

**Statement of
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to the
U.S. International Trade Commission
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Thank you, Madam Chairman. I am Terry Harris, senior vice president of marketing and risk management at Riceland Foods, headquartered in Stuttgart, Arkansas. I appreciate this opportunity to appear before the Commission on behalf of Riceland Foods and the USA Rice Federation.

Riceland is a family-farmer owned cooperative formed in 1921 to market rice. Today, Riceland serves approximately 6,000 farmer-members in Arkansas and Missouri who grow rice, soybeans and wheat. The cooperative markets about a third of the rice grown in the southern United States and about a fourth of the national production.

Riceland is primarily a direct exporter, selling directly to buyers in importing countries, although we sometimes sell rice through other U.S. export firms and international shippers for delivery to importing countries. As a result of this direct approach, our staff is well schooled in the details of everyday management of logistics and finance related to the export business.

Riceland Foods is proud to be a member of the USA Rice Federation. USA Rice represents all segments of the U.S. rice industry. Rice is grown in seven states including Arkansas, California, Louisiana, Texas, Mississippi, Missouri and Florida. Nearly half of the U.S. crop is grown in eastern Arkansas. The industry markets rice in all 50 states and to 125 countries worldwide. USA Rice is a founding member of the U.S. Agricultural Coalition for Cuba, a broad-based group of U.S. agricultural and food organizations seeking to re-establish Cuba as a market for U.S. food and agriculture exports.

My objective today is to discuss the export of U.S. agricultural goods to Cuba, and to lay out the obstacles to accessing a market that holds great promise for U.S. rice farmers and U.S. agriculture.

The United States exports half of the rice produced annually, so maintaining existing markets, as well as developing new markets, are key components to the industry's success.

Prior to the imposition of the U.S. embargo on Cuba more than 50 years ago, the island was the number one export destination for U.S. rice. Annual rice shipments reached as much as a quarter of a million metric tons in the 1950s, and the U.S. accounted for more than half of Cuba's rice imports.

Prospects brightened with passage of the Trade Sanctions Reform and Export Enhancement Act of 2000, when U.S. agriculture and food exports to Cuba were granted, or what many of us believed at the time to be, a broad exemption from the embargo.

In November 2001, I had the opportunity to make the first sale of U.S. rice to Cuba since the embargo was imposed. It was an incredibly intense and interesting negotiation as we developed contract terms and quality specifications for a country which, at that time, had not purchased goods from the U.S. in 40 years.

I found the leadership of the Cuban buying organization informed, shrewd, and very professional. I also was in Cuba to witness the first shipment of U.S. rice when it arrived in the Port of Havana. It was an incredible experience for me to see how excited they were with the quality of rice they had purchased for the people of Cuba. I saw what can happen when barriers are removed and people are allowed to meet and find common ground for cooperation and trade.

As recently as 2004, sales of U.S. rice to Cuba were valued at \$64 million.

The success of rice and other U.S. agriculture products in Cuba was seriously curtailed in large part following a change by the Office of Foreign Assets

Control in the definition of “payment of cash in advance” in 2005. U.S. rice exports to Cuba dropped to zero following this regulatory change.

On January 15, 2015, OFAC made changes to the regulations on trade with Cuba that allowed for the definition of “payment of cash in advance” to revert to the pre-2005 wording. We applaud this measure, as well as other actions by the Obama administration to facilitate trade. However, there are still obstacles to conducting normal trade with Cuba.

Cuba is a significant market for rice, importing about \$300 million worth of rice annually, with a per capita consumption of 177 pounds per person. By contrast, per capita U.S. consumption is less than 30 pounds. Currently, most of Cuba’s rice imports come from Vietnam.

With the port of New Orleans located less than 700 miles from Havana, the U.S. is in a better position to serve the rice needs of the Cuban people in terms of required transit time and the cost of freight.

With the lifting of the embargo and the restoration of trade and travel with Cuba, we estimate that the U.S. could regain 20 to 30 percent of the Cuban rice business within two years, or an estimated 90,000 to 135,000 metric tons of new demand for U.S. rice farmers based on USDA’s current estimate of overall annual

Cuban import demand. At today's prices, this means potential sales of \$40 million to \$60 million. We would anticipate the U.S. share of the market would exceed 50 percent within five years and could reach 75 percent or more within 10 years.

Cuban consumers eat long grain rice and this new demand would benefit the states of the Mid-South, where long grain rice production predominates. I know the Commission is interested in the state-by-state impact of increased trade with Cuba. Arkansas and Louisiana would be the big winners based on these states' shares of U.S. long grain production. Other beneficiaries would be rice farmers in the states of Mississippi, Missouri, and Texas.

Rice from Arkansas and Louisiana could account for approximately three quarters of sales to Cuba in the years immediately following the establishment of normal commercial relations with Cuba. This could be new demand of up to 100,000 metric tons for just these two states, with an estimated value of \$46 million at today's prices. We would expect these states to be the dominant suppliers to Cuba for the foreseeable future, but all producing states in the Mid-South will benefit.

I stated earlier that we are seeking normal commercial relations with Cuba. This means allowing U.S. citizens to travel and spend money in Cuba without

restrictions as well as allowing Cuba to export their goods to the United States as they do to most countries around the world so they will gain the resources and increased demand to import U.S. food and agricultural products. It also means permitting the full range of commercial banking and financial relationships to facilitate trade based on individual exporter assessments of the risk of doing business in Cuba.

With the lifting of the embargo and the restoration of trade and travel, normal commercial relations would be restored. This would allow direct banking and extending of credit under commercial terms which would position the U.S. to compete with Vietnam for the Cuban rice market.

Cuba is not only exciting as a new market opportunity, it represents a close-by market where U.S. rice is competitive when government interference is removed. Markets free of government intervention are not the norm in the world of rice trade. A study released last month by this very organization on the global competitiveness of the U.S. rice industry lays out the pervasive extent of government intervention in great detail. The key conclusions are well known to me and my colleagues in the industry. The global rice market is characterized by significant government intervention in both imports and exports. This

government intervention occurs largely outside of the United States in the form of high tariffs and other non-tariff trade barriers and subsidies in key rice exporting and importing countries that skew market decisions and hurt U.S. exports.

That's why new market opportunities like Cuba are so important to the economic health of the rice industry, especially in light of declining support in successive farm bills.

The U.S. rice industry and Riceland Foods is committed to building the Cuba market for our product. Our company has made numerous trips to Cuba to meet with Cuba's national importer of rice and food products. USA Rice has spent just under \$900,000 in rice industry promotion funds since 2003 to promote the high quality and efficiency of U.S. rice in the Cuba market. We intend to continue these activities, and seek the ultimate lifting of the embargo. This, of course, requires Congressional action.

I would like to end on a personal note from my years traveling to Cuba and meeting with Cubans. I have talked to a lot of people in Cuba over the past 15 years. People that embrace the regime and the revolution and those that

absolutely hate them. But in every case, regardless of their opinion of the current government, they told me to tell our people to please lift the embargo. That it does not hurt the government, only the average Cuban.

Thank you for the opportunity to share our views with the Commission. I would be pleased to respond to any questions.