OFAC negatively impact export potential that U.S. wheat producers have in the Cuban market.

In 2005, OFAC amended the so-called “payment of cash in advance” rule to require Cuba to obtain and present letters of credit from a third-party, foreign bank, with the cash payment coming from the bank, not directly from Alimport, the Cuban food importer. The change increased the cost of buying U.S. wheat, and added an excessive and unnecessary administrative burden on Alimport that has had a significant negative impact on U.S. wheat sales to Cuba.

The FY2010 omnibus appropriations bill clarified Congress’ intent with regards to this interpretation – but this is only a temporary fix. The U.S. wheat industry believes permanently overturning the 2005 regulation change will level the playing field and give U.S. wheat growers the best opportunity to realize their full sales potential in Cuba.

Current Status

NAWG applauds Congress’ inclusion of language in the FY2010 omnibus appropriations bill clarifying its intent for the “payment of cash in advance” rule and steps the Administration has taken to lift travel restrictions for Cuban Americans. But, there is much more to do be done.

Led by House Agriculture Committee Chairman Collin Peterson, House Members are consolidating support around a bill that would ease both trade and travel restrictions on Cuba. NAWG urges all Members of Congress to examine becoming original cosponsors of this legislation.

A number of other bills have been introduced in the 111th Congress to tackle other aspects of the Cuba trade situation, which are supported by NAWG. They include:

- H.R. 1737, Agricultural Export Facilitation Act of 2009
- H.R.1531/S. 1089, Promoting American Agricultural and Medical Exports to Cuba Act of 2009
- H.R. 874/S. 428, The Freedom to Travel to Cuba Act
- H.R.1530, Free Trade With Cuba Act
- H.R.1528, Export Freedom to Cuba Act of 2009

In addition, NAWG and U.S. Wheat Associates continue to seek the support of the Administration regarding the opening of U.S./Cuba trade and travel through the elimination of regulatory restrictions on personal and commercial travel to Cuba and allowing normal commercial transactions and direct payment terms.

More Information

More information about trade restrictions against Cuba and their negative impact on the sales possibilities for U.S. wheat is available online at www.wheatworld.org/trade or www.uswheat.org/whatwedo/tradepolicy/cuba.

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