



**U.S. GRAINS
COUNCIL**

**STATEMENT
OF THE
U.S. GRAINS COUNCIL**

TO THE U.S. INTERNATIONAL TRADE COMMISSION

**REGARDING THE OVERVIEW OF CUBAN IMPORTS OF GOODS
AND SERVICES AND EFFECTS OF U.S. RESTRICTIONS**

INVESTIGATION NUMBER: 332-552

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ADVISORY TEAM LEADER

WESTERN HEMISPHERE PROGRAMS



Madame Chairwoman, Mr. Vice Chairman and fellow Commissioners, my name is Bill Christ. I am past Chairman of the Illinois Corn Marketing Board and currently serve as Advisory Team Leader, Western Hemisphere Programs for the U.S. Grains Council. The Council is a private, non-profit organization representing U.S. producers of corn, sorghum, barley, co-products such as ethanol, dried distiller grains (DDGS), and corn gluten and corn meal feed, and agribusinesses. The U.S. Grains Council develops export markets for U.S. barley, corn, grain sorghum and related products. The Council believes exports are vital to global economic development and to U.S. agriculture's profitability. Founded in 1960, the Council has nine international offices and network of consultants and programs in more than 50 countries.

On behalf of the Council, I appreciate the opportunity to appear before the U.S. International Trade Commission and provide our perspectives on effects of U.S. restrictions on Cuban imports of goods and services. We have been engaged in Cuba since 1997 consistent with the limited opportunities for humanitarian assistance and agricultural trade. The Council strongly supports open trade and the removal of all policies restricting international trade, including the U.S. trade embargo on Cuba.

As part of that overall effort, the Council is a member of the U.S. Agricultural Coalition for Cuba. The Coalition was recently formed with the objective of ending the embargo, allowing open trade and investment to occur, and re-establishing Cuba as a growing market for U.S. food and agricultural exports. In my home state of Illinois, we have established the Illinois Cuba Working Group with the view that the improvement of economic trade relations between the U.S. and Cuba is the foundation for future success between the two countries.

The recent initiative of the Administration related to Cuba policy presented the Council with an opportunity to reengage in Cuba as part of the Council's wider strategy focusing on coarse grains and co-products exports in the Western Hemisphere.

In March of this year, Ron Gray, U.S. Grains Council (USGC) chairman and a farmer from Illinois, and Marri Carrow, USGC regional director for the Western Hemisphere, participated in a mission to Cuba along with representatives from across the U.S. agricultural sector (organized by the U.S. Agriculture Coalition for Cuba) to meet with Cuban industry leaders and government officials and discuss new opportunities presented by the Administration's initiative to ease some elements of the U.S. trade embargo.



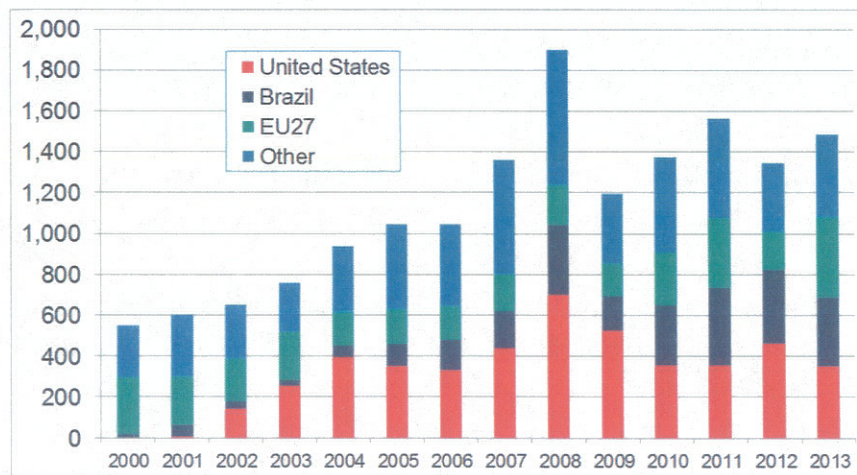
Council staff conducted an additional targeted trade servicing visit to help assess and build plans to address marketing, finance and education barriers to increased sales. The Council is also planning a follow-up mission in June 2015 for its officers and delegates from its associated grower organizations.

CUBA MARKET OVERVIEW

Cuba is a logical market for U.S. food and agriculture exports with 11 million consuming citizens only 90 miles off the coast of the United States. Cuba is similar in demographic composition and structure to the Dominican Republic, the largest U.S. market in the Caribbean/Central American region. In 2013 Cuba imported a total of \$14.7 billion of merchandise goods, of which \$8.4 billion was non-oil-related and exported \$5.3 billion of domestic goods.

Although U.S. trade with Cuba has been severely restricted since the 1960s, changes in the U.S. restrictions in 2001 allowed Cuba to buy limited amounts of agricultural products from the United States, including corn and DDGS. Brazil and the European Union, however, continue to account for the lion's share of Cuba's food and agricultural imports (Table 1).

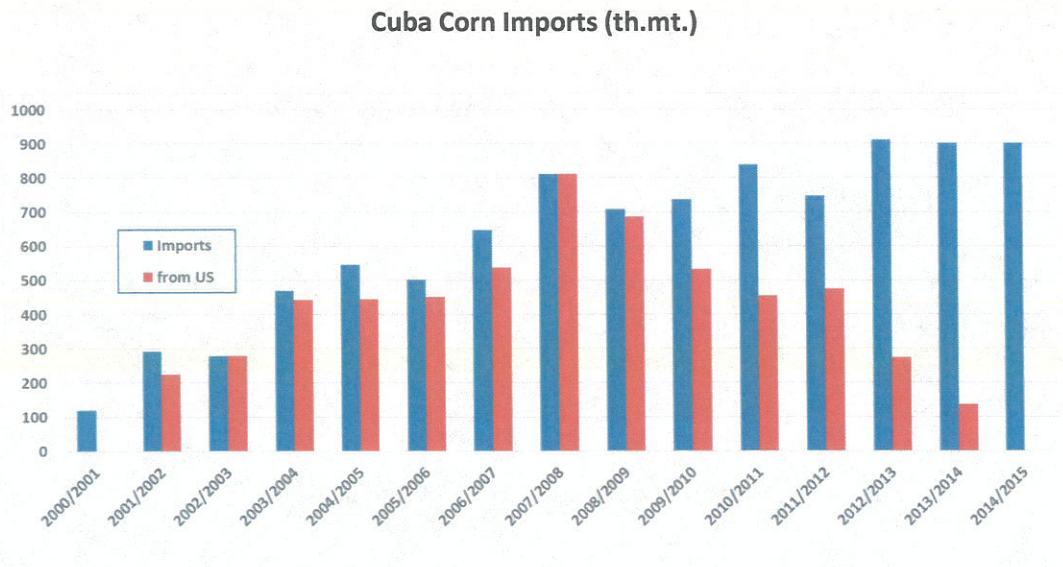
Cuban Food and Ag Imports (\$million)



Source: USDA/FAS Global Agricultural Trade System (GATS) and GTIS databases



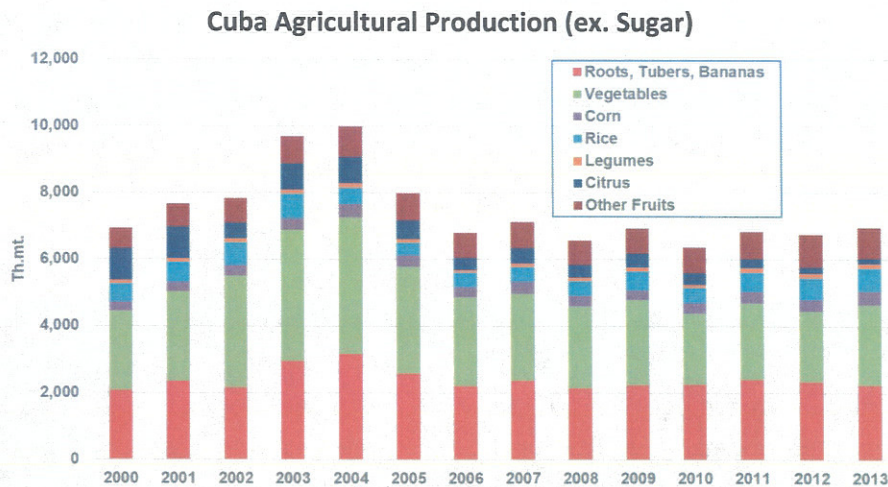
Cuba has purchased corn from the United States since the early 2000s with market share varying widely from as high as 100 percent to just 15 percent last marketing year. (Table 2). U.S. corn exports to Cuba have decreased from nearly 800,000 metric tons in 2008 to 200,000 tons in 2013. Today Cuba imports 900,000 metric tons of corn annually. Approximately 70% of all corn imports are utilized for animal feed. The remaining 30% is utilized for human consumption.



Source: USDA/FAS Global Agricultural Trade System (GATS) and GTIS databases

The country has purchased DDGS from the United States since 2005. Although, U.S. DDGS had a strong presence during the earlier part of this decade, very low amounts have been imported in the last five years.

Cuba's annual domestic corn production totals 70-80,000 metric tons and is expected to decrease under the current political environment (Table 3). Most of the corn harvested domestically is used for human consumption. Average yields are 1.4 – 1.6 metric tons per hectare (global averages are 5.6 metric tons per hectare). Sorghum production apparently is significantly higher than corn, although actual production figures are not available from the Cuban government. Anecdotal information suggests yields for this year's sorghum harvest were on average 4 metric tons per hectare, significantly higher than their corn yields. At this time Cuba doesn't import any sorghum, and all domestic production is utilized for animal feed.



Source: Anuario estadístico de Cuba 2013 (Statistical yearbook of Cuba 2013)

RESTRICTIONS/BARRIERS TO TRADE

The primary issues standing in the way of increasing U.S. market share of Cuba's feed ingredient imports are capital and financing restrictions. Cuba is able to legally import U.S. agricultural products, but the embargo gives Cuba limited opportunity to earn dollars from U.S. tourism or from exports to the United States. Generating income and purchasing power will be pivotal to Cuba's ability to import feed and food products.

The recent actions by the Administration brought incremental improvement to the restrictions on U.S. agricultural exports to Cuba. The re-interpretation of the "cash-in-advance" requirement for financing authorized sales to Cuba and the authorization of U.S. banks to establish correspondence accounts at Cuban banks should improve the speed, efficiency, and oversight of authorized payments between the U.S. and Cuba. Nonetheless, U.S. exporters continue to be prevented by statute from offering financial inducements, such as loans or deferred payments, for authorized agricultural exports. Many U.S. competitors in the Cuban market offer some type of credit terms for agricultural product purchases, which put U.S. exporters at a major disadvantage.



Another constraint is that all U.S. agricultural goods, including grains and co-products purchases are channeled through one buyer which is a government entity—Alimport. Tenders for purchases are generally issued twice yearly and generally tender only to companies that have an established relationship with the central buyer. Alimport not only negotiates contracts for purchase with U.S. firms, it arranges for payment, takes control of the imports at the Cuban port, and manages the distribution process within Cuba. In contrast, many of our competitors have additional options of trading with other Cuban agencies.

MARKET POTENTIAL

Normalizing trade relations between the United States and Cuba will enhance Cuban citizens' access to affordable food, while providing U.S. farmers and business community with new market opportunities. Cuba currently imports an average of 900,000 metric tons of corn per year. If Cuba purchased all of its imported corn from the United States, it would be the 12th largest overseas market for this product. The U.S. has an absolute price advantage because of our geography, and there is every reason to believe that that we would be a significant supplier of grain to Cuba.

More importantly, we see the potential to help establish viable and growing poultry and livestock industries. Egg production in Cuba is limited and has only one established commercial layer operation, which is controlled by the government. Cuba has no private sector or government-managed broiler production and currently imports virtually all of domestic consumption of poultry. The Cuban government is seeking private sector investment to establish a domestic poultry production project. Likewise, significant opportunities exist to improve the swine sector. These developments would directly improve the lives of Cuban citizens while enhancing the long term opportunities for the export of U.S. feed grains.

CONCLUSION

In conclusion, with the removal of the embargo and other government restrictions, the U.S. Grains Council will actively engage our capacity-building and trade servicing assets in Cuba. We believe that Cuba, with an improved ability to generate revenue and grow its economy, will become a growing natural market for U.S. food and agricultural exports in our own hemisphere. We also support transparent and facilitative policies related to export finance and promotion. In addition, the ability to interact directly with Cuban end users will have positive impacts on U.S. agricultural exports and the U.S. economy.

Again, we thank the Commission for the opportunity to provide our views. We would be happy to entertain any questions. Thank you.