

# **Exhibit 151**



Menu

Home > Cuba > Sancti Spiritus > Cabaiguan > Cimex Tienda La Revoltosa

< Return to the results

Edit Search



Western Union® agent location

### Cimex Tienda La Revoltosa

Camilo Cfuegos Esq De La Libertad

Cabaiguan, Sancti Spiritus

Agent | **Open** • Until 9:00 PM

Phone: **+53-41-2041399**

Directions

Share

Services

Hours

#### Start in store

- Pick Up Cash
- Quick Pay

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# **Exhibit 152**



Menu

Home > Cuba > Granma > Pilon > Cimex Servi Cupet Servi Mar



Edit Search

Western Union® agent location

### Cimex Servi Cupet Servi Mar

Ctera Marea Del Portillo

Pilon, Granma

Agent | **Open** • Until 9:00 PM

Phone: **+53-23-594475**

Directions

Share

Services

Hours

#### Start in store

- ✓ Pick Up Cash
- ✓ Quick Pay

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# **Exhibit 153**



Menu

Home > Cuba > Granma > Jiguani > Cimex Tienda La Victoria



Edit Search

Western Union® agent location

### Cimex Tienda La Victoria

Gral Rabi 63 Y Esq Luz C

Jiguani, Granma

Agent | **Open** • Until 9:00 PM

Phone: [+53-23-366492](tel:+53-23-366492)

Directions

Share

Services

Hours

#### Start in store

- Pick Up Cash
- Quick Pay

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# **Exhibit 154**



Menu

Home > Cuba > Holgun > Rafael Freire > Cimex Tienda El Progreso



Edit Search

Western Union® agent location

### Cimex Tienda El Progreso

10 Esq 13 No 55 Rafael Freyre

Rafael Freire, Holgun

Agent | **Open** • Until 9:00 PM

Phone: [+53-24-850560](tel:+53-24-850560)

[↪ Directions](#)

[Share](#)

#### Services

#### Hours

#### Start in store

- ✓ Pick Up Cash
- ✓ Quick Pay

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# **Exhibit 155**



Menu

Home > Cuba > Holgun > Baguanos > Cimex Servi Cupet Baguanos



Edit Search

Western Union® agent location

### Cimex Servi Cupet Baguanos

A Barrio Parra

Baguanos, Holgun

Agent | **Open** • Until 9:00 PM

Phone: **+53-24-377381**

Directions

Share

Services

Hours

#### Start in store

- Pick Up Cash
- Quick Pay

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# **Exhibit 156**



Menu

Home > Cuba > Santiago De Cuba > Contramaestre > Cimex Tienda La Ilusion



Edit Search

Western Union® agent location

### Cimex Tienda La Ilusion

Carr C 107 Edif Rdguez E Carr Maffo

Contramaestre, Santiago De Cuba

Agent | **Open** • Until 9:00 PM

Phone: **+53-22-686479**

Directions

Share

#### Services

#### Hours

#### Start in store

- Pick Up Cash
- Quick Pay

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# **Exhibit 157**



Menu

Home > Cuba > Sancti Spiritus > Fomento > Cimex Tienda El Almacen De Fomento



Edit Search

Western Union® agent location

### Cimex Tienda El Almacen De Fomento

Cespedes 125 Aguilera Y Jose Carmen

Fomento, Sancti Spiritus

Agent | **Open** • Until 9:00 PM

Phone: +53-41-461607

[↪ Directions](#)

[🔗 Share](#)

Services

Hours

#### Start in store

- ✓ Pick Up Cash
- ✓ Quick Pay

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# **Exhibit 158**



Menu

Home > Cuba > Santiago De Cuba > Tercer Frente > Cimex Servi Cupet El Mambi



Edit Search

Western Union® agent location

### Cimex Servi Cupet El Mambi

Ctera File Cruce De Los Banos  
Tercer Frente, Santiago De Cuba

Agent | Open • Until 9:00 PM

Phone: [+53-22-566205](tel:+53-22-566205)

Directions

Share

Services

Hours

#### Start in store

- Pick Up Cash
- Quick Pay

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# **Exhibit 159**



Menu

Home > Cuba > Santiago De Cuba > Guama > Cimex Tienda Guama



Edit Search

Western Union® agent location

### Cimex Tienda Guama

Principal S N Chivirico

Guama, Santiago De Cuba

Agent | **Open** • Until 9:00 PM

Phone: +53-22-326158

Directions

Share

Services

Hours

#### Start in store

- Pick Up Cash
- Quick Pay

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# **Exhibit 160**



Menu

Home > Cuba > Villa Clara > Ranchuelo > Cimex Servicentro Ranchuelo



Edit Search

Western Union® agent location

### Cimex Servicentro Ranchuelo

Coronel Acebo No27 Esq Leoncio Vidal

Ranchuelo, Villa Clara

Agent | **Open** • Until 9:00 PM

Phone: **+53-42-451614**

Directions

Share

Services

Hours

#### Start in store

- Pick Up Cash
- Quick Pay

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# **Exhibit 161**



Menu

Home > Cuba > Villa Clara > Camajuani > Cimex Tienda La Teresita



Edit Search

Western Union® agent location

### Cimex Tienda La Teresita

Juaquin Paneca 28

Camajuani, Villa Clara

Agent | **Open** • Until 9:00 PM

Phone: +53-42-481492

Directions

Share

Services

Hours

#### Start in store

- Pick Up Cash
- Quick Pay

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# **Exhibit 162**



Menu

Home > Cuba > Sancti Spiritus > Taguasco > Cimex Tienda Taguasco



Edit Search

Western Union® agent location

### Cimex Tienda Taguasco

Abel Stamaria Esquina Camilio Cfuegos

Taguasco, Sancti Spiritus

Agent | **Open** • Until 9:00 PM

Phone: +53-41-845309

Directions

Share

#### Services

#### Hours

#### Start in store

- Pick Up Cash
- Quick Pay

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# **Exhibit 163**



Menu

Home > Cuba > Sancti Spiritus > Trinidad > Cimex Servi Cupet Trinidad



Edit Search

Western Union® agent location

### Cimex Servi Cupet Trinidad

Ctera De Casilda

Trinidad, Sancti Spiritus

Agent | **Open** • Until 9:00 PM

Phone: **+53-41-96312**

Directions

Share

Services

Hours

#### Start in store

- Pick Up Cash
- Quick Pay

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# **Exhibit 164**



Menu

Home > Cuba > Santiago De Cuba > Mella > Cimex Tienda La Palma



Edit Search

Western Union® agent location

### Cimex Tienda La Palma

3ra S N E Central Y Estadium Mella

Mella, Santiago De Cuba

Agent | **Open** • Until 9:00 PM

Phone: **+53-22-457602**

Directions

Share

Services

Hours

#### Start in store

- Pick Up Cash
- Quick Pay

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# **Exhibit 165**



Menu

Home > Cuba > Santiago De Cuba > Palma Soriano > Cimex Tienda El Regalo



Edit Search

Western Union® agent location

### Cimex Tienda El Regalo

Marti Alta S N E Corombe Y 26 De Julio

Palma Soriano, Santiago De Cuba

Agent | Open • Until 9:00 PM

Phone: [+53-22-622833](tel:+53-22-622833)

[↪ Directions](#)

[Share](#)

Services

Hours

#### Start in store

- ✓ Pick Up Cash
- ✓ Quick Pay

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# **Exhibit 166**



Menu

Home > Cuba > Santiago De Cuba > San Luis > Cimex Tienda La Victoria



Edit Search

Western Union® agent location

### Cimex Tienda La Victoria

Maceo Esq Marti

San Luis, Santiago De Cuba

Agent | **Open** • Until 9:00 PM

Phone: +53-22-483665

Directions

Share

Services

Hours

#### Start in store

- Pick Up Cash
- Quick Pay

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# **Exhibit 167**



Menu

Home > Cuba > Granma > Yara > Cimex Tienda La Elegante



Edit Search

Western Union® agent location

### Cimex Tienda La Elegante

Ave Jose Marti

Yara, Granma

Agent | **Open** • Until 9:00 PM

Phone: **+53-23-588507**

Directions

Share

Services

Hours

#### Start in store

- Pick Up Cash
- Quick Pay

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# **Exhibit 168**



Menu

Home > Cuba > Santiago De Cuba > Songola Maya > Cimex Servicentro Songo



Edit Search

Western Union® agent location

### Cimex Servicentro Songo

Ricardo Rizo Alto Songo  
Songola Maya, Santiago De Cuba  
Agent | **Open** • Until 9:00 PM  
Phone: **+53-022-387410**

Directions

Share

Services

Hours

#### Start in store

- Pick Up Cash
- Quick Pay

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# **Exhibit 169**



Menu

Home > Cuba > Santiago De Cuba > Cimex Muebleria Enramada



Edit Search

Western Union® agent location

### Cimex Muebleria Enramada

Enramada No 52 Esq Peralejo  
Santiago De Cuba, Santiago De Cuba  
Agent | **Open** • Until 9:00 PM  
Phone: **+53-22-451354**

[↪ Directions](#)

[Share](#)

#### Services

#### Hours

#### Start in store

- ✓ Pick Up Cash
- ✓ Quick Pay

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# **Exhibit 170**



Menu

Home > Cuba > Santiago De Cuba > Cimex Tienda La Violeta



Edit Search

Western Union® agent location

### Cimex Tienda La Violeta

Sto Tomas E S Geronimo Y Enramada  
Santiago De Cuba, Santiago De Cuba  
Agent | **Open** • Until 9:00 PM  
Phone: [+53-22-686076](tel:+5322686076)

[↪ Directions](#)

[Share](#)

#### Services

#### Hours

#### Start in store

- ✓ Pick Up Cash
- ✓ Quick Pay

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# **Exhibit 171**



Menu

Home > Cuba > Santiago De Cuba > Cimex Photoservice La Catedral



Edit Search

Western Union® agent location

### Cimex Photoservice La Catedral

San Pedro E San Basilio Y Heredia  
Santiago De Cuba, Santiago De Cuba

Agent | **Open** • Until 9:00 PM

Phone: [+53-22-623590](tel:+53-22-623590)

Directions

Share

Services

Hours

#### Start in store

- Pick Up Cash
- Quick Pay

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# **Exhibit 172**



Menu

Home > Cuba > Santiago De Cuba > Cimex Tienda 4ta. Y Garzon



Edit Search

Western Union® agent location

### Cimex Tienda 4ta. Y Garzon

Garzon S N Esq Cuarta  
Santiago De Cuba, Santiago De Cuba  
Agent | **Open** • Until 9:00 PM  
Phone: **+53-22-686344**

Directions

Share

#### Services

#### Hours

#### Start in store

- ✓ Pick Up Cash
- ✓ Quick Pay

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# **Exhibit 173**



Menu

Home > Cuba > Santiago De Cuba > Songola Maya > Cimex Tienda La Nacional



Edit Search

Western Union® agent location

### Cimex Tienda La Nacional

Perez Carbo No 4

Songola Maya, Santiago De Cuba

Agent | **Open** • Until 9:00 PM

Phone: **+53-22-380032**

Directions

Share

#### Services

#### Hours

#### Start in store

- Pick Up Cash
- Quick Pay

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# **Exhibit 174**



Menu

Home > Cuba > Santiago De Cuba > Cimex Tienda Fantasia



Edit Search

Western Union® agent location

### Cimex Tienda Fantasia

Ave Cespedes E D Y E  
Santiago De Cuba, Santiago De Cuba  
Agent | **Open** • Until 9:00 PM  
Phone: **+53-22-626840**

[↪ Directions](#)

[Share](#)

#### Services

#### Hours

#### Start in store

- ✓ Pick Up Cash
- ✓ Quick Pay

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# **Exhibit 175**



Menu

Home > Cuba > Santiago De Cuba > Cimex Punto De Venta Boniato



Edit Search

Western Union® agent location

### Cimex Punto De Venta Boniato

Antonio Robert S N Esquina Cuarta  
Santiago De Cuba, Santiago De Cuba  
Agent | **Open** • Until 9:00 PM  
Phone: **+53-7-2060775**

[↪ Directions](#)

[Share](#)

Services

Hours

#### Start in store

- ✓ Pick Up Cash
- ✓ Quick Pay

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# **Exhibit 176**



Menu

Home > Cuba > Santiago De Cuba > Cimex Tienda Otono



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Western Union® agent location

### Cimex Tienda Otono

Micro 1 Reparto Santa Maria  
Santiago De Cuba, Santiago De Cuba  
Agent | **Open** • Until 9:00 PM  
Phone: +537-22-674084

[↪ Directions](#)

[Share](#)

#### Services

#### Hours

#### Start in store

- ✓ Pick Up Cash
- ✓ Quick Pay

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# **Exhibit 177**



Menu

Home > Cuba > Pinar Del Ro > Mantua > Cimex Servi Cupet El Pinar



Edit Search

Western Union® agent location

### Cimex Servi Cupet El Pinar

Jose Marti No 1

Mantua, Pinar Del Ro

Agent | **Open** • Until 9:00 PM

Phone: **+53-48-495160**

Directions

Share

Services

Hours

#### Start in store

- Pick Up Cash
- Quick Pay

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# **Exhibit 178**



Menu

Home > Cuba > Santiago De Cuba > Cimex Tienda La Sorpresa



Edit Search

Western Union® agent location

### Cimex Tienda La Sorpresa

Bloque J S N Distrito Jose Marti  
Santiago De Cuba, Santiago De Cuba  
Agent | **Open** • Until 9:00 PM  
Phone: [+53-22-686424](tel:+5322686424)

[↪ Directions](#)

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Services

Hours

#### Start in store

- ✓ Pick Up Cash
- ✓ Quick Pay

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# **Exhibit 179**



Menu

Home > Cuba > Villa Clara > Sagua La Grande > Cimex Tienda La Sirena



Edit Search

Western Union® agent location

### Cimex Tienda La Sirena

Maceo 93 Esq Carmen Ribalta  
Sagua La Grande, Villa Clara  
Agent | **Open** • Until 9:00 PM  
Phone: [+53-42-664980](tel:+5342664980)

[↪ Directions](#)

[Share](#)

#### Services

#### Hours

#### Start in store

- ✓ Pick Up Cash
- ✓ Quick Pay

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# **Exhibit 180**



Menu

Home > Cuba > Cienfuegos > Cumanayagua > Cimex Servi Cumanayagua



Edit Search

Western Union® agent location

### Cimex Servi Cumanayagua

Cumanayagua Cfuegos

Cumanayagua, Cienfuegos

Agent | **Open** • Until 9:00 PM

Phone: **+53-43-437717**

Directions

Share

Services

Hours

#### Start in store

- Pick Up Cash
- Quick Pay

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# **Exhibit 181**



Menu

Home > Cuba > Cienfuegos > Cimex Servi Pueblo Griffo



Edit Search

Western Union® agent location

### Cimex Servi Pueblo Griffo

63 Reparto Pueblo Griffo Cfuegos

Cienfuegos, Cienfuegos

Agent | Open • Until 9:00 PM

Phone: +53-43-527302

Directions

Share

#### Services

#### Hours

#### Start in store

- ✓ Pick Up Cash
- ✓ Quick Pay

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# **Exhibit 182**



Menu

Home > Cuba > Cienfuegos > Cimex Tda Francia Moderna



Edit Search

Western Union® agent location

### Cimex Tda Francia Moderna

Ave 52 E 33 Y 35 Cfuegos

Cienfuegos, Cienfuegos

Agent | **Open** • Until 9:00 PM

Phone: +53-43-551395

Directions

Share

Services

Hours

#### Start in store

- Pick Up Cash
- Quick Pay

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# **Exhibit 183**



Menu

Home > Cuba > Cienfuegos > Cimex Tienda Imago



Edit Search

Western Union® agent location

### Cimex Tienda Imago

Ave 5 De Septiembre Y 51

Cienfuegos, Cienfuegos

Agent | **Open** • Until 9:00 PM

Phone: +53-43-43524815

→ Directions

Share

Services

Hours

#### Start in store

- ✓ Pick Up Cash
- ✓ Quick Pay

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# **Exhibit 184**



Menu

Home > Cuba > Cienfuegos > Cimex Servi Cupet Punta Gorda



Edit Search

Western Union® agent location

### Cimex Servi Cupet Punta Gorda

37 Esq 16 Rpto Punta Gorda

Cienfuegos, Cienfuegos

Agent | **Open** • Until 9:00 PM

Phone: **+7-43-555521**

Directions

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#### Services

#### Hours

#### Start in store

- Pick Up Cash
- Quick Pay

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# **Exhibit 185**



Menu

Home > Cuba > Cienfuegos > Cimex Tienda Casa Mimbre



Edit Search

Western Union® agent location

### Cimex Tienda Casa Mimbre

Ave 60 Esq 35

Cienfuegos, Cienfuegos

Agent | Open • Until 9:00 PM

Phone: [+53-43-551135](tel:+53-43-551135)

Directions

Share

Services

Hours

#### Start in store

- Pick Up Cash
- Quick Pay

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# **Exhibit 186**



Menu

Home > Cuba > Camagey > Sibanicu > Cimex Tienda Casa Nueva



Edit Search

Western Union® agent location

### Cimex Tienda Casa Nueva

Carr C 138 E Castaneda Y C Cfuegos

Sibanicu, Camagey

Agent | **Open** • Until 9:00 PM

Phone: +53-32-380541

→ Directions

Share

Services

Hours

#### Start in store

- ✓ Pick Up Cash
- ✓ Quick Pay

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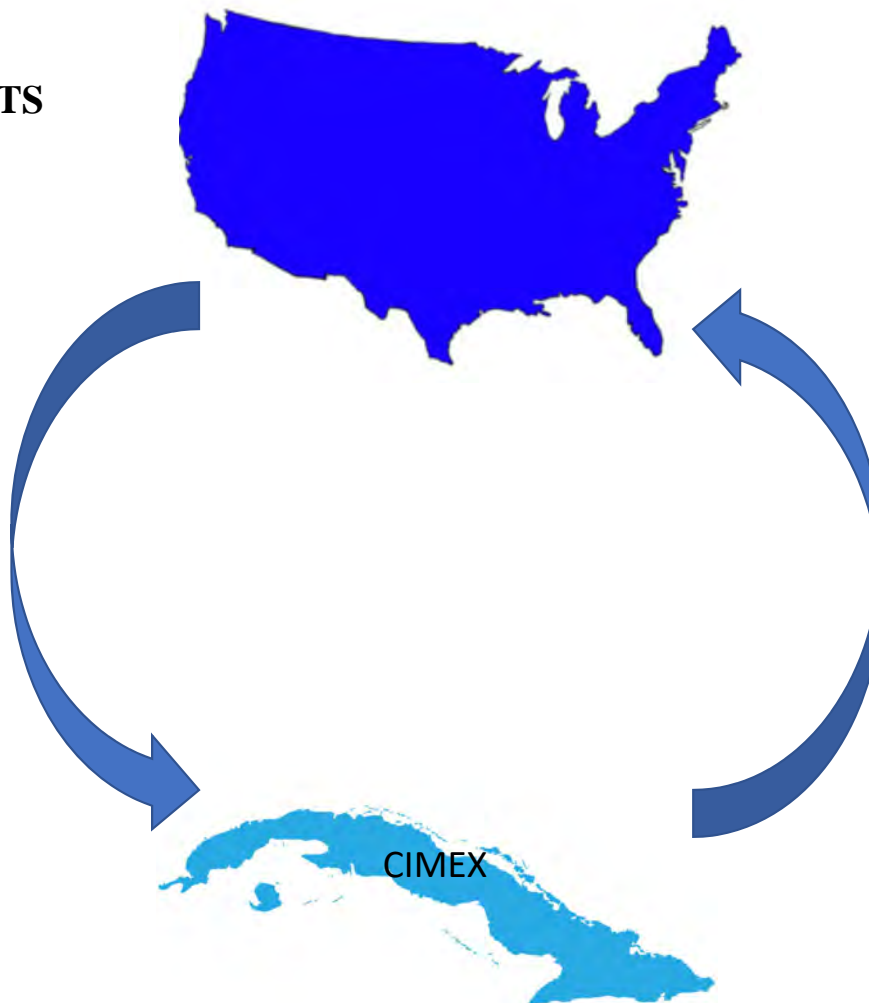
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# **Exhibit 187**

## FAMILY REMITTANCES VOLUME TO SUPPORT IMPORTS OF U.S. PRODUCTS



| Year                           | Total Remittances to Cuba  |
|--------------------------------|----------------------------|
| 2001                           | \$1,010,870,000.00         |
| 2002                           | \$1,072,150,000.00         |
| 2003                           | \$1,100,460,000.00         |
| 2004                           | \$1,030,840,000.00         |
| 2005                           | \$1,144,120,000.00         |
| 2006                           | \$1,251,150,000.00         |
| 2007                           | \$1,362,710,000.00         |
| 2008                           | \$1,447,060,000.00         |
| 2009                           | \$1,653,150,000.00         |
| 2010                           | \$1,920,440,000.00         |
| 2011                           | \$2,294,540,000.00         |
| 2012                           | \$2,605,120,000.00         |
| 2013                           | \$2,833,740,000.00         |
| 2014                           | \$3,128,930,000.00         |
| 2015                           | \$3,354,120,000.00         |
| 2016                           | \$3,444,680,000.00         |
| 2017                           | \$3,575,300,000.00         |
| 2018                           | \$3,691,680,000.00         |
| 2019                           | \$3,716,710,000.00         |
| TOTAL                          | \$41,637,770,000.00        |
| <b>APPROX. TOTAL FROM U.S.</b> | <b>\$37,473,993,000.00</b> |

| Year  | TSREEA-Authorized U.S. Exports to Cuba |
|-------|--|
| 2001  | \$4,318,006.00                         |
| 2002  | \$138,634,784.00                       |
| 2003  | \$256,901,471.00                       |
| 2004  | \$391,990,382.00                       |
| 2005  | \$350,218,040.00                       |
| 2006  | \$340,433,442.00                       |
| 2007  | \$437,564,824.00                       |
| 2008  | \$710,086,323.00                       |
| 2009  | \$528,482,955.00                       |
| 2010  | \$366,467,782.00                       |
| 2011  | \$358,457,389.00                       |
| 2012  | \$457,318,357.00                       |
| 2013  | \$348,747,293.00                       |
| 2014  | \$291,258,881.00                       |
| 2015  | \$170,551,329.00                       |
| 2016  | \$232,064,645.00                       |
| 2017  | \$268,800,005.00                       |
| 2018  | \$224,900,000.00                       |
| 2019  | \$257,600,000.00                       |
| TOTAL | <b>\$6,134,795,908.00</b>              |

**Note:** ~90% of total remittances to Cuba from U.S.

**Source:** U.S.-Cuba Trade and Economic Council, Inc. and Havana Consulting Group

# **Exhibit 188**

# **FINCIMEX S.A. REMITTANCES TO CUBA: Challenges and Opportunities**



*Author: Yamil Hernandez Glez.  
Dir. Negocios Financiera Cimex S.A  
IMTC Havana June 2016*

**Registered address:** Calle 8 No. 319 Entre 3ra y 5ta Ave. Miramar, Playa, La Habana. Represented in all provinces of the country.



**100% Cuban Mercantile Company that has among its lines of business:**

- 1. Managing and processing family remittances from abroad to Cuba,**
- 2. The issuance of national financial cards**
- 3. The processing of financial cards.**





# ...HISTORY

## 1995



Financiera Cimex S.A. is officially established Signs contract with the Panamanian entity, subsidiary of CIMEX S.A: **American International Service** to manage and execute remittances sent from abroad, into the country.

## 1998



Financial Card: **Transcard**. Product designed in conjunction with the Canadian company of the same name, which ensured a much more effective and attractive channel to meet demand from Canada

## 1999



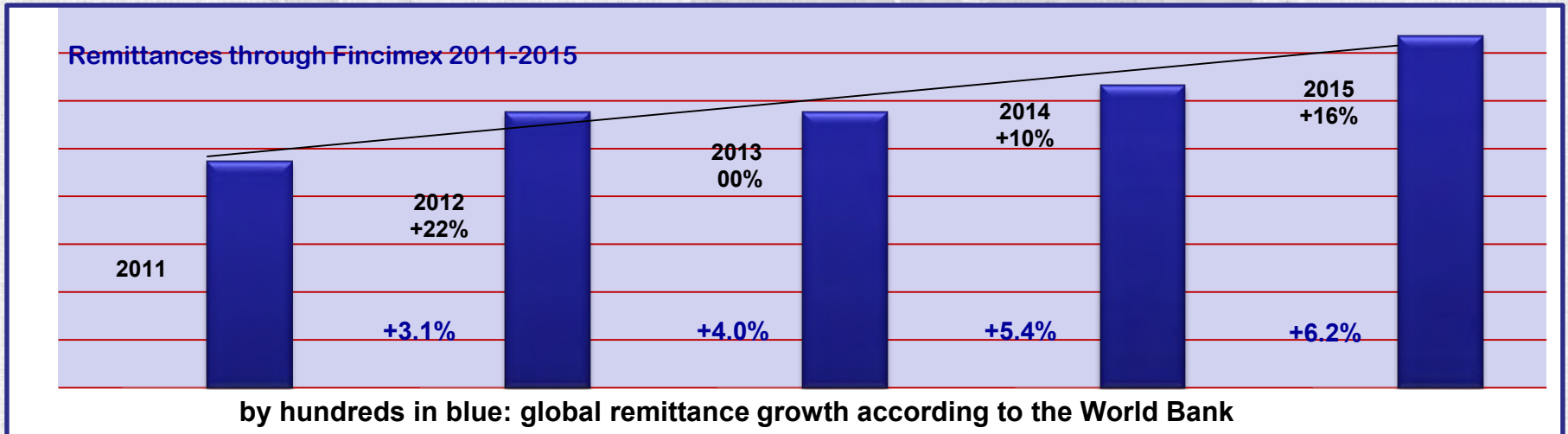
Two momentous moments in Fincimex's history involving remittances: Creating the **AIS** card and the first payment operation managed by **Western Union** in the country.



# 2016

- More than **20** years of experience in the market.
- With the ability to process remittances from more than **100** different countries.
- In the last 8 years it has processed more than **10,000,000** payment orders.

**Remittances to Cuba: Growth of 48% in the last 4 years.**





# Compliance

The company serves as a **Non-Banking Financial** entity subject to the provisions of the **Central Bank of Cuba** as set out in Decree Law 173.

It implements and guarantees the rules for the prevention of money laundering and against the financing of terrorism and the proliferation of weapons provided for in DL 317, and has an internal control system that is supervised and audited by the **Comptroller General of the Republic**, the **Parent Company** and the **BCC itself**.





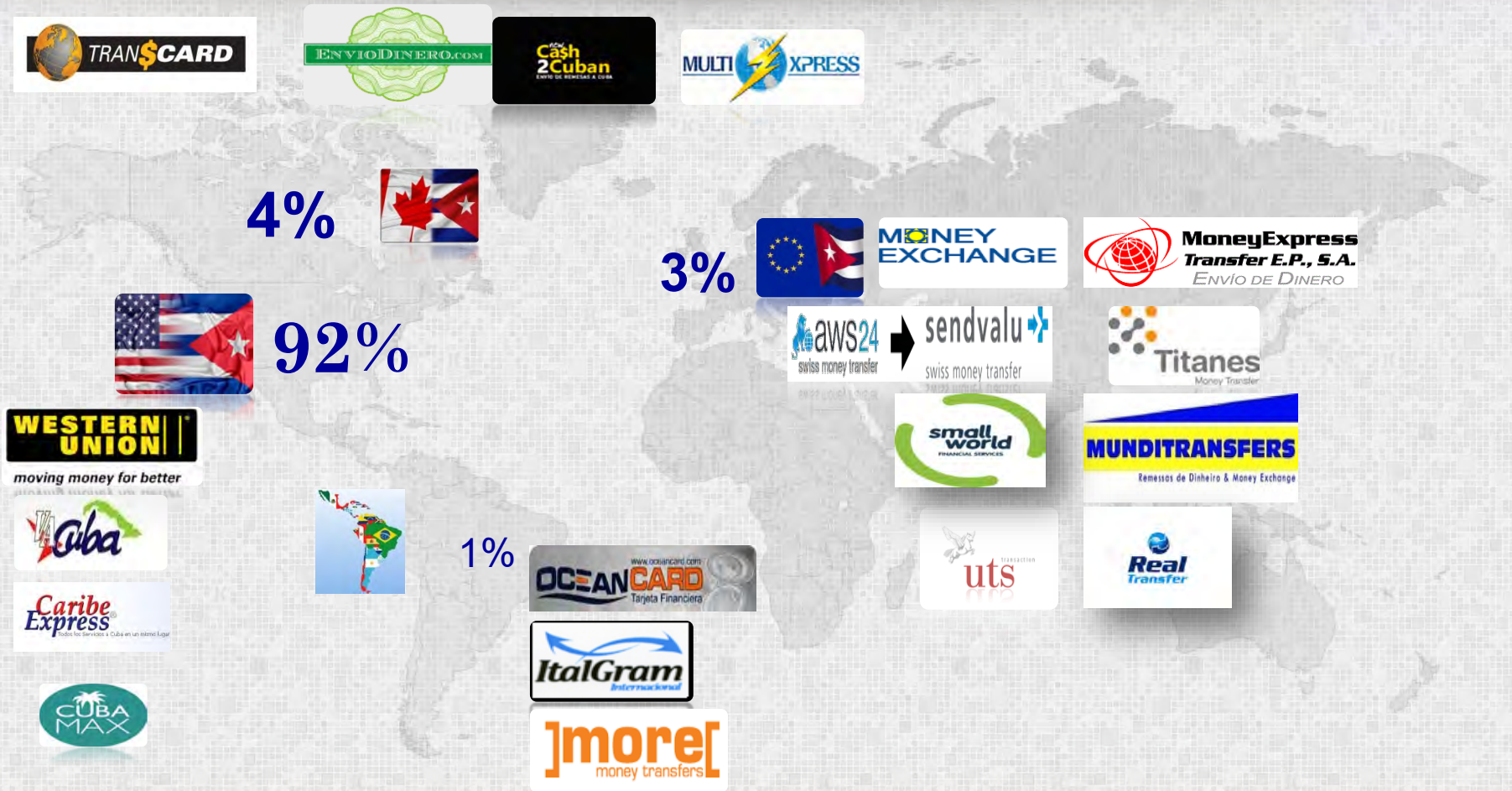
**FINCIMEX NETWORK**



**Payments Network**



# MARKETS



# What does it take to be part of the FINCIMEX AGENTS NETWORK?

- Complying with the principle of identification.
- Financial and operational capacity.
- Legal Capacity.
- Capacity of representation of the signing person,
- Evidence of application of compliance and prevention policies...
- Declarations

As Cuba is not a Signatory to the **Hague Apostille Convention**, some documents may have to be notarized before a Cuban notary and others must be legalized before the Cuban consulate in the country where the document is issued.



© Can Stock Photo - csp15752528



**FINCIMEX S.A.**  
**REMITTANCES to CUBA**

# Challenges



# Economic Trade and Financial Blockade



To develop its products in the midst of financial persecutions by the OFAC, and consequently the refusal of banks to operate with Cuban companies.

The inability to use US dollars in transfers to Cuba, which also makes the activity very difficult.



# Competing with the Informal Remittances Market to Cuba

**A common challenge with a large part of the Remittances INDUSTRY.**

**Despite a lack of consumer protection it is an active market, given the methods used that allow payment in competitive times due to the lack of operating costs, little documentation... etc**

**It conditions Fincimex's participation in the market, forcing it to constantly improve and search for variants and solutions**



# Efficient application of Information and Communication Technologies.



To assimilate the breadth of technological change and the possibilities they offer in order to value, know how to leverage, innovate and improve existing services in these new scenarios created by ICTs.

It is up to Fincimex to ensure the potentialization and development of the payment infrastructure.



Ow!



Windows is furious

REFRAIN

from speaking disparagingly about IT people at remittances events.

Ow

It hurts



**FINCIMEX S.A.**  
**REMITTANCES to CUBA**  
**OPPORTUNITIES**



Empowering other markets where there are Important communities of Cubans: Spain, Canada, Venezuela, Angola, Italy, Mexico, France, Germany, Colombia, Dominican Republic, Sweden, Argentina, Brazil, Sweden, Netherlands, United Kingdom, Norway, among others



# OPPORTUNITIES

- Fincimex License: Remittances/Cards/Processing.
- The implementation in Cuba of a Master Program for the Computerization of the Cuban Society
- The potentialization of the remittance channel through Fincimex could contribute to the decrease in prices in the corridors to Cuba. Today above the Industry average.
- Enhancing Fincimex's link with the different actors in the Remittance Industry would allow the application of best practices.



# CONCLUSIONS

The technical, legal, and commercial conditions exist for increasing remittances to Cuba through the Fincimex S.A. channel.

While the behavior of the industry is linked to the economic conditions in the areas where remittances originate, in the case Cuba, there are also other variables that have a direct impact on the results: the application of coercive measures linked to the current Economic and Financial Blockade of the island, which has a direct impact on the consumer.

Fincimex S.A has the human capital and resources necessary to meet the demand, guaranteeing security, confidentiality and diversification of products.

In the current scenario: Restoring Cuba-USA relations, the foundations are laid for the increase of remittances to Cuba through formal channels.

IF THE PLAN doesn't  
work CHANGE THE  
PLAN but don't change  
THE GOAL



*....THANK YOU SO MUCH FOR YOUR  
ATTENTION!*

# **FINCIMEX S.A. REMITTANCES TO CUBA THE END**

## **IMTC Havana 2016**



# **Exhibit 189**



DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

**OFFICE OF FOREIGN ASSETS CONTROL**

---

**LIST OF AUTHORIZED  
PROVIDERS OF AIR, TRAVEL  
AND REMITTANCE  
FORWARDING SERVICES TO  
CUBA**

Publication Date of this revision:

**November 22, 2010**

This list identifies all currently authorized Carrier Service Providers, Travel Service Providers, and Remittance Forwarders. For your convenience, a summary of changes since the last date of publication is included at the end of this document.

**Legend:**

CSP: Carrier Service Provider  
TSP: Travel Service Provider  
RF: Remittance Forwarder

If you have questions, feel free to contact us at:

OFAC MIAMI OFFICE:  
P.O. Box 229008  
Miami, FL 33222-9008  
(786) 845-2828

Cuba Embargo Hotline  
(786) 845-2829

**LISTA DE PROVEEDORES  
AUTORIZADOS DE SERVICIOS  
DE TRANSPORTE, VIAJE, Y  
ENVIOS DE REMESAS  
A CUBA**

Fecha de publicación de esta revisión:

**Noviembre 22, 2010**

Esta lista identifica a todos los proveedores de servicio de transporte, viaje y remesa quienes están actualmente autorizados. Para su conveniencia, un resumen de los cambios hechos desde la última fecha de publicación esta incluido al final de este documento.

**Clave:**

CSP: Proveedor de Servicio de Transporte  
TSP: Proveedor de Servicio de Viaje  
RF: Proveedor de Servicio de Remesas

Si tiene usted preguntas sírvase llamarnos a:

OFICINA DE OFAC EN MIAMI:  
P.O. Box 229008  
Miami, FL 33222-9008  
(786) 845-2828

Línea Confidencial Violaciones al  
Embargo de Cuba  
(786) 845-2829



|  |              |  |                       |
|--|--------------|--|-----------------------|
| <b>Viajes Carely, Inc.</b><br>Ms. Carmen Camacho<br>Calle 54 SE # 1101<br>Reparto Metropolitano<br>San Juan, PR 00921                                | <b>(182)</b> | <b>TSP, RF</b>                                 | <b>(787) 758-4800</b> |
| <b>Viajes Varadero, Inc.</b><br>Mr. Raul Alzaga<br>Avenida Americo Miranda # 1131<br>Caparra Terrace<br>Rio Piedras, PR 00921                        | <b>(183)</b> | <b>TSP</b>                                     | <b>(787) 781-6683</b> |
| <b>Wajiro Travel</b><br><i>Incorporated as</i> Golden Travel & Leisure, LLC<br>Mr. Reynol Cobreiro<br>10630 Downey Avenue, # 207<br>Downey, CA 90241 | <b>(217)</b> | <b>TSP</b>                                     | <b>(562) 381-2739</b> |
| <b>Western Union<br/>Financial Services, Inc.</b><br>Vice President, Compliance<br>12500 E Belford Avenue<br>Englewood, CO 80112                     | <b>(184)</b> | <b>RF</b>                                      | <b>(800) 325-6000</b> |
| <b>Wilson International Services, Inc.</b><br>Mr. Daniel Blanco<br>4919 SW 75 Avenue<br>Miami, FL 33155  | <b>(185)</b> | <b>CSP, TSP, RF</b>                            | <b>(305) 662-6842</b> |
|  |              | 4312 Bergenline Avenue<br>Union City, NJ 07087 |                       |
| <b>World Passage Ltd.</b><br>Mr. Pierre J. Wessel<br>7816 Conwell Road<br>Laverock, PA 19038   | <b>(186)</b> | <b>TSP</b>                                     | <b>(215) 836-1187</b> |
| <b>World Travel Service</b><br>Ms. Maria A. Diaz<br>78-27 37 Avenue, # 3<br>Jackson Heights, NY 11372  | <b>(187)</b> | <b>TSP</b>                                     | <b>(718) 899-4091</b> |
| <b>Xael Charters, Inc.</b><br><i>See</i> Xael Travel Services  | <b>(188)</b> |  |                       |
| <b>Xael Travel Services</b><br><i>Incorporated as</i> Xael Charters, Inc.<br>Ms. Xiomara Almaguer-Levy<br>100 Beacom Blvd.<br>Miami, FL 33135        | <b>(188)</b> | <b>CSP, TSP</b>                                | <b>(305) 643-2200</b> |

# **Exhibit 190**

Support Havana Times



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# Cuba's Largest Company: The Revolutionary Armed Forces

June 16, 2017

**HAVANA TIMES** – In Cuba, renting a car, sleeping in a hotel, diving or buying in a store has one thing in common: the companies that provide these services belong to the Grupo Empresarial Empresarial S.A. (GAESA) led by the Revolutionary Armed Forces, reported dpa news.

Luis Alberto Rodríguez López-Callejas heads the Army's GAESA holding company.

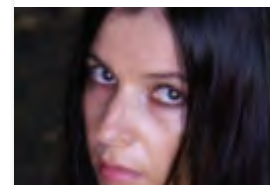
GAESA is the largest Cuban holding company and includes a conglomerate of more than 50 companies, all directed under the laws of the market and chaired by brigadier General Luis Alberto Rodríguez López-Callejas, ex-son in law of President Raul Castro.

The most well-known company under GAESA is the Gaviota hotel chain, which has more than 29,000 rooms throughout the country, many of them in shared management with foreign companies such as Melia, Iberostar and even Starwood of the US Marriott chain.

The crown jewel of GAESA is the tourism sector, with a market share of 40 percent, but this conglomerate is much broader than many



Popular



Something Terrifying in

Cuba: Publicly Admitting You're Censored



US Tightens the Noose Around

d Cuba



The Youngest Victims of

the Nicaragua Nightmare



The Venezuela Crisis and

### Support Havana Times

GAESA owns a shipping company, has its own airline, construction companies, car sales, real estate companies, banks and the company Almacenes Universales SA, which controls the container traffic at the Port of Mariel with its Special Development Zone, the big hope of the Cuban Government to attract foreign investments to the island thanks to the tax benefits.

The most well-known company under GAESA is the Gaviota hotel chain, which has more than 29,000 rooms throughout the country.

At the outset, the Ministry of the Interior and the Revolutionary Armed Forces had their own separate companies separated from each other to self-finance their daily activities. By giving each institution a part of the economic pie ensured a peace between them.

The balance existed until 2010, when CIMEX, the island's largest commercial conglomerate founded by the Ministry of the Interior, was absorbed by the military (GAESA), increasing their chain stores, but above all in financial services and import-export capacity.

The GAESA Empire increased last year with the acquisition of

The sending of several billions of dollars per year of remittances to Cuba is monopolized by Financiera Cimex (Fincimex) also under GAESA.

Habaguanex, the company that manages the tourist businesses in the historic center of Old Havana, formerly in the hands of the powerful Havana City historian Eusebio Leal.

The other takeover was that of Banco Financiero Internacional (BFI), the country's main entity for currency management.

Both acquisitions made GAESA continue to capture highly profitable economic sectors because of its relationship with the foreign



Mass Rallies in Venezuela

as Opposing Sides Up the Pressure



Havana's Public Restrooms,

a Story in Itself

### Archives

Select Month ▾



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The sending of remittances to Cuba is monopolized by its Financiera Cimex (Fincimex), which has agreements with companies such as Western Union. Fincimex also controls the processing of Visa and Mastercard international cards on the island.

These international financial alliances are also linked to the tourism sector, because it is via Fincimex that companies that send remittances pay in Cuba to the owners of houses and apartments that use the services of the US company Airbnb, specialized in renting rooms.



← White House Confirms Trump’s Speech on Cuba in Miami on Friday

Nicaraguan Farmers Protest Canal Threat →

## 18 thoughts on “Cuba’s Largest Company: The Revolutionary Armed Forces”

- Moses Patterson
- June 16, 2017 at 10:16 am
- Permalink

GAESA manages an estimated 5 billion dollar business which includes those businesses described in the post. More importantly, GAESA profits fund the Cuban Armed Forces. Corporate leadership of the various businesses, certainly the most profitable is manned by high-ranking military officers. This is how the Castros are able to obscure actual military spending.

Reply

# **Exhibit 191**

## Credit Mutuel closed Fincimex accounts

### Dollar remittances to Cuba are in limbo after French bank drops Cuban accounts

<https://www.miamiherald.com/news/nation-world/world/americas/cuba/article244596682.html>

By Nora Gámez Torres and Mario J. Pentón

JULY 30, 2020 11:38 AM , UPDATED JULY 30, 2020 05:10 PM

The Cuban government's plan to cash in on the reopening of dollar stores seems to have overlooked one detail: the Trump administration's express goal to prevent money sent by Cuban exiles from going to companies controlled by the military.

Three sources in the remittance business told el Nuevo Herald that due to pressure from the administration and fear of U.S. sanctions, the French bank Crédit Mutuel halted services to Fincimex, a Cuban company that controls remittances and is linked to the military.

As a result, money transfers in dollars from the United States, which had recently started through the agencies Cubamax and VaCuba, are suspended. And the Cuban government has not found another bank that is willing to carry out these operations, the sources said.

Western Union [continues to send remittances to Cuba](#). Still, the recipient does not receive the money in dollars, but in the local convertible currency, the CUC.

The Crédit Mutuel Bank closed the doors to Cuban companies Havanatur, Cubapack and American International Service, used by Fincimex, said one of the sources who asked not to be identified to discuss the issue. "There have been efforts to ask other banks to take over this business, but nobody wants to for fear of sanctions. The sad thing is that people in Cuba need dollars, and family members are deprived of the opportunity to help them," the source said.

Crédit Mutuel Bank did not immediately reply to a request for comment. After the online publication of this story, a bank spokesperson, Aziz Ridouan, sent the following statement:

"In 2018, when adopting its strategic plan, Crédit Mutuel Alliance Fédérale announced its decision to focus on its banking and insurance activities in the euro zone," the statement says. "This has led to a gradual withdrawal from certain activities abroad, including those in Cuba. The American authorities did not intervene in this decision."

The Treasury Department declined to comment. Citing increasing repression on the island, a senior administration official told the Herald that the goal of current U.S. policy towards Cuba was to make it more difficult for the government to conduct its international financial operations.

“We are working on further regulations that would further close any loopholes ... that the regime has had and used to manipulate the Cuban people and skim off every dollar that people attempt to send to their families,” the official said. “We are closing every door, every loophole.”

The loss of the French bank services also hurts other Cuban government businesses, such as shipping services from the U.S. through Cubapack, and travel. One of the sources said charter flight agencies fear they would not be able to pay Havanatur due to the lack of a proper channel.

Cuba does not have direct banking relations with the United States due to the embargo. Cuban President Miguel Díaz-Canel recently complained in a speech about the “aggressiveness” of the Trump administration and the “increase in financial persecution and the freezing of Cuban bank accounts and assets in third countries.”

At the center of the most recent crisis is Fincimex, a subsidiary of Cimex, Cuba’s largest commercial corporation which is part of the conglomerate of Gaesa military companies.

“Currently between 45 and 50 percent of remittances to Cuba go through informal channels. The rest of the market is distributed among some 20 agents who have signed contracts with Fincimex,” said Emilio Morales, president of the Havana Consulting Group, a Miami-based consulting firm.

To receive the money, Fincimex uses American International Service, a company registered in Panama. The company issues cards that can be used in the new dollar stores. The State Department sanctioned Fincimex, Cimex, and Gaesa, but AIS has been spared.

Although Fincimex was added last month to the list of restricted Cuban entities, the company continued to operate normally, and remittances to Cuba were not affected due to protective exceptions in the embargo. But the sanction sent a message to the Cuban government that it should transfer the business to civilian entities, several experts told the Herald.

“Changes in control would seem to satisfy the goals of the Trump administration — to unwind the role of the military within the commercial and economic infrastructure of the Republic of Cuba while permitting the maintenance of important commercial relationships,” said John Kavulich, president of the U.S.-Cuba Trade and Economic Council.

However, the government kept Fincimex at the center of its plan to attract foreign currency. In mid-July Díaz-Canel announced [an economic strategy that rested largely on the dollars sent by exiles](#).

Cubans abroad could deposit dollars in Cuba’s bank accounts, a substantial change after decades of exclusion. With dollars deposited in bank accounts and AIS cards, they could help their families buy food or even run small businesses.

But the plan’s vulnerability only took a few days to surface.



Delfina Casas applied for an AIS card at the Cubamax's Homestead branch last week. She said she wanted her family to receive dollars, not CUCs.

"With the new stores, the possibility that my family can go shopping at a place where there is food is the most important thing," she said.

She received an email confirming that the card was being processed and should be delivered in a period of seven to 21 days. "In Cuba, people queue up to 12 hours to get the cards in foreign currency. I thought it was an excellent opportunity to save my mother the trip and help her from here," she said.

Casas was surprised when she checked on the Cubamax website and saw that the option to get new cards had been canceled.

"I called, and a girl told me that I could not send remittances in foreign currency at the moment, that the service was suspended and that they did not know when it could be back."

# **Exhibit 192**

**The Washington Post**

*Democracy Dies in Darkness*

# Cuba opens foreign currency-only shops, ends tax on dollar

By **Andrea Rodríguez** | AP

July 20, 2020 at 7:04 p.m. EDT



HAVANA — Cuba opened shops Monday that accept only foreign currencies and eliminated a special tax on the U.S. dollar, deepening a process of collecting stronger currencies to face the country's economic crisis.

By morning, long queues had formed in a half-dozen such shops in Havana dedicated to the sale of food and toiletries. Under the new system, people buy merchandise using national or foreign cards backed by hard currencies, especially dollars, including Visa or Mastercards. Cash is not accepted.

The shelves of a large foreign-currency warehouse store visited by Associated Press journalists contained products currently missing from peso-sale stores, including detergent, minced chicken, beef and canned goods.

“It looks to me like at this critical time, when the country is going without food, there is everything” in the market, said Lenon Fernández, a 32-year-old entrepreneur who went shopping at a supermarket known as 70.

The shortages have worsened since the middle of last year when the Trump administration tightened sanctions to pressure for a change in the island's political model.

Now, on top of sanctions, a cut in remittances from abroad and internal inefficiencies, Cuba is losing tourist revenues because of the coronavirus pandemic and its GDP growth is close to 0%. The result has been long lines and exasperation due to the lack of food.

The new stores in the capital and other Cuban cities add to a dollarization process of retail trade that began in late 2019, when shops were opened under the modality of foreign currency sales for household appliances. The effect was an increase in the value of the dollar on the black market.

Before then, any transactions in currencies other than those issued by Cuba was prohibited since 2004, when the dollar was withdrawn.

This new form of sale in foreign currencies for food and cleaning goods was announced last week by President Miguel Díaz-Canel as a way of obtaining income and providing goods to the population.

The measure reflects the reality on the communist-run island of social sectors with money and dollars to spend - such as entrepreneurs, relatives who receive remittances, employees of foreign companies, etc. - and those who do not.

The government said it will keep stores in convertible pesos or CUC – almost equal to the dollar - and in Cuban pesos (24 for a CUC), which are the other two currencies circulating on the island.

It will also continue to support monthly quotas of basic foods such as rice, beans, some chicken or meat, milk, coffee and sugar.

“In the midst of an economic crisis of very uncertain scope and duration, the Diaz-Canel administration is using the political credit of its successful management of the pandemic to implement economic reforms postponed for more than a decade,” said Cuban economist Arturo López-Levy, professor at Holy Names University in California.

Cuba has managed to control the spread of the new coronavirus. In four months, authorities say it infected 2,446 people. But they reported no new confirmed cases on Monday.

In general, Cuban authorities have resist changes - despite a timid process initiated by former President Raúl Castro in 2010 - claiming they want to limit the negative effects of inequality and not hurt vulnerable sectors.

The elimination of a 10% tax on the use of the U.S. dollar, in force since 2004, went into effect Monday. When anyone exchanged 10 dollars for CUC in the local market, they only received nine CUC.

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# **Exhibit 193**

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DATE FILED: 5-29-19

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK

----- X  
:  
UNITED STATES OF AMERICA  
:  
- v. -  
:  
\$717,200,000 IN UNITED STATES CURRENCY,  
:  
Defendant-in-rem.  
:  
----- X

DEFAULT JUDGMENT

18 Civ. 10783 (ALC)

WHEREAS, on or about November 19, 2018, the United States commenced an *in rem* forfeiture action seeking the forfeiture of \$717,200,000 in United States currency (the “Defendant-in-rem”) by the filing of a Verified Complaint (the “Verified Complaint”)(D.E. 1);

WHEREAS, notice of the Verified Complaint against the Defendant-in-rem was posted on the official government internet site, [www.forfeiture.gov](http://www.forfeiture.gov), for at least 30 consecutive days, beginning on November 24, 2018, through December 23, 2018, and proof of such publication was filed with the Clerk of this Court on February 13, 2019, (D.E. 4);

WHEREAS, as set forth in Rule G(4)(a)(ii) and Rule G(5)(a)(ii), the notice of forfeiture specified the Defendant-in-rem and the intent of the United States to forfeit and dispose of the Defendant-in-rem, thereby notifying all third parties of their right to file a claim to adjudicate the validity of their alleged legal interest in the Defendant-in-rem, within sixty days from the first day of publication of the Notice on the official government internet site;

WHEREAS, on or about November 18, 2018, the entity known as Société Générale S.A. (“SG”), a French bank, entered into a Deferred Prosecution Agreement (the “DPA”) with the Government in which, *inter alia*, SG consented to the forfeiture of the Defendant-in-rem for its

involvement in violating the United States economic sanctions relating to Cuba, specifically the Trading with the Enemy Act (“TWEA”) and the Cuban Assets Control Regulations, by structuring, conducting and concealing U.S. dollar transactions using the U.S. financial system in connection with U.S. dollar credit facilities involving Cuba, including facilities provided to Cuban banks and other entities controlled by Cuba, and to Cuban and foreign corporations for business conducted in Cuba;

WHEREAS, SG is the only entity known by the United States to have a potential interest in the Defendant-in-rem; and

WHEREAS, no claims or answers have been filed or made in this action and no other parties have appeared to contest the action, and the requisite time periods in which to do so, as set forth in Title 18, United States Code, Section 983(a)(4)(A) and Rule G of the Supplement Rules for Admiralty or Maritime Claims and Asset Forfeiture Claims, have expired;

NOW THEREFORE, on the motion of Geoffrey S. Berman, United States Attorney for the Southern District of New York, attorney for the plaintiff United States of America, by Assistant United States Attorney Benet Kearney, of counsel;

IT IS HEREBY ORDERED THAT:

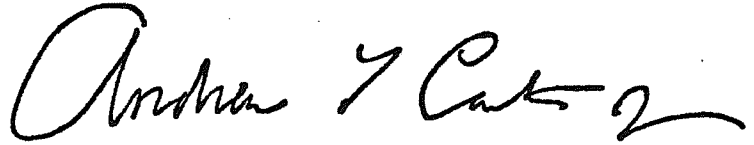
1. Plaintiff United States of America shall have judgment by default against the Defendant-in-rem.
2. The Defendant-in-rem shall be, and the same hereby is, forfeited to the plaintiff United States of America.

3. The United States Department of Treasury (or its designee) shall dispose of the Defendant-in-rem, according to law.

SO ORDERED:

Dated: May 29, 2019

New York, New York

A handwritten signature in black ink, appearing to read "Andrew L. Carter Jr.", written in a cursive style.

ANDREW L. CARTER JR.  
UNITED STATES DISTRICT JUDGE



# **Exhibit 194**

← CUBA

★ ★ ★

# U.S. Relations With Cuba

BILATERAL RELATIONS FACT SHEET

BUREAU OF WESTERN HEMISPHERE AFFAIRS

NOVEMBER 22, 2019

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**More information about Cuba is available on the [Cuba Page](#) and from other Department of State publications and other sources listed at the end of this fact sheet.**

## **U.S.-CUBA RELATIONS**

The United States seeks a stable, prosperous, and free country for the Cuban people. The United States pursues limited engagement with Cuba that advances our national interests and empowers the Cuban people while restricting economic practices that disproportionately benefit the Cuban government or its military, intelligence, or security agencies at the expense of the Cuban people. The U.S. government seeks to promote human rights, religious freedom, and democracy, encourages the development of

telecommunications and the internet in Cuba, supports the growth of Cuba's nascent private sector and civil society, and engages in areas that advance the interests of the United States and the Cuban people. The United States is committed to supporting safe, orderly, and legal migration from Cuba through the effective implementation of the U.S.-Cuba Migration Accords. Due to injuries sustained by our diplomatic community in Havana, visa processing for most Cuban applicants is presently taking place in third countries.

### **Bilateral Economic Relations**

Although economic sanctions remain in place, the United States is the largest provider of food and agricultural products to Cuba, with exports of those goods valued at \$220.5 million in 2018. The United States is also a significant supplier of humanitarian goods to Cuba, including medicines and medical products, with total value of all exports to Cuba of \$275.9 million in 2018. Remittances from the United States, estimated at \$3.5 billion for 2017, play an important role in Cuba's state-controlled economy.

### **Travel to Cuba**

Travel to Cuba for tourist activities remains prohibited, and U.S. federal regulations restrict travel to Cuba to licensed travelers engaged in certain specified activities. Anyone physically present in the United States, regardless of citizenship and nationality, must comply with these regulations. Individuals seeking to travel to Cuba are not required to obtain licenses from the Treasury Department's Office of Foreign Assets Control (OFAC) if their travel is authorized under a general license. For travel not covered by a general license, travelers must seek OFAC authorization in the form of a specific license. Further information on the licensing process or the categories of authorized travel can be found on OFAC's [website](#). Those contemplating travel to Cuba should also consult the [consular information](#) page about the country.

### **Transactions Involving Cuba**

Transactions by persons subject to U.S. jurisdiction involving Cuba are generally prohibited unless specifically authorized by OFAC. For more information on transactions, please consult OFAC's [website](#).

Certain exports to Cuba must be licensed by the Department of Commerce's Bureau of Industry and Security (BIS). Further information on exports to Cuba can be found on the BIS [website](#). Most imports from Cuba and other Cuban-origin goods (e.g., merchandise purchased or otherwise acquired in Cuba or of Cuban origin acquired in a third country) are prohibited, although importation of Cuban-origin information and informational materials (for example, publications, films, posters, photographs, tapes, compact discs, and certain artwork) are exempt from the prohibition. Exports of certain items to Cuba that are intended to improve the living conditions, support independent economic activity, strengthen civil society, improve the free flow of information and facilitate lawful travel and commerce are generally authorized without a license (see [here](#)). Moreover, certain goods and services produced by independent Cuban entrepreneurs are eligible for importation into the United States – for more information, see the State Department's [Section 515.582 List](#). Further information on imports from Cuba can be found on the OFAC [website](#).

### **Cuba Restricted List**

Direct financial transactions with certain entities and sub-entities under the control of, or acting for or on behalf of, the Cuban military, intelligence, or security services are also generally prohibited. For more information, see the State Department's [Cuba Restricted List](#); Treasury's regulations at 31 Code of Federal Regulations (CFR) part 515.209, [here](#); and Commerce's regulations at 15 CFR parts 730-774, [here](#).

### **Cuba's Membership in International Organizations**

Cuba and the United States belong to a number of the same international organizations, including the United Nations and the World Trade Organization, but usually take opposing positions on international issues. Cuba was suspended from participation in the Organization of American States in 1962. Its suspension was lifted

in 2009; however, it has not engaged in the dialogue required for further participation in OAS processes. At the invitation of host governments, Cuba attended the Summit of the Americas in 2015 and 2018.

## **Bilateral Representation**

Principal U.S. embassy officials are listed in the Department's Key Officers List.

Cuba is represented in the United States by the Cuban Embassy in Washington, DC.

More information about Cuba is available from the Department of State and other sources, some of which are listed here:

**[CIA World Factbook Cuba Page](#)**

**[U.S. Embassy](#)**

**[USAID Cuba Page](#)**

**[History of U.S. Relations With Cuba](#)**

**[Office of the U.S. Trade Representative Countries Page](#)**

**[U.S. Census Bureau Foreign Trade Statistics](#)**

**[Office of Foreign Assets Control Sanctions Page](#)**

**[Bureau of Industry and Security Cuba](#)**

**[Travel Information](#)**

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# **Exhibit 195**



November 30, 2002

# Overview of Cuba's Dollar Food Market: An Exploration of the Purchasing and Distribution System

James E. Ross

## Notes<sup>1</sup>

Cuba's purchasing and distribution system servicing the market for dollar foods<sup>2</sup> is decentralized and complex. It is composed of: (1) retail stores trading only with dollars, (2) hotels and restaurants catering to tourists for dollars, (3) food processing companies that sell a portion of their production within Cuba for dollars, and (4) institutions that receive imported food products. Government agencies and mixed enterprises supplying the system purchase for their own account, or for other companies, and wholesale and retail for either dollars or pesos.

## SYSTEM STRUCTURE

Dollar foods purchased and sold in Cuba are both produced domestically and imported through national and foreign enterprises operating in Cuba. Domestically produced dollar foods and beverages are grown or manufactured by state-owned or controlled entities or by foreign companies operating under Foreign Investment Law No. 77. Small private farmers may

also participate in the dollar food market; however, their participation in terms of dollars is relatively insignificant.

State production entities include national food manufacturers, state farms, and state-controlled agricultural cooperatives. A mixed enterprise, an entity with foreign interest, generating dollar food products may include a food manufacturer or an agricultural production unit. A mixed enterprise producing dollar foods may take the form of a joint-venture investment, an international economic association contract, or a cooperated production agreement. There are no totally foreign owned food production or manufacturing operations in Cuba.

One government agency, Alimport (Empresa Cubana Importadora de Alimentos) is Cuba's main food and feedstuff importing company. Other importing agencies of dollar foods include government-owned holding companies that supply retail dollar stores, and government-owned companies and mixed enterprises that own or operate tourist hotels, resorts and restaurants. Some joint-venture hotels have agreements under the foreign investment law to import directly, without going through a government purchasing company. Because of the foreign company's supplier contacts and expertise, government-owned hotels, at times, may import through the joint venture or contract agreement companies. The supply and quality of food products available through the importing company may determine which source is used.<sup>3</sup>

Foods sold or made available directly to consumers and the tourist industry for dollars generally include those products classified as consumer-oriented, but may also include products classified as intermediate and bulk. Consumer-oriented products are imported under the jurisdiction of the Cuban Ministry of Public Health (Ministerio de Salud Pública—MINSAP). Imports of intermediate and bulk agricultural products are regulated by the Ministry of Agriculture (Ministerio de Agricultura—MINAGRI).<sup>4</sup>

Consumer-oriented foods may be imported through several different agencies and companies, while some intermediate products and all bulk commodities are imported by Alimport. Some consumer-oriented foods may also be imported by Alimport to supply ration stores and other institutions. Alimport also purchases imported food ingredients for the food industry sector. In

addition, dollar stores and other government-owned companies may receive food products imported by Alimport.

Other entities involved in the dollar food chain include in-home family restaurants (restaurantes particulares), known generally as Paladares.<sup>5</sup> These restaurants are limited to family employment and may serve only 12 customers at one time. They may charge their customers in either pesos or dollars; however, most paladares request dollars for payment. Paladares do not import food products, but purchase those products through the retail dollar stores, state-operated agricultural markets, semi-private agromercados, and from other sources. The economic impact of the private restaurants on the dollar food market is negligible.<sup>6</sup>

## STORES SELLING DOLLAR FOODS (TRDS)

Retail stores selling food and beverage products for dollars (ventas minoristas en divisas) are scattered throughout the country. The stores are owned by the Cuban government. No foreign investment in these stores has been permitted. In all of these retail stores, known as Dollar Stores or TRDs (Tiendas de Recuperacion de Divisas), food products that have been imported or produced domestically are sold for dollars.

In Havana there are approximately 300 dollar stores, and roughly 1,000 in the entire country. Most of the dollar stores outside Havana are located in the tourist areas of Varadero, Ciego de Avila, Holguin, Santiago de Cuba, Camagüey and Pinar de Río.

Cuba's dollar food market encompasses many semiautonomous government-owned and operated companies. The companies are incorporated and have the Sociedad Anónima (S.A.) designation. Generally, the companies control their own hard-currency revenues and can make purchases on their own account. Sociedad Anónima companies must remit a monthly payment to the government. The amount is negotiated between the government and the company directors.<sup>7</sup>

The major dollar store chains and the government corporations owning them include:

- Tiendas Panamericanas (CIMEX S.A.)
- Tiendas Universo (CUBANACAN S.A.)

- Tiendas Caracol (HORIZONTES Hoteles S.A.)
- Tiendas y Supermercados de la Sociedad Meridiano S.A. (CUBALSE Corporation—imported foodstuffs valued at \$19.7 million in 2001)
- Tiendas TRD Caribe (GAVIOTA S.A.)
- Tiendas de Habaguanex S.A. (HABAGUANEX S.A.)

Priorities for supplying the stores, whether food or non-food products, are: first, products of national origin; second, mixed enterprises (companies with foreign investment, either joint ventures, international economic association contracts, or cooperative production agreements); and third, foreign sources.

For example, products of national origin (the highest priority) could be supplied by a state-owned company such as Frutas Selectas S.A. The semi-autonomous company selects the best fruits and vegetables produced by state-owned farms and state-controlled cooperatives and markets the products to the tourist hotels and restaurants. Mixed enterprises, the second highest priority, could include Sherritt Green or Tropiflora. Sherritt Green is a government joint venture with Sherritt International of Canada. Tropiflora is a joint venture with Israeli interests. Both companies produce fruit and vegetables for sale to tourist hotels and restaurants. The third priority would be food imports.

Prices of products sold in the dollar stores are normally higher than those offered in other internal food markets. The consumer may pay a price that is 200% or more above the imported price or the price in one of the internal food markets.<sup>8</sup> Products similar to those available in the dollar stores may be found at lower prices in other internal markets.

In addition to dollar stores, the Cuban retail food market includes: ration stores (Mercado de Alimentos Racionados); agricultural or farmers' markets (Mercados Libres Agropecuarios—MLA); Ministry of Agriculture markets (Mercado de Productos Agrícolas a Precios Topados); agricultural "fairs" held on the last Sunday of each month (Las Ferias Agropecuarias); urban garden markets (ventas en los huertos y organopónicos); places of sale direct to the consumer by the CPA (Cooperatives of Agricultural Production) and the EJT (Youth Work Army); and the Cadena de Tiendas Imágenes—stores selling processed foods under the jurisdiction of the Ministry of Internal Trade, MINCIN.<sup>9</sup>

Of all of Cuba's official internal food markets, only the dollar stores trade in dollars. The other internal food markets trade in pesos, but do compete with the dollar stores. Quality of products in the dollar stores is normally superior to those in the other internal markets.<sup>10</sup>

In May 2002, the Cuban government announced that prices in the dollar stores would be increased significantly; however, food prices were to remain the same or decline. In fact, many food prices did fall, only prices for chocolate products and preserved foods increased. The increase, generally, was 10 to 15 U.S. cents above the previous price.

## TOURIST HOTELS AND RESTAURANTS

Cuba rates its hotels on a star basis, ranging from one to five stars. A five-star hotel is better than a fourstar, etc. The rating system does not compare facilities and services to comparable stars of hotels in other countries, but is used only to compare quality of hotels within Cuba. With current standards, most international tourism and the resulting market for dollar foods, is concentrated in three, four and five-star hotels. While two-star and one-star hotels provide a limited market for imported dollar food products, the major source of food for these hotels is the domestic market.

Cuba has more than 300 tourist properties with about 40,000 rooms. Less than 100 of the tourist hotels are classified as four- and five-star hotels. Fourstar hotels account for approximately 40% of room occupancy, while five-star and three-star hotels each account for about 20%. Annual growth in tourism in the 1990s was more than 15%, but in 2001 the number of tourists was only slightly more than the year before, approximately 1.8 million. The slow start for tourism in 2002 could result in even fewer tourists than recorded each of the last two years.

In the early 1990s, when tourists numbered some 300,000, only 12% of the products and services required for the tourist industry were provided through national production. Almost all food products needed for tourist hotels and restaurants were imported. All of the beer and bottled water served to tourists was imported. As a result of economic reforms in the mid-1990s and pursuit of a policy of protectionism, the supply situation was reversed and Cuba now supports some 65% of the tourist hotel and restaurant needs through national production.

One national brewery, a joint venture, supplies about 95% of the tourist market for beer and another joint venture supplies almost all of the bottled water.<sup>11</sup>

The semi-autonomous companies serving the tourist industry include: Corporación Cubanacán, Grupo Hotelero Gran Caribe, Horizontes Hoteles, Habaguanex, Grupo de Turismo Gaviota, Islazul, Grupo de Recreación y Turismo Rumbos, Compañía de Marinas Puerto Sol, and the Complejo de Convenciones. To some extent, all of the companies compete with each other, but they concentrate on different segments of the tourist market. No foreign investment has been introduced in the ownership of these companies.

**Corporación Cubanacán S.A.** accounts for more than 40% of the tourist market. It was formed to operate four- and five-star hotels, restaurants, cafeterias, retail stores, water recreation centers, tourist health facilities, and tourist reception and other recreation centers. Cubanacán also produces and sells artisan handicrafts and operates a transportation company that provides tour buses and rents automobiles.

Many of the tourist hotels, administered as either international economic association contracts or joint ventures, involve Cubanacán. Joint investment arrangements under Foreign Investment Law No. 77 have been developed by Cubanacán with Grupo Sol Meliá (Spain), LTI (Germany), Golden Tulip (Holland), and SuperClubs (Jamaica).

**Grupo Hotelero Gran Caribe S.A.** operates more than 40 hotels classified as four- and five-star hotels. Gran Caribe hotels have 9,500 rooms for tourists scattered throughout the country, but are located mainly in Havana and Varadero. In addition, the group operates three primary tourist attractions in Havana, the Restaurant La Bodeguita del Medio, Bar and Restaurant La Floridita, and the Cabaret Tropicana.

**Horizontes Hoteles S.A.** is a hotel chain, mostly three- and four-stars, with more than 7,000 rooms. Horizontes also operates facilities with mineral water baths, treatment for stress, etc. One spa (Centro Hospitalario que Atiende Múltiples Enfermedades) treats patients with health problems characteristic of the Caribbean.

**Grupo de Recreación y Turismo Rumbos S.A.**, founded in 1994, has grown approximately 20% annually. It operates facilities for both national and international tourists in Cuba's major tourist

cities and secondary locations. Rumbos is diversified, and has established businesses in: a travel agency; various types of restaurants, including fast food (comidas rápidas, restaurantes y parrilladas); small lodges in cities, on beaches, in the country, at golf courses, airports, and marinas; and eco-tourism. Currently, Rumbos is planning eight new golf courses to meet the standards for both international golf amateurs and professionals.

**Compañía de Marinas Puerto Sol S.A.** was created to develop marinas, piers, recreational boat activities, etc. The company owns 390 rooms in two-star and local hotels to meet the needs of tourists and nationals.

**Grupo de Turismo Gaviota S.A.** is a tourism company controlled by the Revolutionary Armed Forces. It is dedicated to operation of four- and five-star hotels, development of marinas, restaurants and cafeterias, recreational water facilities, and health facilities for tourists. It also operates a transportation company that offers tourist buses and rental of automobiles and taxis.

**Habaguanex S.A.** belongs to the historical office of Havana (Oficina del Historiador de la Ciudad). It was established to develop three- and four-star hotels for international tourists in the Historic Center of Old Havana (Centro Histórico de la Habana Vieja). Currently, it is renovating various hotels and opening restaurants in the oldest part of the city.

**Islazul S.A.** was established to develop two- and three-star hotels for international tourists seeking low-cost accommodations.

**Complejo de Convenciones** includes operation of the Palace of Conventions (Palacio de las Convenciones), Hotel Palco, the restaurants, Rancho Palco and El Palenque, and Club Habana. It also administers the Sala de Exposiciones (PABEXPO), the Mansión Residencial (Casa de Protocolo—House of Protocol), and the auto rental agency, Palcocar. Basically, the complex specializes in the development of tourist events and conventions.

A few foreign companies have negotiated contract agreements that permit them to import food directly for their tourist facilities. Foreign companies having arrangements under Foreign Investment Law No. 77 with the Cuban companies often operate as hotel administrators and assume responsibility for food and beverage services. Some have taken equity positions in the

hotels owned by the holding companies. These include, among others: Grupo Sol Meliá and Hoteles C from Spain; Accor and Club Med from France; LTI and RIU from Germany; Delta Hotels and Resorts, Commonwealth Hospitality Ltd., and Leisure Canada Inc. from Canada; Viaggi di Ventaglio and Press Tours from Italy; and SuperClubs from Jamaica. About 30% of Cuba's hotels involve investments with foreign companies. There are no totally foreign owned hotels in Cuba.

## FOOD MANUFACTURERS

Food processors in Cuba import substantial amounts of food ingredients for use in the manufacture of food products. About 20% of the national production is sold for dollars, either through sales for dollars in Cuba or by exporting.

All food manufacturers in Cuba are under the jurisdiction of the Ministry of Food Industries (Ministerio de la Industria Alimenticia—MINAL), created in 1965. MINAL oversees industries manufacturing, principally, milk and meat products, cereals, confections, bread, biscuits and crackers, pastries, fruit and vegetable products, alcoholic beverages, water, soft drinks, and beer. Industries milling bulk commodities, such as wheat and rice, also are under the jurisdiction of MINAL.

At the time of the establishment of the Ministry of Food Industries, Cuba was importing most of the processed food consumed. In addition, most of the primary material used by the existing national food manufacturing industry was imported. There was little growth in food processing until food research centers were introduced. Between 1970 and 1975, the Food and Agricultural Organization of the United Nations and the governments of Sweden and the Netherlands provided financing for pilot plants devoted to applied research in the lactic, meat-processing, and vegetable and fruit-preserving branches.<sup>12</sup>

International assistance from 1975 to 1990 for research and development in Cuba's food industry led to substantial growth in food manufacturing. Production increases during this period included: canned meats, 157%; canned fruits and vegetables, 66%; cheeses, 143%; and wheat flour, 126%. The number of production lines had grown from 57 in 1975, to more than one thousand by 1989.



With the loss of Soviet and Eastern Block trade preferences in 1989 and 1990, there was a progressive decline in Cuban production in general until the mid- 1990s. Food industry executives were forced to introduce products that made it possible to raise production volumes through increased use of extenders and substitutes in products destined for the domestic market. The imperative was to maintain nutritional values despite a reduction in agricultural production, especially of meat products.

Between 1989 and 1994, the worst period for the Cuban economy, the food processing industry registered a dramatic decline of 42% in the value of its output, along with a reduction of 74% in national raw-material supplies from the agricultural sector, and a 34% drop in imported raw materials.<sup>13</sup>

In 1994, Cuba's production of manufactured food products was 45% of the output in 1989. The output of beverages was 56%. By 2000, beverage production had increased to 81% of the 1989 level. Food manufacturing increased more slowly, reaching only 54%. While the food industry has had significant growth since 1994, production remains substantially less than the output level of more than a decade earlier.<sup>14</sup>

Production lines that are growing the most include: beer, soft drinks, mineral water, alcoholic beverages for export, powdered milk, pastas, flour, soft cheese, ice cream, and yogurt. Wheat flour production also showed some increase, while milled rice production decreased substantially. In 1998 the value of production among eight "Uniones" in MINAL was \$1.25 billion. About \$25 million was destined for dollar markets, either through the dollar stores or by exporting. Growth of production in 1998 was 27% more than the year before. (More recent data are not available to the authors at this time.)

Sixteen of Cuba's food manufacturing companies are joint ventures and 12 are Cooperated Production Agreements.<sup>15</sup> Each of the 16 mixed enterprises are associated with Coralsa (La Corporación Alimentaria—CORAL S.A.), a holding company constituted within MINAL in 1996. The Ministry restructured in the mid-1990s to promote increased support for food industry firms operating with foreign capital. Participation of Coralsa in the 16 enterprises ranges from 40% to 50%. Fixed assets of the companies at the time of restructuring were placed at \$36 million. They had \$4 million in working capital and \$25.5 million in the process of investment.

Enterprises associated with Coralsa produce and market sausages, candies and confections, products derived from wheat, instant beverages, wines, beers, soft drinks and mineral waters, as well as technological and refrigeration equipment for the food industry. In 1994, the mixed enterprises had a combined value of production of \$20 million. By 2000, the value of production of the mixed enterprises had reached \$140 million.<sup>16</sup>

Another area of activity of the Cuban food industries sector has been the overseas food processing operations in which there is Cuban capital and technology. A portion of the earnings from these industries is returned to Cuba. Cía. de Tasajo de Uruguay, for example, was established in Uruguay to process jerked beef and other meat products for export to Cuba and other Latin American and African countries. A Coralsa- owned company, Carnes del Mercosur S.A., located in Cuba, imports and markets the products in Cuba for the internal market.

## INSTITUTIONS AND THE ROLE OF ALIMPORT

All dollar purchases of food for use in institutions are conducted through Alimport, a government-owned company operating under the auspices of the Ministry of Foreign Trade. Alimport decides who to do business with, what quantity to buy based on end customers' needs, and negotiates and fixes prices. It also decides buying terms depending on seller, delivery terms and place, financial facilities, and freight advantages.<sup>17</sup>

For FAS and FOB operations, Alimport relies on a logistics group in charge of chartering vessels and monitoring the whole process of transportation from the operational standpoint. Alimport works with Cuban flag vessels, brokers, or directly with foreign flagship owners, and agrees on terms and operates with them as per international practice standards.

For CFR, CIF, CPT and CIP operations, the Alimport logistics group ensures shipping terms are in accordance with contract terms. It also follows up on shipment and carriage of goods until delivery at port of destination. Alimport negotiates and agrees on discharging terms with port terminal and stevedoring companies. According to Alimport's president, Alimport looks after needs of its end-customers and its purchasing strategy is based on such needs.<sup>18</sup>

In May of 2002, the Cuban government designated Alimport as the exclusive purchasing agent for U.S. based companies that want to export food products direct from the United States to Cuba. Alimport will purchase agricultural and branded food products from U.S.-based companies and re-sell, or transfer, the products to other Cuba-based companies.<sup>19</sup>

## ESTIMATED VALUE OF THE DOLLAR FOOD MARKET

Data are not available to indicate the value of food imported or produced domestically for each of the four major areas distributing dollar foods and beverages— dollar stores, tourist hotels and restaurants, food manufacturers and institutions. Data and information that are available, however, indicate food imports amount to approximately \$650 to \$700 million, or about 14% of Cuba's total imports.<sup>20</sup>

Approximately half of the food imported by Cuba meets the classifications of intermediate and consumer- ready products. The remaining half consists of bulk commodities, such as wheat, coarse grains, pulses, and rice. Pulses and rice may enter the dollar store market direct, as well as be provided to ration stores and institutions. Most of the bulk and some of the intermediate products are resold to the food manufacturing companies. A large percentage, perhaps 50%, of the food products imported are resold through dollar stores and the tourist hotels and restaurants.

Food products sold through the Ministry of Agriculture to the tourist sector and dollar stores in 2001 totaled \$167.5 million, an increase of 3.46% compared to gross revenues of US \$161.7 million reported in 2000.<sup>21</sup> Cuba reported gross revenues from marketing agricultural commodities to the tourism sector of US \$59 million in 1998 and US \$70 million in 1999. Allowing for continued growth, an estimated value of food produced under the auspices of the Minister of Agriculture and sold for dollars this year could reach \$170 million to \$200 million.

Processed foods sold through the Ministry of Food Industries to the tourist sector and dollar stores, assuming most of the mixed enterprise production and some of the national company production enter the dollar market, could range from \$200 million to \$300 million.

The value of products grown in Cuba by mixed enterprises is unknown, but could range from \$20 to \$30 million. Food from domestic production sold in Paladares for dollars is estimated to be relatively small. Combining the estimated data provides a total of all foods sold in Cuba for dollars to an estimated level ranging from \$800 million to \$1 billion.<sup>22</sup> Tourists<sup>23</sup> and foreign businessmen,<sup>24</sup> along with Cubans who receive dollars through remittances, and various means, are the sources of hard currency to buy the dollar foods.<sup>25</sup>

The European Union and Canada provide about half of the food imports, while Mexico, and Latin American (Argentina and Brazil for soybean products) and Asian countries (China, Thailand and Vietnam for rice imports) are also important sources of food imports. More than half of Europe's agricultural exports to Cuba, which totaled \$185 million in 1999, consisted of wheat flour, vegetable oils and consumer ready products, primarily dairy products and poultry meat. Wheat accounted for about 45% of the total. Canada's agricultural exports to Cuba, \$115 million in 1999, were largely (83%) pulses and consumer oriented products, such as red meat, poultry and dairy products.

## FACTORS AFFECTING THE CURRENT MARKET

1. Cuba's purchasing and distribution system for dollar foods is an intricate network of organizations authorized to import and distribute food products in Cuba for dollars. Organizations include government agencies, state-owned companies, mixed enterprises, associated foreign firms and licensed private restaurants. They all purchase and/or sell food directly or indirectly for dollars in Cuba.
2. TRDs (dollar stores) and the tourist hotels and restaurants are the primary markets for dollar foods in Cuba. Ration stores, institutions and food industries provide the largest market for bulk commodities, and an important market for foods classified as intermediate and consumer oriented products.
3. Alimport is the country's largest food importing company. Food imported by Alimport is distributed to Cuban consumers for pesos, or sold for dollars through various channels. Distribution of food sold for pesos is made through ration stores and government institutions. Some of the food products and beverages imported by Alimport are sold for dollars through dollar stores, tourist facilities, and food processors. Government tourist hotel and restaurant holding companies, government agencies importing for dollar stores, and mixed enterprises operating tourist facilities are also important importers of food sold in Cuba for dollars.

# FACTORS AFFECTING THE FUTURE MARKET

1. The decision by the government of Cuba to make Alimport the exclusive importing agency for food and agricultural products from the United States raises questions regarding market strategy for U.S. exporters. For example:

- Will Alimport increase food imports from the United States to replenish the country's food reserves diminished by Hurricane Michelle? If so, the potential market would appear good for food products, such as rice, pulses, vegetable oil, dairy products, chicken meat, and wheat flour.
- A large number, reportedly 50 to 10026, Cuba-based mixed enterprises, international association contract entities and government- owned companies have authorization from the Cuban government to import food products.
- Since November 2001, many of these companies have established contacts with U.S.- based companies. Will these companies be able to import the products they want through Alimport?

2. Also, will any of Cuba's authorized importing companies, other than Alimport, be permitted to import U.S.-branded products from third countries, or will Alimport be the exclusive importer of these products?

3. The growth of Cuba's dollar food market, to a large extent, is contingent on continuation of a relatively high level of remittances, and increases in tourism and foreign investment. With elevated security concern worldwide following events on September 11, 2001 in the United States, and economic recession in Canada and Europe, growth of tourism in Cuba has decreased. Foreign investment also appears to be on a descending trend. With less tourist growth and shrinkage of disposable income for tourists, as well as reduced foreign investment, Cuba's dollar food market could be affected negatively.

4. Perhaps the greatest unknown is the future of travel restrictions for U.S. tourists to Cuba. Lifting of the U.S. imposed restrictions on travel could result in a large number of tourists going to Cuba. This would create a substantial increase in demand in Cuba for dollar food and beverage products.

## FOOTNOTES

1. A more detailed report on Cuba's dollar food market will be available at a later date. For a copy, contact [jeross@ufl.edu](mailto:jeross@ufl.edu).

2. As used in this paper, the term "dollar foods" refers to food and beverage products, whether

imported or produced domestically, that are sold to consumers, either foreign or Cuban, for dollars. Dollar foods also include ingredients purchased with dollars or sold for dollars by the food processing industry.

3. Caribbean Basin Agricultural Trade Office of the USDA/Foreign Agricultural Service in Miami. See recent reports on food laws and the food service sector, GAIN Reports #CU2001, 2002, and 2003.

4. Ibid.

5. Paladar, translated means palate or taste, but the origin of the use for the Cuban family restaurants is said to be taken from a Brazilian soap opera. The main character goes to the capital and establishes a chain of small restaurants called Paladares.

6. Henken, Ted. "Last Resort or Bridge to the Future: Tourism and Workers in Cuba's Second Economy," Cuba in Transition— Volume 10 (Washington: Association for the Study of the Cuban Economy, 2000), p. 331.

7. Cuba: A Guide for Canadian Businesses. Department of Foreign Affairs and International Trade. The Canadian Trade Commissioner Service, June 1999.

8. Armando Nova González, "El mercado interno de los alimentos," Cuba—Reflexiones Sobre su Economía, La Habana, 2002, p. 193.

9. Ibid.

10. For detailed information on the internal markets, including price comparisons and an explanation of why consumers buy at TRDs when the same product can be purchased for less at other markets, see José Alvarez, "Rationed Products and Something Else: Food Availability and Distribution in 2000 Cuba," Cuba in Transition—Volume 10 (Washington: Association for the Study of the Cuban Economy, 2001).

11. Miguel Alejandro Figueras Pérez, "El turismo internacional y la formación de clusters productivos en la economía cubana," Cuba—Reflexiones sobre su Economía, La Habana, 2002, pp. 111 and 112.

12. Business Tips on Cuba, August 1996, p. 20.

13. Ibid, p. 18.

14. Anuario Estadístico Cuba 2000. Capitulo VIII, Sector Industria.

15. Omar Everlenny Pérez Villanueva, "La inversión extranjera directa en Cuba: Evolución y perspectivas," Cuba—Reflexiones Sobre su Economía, La Habana, 2002, p. 90.

16. Pérez Villanueva, p. 90.

17. Presentation by Mr. Pedro Alvarez Borrego, President of Alimport, Agricultural Sales

Conference, Cancún, Mexico, Jan. 30-Feb. 2, 2002.

18. Ibid.

19. On May 12, 2002, the president of Alimport reported that Alimport would be the exclusive agent in Cuba for U.S. based companies. U.S.-Cuba Trade and Economic Council.

20. Estimate by authors based on USDA/FAS data showing about \$600 million in 1999 for food imports.

21. U.S.-Cuba Trade and Economic Council. March 18, 2002.

22. This is a preliminary estimate by the authors. It is hoped that a more substantiated estimate can be included in the study underway. (A reminder that an estimate of value of food entering the dollar market in Cuba does not include food imported by Cuba that enters the peso and institutional markets.)

23. Tourists pay for food with hard currency at tourist hotels, and provide tips for services. Those dollars are used, largely, to make food and other purchases in the dollar stores.

24. Some mixed enterprises supplement workers' income with dollars, either through negotiated arrangements with the Cuban government or through other means. The dollars are then used by the Cuban workers to purchase dollar foods and other dollar items.

25. Remittances, money sent to Cubans by family members and other contributors living overseas, are generally estimated to range between \$600 million and \$1 billion annually. These dollars, while the route may not always be direct, end up primarily being used in the dollar stores.

26. Caribbean Basin Trade Office, USDA/FAS. (More than 300 state-owned, but decentralized, enterprises had been licensed to import all products as of 1999 by the Ministerio del Comercio Exterior (MINCEX), Ministry of Foreign Trade, according to the Canadian Department of Foreign Affairs and International Trade.)

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About James E. Ross

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SAVE-THE-DATE



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### 30th Annual Conference postponed

New date: January 4-6, 2021

Venue: Florida International University (FIU)

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# **Exhibit 196**

| <b>Companies, Organizations, And State Offices Participating In The U.S. Food &amp; Agribusiness Exhibition</b> |  |                           |
|---|--|---------------------------|
|   | <b>Exhibitor</b>                                 | <b>State Headquarters</b> |
| 1.  | Archer Daniels Midland Company (Primary Sponsor) | Illinois                  |
| 2.  | Acosta Sales & Marketing                         | Florida                   |
| 3.  | Advance Food Company                             | Oklahoma                  |
| 4.  | AgriLink Foods Inc.                              | New York                  |
| 5.  | AJC International Inc.                           | Georgia                   |
| 6.  | AIPC   | Missouri                  |
| 7.  | Allen Canning Company                            | Arkansas                  |
| 8.  | AM-CAN, Inc.                                     | Illinois                  |
| 9.  | American Brahman Breeders                        | Texas                     |
| 10.   | American Egg Board                               | Illinois                  |
| 11.   | American Foods Group                             | Wisconsin                 |
| 12.   | The American Italian Pasta Company               | Missouri                  |
| 13.   | American Poultry International                   | Mississippi               |
| 14.   | American Rice Inc.                               | Texas                     |
| 15.   | Amports  | New Jersey                |
| 16.   | Apollo USA Inc.                                  | Louisiana                 |
| 17.   | ATL Industries                                   | Georgia                   |
| 18.   | Atlantic Wood Corporation                        | Virginia                  |
| 19.   | Bahama Organics                                  | North Carolina            |
| 20.   | Barwil/Fillette Green                            | Mississippi               |
| 21.   | Beach Trading Company                            | Florida                   |
| 22.   | Beaver Street Fisheries                          | Florida                   |
| 23.   | Biehl & Co. LP                                   | Texas                     |
| 24.   | Blair/Squire Management Inc.                     | North Carolina            |
| 25.   | Bluegrass Cooperage                              | Kentucky                  |
| 26.   | Blue Ridge Lumber                                | Virginia                  |
| 27.   | Boston Agrex                                     | Massachusetts             |
| 28.   | Bowman Apple Products                            | Virginia                  |
| 29.   | Murphy Brown LLC                                 | North Carolina            |
| 30.   | Bryan Foods                                      | Mississippi               |
| 31.   | Buffalo Trace Distillery                         | Kentucky                  |
| 32.   | Bunge  | New York                  |
| 33.   | Burry Tobacco Growers                            | Kentucky                  |
| 34.   | Burkman Feeds                                    | Kentucky                  |
| 35.   | California Raisin Marketing Board                | California                |
| 36.   | Caravelle Wine Selections                        | Connecticut               |
| 37.   | California Table Grape Commission                | California                |
| 38.   | Cargill  | Minnesota                 |
| 39.   | Caribbean Shipping Services                      | Florida                   |
| 40.   | Carmi Flavor & Fragrance Co. Inc.                | California                |
| 41.   | Carolina Turkeys                                 | North Carolina            |
| 42.   | Cattleman's Meat Company                         | Michigan                  |
| 43.   | Cedar Spring Cattle Company                      | Maine                     |
| 44.   | Cellmark Pulp & Paper Company Inc.               | Florida                   |
| 45.   | Central Produce                                  | Puerto Rico               |
| 46.   | Central Soya Company                             | Indiana                   |
| 47.   | Chatam Imports, Inc.                             | New York                  |
| 48.   | Cherokee Trading Co.                             | Georgia                   |
| 49.   | Chiquita Processed Foods                         | Wisconsin                 |
| 50.   | City Sea Foods                                   | California                |
| 51.   | C.L. Henderson Produce Co.                       | North Carolina            |
| 52.   | Clifty Farms                                     | Kentucky                  |
| 53.   | Coastal Rice                                     | Texas                     |
| 54.   | Cocodrilo Dormido Food Broker LLC                | Maine                     |
| 55.   | Colorado Boxed Beef Company                      | Florida                   |
| 56.   | Columbus Foods Co.                               | Illinois                  |
| 57.   | Comidas y Bebidas International                  | New Jersey                |
| 58.   | Commodity Traders, Inc.                          | Missouri                  |
| 59.   | ConAgra, Inc.                                    | Nebraska                  |

|      |  |                  |
|------|--|------------------|
| 60.  | Control Union USA Inc.                       | Louisiana        |
| 61.  | Copenhagen Tankers, Inc.                     | Connecticut      |
| 62.  | Costar Bean Marketing Inc.                   | Michigan         |
| 63.  | Cotton Council International                 | Washington, D.C. |
| 64.  | Crowley Liner Services                       | California       |
| 65.  | Crown Orchard Company                        | Virginia         |
| 66.  | C.M. Holtzinger Fruit Company                | Washington       |
| 67.  | CYMC International                           | Florida          |
| 68.  | D. & N. Commodities, Inc.                    | New York         |
| 69.  | Dakota Growers Pasta Co., Inc.               | North Dakota     |
| 70.  | Dairy Farmers Of America, Inc.               | Missouri         |
| 71.  | Jim David Meats                              | Kentucky         |
| 72.  | Deans Specialty Foods Group                  | Illinois         |
| 73.  | Del Monte                                    | California       |
| 74.  | DENAF Corporation                            | Puerto Rico      |
| 75.  | Distribuidora Vazquez                        | Puerto Rico      |
| 76.  | Dolphin Shipping and Trading                 | Georgia          |
| 77.  | Doumak Inc.                                  | Illinois         |
| 78.  | Dovex Export Co.                             | Washington       |
| 79.  | W.C. Dunn Import/Export                      | Maryland         |
| 80.  | Dutch Farms                                  | Illinois         |
| 81.  | Earthwise Processors                         | Minnesota        |
| 82.  | E. & J. Gallo Winery                         | California       |
| 83.  | Excel Foods                                  | Florida          |
| 84.  | Export Mid-Atlantic Inc.                     | Maryland         |
| 85.  | Falcon Rice Mill                             | Louisiana        |
| 86.  | Farmers Feed Mill                            | Kentucky         |
| 87.  | Farmland Foods                               | Missouri         |
| 88.  | FC Stone                                     | Iowa             |
| 89.  | Fieldale Farms Corporation                   | Georgia          |
| 90.  | FGDI LLC                                     | Ohio             |
| 91.  | Florida Grains                               | Louisiana        |
| 92.  | Florida Produce of Hillsborough County, Inc. | Florida          |
| 93.  | Food Concept Developers, Inc.                | New Jersey       |
| 94.  | Fresh Frozen Foods Inc.                      | Georgia          |
| 95.  | GA Expertise Inc.                            | Florida          |
| 96.  | Gaskill International                        | Florida          |
| 97.  | Genescan USA                                 | Louisiana        |
| 98.  | Georgia Department of Agriculture            | Georgia          |
| 99.  | Georgia Ports Authority                      | Georgia          |
| 100. | Gerber Products Company (Novartis)           | Michigan         |
| 101. | Giorgio Foods                                | Pennsylvania     |
| 102. | Global Genetics & Biologicals                | Texas            |
| 103. | Glasgow Spray Dry                            | Kentucky         |
| 104. | Gnekow Family Winery                         | California       |
| 105. | Gold Kist Inc.                               | Georgia          |
| 106. | Great Western Steamship Company              | Florida          |
| 107. | Greater Des Moines Partnership               | Iowa             |
| 108. | Gulfport-Biloxi International Airport        | Mississippi      |
| 109. | H & B Specialties, Inc.                      | Illinois         |
| 110. | Happy Knapp Farms                            | Illinois         |
| 111. | Highland Beef Farms                          | Virginia         |
| 112. | H.H. Dobbs Inc                               | New York         |
| 113. | Hormel Foods Corporation                     | Minnesota        |
| 114. | Humidipak                                    | Minnesota        |
| 115. | IBP (part of the Tyson Foods family)         | South Dakota     |
| 116. | ICS Logistics                                | Florida          |
| 117. | Illinois Department of Agriculture           | Illinois         |
| 118. | International Multifoods Corporation         | Minnesota        |
| 119. | International Trading Group, Inc.            | Pennsylvania     |
| 120. | Interra International                        | Georgia          |
| 121. | Iowa Corn Promotion Board                    | Iowa             |
| 122. | Iowa Department of Economic Development      | Iowa             |
| 123. | Internek Testing Services (Caleb Brett)      | Texas            |
| 124. | Houston Export International                 | Texas            |
| 125. | Jacksonville Chamber of Commerce             | Florida          |
| 126. | Jacksonville, City of                        | Florida          |
| 127. | Jacksonville Port Authority                  | Florida          |
| 128. | J&J Log and Lumber                           | New York         |
| 129. | Kaehler's Homedale Farms                     | Minnesota        |

|      |   |                |
|------|---|----------------|
| 130. | Kellogg Company                                       | Michigan       |
| 131. | Kentucky Bison  | Kentucky       |
| 132. | Kentucky Burley Tobacco Cooperative                   | Kentucky       |
| 133. | Kentucky Department of Agriculture                    | Kentucky       |
| 134. | Kentucky Economic Trade Council                       | Kentucky       |
| 135. | Kirkeide's Northland Bean Company                     | Minnesota      |
| 136. | Kitchens Brothers Manufacturing                       | Mississippi    |
| 137. | KETC Kentucky Economic Trade Council                  | Kentucky       |
| 138. | Lagoa Shipping Corporation                            | Georgia        |
| 139. | Lake Charles Harbor and Terminal District             | Louisiana      |
| 140. | Lanahan Lumber Co., Inc.                              | Florida        |
| 141. | Land O'Lakes  | Minnesota      |
| 142. | Langdale Forest Products                              | Georgia        |
| 143. | Liberty Growers                                       | New York       |
| 144. | Louis Dreyfus Corporation                             | Connecticut    |
| 145. | Lund's Fisheries                                      | New Jersey     |
| 146. | LSC International                                     | Illinois       |
| 147. | Magna Trading Corporation                             | Puerto Rico    |
| 148. | Maritime Endeavors Shipping Co. Ltd.                  | Louisiana      |
| 149. | Maryland Department of Agriculture                    | Maryland       |
| 150. | Marbo, Inc.   | Illinois       |
| 151. | Marsh International                                   | Indiana        |
| 152. | Master Foods Interamericana (Mars Inc.)               | Puerto Rico    |
| 153. | Mayflower International                               | Massachusetts  |
| 154. | Mayor   | Louisiana      |
| 155. | MBG   | Iowa           |
| 156. | McCain Foods  | Illinois       |
| 157. | McIlhenny Company                                     | Louisiana      |
| 158. | Melissa's World Variety Produce                       | California     |
| 159. | Merisant de Puerto Rico                               | Puerto Rico    |
| 160. | Mueller's Pasta (Provisions International)            | Florida        |
| 161. | Michigan Agriculture Business Association             | Michigan       |
| 162. | Michigan Agriculture Industry (Michigan Bean Council) | Michigan       |
| 163. | Michigan Apple Association                            | Michigan       |
| 164. | Michigan Bean Commission                              | Michigan       |
| 165. | Michigan Beanshippers Association                     | Michigan       |
| 166. | Michigan Farm Bureau                                  | Michigan       |
| 167. | Michigan Turkey Producers                             | Michigan       |
| 168. | Mid Atlantic Exports Inc.                             | Maryland       |
| 169. | The Mill of Bel Air                                   | Maryland       |
| 170. | Missouri Department of Agriculture                    | Missouri       |
| 171. | Ed Miniati, Inc.                                      | Illinois       |
| 172. | Minnesota Department of Agriculture                   | Minnesota      |
| 173. | Mirasco International                                 | Georgia        |
| 174. | Mississippi Coast Foreign Trade Zone, Inc.            | Mississippi    |
| 175. | Mississippi Development Authority                     | Mississippi    |
| 176. | P.W. Montgomery Inc.                                  | Minnesota      |
| 177. | National Fruit  | Virginia       |
| 178. | Natural Products Inc.                                 | Iowa           |
| 179. | New York Apple Association                            | New York       |
| 180. | New World Pasta                                       | Pennsylvania   |
| 181. | NOCS/Port of New Orleans                              | Louisiana      |
| 182. | North Carolina Cotton Producers Association           | North Carolina |
| 183. | North Carolina Department of Agriculture              | North Carolina |
| 184. | North Central Commodities                             | North Dakota   |
| 185. | North Central Bean Dealers Association                | Minnesota      |
| 186. | North Dakota Department of Agriculture                | North Dakota   |
| 187. | North Dakota Farm Bureau                              | North Dakota   |
| 188. | North Dakota Mill                                     | North Dakota   |
| 189. | Northharvest Bean Growers Association                 | Minnesota      |
| 190. | Northern Plains Potato Growers                        | North Dakota   |
| 191. | Northland Corporation                                 | Kentucky       |
| 192. | Oaks Unlimited  | North Carolina |
| 193. | Old Dobbin  | New York       |
| 194. | Oneonta Trading Corporation                           | Washington     |
| 195. | Owensboro Grain                                       | Kentucky       |
| 196. | Pan American Grain                                    | Puerto Rico    |
| 197. | Panola Pepper Corporation                             | Louisiana      |
| 198. | Paraiso International Inc.                            | Jamaica        |
| 199. | Parks Family Meats LLC                                | North Carolina |

|      |                                    |                |
|------|------------------------------------|----------------|
| 200. | Pata Stevedore Company             | Florida        |
| 201. | Paulson Premium Seed               | North Dakota   |
| 202. | PCS Sales (USA), Inc.              | Illinois       |
| 203. | Pear Bureau Northwest              | Oregon         |
| 204. | Peco Foods                         | Alabama        |
| 205. | Pensacola Shipyard Marine Complex  | Florida        |
| 206. | Perdue Farms                       | Maryland       |
| 207. | Peterson Farms Seed                | North Dakota   |
| 208. | Pitman & Sons Produce              | Florida        |
| 209. | Port Authority of Corpus Christi   | Texas          |
| 210. | Port of Freeport                   | Texas          |
| 211. | Port of Lake Charles               | Louisiana      |
| 212. | Port of New Orleans                | Louisiana      |
| 213. | Port of Pascagoula                 | Mississippi    |
| 214. | Port of Pensacola                  | Florida        |
| 215. | Praire Foods, Inc.                 | Illinois       |
| 216. | Premier Pulses International       | North Dakota   |
| 217. | Primm Ans Assoc                    | Kentucky       |
| 218. | Producers Peanut Co., Inc.         | Virginia       |
| 219. | Provisions International           | Florida        |
| 220. | PS International                   | North Carolina |
| 221. | Puerto Rico Supplies               | Puerto Rico    |
| 222. | Purity Products                    | Florida        |
| 223. | Purity Products of Maryland        | Maryland       |
| 224. | Radio Foods                        | Massachusetts  |
| 225. | Julito Ramirez Corporation         | Puerto Rico    |
| 226. | Raque Distributing                 | Kentucky       |
| 227. | Red River Farm                     | North Dakota   |
| 228. | Reilly Dairy & Food Company        | Florida        |
| 229. | RMD Potato Sales, Inc.             | North Dakota   |
| 230. | RDO Foods                          | North Dakota   |
| 231. | Rice Belt Warehouse                | Texas          |
| 232. | Riceland Foods                     | Arkansas       |
| 233. | Rich Products Corporation          | New York       |
| 234. | Rose Packing Co., Inc.             | Illinois       |
| 235. | San Juan Navigation                | Washington     |
| 236. | Sara Lee Corporation               | Illinois       |
| 237. | Sargento Foods Inc.                | Wisconsin      |
| 238. | Schreiber International            | Wisconsin      |
| 239. | Select Sires Inc.                  | Ohio           |
| 240. | Seneca Foods Corporation           | New York       |
| 241. | Cooper T Smith                     | Louisiana      |
| 242. | Smithfield Packing Company         | Virginia       |
| 243. | Southcorp Wines                    | Florida        |
| 244. | Southern Fields Aloe               | Texas          |
| 245. | Southern Pride Catfish             | Alabama        |
| 246. | Southport-RMG-Genescan (U.S. Gulf) | Louisiana      |
| 247. | Splash Tropical Drinks             | Florida        |
| 248. | State of Iowa                      | Iowa           |
| 249. | Stinson Seafood 2001, Inc.         | Maine          |
| 250. | Storm King                         | New York       |
| 251. | Sun International Produce Company  | Florida        |
| 252. | Sunlight Foods, Inc.               | Florida        |
| 253. | Sunset Farms                       | Georgia        |
| 254. | Sun-Maid Growers Of California     | California     |
| 255. | Superior Grains Inc.               | North Dakota   |
| 256. | Switch Beverage Company            | Virginia       |
| 257. | Tate & Lyle North America          | Illinois       |
| 258. | Tech Mercantile Limited            | Barbados       |
| 259. | Texas Department of Agriculture    | Texas          |
| 260. | Texas Grain Sorghum Board          | Texas          |
| 261. | The Rice Company                   | California     |
| 262. | T.K. Exports Inc.                  | Virginia       |
| 263. | TLC Molding                        | Georgia        |
| 264. | Trailer Bridge                     | Florida        |
| 265. | The Carriage House of Companies    | New York       |
| 266. | The Tupman Thurlow Co., Inc.       | Connecticut    |
| 267. | Tyson Foods                        | Arkansas       |
| 268. | Unity Seed Company                 | North Dakota   |
| 269. | U.S. Foodservice                   | Maryland       |



|      |   |                  |
|------|---|------------------|
| 270. | U.S. Grains Council                           | Washington, D.C. |
| 271. | U.S. Meat Export Federation                   | Colorado         |
| 272. | U.S.A Rice Federation                         | Virginia         |
| 273. | U.S.A. Poultry & Egg Export Council (USAPEEC) | Georgia          |
| 274. | Virginia Department of Agriculture            | Virginia         |
| 275. | Walt Koch Inc.                                | Georgia          |
| 276. | Ward Bro. Tractor and Equipment               | North Carolina   |
| 277. | Wauregan Farms                                | Maine            |
| 278. | Washington Apple Commission                   | Washington       |
| 279. | Washington State Potato Commission            | Washington       |
| 280. | Weisenberger Mills                            | Kentucky         |
| 281. | Wells' Dairy, Inc.                            | Iowa             |
| 282. | J.P. Wright & Company                         | Florida          |
| 283. | Wm. Wrigley Jr. Company                       | Illinois         |
| 284. | Harold White Lumber                           | Kentucky         |
| 285. | White Rose Food                               | New Jersey       |
| 286. | Worldwide Marketing                           | Georgia          |
| 287. | Worldwide Wine Services                       | Connecticut      |
| 288. | XDX Innovative Refrigeration                  | Illinois         |
| 289. | Xport Masters, Inc.                           | Minnesota        |
| 290. | Y&Y Agriculture                               | Georgia          |
| 291. | Yanez International Commodities               | Washington       |

Source: U.S.-Cuba Trade and Economic Council, Inc. "Final U.S. Food & Agribusiness Exhibition Report".  
<https://static1.squarespace.com/static/563a4585e4b00d0211e8dd7e/t/563a8590e4b0c2b53401b03a/1446675856208/pwnUSFAEfinalreport.pdf>

# **Exhibit 197**

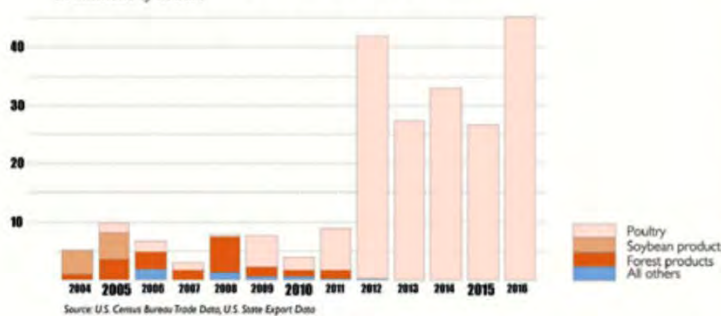


**ALABAMA** A TESTED PATHWAY TO CUBA

**2016 AG SALES TO CUBA: \$45 MILLION**

**POTENTIAL AG SALES TO CUBA: \$33.4 MILLION to \$98 MILLION**

**ALABAMA AGRICULTURAL EXPORTS TO CUBA 2004-2017**  
In millions of dollars



**ALABAMA** has sold about \$251 million worth of agriculture products to Cuba since 2004, according to the USDA, including shipments in the first half of 2017. About 87 percent of those exports have been poultry meat. The state has also intermittently sold corn, soybeans, vegetable oil, pork, processed foods, and forest products to Cuba.

“We are averaging somewhere between 9,000 and 10,000 tons of frozen leg quarters per month [to Cuba],” says Alabama agriculture commissioner John McMillan. “It’s definitely not all from Alabama—some of it comes from Georgia and Arkansas—but a lot of it is processed in Alabama.” And a lot of it does come from the state, which produced \$2.8 billion worth of broilers in 2016.

Lifting financial restrictions for agriculture exports to Cuba is unlikely to dramatically impact Alabama’s poultry

meat sales to Cuba. In recent years, the U.S. has supplied about three quarters of Cuba’s annual imports of poultry meat (2012-2014), though in the last two years this has fallen to about half (2015-2016).

U.S. poultry sales may get a boost as per capita consumption of poultry in Cuba has been rising steadily since 2005. The per capita consumption was 19.5 kilograms in 2014—up from 12.6 kilograms in 2005, according to a USITC report. At the same time, Cuba’s limited domestic production has remained steady.

If Alabama were to hold its average share of U.S. poultry exports to Cuba 2014-2016 (21 percent), and the U.S. supplied half of the Cuba market for poultry, that would mean about \$22 million in annual sales for the state. If Alabama were to hold its 2016 share of U.S. poultry exports to Cuba (48 percent), that would rise to \$48 million. And if the U.S. were to

| Rank | Commodity         | Sales |
|------|-------------------|-------|
| 1    | Broilers          | 2,864 |
| 2    | Cattle and calves | 419   |
| 3    | Chicken Eggs      | 368   |
| 4    | Cotton            | 199   |
| 5    | Soybeans          | 163   |
| 6    | Corn              | 131   |
| 7    | Catfish           | 120   |
| 8    | Peanuts           | 116   |
| 9    | Wheat             | 59    |
| 10   | Hay               | 52    |

Source: USDA/ERS Farm Income and Wealth Statistics

| Rank | Commodity       | Sales |
|------|-----------------|-------|
| 1    | Broiler meat    | 347   |
| 2    | Cotton          | 143   |
| 3    | Soybeans        | 94    |
| 4    | Beef and veal   | 45    |
| 5    | Wheat           | 41    |
| 6    | Feeds           | 39    |
| 7    | Corn            | 26    |
| 8    | Soybean meal    | 24    |
| 9    | Vegetable oils  | 24    |
| 10   | Processed grain | 15    |

Source: USDA Economic Research Service; USDA Foreign Agricultural Service (Global Agricultural Trade System)

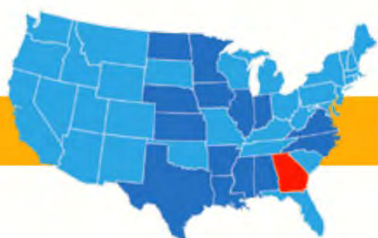
return to its previous role as the supplier of 75 percent of Cuba’s poultry needs, those figures would rise to \$32 million and \$74 million respectively.

Alabama could see sales of soybeans and corn to Cuba; currently it supplies neither commodity to the island, but they were Alabama’s 6<sup>th</sup> and 7<sup>th</sup> most valuable products in 2016, according to the USDA. If the U.S. were to capture half of Cuba’s soybean market and most of its corn market, and Alabama supplied just 2 percent and .3 percent of the U.S. total (its current share of world exports), it would mean sales of about \$1.2 million.

McMillan would also like to explore the sale of forest products. “My father had a small export pine sawmill, and almost all of our production went into the Caribbean, mainly Cuba... When Congress does relax restrictions, this represents business.” ★

Source: Cuba Trade Magazine and The U.S. Agriculture Coalition for Cuba. THE WHITE PAPER. “OPPORTUNITIES FOR U.S. AGRICULTURE EXPORTS TO CUBA”. 2017.

# **Exhibit 198**

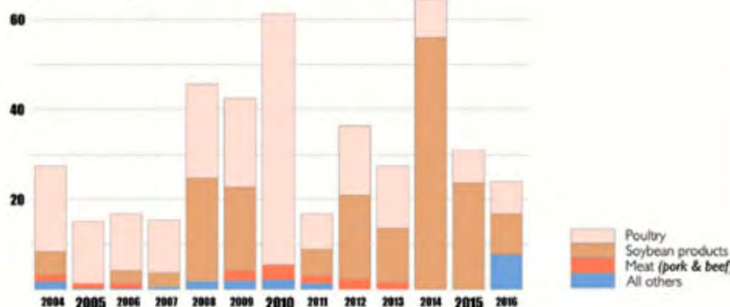


**GEORGIA WINNER OF CUBA'S CHICKEN DINNERS**

**2016 AG SALES TO CUBA: \$24 MILLION**

**POTENTIAL AG SALES TO CUBA: \$43 MILLION to \$72 MILLION**

**GEORGIA AGRICULTURAL EXPORTS TO CUBA 2004-2017**  
*In millions of dollars*



**Arkansas's Top 10 Agriculture Products (2016, in millions of \$)**

| Rank | Commodity         | Sales |
|------|-------------------|-------|
| 1    | Broilers          | 3,855 |
| 2    | Cotton            | 737   |
| 3    | Peanuts           | 589   |
| 4    | Chicken Eggs      | 563   |
| 5    | Cattle and calves | 349   |
| 6    | Dairy Products    | 318   |
| 7    | Pecans            | 272   |
| 8    | Corn              | 189   |
| 9    | Cottonseed        | 113   |
| 10   | Onions            | 122   |

Source: USDA/ERS Farm Income and Wealth Statistics

**Arkansas's Top 10 Agriculture Products (2015, in millions of \$)**

| Rank | Commodity        | Sales |
|------|------------------|-------|
| 1    | Cotton           | 617   |
| 2    | Broiler meat     | 444   |
| 3    | Tree Nuts        | 223   |
| 4    | Proc. Vegetables | 99    |
| 5    | Soybeans         | 63    |
| 6    | Vegetable oils   | 55    |
| 7    | Fresh Fruit      | 54    |
| 8    | Dairy Products   | 52.5  |
| 9    | Processed Fruit  | 52    |
| 10   | Fresh Vegetables | 51    |

Source: USDA Economic Research Service; USDA Foreign Agricultural Service (Global Agricultural Trade System)

**GEORGIA'S** top exports to Cuba are poultry meat and soybean meal. While Georgia tops all states for poultry exports worldwide, it comes in at No. 2 for Cuba (behind Alabama). With \$214 million worth sold to the island since 2004, it constitutes about 23 percent of U.S. poultry sales to Cuba for that period, according to the USDA. The state has also sold about \$164 million worth of soymeal since 2004, making up about 32 percent of U.S. soy-meal sales. Soybeans, snack foods, pork and meat products comprise most of Georgia's remaining historic exports to Cuba, which total about \$435 million since 2004.

As the nation's leading producer of broiler chickens, Georgia is an excellent position to increase sales to Cuba, which imported an average total of \$206 million annually from 2012 to 2014. While the U.S. supplied about half of Cuba's poultry

imports in 2015 and 2016, those exports could climb to 75 percent, the percentage the U.S. held from 2012 to 2014.

Based on Georgia's average annual percentage of U.S. poultry sales to Cuba since 2004, that could mean sales of about \$35 million.

"The largest U.S. export to Cuba is poultry and Georgia is the nation's top poultry exporter, exporting \$1.2 billion worth of poultry in 2013," notes Georgia Farm Bureau President Gerald Long. "With only \$13.7 million going to Cuba [that year], [Georgia] poultry has a tremendous opportunity to gain market share in Cuba."

Georgia likewise has an opportunity to increase its soymeal sales to Cuba. Even though Georgia ranks 23<sup>rd</sup> in the nation for soymeal exports worldwide, it has averaged \$24 million in soybean meal sales

to Cuba over the last five years (though just \$9 million last year).

Assuming the U.S. can capture 50 to 80 percent of the market for soybean meal (Cuba has very little soybean crushing capacity), and assuming Georgia could maintain its share of U.S. soymeal sales to Cuba since 2004 (32 percent, according to the USDA), the result would be sales of \$21.5 to \$34 million annually. However, it must be assumed that only a small percentage of this soymeal is grown in Georgia—perhaps \$2 million worth, based on their share of national soy production.

Demand for soymeal in Cuba (as livestock feed) should rise with an emerging middle class and booming tourism sector, which may also increase demand for commodities such as snack foods and chocolate; Georgia sold \$7 million worth to Cuba last year. ★

**Source:** Cuba Trade Magazine and The U.S. Agriculture Coalition for Cuba. THE WHITE PAPER. "OPPORTUNITIES FOR U.S. AGRICULTURE EXPORTS TO CUBA". 2017.

# **Exhibit 199**



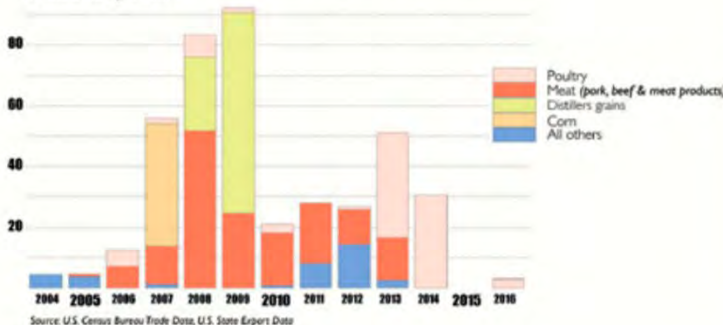
## ILLINOIS

## THE CORN AND SOYBEAN BASKET

**2016 AG SALES TO CUBA: \$277 THOUSAND**

**POTENTIAL AG SALES TO CUBA: \$43 MILLION to \$90 MILLION**

**ILLINOIS AGRICULTURAL EXPORTS TO CUBA 2004-2017**  
In millions of dollars



Source: U.S. Census Bureau Trade Data, U.S. State Export Data

**Illinois's Top 10 Agriculture Products**  
(2016, in millions of \$)

| Rank | Commodity         | Sales |
|------|-------------------|-------|
| 1    | Corn              | 7,256 |
| 2    | Soybeans          | 5,332 |
| 3    | Hogs              | 1,213 |
| 4    | Cattle and calves | 610   |
| 5    | Dairy products    | 314   |
| 6    | Wheat             | 137   |
| 7    | Chicken Eggs      | 72    |
| 8    | Pumpkins          | 52    |
| 9    | Hay               | 52    |
| 10   | Mushrooms         | 35    |

Source: USDA/ERS Farm Income and Wealth Statistics

**Illinois's Top 10 Agriculture Products**  
(2015, in millions of \$)

| Rank | Commodity       | Sales |
|------|-----------------|-------|
| 1    | Soybeans        | 2,698 |
| 2    | Feeds           | 1,463 |
| 3    | Corn            | 1,367 |
| 4    | Soybean meal    | 685   |
| 5    | Processed grain | 423   |
| 6    | Pork            | 334   |
| 7    | Wheat           | 77    |
| 8    | Beef and veal   | 55    |
| 9    | Dairy           | 49    |
| 10   | Hides and skins | 48    |

Source: USDA Economic Research Service; USDA Foreign Agricultural Service (Global Agricultural Trade System)

**ILLINOIS** has sold only about \$41 million worth of agriculture products to Cuba since 2004, and close to nothing in the last two years, according to the USDA. Yet, Illinois stands to reap benefits from access to the Cuban market. The state ranks as the nation's number two exporter of corn, and the top exporter of soybeans and soybean meal, all of which Cuba imports regularly.

The U.S. already has a competitive advantage over corn suppliers in Brazil, Argentina, Canada and Ukraine because of its proximity to the island. Economists estimate that the U.S. could capture 80 to 90 percent of the Cuban corn market, its share from 2002 to 2008. At Illinois' current share of all U.S. corn exports (16 percent) that would mean \$29 million to \$32.5 million in annual sales to Cuba.

The odds are that Illinois will take a larger share of the Cuban corn market, although predicting how much is limited by difficulties in sourcing corn shipments to Cuba. Since 2004, for example, Louisiana has sold Cuba 85 percent of the corn from the U.S. but produces only 3.5 percent of what Illinois produces. It is likely that much of what Louisiana ships comes from Illinois and other corn states.

The same analysis applies for soybeans and soybean meal. Based on Cuba's average imports of soybeans and soymeal 2012-2014 (\$69 million and \$134 million, respectively), and on the U.S. potential to capture 50 percent to 80 percent of that market, Illinois could export \$14 million to \$23 million annually to Cuba based just on its current share of all U.S. soy exports (14 percent).

Again, the odds are that Illinois will take a larger share of the Cuban market than the world market, due to proximity and ease of transport. It most likely already does; whereas Louisiana has been the top exporter of U.S. soybeans to Cuba—44 percent since 2004—it produces less than 2 percent of the nation's total. Hence it is likely Illinois is already shipping its soybeans to Cuba via ports in Louisiana.

"We raise a lot of corn, soybeans, cattle and hogs, and... we have a lot of food manufacturing, so besides corn and soybeans going to Cuba, there are other products—wheat, dairy products, meat products, fertilizers, machinery, and snack products," says Illinois Farm Bureau president Richard Guebert, "value added products that we would like to export to Cuba." ★



**Source:** Cuba Trade Magazine and The U.S. Agriculture Coalition for Cuba. THE WHITE PAPER. “OPPORTUNITIES FOR U.S. AGRICULTURE EXPORTS TO CUBA”. 2017.

# **Exhibit 200**



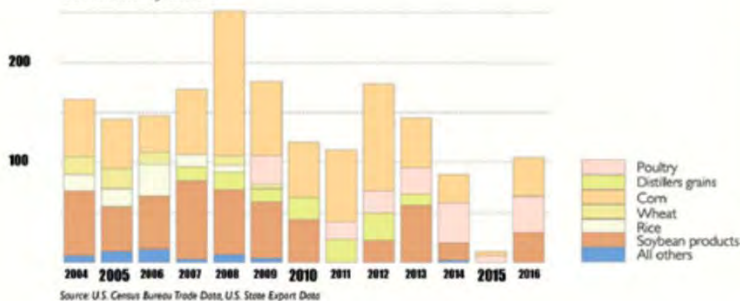
**LOUISIANA** THE GO-BETWEEN FOR AG SALES TO CUBA

**2016 AG SALES TO CUBA: \$105 MILLION.**

**POTENTIAL AG SALES TO CUBA: \$100 MILLION to \$259 MILLION**

**(\$30 MILLION TO \$40 MILLION LOCAL**

**LOUISIANA AGRICULTURAL EXPORTS TO CUBA 2004-2017**  
In millions of dollars



**Louisiana's Top 10 Agriculture Products (2016, in millions of \$)**

| Rank | Commodity         | Sales |
|------|-------------------|-------|
| 1    | Soybeans          | 569   |
| 2    | Broilers          | 445   |
| 3    | Rice              | 307   |
| 4    | Sugarcane         | 304   |
| 5    | Corn              | 291   |
| 6    | Cattle and calves | 216   |
| 7    | Cotton            | 60    |
| 8    | Chicken Eggs      | 53    |
| 9    | Sweet Potatoes    | 33    |
| 10   | Dairy products    | 28    |

Source: USDA/ERS Farm Income and Wealth Statistics

**Louisiana's Top 10 Agriculture Products (2015, in millions of \$)**

| Rank | Commodity       | Sales |
|------|-----------------|-------|
| 1    | Soybeans        | 316   |
| 2    | Rice            | 269   |
| 3    | Soybean meal    | 80    |
| 4    | Cotton          | 76    |
| 5    | Feeds           | 62    |
| 6    | Broiler meat    | 52    |
| 7    | Vegetable oils  | 49    |
| 8    | Corn            | 48    |
| 9    | Processed grain | 39    |
| 10   | Beef and veal   | 29    |

Source: USDA Economic Research Service; USDA Foreign Agricultural Service (Global Agricultural Trade System)

**LOUISIANA** has sold about \$1.9 billion worth of agriculture products to Cuba since 2004, making it the largest U.S. state supplier of food to the island, according to the USDA. Most of those commodities were produced by inland states and shipped through Louisiana, though some was produced locally.

"We are the gateway of the heartland of America," says Mike Strain, Louisiana's commissioner of agriculture. "In addition to Louisiana produce, most of what is exported to Cuba will come through Louisiana."

Corn has accounted for the bulk of agriculture shipments from Louisiana, about 43 percent of Louisiana's agriculture sales to Cuba since 2004, with soybean products and poultry accounting for another 29 percent and 11 percent respectively.

Soybeans and poultry are the top two commodities produced by Louisiana itself,

respectively, followed by corn and rice. But as a percentage of total U.S. exports and production, Louisiana soybeans and poultry make up just a small fraction (.6 percent and 3 percent). In terms of what is produced in Louisiana, rice is a more viable commodity.

Even with its export numbers inflated by pass-through commodities, Strain says that Louisiana itself will produce a sizeable part of what it exports to the island market. "We have poultry, eggs soybeans, rice, and dairy. The potential for us is tremendous. We have the largest poultry export facility in the world. We also have tremendous rice exports."

No rice has been shipped from the U.S. to Cuba since 2008, but based on its share of all potential U.S. rice exports to the island nation (13.5 percent of \$87 million) and its proximity to Cuba, Louisiana could export \$17 million worth of rice

there annually.

As for poultry, Louisiana has historically shipped 19 percent of total U.S. exports to Cuba; in 2016, with \$36 million in shipments to Cuba, it was beaten only Alabama. However, Louisiana produces just 3 percent of the nation's poultry; on that basis, even with a boost for proximity to market, probably only about \$5-\$7 million of those exports come from the state itself.

Corn shows even a greater discrepancy between what is shipped from Louisiana and what is grown there. Historically, 85 percent of all corn shipped to Cuba has come from ports in Louisiana. However, Louisiana produces less than 1 percent of nation's corn crop. So, while Louisiana has the potential to export between \$153 million and \$172 million worth of corn to Cuba, only about \$1 million will come from the state itself. ★

**Source:** Cuba Trade Magazine and The U.S. Agriculture Coalition for Cuba. THE WHITE PAPER. "OPPORTUNITIES FOR U.S. AGRICULTURE EXPORTS TO CUBA". 2017.

# **Exhibit 201**

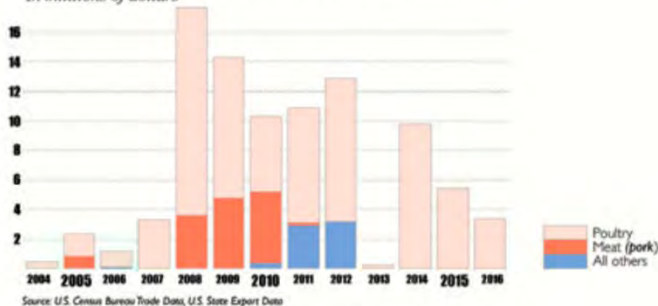


**NORTH CAROLINA** A REGULAR SUPPLIER AIMS HIGHER

**2016 AG SALES TO CUBA: \$3.4 MILLION.**

**POTENTIAL AG SALES TO CUBA: \$12 MILLION to \$16 MILLION**

**NORTH CAROLINA AGRICULTURAL EXPORTS TO CUBA 2004-2017**  
In millions of dollars



Source: U.S. Census Bureau Trade Data, U.S. State Export Data

**North Carolina's Top 10 Agriculture Products (2016, in millions of \$)**

| Rank | Commodity         | Sales |
|------|-------------------|-------|
| 1    | Broilers          | 3,091 |
| 2    | Hogs              | 2,103 |
| 3    | Turkeys           | 993   |
| 4    | Tobacco           | 668   |
| 5    | Soybeans          | 543   |
| 6    | Chicken Eggs      | 444   |
| 7    | Corn              | 429   |
| 8    | Sweet Potatoes    | 342   |
| 9    | Cattle and calves | 255   |
| 10   | Dairy products    | 164   |

Source: USDA/ERS Farm Income and Wealth Statistics

**North Carolina's Top 10 Agriculture Products (2015, in millions of \$)**

| Rank | Commodity        | Sales |
|------|------------------|-------|
| 1    | Pork             | 604   |
| 2    | Tobacco          | 558   |
| 3    | Broiler Meat     | 361   |
| 4    | Soybeans         | 305   |
| 5    | Cotton           | 174   |
| 6    | Proc. Vegetables | 112   |
| 7    | Wheat            | 87    |
| 8    | Feeds            | 84    |
| 9    | Soybean Meal     | 77    |
| 10   | Corn             | 67    |

Source: USDA Economic Research Service; USDA Foreign Agricultural Service (Global Agricultural Trade System)

**NORTH CAROLINA** is the nation's second largest producer and exporter of broilers, one of the top food commodities that Cuba imports today, according to the Global Trade Atlas. Using the baseline of 2012 to 2014, Cuba imported an average of \$206 million annually of poultry, most of which was frozen broiler quarters.

Since 2004, North Carolina has sold about \$93 million worth of agriculture products to Cuba, according to the USDA, with poultry meat accounting for about 78 percent of those exports. The remaining exports were pork and cotton.

While the U.S. captured roughly half of the Cuban poultry market in 2015 and 2016, it previously held 75 percent of that market. If North Carolina could retain its national share of all broiler exports (12 percent) it could increase its sales from about \$3.3 million last year to \$12 million a

year based on current exports to Cuba, and up to \$18 million if the U.S. were able to return to its previous market share. Factor in proximity, and that figure could reach \$

As a top pork producing state, North Carolina may see a boost in pork sales with the lifting of financing restrictions. That boost may have a limited impact, however, as Cuba rarely imports more than \$30 million of pork annually, according to the USTIC. However, an emerging middle class and growing tourism may increase demand for pork.

Besides pork and poultry, North Carolina also produces corn, wheat and soybean products. All could see a small boost in sales if agriculture restrictions are lifted.

"If Cuba were to really open up... It would become a more traditional Caribbean island nation, and we could sell

them a larger range of agriculture goods," says Peter Thornton, an assistant director of international marketing at the North Carolina Department of Agriculture and Consumer Services. "The purchasing power of the population is the limiting factor. If that is addressed, they could be [a bigger market]."

North Carolina's Farm Bureau president, Larry Wooten—who has traveled to Cuba twice and led a delegation from North Carolina in 2015—believes the market for food products will grow as more Americans travel to the island, and that those sales should go to U.S. farmers. "Cuba is a potential market for North Carolina agriculture products," he says, "and one that we should lift restrictions on. Certainly, here at the North Carolina Farm Bureau, we see no reason why we shouldn't." ★

**Source:** Cuba Trade Magazine and The U.S. Agriculture Coalition for Cuba. THE WHITE PAPER. “OPPORTUNITIES FOR U.S. AGRICULTURE EXPORTS TO CUBA”. 2017.

# **Exhibit 202**

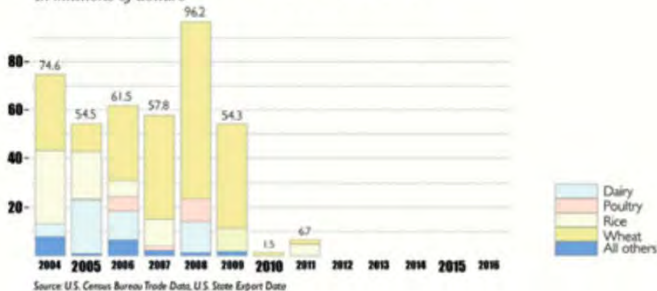




**2016 AG SALES TO CUBA: \$133 THOUSAND**

**POTENTIAL AG SALES TO CUBA: \$23 MILLION to \$51 MILLION**

**TEXAS AGRICULTURAL EXPORTS TO CUBA 2004-2017**  
In millions of dollars



Source: U.S. Census Bureau Trade Data, U.S. State Export Data

**TEXAS** has sold about \$407 million worth of food to Cuba since 2004, according to the USDA, though very little since 2012.

Most of what Texas exported to Cuba was wheat, about 58 percent of the total. Rice accounted for about 16 percent, while dairy products accounted for about 12 percent. While Cuba has mostly stopped buying those commodities from the U.S., Texas is, however, the nation's sixth-largest exporter of wheat, rice, and dairy products, according to the USDA, as well as the sixth largest exporter of broiler chickens and twelfth largest exporter of corn—all regular Cuban imports.

For wheat, most of what passed through Texas ports to Cuba was likely grown elsewhere; Texas produces only 3 percent of the nation's crop yet was responsible for 67 percent of U.S. wheat

exports to Cuba from 2004 to 2011, according to U.S. Census Bureau Trade Data. A better gauge would be Texas' wheat exports to the Caribbean, about 9 percent for 2015 and 2016. On that basis, Texas would likely export \$11 million to \$17 million to Cuba.

For rice, the situation is parallel. About 40 percent of rice sales to Cuba to date have come through Texas, though it produces only about 5 percent of the nation's crop, according to the USDA. Even with proximity to Cuba, the state will probably capture no more than that, based on its rice exports to the Caribbean 2012-2016 (5 percent). Assuming the U.S. can capture half of all rice sales to Cuba, that would mean \$4 million annually.

Dairy exports are similar. Despite shipping 76 percent of U.S. dairy to Cuba

| Rank | Commodity         | Sales |
|------|-------------------|-------|
| 1    | Cattle and calves | 8,470 |
| 2    | Cotton            | 2,236 |
| 3    | Dairy Products    | 1,848 |
| 4    | Broilers          | 2,030 |
| 5    | Corn              | 1,152 |
| 6    | Hay               | 493   |
| 7    | Cottonseed        | 440   |
| 8    | Sorghum           | 403   |
| 9    | Chicken Eggs      | 361   |
| 10   | Wheat             | 293   |

Source: USDA/ERS Farm Income and Wealth Statistics

| Rank | Commodity       | Sales |
|------|-----------------|-------|
| 1    | Cotton          | 1,440 |
| 2    | Beef and Veal   | 916   |
| 3    | Feeds           | 398   |
| 4    | Hides and Skins | 284   |
| 5    | Wheat           | 271   |
| 6    | Dairy Products  | 267   |
| 7    | Broiler Meat    | 212   |
| 8    | Corn            | 200   |
| 9    | Processed Grain | 146   |
| 10   | Rice            | 93    |

Source: USDA Economic Research Service; USDA Foreign Agricultural Service (Global Agricultural Trade System)

since 2004, Texas produces only 5 percent of the nation's dairy products; with proximity to Cuba factored in, it could capture about 6.5 percent of potential U.S. sales to Cuba, or \$6 million.

For poultry, Texas could sell \$7 million to \$9.4 million annually, based on its 7 percent share of all U.S. poultry exports. Factor in proximity and that climbs to \$9 million to \$12 million. Likewise, with corn: Based on Texas's 2.3 percent share of national output, sales should reach \$4 million, and with proximity factored in, \$5 million.

"Actually, it's a misnomer that we don't trade with Cuba," says Sid Miller, Texas' Commissioner of Agriculture. "We have traded in the past, selling rice and other things over the years. We haven't done a lot lately, because right now they are buying lower quality [elsewhere]." ★

**Source:** Cuba Trade Magazine and The U.S. Agriculture Coalition for Cuba. THE WHITE PAPER. "OPPORTUNITIES FOR U.S. AGRICULTURE EXPORTS TO CUBA". 2017.

# **Exhibit 203**



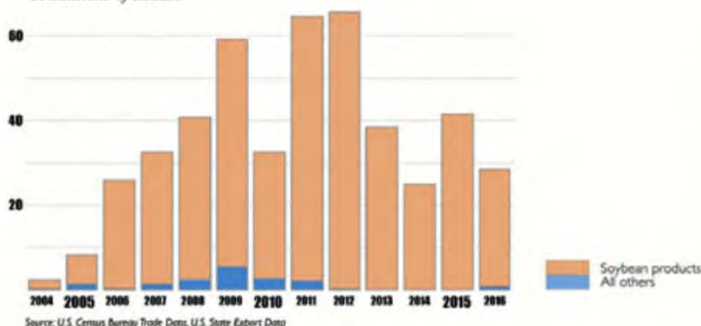
**VIRGINIA THE SOY GATEWAY**

**2016 AG SALES TO CUBA: \$28.5 MILLION.**

**POTENTIAL AG SALES TO CUBA: \$40 MILLION to \$63 MILLION**

**(\$5 MILLION GROWN IN VIRGINIA)**

**VIRGINIA AGRICULTURAL EXPORTS TO CUBA 2004-2017**  
In millions of dollars



Source: U.S. Census Bureau Trade Data, U.S. State Export Data

**VIRGINIA**, when it comes to current U.S. agriculture exports to Cuba, is the king of soy. From 2004 to 2016, nearly two thirds—some 64 percent—of all U.S. soybeans exported to Cuba came from Virginia’s ports. During the same period, Virginia exported almost one quarter—some 23 percent—of all U.S. soybean meal to Cuba.

Most of this soy, however, is most likely grown and supplied by other states, such as nearby Ohio, Indiana, and Illinois. All three are among the top six states producing soy products nationwide, whereas Virginia ranks 20<sup>th</sup> for soybean and soy meal.

“Virginia was one of the first states to start sending agricultural exports to Cuba in the early 2000’s when trade restrictions were loosened,” says Charles Green, the state’s deputy agriculture commissioner.

“Geographically, for that type of commodity [soy], Virginia’s a very competitive state.”

It is also a state that has continuously exported food product to Cuba since agriculture sales were permitted. From 2004 to 2016, Virginia exported \$463 million worth of agricultural goods to Cuba, nearly 9.5 percent of total U.S. exports to the island, according to the USDA.

If Virginia were to maintain its average market share of U.S. soybean and soy meal exports to Cuba for the last thirteen years, and the U.S. were to capture half of the Cuban soybean and soybean meal markets, Virginia could see exports reach \$22 million and \$15 million respectively. If the U.S. were to capture 80 percent of the Cuban soybean and soy meal markets, those figures would climb to \$35 million and \$24 million respectively.

On other hand, if Virginia’s soy

| Rank | Commodity         | Sales |
|------|-------------------|-------|
| 1    | Broilers          | 733   |
| 2    | Cattle and calves | 416   |
| 3    | Turkeys           | 386   |
| 4    | Dairy Products    | 308   |
| 5    | Soybeans          | 200   |
| 6    | Corn              | 172   |
| 7    | Hay               | 119   |
| 8    | Tobacco           | 110   |
| 9    | Chicken Eggs      | 97    |
| 10   | Wheat             | 54    |

Source: USDA/ERS Farm Income and Wealth Statistics

| Rank | Commodity      | Sales |
|------|----------------|-------|
| 1    | Soybeans       | 110   |
| 2    | Broiler meat   | 83    |
| 3    | Tobacco        | 79    |
| 4    | Beef and Veal  | 54.5  |
| 5    | Feeds          | 54    |
| 6    | Cotton         | 52    |
| 7    | Dairy Products | 50    |
| 8    | Wheat          | 42    |
| 9    | Corn           | 29    |
| 10   | Soybean meal   | 28    |

Source: USDA Economic Research Service; USDA Foreign Agricultural Service (Global Agricultural Trade System)

exports were based upon the state’s overall share of U.S. production and exports, those figures would drop to \$1 million combined.

In the case of poultry, however, Virginia does produce just under 3 percent of the nation’s total. In 2016, it shipped \$732,000 worth to Cuba, and is on track to ship about \$3 million worth in 2017. That is consistent with Virginia’s share of national poultry production; if you factor in proximity to market, sales to Cuba could cross \$5 million if the U.S. were to increase its market share there from 2015-2016’s 50 percent to the 75 percent share it held in previous years.

Virginia has also shipped tiny amounts of beef, pork, and fresh fruit to Cuba, but overall soy products have made up 97 percent of its sales of food products to Cuba. ★

**Source:** Cuba Trade Magazine and The U.S. Agriculture Coalition for Cuba. THE WHITE PAPER. "OPPORTUNITIES FOR U.S. AGRICULTURE EXPORTS TO CUBA". 2017.

# **Exhibit 204**

**U.S.-Cuba Trade and Economic Council, Inc.**

New York, New York

Telephone (917) 453-6726 • E-mail: [council@cubatrade.org](mailto:council@cubatrade.org)Internet: <http://www.cubatrade.org> • Twitter: @CubaCouncilFacebook: [www.facebook.com/uscubatradeandeconomiccouncil](http://www.facebook.com/uscubatradeandeconomiccouncil)LinkedIn: [www.linkedin.com/company/u-s--cuba-trade-and-economic-council-inc-](http://www.linkedin.com/company/u-s--cuba-trade-and-economic-council-inc-)

This is a list of United States-based companies since 2001 who have exported on a commercial basis products from the United States to the Republic of Cuba. Products have included agricultural commodities, food products, healthcare products, equipment, machinery, and automobiles. Some companies have exported once, some more than once.

**NOTE:** If there are companies not included in this list, please contact [council@cubatrade.org](mailto:council@cubatrade.org) with the name of the company and the product(s) that was exported. Not donated product.

|     | <b>Company</b>  | <b>Headquarters</b> |
|-----|---|---------------------|
| 1.  | <b>Ag Link International</b>                          | Pennsylvania        |
| 2.  | <b>AJC International</b>                              | Georgia             |
| 3.  | <b>American Foods Group</b>                           | Wisconsin           |
| 4.  | <b>Archer Daniels Midland Company</b>                 | Illinois            |
| 5.  | <b>Atlantic Wood Corporation</b>                      | Virginia            |
| 6.  | <b>Blue Grass Cooperage (Brown-Forman)</b>            | Kentucky            |
| 7.  | <b>Blue Ridge Lumber</b>                              | Virginia            |
| 8.  | <b>Boston Agrex</b>                                   | Massachusetts       |
| 9.  | <b>Bowman Apple Products</b>                          | Virginia            |
| 10. | <b>Brown-Forman Corporation</b>                       | Kentucky            |
| 11. | <b>Bryan Foods (Sara Lee)</b>                         | Missouri            |
| 12. | <b>Bunge Latin America</b>                            | Florida             |
| 13. | <b>C.L. Henderson Produce</b>                         | North Carolina      |
| 14. | <b>Capsugel</b>                                       | New Jersey          |
| 15. | <b>Cargill</b>  | Minnesota           |
| 16. | <b>Caterpillar (RIMCO Distributor in Puerto Rico)</b> | Illinois            |
| 17. | <b>Cellmark Paper</b>                                 | Florida             |
| 18. | <b>Cherokee Trading</b>                               | Georgia             |
| 19. | <b>Cohen Produce Marketing Co.</b>                    | Pennsylvania        |
| 20. | <b>Colorado Boxed Beef Company</b>                    | Florida             |
| 21. | <b>Colorado Boxed Bean Company</b>                    | Florida             |
| 22. | <b>ConAgra</b>  | Nebraska            |
| 23. | <b>CoStar Bean Marketing</b>                          | Michigan            |
| 24. | <b>Crown Orchards</b>                                 | Virginia            |
| 25. | <b>Dairy America</b>                                  | California          |
| 26. | <b>Dakota Growers Pasta</b>                           | North Dakota        |
| 27. | <b>Dean Specialty Foods</b>                           | Illinois            |
| 28. | <b>Dolphin Shipping &amp; Trading</b>                 | Georgia             |
| 29. | <b>Dolphin Shipping and Trading</b>                   | Georgia             |
| 30. | <b>E.J. Gallo</b>                                     | California          |
| 31. | <b>Earthwise Processors</b>                           | North Dakota        |
| 32. | <b>Eli Lilly and Company</b>                          | Indiana             |
| 33. | <b>Export Mid Atlantic</b>                            | Maryland            |
| 34. | <b>F.C. Stone (FGDI)</b>                              | Iowa                |
| 35. | <b>Florida Produce of Hillsborough County</b>         | Florida             |
| 36. | <b>Food Concept Developers</b>                        | Illinois            |
| 37. | <b>Gerber</b>   | Michigan            |
| 38. | <b>Glasgow Spray Dry</b>                              | Kentucky            |
| 39. | <b>Globex International</b>                           | Georgia             |
| 40. | <b>Gold Kist</b>                                      | Georgia             |
| 41. | <b>Grove Services</b>                                 | Massachusetts       |

|     |  |                |
|-----|--|----------------|
| 42. | <b>Harvey-Price Cotton Co.</b>                       | North Carolina |
| 43. | <b>Intervision Foods</b>                             | New York       |
| 44. | <b>J.P. Wright &amp; Company</b>                     | Florida        |
| 45. | <b>Deere &amp; Company</b>                           | Illinois       |
| 46. | <b>Kaehler's Homedale Farms</b>                      | Minnesota      |
| 47. | <b>Kentucky</b>                                      | Kentucky       |
| 48. | <b>Koch Foods</b>                                    | Illinois       |
| 49. | <b>Koch Foods of Chattanooga</b>                     | Tennessee      |
| 50. | <b>Lanahan Lumber Co. Of Florida</b>                 | Florida        |
| 51. | <b>Liberty Growers</b>                               | New York       |
| 52. | <b>Louis Dreyfus</b>                                 | Georgia        |
| 53. | <b>Marsh International</b>                           | Indiana        |
| 54. | <b>Masterfoods</b>                                   | New Jersey     |
| 55. | <b>McIlhenny</b>                                     | Louisiana      |
| 56. | <b>Mountaire Farms</b>                               | Arkansas       |
| 57. | <b>North Dakota State Mill &amp; Elevator</b>        | North Dakota   |
| 58. | <b>Northarvest Bean Growers</b>                      | North Dakota   |
| 59. | <b>Northern Fruit Company</b>                        | Washington     |
| 60. | <b>Pan American Grain</b>                            | Puerto Rico    |
| 61. | <b>Paulson Premium Seed</b>                          | North Dakota   |
| 62. | <b>PCS Sales</b>                                     | Illinois       |
| 63. | <b>Pearl Merchandising and Distribution</b>          | Florida        |
| 64. | <b>Perdue Grain and Oilseed</b>                      | Maryland       |
| 65. | <b>Peterson Farms Seed</b>                           | North Dakota   |
| 66. | <b>Pilgrim's Pride</b>                               | Texas          |
| 67. | <b>Premier Automotive Export (electric vehicles)</b> | Florida        |
| 68. | <b>Provisions International</b>                      | Florida        |
| 69. | <b>PS International</b>                              | North Carolina |
| 70. | <b>Purity Products</b>                               | Florida        |
| 71. | <b>Radlo Foods</b>                                   | Massachusetts  |
| 72. | <b>Raque Group</b>                                   | Kentucky       |
| 73. | <b>RDO Foods</b>                                     | North Dakota   |
| 74. | <b>Rice Fruit Company</b>                            | Pennsylvania   |
| 75. | <b>Riceland Foods</b>                                | Arkansas       |
| 76. | <b>Rimco (Caterpillar Distributor)</b>               | Puerto Rico    |
| 77. | <b>Select Sires</b>                                  | Ohio           |
| 78. | <b>Sellari Enterprises</b>                           | Massachusetts  |
| 79. | <b>Seneca Foods Corporation</b>                      | New York       |
| 80. | <b>Soufflet USA</b>                                  | Minnesota      |
| 81. | <b>Splash Tropical Drinks</b>                        | Florida        |
| 82. | <b>State Mill and Elevator</b>                       | North Dakota   |
| 83. | <b>Sun International Produce</b>                     | Florida        |
| 84. | <b>Sunlight Foods</b>                                | Florida        |
| 85. | <b>Sun-Maid Growers</b>                              | California     |
| 86. | <b>Tate &amp; Lyle</b>                               | Illinois       |
| 87. | <b>The American Italian Pasta Company</b>            | Missouri       |
| 88. | <b>The Rice Company</b>                              | California     |
| 89. | <b>Tyson Foods</b>                                   | Arkansas       |
| 90. | <b>Unity Seed Co</b>                                 | North Dakota   |
| 91. | <b>US Food</b>                                       | Florida        |
| 92. | <b>Wauregan Farms and Exports</b>                    | Minnesota      |
| 93. | <b>W.C. Dunn Import/Export</b>                       | Maryland       |
| 94. | <b>Wm. Wrigley Jr. Company</b>                       | Illinois       |
| 95. | <b>Worldwide Marketing Corporation</b>               | Georgia        |
| 96. | <b>Yanez International Commodities</b>               | Washington     |
| 97. | <b>Yellowstone Bean</b>                              | Montana        |
| 98. | <b>Zeigler Brothers</b>                              | Pennsylvania   |

|    | <b>Headquarters</b> | <b>Company</b>               |
|----|---------------------|------------------------------|
| 1. | Pennsylvania        | <b>Ag Link International</b> |

|     |                |   |
|-----|----------------|---|
| 2.  | Georgia        | <b>AJC International</b>                      |
| 3.  | Wisconsin      | <b>American Foods Group</b>                   |
| 4.  | Illinois       | <b>Archer Daniels Midland Company</b>         |
| 5.  | Virginia       | <b>Atlantic Wood Corporation</b>              |
| 6.  | Kentucky       | <b>Blue Grass Cooperage (Brown-Forman)</b>    |
| 7.  | Virginia       | <b>Blue Ridge Lumber</b>                      |
| 8.  | Massachusetts  | <b>Boston Agrex</b>                           |
| 9.  | Virginia       | <b>Bowman Apple Products</b>                  |
| 10. | Kentucky       | <b>Brown-Forman Corporation</b>               |
| 11. | Missouri       | <b>Bryan Foods (Sara Lee)</b>                 |
| 12. | Florida        | <b>Bunge Latin America</b>                    |
| 13. | North Carolina | <b>C.L. Henderson Produce</b>                 |
| 14. | New Jersey     | <b>Capsugel</b>                               |
| 15. | Minnesota      | <b>Cargill</b>                                |
| 16. | Illinois       | <b>Caterpillar</b>                            |
| 17. | Florida        | <b>Cellmark Paper</b>                         |
| 18. | Georgia        | <b>Cherokee Trading</b>                       |
| 19. | Pennsylvania   | <b>Cohen Produce Marketing Co.</b>            |
| 20. | Florida        | <b>Colorado Boxed Beef Company</b>            |
| 21. | Florida        | <b>Colorado Boxed Bean Company</b>            |
| 22. | Nebraska       | <b>ConAgra</b>                                |
| 23. | Michigan       | <b>CoStar Bean Marketing</b>                  |
| 24. | Virginia       | <b>Crown Orchards</b>                         |
| 25. | California     | <b>Dairy America</b>                          |
| 26. | North Dakota   | <b>Dakota Growers Pasta</b>                   |
| 27. | Illinois       | <b>Deere &amp; Company</b>                    |
| 28. | Illinois       | <b>Dean Specialty Foods</b>                   |
| 29. | Georgia        | <b>Dolphin Shipping &amp; Trading</b>         |
| 30. | Georgia        | <b>Dolphin Shipping and Trading</b>           |
| 31. | California     | <b>E.J. Gallo</b>                             |
| 32. | North Dakota   | <b>Earthwise Processors</b>                   |
| 33. | Indiana        | <b>Eli Lilly and Company</b>                  |
| 34. | Maryland       | <b>Export Mid Atlantic</b>                    |
| 35. | Iowa           | <b>F.C. Stone (FGDI)</b>                      |
| 36. | Florida        | <b>Florida Produce of Hillsborough County</b> |
| 37. | Illinois       | <b>Food Concept Developers</b>                |
| 38. | Michigan       | <b>Gerber</b>                                 |
| 39. | Kentucky       | <b>Glasgow Spray Dry</b>                      |
| 40. | Georgia        | <b>Globex International</b>                   |
| 41. | Georgia        | <b>Gold Kist</b>                              |
| 42. | Massachusetts  | <b>Grove Services</b>                         |
| 43. | North Carolina | <b>Harvey-Price Cotton Co.</b>                |
| 44. | New York       | <b>Intervision Foods</b>                      |
| 45. | Florida        | <b>J.P. Wright &amp; Company</b>              |
| 46. | Illinois       | <b>John Deere</b>                             |
| 47. | Minnesota      | <b>Kaehler's Homedale Farms</b>               |
| 48. | Kentucky       | <b>Kentucky</b>                               |
| 49. | Illinois       | <b>Koch Foods</b>                             |
| 50. | Tennessee      | <b>Koch Foods of Chattanooga</b>              |
| 51. | Florida        | <b>Lanahan Lumber Co. Of Florida</b>          |
| 52. | New York       | <b>Liberty Growers</b>                        |
| 53. | Georgia        | <b>Louis Dreyfus</b>                          |
| 54. | Indiana        | <b>Marsh International</b>                    |
| 55. | New Jersey     | <b>Masterfoods</b>                            |
| 56. | Louisiana      | <b>McIlhenny</b>                              |
| 57. | Arkansas       | <b>Mountaire Farms</b>                        |
| 58. | North Dakota   | <b>North Dakota State Mill &amp; Elevator</b> |
| 59. | North Dakota   | <b>Northharvest Bean Growers</b>              |
| 60. | Washington     | <b>Northern Fruit Company</b>                 |
| 61. | Puerto Rico    | <b>Pan American Grain</b>                     |
| 62. | North Dakota   | <b>Paulson Premium Seed</b>                   |
| 63. | Illinois       | <b>PCS Sales</b>                              |



|     |                |  |
|-----|----------------|--|
| 64. | Florida        | <b>Pearl Merchandising and Distribution</b>          |
| 65. | Maryland       | <b>Perdue Grain and Oilseed</b>                      |
| 66. | North Dakota   | <b>Peterson Farms Seed</b>                           |
| 67. | Texas          | <b>Pilgrim's Pride</b>                               |
| 68. | Florida        | <b>Premier Automotive Export (electric vehicles)</b> |
| 69. | Florida        | <b>Provisions International</b>                      |
| 70. | North Carolina | <b>PS International</b>                              |
| 71. | Florida        | <b>Purity Products</b>                               |
| 72. | Massachusetts  | <b>Radlo Foods</b>                                   |
| 73. | Kentucky       | <b>Raque Group</b>                                   |
| 74. | North Dakota   | <b>RDO Foods</b>                                     |
| 75. | Pennsylvania   | <b>Rice Fruit Company</b>                            |
| 76. | Arkansas       | <b>Riceland Foods</b>                                |
| 77. | Puerto Rico    | <b>Rimco (Caterpillar Distributor)</b>               |
| 78. | Ohio           | <b>Select Sires</b>                                  |
| 79. | Massachusetts  | <b>Sellari Enterprises</b>                           |
| 80. | New York       | <b>Seneca Foods Corporation</b>                      |
| 81. | Minnesota      | <b>Soufflet USA</b>                                  |
| 82. | Florida        | <b>Splash Tropical Drinks</b>                        |
| 83. | North Dakota   | <b>State Mill and Elevator</b>                       |
| 84. | Florida        | <b>Sun International Produce</b>                     |
| 85. | Florida        | <b>Sunlight Foods</b>                                |
| 86. | California     | <b>Sun-Maid Growers</b>                              |
| 87. | Illinois       | <b>Tate &amp; Lyle</b>                               |
| 88. | Missouri       | <b>The American Italian Pasta Company</b>            |
| 89. | California     | <b>The Rice Company</b>                              |
| 90. | Arkansas       | <b>Tyson Foods</b>                                   |
| 91. | North Dakota   | <b>Unity Seed Co</b>                                 |
| 92. | Florida        | <b>US Food</b>                                       |
| 93. | Minnesota      | <b>Wauregan Farms and Exports</b>                    |
| 94. | Maryland       | <b>W.C. Dunn Import/Export</b>                       |
| 95. | Illinois       | <b>Wm. Wrigley Jr. Company</b>                       |
| 96. | Georgia        | <b>Worldwide Marketing Corporation</b>               |
| 97. | Washington     | <b>Yanez International Commodities</b>               |
| 98. | Montana        | <b>Yellowstone Bean</b>                              |
| 99. | Pennsylvania   | <b>Zeigler Brothers</b>                              |

# **Exhibit 205**

AGR Notice

[REDACTED]

Validated: May 30, 2016



UNITED STATES DEPARTMENT OF COMMERCE  
BUREAU OF INDUSTRY AND SECURITY  
WASHINGTON, D.C. 20230

Applicant Reference Number: [REDACTED]

**APPLICANT:** [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
United States

**PURCHASER:**  
ALIMPORT  
Infanta #16, 3rd floor  
Vedado, Plaza  
Havana  
Cuba

**ULTIMATE CONSIGNEE:**  
ALIMPORT  
Infanta #16, 3rd floor  
Vedado, Plaza  
Havana  
Cuba

**INTERMEDIATE CONSIGNEE:**

**APPROVED END USER(S):**  
Cuban people  
Various  
Various  
Cuba

Cardenas de Tiendas TRD Caribe  
Edificio La Puntilla  
Calle 3ra y Final  
Playa, Havana,  
Cuba

GR. EMP. Comercializadora ITH, SA  
Calle 15 No. 851 e/ 4 y 6  
Plaza, Havana  
Cuba

AT Comercial, S.A  
Calle 47 No. 1414 e/ 14 y 18  
Playa, Havana,  
Cuba

Corporacion CIMEX, S.A.  
Edificio Sierra Maestra  
Calle 1ra e/ 0 y 2  
Playa, Havana  
Cuba

Tiendas Gaviotas, S.A  
Edificio La Marina No. 102  
Ave del Puerto e/ Obrapia y Justiz  
Havana,  
Cuba

Grupo PALCO  
Ave 148 No. 905  
e/ 9na y 13  
Playa, Havana  
Cuba

GR. COMM. EMP. CARACOL, S.A.  
Calle 1ra No. 2003  
Playa, Havana,  
Cuba

Almacenes Universales, S.A.  
Calle Fabrica

AGR Notice

Validated: May 30, 2016


 UNITED STATES DEPARTMENT OF COMMERCE  
 BUREAU OF INDUSTRY AND SECURITY  
 WASHINGTON, D.C. 20230

e/ Aspura y Linea del Ferrocarril

Old Havana, Havana

Cuba

## COMMODITIES:

| QTY   | DESCRIPTION (May include Product Name or Model Number)                        | ECCN  | TOTAL PRICE  |
|-------|---|-------|--------------|
| 2500  | Commercial deli meats and cheeses poultry, pork, beef and chicken overwrapped | EAR99 | \$100,000.00 |
| 890   | Commercial paper products and supplies wrapped and boxed                      | EAR99 | \$25,000.00  |
| 3550  | Commercial shortening, oils and powders canned, bottles and boxed.            | EAR99 | \$100,000.00 |
| 13600 | Commercial baby food jars, bottles and boxed.                                 | EAR99 | \$150,000.00 |
| 10700 | Commercial assorted juices and drinks, canned and bottled.                    | EAR99 | \$150,000.00 |
| 20000 | Commercial canned vegetables and fruits.                                      | EAR99 | \$300,000.00 |
| 780   | Commercial seasonings and mixes, jars and pouches.                            | EAR99 | \$10,000.00  |
| 1250  | Commercial beans, rice and pasta, bagged and boxed.                           | EAR99 | \$20,000.00  |
| 780   | Commercial dry snacks, bagged and boxed.                                      | EAR99 | \$15,000.00  |
| 4000  | Commercial meats canned, jars and pouches.                                    | EAR99 | \$100,000.00 |
| 410   | Commercial soups canned, bagged and boxed.                                    | EAR99 | \$7,000.00   |
| 750   | Commercial coffee, tea, creamers canned, bottled and boxed.                   | EAR99 | \$25,000.00  |
| 200   | Commercial dry fruit bagged and boxed.  | EAR99 | \$5,000.00   |
| 16650 | Commercial condiments, cans, bottles, ketchup, mustard, mayonnaise, etc.      | EAR99 | \$300,000.00 |
| 7350  | Commercial cereals in boxes and cups  | EAR99 | \$250,000.00 |
| 8250  | Commercial tomato products whole and liquid canned and bottled.               | EAR99 | \$100,000.00 |
| 1500  | Commercial dry spices bottled and bags.                                       | EAR99 | \$15,000.00  |
| 750   | Commercial assorted specialty drinks, canned and bottled.                     | EAR99 | \$15,000.00  |
| 100   | Commercial ethnic foods (Chinese and Hispanic), canned.                       | EAR99 | \$2,000.00   |
| 12500 | Commercial milk canned, boxed and bottled.                                    | EAR99 | \$250,000.00 |
| 1000  | Commercial peanut butter and jelly bottles and jars.                          | EAR99 | \$25,000.00  |
| 5000  | Commercial sugar bagged and boxed.  | EAR99 | \$100,000.00 |
| 2900  | Commercial charcoal wood based bagged.  | EAR99 | \$50,000.00  |
| 680   | Commercial candies in paper and foil overwrap.                                | EAR99 | \$10,000.00  |
| 4500  | Commercial refrigerated bread-dough products and biscuits wrapped and boxed.  | EAR99 | \$100,000.00 |
| 12900 | Commercial cheeses, spreads and solids, wrapped and boxed                     | EAR99 | \$350,000.00 |
| 8250  | Commercial dairy butters wrapped, bowls and boxed                             | EAR99 | \$150,000.00 |
| 7100  | Commercial dairy (milk/yogurt)and juices bottles, containers and boxes.       | EAR99 | \$100,000.00 |
| 4400  | Commercial fresh meats, poultry, pork, beef and chicken bagged and boxed.     | EAR99 | \$300,000.00 |
| 430   | Commercial seafood bagged and boxed.  | EAR99 | \$50,000.00  |
| 8900  | Commercial packaged meats, pork, beef and chicken bagged and boxed.           | EAR99 | \$250,000.00 |

## AGR Notice

Validated: May 30, 2016



UNITED STATES DEPARTMENT OF COMMERCE  
BUREAU OF INDUSTRY AND SECURITY  
WASHINGTON, D.C. 20230

TOTAL: \$3,424,000.00

With regard to the contract requirement and time limits under License Exception AGR, please note:

(1) If your export is a donation or a commercial sample, no contract is required. You may make shipments that have been authorized for export under License Exception AGR only if the shipments are made within 12 months of the date of BIS confirmation.

(2) If your export is a commercial sale, you must have a signed contract prior to shipping any of the agricultural commodities you have been authorized to export under License Exception AGR.

(a) If you already have a signed contract, you must ship the agricultural commodities that have been authorized for export under License Exception AGR and that are the subject of your contract within 12 months of the signing of the contract.

(b) If you do not yet have a signed contract, you must sign a contract prior to export. In addition:

i. You must sign a contract within 12 months of the date of BIS confirmation, and

ii. You may make shipments of agricultural commodities that have been authorized for export under this License Exception AGR and that are the subject of your contract only if the shipments are made within 12 months of the signing of the contract. No shipments may be made under License Exception AGR later than 24 months after the date of BIS confirmation.

This confirmation applies only to the transaction described in AGR notification [REDACTED] and may not be transferred to another person without prior approval of BIS. This confirmation has been issued in reliance on representations you made in the AGR notification [REDACTED]. Please note that the provisions of the EAR, including all the restrictions that apply to the use of license exceptions in Section 740.2 of the EAR, continue to apply.

This confirmation does not relieve you from compliance with any applicable laws, regulations, rules and orders. For example, the Department of the Treasury's Office of Foreign Assets Control (OFAC) maintains license requirements for certain transactions involving Cuba or Cuban nationals, including agricultural-related transactions, pursuant to the Cuban Assets Control Regulations. Please visit OFAC's website (<http://www.treasury.gov/ofac>) or contact OFAC at (800) 540-6322 for additional information.

## CONDITIONS:

1

Items subject to the EAR and within the scope of this license may not be reexported or transferred (in-country) unless such reexport or in-country transfer is (i) authorized by this license, or another license or other approval issued by the U.S. Government; (ii) authorized by a license exception or other authorization under the Export Administration Regulations (EAR); or (iii) to a destination, end user, and end use that would be "NLR" (No License Required) under the EAR.

# **Exhibit 206**

# United States International Trade Commission

# **U.S. Agricultural Sales to Cuba: Certain Economic Effects of U.S. Restrictions**

Investigation No. 332-489  
USITC Publication 3932  
July 2007



## Errata Sheet

U.S. International Trade Commission. *U.S. Agricultural Sales to Cuba: Certain Economic Effects of U.S. Restrictions*, USITC Publication 3932. Washington, DC: USITC, 2007.

- Chapter 3, page 3-3, 2<sup>nd</sup> paragraph, 2<sup>nd</sup> sentence should read, “Current regulations allow for three general license categories for travel to Cuba: (i) official government travel, covering U.S. government officials, foreign government officials, and officials of international organizations of which the United States is a member;...”



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**Address all communications to  
Secretary to the Commission  
United States International Trade Commission  
Washington, DC 20436**

# U.S. International Trade Commission

Washington, DC 20436

*www.usitc.gov*

## U.S. Agricultural Sales to Cuba: Certain Economic Effects of U.S. Restrictions

Investigation No. 332-489



Publication 3932

July 2007

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# Executive Summary

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This report provides (1) an overview of Cuba's purchases of U.S. agricultural, fish, and forestry products since 2000; (2) an analysis of the effects that U.S. government restrictions on export financing terms and travel to Cuba by U.S. citizens have on those Cuban purchases; and (3) estimates of likely U.S. agricultural sales if export financing restrictions and travel restrictions are lifted. The report was prepared in response to a request from the Senate Committee on Finance.

To perform its analysis, the Commission relied upon Cuban production and consumption data as reported to the United Nations; reported world exports to Cuba; official Cuban statistics on production and trade; official data on U.S. exports to Cuba; interviews with the principal U.S. exporters and shippers to Cuba; academic studies; testimony at the Commission's public hearing; written submissions; and staff travel to Cuba.

To assess the effects on U.S. agricultural exports and on travel to Cuba, the Commission used two economic models: one to estimate the effect of lifting restrictions on U.S. citizen travel to Cuba, and another to estimate the effect that U.S. financing restrictions have had on U.S. agricultural exports to Cuba and the stimulus that additional travel by U.S. citizens to Cuba would have on the Cuban demand for U.S. agricultural exports. The Commission assumed no change in current U.S. investment policy towards Cuba (i.e., U.S. investment in Cuba remains prohibited) nor did it assume any policy changes within Cuba.

## Major Findings

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### *Estimated Effect on U.S. Sales of Agricultural Products to Cuba if Restrictions on Financing were Lifted*

- Because of data limitations and the non-market aspects of Cuban purchasing decisions, the overall effect of removing all statutory restrictions on U.S. exports to Cuba is difficult to quantify. However, based on interviews with Cuban purchasing officials, sector modeling results, and discussions with U.S. industry officials, the Commission estimates that the U.S. share of Cuban agricultural, fish, and forest product imports would rise to between one-half and two-thirds.
- Financing restrictions raise Cuba's cost of purchasing U.S. products. Many of these costs are difficult to measure precisely. Therefore, Commission estimates of financing restriction effects are presented in the form of ranges. Staff interviews and analysis indicate that such costs range between 2.5 to 10 percent of the purchase price depending on the commodity sector.
- All agricultural commodity sectors would likely benefit from the lifting of the financing restrictions on U.S. agricultural exports to Cuba (table ES.1). Among the sixteen commodity groups examined, the largest gains in U.S. exports to Cuba were for other food products, including fresh fruits and vegetables (a rise of \$34 million to \$65 million annually), milk powder (\$14 million to \$41 million), processed foods (\$18 million to \$34 million), wheat (\$17 million to \$33 million), and dry beans (\$9 million to \$22 million).



**Table ES.1** Estimated effects of removing U.S. financing restrictions on U.S. agricultural exports to Cuba

| Commodity           | Cuban imports from the United States |                      | U.S. share of Cuban imports |                      |
|---------------------|--------------------------------------|----------------------|-----------------------------|----------------------|
|                     | With restrictions                    | Without restrictions | With restrictions           | Without restrictions |
|                     | <i>\$ million</i>                    | <i>Percent</i>       | <i>\$ million</i>           | <i>Percent</i>       |
| Wheat               | 51                                   | 38                   | 68 - 84                     | 51 - 65              |
| Rice                | 40                                   | 24                   | 54 - 83                     | 33 - 53              |
| Corn                | 43                                   | 71                   | 46 - 48                     | 78 - 85              |
| Animal feed         | 42                                   | 76                   | 43 - 45                     | 79 - 85              |
| Soybeans            | 32                                   | 99                   | 30 - 31                     | 99 - 100             |
| Fats and oils       | 22                                   | 57                   | 24 - 27                     | 63 - 74              |
| Dry beans           | 20                                   | 25                   | 29 - 42                     | 37 - 56              |
| Poultry             | 45                                   | 65                   | 51 - 56                     | 77 - 85              |
| Beef                | 0.1                                  | 0.2                  | 6 - 10                      | 13 - 25              |
| Pork                | 14                                   | 42                   | 20 - 24                     | 60 - 74              |
| Milk powder         | 13                                   | 10                   | 27 - 54                     | 22 - 45              |
| Other dairy         | 0.1                                  | 0.3                  | 5 - 10                      | 27 - 53              |
| Processed foods     | 1                                    | 2                    | 19 - 35                     | 29 - 55              |
| Fish products       | 0                                    | 0                    | 8 - 15                      | 30 - 56              |
| Forest products     | 10                                   | 17                   | 16 - 27                     | 28 - 49              |
| Other food products | 5                                    | 3                    | 39 - 70                     | 29 - 53              |

Source: Global Trade Atlas and Commission estimates.

Note: Summing the individual partial equilibrium results for each commodity to obtain the total effect of removing restrictions is not supported by economic theory. The individual partial equilibrium results assume that prices in other markets remain constant and do not consider cross-commodity substitution.

### ***Estimated Effect on U.S. Sales of Agricultural Products to Cuba if Travel Restrictions were Lifted***

- If restrictions on travel of U.S. citizens to Cuba were lifted, among the sixteen commodity groups examined, measurable gains in U.S. exports to Cuba were for processed foods (a rise of \$3 million to \$8 million), poultry (\$1 million to \$3 million), beef and pork (each gaining \$1 million to \$2 million), and fish (\$1 million to \$4 million) (table ES.2). These are sectors where a large share of imports are distributed to the tourism sector.
- U.S. agricultural exports of most bulk products, including wheat, rice, corn, animal feed, soybeans, dry beans, forest products, and milk powder will experience virtually no gains owing to increased visits to Cuba by U.S. tourists, since only a negligible fraction of these Cuban imports are consumed in the tourist sector.

### ***Estimated Effect on U.S. Sales of Agricultural Products to Cuba if Both Financing and Travel Restrictions were Lifted***

- Eliminating financing restrictions on U.S. agricultural exports would likely have a larger impact on U.S. agricultural sales than lifting the travel restrictions on U.S. citizens (table ES.3). This is because most imported food from the United States consists of bulk commodities sold to Cubans, rather than foods that are sold to tourists.

**Table ES.2** Estimated effects of removing U.S. travel restrictions on U.S. agricultural exports to Cuba

| Commodity           | Cuban imports from | U.S. share of     | Cuban imports from   | U.S. share of        |
|---------------------|--------------------|-------------------|----------------------|----------------------|
|                     | the United States  | Cuban imports     | the United States    | Cuban imports        |
|                     | With restrictions  | With restrictions | Without restrictions | Without restrictions |
|                     | <i>\$ million</i>  | <i>Percent</i>    | <i>\$ million</i>    | <i>Percent</i>       |
| Wheat               | 51                 | 38                | 52 - 53              | 38                   |
| Rice                | 40                 | 24                | 40                   | 24                   |
| Corn                | 43                 | 71                | 43 - 44              | 71                   |
| Animal feed         | 42                 | 76                | 43                   | 76                   |
| Soybeans            | 32                 | 99                | 32 - 33              | 99 - 100             |
| Fats and oils       | 22                 | 57                | 23 - 24              | 57                   |
| Dry beans           | 20                 | 25                | 20                   | 25                   |
| Poultry             | 45                 | 65                | 46-48                | 65                   |
| Beef                | 0.1                | 0.2               | 1 - 3                | 3 - 7                |
| Pork                | 14                 | 42                | 15-16                | 42                   |
| Milk powder         | 13                 | 10                | 13                   | 10                   |
| Other dairy         | 0.1                | 0.3               | 0.3 - 1              | 2 - 4                |
| Processed foods     | 1                  | 2                 | 4 - 9                | 5 - 11               |
| Fish products       | 0                  | 0                 | 1 - 4                | 5 - 11               |
| Forest products     | 10                 | 17                | 10                   | 17                   |
| Other food products | 5                  | 3                 | 6 - 8                | 4 - 5                |

Source: Global Trade Atlas and Commission estimates.

Note: Summing the individual partial equilibrium results for each commodity to obtain the total effect of removing restrictions is not supported by economic theory. The individual partial equilibrium results assume that prices in other markets remain constant and do not consider cross-commodity substitution.

**Table ES.3** Estimated effects of removing all U.S. financing and travel restrictions on U.S. agricultural exports to Cuba

| Commodity           | Cuban imports from | U.S. share of     | Cuban imports from   | U.S. share of        |
|---------------------|--------------------|-------------------|----------------------|----------------------|
|                     | the United States  | Cuban imports     | the United States    | Cuban imports        |
|                     | With restrictions  | With restrictions | Without restrictions | Without restrictions |
|                     | <i>\$ million</i>  | <i>Percent</i>    | <i>\$ million</i>    | <i>Percent</i>       |
| Wheat               | 51                 | 38                | 68 - 85              | 51 - 65              |
| Rice                | 40                 | 24                | 54 - 84              | 33 - 52              |
| Corn                | 43                 | 71                | 47 - 49              | 78 - 85              |
| Animal feed         | 42                 | 76                | 44 - 46              | 79 - 85              |
| Soybeans            | 32                 | 99                | 31 - 32              | 99 - 100             |
| Fats and oils       | 22                 | 57                | 25 - 28              | 63 - 73              |
| Dry beans           | 20                 | 25                | 29 - 42              | 37 - 55              |
| Poultry             | 45                 | 65                | 54 - 58              | 76 - 84              |
| Beef                | 0.1                | 0.2               | 9 - 13               | 19 - 29              |
| Pork                | 14                 | 42                | 22 - 25              | 58 - 70              |
| Milk powder         | 13                 | 10                | 28 - 55              | 22 - 44              |
| Other dairy         | 0.1                | 0.3               | 6 - 11               | 29 - 52              |
| Processed foods     | 1                  | 2                 | 27 - 42              | 33 - 53              |
| Fish products       | 0                  | 0                 | 12 - 18              | 34 - 54              |
| Forest products     | 10                 | 17                | 16 - 27              | 28 - 48              |
| Other food products | 5                  | 3                 | 42 - 73              | 30 - 52              |

Source: Global Trade Atlas and Commission estimates.

Note: Summing the individual partial equilibrium results for each commodity to obtain the total effect of removing restrictions is not supported by economic theory. The individual partial equilibrium results assume that prices in other markets remain constant and do not consider cross-commodity substitution.

- If restrictions on financing of U.S. agricultural exports and on travel of U.S. citizens to Cuba were both lifted, the largest gains in U.S. exports to Cuba among the sixteen commodity groups examined were for other food products (including fresh fruits and vegetables) (a rise of \$37 million to \$68 million annually), milk powder (\$15 million to \$42 million), processed foods (\$26 million to \$41 million), wheat (\$17 million to \$34 million), and dry beans (\$9 million to \$22 million).

### ***Recent Trends in U.S.-Cuba Agricultural Trade***

- In 2000, U.S. agricultural exports to Cuba were negligible. Following implementation of the Trade Sanctions Reform and Export Enhancement Act (TSRA) of 2000, U.S. exports grew rapidly so that by 2004 the United States was the largest supplier of agricultural products to Cuba. In that year, Cuba imported \$392 million in agricultural goods from the United States, equivalent to 42 percent of its total agricultural imports. The increase in U.S. exports to Cuba coincided with weather-related production declines in Cuba which necessitated increased imports. The majority of Cuban imports from the United States are consumed by Cuban citizens, with a small share going to the tourist market.
- The value of Cuban agricultural imports from the United States dropped by 10 percent in 2005 and a further 4 percent in 2006. A change in U.S. Department of Treasury, Office of Financial Asset Control (OFAC) financial transaction rules in March 2005 which require the seller to receive payment from the Cuban buyer before vessels carrying goods leave the U.S. ports, may partially account for this decline. Other factors also may have been important, such as OFAC's changes to U.S. regulations on Cuban remittances and favorable credit terms offered by U.S. competitors in the Cuban market, and an overall decline in imports in 2006.
- All Cuban imports of agricultural products from the United States are controlled by a state-trading entity, Alimport. Several factors, both economic and non-economic, are considered by Alimport in its food purchasing decisions. Therefore, even though the United States is, for many products, the most competitive supplier for Cuba in terms of price, quality, and delivery terms, Alimport considers non-commercial factors such as diversifying import suppliers, strengthening strategic geo-political relationships, and influencing the political debate over sanctions in the United States. Purchases are also allegedly geared to particular U.S. States or Congressional districts in an effort to heighten local interests in pressing the Administration to normalize trade with Cuba.

### ***Effects of Changes in U.S. Export Financing Regulations on U.S. Agricultural Sales to Cuba***

- Opinions on the effect of business travel and export financing regulations on U.S. exporters are mixed. Larger exporters (e.g., multinational commodity trading companies) that account for the vast majority of agricultural exports characterize the extra financial costs and the burden of obtaining travel licenses to conduct business in Cuba as small. In contrast, exporters with small sales volumes and new entrants characterize the process as non-transparent, time-consuming, expensive, and in some cases, a reason not to trade with Cuba altogether. While several U.S. industry officials indicated that their applications for travel licenses were initially denied, or took more time to process than expected, none indicated that they were ultimately unable to obtain travel licenses.

- U.S. regulations, especially financing regulations imposed after March 2005, which require the seller to receive payment from the Cuban buyer before vessels carrying goods leave the U.S. ports, reportedly increased the cost of U.S.-Cuba trade for both U.S. exporters and Alimport. This has made U.S. products less competitive relative to imports from other sources.
- Many U.S. exporters view OFAC's decision requiring that payments be made through letters of credit drawn on third-country banks as an impediment to sales to Cuba. Furthermore, the OFAC rule change disrupted U.S. exports to Cuba during late 2004 and early 2005 that were already under contract and/or in transit.
- OFAC appears to have restricted business travel to and from Cuba that is necessary for U.S. exporters to effectuate sales. Particularly important are Cuban officials traveling to the United States to inspect U.S. processing facilities, U.S. port facilities, fresh produce, live animals, and other products subject to sanitary and phytosanitary standards. For many of these products, restricting business travel effectively bars U.S. sales to Cuba.
- OFAC restrictions on maritime shipping of U.S. products to Cuba significantly increased freight charges for cargo to Cuba above freight charges to other Caribbean destinations.

### ***Effects of Travel Restrictions on U.S. Agricultural Sales to Cuba***

- U.S. restrictions on travel to Cuba limited the number of Americans traveling to Cuba to fewer than 200,000 in 2005 and reduced the amount of U.S. dollar remittances to Cuba from Cuban-Americans. A large proportion of these remittance dollars received by Cuban citizens are spent on U.S. agricultural products.
- Many Americans express interest in travel to Cuba, according to the American Society of Travel Agents, and U.S. travel to Cuba would increase markedly in the absence of sanctions. Cuba is increasingly able to meet U.S. tourist demand, owing to the addition of hotel capacity and recent improvements in tourism services and facilities.
- The Commission estimated that without the travel sanctions, travel by Americans to Cuba would increase from 171,000 to between about 554,000 and 1.1 million in the short term. Since these American visitors could, to some extent, displace current foreign tourists in Cuba, the net effect in the short term is a potential annual increase in additional tourist visits to Cuba of between 226,000 and 538,000. In 2006, the total number of visitors to Cuba was 2.2 million.
- Additional tourist arrivals would increase U.S. sales of agricultural goods to Cuba because of the increased tourist demand for food and because of higher Cuban economic growth boosting domestic demand for high quality U.S. food products.



# CHAPTER 1

## Introduction

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### Background and Purpose

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Cuba is the largest Caribbean nation, with 11.4 million inhabitants and a land mass of over 110,000 square kilometers.<sup>1</sup> Since 1959, when Fidel Castro assumed power, Cuba has been a communist state characterized by a one party political system and a centrally planned economy. Per capita GDP was \$3,900 in 2006,<sup>2</sup> and the economy is heavily dependent on the tourism sector. The U.S. economic embargo against Cuba was originally put into place in October 1960, but at the time it was limited in scope and did not include food and medicine. In February 1962, the Kennedy administration tightened the embargo, and by July 1963, travel by U.S. citizens to Cuba was prohibited, and financial and commercial transactions with Cuba were made illegal.<sup>3</sup> Although the embargo regulations have been loosened and tightened by successive Presidential administrations, the basic framework of the trade and travel restrictions has remained in place for more than 40 years. U.S. sales of food to Cuba are currently permitted under the Trade Sanctions Reform and Export Enhancement Act of 2000 (TSRA),<sup>4</sup> provided that Cuban purchases are paid with cash and not credit.

In recent years, farmer groups in the United States, such as the American Farm Bureau Federation and United States Rice Federation, have supported easing or repealing trade and travel restrictions.<sup>5</sup> Various members of Congress have introduced legislation to remove these barriers.<sup>6</sup> The Bush Administration, however, advocates maintaining both the economic embargo and travel restrictions.

This report provides an overview of Cuba's purchases of agricultural, fish, and forestry products since 2000 (chapter 2); an analysis of the effects that U.S. government restrictions on export financing terms and travel to Cuba by U.S. citizens have on those Cuban purchases (chapter 3); and estimates of likely U.S. agricultural sales if export financing

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<sup>1</sup> Central Intelligence Agency, *World Factbook 2007*.

<sup>2</sup> *Ibid.*

<sup>3</sup> Sullivan, "Cuba: U.S. Restrictions on Travel and Legislative Initiatives in the 107<sup>th</sup> Congress," 1.

<sup>4</sup> *Trade Sanctions Reform and Export Enhancement Act of 2000*, Public Law 106-387, October 18, 2000 (at 22 USC §§ 7201-7209).

<sup>5</sup> Radelat, "Lawmakers propose Cuba-related bills, but few - if any - are expected to pass," 2. Another example is the Indiana Farm Bureau, which signed a commitment in October 2003 to work for the repeal of U.S. trade and travel restrictions against Cuba in return for Cuban pledges to purchase \$15 million in agricultural products such as pork, soybeans, corn, poultry, eggs, and cattle. "Indiana farmers pledge to oppose Cuba embargo."

<sup>6</sup> For example, U.S. Representatives Jerry Moran (KS), Jo Ann Emerson (MO), Stephanie Herseth (SD) and Mike Ross (AR) introduced the Agricultural Export Facilitation Act of 2007 in February of this year, and Senators Mike Enzi (R-WY), Byron Dorgan (D-ND) and others introduced the Freedom to Travel to Cuba Act (S. 721) on March 1, 2007. Senators Max Baucus (D-MT) and Mike Crapo (R-ID) and U.S. Representatives Charles Rangel (D-NY) and Jo Ann Emerson introduced the Promoting American Agricultural and Medical Exports to Cuba Act of 2007 in June 2007.

restrictions<sup>7</sup> and travel restrictions were lifted (chapter 4). The report was prepared in response to a request from the Senate Committee on Finance.<sup>8</sup>

## Product Scope and Coverage

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The Commission's analysis covers Cuban purchases of agricultural, fish, and forestry products, including those from the United States. U.S. agricultural trade with Cuba is currently limited to a list of eligible products, as provided for in TSRA.<sup>9</sup> These include all or parts of the following chapters or subheadings of the Harmonized Tariff Schedule (HTS): 1- 24 (with limited exceptions, e.g., human hair), 3301-3302.10 (essential oils), 3501-3507 (casein, albumin, gelatin, peptones, dextrans, glues, rennet), 4001 (rubber), 41 (hides and leather), 43 (furskins), 4401-4421 (wood and wood products), 4701-4706 (wood pulp), 4801-4805 (paper products), 5001-5002 (silk), 5101-5102 (wool), 5202 and 5205 (cotton and cotton yarn), and 5301-5305 (other vegetable fibers).

## Approach

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The Committee requested that the Commission provide three distinct types of information and analysis: an overview of Cuban purchases of agricultural, fish, and forest products; analysis concerning how restrictions on export financing and travel have impacted U.S. sales of these products; and an estimate of likely U.S.-Cuba trade in the event that these restrictions are lifted.

For the first component, the Commission collected information on Cuba's imports of agricultural, fish, and forest products from 2000 to the present. The Commission used Global Trade Atlas (GTA) data on exports from major supplying countries to Cuba.<sup>10</sup> Data were collected for broad commodity groups (e.g., wheat, beef, and poultry) at the 6-digit HTS level. Information on how imported products are allocated among the major consuming segments (i.e., consumption by the local population versus tourists) was derived from published reports and academic papers on the Cuban food market system, as well as from interviews with U.S. and Cuban industry officials and academics.

For the second component, the Commission gathered information on the regulations

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<sup>7</sup> In this report, the term "financing restrictions" are broadly defined to include all statutory, regulatory and other U.S. legal restrictions that prevent U.S.-Cuban trade from being conducted on the same basis as other U.S. trading partners. Such statutory and regulatory restrictions include: the export payment and financing restrictions imposed under the Trade Sanctions Reform and Export Enhancement Act; the restrictions on travel visas for Cuban officials wishing to visit the United States in order to purchase and inspect U.S. agricultural goods; the rules governing maritime shipping between Cuba and the United States; the ban on normal commercial credit for such U.S. exports; the ban on direct financial wire transfers of U.S. dollars from the Cuban National Bank to a U.S. bank for payment of U.S. exports; and limits on support services (marketing, technical assistance, and product promotion) in Cuba related to the sale of U.S. agricultural exports.

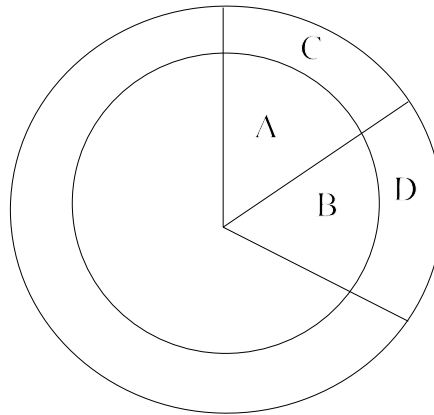
<sup>8</sup> On March 16, 2007, the U.S. Senate Committee on Finance (Committee) requested that the U.S. International Trade Commission (Commission) prepare a report under section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)). The Committee originally requested that the Commission submit its report no later than June 29, 2007, but subsequently changed that date to July 12, 2007. Copies of the request letters are in Appendix A, and the Commission's notice of investigation, published in the *Federal Register* of April 5, 2007 (72 FR 16817), is in Appendix B.

<sup>9</sup> The USDA maintains the complete list of U.S. products eligible for export to Cuba at [www.fas.usda.gov/itp/cuba/ScheduleBEligibleCommodities06-28-06.pdf](http://www.fas.usda.gov/itp/cuba/ScheduleBEligibleCommodities06-28-06.pdf)

<sup>10</sup> Cuban import data are reported in GTA only through 2004. Export data reported by the rest of the world to Cuba is, therefore, used as a proxy for Cuban imports.

themselves from the major Federal agencies that govern U.S.-Cuba trade and travel, namely the Department of Commerce, Bureau of Industry and Security (BIS), which regulates merchandise exports and re-exports to Cuba, and the Department of Treasury, Office of Foreign Assets Control (OFAC), which regulates imports from Cuba and financial transactions involving Cuban assets, including regulations that affect travel to Cuba. Next, the Commission developed information on the effects of these regulations from published sources, staff interviews with interested parties, testimony at the Commission’s hearing, and written submissions by interested parties.<sup>11</sup> In all, Commission staff conducted interviews with over 40 representatives of key agricultural, shipping, travel and tourism industries, academics at the Universities in Texas and Florida, and officials at the U.S. Departments of Agriculture, Commerce, Transportation, and Treasury. Commission staff also conducted

**Figure 1.1** Framework to analyze lifting financing and travel restrictions



Source: Commission staff.

field work in Havana, Cuba, interviewing Cuban officials from several government agencies and state-trading enterprises.

The final component of the study concerns the estimation of what U.S.-Cuba trade would look like absent the U.S.-imposed export financing and travel restrictions. Here, the analytical approach can be understood from a simple pie diagram (figure 1.1). Current Cuban imports of a commodity, say wheat, from all country sources are represented by a pie, with the initial U.S. share of imports represented by the slice labeled “A”.

The Senate Finance Committee requested the Commission to evaluate three scenarios—(1) lifting all financing restrictions, (2) lifting travel restrictions, and (3) lifting both financing and travel restrictions jointly. In the first scenario, with financing restrictions removed, certain transaction costs associated with U.S. sales would decline, thereby making U.S.

<sup>11</sup> A list of hearing witnesses is appendix C and summaries of views of interested parties is appendix D.



exports more competitive in the Cuban market. This is represented in figure 1.1 by the share in the inner pie growing from A to A+B as U.S. exports displace other import suppliers of Cuba. In the second scenario, with restrictions on travel to Cuba lifted, there are two effects that increase the overall size of the pie (but not the share because the financing restrictions are assumed to remain in place). First, the pie grows owing to the macroeconomic impact of additional tourists on the Cuban economy. With more U.S. tourist expenditures, Cuba's GDP grows, thereby generating additional purchasing power by the local Cuban population to buy more imported food for itself. Second, the pie grows owing to the greater number of tourists that purchase and consume food while visiting Cuba. These changes are depicted in figure 1.1 by the pie size increasing, and with U.S. sales to Cuba represented by the area A+C. In the third scenario, with financing and travel restriction lifted, both the U.S. share and overall size of the import pie grow. U.S. imports to Cuba would be represented by the areas A+B+C+D.

Using this theoretical framework, the next task was to develop empirical estimates of the pie size and U.S. share in the three scenarios. This entailed compiling data on Cuban imports, broken out by commodity and country of origin, the market segments (i.e., for consumption by Cuban citizens versus tourists) into which imported products are sold, and food expenditure patterns by tourists. Also required were certain commodity demand and supply elasticities, and multipliers for macroeconomic variables. Finally, evaluating the scenarios required data on a price wedge, reflecting the additional transaction costs of U.S.-Cuba trade associated with the financing restrictions, and the number of additional tourists expected to visit Cuba if the travel restrictions were lifted. These data were compiled from GTA, economic literature, staff interviews, and hearing testimony provided by leading experts on the Cuban economy. Estimates of the number of U.S. tourists likely to visit Cuba were derived by the Commission using a comparative static equilibrium model. All of the above information was utilized to derive empirical estimates of U.S. sales of agriculture products to Cuba absent current restrictions. Owing to uncertainty on certain key assumptions of this framework (e.g., the price wedge and the number of additional tourist visits), sensitivity analysis was conducted to determine the robustness of the results to changes in several of those assumptions.

## **Overview of Cuba's Agricultural Sector and Food Trade**

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In 2006, the Cuban agricultural sector contributed only 5 percent of Cuba's GDP, but employed approximately 20 percent of the population.<sup>12</sup> Government policy plays a large role in determining which crops are locally grown and how the agricultural sector is structured. Traditionally, sugar and tobacco grown for export markets dominated agricultural production. Since the collapse of the Soviet Union, the Cuban government has focused on greater self-sufficiency in food production. Sugar production declined from 8 million tons to 1.3 million tons between 1989 and 2006, during which time the Cuban government has reoriented its agriculture sector toward the production of other products.<sup>13</sup> Cuba's agricultural economy is still largely centered around export cash crops such as sugar, tobacco, coffee, and citrus, but food staples such as potatoes, rice, corn, beans, sweet

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<sup>12</sup> Central Intelligence Agency, *World Factbook 2007*.

<sup>13</sup> Korves, Ross, "Agricultural Trade with Cuba in the Post-Castro Era," and *CubaNews*, September 2006, 8.

potatoes, malanga (tropical yam) and a wide variety of vegetables are now grown for local consumption.<sup>14</sup>

Cuba is heavily dependent on food imports to feed its population and supply the food demands of tourists. *Empresa Cubana Comercializadora de Alimentos*, or Alimport for short, an agency within the Ministry of Foreign Trade, imports most intermediate food products and bulk goods, and acts as a central trading desk for all agricultural imports from the United States.<sup>15</sup> Alimport has wide discretion to choose the foreign companies and countries from which to make food purchases. Purchasing food at the lowest cost is reportedly not the only purchasing criterion,<sup>16</sup> as the Cuban government is interested in maintaining multiple supply relationships around the world as a hedge against regulatory or political risks.

Cuban agricultural imports were valued at \$1 billion in 2006, representing 18 percent of total imports into Cuba in that year. The U.S. market share was 33 percent, or \$337 million.<sup>17</sup> The majority of purchases from the United States were bulk commodities such as wheat (\$51 million), corn (\$43 million), rice (\$40 million), soybeans (\$32 million), and beans, peas, and lentils (\$20 million). The remainder was primarily poultry meat (\$44 million), soybean meal (\$27 million), soybean oil (\$21 million), pork (\$13 million), and powdered milk (\$13 million).<sup>18</sup> Alimport reported that Cuba imported \$1.6 billion in food from all sources in 2006,<sup>19</sup> and expects imports to reach \$1.7 billion in 2007.<sup>20</sup>

## Overview of Cuba's Tourism Sector

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Cuba has numerous features attractive to tourists. It is the largest island in the Caribbean, with 3,570 miles of coastline, including over 300 beaches, and possesses natural resources attractive to niche tourists, such as excellent reefs for scuba diving, forests for bird watching, and lakes for fishing. Cuba also contains the most extensive colonial architecture in the Americas, and because of its relative isolation since the early 1960s, Cuba maintains and operates vintage relics such as American automobiles from the 1950s and railroad locomotives built before 1920.<sup>21</sup>

Over time the number of tourists visiting Cuba has grown substantially. Though Cuba was a popular tourist destination prior to 1959, its current tourism industry did not develop until after the dissolution of the Soviet Union in the early 1990s. With the loss of economic support from its communist ally, Cuba began to develop its tourism sector in an effort to

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<sup>14</sup> Central Intelligence Agency, *World Factbook 2007*. Some of the vegetable crops include onions, pumpkins and squash, and tomatoes.

<sup>15</sup> U.S. Department of Agriculture, Foreign Agricultural Service, "Market Development Reports: Cuba's Dollar Food Market and U.S. Exports, 2003," 9.

<sup>16</sup> Jones, Commission Hearing Transcript, 79-80, academic representative, e-mail message to Commission staff, April 5, 2007, and Alimport officials, interview with Commission staff, Havana, June 12, 2007.

<sup>17</sup> Data from Global Trade Atlas (GTA). Export data to GTA are FAS values, which do not include freight, insurance, and other transaction costs.

<sup>18</sup> U.S.-Cuba Trade and Economic Council, "Economic Eye on Cuba," February 13, 2007.

<sup>19</sup> Alimport officials, interview with Commission staff, Havana, June 12, 2007.

<sup>20</sup> Alimport's import projections are CIF values which include freight, insurance and other transaction costs.

<sup>21</sup> Peters, Philip, *International Tourism: The New Engine of the Cuban Economy*, 3-4.

increase foreign exchange earnings, principally as a means to import food. During the 1990s, tourist arrivals grew more than 370 percent from approximately 340,000 to over 1.6 million annually.<sup>22</sup> Tourist arrivals grew a further 31 percent during 2000–05, reaching 2.3 million in 2005. Cuba now attracts a significant share of tourists traveling to the Caribbean. In 2005, Cuba received the third-most visitors of any Caribbean destination, trailing only the Dominican Republic (4.0 million) and Puerto Rico (3.7 million).<sup>23</sup> However, tourist arrivals declined in 2006 to 2.2 million, a 4 percent decline from 2005.<sup>24</sup> This drop is partly attributed to an 8 percent revaluation of the convertible Cuban peso in April 2005 that made Cuba relatively more expensive vis-à-vis competitor tourist markets, particularly the Dominican Republic and Mexico.<sup>25</sup>

Cuba receives tourists from all over the world, although the majority are Canadians and Europeans. In 2005, visitors from Canada represented the largest share of visitors to Cuba, accounting for 26 percent, followed by visitors from the United Kingdom (9 percent), Spain and Venezuela (8 percent each), and Italy (7 percent). The United States, with an estimated 7 percent share, was likely the sixth leading provider of tourists to Cuba in 2005.<sup>26</sup> An estimated 171,000 American citizens visited Cuba in 2005 and were mainly Cuban Americans visiting family.<sup>27</sup>

Between 2000 and 2005, average annual visitor growth rates from Venezuela (57 percent), the United Kingdom (14 percent), and Canada (12 percent) exceeded the average 5 percent growth rate overall. This growth in visitor arrivals from Venezuela is likely attributable to an informal arrangement between the Cuban and Venezuelan governments, whereby Cuba offers discounted tourism services to Venezuelan citizens as reciprocity for Venezuelan energy subsidies.<sup>28</sup> Increased arrivals from the United Kingdom are, in part, attributable to the establishment of direct air service from London to Havana by Virgin Atlantic in July 2005,<sup>29</sup> which doubled air capacity between the two countries. Similarly, growth in Canadian arrivals is attributable to increased airlinks. For instance, beginning in 2003, Air Canada joined carriers Cubana and SkyService in offering service from numerous destinations in Canada to several Cuban cities.<sup>30</sup>

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<sup>22</sup> *Ibid.*, 3.

<sup>23</sup> USITC calculations based on data from United Nations World Tourism Organization, *Yearbook of Tourism Statistics*.

<sup>24</sup> Valdes, Rosa Tania, “Price Not Politics Slows Cuba Tourism,” and “2007 Tourism Arrivals Take a Plunge,” 13.

<sup>25</sup> Valdes, Rosa Tania, “Price Not Politics Slows Cuba Tourism.”

<sup>26</sup> The Commission estimated the number of U.S. travelers to Cuba. See chapter 3 for full discussion.

<sup>27</sup> Commission staff estimate, based on UN World Tourism Organization data and Spandoni, *Effectiveness of Economic Sanctions in the Context of Globalization and Transnational Linkages*. See chapter 3 and table 3.1 for full discussion.

<sup>28</sup> Industry official, interview by Commission staff, Washington, DC, April 4, 2007. Venezuelans may visit Cuba for medical treatment, as well.

<sup>29</sup> Airline Industry Information, “Virgin Atlantic Launches Service to Havana,” June 28, 2005.

<sup>30</sup> Chung-Wee, Roger, Caribbean Aviation, “International Flights to the Caribbean.”

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Valdes, Rosa Tania. "Price Not Politics Slows Cuba Tourism." *Caribbean Net News*, January 27, 2007.  
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# CHAPTER 2

## Overview of Cuba's Purchases of Agricultural, Fish, and Forestry Products, 2000–06

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### Cuban Imports of Agricultural, Fish, and Forestry Products<sup>1</sup>

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Cuban imports of agricultural, fish, and forestry products rose from \$550 million in 2000 to over \$1 billion in 2006, an increase of 89 percent (figure 2.1).<sup>2</sup> Most of this growth occurred during 2002–05, with the largest year-on-year increase between 2003 and 2004, when imports rose about \$181 million. The higher level of imports in 2004 coincided with agricultural production setbacks in Cuba owing to a severe drought in 2003–05 that inflicted extensive damage on Cuba's agricultural production and three hurricanes (Charley in August 2004, Ivan in September 2004, and Dennis in July 2005).<sup>3</sup> These natural disasters led to additional import purchases to meet domestic food consumption.<sup>4</sup> Imports peaked in 2005, as the Cuban government replenished food inventories, and then fell slightly in 2006.<sup>5</sup>

#### *Major Products*

Agricultural imports are concentrated in products that are either staples in the Cuban diet, such as rice and beans, or not produced efficiently in Cuba's tropical climate,<sup>6</sup> such as

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<sup>1</sup> Trade data (FAS value, foreign port of export) were compiled from the Global Trade Atlas online database. Because of the unavailability of Cuban import data after 2004, data for other countries' exports to Cuba are used as a proxy for Cuban imports. Data are not available for Vietnam, and therefore Cuban imports of rice from the world presented in this report are significantly understated.

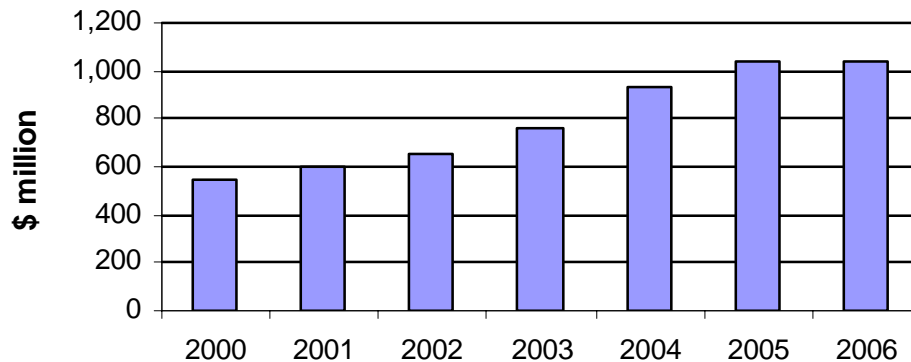
<sup>2</sup> Agricultural, fish, and forest products refer to USDA-eligible items under TSRA. These are found at [www.fas.usda.gov/itp/cuba/ScheduleBEligibleCommodities06-28-06](http://www.fas.usda.gov/itp/cuba/ScheduleBEligibleCommodities06-28-06). For purposes of this report, the term "agricultural products" is used interchangeably with the term "agricultural, fish, and forestry products."

<sup>3</sup> According to estimates, the losses caused by the drought in 2004 totaled \$835 million, representing 2.5 percent of Cuba's gross domestic product. Grogg, "Cuba: Food Aid for Victims of Worst Drought Since 1901" and Marx, "In Cuba, Drought Hits Crisis Level." The 2003-05 drought was the worst to affect Cuba in a century; Cuban 2004-06 production of most staple crops and poultry meat/ cattle slaughter fell by 10 and 40 percent, respectively. U.S. Department of State official, U.S. Interests Section, Havana, e-mail message to Commission staff, May 31, 2007.

<sup>4</sup> International Federation of Red Cross, "Cuba: Hurricane Charley Appeal No. 20/04 Final Report," January 18, 2006.

<sup>5</sup> Rainfall replenished Cuba's reservoirs to 80 percent of capacity by December 2006. U.S. Department of State official, U.S. Interests Section, Havana, e-mail message to Commission staff, May 31, 2007.

<sup>6</sup> U.S. Department of Agriculture, Economic Research Service, "Cuba's Agriculture: Collapse & Economic Reform" and Messina, Brown, Ross, and Alvarez, "Cuban Non-Sugarcane Agricultural Trade Patterns: Historical Perspectives and Future Prospects."

**Figure 2.1** Cuban imports of agricultural products, 2000–06

Source: Global Trade Atlas.

coarse grains, wheat, and animal products.<sup>7</sup> During 2000–06, over 50 percent of the total value of Cuba’s agricultural imports consisted of cereals, meats, and dairy products (primarily milk powder) (table 2.1).<sup>8</sup>

Cuba imports most of its domestic consumption of grain (wheat, wheat flour, rice, and corn).<sup>9</sup> Wheat cannot be grown commercially in Cuba, and domestic production of rice and corn account for about 42 percent and 43 percent of domestic consumption, respectively. Between 2000 and 2006, Cuban grain imports grew about 6 percent annually, reaching almost \$247 million in 2006. During this period, grain accounted for more than one-quarter of all Cuban agricultural imports. Combined Cuban imports of wheat and wheat flour ranged annually between \$130 million and \$150 million annually.

Cuban imports of meat (mainly poultry, pork, and beef) have grown since 2000, because it is less expensive to purchase meat from efficient overseas suppliers than to produce livestock domestically with imported feedgrains.<sup>10</sup> Between 2000 and 2006, Cuban meat imports rose more than 180 percent in value terms, and accounted for about 15 percent of all Cuban agricultural imports in 2006 (table 2.1). Imports of beef and pork increased steadily over the time period, while poultry imports doubled between 2003 and 2004 in response to drought conditions and the hurricane damage to domestic poultry flocks. Poultry comprises the bulk of Cuban meat imports. Lower-priced poultry meat provides a more cost effective source of animal protein for the domestic market than either beef or pork. Over the period, Cuban per capita consumption of poultry increased, beef fell, and pork was stable.<sup>11</sup>

<sup>7</sup> Mattson and Koo, “An Overview of Cuban Agriculture and Prospects for Future Trade with the United States.”

<sup>8</sup> Detailed commodity-level Cuban import data by import supplier is contained in appendix E.

<sup>9</sup> U.S. Department of Agriculture, Foreign Agricultural Service, “International Trade Report: Cuban Market, Good for U.S. Grain”, August 5, 2005.

<sup>10</sup> Industry officials, interview by Commission staff, April 2007.

<sup>11</sup> FAO, *FAOSTAT Agricultural Consumption Data*.

**Table 2.1** Cuban agricultural, fish, and forestry imports from the world, by commodity, 2000–06

| Commodity           | 2000                           | 2001           | 2002           | 2003           | 2004           | 2005           | 2006           |
|---------------------|--------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
|                     | <i>U.S. dollars (millions)</i> |                |                |                |                |                |                |
| Grains              | 180                            | 190            | 210            | 193            | 238            | 246            | 247            |
| Wheat               | 94                             | 89             | 73             | 72             | 71             | 94             | 78             |
| Flour               | 39                             | 57             | 61             | 74             | 39             | 46             | 57             |
| Corn                | 8                              | 13             | 30             | 36             | 61             | 64             | 60             |
| Rice                | 39                             | 30             | 47             | 11             | 67             | 41             | 51             |
| Other grains        | <sup>(a)</sup>                 | <sup>(a)</sup> | <sup>(a)</sup> | <sup>(a)</sup> | <sup>(a)</sup> | <sup>(a)</sup> | 2              |
| Animal feed         | 33                             | 28             | 29             | 31             | 52             | 50             | 56             |
| Soybeans            | 3                              | 7              | 25             | 35             | 40             | 40             | 32             |
| Fats and oils       | 33                             | 31             | 39             | 68             | 56             | 84             | 39             |
| Dry beans           | 35                             | 39             | 52             | 55             | 64             | 63             | 79             |
| Meats               | 56                             | 72             | 75             | 79             | 155            | 141            | 159            |
| Poultry             | 33                             | 41             | 48             | 52             | 103            | 86             | 69             |
| Beef                | 4                              | 5              | 6              | 8              | 25             | 19             | 42             |
| Pork                | 13                             | 18             | 14             | 11             | 16             | 26             | 34             |
| Other meats         | 6                              | 9              | 7              | 7              | 11             | 10             | 15             |
| Eggs                | <sup>(a)</sup>                 | <sup>(a)</sup> | 1              | 1              | 1              | <sup>(a)</sup> | <sup>(a)</sup> |
| Dairy products      | 88                             | 95             | 79             | 102            | 134            | 176            | 147            |
| Sugar, cane or beet | <sup>(a)</sup>                 | 12             | 13             | 32             | 11             | 31             | 69             |
| Processed food      | 36                             | 38             | 43             | 65             | 64             | 59             | 67             |
| Fish and seafood    | 29                             | 31             | 17             | 14             | 23             | 27             | 26             |
| Paper and wood      | 22                             | 33             | 35             | 44             | 50             | 50             | 60             |
| Other               | 32                             | 28             | 33             | 38             | 46             | 75             | 57             |
| <b>Total</b>        | <b>550</b>                     | <b>603</b>     | <b>650</b>     | <b>756</b>     | <b>937</b>     | <b>1,043</b>   | <b>1,039</b>   |

Source: Global Trade Atlas.

Note: Data are unavailable for Vietnam, however, Vietnam is believed to be the leading source of Cuba's rice imports.

<sup>a</sup>Less than \$1 million.

In 2006, Cuban imports of dairy products were \$147 million, or 14 percent of all Cuban agricultural imports that year. Dairy products have been among the fastest-growing agricultural imports, increasing 11 percent annually over the past 6 years. The bulk of these are milk powders (nonfat dry milk and whole milk powder), which are reconstituted into fluid milk and given primarily to children as part of food rations provided by the Cuban government. A significant share of Cuba's dairy consumption is imported. New Zealand and the EU supply most Cuban dairy imports.

Cuban imports of other agricultural products (table 2.1) rose as well during 2000–06. Although Cuba was once the world's largest sugar-exporting country, it became a net importer of sugar.<sup>12</sup> Cuban imports of sugar increased from 44,000 metric tons (mt) in 2000

<sup>12</sup> Cuba has experienced declining domestic production and exports of sugar since the dissolution of the Soviet Union. Plagued by the lack of agricultural inputs, the lack of spare parts, and periods of drought and hurricanes, the Cuban government began restructuring the domestic sugar industry in 2002, resulting in a contraction of the industry. Amuchastegui, "Cuba downsizes ailing sugar industry."



to over 250,000 mt in 2006.<sup>13</sup> At the same time, Cuba continued to fulfill long standing agreements with several countries, including China, for annual sugar export contracts.<sup>14</sup> Thus, Cuba must import sugar to ensure that both domestic and export demands are satisfied. Another notable trend is that Cuban imports of soybeans increased from about 10,000 mt in 2000 to over 130,000 mt 2006, as Cuba's first soybean processing plant commenced operations in October 2000.<sup>15</sup> The plant is a joint venture with Canadian Sherritt International and processes soybeans into soybean meal and soybean oil (a cooking oil).

### *Major Suppliers*

In 2006, the United States was the leading supplier of Cuban imports of agricultural, fish, and forestry products, with a share of 32 percent. The other major suppliers were the EU (16 percent), Brazil (14 percent), Argentina (7 percent), and Canada (6 percent). These five countries together accounted for over \$793 million, or 76 percent, of total Cuban imports of agricultural goods in 2006 (table 2.2).

**Table 2.2** Cuban agricultural, fish, and forestry imports, by major supplier, 2000–06

| Reporting country | 2000                           | 2001 | 2002             | 2003             | 2004 | 2005  | 2006  |
|-------------------|--------------------------------|------|------------------|------------------|------|-------|-------|
|                   | <i>U.S. dollars (millions)</i> |      |                  |                  |      |       |       |
| United States     | ( <sup>a</sup> )               | 4    | 140              | 254              | 392  | 352   | 337   |
| EU                | 273                            | 238  | 209              | 239              | 164  | 171   | 170   |
| Brazil            | 22                             | 58   | 41               | 27               | 62   | 110   | 149   |
| Argentina         | 41                             | 36   | 13               | 12               | 68   | 72    | 71    |
| Canada            | 74                             | 84   | 62               | 41               | 63   | 79    | 66    |
| China             | 70                             | 59   | 87               | 47               | 32   | 57    | 52    |
| New Zealand       | 6                              | 44   | 30               | 39               | 54   | 40    | 43    |
| Chile             | 28                             | 22   | 28               | 30               | 42   | 36    | 41    |
| Uruguay           | 0                              | 0    | ( <sup>a</sup> ) | ( <sup>a</sup> ) | 8    | 31    | 36    |
| Mexico            | 28                             | 31   | 16               | 17               | 18   | 38    | 24    |
| All other         | 7                              | 25   | 25               | 51               | 33   | 58    | 49    |
| Total             | 550                            | 603  | 650              | 756              | 937  | 1,045 | 1,039 |

Source: Global Trade Atlas.

Note: Data are unavailable for Vietnam, however, Vietnam is believed to be the leading source of Cuba's rice imports.

<sup>a</sup>Less than \$1 million.

The suppliers of Cuban agricultural imports have changed significantly over the past 5 years. In 2000, with virtually no trade between the United States and Cuba, the EU accounted for 50 percent of all imports with the remaining share allocated fairly evenly among seven countries (Canada, China, Chile, Brazil, Mexico, New Zealand, and Argentina). Then, in 2001, the United States entered the market and, by 2004, had captured a 42 percent import share, mostly at the expense of the EU, Argentina, Canada, and Mexico. In 2006, the United

<sup>13</sup> U.S. Department of Agriculture, Foreign Agricultural Service, *Production, Supply and Distribution Online (PS&D)*.

<sup>14</sup> U.S. Department of Agriculture, Foreign Agricultural Service, "World Sugar Situation," December 2005.

<sup>15</sup> Ross and Fernandez Mayo, "International Economic Associations in Cuba's Agricultural Sector."

States accounted for a one-third share, the EU and Brazil, combined for another one-third, and the other countries comprised the remaining one-third.

### United States

The 1992 Cuban Democracy Act all but prohibited commercial sales of agricultural products between the United States and Cuba.<sup>16</sup> The loosening of restrictions under TSRA and Cuba's need to import food in the wake of Hurricane Michelle in November 2001 provided the impetus for trade to resume.<sup>17</sup> In 2002, the first shipments of U.S. rice arrived in Cuba (table 2.3). The flow of products steadily increased from \$26,000 in 2000 to a peak of \$392 million in 2004. Sales fell 10 percent in 2005 to \$352 million, and fell a further 2 percent in 2006 to \$337 million. According to the Cuban government, this decline resulted from changes in U.S. regulations on export payments and financing in March 2005.<sup>18</sup> Other commentators have attributed the decline to other factors, such as the availability of favorable financing terms from competitive suppliers and an overall decline in imports in 2006.<sup>19</sup> The effects of the March 2005 regulatory changes are described in chapter 3.

In general, agricultural products imported from the United States have lower costs of delivery and warehousing than competitive products from third-country exporters because of the proximity of the U.S. ports to Cuba, the marketing efficiency of the U.S. exporters, the smaller volume of individual shipments, and the transportation and handling capacity of U.S. ports.<sup>20</sup> In 2002, an unnamed Cuban official estimated that the proximity of U.S. Gulf ports saves freight, warehousing, and interest costs, and gives U.S. exporters the equivalent of up to a 20 percent price advantage over third-country suppliers to Cuba.<sup>21</sup> The lack of domestic storage capacity for agricultural products and poor internal rail<sup>22</sup> and truck delivery heightens the advantages U.S. exporters have in being able to make timely deliveries of smaller shipments on a "just-in-time" basis. U.S. suppliers are reported to service the three major Cuban ports in a matter of one day or less, as compared to 25 days for sailing from Brazil.<sup>23</sup>

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<sup>16</sup> Between 1990 and 1999, cumulative U.S. agricultural exports to Cuba amounted to less than \$20,000. USITC, Interactive Tariff and Trade Database (Dataweb).

<sup>17</sup> Messina, *U.S.-Cuban Agricultural Trade: Present Realities and Future Prospects*.

<sup>18</sup> *CubaNews*, "USTEC: Food exports to Cuba fell 11% to \$350m in 2005."

<sup>19</sup> Cuba imported 500,000 metric tons of rice from Vietnam in 2005–06 with preferential financing. *CubaNews*, "Cuba to Triple Rice Production by 2015," and Echevarría, "U.S. Rice Producers Expect Cuba Market to Keep Growing." China has provided considerable official credit to Cuba. Economic Intelligence Unit, *Cuba Country Profile 2007*, 43-44.

<sup>20</sup> U.S. Department of Agriculture, Foreign Agricultural Service, *International Trade Report: Cuban Market, Good for U.S. Grain*.

<sup>21</sup> Marc Frank, "Cuba slashes imports amid ongoing cash crunch," *Reuters*, October 2002, quoted by Spandoni, "Effectiveness of Economic Sanctions in the Context of Globalization and Transnational Linkages: The Case of Cuba," 182.

<sup>22</sup> Cuban rail cars can hold only 30 tons each (as compared to the 80 ton maximum in the United States) because of weight limits of Cuban rail lines. Thus, direct maritime delivery is particularly important to Cubans. Cuban industry official, interview with Commission staff, June 14, 2007.

<sup>23</sup> United States Poultry and Egg Council, written submission to the Commission, May 8, 2007 and Cuban industry official, interview with Commission staff, June 14, 2007.

**Table 2.3** Cuban agricultural, fish, and forestry imports from the United States, by commodity, 2000–06

| Commodity           | 2000                           | 2001 | 2002             | 2003             | 2004             | 2005             | 2006             |
|---------------------|--------------------------------|------|------------------|------------------|------------------|------------------|------------------|
|                     | <i>U.S. dollars (millions)</i> |      |                  |                  |                  |                  |                  |
| Grains              | ( <sup>a</sup> )               | 2    | 52               | 83               | 180              | 145              | 136              |
| Wheat               | 0                              | 0    | 23               | 37               | 58               | 51               | 51               |
| Flour               | 0                              | 0    | 0                | ( <sup>a</sup> ) | ( <sup>a</sup> ) | 0                | 3                |
| Corn                | 0                              | 2    | 23               | 36               | 58               | 55               | 43               |
| Rice                | ( <sup>a</sup> )               | 0    | 6                | 11               | 64               | 39               | 40               |
| Other grains        | 0                              | 0    | 0                | 0                | 0                | 0                | 0                |
| Animal feed         | 0                              | 0    | 19               | 26               | 36               | 24               | 42               |
| Soybeans            | 0                              | 0    | 21               | 34               | 28               | 33               | 32               |
| Fats and oils       | 0                              | 0    | 22               | 52               | 24               | 28               | 22               |
| Dry beans           | 0                              | 0    | ( <sup>a</sup> ) | 1                | 8                | 12               | 20               |
| Meats               | 0                              | 2    | 23               | 37               | 63               | 66               | 59               |
| Poultry             | 0                              | 2    | 23               | 37               | 61               | 58               | 45               |
| Beef                | 0                              | 0    | ( <sup>a</sup> ) | 0                | ( <sup>a</sup> ) | 0                | ( <sup>a</sup> ) |
| Pork                | 0                              | 0    | ( <sup>a</sup> ) | 0                | 2                | 8                | 14               |
| Other meats         | 0                              | 0    | 0                | ( <sup>a</sup> ) | 0                | 0                | ( <sup>a</sup> ) |
| Eggs                | 0                              | 0    | ( <sup>a</sup> ) | ( <sup>a</sup> ) | ( <sup>a</sup> ) | ( <sup>a</sup> ) | 0                |
| Dairy products      | 0                              | 0    | ( <sup>a</sup> ) | ( <sup>a</sup> ) | 27               | 30               | 13               |
| Sugar, Cane or Beet | 0                              | 0    | 0                | 0                | 0                | 0                | 0                |
| Processed food      | 0                              | 0    | ( <sup>a</sup> ) | 12               | 10               | 2                | 1                |
| Fish and seafood    | 0                              | 0    | 0                | ( <sup>a</sup> ) | ( <sup>a</sup> ) | ( <sup>a</sup> ) | ( <sup>a</sup> ) |
| Paper and wood      | 0                              | 0    | ( <sup>a</sup> ) | 5                | 10               | 6                | 10               |
| Other               | 0                              | 0    | ( <sup>a</sup> ) | 3                | 5                | 5                | 2                |
| Total               | ( <sup>a</sup> )               | 4    | 140              | 254              | 392              | 351              | 337              |

Source: Global Trade Atlas.

Note: Data are unavailable for Vietnam, however, Vietnam is believed to be the leading source of Cuba's rice imports.

<sup>a</sup>Less than \$1 million.

In 2006, the United States accounted for a substantial percentage of Cuban imports of wheat (66 percent), corn (71 percent), rice (77 percent), poultry (65 percent), pork (42 percent), soybeans (100 percent), and animal feed (76 percent). The drop in imports from the United States in 2005 was concentrated in a few products, mainly rice and animal feed. Cuban imports from the United States of several commodities increased between 2004 and 2005, including soybeans, fats and oils, pork, dairy products, and dry beans.

The Cuban government's access to foreign exchange limits Cuban imports, especially those from the United States, since no U.S. commercial credit can be provided. This underscores the importance of Cuban-American family travel and remittances and dollar receipts from tourism to the Cuban economy. Changes in U.S. government regulations from March 2003 to June 2004 eased family travel restrictions to Cuba and increased the amount that each traveler could carry from \$300 to \$3,000.<sup>24</sup> This action had the potential to substantially

<sup>24</sup> Sullivan, "Cuba: U.S. Restriction on Travel and Remittances," 5.

increase the Cuban government's access to foreign exchange and its ability to purchase food and agricultural products from the United States during this period.

## **EU**

The EU was the second largest supplier of agricultural products to Cuba in 2006 but has seen its share of the Cuban import market decline from 50 percent to less than 20 percent between 2000 and 2006. EU sales of wheat and poultry to Cuba fell in 2004 when the Cuban government shifted to other suppliers such as the United States, Brazil, Argentina, and Canada. The significant appreciation of the Euro against the Cuban peso and U.S. dollar during 2003–06 made U.S. and third-country agricultural products relatively less expensive.<sup>25</sup>

Lower EU wheat sales to Cuba coincided with increased Cuban wheat imports from the United States and Canada. This shift away from the EU toward imports from the North American suppliers may suggest a Cuban preference for higher quality wheat and away from wheat flour.<sup>26</sup> The building of several Cuban wheat mills also contributed to higher wheat, and lower wheat flour imports. EU poultry sales to Cuba fell from \$14.5 million to \$2.7 million during 2000–06 and were offset by increased imports from Brazil and the United States.<sup>27</sup> The EU still retains a large percentage of the Cuban import market for milk powder and wheat flour.

## **Brazil**

Cuban agricultural imports from Brazil increased more than six-fold during 2000–06. In 2006, Cuban imports of Brazilian sugar were over \$50 million, up from zero in 2000. Brazilian meat exports to Cuba also increased six-fold from \$6 million in 2000 to almost \$40 million in 2006. Pork accounted for 61 percent, and beef and poultry for 29 percent of the total value of Brazilian meat exports to Cuba in 2006. Brazil also sold significant quantities of powdered milk and soybean oil to Cuba.

An important factor in the increase in Cuban food imports from Brazil was reportedly the Cuban government seeking political support for admission to Mercosur. Cuba acceded to Mercosur in July 2006.<sup>28</sup> Brazil imported the vast majority of Cuba's exports to Mercosur countries in 2004,<sup>29</sup> and continues to purchase large quantities of Cuban goods.

## **Argentina**

Cuban imports from Argentina increased 73 percent by value between 2000 and 2006. This increase was primarily led by gains in corn, powdered milk, and dry beans. Dairy and corn each accounted for 25 percent of total shipments in 2006. Dry beans increased significantly, from \$288,000 in 2000 to \$13 million in 2006. Like Brazil, Argentina is member of

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<sup>25</sup> Data on exchange rates taken from [www.oanda.com](http://www.oanda.com).

<sup>26</sup> Mattson and Koo, "An Overview of Cuban Agriculture and Prospects for Future Trade with the United States."

<sup>27</sup> Overall poultry exports decreased between 2001 and 2006, likely an outcome of EU enlargement in 2004, which led to an increase in intra-EU poultry trade. Farm Foundation, *The Future of Animal Agriculture in North America*.

<sup>28</sup> Mercosur is a South American trading bloc consisting of Argentina, Brazil, Paraguay, Uruguay and Venezuela, as well as associate members Bolivia and Chile. Hearn, "Castro rallies trade bloc."

<sup>29</sup> Resende, "How Cuba fits into Brazil's plans."

Mercosur, and it is possible that Cuba's shift in food suppliers away from the EU to Mercosur members was designed to support Cuba's accession to the trading bloc. The Argentine peso declined about 50 percent relative to the U.S. dollar from 2001 to 2006,<sup>30</sup> and increased Argentine price competitiveness.

### **Canada**

Canada fell from the second to the fifth leading supplier to the Cuban market during 2000–06. In 2006, Canada exported \$66 million and its market share decreased to 6 percent. The appreciation of the Canadian dollar against the U.S. dollar since 2004 reduced Canadian price competitiveness in much the same way as the Euro's rise.<sup>31</sup> The unwillingness of the Canadian agricultural sector to extend additional credit to the Cuban government and delayed Cuban payments<sup>32</sup> may have played a role as well.

Increased competition resulting from the re-entry of the United States into the Cuban market resulted in declining Canadian export sales of corn, wheat, pork, and poultry.<sup>33</sup> Canadian wheat sales to Cuba have been affected not only by U.S. wheat, but by Cuban imports of Argentine wheat starting in 2004.

Cuban imports of Canadian poultry also declined during this period from \$12 million in 2000 to \$1 million in 2006. This decline coincided with a large increase of imports from the United States and Brazil, with sales of poultry from these countries reaching almost \$65 million in 2006. Canadian pork exports to Cuba remained fairly constant during 2000–06, averaging \$10 million per year, but Canada's share of pork imports declined from 69 to 32 percent over the same period.

## **Food Procurement and Distribution**

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Cuba's food procurement and distribution system is highly complex. It consists of many parts, including domestic agricultural production and imports, several entities involved in food procurement, and various types of food sales outlets, serving both Cubans and tourists (figure 2.2). The system is further complicated by two major factors: central planning and dual currencies.

Large sections of the system are centrally planned. For example, imports are tightly controlled by the Cuban government, particularly imports from the United States, and most Cubans receive their food through government-controlled ration stores. Within the system, however, there are large pockets where free enterprise is allowed to operate. For example, imports from non-U.S. suppliers are sold directly to hotels, and farmers with excess production sell their products in private farmers' markets.<sup>34</sup>

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<sup>30</sup> Real annual country exchange rate per U.S. dollar. U.S. Department of Agriculture, Economic Research Service, *Agricultural Exchange Rate Data Set*.

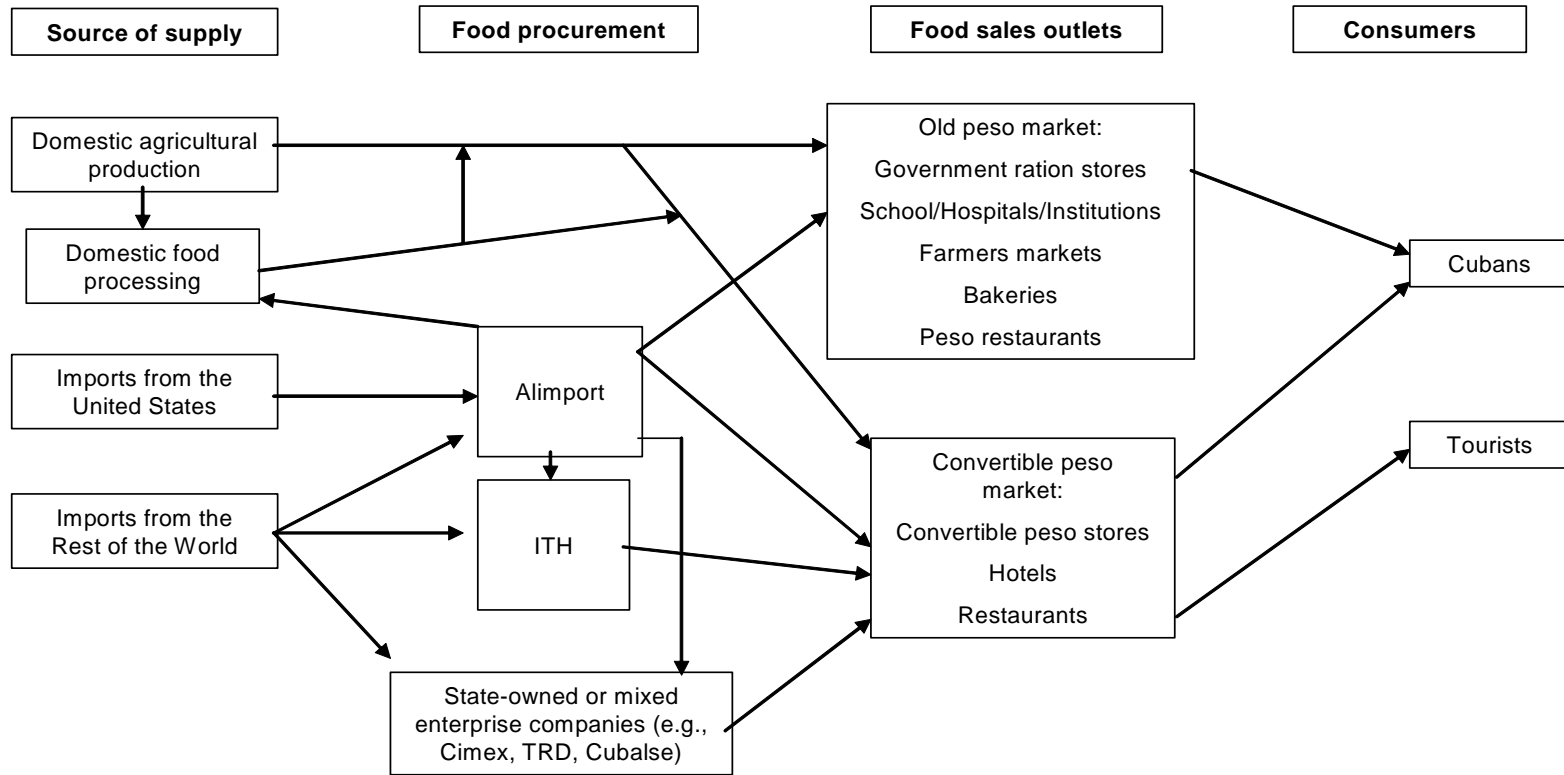
<sup>31</sup> Data on exchange rates taken from [www.oanda.com](http://www.oanda.com).

<sup>32</sup> "Canadian food suppliers getting stiffed; U.S. rivals like status quo," *CubaNews*, 11.

<sup>33</sup> Agriculture and Agri-Food Canada. "Agri-Food Past, Present & Future Report Cuba, July 2005."

<sup>34</sup> Industry officials, interviews by Commission staff, April 2007. Commission staff fieldwork, Havana, Cuba, June 11-15, 2007.

**Figure 2.2** Overview of Cuba’s food production, purchasing, and distribution system



Source: Commission fieldwork.

The retail food distribution system operates under a dual currency—the old peso (CUP) and the new convertible peso (CUC), a hard currency backed by foreign exchange, such as U.S. dollars or Euros.<sup>35</sup> Consumer outlets using CUPs include farmers’ markets, schools, hospitals, and government ration stores (*bodegas* and *placitas*),<sup>36</sup> as well as many commercial establishments, such as shops selling non-luxury items and restaurants primarily serving Cubans. The CUC, which was introduced in 1993, is used in establishments that accept foreign exchange, such as hotels, tourist restaurants, and retail outlets selling luxury items. In CUC retail outlets, food and other items are subject to significant mark-ups (as high as 300 percent) as a means by which the Cuban government can acquire foreign exchange.<sup>37</sup>

### ***Domestic Food Production***

Cuba is a net food importer, with slightly over one-half to two-thirds of its consumption of staple food products being imported.<sup>38</sup> Much of Cuba’s agricultural production system is centrally-planned and inefficient, making domestic food production costly. According to Cuban national income statistics, total agricultural output shrank by nearly one-half during the economic crisis period of 1990–94. This decline coincided with the collapse of the Soviet Union and the removal of subsidies to the Cuban agricultural economy in the form of petroleum, fertilizer and other farm chemicals, and farm machinery. Since then, the Cuban government has promoted food self-sufficiency through the use of more organic forms of production. However, current agricultural output is only about 55 percent of the level in 1990.<sup>39</sup>

The structure of agricultural production in Cuba is diverse, including small producers selling to farmers’ markets, large state farms, and state-controlled agricultural cooperatives (UBPCs). Traditionally, Cuban agriculture has been centered on sugar for export, but with the loss of the Soviet subsidies and market, agricultural exports have diversified into products such as cigars, rum, and citrus products.<sup>40</sup> Production for domestic consumption is focused on rice, potatoes, beans, fresh fruit and vegetables, and, to a lesser extent, livestock. In the non-sugar cane sector, output currently remains below the level of production in 1989.<sup>41</sup> Cuban cattle herds and fluid milk production have not rebounded to the 1989 levels, despite heavy government spending on imported higher quality live cattle and genetics

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<sup>35</sup> The Cuban government eliminated the circulation of U.S. dollars, which had been in use since the early 1990s, and all other foreign currencies on November 4, 2005. To enforce the elimination of dollars, a 10 percent fee was added to all conversion of U.S. dollars to CUCs, a fee not charged for the conversion of other foreign currencies into CUCs. Prior to March 2005, the Cuban Central Bank reported the value of US\$1 as equal to CUC1. In March 2005, the CUC was revalued 7.4 percent.

<sup>36</sup> *Bodegas* are stores which sell a broad variety of foods, while *placitas* are small shops that sell only fruits and vegetables. Alvarez, “Overview of Cuba’s Food Rationing System,” 4.

<sup>37</sup> Ross and Fernandez Mayo, *Cuba’s ‘New’ Peso Food Chain: Linkages and Implications for U.S. Exporters*.

<sup>38</sup> Imports supply the majority of Cuban consumption of wheat, rice, dry beans, corn, vegetable oil, and poultry meat. See chapter 4 for commodity analysis.

<sup>39</sup> Economist Intelligence Unit, *Cuba Country Profile 2007*, 34.

<sup>40</sup> *CubaNews*, “RHC: Cigar, Honey Industries Back on Track” and *CubaNews*, “Citrus Crop Recovers from Last Year’s Disasters.”

<sup>41</sup> U.S. Department of Agriculture, Foreign Agricultural Service, “Caribbean Basin Market Development Reports, Cuba’s Dollar Food Market and U.S. Exports,” and USDA official, U.S. Interests Section, Havana, e-mail message to Commission staff, May 31, 2007.

improvements.<sup>42</sup> In addition, the 2004 hurricane and the 2005 drought damaged livestock and crops throughout Cuba.<sup>43</sup>

Counter to the general downward trend, certain commodity sectors have grown in recent years. For example, fruit and vegetable production in 2006 was higher than before 1994, and small farmers grow an abundance of plantain and tropical root crops (potatoes, sweet potatoes, and malanga), as evidenced by their supplies at the free farmers' markets.<sup>44</sup> Cuban pork production rose between 2000 and 2005, as private, small-scale hog farms expanded (and state and UBPC hog farming diminished).<sup>45</sup> Cuban egg production also rose by 20 percent during 2000–05.<sup>46</sup>

All food processing operates under the Ministry of Food Industries, either as wholly state-run entities or as foreign joint ventures that produce for the domestic tourist trade or export markets. The leading joint ventures in food production are Sherritt International and AGRO King of Canada, Nestle of Switzerland, Labatt Breweries of Canada, and Grupo BM of Israel.<sup>47</sup> Foreign joint ventures in beer, soft drink and mineral water bottling, rum, tobacco (cigars), citrus (oranges and grapefruit), and greenhouse vegetables have boosted production of these products in recent years.<sup>48</sup>

The major components of domestic food processing industries are the dairy industry (mainly milk processing); meat products (mainly poultry and pork); grain milling; oilseed processing; confections and sugar; bread and baked goods; fruit and vegetable products (including orange juice); alcoholic beverages (mostly rum and beer); and bottled water and other soft drinks.<sup>49</sup> The food sectors that had the highest growth since 1994 include beer; soft drinks and mineral water; alcoholic beverages (rum) for export; powdered milk (imported product being reconstituted into fluid milk); pasta; wheat flour; and cheese and ice cream (using reconstituted imported dry milk).<sup>50</sup>

Cuban food processors face considerable difficulties, many of which concern the timely delivery of food inputs, and poor food transportation and storage infrastructure.<sup>51</sup> For example, Cuban port operations for unloading a bulk agricultural vessel can take two to three

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<sup>42</sup> Cuban beef production fell from 76,000 metric tons in 2000 to 60,000 metric tons in 2005 and fresh whole milk production fell from 614,000 metric tons to 334,000 metric tons in the same period, according to data from FAO.

<sup>43</sup> U.S. Department of State official, U.S. Interests Section, Havana, e-mail message to Commission staff, May 31, 2007.

<sup>44</sup> Commission staff field visit, Havana, Cuba, June 12-14, 2007.

<sup>45</sup> Cuban pork production rose from 76,000 metric tons in 2001 to 97,000 metric tons in 2005, according to data from FAO; however, this is still below the 116,000 metric tons produced in 1996.

<sup>46</sup> Cuban egg production rose from 76,000 metric tons in 2001 to 91,000 metric tons in 2005, according to data from FAO.

<sup>47</sup> U.S. Department of Agriculture, Foreign Agricultural Service, "Caribbean Basin Market Development Reports, Cuba's Dollar Food Market and U.S. Exports, 2003," 7.

<sup>48</sup> Industry officials, interview by Commission staff, June 21, 2007.

<sup>49</sup> U.S. Department of Agriculture, Foreign Agricultural Service, "Caribbean Basin Market Development Reports, Cuba's Dollar Food Market and U.S. Exports, 2003," 6.

<sup>50</sup> *Ibid.*, 7.

<sup>51</sup> Domestic Cuban food quality and food distribution were considered erratic and of poor quality in 2006, as was acknowledged in debate in the Cuban National Assembly in December 2006. Economist Intelligence Unit, *Cuba Country Profile 2007*, 36.



times the time to unload the same vessel in other Caribbean ports.<sup>52</sup> Internal distribution of agricultural products can also be difficult.<sup>53</sup> Coupled with poor grain storage and inadequate railroad rolling stock, grain spoilage and losses in 2006 were severe, according to U.S. industry sources.<sup>54</sup> Joint venture hotels often experience problems with delivery of fresh produce as trucking and refrigeration are often lacking.<sup>55</sup> However, a U.S. port official stated that Cuban bulk handling and cold storage facilities in 2007 have adequate capacity to receive and maintain the quality of U.S. food exports (like frozen chicken and dry beans).<sup>56</sup>

## ***Imports***

Cuban imports of food products, including bulk commodities, intermediate (semi-processed) products, and consumer-ready products, account for the majority of domestic food consumption. Typically, imports are sold to different market segments depending on the type of commodity. Imports of bulk commodities (e.g., grains, oilseeds, and dry beans) have accounted for close to one-half of all Cuba's agricultural imports since 2001 (table 2.1); most of these bulk commodities are imported for the ration stores and government institutions, as well as for food processing companies and feed mills. Some intermediate products, such as soybean meal and soybean oil, are also sold to food processing and feed mills. A large percentage of intermediate and consumer-ready products (e.g., meat, dairy products, cooking oil, and snack foods) are sold directly to consumers through the convertible peso stores, government-owned restaurants, and tourist hotels and restaurants.<sup>57</sup> Imported food is sold in both currency market outlets. However, the majority of U.S. imports are bulk and, after domestic food processing, are sold through the old peso markets; the majority of non-U.S. food imports, on the other hand, are sold in the convertible peso markets.

## ***Import Procurement***

### ***Alimport***

Alimport (*Empresa Cubana Comercializadora de Alimentos* under the Ministry of Foreign Trade) is the sole Cuban agency authorized by the government to import food from the United States.<sup>58</sup> Alimport purchased \$1.6 billion of Cuba's total food imports in 2006,<sup>59</sup> and primarily supplies ration stores, school lunch programs, hospitals, and other government institutions. Alimport also imports food ingredients for the food processing sector (e.g., wheat flour), convertible peso stores (*tiendas de recuperación de divisas*), and other

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<sup>52</sup> Cuban ports do not generally have sufficient forklifts and cranes necessary to rapidly unload cargo and move it to port storage. The only significant container port is in Havana, and during 2004–06 it was frequently overwhelmed with non-food storage containers until the Cuban Army provided emergency assistance to reduce the backload. Industry officials, interview by Commission staff, May 4, 2007 and June 21 and 25, 2007.

<sup>53</sup> Reed, Commission Hearing Transcript, 129.

<sup>54</sup> Industry officials, interview by Commission staff, May 4, 2007.

<sup>55</sup> Johnson, Commission Hearing Transcript, 145-146. Industry officials, interview by Commission staff, May 4, 2007.

<sup>56</sup> Bonilla, Commission Hearing Transcript, 109.

<sup>57</sup> U.S. Department of Agriculture, Foreign Agricultural Service, "Caribbean Basin Market Development Reports, Cuba's Dollar Food Market and U.S. Exports," 14.

<sup>58</sup> However, there are reports that small amounts of branded U.S. food products such as Coca-Cola and California wines are transhipped through third countries to Cuba. Academic representative, interview by Commission staff, May 15, 2007; and Weissert, "U.S. Brands get to Cuba."

<sup>59</sup> Ministry of Foreign Trade Official, interview by Commission staff, Havana, Cuba, June 12, 2007.

government-owned companies.<sup>60</sup> Alimport imports most of the bulk and intermediate agricultural products entering Cuba.

The Alimport logistics group charters Cuban and foreign flag vessels and monitors transportation of the products to Cuba. According to U.S. industry sources, Alimport buys U.S. agricultural products on both a free-on-board (f.o.b.) and a delivered (c.i.f.) basis because Alimport sometimes charters the vessel or other times has the U.S. exporter charter delivery to Cuba. In either case, Alimport pays for shipping and any demurrage charges.<sup>61</sup>

Several factors reportedly go into Alimport's buying decisions.<sup>62</sup> Purchase price, transportation cost, quality, and delivery considerations are all important economic factors that make the United States an attractive supplier. Another economic factor is the availability of bartering and credit financing from non-U.S. suppliers. For example, China and Vietnam have provided official credit for the purchase of rice,<sup>63</sup> and Canada has provided credit guarantees for \$300 million of exports (mostly non-agricultural) to Cuba since 1990.<sup>64</sup> The French export credit agency, COFACE, has provided long- and short-term credit for Cuba's purchase of French wheat and other products.<sup>65</sup> However, U.S. exporters are prohibited by federal laws from extending export credits to Cuba.

Non-economic factors also enter into Alimport's buying decisions. For instance, Alimport maintains multiple supply relationships to hedge against the risk that laws or regulations in a given supplying country could change, thereby making a supplier, such as the United States, unavailable.<sup>66</sup> The Cuban government also has cultivated import relationships because of political motivations.<sup>67</sup> For example, Cuba maintains close political ties to China and Venezuela and benefits from special financial arrangements with these countries. In addition, Alimport reportedly initiated a policy in 2003 that limited or ceased purchases from U.S. companies that did not actively lobby the U.S. government for changes to laws and regulations regarding trade with Cuba.<sup>68</sup> Purchases are also allegedly geared to particular U.S. States or Congressional districts in an effort to heighten local interests in pressing the Administration to normalize trade with Cuba.<sup>69</sup>

Even in the period of expanding U.S. exports to Cuba prior to the 2005 changes to U.S. regulations, the Cuban government had indicated that the U.S. share of Cuban agricultural imports would likely rise to only 60 percent.<sup>70</sup> The subsequent rules change highlighted the vulnerability of Cuban food imports to a U.S. trade action, and likely reduced the share of

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<sup>60</sup> Jones, Commission Hearing Transcript, 80.

<sup>61</sup> Demurrage charges are fees paid as compensation for the delay of a ship or freight car or other cargo beyond its scheduled time of departure.

<sup>62</sup> Industry representative, e-mail to Commission staff, April 5, 2007.

<sup>63</sup> Cuba imported 500,000 metric tons of rice from Vietnam in 2005-6 with preferential financing, *CubaNews*, "Cuba to Triple Rice Production by 2015," and Echevarría, "U.S. Rice Producers Expect Cuba Market to Keep Growing." China has provided considerable official credit to Cuba. Economic Intelligence Unit, *Cuba Country Profile 2007*, 43-44.

<sup>64</sup> *CubaNews*, "Despite the Risks, Canadian Companies Find Cuba Fertile Ground for Trade Deals."

<sup>65</sup> Industry officials, interview by Commission staff, April 2007.

<sup>66</sup> Industry official, e-mail to Commission staff, April 5, 2007.

<sup>67</sup> U.S.-Cuba Trade and Economic Council, "Economic Eye on Cuba: 2006 U.S. Export Statistics for Cuba."

<sup>68</sup> Kavulich, Commission Hearing Transcript, 17 and San Martin, "Feud Erupts Over Cuba Trade."

<sup>69</sup> Industry official, e-mail message to Commission staff, April 5, 2007; industry officials, interviews with Commission staff, April-May, 2007; and media representative, interview with Commission staff, Havana, Cuba, June 14, 2007.

<sup>70</sup> Spandoni, 2005, 182.

its total food imports that Cuba would purchase from the United States. U.S.-Cuban trade experts reported to the Commission that, absent U.S. legal restrictions on trade, the U.S. share of Cuban food imports may rise to 50 percent, but likely no higher because of Cuban food security concerns.<sup>71</sup>

### **Other Cuban Importing Entities**

While U.S. agricultural exporters are required to sell exclusively to Alimport, Cuba's other trading partners sell directly to many other state-trading enterprises and companies within Cuba. Food imports have traditionally been controlled by a small number of government ministries. After 1992, however, the decentralization in Cuban foreign trade permitted state and private enterprises, as well as joint ventures and other companies, to import food.<sup>72</sup> There are five leading channels through which non-U.S. agricultural products can be purchased by Cubans.<sup>73</sup>

- ITH (Commercializador ITH, S.A.) is the principal supplier to the tourist hotels and restaurants (operating under the Ministry of Tourism).<sup>74</sup>
- Six major chains (government-owned corporations) operate the convertible peso stores, including CIMEX, S.A. (Tiendas Panamericanas); Cubanacán, S.A. (Tiendas Universo); Caracol S.A. (Tiendas Caracol); CUBALSE S.A. (Tiendas Meridiano); GAE S.A. (Tiendas TRD Caribe); and Tiendas Habaguanex S.A. No foreign investment in convertible peso stores is permitted, and the chains do not compete for business (i.e., by not setting up stores in close proximity to one another).<sup>75</sup>
- Government-owned corporations that own and operate hotels in Cuba. Cubanacán (with 28 hotels, 50 restaurants, and many cafeterias) is the largest such corporation, accounting for more than one-third of tourist receipts. Others include Grupo Hotelero, Gran Caribe, Horizonte Hoteles, Habaguanex, and Grupo de Turismo Gaviota.<sup>76</sup>
- Roughly 30 percent of Cuban hotels are foreign joint ventures. These ventures are permitted to import food for their facilities, generally through ITH or ABATUR (Ministry of Tourism).<sup>77</sup> Import purchases are often influenced by the needs of chefs designing menus for the hotel restaurants.<sup>78</sup> The major joint venture hotel groups are Grupo Sol Melia (Spanish), Accor and Club Med (France), LTI and RIU (Germany), Leisure Canada, Inc. (Canada), and SuperClubs (Jamaica).

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<sup>71</sup> Jones, U.S.-Cuba Trade Association, written statement to the Commission, May 1, 2007. Industry official, e-mail message to Commission staff, April 5, 2007.

<sup>72</sup> Ross and Fernandez Mayo, "Cuba's Dollar Food Market and U.S. Exports."

<sup>73</sup> Alimport also negotiates with its non-U.S. trading partners on behalf of other Cuban state-trading enterprises. Jones, Commission Hearing Transcript, 114. CIMEX and CUBALSE Officials, interviews by Commission staff, Havana, Cuba, June 12, 2007.

<sup>74</sup> ITH Officials, interview by Commission staff, Havana, Cuba, June 13, 2007.

<sup>75</sup> Academic representative, interview by Commission staff, May 15, 2007. CIMEX and CUBALSE Officials, interview by Commission staff, Havana, Cuba, June 12, 2007.

<sup>76</sup> Ross and Fernandez Mayo, "Cuba's 'New' Peso Food Chain: Linkages and Implications for U.S. Exporters."

<sup>77</sup> U.S. Department of State official, U.S. Interests Section, Havana, e-mail message to Commission staff, May 31, 2007.

<sup>78</sup> Academic representative, interview by Commission staff, May 15, 2007.

- There are about thirty companies licensed to import meat directly from all foreign countries except from the United States.<sup>79</sup> It is likely that these companies are permitted by the Cuban government to directly import a wide variety of other food items destined primarily for the tourist trade.<sup>80</sup>

### *Food Sales Outlets*

As previously noted, food for final consumption in Cuba can broadly be separated into outlets that accept the CUP, serving mostly Cubans, and those accepting only CUCs, serving mostly tourists and Cubans with access to CUCs.<sup>81</sup> CUCs are the basis of exchange in the CUC stores and hotels and restaurants that cater to the tourist industry. In addition to formal restaurants and hotels, other tourism outlets that accept CUCs are in-home family restaurants (*paladares*) and bed and breakfast homes (*casas particulares*).

The basis of the CUP market is the government ration store. The ration (*libreta*) provides every Cuban with a basket of staple food items at heavily subsidized prices. Such items include rice, beans or peas, potatoes, plantains, sugar, cooking oil, coffee, and, when available, soy/meat blend, chicken, and beef.<sup>82</sup> In addition, children under the age of seven are provided with milk, and children aged 7-14 receive soy yogurt.<sup>83</sup> The government also provides subsidized food through school lunch feeding programs, work programs, institutions, and hospitals (“social meals”), that supplement food made available through the ration stores.<sup>84</sup> The ration stores provide at most two-thirds of nutritional food requirements for a typical Cuban, since frequently no meat or produce is available.<sup>85</sup> However, malnutrition is not prevalent in Cuba and life expectancy is reportedly close to the U.S. rate.<sup>86</sup>

Other markets where Cubans can purchase food using CUPs include agricultural markets (*agromercados*), state markets, *topados*, EJT (Working Youth Army) markets, urban gardens, *organopónicos*,<sup>87</sup> fish shops, and supermarket-type stores (*imágenes*).<sup>88</sup> Cubans with access to foreign currency can exchange it for convertible pesos at the government exchange

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<sup>79</sup> U.S. Department of Agriculture, Foreign Agricultural Service, “Caribbean Basin Market Development Reports, Cuba’s Dollar Food Market and U.S. Exports, 2003.”

<sup>80</sup> Academic representative, interview by Commission staff, May 15, 2007.

<sup>81</sup> In April 2007, Economy Minister Jose Luis Rodriguez said that 57 percent of the population has access to hard currency either through jobs in tourism or remittances from relatives living abroad. The U.S. Commission for Assistance to a Free Cuba estimated in 2004 that remittances from the United States totaled \$1 billion a year. Weissert.

<sup>82</sup> Archer, “Caribbean Basin Market Development Reports: How Cubans Survive 2003,” and Alimport, interview with Commission staff, June 13, 2007.

<sup>83</sup> Cuba Transition Project, “Food Security and Nutrition in Cuba.”

<sup>84</sup> Messina, Commission Hearing Transcript, 195.

<sup>85</sup> Bonilla, Jones and Messina, Commission Hearing Transcript, 125-128, 195.

<sup>86</sup> Testimony before the USITC, Commission Hearing Transcript.

<sup>87</sup> *Agromercados* are open air markets with products from private farmers and surpluses of cooperative farms that have fulfilled their production quotas. State markets are usually located next to the *agromercados* and are authorized to sell more processed goods, such as tomato sauce, peanut bars, and guava paste. *Topados* sell products of larger agricultural cooperatives, and regularly fix prices approximately 25–30 percent lower than the rates at the *agromercados*. The Worker’s Youth Army (EJT) produces food for the military and sells its surplus in these markets. Products sold in EJT markets are often the cheapest option. *Organopónicos* are organic gardens with raised container beds. Cuba Transition Project, “Food Security and Nutrition in Cuba.”

<sup>88</sup> Archer, “Caribbean Basin Market Development Reports How Cubans Survive 2003.”

bureaus (CADECAs)<sup>89</sup> and purchase food at convertible peso stores.<sup>90</sup> Black market outlets accept both currencies.

Both domestically produced and imported food flows into all of these food sales outlets. Most of the imported food from the United States is bulk commodities and sold to Cubans through CUP outlets. Most food imported from non-U.S. suppliers, such as Canada and Europe, typically is sold in convertible peso market outlets.<sup>91</sup>

In 2003, the U.S. Department of Agriculture's Foreign Agricultural Service estimated the distribution of food imports sold through CUC outlets within Cuba (table 2.4). Total sales in these outlets were estimated to range between \$400 million and \$500 million. However, the share of these sales sourced from imports is difficult to measure. Imports sold directly to CUC stores and the tourist industry together account for \$80 million to \$120 million. At least half of the Ministry of Food Industries products (i.e., \$75 million to \$90 million) likely were derived from imported inputs (e.g., wheat to produce wheat flour). On this basis, it is plausible that \$155 million to \$210 million (39 to 42 percent) of the total CUC food sales were derived from imports.<sup>92</sup>

**Table 2.4** Annual value of food sold in Cuban convertible peso (CUC) market

| Source of food sold   | Market channel                                      | Wholesale                   | Share of total |
|---|---|-----------------------------|----------------|
|   |   | value of food<br>\$ million | Percent        |
| Direct import   | Convertible peso stores                             | 40-60                       | 10-12          |
| Direct import   | Tourist industry                                    | 40-60                       | 10-12          |
| Ministry of Food Industries<br>(imported and domestic inputs) | Convertible peso stores and tourism                 | 150-180                     | 36-38          |
| Ministry of Agriculture (mostly<br>domestic)                  | Convertible peso stores and tourism                 | 160-180                     | 36-40          |
| Mixed enterprises (mostly<br>domestic)                        | Tourist hotels and restaurants                      | 5-10                        | 1-2            |
| Free agricultural markets<br>(domestic)                       | CADECAS<br>(convertible peso for old peso exchange) | 5-10                        | 1-2            |
| <b>Total</b>  |   | <b>400-500</b>              | <b>100</b>     |

Source: U.S. Department of Agriculture, Foreign Agricultural Service, "Caribbean Basin Market Development Reports: Cuba's Dollar Food Market and U.S. Exports, 2003." GAIN Report Number C13010, September 24, 2003, 24.

The remaining \$245 million to \$290 million (58 to 61 percent) of total CUC sales were therefore domestically produced, sold through the Ministry of Agriculture, foreign joint ventures (mixed enterprises), free agricultural markets, and Ministry of Food Industries.

<sup>89</sup> CADECA (Caja de Cambio, S.A.) is the foreign exchange bureaus that sell convertible pesos. Ross and Fernandez Mayo, 2003, 5.

<sup>90</sup> Cuban state workers receive part of their wages in CUCs and part in CUPs, As of December 2006, one CUC equaled 24 CUPs (unofficial rate), Economic Intelligence Unit, *Cuba Country Profile 2007*, 3.

<sup>91</sup> Ross and Fernandez Mayo, "Cuba's 'New' Peso Food Chain: Linkages and Implications for U.S. Exporters."

<sup>92</sup> Total composed of direct imports of \$40 - 60 million for convertible peso stores, \$40 - 60 million for the tourist industry, and an estimated \$75 million to \$90 million from the Ministry of Food Industries.

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# CHAPTER 3

## U.S. Restrictions on Travel and Agricultural Product Sales to Cuba: Regulatory Framework and Major Effects

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### Regulatory Framework

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A number of laws and regulations provide the legal framework under which trade with and travel to Cuba are conducted. Trade with Cuba was prohibited by Proclamation 3447 issued by President Kennedy on February 3, 1962, under the authority of the Foreign Assistance Act of 1961.<sup>1</sup> Cuban Assets Control Regulations (CACR)<sup>2</sup> were issued by the U.S. Government on July 8, 1963, under the authority of the Trading with the Enemy Act.<sup>3</sup> The Cuban Democracy Act of 1992 (CDA) and the Cuban Liberty and Democratic Solidarity Act of 1996 (LIBERTAD, also know as Helms-Burton) placed additional restrictions on trade with Cuba.<sup>4</sup> The CDA, however, included provisions that allowed for licensed exports in support of the Cuban people, including food donations (but not commercial sales), medicines and medical devices, low-level Federal Communications Commission-approved telecommunications equipment, and items for news bureaus and groups that promote democracy.

In 1999 there was a minor relaxation of rules when the Bureau of Export Administration (BXA, precursor of the Bureau of Industry and Security) published regulations legalizing sales of agricultural commodities to independent, non-governmental entities in Cuba.<sup>5</sup> The Trade Sanctions Reform and Export Enhancement Act of 2000 (TSRA) offered additional opportunities to expand agricultural exports to Cuba.<sup>6</sup>

Trade with and travel to Cuba are primarily regulated by two U.S. agencies. The Bureau of Industry and Security (BIS), in the Department of Commerce, regulates merchandise exports and re-exports to Cuba. The Office of Foreign Assets Control (OFAC), in the Department of Treasury, regulates imports from Cuba and financial transactions involving Cuban assets, including regulations that affect travel to Cuba.

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<sup>1</sup> President John F. Kennedy, Proclamation, “Embargo on All Trade With Cuba, Proclamation 3447” and *Foreign Assistance Act of 1961*, Public Law 87-195, September 4, 1961.

<sup>2</sup> 31 CFR Part 515.

<sup>3</sup> *Trading with the Enemy Act*, October 6, 1917.

<sup>4</sup> *Cuban Democracy Act of 1992*, Public Law 102-484, October 23, 1992 and *Cuban Liberty and Democratic Solidarity Act of 1996*, Public Law 104-114, March 12, 1996.

<sup>5</sup> U.S. Department of Commerce, Bureau of Export Administration, “Exports to Cuba, Final Rule,” *Federal Register*, Vol. 64, No. 92, 25807.

<sup>6</sup> *Trade Sanctions Reform and Export Enhancement Act of 2000*, Public Law 106-387, October 18, 2000 (at 22 USC §§ 7201–7209).

## *Bureau of Industry and Security*

BIS is the primary gatekeeper for the export of agricultural commodities to Cuba. Prior to the TSRA, applications to sell agricultural commodities to Cuba were reviewed by BIS on a case-by-case basis. Owing to the narrow conditions defined by existing laws and regulations, licenses were routinely denied and agricultural exports were very limited.<sup>7</sup> To implement the TSRA, BIS created License Exception Agricultural Commodities (known as the AGR process). Under this process, BIS authorizes exports to Cuba of those TSRA-eligible products that are EAR99 (i.e., those not listed on the Commerce Control List), subject to certain criteria and restrictions.<sup>8</sup> Exporters of TSRA-eligible items are not required to use the AGR process and may seek a standard export license. However, applications for standard export licenses can take more than three times as long to process and be approved than applications under the AGR process.

To ship agricultural products under the AGR process, exporters must submit notification of sales to BIS and obtain confirmation that no agency objects to the transaction taking place.<sup>9</sup> Within two business days of entering the notification into its database, BIS electronically refers the notification to the Departments of State and Defense, as well as other agencies as appropriate.<sup>10</sup> If no agency raises an objection within 9 business days, the authorization is approved. Within 12 business days of being registered in the database, BIS notifies the exporter if objections are raised. Agencies may object if: (1) the goods are not agricultural commodities, (2) the goods are not EAR99, (3) the export would violate the terms of a denial order,<sup>11</sup> (4) the recipient may promote international terrorism, or (5) the transaction raises nonproliferation concerns.

Exports to Cuba must also be made on the basis of a written contract between a U.S. seller and a Cuban buyer, and must take place within 12 months of signing the contract. BIS licenses are also required for supplies (such as fuel, petroleum and related items, food for crew members, and medicine for crew members) used in vessels carrying authorized agricultural exports to Cuba. License applications for such supplies are processed under standard procedures, but are valid for 24 months once issued.

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<sup>7</sup> Standard export licensing procedures are set forth in Executive Order 12981, which provides up to 39 days for initial interagency review. U.S. Department of Commerce, Bureau of Industry and Security, "Exports and Reexports to Cuba."

<sup>8</sup> EAR99 is the designation for dual-use goods that are covered by the EAR (Export Administration Regulations) but are not specifically listed on the Commerce Control List (CCL). EAR99 items can be shipped without a license to most destinations under most circumstances. In fact, the majority of commercial exports from the United States fall into this category. However, if EAR99 items are to be exported to an embargoed country (in this case, Cuba), to an end-user of concern, or in support of a prohibited end-use, a license may be required. U.S. Department of Commerce, International Trade Administration, "What is an Export License and Do All U.S. Exports Require One?"

<sup>9</sup> Notifications and supporting documents can be submitted using Form BIS -748P (the BIS multi-purpose application form) or electronically using the Simplified Network Application Process (or SNAP-R) at <http://www.bis.doc.gov/SNAP/index.htm>. United States Department of Commerce, Bureau of Industry and Security, "Exports and Reexports to Cuba, Iran, and Sudan Under the Trade Sanctions Reform and Export Enhancement Act."

<sup>10</sup> The Department of Defense has authorized BIS to review notifications on its behalf. BIS officials, interview with Commission staff, April 24, 2007; and U.S. Department of Commerce, Bureau of Industry and Security, "Exports and Reexports to Cuba."

<sup>11</sup> A denial order states that the denied person may not participate in any way in any transaction involving any commodity, software, or technology exported from the United States that is subject to the Export Administration Regulations (EAR).

## *Office of Foreign Assets Control*

### **Regulation of Travel Licenses**

Travel to Cuba for U.S. citizens and residents is restricted, although not prohibited.<sup>12</sup> Such restrictions were introduced initially under CACR and are administered by OFAC.<sup>13</sup> Regulations prohibit U.S. residents from purchasing tourism services, such as lodging, meals and transportation, while visiting Cuba.<sup>14</sup> Under certain circumstances, however, OFAC is authorized to grant general or specific licenses to U.S. travelers permitting them to purchase finite amounts of Cuban tourism services.<sup>15</sup>

General licenses are issued to travelers to Cuba for official government or professional purposes without direct authorization from OFAC. Current regulations allow for three general license categories for travel to Cuba: (i) official government travel, covering U.S. federal and state government officials, foreign government officials, and officials of international organizations of which the United States is a member; (ii) journalism travel, covering journalists regularly employed in that capacity by news reporting organizations, including technical support personnel; and (iii) full-time professional research travel, covering professionals conducting research in their professional area, or attendance at certain professional meetings or conferences. Rather than directly contacting OFAC, a general license applicant may simply sign an affidavit of their purpose of visit to Cuba before an OFAC-licensed travel service provider. Travelers under these licenses must be able to document that their travel qualifies under that category and must keep records that may be demanded by OFAC or other law enforcement officials for a period of five years after the travel takes place.<sup>16</sup>

Specific licenses are issued on a case-by-case basis, and require direct authorization from OFAC. Travel under specific licenses is limited to persons visiting immediate family members (i.e., grandparents, parents, children, grandchildren, siblings, spouses, or the same immediate family members of a spouse, or spouses of those family members); freelance journalists; students in structured higher education programs; members of religious organizations undertaking religious activities in Cuba; amateur or semi-professional athletes participating in competitions; advocates of human rights and democracy; humanitarian aid workers; individuals exchanging informational materials; and business-persons seeking to facilitate exports authorized by the Department of Commerce. Data on the number of specific licenses granted during 2004–06 are presented in table 3.1.

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<sup>12</sup> Sullivan, “Cuba: U.S. Restrictions on Travel and Remittances,” 2.

<sup>13</sup> 31 CFR Part 515 and U.S. Department of the Treasury, Office of Foreign Assets Control, “Cuba, What You Need To Know About the U.S. Embargo,” 1.

<sup>14</sup> U.S. Department of the Treasury, Office of Foreign Assets Control, “Comprehensive Guidelines for License Applications to Engage in Travel-Related Transactions Involving Cuba,” 4.

<sup>15</sup> Cuban-Americans visiting family members are limited to only \$50 per day. For other travelers, the limit is \$167 per day based on the U.S. Department of State’s *per diem* allowance providing estimated daily costs for food and lodging in Havana. The rate is adjusted periodically.

<sup>16</sup> For additional details, see U.S. Department of the Treasury, Office Of Foreign Assets Control, “Comprehensive Guidelines for License Applications to Engage in Travel-related Transactions Involving Cuba.”

**Table 3.1** Number of specific licenses issued for travel to Cuba, by type, 2004–06

| Cuba travel category                 | 2004   | 2005   | 2006   |
|--------------------------------------|--------|--------|--------|
| Family visits <sup>a</sup>           | 19,766 | 25,304 | 40,308 |
| Journalistic activities (Freelance)  | 17     | 13     | 4      |
| Research/meeting                     | 167    | 107    | 87     |
| Academic activities                  | 84     | 96     | 90     |
| Religious activities                 | 208    | 256    | 331    |
| Humanitarian projects                | 34     | 36     | 19     |
| Public performance                   | 20     | 23     | 12     |
| Support for the Cuban people         | 30     | 86     | 78     |
| Research institutes                  | 11     | 10     | 8      |
| Informational material               | 35     | 28     | 34     |
| Licensed exports                     | 269    | 258    | 184    |
| Agriculture                          | 201    | 196    | 137    |
| Agriculture and medical <sup>b</sup> | 29     | 21     | 16     |
| Medical                              | 18     | 19     | 16     |
| Donations                            | 21     | 22     | 15     |

Source: U.S. Department of the Treasury, Office of Foreign Assets Control.

<sup>a</sup>Each traveler receives a separate license. For the other categories, multiple travelers may travel on one license.

<sup>b</sup>Travelers using this type of licenses are permitted to engage in activities pursuant to the export of either agriculture or medical goods.

Although the number of specific licenses issued gives insight into overall trends in U.S. travel to Cuba, it does not provide data on the actual number of travelers. License recipients are eligible to travel to Cuba, but may, in fact, not actually travel. Furthermore, multiple U.S. residents may travel to Cuba on all the types of specific licenses except those granted for family visits.

The three-year available time series precludes extensive analysis of trends in the number of specific licenses granted. However, the 59 percent increase in the number of family visits licensed in 2006 can be attributed to licensing provisions, instituted in 2004, permitting Cuban-Americans to visit family in Cuba only once in a three-year period. Therefore, Cuban-Americans who had traveled to Cuba in 2003 under the previous licensing regime that allowed one annual visit were not eligible to travel again to Cuba until 2006.

U.S. agricultural exporters wishing to visit Cuba for business purposes, such as making contacts with Cuban buyers or signing transactions, do not qualify for a general license. Instead, they must obtain a specific license from OFAC. The regulations provide that travel must be directly incident to the marketing, sales negotiation, accompanied delivery, or servicing of eligible exports. Applications of individuals whose qualifications have no apparent connection to these licensing criteria are denied.<sup>17</sup> Licenses are typically issued to cover an unlimited number of trips in a 12-month period. However, licenses must be amended if any criteria of the original application change.

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<sup>17</sup> U.S. Department of the Treasury, Office of Foreign Assets Control, “Comprehensive Guidelines for License Applications to Engage in Travel-related Transactions Involving Cuba,” 65; and OFAC officials, interview with Commission staff, May 2, 2007.

The criteria for travel license eligibility has changed over time. Current license categories were established under the TSRA. Since then, the trend has been toward greater restrictiveness. For example, in 2001, President Bush directed OFAC to prevent “excessive travel,”<sup>18</sup> and in 2003, people-to-people educational travel unrelated to coursework was prohibited.<sup>19</sup> In 2004, OFAC reversed a brief relaxation of family travel that had permitted Cuban-Americans to visit a relative within three degrees of relationship (e.g., great-grandparents or second cousins).<sup>20</sup> Furthermore, family visits were limited to one trip in a three-year period. In addition, the 2004 measures prohibited “fully-hosted travel,” which had allowed access for visitors whose expenses were fully funded by Cuban nationals and also eliminated educational exchanges sponsored by secondary schools. Finally, in 2005, another restriction limited religious organizations from sending more than 25 members to Cuba once per year.<sup>21</sup>

### **Regulation of Export Payments and Financing**

In addition to regulating travel to Cuba, OFAC is the primary agency regulating all financial transactions with Cuba. Prior to the TSRA, the CACR provided a general license for financial transactions and other activities related to shipping in connection with exports to Cuba authorized by BIS.<sup>22</sup> This meant that an exporter receiving a BIS license to export to Cuba was not required to seek additional authorization from OFAC to undertake financial transactions and other regulated activities such as shipping. After the TSRA was implemented, a general license for financial transactions continued to be required in order to export agricultural products to Cuba authorized under AGR. However, the TSRA added additional conditions, most notably that payments by Cubans for agricultural products must be in the form of cash in advance, or financed through a third-country bank.

Prior to late 2004, exporters believed that transactions conducted in the form of “cash-against-documents” fulfilled the “cash-in-advance” condition.<sup>23</sup> Cash-against-documents transactions do not specifically link the physical shipment of the goods from the port at which they are loaded to the completion of the financial transaction. Shipments would leave the departure port while the financial transaction was in process. Exporters maintained ownership of the product because the documents that transferred ownership were not exchanged. Upon receipt of payment, the seller would authorize the transfer of the documents necessary to transfer ownership of the product to the Cuban buyer. The available information suggests that virtually all transactions prior to late 2004 took place under these arrangements.<sup>24</sup>

In late 2004, completion of some financial transactions involving exports of BIS-authorized agricultural products were blocked because U.S. financial institutions questioned whether cash-against-document transactions were, in fact, permitted under the cash in advance rule.<sup>25</sup>

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<sup>18</sup> Sullivan, “Cuba: U.S. Restrictions on Travel and Remittances,” 4.

<sup>19</sup> *Federal Register*, March 24, 2003 (68 F.R. 14141-14148).

<sup>20</sup> *Federal Register*, June 16, 2004 (69 F.R. 33768-33775).

<sup>21</sup> This restriction was implemented by an adjustment to guidelines issued by U.S. Department of the Treasury, Office of Foreign Assets Control. U.S. Department of the Treasury, Office of Foreign Assets Control, *Comprehensive Guidelines*, 40.

<sup>22</sup> U.S. House of Representatives, Committee on Agriculture, *Review of U.S. Agricultural Trade With Cuba*, Hearing transcript, 8.

<sup>23</sup> Industry officials, interview with Commission staff, April and May, 2007.

<sup>24</sup> *Ibid.*

<sup>25</sup> OFAC does not review all financial transactions involving agricultural exports to Cuba to assure that they are within compliance, but relies on U.S. financial institutions to assure that transactions are in compliance with the regulations. On March 16, 2005, the Director of OFAC, Robert Wagner, testified before

While researching the issue, OFAC allowed trade to continue. However, after completion of its research, OFAC officials announced a clarification of the term “cash-in-advance” in a February 2005 *Federal Register* notice.<sup>26</sup> Under this clarification, payment of cash in advance was defined to mean that the seller must receive payment before the vessels carrying the goods leave the port at which they were loaded. Moreover, transactions similar to cash-against-documents transactions would not be permitted after March 24, 2005.<sup>27</sup> After this clarification, Alimport chose not to pay in cash. Instead it arranged payments in the form of letters of credit through third-country banks, a process that had always been permitted under OFAC regulations.<sup>28</sup> Reportedly, Alimport refused to pay cash in advance because by doing so, the exported products would become Cuban property while still in the U.S. port, and thus would be vulnerable to confiscation by Cuban exiles in the United States with legal claims against the Cuban government.<sup>29</sup>

## Effects of Travel License Regulations on Agricultural Sales to Cuba

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The effect of OFAC travel regulations as they pertain to sales-related visits is most likely small for large exporters (e.g., multinational commodity trading companies) that account for the vast majority of agricultural exports to Cuba. Such exporters indicated in interviews for this report that they have few, if any, problems in initially receiving or renewing travel licenses.<sup>30</sup> Furthermore, these large exporters noted that neither the current licensing processes nor current travel restrictions hinder their ability to compete for sales to Cuba. Nonetheless, these exporters view the ability to travel to Cuba as critical to completing sales contracts because Cuban purchasing officials are routinely denied visas to travel to the United States.

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the U.S. House of Representatives Committee on Agriculture that OFAC believes that an article describing trade with Cuba and associated financial transactions triggered the inquiries by financial institutions. U.S. House of Representatives, Committee on Agriculture, *Review of U.S. Agricultural Trade With Cuba*, Hearing transcript, 8. Some U.S. exporters believe that the holds were prompted by OFAC. Industry representative, interview with Commission staff, April 3, 2007. OFAC documentation states that U.S. financial institutions initiated the holds to request guidance on whether sellers were required to receive payment before the goods were shipped from the United States or before the goods were delivered to Alimport. If payment were not received before goods were shipped, U.S. exports could have been, in effect, extending credit to Alimport. OFAC officials, interview with Commission staff, May 2, 2007; U.S. Department of Commerce, Bureau of Export Administration, “Exports to Cuba, Final Rule,” and OFAC officials, interview with Commission staff, May 2, 2007.

<sup>26</sup> OFAC officials, interview with Commission staff, May 2, 2007; and U.S. Department of Commerce, Bureau of Export Administration, “Exports to Cuba, Final Rule.” *Federal Register*, Vol. 70, No. 37, 9225.

<sup>27</sup> U.S. Department of Commerce, Bureau of Export Administration. “Exports to Cuba, Final Rule.” *Federal Register*, Vol. 70, No. 37, 9225.

<sup>28</sup> Radelat, “In Wake of Tough New OFAC Regulations, Food Exporters Turn to Letters of Credit.”

<sup>29</sup> *Ibid.*

<sup>30</sup> It has been reported that 5 of 173 companies that attended an Alimport negotiating conference in early 2004 accounted for 80 percent of the sales at that conference. Luxner, 1; Kavulich, Commission Hearing Transcript, 20; and industry officials interviewed by Commission staff, April 2007.

While large multinational commodity trading companies appear to be able to successfully navigate OFAC travel regulations, other exporters painted a different picture. For example, exporters with small sales volumes or those attempting to sell agricultural products to Cuba for the first time reported that they found the travel licensing process to be cumbersome, non-transparent, and time consuming. Some industry officials indicated that documentation from all previous travel to Cuba had to be presented in order to have a license renewed, something not previously required.<sup>31</sup> Others indicated that their applications were initially rejected, but after some minor adjustments that did not seem substantive, the applications were approved.<sup>32</sup> Testifying before the Commission, North Dakota Commissioner of Agriculture, Roger Johnson, characterized the process as “terribly, terribly time consuming, inefficient, and frustrating.”<sup>33</sup>

Data from OFAC indicate the the number of travel licenses issued for U.S. agricultural sales to Cuba fell from 201 to 137 during 2004-06 (table 3.1). OFAC officials told the Commission that license applications for travel to Cuba were most often denied because applications were incomplete.<sup>34</sup> They said that applications are typically deemed incomplete because the justification for travel of one or more persons identified on the application (or on an amendment to a previous application or license) does not meet the criteria for being directly incident to the marketing, sales negotiation, accompanied delivery, or servicing of agricultural exports.<sup>35</sup> Further, they reported that applications are also often denied because of missing or incomplete certification that (i) the proposed transactions constitute a full-time schedule for all of the participants and (ii) that the travel cannot be completed in a shorter period of time. While several industry officials indicated that their applications for travel licenses were initially denied or took more time to process than expected, none indicated that they were ultimately unable to obtain travel licenses.<sup>36</sup>

Many industry officials who were interviewed stated that relaxing restrictions on visits to the United States by Cuban official would facilitate trade. They indicated that Cuban purchasing officials are either denied visas altogether, or are issued visas that are so restrictive (e.g., in the number of days the visa is valid) as to render the proposed travel unworkable. For example, testimony at the Commission’s public hearing revealed that sales of seed and table potatoes from North Dakota have been precluded by the inability of Cuban phytosanitary experts to obtain permission to travel in the United States.<sup>37</sup> Another witness testified that many industry officials declined to testify at the Commission hearing out of fear that their applications to renew travel licenses would be subject to additional scrutiny or rejected by OFAC.<sup>38</sup>

Another area of concern reported by industry representatives is related to travel by U.S. port officials. OFAC reportedly limits travel licenses for U.S. port officials to one 7-day visit per 12-month period.<sup>39</sup> When issued, travel licenses for U.S. port officials exclude certain related port representatives, such as port commissioners, port consultants, or port tenants and

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<sup>31</sup> Industry officials, interview with Commission staff, April and May, 2007.

<sup>32</sup> *Ibid.*

<sup>33</sup> Johnson, Commission Hearing Transcript, 209.

<sup>34</sup> OFAC officials, interview with Commission staff, May 2, 2007.

<sup>35</sup> *Ibid.*

<sup>36</sup> Industry officials, interview with Commission staff, April/May, 2007.

<sup>37</sup> Johnson, Commission Hearing Transcript, 170-171.

<sup>38</sup> Jones, Commission Hearing Transcript, 78.

<sup>39</sup> OFAC officials, interview with Commission staff, May 2, 2007; and Bonilla, Commission Hearing Transcript, 49.



shippers, from traveling on the port authority's license.<sup>40</sup> OFAC officials indicated that without a letter from a licensed exporter indicating that port officials are conducting business directly incident to the marketing, sales negotiation, delivery, or servicing of eligible exports, the port's application does not meet the criteria as outlined.<sup>41</sup> However, OFAC officials suggested that, if accompanied by a letter designating the port authority as agents of an exporter, port officials' applications might be considered differently.<sup>42</sup>

## **Effects of Payment and Financing Terms on Agricultural Product Sales to Cuba**

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Based on interviews and testimony provided to the Commission for this investigation, there is a consensus among exporters and industry officials that eliminating cash-against-documents transactions as an eligible method of payment has had a substantial negative effect on the sale of agricultural products to Cuba. There is also consensus that CACR requirements that transactions be processed through third-country financial institutions also contributes to increased costs of agricultural product sales to Cuba. These difficulties can be illustrated through a hypothetical scenario that compares the differences in structure between a dollar-denominated cash-against-documents transaction for a bulk shipment of wheat<sup>43</sup> exported from the United States to the Dominican Republic, and a dollar-denominated letter-of-credit transaction for a bulk shipment of wheat to Cuba.

In the case of the Dominican Republic, the Dominican buyer and U.S. seller agree on a shipping date and port (figure 3.1). The buyer arranges for the appropriate-sized vessel to be at the selected U.S. port and loaded within an agreed time frame. The seller arranges for transportation of the product to the appropriate U.S. port facility. Assuming that the vessel and the product both arrive within the contracted time frame, the ship is loaded and leaves port to travel to the Dominican Republic. To complete the transaction, the Dominican buyer instructs its bank to transmit the appropriate funds to the seller's bank, paying appropriate transfer fees and exchange fees if the buyer's accounts are not denominated in U.S. dollars. When the seller's bank confirms that the funds have been received into the buyer's account, shipping and certification documents are exchanged, and ownership of the product is transferred to the buyer, regardless of the location of the vessel.

In a similar transaction involving wheat exports to Cuba (figure 3.2), Alimport and the U.S. seller agree on a shipping date and a port. However, the selection of shipping date and port would not necessarily be based on economic criteria; rather, a port would be chosen where an existing shipping company has been appropriately licensed to handle shipments to Cuba. Alimport would arrange for the appropriate sized vessel to be at the selected U.S. port within an agreed time frame. The seller would arrange for transport of the product to the selected U.S. port facility.

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<sup>40</sup> Bonilla, Commission Hearing Transcript, 50.

<sup>41</sup> OFAC officials, interview with Commission staff, May 2, 2007.

<sup>42</sup> Ibid.

<sup>43</sup> Grains and cereals are primarily shipped in bulk.

Figure 3.1 Hypothetical comparison: U.S. export transaction with Dominican buyer

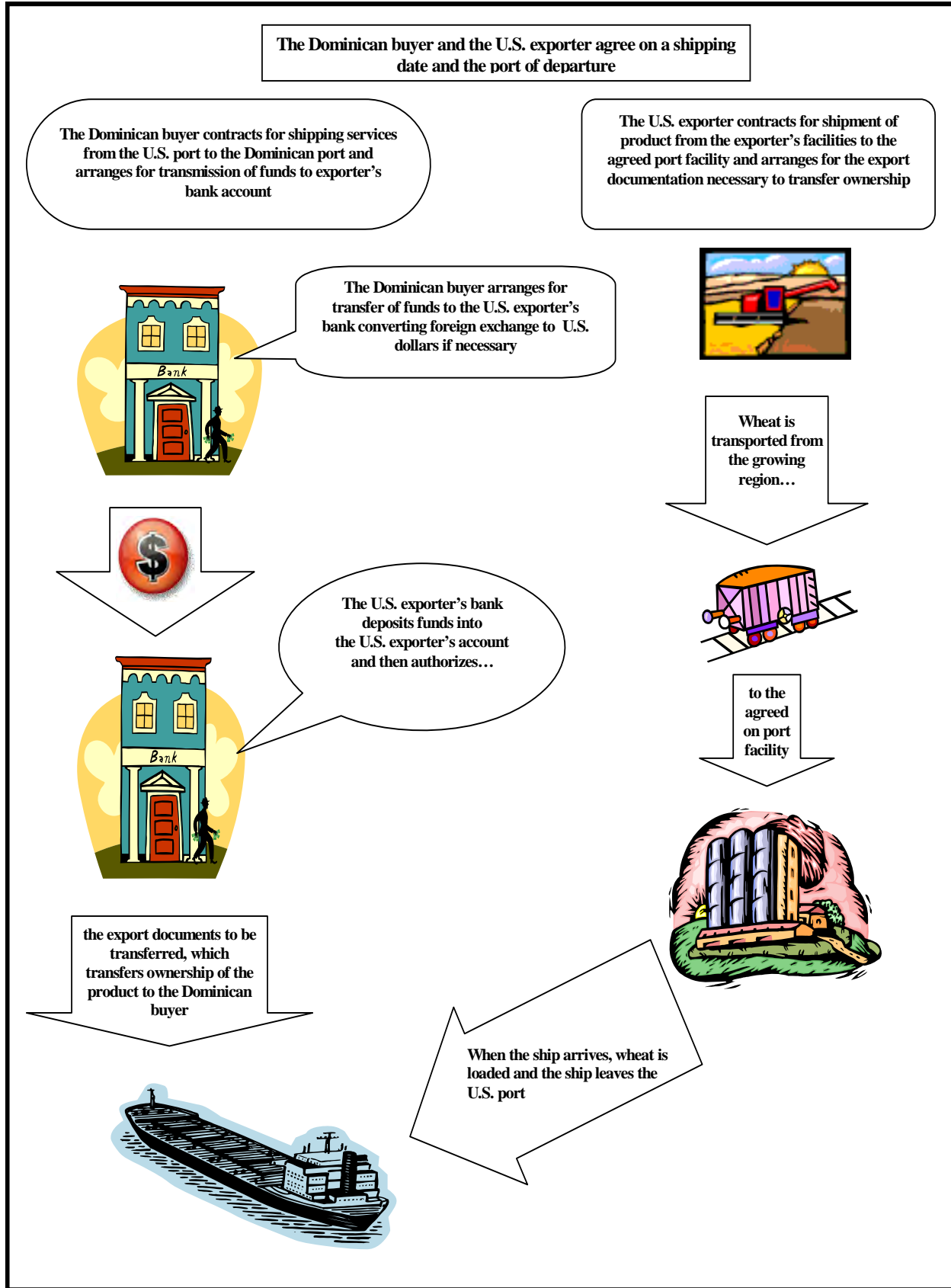
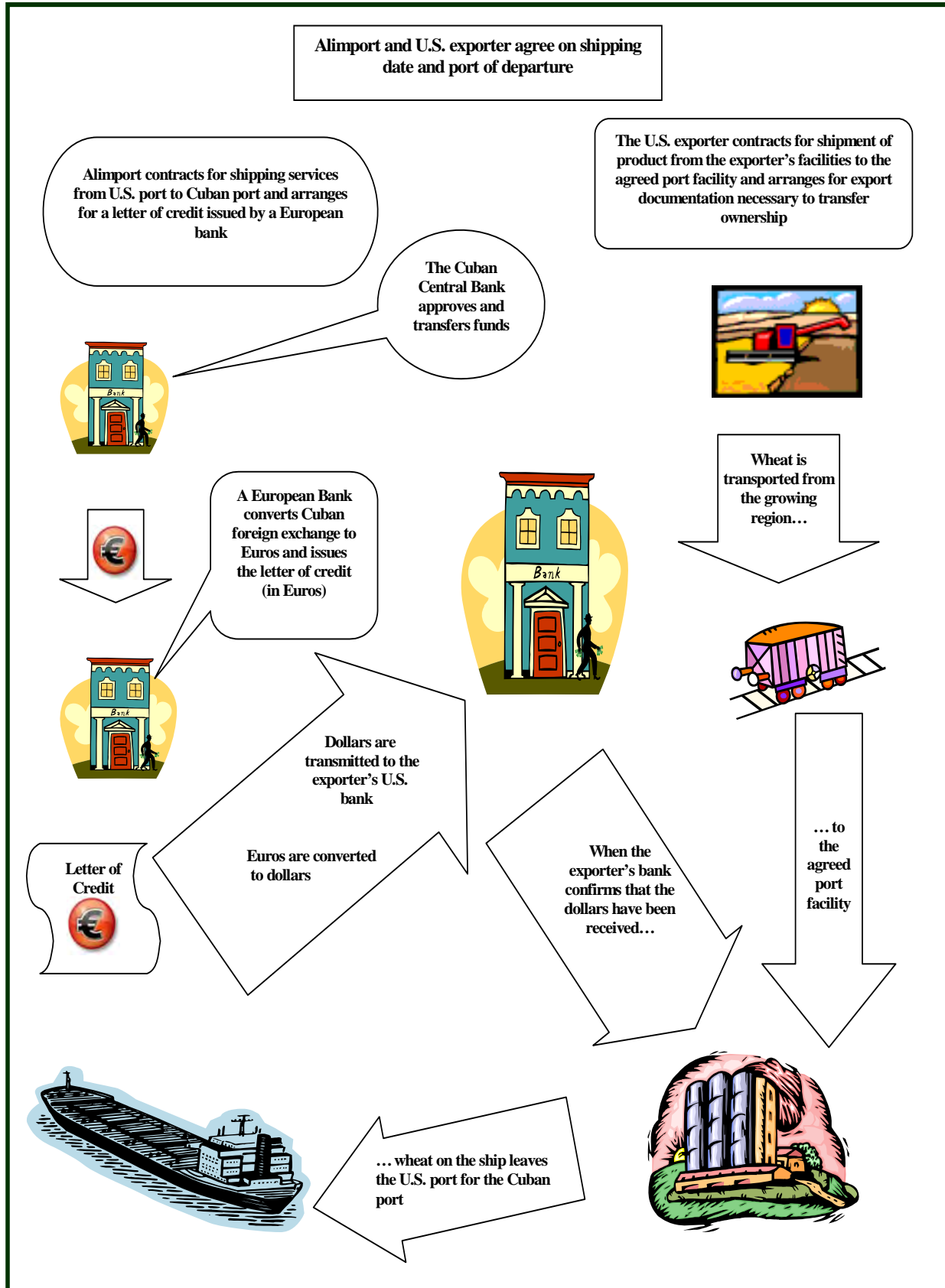


Figure 3.2 U.S. export transaction with Cuba



During this time, Alimport must also arrange for a Euro-denominated letter of credit with a foreign bank.<sup>44</sup> Alimport must first obtain approval from the Cuban Central Bank to transfer sufficient funds to cover the letter of credit to an account in the foreign bank. If Alimport has an insufficient supply of Euros to complete the transaction, it must pay exchange fees to convert U.S. dollars to Euros, as well as a fee for the letter of credit ranging from 1/8 to 1/4 of one percent of the value of the letter of credit (up to \$2,500 per \$1 million of value).<sup>45</sup> The letter of credit is irrevocable: the foreign bank releases the funds to the U.S. exporter upon presentation of an invoice indicating that the product is loaded and ready for shipment. The Euros are then exchanged into dollars for transfer to the account of the U.S. exporter in a U.S. bank. The product is physically exported once the U.S. exporter's bank confirms receipt of the released funds. If the letter of credit is not available by the agreed time frame for loading and shipping, Alimport is responsible for demurrage charges ranging from \$10,000 to \$15,000 per day depending on the size of the vessel. Meanwhile, the U.S. exporter could incur additional storage charges because the product remained in U.S. port storage facilities longer than anticipated.

The CACR requirement that all financial transactions flow through third-country banks can also increase transaction costs, especially for small- and medium-sized exporters who do not have established commercial relationships with the appropriate foreign banks. Delayed delivery of letters of credit appears to have an even larger effect on small- and medium-sized exporters whose shipments are less than a full vessel load. Because each discrete shipment on a vessel is required to have a confirmed letter of credit in place before the vessel leaves port, the delay of any single letter of credit delays all shipments on the same vessel. Delays can range from one to ten days, in some cases increasing total shipping costs by \$20,000 to \$40,000.<sup>46</sup>

As the above illustrations demonstrate, payment and financing terms for agricultural sales to Cuba can significantly increase transaction costs, which reduce the competitiveness of U.S. agricultural product sales to Cuba. Furthermore, as stated in OFAC's February 2005 clarification notice, CACR requirements can be altered without a notice of proposed rulemaking, without the opportunity for public participation, and without any delay in the effective date.<sup>47</sup> This contributes to uncertainty for Alimport purchase managers and can result in U.S. suppliers being viewed as unreliable. The clarification of the definition of cash in advance in 2005 also cut across preexisting contracts and caused U.S. exporters to violate the terms of those contracts.<sup>48</sup> Breaches of contracts reportedly added to the climate of commercial uncertainty faced by Alimport purchase managers and further eroded the perceived reliability of U.S. exporters.<sup>49</sup> Alimport may have responded to this uncertainty

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<sup>44</sup> In this case, a letter of credit authorizes the U.S. seller to draw funds from an account held by a foreign bank. In the case of U.S.-Cuba trade, this most often involves a European bank dealing primarily in Euros.

<sup>45</sup> U.S. industry representative, interview by Commission staff, June 16, 2007.

<sup>46</sup> Roger Johnson, North Dakota Agricultural Commissioner, post-hearing written submission to the Commission, May 7, 2007.

<sup>47</sup> "Because the CACR involves a foreign affairs function, the provisions of the Executive Order 12866 and the Administrative Procedure Act (5 U.S.C. 553) (the "APA") requiring notice of proposed rulemaking, opportunity for public participation, and delay in effective date are inapplicable. Because no notice of proposed rulemaking is required for this rule, the Regulatory Flexibility Act (5 U.S.C. 601-612) does not apply." Department of Treasury, Office of Foreign Assets Control, *Federal Register* Vol. 70, No. 37, 9225.

<sup>48</sup> Martin, Commission Hearing Transcript, 72.

<sup>49</sup> Industry officials, interviews with Commission staff, April 17, 2007; Alimport official, interview with Commission staff, Havana, Cuba, June 12, 2007.

and the perception of unreliability by diversifying its import suppliers, despite certain competitive factors favoring U.S. suppliers, such as price, product quality, and proximity.<sup>50</sup>

In effect, CACR regulations do not permit the extension of credit to the Cuban government by U.S. financial institutions or firms. Opinions on the effect of the prohibition on the extension of normal commercial credit terms by U.S. firms on agriculture sales to Cuba are mixed. Many industry officials advocate normalizing commercial relations with Cuba, including the extension of normal commercial credit to agricultural export sales. For example, the U.S. wheat industry noted that the ability to extend normal commercial credit terms on U.S. sales to Cuba would benefit U.S. wheat sales.<sup>51</sup> The wheat industry also stated that the largest single factor affecting potential U.S. wheat exports to Cuba was the administrative burden on Alimport related to the clarification of payment in advance.<sup>52</sup> By contrast, some exporters and industry officials stated that lifting the ban on U.S. firms extending commercial credit terms for U.S. agricultural sales to Cuba could have a negative effect.<sup>53</sup> With the current ban in place, exporters are not put in the position of having to deny credit to Alimport during sales contract negotiations.<sup>54</sup>

## **Effects of Other Factors on U.S. Agricultural Sales to Cuba**

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Many agricultural industry associations rely on federal farm promotion programs, so-called check-off funds, and U.S. Department of Agriculture (USDA) Market Access Program funds for international market research and promotion activities.<sup>55</sup> Several industry officials indicated that their ability to support their industry's efforts to expand agricultural sales to Cuba is limited because they are prohibited from using funds from these sources to support activities eligible under CACR, such as marketing activities, sales negotiations, and servicing exports to Cuba.<sup>56</sup> As noted by North Dakota's Commissioner of Agriculture, having each State support its own agricultural sales delegations to Cuba causes overlapping and duplicate expenditures.<sup>57</sup> He stated that support of these efforts by USDA's Foreign Agricultural Service would be much more efficient.<sup>58</sup>

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<sup>50</sup> Industry officials, interviews with Commission staff, April 2007.

<sup>51</sup> National Association of Wheat Growers and U.S. Wheat Associates, written submission to the Commission, May 8, 2007.

<sup>52</sup> *Ibid.*

<sup>53</sup> Kavulich Commission, Hearing Transcript, 27. Industry officials, interviews with Commission staff, April and May 2007.

<sup>54</sup> Reportedly, Cuba defaulted on repayment of French wheat in late 1999 or 2000. The British government reportedly terminated its export guarantee program it had extended to Cuba after high rates of default by the Cuban government in 2002. William Messina, Commission Hearing Transcript, 97.

<sup>55</sup> Commodity check-off programs collect funds for the establishment and operation of promotion programs regarding an agricultural commodity that includes a combination of promotion, research, industry information, or consumer information activities. These programs are funded by mandatory assessments on producers or processors, and are designed to maintain or expand markets and uses for the commodity. Becker, "Federal Farm Promotion ("Check-Off") Programs." The Market Access Program (MAP), formerly the Market Promotion Program, uses funds from the USDA's Commodity Credit Corporation (CCC) to help U.S. producers, exporters, private companies, and other trade organizations finance promotional activities for U.S. agricultural products. The MAP encourages the development, maintenance, and expansion of commercial export markets for agricultural commodities. Activities financed include consumer promotions, market research, technical assistance, and trade servicing. USDA, "Market Access Program."

<sup>56</sup> Industry officials, interviews with Commission staff, April and May, 2007.

<sup>57</sup> Johnson, Commission Hearing Transcript, 180.

<sup>58</sup> Foreign Agricultural Service officials are posted to many U.S. embassies overseas. These officials are an important source of market intelligence for U.S. firms exporting to those countries.

## Effects of Travel Restrictions on U.S. Travel to Cuba

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Growth in Cuba's tourism sector will likely increase Cuban demand for food imports. An increasingly vibrant tourism industry in Cuba will not only require more and better quality food for foreign visitors, but will likely continue to increase demand for food by Cuban citizens that work in tourism and related services. The resulting overall growth in Cuban GDP would provide additional hard currency to the Cuban government permitting increased imports, including those from the United States. To assess the extent to which lifting U.S. tourist travel restrictions would affect U.S. travel to Cuba, the Commission examined current and likely future travel by U.S. citizens to Cuba absent restrictions.

Precise numbers of total U.S. citizens traveling to Cuba are not available from either Cuban or U.S. sources. The Cuban government requires Cuban emigres returning to Cuba to do so using a Cuban passport, and thus these visitors are recorded as returning Cuban citizens, rather than visitors from their current country of residence.<sup>59</sup> Consequently, Cuban-Americans, who represent the majority of ethnic Cubans living outside Cuba, are not reported as visitors from the United States.<sup>60</sup> Using the Cuban government's methodology, whereby only "non-Cuban born" U.S. residents are counted, arrivals to Cuba from the United States were 37,233 in 2005. In 2006, Cuba reported 34,000 non-Cuban-born visitors from the United States.<sup>61</sup> These numbers represented about half of the number in 2000, likely owing to the tightening of OFAC licensing restrictions on travel to Cuba in both 2004 and 2005.<sup>62</sup>

U.S. government data on travel licenses for Cuban-Americans to visit family in Cuba are only available from 2004 to 2006 (see table 3.1), and the short time series precludes analysis of trends. Moreover, such data cannot provide an accurate account of the actual number of licensed persons that chose to travel to Cuba because multiple individuals may travel on certain types of licenses. Furthermore, even with such data, estimating the precise number is complicated by the high level of illegal travel by U.S. residents to Cuba who travel to Cuba each year without OFAC licenses.<sup>63</sup> Estimates of such unauthorized visitors exceed 120,000 per year.<sup>64</sup> Such travelers transit through third countries en route to Cuba from the United States.<sup>65</sup>

Although no complete data exist on Cuban-American visits and total U.S. visitors to Cuba, several estimates have been made. In 2002, Robyn et al. estimated that 120,000 Cuban-Americans traveled to Cuba in 2000.<sup>66</sup> Sanders and Long estimated that about

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<sup>59</sup> Cuba does not recognize dual citizenship, and according to Cuban law, any citizen who left Cuba after 1970 is considered to be solely a Cuban citizen. Robyn, Dorothy, et al., *The Impact on the U.S. Economy of Lifting Restrictions on Travel to Cuba*, 264.

<sup>60</sup> According to the 2005 American Community Survey of the U.S. Census Bureau, there are 1.46 million Cuban-Americans. The second largest community of Cubans living outside of Cuba resides in Venezuela, and in the late 1990s numbered only approximately 50,000. Ackerman, Holly. "Different Diasporas: Cubans in Venezuela, 1959-98."

<sup>61</sup> Cuban Ministry of Tourism official, interview by Commission staff, Havana, Cuba, June 13, 2007.

<sup>62</sup> Cuban Ministry of External Relations official, interview by Commission staff, Havana, Cuba, June 13, 2007.

<sup>63</sup> Robyn, Dorothy, et al., *The Impact on the U.S. Economy of Lifting Restrictions on Travel to Cuba*, 264.

<sup>64</sup> Freedom to Travel Campaign, interview by Commission staff, Washington, DC, April 4, 2007.

<sup>65</sup> Robyn, Dorothy, et al., *The Impact on the U.S. Economy of Lifting Restrictions on Travel to Cuba*, 264.

<sup>66</sup> Robyn, Dorothy, et al., *The Impact on the U.S. Economy of Lifting Restrictions on Travel to Cuba*, 2002.

176,000 American citizens visited Cuba in 2001.<sup>67</sup> About 124,000 of these were Cuban-Americans visiting family, 30,000 were other categories of legal visitors and 22,000 were illegal visitors.<sup>68</sup> Spadoni provided a time series of such estimates from 1990 to 2003 and estimated 123,400 “non-Cuban born” Cuban-Americans visited Cuba in 2000, a number similar to that of Robyn et al.<sup>69</sup>

Commission estimates of U.S. travel to Cuba from 2000 through 2005 are provided in table 3.2. Visitors from the United States were estimated at 171,000 in 2005, accounting for about 7 percent of all tourists, a share similar to Spain, Venezuela, and Italy. This estimate is based on data reported by the Cuban Government to the United Nations World Tourism Organization (UNWTO), applying a method used by Spadoni. The UNWTO reports a significant share of annual non-resident visitor arrivals to Cuba as “other Caribbean arrivals.”<sup>70</sup> Many of these arrivals represent visits to Cuba of Cubans living abroad. In fact, Spadoni estimates that approximately 90 percent of such “other Caribbean arrivals” represent Cuban born Cuban-Americans traveling to Cuba. Commission estimates track Spadoni’s methodology, and also add visits by “non-Cuban born” U.S. residents as described above.

**Table 3.2** Cuban tourist arrivals from the World and the United States, 2000–05

| Country       | 2000                  | 2001  | 2002  | 2003  | 2004 | 2005  |
|---------------|-----------------------|-------|-------|-------|------|-------|
|               | <i>1,000 visitors</i> |       |       |       |      |       |
| World         | 1,774                 | 1,775 | 1,686 | 1,906 | 2049 | 2,319 |
| United States | 200                   | 204   | 219   | 236   | 163  | 171   |

*Source:* Commission estimate based on data from United Nations World Tourism Organization, *Yearbook of Tourism Statistics*, and Spadoni, *Effectiveness of Economic Sanctions in the Context of Globalization and Transnational Linkages*.

*Note:* Figures include total visitors, including both overnight visitors and day visitors that may arrive on cruise ships.

## Effects on U.S. Travel of Lifting U.S. Travel Restrictions to Cuba

### *Commission Estimates*

The Commission estimates that the number of overnight U.S. visitors to Cuba would increase from 171,000 in 2005 (the base year) to between 554,000 and 1.127 million visitors per year in the short run if restrictions on travel were abolished (table 3.3). Tourist expenditures by all tourists in Cuba would increase by between 13 and 33 percent. The increased number of visits by U.S. residents raises the price of tourism services in Cuba, and fewer non-U.S.

<sup>67</sup> Sanders, Ed, and Patrick Long, “Economic Benefits to the United States from Lifting the Ban on Travel to Cuba.”

<sup>68</sup> Robyn et al. And Sanders and Long’s estimates of travel by Cuban-Americans to Cuba in 2000 and 2001 of 120,000 and 124,000, respectively, are substantially higher than the number of OFAC licenses granted for Cuban-Americans to visit family during 2004-06 (19,766; 25,304; and 40,308). The decline is indicative of the tightening of travel restrictions for Cuban-Americans in 2004.

<sup>69</sup> Spadoni, Paolo, *Effectiveness of Economic Sanctions in the Context of Globalization and Transnational Linkages: The Case of Cuba*, 153.

<sup>70</sup> Such “other Caribbean arrivals” represented between 6 and 9 percent of total non-resident visitor arrivals to Cuba from 2000 through 2005.

foreigners would visit Cuba. In light of this potential displacement, the Commission's estimate of the net additional tourists that would visit Cuba in the first year of unrestricted travel ranges from 226,000 to 538,000 and is consistent with other empirical travel studies.

**Table 3.3** Short term estimates of additional tourists with lifting of the travel restrictions

| Tourists   | Base  | Additional U.S. tourist and displaced ROW tourist |  | Final |
|--|-------|---|--|-------|
|  |       | 1,000 tourists                                    |  |       |
| Dominican-Republic-like demand shift: <sup>a</sup> |       |   |  |       |
| U.S. tourists                                      | 171   | 956   |  | 1,127 |
| Non-U.S.-origin tourists                           | 2,090 | -418  |  | 1,672 |
| Total  | 2,261 | 538   |  | 2,799 |
| Ad valorem approach: <sup>a</sup>                  |       |   |  |       |
| U.S. tourists                                      | 171   | 383   |  | 554   |
| Non-U.S.-origin tourists                           | 2,090 | -158  |  | 1,932 |
| Total  | 2,261 | 226   |  | 2,487 |

Source: Cuban Oficina Nacional de Estadística, *Anuario Estadístico de Cuba*, 2005, chap. 13 and Commission estimates.

Note: Totals may not add due to rounding. Tourist figures include overnight visitors only and exclude day visitors.

<sup>a</sup>See appendix F for details of method.

These estimates were generated by a comparative static model that is similar to partial equilibrium trade models used in other Commission studies (see appendix F for a more detailed explanation). Market equilibrium is determined by the point where the sum of the U.S. demand and the non-U.S. demand for tourism services intersects the Cuban supply of tourism services. When the travel ban is eliminated, the demand by U.S. residents shifts outward, which generates the aforementioned changes. A demand shift based on U.S. citizens traveling to Cuba in proportions similar to Canadians led to a high, or long-run, estimate. Short-run demand shifts are based on similar numbers of U.S. citizens traveling to Cuba as currently travel to the Dominican Republic<sup>71</sup> or the removal of an *ad valorem* tariff that represents the travel restriction. The short-run estimates also incorporate capacity

<sup>71</sup> Although tourism in the Dominican Republic is more developed than in Cuba, the Dominican Republic has a range of Caribbean tourism services and offers somewhat similar vacation opportunities as Cuba.



constraints based on the availability of hotel space and the limited air transportation agreements between the United States and Cuba.<sup>72 73</sup>

### ***Published Studies and Statements***

Forecasts of the number of additional U.S. residents that would travel to Cuba in the absence of sanctions vary; estimates range from 100,000 to over 3 million.<sup>74</sup> Cuba's deputy minister of tourism, Oscar Gonzalez, estimated that 1 million Americans would visit Cuba in the first year of unrestricted travel.<sup>75</sup> The U.S.-Cuba Trade Association has made a comparable estimate.<sup>76</sup> However, the U.S.-Cuba Trade and Economic Council has a far lower estimate, asserting that Cuban tourism infrastructure is incapable of accommodating large numbers of additional visitors.<sup>77</sup>

Empirical studies also provide a wide range of estimates. In 2001, the Commission, assuming the continuation of restrictive business and social policies, which had resulted in the underdevelopment of Cuba's tourism infrastructure, estimated that between 100,000 to 350,000 additional U.S. visitors would visit Cuba in the first year of unrestricted travel.<sup>78</sup> Sanders and Long, in a scenario assuming unrestricted travel to Cuba by U.S. residents on U.S. airlines and a continued prohibition of U.S. investment in Cuba, estimated 950,000 U.S.

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<sup>72</sup> Hotel capacity is the largest constraint on the potential increase in net foreign visitor arrivals to Cuba in the absence of U.S. sanctions. In 2005, hotel occupancy was approximately 64 percent, a level typical in the Caribbean where there is significant seasonal variation in tourist demand. However, even during Cuba's high tourist season, from December to April, additional capacity currently exists. In 2006, monthly arrivals in March were highest, totaling 260,446. If the same number of travelers were received in the other "high season" months, total arrivals would have risen by 114,491. In fact, if arrivals in each month of 2006 were equal to March levels, Cuba would have received an additional 904,785 arrivals in that year.

<sup>73</sup> The re-opening of air transportation between the United States and Cuba is likely to be a complex process. Although an air transportation agreement between the United States and Cuba, signed in 1953 and amended in 1957, is still in effect, this agreement limits the number of cities serviced and would likely have to be renegotiated. Air Transport Association, interview by Commission staff, Washington, DC, April 11, 2007. According to a U.S. Department of Transportation official, negotiation of a new air transportation agreement would likely take several months, with air travel limited to extra-bilateral charters during that time. U.S. Department of Transportation official, phone interview by Commission staff, April 20, 2007. A second barrier to the resumption of air transport between the United States and Cuba is Cuba's noncompliance with International Civil Aviation Organization (ICAO) safety standards. The U.S. Federal Aviation Administration (FAA) does not allow aircraft from nations that do not meet ICAO standards to fly to the United States. If Cuban airlines were prohibited from servicing the United States, Cuba would be unlikely to provide U.S. airlines unlimited access to its own airports. U.S. Department of Transportation official, phone interview by Commission staff, April 20, 2007.

<sup>74</sup> Estimates include both long and short-run projections. All estimates are stated in terms of expected gross U.S. overnight visitor arrivals.

<sup>75</sup> Reuters, "Cuba Not Ready, But Expecting U.S. Tourists." The Cuban Ministry of Tourism indicated in June 2007 that within two to three years after lifting the travel ban that about one million American tourists could visit Cuba annually, and that these additional tourists would not displace any of the 2.2 million foreign tourists visiting Cuba in 2006. Ministry officials indicated a Cuban hotel room occupancy rate of 60-61 percent in 2006, with considerable unused hotels. The Cuban government expects most American tourists to visit Cuba during May to August when most Canadian and European tourists do not travel there. American tourists are likely to stay on average four to five days, in contrast to the 12-14 day visit of most Europeans. Cuban Ministry of Tourism official, interview with Commission staff, Havana, Cuba, June 13, 2007.

<sup>76</sup> Jones, Commission Hearing Transcript.

<sup>77</sup> Kavulich, Commission Hearing Transcript, 17, 21-22.

<sup>78</sup> U.S. International Trade Commission, *The Economic Impact of U.S. Sanctions With Respect to Cuba*, 4-21.

visitors would arrive in Cuba during the first year and 2.7 million by the fifth year.<sup>79</sup> Robyn et al., modeling arrivals by Cuban-Americans and Americans of non-Cuban descent separately, estimated 3.2 million U.S. visitor arrivals after several years of market adjustment.<sup>80</sup> Finally, the American Society of Travel Agents (ASTA), adopting the methodology of Robyn et al., forecasted 1.3 million overnight visits by Americans during the third year of unrestricted travel.<sup>81</sup>

Because U.S. tourists would likely displace tourists in Cuba from other foreign countries, at least in the short-run, the tourist number of most interest to the Commission's current analysis is the net number of additional tourists that would visit Cuba absent the travel restrictions. Sanders and Long estimated the net increase in foreign resident arrivals to Cuba in the first year of unrestricted travel would be between 300,000 and 475,000 visitors.<sup>82</sup> The lower estimate assumes that there would be no direct air travel between the United States and Cuba, while the latter assumes that direct air travel would be possible.<sup>83</sup>

Several of the above studies also estimated the number of U.S. cruise and ferry passengers that would visit Cuba in the absence of sanctions. Such estimates range from 50,000 to 481,000. Sanders and Long estimated day visitors arriving by cruise ship and ferry would total 50,000 in the first year of unrestricted travel and 450,000 by the fifth year.<sup>84</sup> Robyn et al. forecasted 397,000 U.S. cruise passengers would visit Cuba per year after several years of market adjustment.<sup>85</sup> Finally, the ASTA forecasted that 481,000 U.S. cruise visitors would visit Cuba by the third year of unrestricted travel.<sup>86</sup>

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<sup>79</sup> Sanders and Long provide estimates of anticipated travel under three different scenarios, the estimate above is from one of these three scenarios. Sanders, Ed, and Patrick Long, *Economic Benefits to the United States from Lifting the Ban on Travel to Cuba*.

<sup>80</sup> Robyn, Dorothy, et al., "The Impact on the U.S. Economy of Lifting Restrictions on Travel to Cuba," 267.

<sup>81</sup> Paul Ruden, Senior Vice President, American Society of Travel Agents, written submission to the Commission.

<sup>82</sup> Sanders, Ed, and Patrick Long. *Economic Benefits to the United States from Lifting the Ban on Travel to Cuba*.

<sup>83</sup> Ibid.

<sup>84</sup> Sanders, Ed, and Patrick Long, *Economic Benefits to the United States from Lifting the Ban on Travel to Cuba*.

<sup>85</sup> Robyn, Dorothy, et al, "The Impact on the U.S. Economy of Lifting Restrictions on Travel to Cuba," 272.

<sup>86</sup> Paul Ruden, Senior Vice President, American Society of Travel Agents, written submission to the Commission.

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# CHAPTER 4

## Estimate of U.S. Sales of Agricultural, Fish, and Forestry Products to Cuba with Restrictions Affecting Agricultural Exports and Travel Removed

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### Introduction

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Commission estimates of the effects of lifting financing and travel restrictions on U.S. sales of agricultural, fish, and forest products to Cuba are presented for 16 individual commodity sectors. As requested by the Committee, three scenarios are presented—lifting financing restrictions (scenario 1), lifting travel restrictions (scenario 2), and jointly lifting financing and travel restrictions (scenario 3). The results were derived from a partial equilibrium model of U.S.-Cuba trade developed for this study,<sup>1</sup> as well as extensive discussions with industry officials, including individuals who regularly conduct trade with Cuba. In addition to a quantitative assessment, background on Cuba's domestic industry, U.S. exports and competitiveness, and the importance of Cuba to the United States as an export market is provided for each sector.

There are many unknowns and real-world features of Cuba's food purchasing decisions that are not easily captured in any analytical framework. The Commission employed a comparative-static approach in which the results show what U.S.-Cuba trade might have looked like in 2006 if the financing or travel restrictions had not been in place. The results should be treated as being strongly indicative of the direction and likely magnitude of effects of lifting financing and travel restrictions, but should not be interpreted as forecasts of future trade absent the restrictions.

The quantitative assessments of likely effects of removing financing and travel restrictions are influenced by a set of key assumptions. First, Cuba's political and economic structure remains in place. Second, there is no expansion in Cuba's tourist infrastructure, including the number of hotel rooms available. Given these assumptions, the results should be interpreted as short-term, lower-bound effects for each of the scenarios. In the long term, the benefits to U.S. agricultural exporters of lifting the financing and travel restrictions likely would be significantly larger than the ones presented in this report.

Third, the framework the Commission used to estimate likely impacts is based on standard trade theory which makes certain assumptions about the behavior of decisionmakers (e.g., profit maximization by producers, welfare maximization by consumers). Outcomes in this framework are determined by economic factors alone. For example, it captures how Cuban agricultural imports are impacted by changes in purchase prices and direct tourists' food

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<sup>1</sup> A discussion of the model and its assumptions is found in appendix G and review of the relevant economic literature is found in appendix H.

expenditures, all of which are important factors in Alimport's decision-making process. But there are other important economic factors influencing Cuba's food purchasing decisions that the framework does not capture, such as export credits offered by U.S. competitors and foreign exchange constraints that might limit the amount of expenditures on food imports. The framework also does not capture the effect that a lower price of one commodity might allow additional purchases of other products (including the same commodity but of higher quality). Non-economic factors, such as political considerations, affecting decisionmaking are not captured in this framework. Finally, the estimates for scenarios 2 and 3 do not capture the possible indirect effect of relaxed travel restrictions on the total level of family remittances, some of which would likely be spent on additional food purchases.

Fourth, certain key factors affecting the results cannot be known with certainty, so the estimated effects are provided in the form of ranges. Staff interviews and analysis suggest that the cost of financing restrictions ranges between 2.5 and 10.0 percent of the purchase price depending on the commodity sector. There is also uncertainty about how many additional tourists would visit Cuba if travel restrictions were lifted. So, in scenario 2 results are again provided as ranges, assuming additional tourists of 250,000 to 750,000. Results in scenario 3 range on the basis of combined lower and upper bound assumptions from scenarios 1 and 2.

As noted in chapter 3, the Commission initially estimated the number of net additional tourists traveling to Cuba if the U.S. travel restrictions were removed at 226,000 to 538,000. This analysis shows that increased numbers of U.S. tourists would displace tourists from third-countries and thereby limit the net increase in total tourist visits. Subsequent information, primarily as a result of Commission staff travel to Cuba, indicates that fewer third-country tourists may be displaced than initially presumed because Americans travel throughout the year and particularly during the summer when fewer Canadians and Europeans visit Cuba, which would lessen the competition for hotel space. Thus, for the economic analysis and sensitivity analysis presented in chapter 4, the Commission used a wider range, 250,000 to 750,000, for the number of net additional tourist visits. This range takes into account the uncertainty in how tourists may respond to elimination of the restrictions and encompasses the magnitude of the most likely response by tourists. It is important to note that the model results are not particularly sensitive to the number of tourists' visits to Cuba because Cuba's domestic market is much larger than its tourist market and its own citizens, not tourists, consume most U.S. agricultural exports. Thus, as noted, lifting the restrictions on U.S. tourist visits to Cuba has a limited impact on U.S. exports to Cuba.

Some general observations can be made about the results that apply to most of the individual sectors. First, removing all financing restrictions (scenario 1) leads to an increase in the quantity of Cuban imports from the world, but to a decline in the total value of those imports. In this case, import values should be thought of as the total cost to Alimport of acquiring agricultural products from overseas. When the financing restrictions are lifted, the unit cost of purchasing imports declines. In addition, because Cuba's demand for agricultural imports is inelastic with respect to price, the cost savings are greater than the additional expenditures of acquiring increased quantities. Thus lifting the financing restrictions results in an overall reduction in the amount spent on imports, but does not imply lower returns or prices to U.S. exporters. Furthermore, the U.S. share of Cuba's total imports of agricultural products would increase. Second, lifting the travel ban has a modest impact on Cuba's agricultural imports of most commodities, especially those imported heavily from the United States. This is because, as mentioned in chapter 2, the United States supplies a large proportion of Cuba's

bulk commodities (e.g., unmilled wheat and rice, animal feed, soybeans) and these products are mostly destined for consumption by the local population, not tourists. Third, the results for scenario 3 (joint removal of trade and travel restrictions) are not the sum of results from scenario 1 and 2. This is because in scenario 3 there is a drop in the unit cost of Cuban purchases at the same time that demand is increasing from additional tourists.

## **Agricultural, Fish, and Forest Products**

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In 2006, the United States exported about \$337 million of agricultural products to Cuba, and accounted for about one-third of Cuban agricultural imports from all countries. Because of data limitations and the non-market aspects of Cuban purchasing decisions, the overall effect of removing restrictions on U.S. exports to Cuba is difficult to estimate. However, based on interviews with Cuban purchasing officials, sector modeling results, and discussions with U.S. industry officials, the Commission estimates that the U.S. share of Cuban agricultural, fish, and forest product imports would rise to between one-half and two-thirds.<sup>2</sup>

If financing restrictions on U.S. exports to Cuba were lifted (scenario 1), the total value of Cuban agricultural imports from the United States would increase significantly in fifteen of the sixteen commodity groups examined, the exception being soybeans (table 4.1).<sup>3</sup> The largest increase in value of U.S. exports to Cuba will likely occur for other food products, including fresh potatoes, fruits, and vegetables (a rise of \$34 million to \$65 million annually above the 2006 U.S. export level), followed by milk powder (\$14 million to \$41 million); rice (\$14 million to \$43 million); processed foods (\$18 million to \$34 million); wheat (\$17 million to \$33 million); dry beans (\$ 9 million to \$22 million); and poultry, beef, and pork (each category increasing by about \$6 million to \$12 million). In percentage terms, the greatest gains will occur for U.S. products exported to Cuba in very low volumes in 2006, particularly fish products (with virtually no exports to Cuba in 2006); processed food (more than an 18-fold increase); other food products including fresh potatoes (more than a 7-fold increase); beef (more than a 60-fold increase); and dairy products (more than a 3-fold increase). No significant change in U.S. soybean exports to Cuba is expected because the United States currently supplies nearly one hundred percent of Cuban imports.

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<sup>2</sup> Summing the individual partial equilibrium results for each commodity to obtain the total effect of removing restrictions on all agriculture, fish, and forest products is not supported by economic theory. The individual partial equilibrium results assume that prices in other markets remain constant and do not consider cross-commodity substitution. For example, if the price of pork is lowered, consumers may increase their purchases of pork and reduce purchases of other products, for example, fish. If the prices of pork, fish, and other commodities are simultaneously reduced, the substitution of pork for fish will not occur to the same extent. Also, lower prices for a group of commodities will, in effect, increase the consumer's budget, which could be used to purchase any commodity.

<sup>3</sup> This includes lifting restrictions on the travel of Cubans to the United States. This change is a key factor in the estimated increases in U.S. exports for certain products, such as potatoes, fruits, vegetables, and beef. These restrictions limit the ability of Cuban buyers to inspect U.S. facilities which is a significant barrier to sales in these sectors. Information obtained by the Commission from USDA Animal and Plant Health Inspection Service officials indicates that Cuban SPS regimes are generally consistent with international norms and would not likely pose significant barriers to most U.S. exports.



**Table 4.1** Estimated effects of removing U.S. financing restrictions on U.S. agricultural exports to Cuba

| Commodity           | Cuban imports from the United States |                      | U.S. share of Cuban imports |                      |
|---------------------|--------------------------------------|----------------------|-----------------------------|----------------------|
|                     | With restrictions                    | Without restrictions | With restrictions           | Without restrictions |
|                     | <i>\$ million</i>                    | <i>Percent</i>       | <i>\$ million</i>           | <i>Percent</i>       |
| Wheat               | 51                                   | 38                   | 68 - 84                     | 51 - 65              |
| Rice                | 40                                   | 24                   | 54 - 83                     | 33 - 53              |
| Corn                | 43                                   | 71                   | 46 - 48                     | 78 - 85              |
| Animal feed         | 42                                   | 76                   | 43 - 45                     | 79 - 85              |
| Soybeans            | 32                                   | 99                   | 30 - 31                     | 99 - 100             |
| Fats and oils       | 22                                   | 57                   | 24 - 27                     | 63 - 74              |
| Dry beans           | 20                                   | 25                   | 29 - 42                     | 37 - 56              |
| Poultry             | 45                                   | 65                   | 51 - 56                     | 77 - 85              |
| Beef                | 0.1                                  | 0.2                  | 6 - 10                      | 13 - 25              |
| Pork                | 14                                   | 42                   | 20 - 24                     | 60 - 74              |
| Milk powder         | 13                                   | 10                   | 27 - 54                     | 22 - 45              |
| Other dairy         | 0.1                                  | 0.3                  | 5 - 10                      | 27 - 53              |
| Processed foods     | 1                                    | 2                    | 19 - 35                     | 29 - 55              |
| Fish products       | 0                                    | 0                    | 8 - 15                      | 30 - 56              |
| Forest products     | 10                                   | 17                   | 16 - 27                     | 28 - 49              |
| Other food products | 5                                    | 3                    | 39 - 70                     | 29 - 53              |

Source: Global Trade Atlas and Commission estimates.

Note: Summing the individual partial equilibrium results for each commodity to obtain the total effect of removing restrictions is not supported by economic theory. The individual partial equilibrium results assume that prices in other markets remain constant and do not consider cross-commodity substitution.

With regard to lifting U.S. restrictions on travel by U.S. citizens to Cuba (scenario 2), the gains to U.S. exports to Cuba are concentrated in processed foods (a gain of \$3 million to \$8 million above the level of 2006 U.S. exports); fish products (\$1 million to \$4 million); other food products (\$1 million to \$3 million); and poultry, beef, and pork (each about \$1 million to \$3 million) (table 4.2). These food imports are sold mainly to restaurants and tourist hotels in Cuba. U.S. agricultural exports of most bulk products, including wheat, rice, corn, animal feed, soybeans, dry beans, forest products, and milk powder will experience virtually no gains owing to increased visits to Cuba by U.S. tourists, since only a negligible fraction of these Cuban imports are consumed in the tourist sector.

If U.S. restrictions on both financing and travel were lifted (scenario 3), Cuban agricultural imports from the United States would increase significantly in fifteen of the sixteen commodity groups examined, the exception being soybeans which are supplied almost exclusively by U.S. sources (table 4.3). The largest increase in value of U.S. exports to Cuba will likely occur for other food products, including fresh potatoes, fruits, and vegetables (a rise of \$37 million to \$68 million annually); processed foods (\$26 million to \$41 million); wheat (\$17 million to \$34 million); milk powder (\$15 million to \$42 million); rice (\$14 million to \$44 million); dry beans (\$9 million to \$22 million); and poultry, beef, and pork (each category increasing by about \$9 million to \$13 million). In percentage terms, the greatest gains will occur for U.S. fish products exports (with virtually no exports to Cuba in 2006); processed food exports (more than a 26-fold increase); other food products including fresh potatoes (more than a 7-fold increase); beef (more than a 90-fold increase); and dairy products (more than a 3-fold increase).

**Table 4.2** Estimated effects of removing U.S. travel restrictions on U.S. agricultural exports to Cuba

| Commodity           | Cuban imports from | U.S. share of     | Cuban imports from   | U.S. share of        |
|---------------------|--------------------|-------------------|----------------------|----------------------|
|                     | the United States  | Cuban imports     | the United States    | Cuban imports        |
|                     | With restrictions  | With restrictions | Without restrictions | Without restrictions |
|                     | <i>\$ million</i>  | <i>Percent</i>    | <i>\$ million</i>    | <i>Percent</i>       |
| Wheat               | 51                 | 38                | 52 - 53              | 38                   |
| Rice                | 40                 | 24                | 40                   | 24                   |
| Corn                | 43                 | 71                | 43 - 44              | 71                   |
| Animal feed         | 42                 | 76                | 43                   | 76                   |
| Soybeans            | 32                 | 99                | 32 - 33              | 99 - 100             |
| Fats and oils       | 22                 | 57                | 23 - 24              | 57                   |
| Dry beans           | 20                 | 25                | 20                   | 25                   |
| Poultry             | 45                 | 65                | 46-48                | 65                   |
| Beef                | 0.1                | 0.2               | 1 - 3                | 3 - 7                |
| Pork                | 14                 | 42                | 15-16                | 42                   |
| Milk powder         | 13                 | 10                | 13                   | 10                   |
| Other dairy         | 0.1                | 0.3               | 0.3 - 1              | 2 - 4                |
| Processed foods     | 1                  | 2                 | 4 - 9                | 5 - 11               |
| Fish products       | 0                  | 0                 | 1 - 4                | 5 - 11               |
| Forest products     | 10                 | 17                | 10                   | 17                   |
| Other food products | 5                  | 3                 | 6 - 8                | 4 - 5                |

Source: Global Trade Atlas and Commission estimates.

Note: Summing the individual partial equilibrium results for each commodity to obtain the total effect of removing restrictions is not supported by economic theory. The individual partial equilibrium results assume that prices in other markets remain constant and do not consider cross-commodity substitution.

**Table 4.3** Estimated effects of removing all U.S. financing and travel restrictions on U.S. agricultural exports to Cuba

| Commodity           | Cuban imports from | U.S. share of     | Cuban imports from   | U.S. share of        |
|---------------------|--------------------|-------------------|----------------------|----------------------|
|                     | the United States  | Cuban imports     | the United States    | Cuban imports        |
|                     | With restrictions  | With restrictions | Without restrictions | Without restrictions |
|                     | <i>\$ million</i>  | <i>Percent</i>    | <i>\$ million</i>    | <i>Percent</i>       |
| Wheat               | 51                 | 38                | 68 - 85              | 51 - 65              |
| Rice                | 40                 | 24                | 54 - 84              | 33 - 52              |
| Corn                | 43                 | 71                | 47 - 49              | 78 - 85              |
| Animal feed         | 42                 | 76                | 44 - 46              | 79 - 85              |
| Soybeans            | 32                 | 99                | 31 - 32              | 99 - 100             |
| Fats and oils       | 22                 | 57                | 25 - 28              | 63 - 73              |
| Dry beans           | 20                 | 25                | 29 - 42              | 37 - 55              |
| Poultry             | 45                 | 65                | 54 - 58              | 76 - 84              |
| Beef                | 0.1                | 0.2               | 9 - 13               | 19 - 29              |
| Pork                | 14                 | 42                | 22 - 25              | 58 - 70              |
| Milk powder         | 13                 | 10                | 28 - 55              | 22 - 44              |
| Other dairy         | 0.1                | 0.3               | 6 - 11               | 29 - 52              |
| Processed foods     | 1                  | 2                 | 27 - 42              | 33 - 53              |
| Fish products       | 0                  | 0                 | 12 - 18              | 34 - 54              |
| Forest products     | 10                 | 17                | 16 - 27              | 28 - 48              |
| Other food products | 5                  | 3                 | 42 - 73              | 30 - 52              |

Source: Global Trade Atlas and Commission estimates.

Note: Summing the individual partial equilibrium results for each commodity to obtain the total effect of removing restrictions is not supported by economic theory. The individual partial equilibrium results assume that prices in other markets remain constant and do not consider cross-commodity substitution.

## Wheat

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Cuba does not grow wheat commercially and all domestic consumption is imported. Current per capita wheat consumption is about 100 kilograms per capita, down from 130 kilograms per capita in the late 1980s.<sup>4</sup> Wheat imports in the form of wheat flour have diminished over the past decade because Cuba is able to mill the majority of imported wheat into flour. Cuba has developed a large and relatively modern wheat milling industry, with state-of-the-art European milling equipment. Through a foreign joint venture, Cuba has doubled its milling capacity for bread wheat flour and added four new durum wheat mills (for pasta) in 2003–06.<sup>5</sup> The emergence of the Cuban milling industry favors U.S. wheat over third-country wheat flour, for use in peso-market bakeries that sell French-bread loaves of 200–400 grams that are considered a staple in the Cuban diet.<sup>6</sup>

The United States is the world's leading exporter of wheat.<sup>7</sup> In 2006, U.S. wheat exports amounted to \$4.2 billion (53 percent of domestic production) with Japan, Nigeria, Mexico, and the Philippines being the top export markets.<sup>8</sup> U.S. competitiveness in world wheat markets is based on several factors, including low-cost production, highly efficient transportation and handling, and government export assistance programs. Cuba was the sixteenth largest market for U.S. wheat in 2006 with exports of \$54 million (with \$51.4 million of unmilled wheat and \$2.6 million of flour). This accounted for 40 percent of Cuba's total wheat and flour imports of \$136 million (table 4.4). Major U.S. competitors for the Cuban wheat and flour market in 2006 were the EU (42 percent) and Canada (13 percent) (tables E.1 and E.2).

Lifting the financing restrictions (scenario 1) would lower the cost to Cuba of purchasing wheat from the United States. This is estimated to increase U.S. wheat sales by \$16.1 million to \$32.3 million above the \$51.4 million import level in 2006 (table 4.4). Increased imports from the United States would displace third country suppliers, particularly the EU and Canada, and the U.S. share of Cuban wheat imports is estimated to increase from 38 percent to between 51 percent and 65 percent. U.S. wheat has a lower freight cost than Canadian wheat shipped via the St. Lawrence seaway, and European wheat shipped from Mediterranean ports.<sup>9</sup> Removing travel restrictions (scenario 2) to Cuba would increase total U.S. wheat exports by between \$400,000 and \$1.1 million above the 2006 level. The impact is small because most imported wheat is consumed by the local population, not by tourists. Eliminating both financing and travel restrictions (scenario 3) is estimated to increase U.S. wheat exports by between \$16.7 million and \$33.3 million.

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<sup>4</sup> Mattson and Koo, *An Overview of Cuban Agriculture and Prospects for Future Trade with the United States*, 15.

<sup>5</sup> U.S. Wheat Associates and National Association of Wheat Growers, written statement to the Commission, May 8, 2007.

<sup>6</sup> Cuban government officials, interview by Commission staff, Havana, Cuba, June 13, 2007.

<sup>7</sup> U.S. Department of Agriculture, Office of the Chief Economist, *World Agricultural Supply and Demand Estimates*, March 9, 2007, 11 and 19.

<sup>8</sup> U.S. Department of Agriculture, Economic Research Service, *U.S. Agricultural Trade Update*, February 15, 2007, 3.

<sup>9</sup> U.S. wheat shipped from Gulf ports has a freight advantage of about \$10 to \$20 per metric ton over EU and Canadian wheat. The price in crop year 2006/07 for U.S. wheat (No. 2, Hard Red Winter, ordinary protein, f.o.b. Gulf ports) was about \$204 per metric ton, according to data of the U.S. Department of Agriculture; this implies a 5-percent advantage over EU and Canadian wheat (assuming that the f.o.b. EU wheat price is roughly equivalent to the U.S. export price).

**Table 4.4** Wheat: Effect of removing financing and travel restrictions on Cuban imports

| Scenario  | With restriction | Without restriction | Change <sup>a</sup> |
|---|------------------|---------------------|---------------------|
| Lifting financing restrictions (scenario 1):            |                  |                     |                     |
| Cuban imports for Cubans (\$ million)                   | 134.3            | 127.0 - 131.9       | -7.3 - -2.4         |
| Cuban imports for Tourists (\$ million)                 | 1.4              | 1.3                 | -0.1 - 0            |
| Total Cuban imports (\$ million)                        | 135.6            | 128.3 - 133.2       | -2.4 - -7.3         |
| Total Cuban imports (1,000 MT)                          | 671.0            | 676.0 - 686.1       | 5.0 - 15.1          |
| U.S. share of Cuban imports (%)                         | 37.9             | 50.7 - 65.3         | 12.8 - 27.4         |
| Cuban imports from the United States (\$ million)       | 51.4             | 67.5 - 83.7         | 16.1 - 32.3         |
| Lifting travel restrictions (scenario 2):               |                  |                     |                     |
| Cuban imports for Cubans (\$ million)                   | 134.3            | 134.9 - 136.2       | 0.6 - 1.9           |
| Cuban imports for Tourists (\$ million)                 | 1.4              | 1.7 - 2.4           | 0.3 - 1.0           |
| Total Cuban imports (\$ million)                        | 135.6            | 136.6 - 138.5       | 1.0 - 2.9           |
| Total Cuban imports (1,000 MT)                          | 671.0            | 675.8 - 685.5       | 4.8 - 14.5          |
| U.S. share of Cuban imports (%)                         | 37.9             | 37.9                | n/a                 |
| Cuban imports from the United States (\$ million)       | 51.4             | 51.8 - 52.5         | 0.4 - 1.1           |
| Lifting financing and travel restrictions (scenario 3): |                  |                     |                     |
| Cuban imports for Cubans (\$ million)                   | 134.3            | 128.8 - 132.5       | -5.5 - -1.7         |
| Cuban imports for Tourists (\$ million)                 | 1.4              | 2.2 - 2.4           | 0.9 - 1.1           |
| Total Cuban imports (\$ million)                        | 135.6            | 131.0 - 134.9       | -4.6 - -0.7         |
| Total Cuban imports (1,000 MT)                          | 671.0            | 684.8 - 700.6       | 13.8 - 29.6         |
| U.S. share of Cuban imports (%)                         | 37.9             | 50.5 - 64.7         | 12.6 - 26.8         |
| Cuban imports from the United States (\$ million)       | 51.4             | 68.2 - 84.8         | 16.7 - 33.3         |

Source: Commission estimates.

Note: Estimates of the effects of lifting financing restrictions are based on a price wedge (additional cost) of 2.5 - 7.5 percent. Estimates of the effects of lifting travel restrictions are based on tourist increases of 250,000 - 750,000.

<sup>a</sup>The changes in the value of imports reflect the total changes in the cost to Alimport. The removal of restrictions entails reductions in the costs of importing. When these cost reductions are greater than the increase in the value of additional imports the change is negative. This does not imply a decline in the returns or prices received by U.S. exporters.

## Rice

Cuban rice production averaged 400,000 mt annually during crop years 2000/01 to 2005/06, accounting for about 40 percent of its domestic consumption.<sup>10</sup> The sector was devastated by recent hurricanes and by a severe drought in 2006 that reduced production to 200,000 mt.<sup>11</sup> In Cuba, rice production occurs on nine large state farms, and on many smaller producer cooperatives and small farms.<sup>12</sup> In 2002, Cuba's rice milling industry consisted of 27 rice mills and 5 parboiled rice plants, with a capacity of about 400,000 mt.<sup>13</sup> Because these mills are in poor condition, Cuba prefers to import milled rice for immediate consumption rather than paddy (unmilled) rice that requires domestic milling. The Cuban population is a significant consumer of rice, which is rationed at about 3 kilograms per month, and subsidized at a price of Cuban Pesos (CUP) 0.55 per kilogram in 2003.<sup>14</sup>

<sup>10</sup> U.S. Department of Agriculture, Foreign Agricultural Service, *PS&D*.

<sup>11</sup> *CubaNews*, "Cuba to triple rice production by 2015," and Bill J. Reed, United States Rice Federation, statement to the Commission, May 1, 2007.

<sup>12</sup> *CubaNews*, "Cuba to triple rice production by 2015," 13.

<sup>13</sup> United States Rice Federation, post-hearing statement to the Commission, May 8, 2007.

<sup>14</sup> U.S. Department of Agriculture, Foreign Agricultural Service, *Caribbean Basin Market Development Reports How Cubans Survive 2003*, 4.

During 2000–06, per capita consumption of milled rice averaged about 57 kilograms, four times the level in the United States.<sup>15</sup>

The United States is the world’s fourth leading exporter of rice.<sup>16</sup> During crop years 2000/01 to 2005/06, U.S. rice exports—both paddy and fully milled rice—amounted to slightly over \$1 billion annually, with Mexico, Japan, Iraq, and Haiti the four leading U.S. markets. In 2006, about 52 percent of U.S. rice production was exported.<sup>17</sup> Cuba was the eighth largest U.S. market for rice in 2006, when exports were \$39.5 million, or 24 percent of Cuba’s total imports of rice (table 4.5).<sup>18</sup> In 2006, about 80 percent of U.S. rice exports to Cuba were milled rice with the remainder mostly paddy rice.<sup>19</sup> In that year, Cuba also imported rice from Thailand (15 percent) and Brazil (most of the remainder).<sup>20</sup> These official import data for rice do not include the 500,000 mt of rice imported from Vietnam through preferential financing.<sup>21</sup> It is also likely that concessional Chinese rice exports are not reported in the trade data.<sup>22</sup>

The U.S. rice industry is located mainly in Arkansas and the Gulf States, has substantial available stocks and unutilized milling capacity, and enjoys low shipping cost to the nearby Cuban market. U.S. rice is of superior quality and can be shipped promptly (about 24-hour sailing time from New Orleans ports) in smaller ocean vessels.<sup>23</sup> These factors make U.S. exporters highly competitive with third-country suppliers (such as Thailand, China, Vietnam, and Brazil) in the Cuban market. However, these countries are able to offer lower prices than the United States. Reportedly, in 2003 poor quality rice imported from Vietnam was sold at one U.S. cent per pound in Cuba (versus 15 cents or more per pound for U.S. rice).<sup>24</sup> Vietnamese and Chinese rice exports are also provided under long-term credit and government-to-government purchasing arrangements.<sup>25</sup>

Lifting the financing restrictions (scenario 1) would have a significant positive effect on U.S. rice exports to Cuba—U.S. exports would increase by between \$14 million and \$43 million, and the U.S. share of Cuban rice imports would increase to between 33 percent and 53 percent (table 4.5).<sup>26</sup> Removal of travel restrictions to Cuba (scenario 2) would increase total U.S. rice exports by between \$300,000 and \$900,000 above the 2006 level of U.S. exports to Cuba. The effect is small reflecting the fact that most rice imports are consumed

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<sup>15</sup> Mattson and Koo, *An Overview of Cuban Agriculture and Prospects for Future Trade with the United States*, 15.

<sup>16</sup> U.S. Department of Agriculture, Economic Research Service, *Rice Situation and Outlook Yearbook*, 59 and U.S. Department of Agriculture, Economic Research Service, *Rice Outlook*, 11.

<sup>17</sup> U.S. Department of Agriculture, Economic Research Service, *Rice Outlook*, 9.

<sup>18</sup> *Ibid.*, 13.

<sup>19</sup> According to official data of U.S. Department of Commerce.

<sup>20</sup> Global Trade Atlas database.

<sup>21</sup> *CubaNews*, “Cuba to triple rice production by 2015.”

<sup>22</sup> During Commission staff visits to a ration store and a peso free agricultural market in Havana, only Vietnamese and Chinese rice were being sold. Commission field visit, Havana, Cuba, June 12-14, 2007.

<sup>23</sup> U.S. rice shipped from Houston has a significant ocean freight advantage over Brazilian, Thai or Vietnamese rice since it is shipped over shorter distances and in smaller vessels capable of docking in many Cuban ports. *CubaNews*. “U.S. rice producers see huge potential for sales to Cuba.”

<sup>24</sup> *CubaNews*, “U.S. rice producers see huge potential for sales to Cuba.”

<sup>25</sup> *CubaNews*, “Cuba to triple rice production by 2015,” 13 and EIU, *Cuba Country Profile 2007*, 43-44.

<sup>26</sup> For the Commission’s econometric model for rice, the estimated value of the 500,000 metric tons of Vietnamese rice (\$115 million) was added to the \$51.2 million reported to the Global Trade Atlas (GTA) by all other leading rice exporters to Cuba in 2006. Vietnam does not report its exports to the GTA. The fob price of the Vietnamese rice was estimated at \$230 per metric ton. Source: *Cuba News*, December 2006, 13; and USDA, ERS, *Rice Outlook*, June 12, 2007, table 6.

**Table 4.5** Rice: Effect of removing financing and travel restrictions on Cuban imports

| Scenario   | With restriction | Without restriction | Change <sup>a</sup> |
|--|------------------|---------------------|---------------------|
| <b>Lifting financing restrictions (scenario 1):</b>            |                  |                     |                     |
| Cuban imports for Cubans (\$ million)                          | 163.0            | 154.1 - 160.1       | -8.8 - -2.9         |
| Cuban imports for Tourists (\$ million)                        | 3.3              | 31. - 3.3           | -0.2 - -0.1         |
| Total Cuban imports (\$ million) <sup>a</sup>                  | 166.3            | 157.3 - 163.4       | -9.0 - -2.9         |
| Total Cuban imports (1,000 MT) <sup>a</sup>                    | 698.0            | 703.2 - 713.7       | 5.2 - 15.7          |
| U.S. share of Cuban imports (%)                                | 23.8             | 32.8 - 52.7         | 9.0 - 28.9          |
| Cuban imports from the United States (\$ million)              | 39.5             | 53.6 - 82.9         | 14.1 - 43.4         |
| <b>Lifting travel restrictions (scenario 2):</b>               |                  |                     |                     |
| Cuban imports for Cubans (\$ million)                          | 163.0            | 163.7 - 165.1       | 0.7 - 2.1           |
| Cuban imports for Tourists (\$ million)                        | 3.3              | 3.8 - 4.8           | 0.5 - 1.5           |
| Total Cuban imports (\$ million) <sup>b</sup>                  | 166.3            | 167.5 - 169.9       | 1.2 - 3.6           |
| Total Cuban imports (1,000 MT) <sup>b</sup>                    | 698.0            | 703.1 - 713.2       | 5.1 - 15.2          |
| U.S. share of Cuban imports (%)                                | 23.8             | 23.8                | 0.0                 |
| Cuban imports from the United States (\$ million)              | 39.5             | 39.8 - 40.4         | 0.3 - 0.9           |
| <b>Lifting financing and travel restrictions (scenario 3):</b> |                  |                     |                     |
| Cuban imports for Cubans (\$ million)                          | 163.0            | 156.1 - 160.8       | -6.9 - -2.2         |
| Cuban imports for Tourists (\$ million)                        | 3.3              | 4.6 - 4.9           | 1.2 - 1.6           |
| Total Cuban imports (\$ million) <sup>b</sup>                  | 166.3            | 160.6 - 165.7       | -5.7 - -0.6         |
| Total Cuban imports (1,000 MT) <sup>b</sup>                    | 698.0            | 713.2 - 728.9       | 15.2 - 30.9         |
| U.S. share of Cuban imports (%)                                | 23.8             | 32.7 - 52.1         | 8.9 - 28.3          |
| Cuban imports from the United States (\$ million)              | 39.5             | 54.2 - 83.7         | 14.6 - 44.2         |

Source: Commission estimates.

Note: Estimates of the effects of lifting financing restrictions are based on a price wedge (additional cost) of 2.5 - 7.5 percent. Estimates of the effects of lifting travel restrictions are based on tourist increases of 250,000 - 750,000.

<sup>a</sup>The changes in the value of imports reflect the total changes in the cost to Alimport. The removal of restrictions entails reductions in the costs of importing. When these cost reductions are greater than the increase in the value of additional imports the change is negative. This does not imply a decline in the returns or prices received by U.S. exporters.

<sup>b</sup>Import value and volume include 500,000 mt of Vietnamese rice valued at \$115 million which is not reported in Global Trade Atlas data.

by Cubans as opposed to tourists. Eliminating both the trade and travel restrictions (scenario 3) would likely increase U.S. rice exports by \$15 million to \$44 million above the 2006 level.

## Corn

Recent growth in Cuba's livestock industry (particularly eggs and pork) has spurred the demand for feedgrains, especially corn.<sup>27</sup> Between crop years 2001/02 and 2005/06, Cuba's corn consumption grew 12 percent annually from 590,000 metric tons (mt) to 877,000 mt. Domestic production only rose 5 percent annually from 300,000 mt to 362,000 mt;<sup>28</sup> growth was slowed by drought and other adverse weather conditions.<sup>29</sup> The share of domestic consumption supplied by imports has increased reaching 57 percent in 2006.

<sup>27</sup> Cuban egg production rose 36 percent from 67,000 metric tons in 2001 to 91,000 metric tons in 2005, and Cuban pork production rose 28 percent from 76,000 metric tons to 97,000 metric tons, respectively. United Nations, Food and Agriculture Organization, *FAOStat*.

<sup>28</sup> United Nations, Food and Agriculture Organization, *FAOStat*.

<sup>29</sup> U.S. Department of State official, U.S. Interests Section, Havana, e-mail message to Commission staff, May 31, 2007.

The United States is the world's leading producer and exporter of corn, with annual U.S. production averaging about \$25 billion (at the farm level) during 2000/01 to 2006/07. U.S. exports of corn amounted to \$7 billion in 2006, with Japan, Mexico, and Korea being the major destination markets.<sup>30</sup> U.S. international competitiveness is based on low production cost and a highly efficient marketing and distribution system. In 2006, Cuba imported \$60 million of corn from all countries of which the United States supplied 71 percent, or \$43 million (table 4.6), making Cuba the 23<sup>rd</sup> largest foreign market for U.S. corn. Argentina supplied nearly all of the remaining 29 percent of Cuban imports in 2006.<sup>31</sup> In early 2006, the U.S. Grains Council signed a commercial agreement with Cuba to supply 700,000 mt of U.S. corn, and 140,000 mt of distillers dried grain with solubles, a corn by-product used in animal feed.<sup>32</sup>

The overall effects of removing financing and travel restrictions on U.S. corn exports to Cuba are small. Removing financing restrictions (scenario 1) is likely to increase the value of Cuban purchases of U.S. corn by between \$3.4 million and \$5.3 million above the \$43 million of U.S. exports to Cuba in 2006 (table 4.6). Removal of travel restrictions to Cuba (scenario 2) would increase total U.S. corn exports by \$300,000 to \$1.0 million above the 2006 level of U.S. exports to Cuba. Elimination of both the trade and travel restrictions (scenario 3) is likely to increase U.S. corn exports by \$4.0 million to \$6.2 million above the 2006 level of U.S. exports. The total increase in U.S. exports is limited by the fact that the United States already accounts for a significant share of Cuban imports.

## **Animal Feed<sup>33</sup>**

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The Cuban feed industry has been characterized by aging, inefficient feed mills and declining production. Cuba produces its own soybean meal by processing (crushing) imported soybeans. In crop year 2001/02, Cuba opened its first soybean processing plant, with a processing capacity of 160,000 mt of soybeans annually.<sup>34</sup> Cuban soybean meal production increased from 13,000 mt in 2000/01 to 74,000 mt 2005/06 (down from 124,000 mt in 2004/05). With the recent expansion of Cuba's poultry and hog industries, soybean meal consumption grew by 58 percent over this time period. In 2006, Cuba's domestic soybean meal consumption was 260,000 mt of which 71 percent was supplied from imports.<sup>35</sup>

Most U.S. animal feed exports to Cuba consist of soybean meal. Total U.S. shipments of soybean meal amounted to \$11 billion in 2005,<sup>36</sup> while exports were \$1.7 billion in 2006, with Mexico, Canada, the Philippines, and Japan being the four leading markets. The international competitiveness of the U.S. soybean meal industry is based on many factors, including abundant availability of soybeans and advanced processing technology that provides high-quality products at a low cost.<sup>37</sup> However, Argentina and Brazil have overtaken the United States as the world's leading soybean meal exporters owing to their rapidly rising production of soybeans and their expanding domestic crushing industries.

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<sup>30</sup> U.S. Department of Agriculture, Economic Research Service, *U.S. Agricultural Trade Update*, 2-3.

<sup>31</sup> Global Trade Atlas database.

<sup>32</sup> *CubaNews*, "USCTEC: Food exports to Cuba fell 11 percent to \$350 million in 2005."

<sup>33</sup> Mostly soybean meal under HS 23 and HS 1208.

<sup>34</sup> Ross, "Cuba: U.S. Agribusiness Export Prospects under Three Scenarios," 375.

<sup>35</sup> U.S. Department of Agriculture, Foreign Agricultural Service, *Production, Supply and Distribution Online*.

<sup>36</sup> U.S. Census Bureau, *Annual Survey of Manufactures*.

<sup>37</sup> Richard Ostlie, American Soybean Association, written statement to the Commission, April 27, 2007, 2.

**Table 4.6** Corn: Effect of removing financing and travel restrictions on Cuban imports

| Scenario  | With restriction | Without restriction | Change <sup>a</sup> |
|---|------------------|---------------------|---------------------|
| Lifting financing restrictions (scenario 1):            |                  |                     |                     |
| Cuban imports for Cubans (\$ million)                   | 59.2             | 56.0 - 58.1         | -3.2 - -1.0         |
| Cuban imports for Tourists (\$ million)                 | 0.6              | 0.6                 | 0                   |
| Total Cuban imports (\$ million)                        | 59.8             | 56.6 - 58.7         | -3.2 - -1.1         |
| Total Cuban imports (1,000 MT)                          | 507.0            | 510.8 - 518.4       | 3.8 - 11.4          |
| U.S. share of Cuban imports (%)                         | 71.3             | 78.4 - 84.8         | 7.1 - 13.5          |
| Cuban imports from the United States (\$ million)       | 42.6             | 46.1 - 48.0         | 3.4 - 5.3           |
| Lifting travel restrictions (scenario 2):               |                  |                     |                     |
| Cuban imports for Cubans (\$ million)                   | 59.2             | 59.5 - 60.0         | 0.3 - 0.8           |
| Cuban imports for Tourists (\$ million)                 | 0.6              | 0.8 - 1.1           | 0.2 - 0.5           |
| Total Cuban imports (\$ million)                        | 59.8             | 60.2 - 61.1         | 0.5 - 1.4           |
| Total Cuban imports (1,000 MT)                          | 507.0            | 510.8 - 518.5       | 3.8 - 11.5          |
| U.S. share of Cuban imports (%)                         | 71.3             | 71.3                | 0.0                 |
| Cuban imports from the United States (\$ million)       | 42.6             | 42.9 - 43.6         | 0.3 - 1.0           |
| Lifting financing and travel restrictions (scenario 3): |                  |                     |                     |
| Cuban imports for Cubans (\$ million)                   | 59.2             | 56.8 - 58.4         | -2.4 - -0.8         |
| Cuban imports for Tourists (\$ million)                 | 0.6              | 1.0 - 1.1           | 0.4 - 0.5           |
| Total Cuban imports (\$ million)                        | 59.8             | 57.8 - 59.6         | -2.0 - -0.2         |
| Total Cuban imports (1,000 MT)                          | 507.0            | 518.0 - 529.9       | 11.0 - 22.9         |
| U.S. share of Cuban imports (%)                         | 71.3             | 78.3 - 84.5         | 7.0 - 13.2          |
| Cuban imports from the United States (\$ million)       | 42.6             | 46.6 - 48.9         | 4.0 - 6.2           |

Source: Commission estimates.

Note: Estimates of the effects of lifting financing restrictions are based on a price wedge (additional cost) of 2.5 - 7.5 percent. Estimates of the effects of lifting travel restrictions are based on tourist increases of 250,000 - 750,000.

<sup>a</sup>The changes in the value of imports reflect the total changes in the cost to Alimport. The removal of restrictions entails reductions in the costs of importing. When these cost reductions are greater than the increase in the value of additional imports the change is negative. This does not imply a decline in the returns or prices received by U.S. exporters.

In 2006, Cuba imported \$56 million of soybean meal of which the United States supplied \$42 million (76 percent) (table 4.7), making Cuba the 11th largest foreign market for U.S. soybean meal. Cuba's other import suppliers were Mexico and Argentina, which together accounted for 20 percent.<sup>38</sup> Argentina was the world's leading soybean meal exporter in 2006/07, and Argentine soybean meal generally undersells U.S. soybean meal in world markets.<sup>39</sup> However, shipping meal to Cuba from U.S. Gulf ports is less expensive and more timely than from Argentina.

The effects of removing the financing and travel restrictions on U.S. soybean meal sales to Cuba are modest. This is because the United States already enjoys a large share of Cuban imports and because additional tourists would be expected to buy imported rather than domestically produced meat products. Lifting financing restrictions (scenario 1) is likely to increase the value of Cuban purchases of U.S. soybean meal by between \$1 million and \$2.7 million above the \$42 million of U.S. exports to Cuba in 2006 (table 4.7). Removal of travel restrictions to Cuba (scenario 2) would increase total U.S. soybean meal exports by between \$300,000 and \$1.0 million above the 2006 level of U.S. exports to Cuba.

<sup>38</sup> Global Trade Atlas database.

<sup>39</sup> For example in 2005/06, Argentine soybean meal (fob Buenos Aires), priced at \$158 per metric ton, undersold U.S. soybean meal by 18 percent (U.S. soybean meal, fob Decatur at, \$192 per ton). U.S. Department of Agriculture, Foreign Agricultural Service, *Oilseeds: World Markets and Trade*, table 30.



**Table 4.7** Animal feed: Effect of removing financing and travel restrictions on Cuban imports

| Scenario   | With restriction | Without restriction | Change <sup>a</sup> |
|--|------------------|---------------------|---------------------|
| <b>Lifting financing restrictions (scenario 1):</b>            |                  |                     |                     |
| Cuban imports for Cubans (\$ million)                          | 55.4             | 52.4 - 54.4         | -3.0 - -1.0         |
| Cuban imports for Tourists (\$ million)                        | 0.6              | 0.5                 | 0.0                 |
| Total Cuban imports (\$ million)                               | 56.0             | 52.9 - 55.0         | -3.0 - -1.0         |
| Total Cuban imports (1,000 MT)                                 | 291.5            | 293.7 - 298.1       | 2.2 - 6.6           |
| U.S. share of Cuban imports (%)                                | 75.6             | 78.8 - 85.1         | 3.2 - 9.5           |
| Cuban imports from the United States (\$ million)              | 42.3             | 43.3 - 45.0         | 1.0 - 2.7           |
| <b>Lifting travel restrictions (scenario 2):</b>               |                  |                     |                     |
| Cuban imports for Cubans (\$ million)                          | 55.4             | 55.7 - 56.2         | 0.3 - 0.8           |
| Cuban imports for Tourists (\$ million)                        | 0.6              | 0.7 - 1.1           | 0.2 - 0.5           |
| Total Cuban imports (\$ million)                               | 56.0             | 56.4 - 57.3         | 0.4 - 1.3           |
| Total Cuban imports (1,000 MT)                                 | 291.5            | 293.8 - 298.3       | 2.3 - 6.8           |
| U.S. share of Cuban imports (%)                                | 75.6             | 75.6                | 0.0                 |
| Cuban imports from the United States (\$ million)              | 42.3             | 42.6 - 43.3         | 0.3 - 1.0           |
| <b>Lifting financing and travel restrictions (scenario 3):</b> |                  |                     |                     |
| Cuban imports for Cubans (\$ million)                          | 55.4             | 53.1 - 54.7         | -2.3 - -0.7         |
| Cuban imports for Tourists (\$ million)                        | 0.6              | 1.0 - 1.1           | 0.4 - 0.5           |
| Total Cuban imports (\$ million)                               | 56.0             | 54.1 - 55.8         | -1.8 - -0.2         |
| Total Cuban imports (1,000 MT)                                 | 291.5            | 298.0 - 304.9       | 6.5 - 13.3          |
| U.S. share of Cuban imports (%)                                | 75.6             | 78.8 - 84.9         | 3.2 - 9.3           |
| Cuban imports from the United States (\$ million)              | 42.3             | 43.9 - 45.9         | 1.6 - 3.6           |

Source: Commission estimates.

Note: Estimates of the effects of lifting financing restrictions are based on a price wedge (additional cost) of 2.5 - 7.5 percent. Estimates of the effects of lifting travel restrictions are based on tourist increases of 250,000 - 750,000.

<sup>a</sup>The changes in the value of imports reflect the total changes in the cost to Alimport. The removal of restrictions entails reductions in the costs of importing. When these cost reductions are greater than the increase in the value of additional imports the change is negative. This does not imply a decline in the returns or prices received by U.S. exporters.

Elimination of both the trade and travel restrictions (scenario 3) is likely to increase U.S. soybean meal exports by between \$1.6 million and \$3.6 million above the 2006 level of U.S. exports. These estimates do not account for the possible impact on demand for animal feed resulting from increased imports of meat products. An increase in imports of pork and poultry could reduce Cuban production of these products, thereby reducing demand for animal feed.

## Soybeans

Cuba does not grow soybeans, but processes imported soybeans into soybean oil and soybean meal. Cuba has one soybean processing plant that opened in 2001–02, with a processing capacity of 160,000 mt annually.<sup>40</sup> Cuban soybean consumption (crush) rose from 18,000 mt to 96,000 mt during 2000/01 to 2005/06.<sup>41</sup>

<sup>40</sup> Ross, "Cuba: U.S. Agribusiness Export Prospects under Three Scenarios," 375.

<sup>41</sup> U.S. Department of Agriculture, Foreign Agricultural Service, *Production, Supply and Distribution Online*.

U.S. production of soybeans averaged about \$18 billion annually during crop year 2000/01 to 2005/06,<sup>42</sup> of which about \$6.5 billion were exported, with China, Mexico, Japan, the EU, and Taiwan being the leading markets.<sup>43</sup> The United States is the world's leading soybean exporter (40 percent of world exports in 2005/06), followed by Brazil (also 40 percent) and Argentina (11 percent).<sup>44</sup> In 2006, Cuba imported \$32 million of soybeans, of which the United States supplied all but about \$100,000 (table 4.8).<sup>45</sup> In 2006, Cuba was the 18th largest foreign market for U.S. soybeans. U.S. soybean exporters compete mainly with Argentina and Brazil. Brazilian soybeans are slightly less expensive than U.S. soybeans in world markets,<sup>46</sup> but shipping from U.S. Gulf ports to Cuba is less expensive and more timely (about 24-hour sailing time from New Orleans ports) than from Brazilian or Argentine ports to Caribbean ports.

Lifting the financing restrictions on U.S. sales to Cuba (scenario 1) likely will reduce slightly the value of Cuban purchases of U.S. soybeans by \$500,000 to \$1.6 million below the \$32 million of U.S. exports to Cuba in 2006 (table 4.8). Removal of travel restrictions to Cuba (scenario 2) would increase total U.S. soybean exports by between \$300,000 and \$1.0 million above the 2006 level of U.S. exports to Cuba. Because the United States supplied virtually all Cuban imports of soybeans in 2006, elimination of both the financing and travel restrictions (scenario 3) is not likely to change U.S.-Cuba trade significantly, increasing by \$200,000 or decreasing by \$700,000 from the 2006 import level. U.S. soybeans would likely continue to supply nearly all Cuban imports. Because the United States already supplies virtually all Cuban soybean imports, removal of the restrictions will have essentially no impact on U.S. exports. In the short term, the GDP growth resulting from increased tourism will not increase soybean demand significantly owing to limits on Cuban processing capacity.

## Fats and Oils<sup>47</sup>

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Fats and oils consumption in Cuba is heavily subsidized and provided as a basic foodstuff on the ration card at a quantity of 0.5 pounds per person per month.<sup>48</sup> Cuban vegetable oil production rose from 3,000 mt to 18,000 mt during crop year 2000/01 to 2005/06.<sup>49</sup> Soybean oil, the leading vegetable oil, is produced in Cuba from imported soybeans in a single processing plant with a capacity of 160,000 mt of soybeans annually.<sup>50</sup> Cuba refines or repackages imported fats and oils for consumer use as either cooking oils or frying fat (shortening) products.

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<sup>42</sup> U.S. Department of Agriculture, Office of the Chief Economist, *World Agricultural Supply and Demand Estimates*, 15.

<sup>43</sup> Compiled from official statistics of the U.S. Department of Commerce.

<sup>44</sup> U.S. Department of Agriculture, Foreign Agricultural Service, *Oilseeds and Products*, table 7.

<sup>45</sup> Global Trade Atlas database.

<sup>46</sup> For example in 2005/06, the price of Brazilian soybeans (fob Rio Grande) of \$228 per metric ton was priced 4 percent below the U.S. soybean export price of \$236 per ton (f.o.b. vessel, Gulf ports); U.S. Department of Agriculture, Foreign Agricultural Service, *Oilseeds*, table 29 and U.S. Department of Agriculture, Economic Research Service, *Statistical Indicators*.

<sup>47</sup> Products in this category are classified under HTS subheadings 1501 to 1506. Animal fats consist mainly of beef fat (tallow) and pork fat (lard). Vegetable oils consist mainly of soybean oil, sunflower oil, and cottonseed oil.

<sup>48</sup> U.S. Department of Agriculture, Foreign Agricultural Service, *Caribbean Basin Market Development Reports*, 4.

<sup>49</sup> *Ibid.*, *Production, Supply and Distribution Online*.

<sup>50</sup> Ross, "Cuba: U.S. Agribusiness Export Prospects under Three Scenarios," 375.

**Table 4.8** Soybeans: Effect of removing financing and travel restrictions on Cuban imports

| Scenario  | With restriction | Without restriction | Change <sup>a</sup> |
|---|------------------|---------------------|---------------------|
| Lifting financing restrictions (scenario 1):            |                  |                     |                     |
| Cuban imports for Cubans (\$ million)                   | 31.6             | 29.8 - 31.0         | -1.7 - -0.6         |
| Cuban imports for Tourists (\$ million)                 | 0.3              | 0.3                 | 0.0                 |
| Total Cuban imports (\$ million)                        | 31.9             | 30.1 - 31.3         | -1.7 - -0.6         |
| Total Cuban imports (1,000 MT)                          | 130.7            | 131.6 - 133.6       | 1.0 - 2.9           |
| U.S. share of Cuban imports (%)                         | 99.6             | 99.9                | 0.3                 |
| Cuban imports from the United States (\$ million)       | 31.7             | 30.1 - 31.3         | -1.6 - -0.5         |
| Lifting travel restrictions (scenario 2):               |                  |                     |                     |
| Cuban imports for Cubans (\$ million)                   | 31.6             | 31.7 - 32.0         | 0.2 - 0.5           |
| Cuban imports for Tourists (\$ million)                 | 0.3              | 0.5 - 0.8           | 0.2 - 0.5           |
| Total Cuban imports (\$ million)                        | 31.9             | 32.2 - 32.8         | 0.3 - 1.0           |
| Total Cuban imports (1,000 MT)                          | 130.7            | 132.0 - 134.6       | 1.3 - 3.9           |
| U.S. share of Cuban imports (%)                         | 99.6             | 99.6                | 0.0                 |
| Cuban imports from the United States (\$ million)       | 31.7             | 32.1 - 32.7         | 0.3 - 1.0           |
| Lifting financing and travel restrictions (scenario 3): |                  |                     |                     |
| Cuban imports for Cubans (\$ million)                   | 31.6             | 30.3 - 31.1         | -1.3 - -0.4         |
| Cuban imports for Tourists (\$ million)                 | 0.3              | 0.8 - 0.9           | 0.5                 |
| Total Cuban imports (\$ million)                        | 31.9             | 31.0 - 32.0         | -0.8 - 0.1          |
| Total Cuban imports (1,000 MT)                          | 130.7            | 134.6 - 137.5       | 3.9 - 6.9           |
| U.S. share of Cuban imports (%)                         | 99.6             | 99.9                | 0.3                 |
| Cuban imports from the United States (\$ million)       | 31.7             | 31.0 - 32.0         | -0.7 - 0.2          |

Source: Commission estimates.

Note: Estimates of the effects of lifting financing restrictions are based on a price wedge (additional cost) of 2.5 - 7.5 percent. Estimates of the effects of lifting travel restrictions are based on tourist increases of 250,000 - 750,000.

<sup>a</sup>The changes in the value of imports reflect the total changes in the cost to Alimport. The removal of restrictions entails reductions in the costs of importing. When these cost reductions are greater than the increase in the value of additional imports the change is negative. This does not imply a decline in the returns or prices received by U.S. exporters.

U.S. shipments of all fats and oils products averaged about \$9 billion annually during 2001–05,<sup>51</sup> with soybean oil the leading product with shipments of about \$5 billion. During crop years 2001/02 to 2005/06, U.S. exports of soybean oil amounted to \$367 million annually with Canada, Mexico, China, and Korea the four leading markets.<sup>52</sup> In 2006, U.S. exports of soybean oil amounted to \$360 million, placing the United States third among the world's leading soybean oil exporting countries, behind Argentina (57 percent) and Brazil (25 percent).<sup>53</sup> In 2006, Cuba's fats and oils imports were \$39 million, with the United States supplying \$22 million (57 percent), \$21 million of which was soybean oil. That year Cuba was the fifth leading market for U.S. soybean oil. U.S. soybean oils exporters compete mainly with Argentina and Brazil in the Cuban market.<sup>54</sup> Cuba also imports small amounts of vegetable oils from Mexico, Canada, and the EU. Argentine soybean oil is generally lower priced than U.S. soybean oil in world markets,<sup>55</sup> but shipping from U.S. Gulf ports to Cuba is less expensive and more timely.

<sup>51</sup> U.S. Census Bureau, *Annual Survey of Manufactures*.

<sup>52</sup> Compiled from official statistics of the U.S. Department of Commerce.

<sup>53</sup> U.S. Department of Agriculture, Foreign Agricultural Service, *Oilseeds and Products*, table 9.

<sup>54</sup> Global Trade Atlas database.

<sup>55</sup> For example in 2005/06, Argentine soybean oil (fob Buenos Aires), priced at \$467 per metric ton, undersold U.S. soybean oil by 9 percent (U.S. crude soybean oil, fob Decatur at, \$516 per ton). U.S. Department of Agriculture, Foreign Agricultural Service, *Oilseeds*, table 31.

Removing the financing restrictions (scenario 1) would likely increase the value of Cuban purchases of U.S. fats and oils by between \$1.8 million and \$4.9 million above the \$22 million of U.S. exports to Cuba in 2006 (table 4.9). Removal of travel restrictions to Cuba (scenario 2) would increase total U.S. fats and oils exports by between \$400,000 and \$1.2 million above the 2006 level of U.S. exports to Cuba. Elimination of both the trade and travel restrictions (scenario 3) is likely to increase U.S. fats and oils exports by between \$2.8 million and \$6.0 million above the 2006 level of U.S. exports. Under this scenario, U.S. soybean oil exports may supply between 63 and 73 percent of Cuban soybean oil imports.

**Table 4.9** Fats and oils: Effect of removing financing and travel restrictions on Cuban imports

| Scenario  | With restriction | Without restriction | Change <sup>a</sup> |
|---|------------------|---------------------|---------------------|
| Lifting financing restrictions (scenario 1):            |                  |                     |                     |
| Cuban imports for Cubans (\$ million)                   | 38.6             | 36.5 - 37.9         | -2.1 - -0.7         |
| Cuban imports for Tourists (\$ million)                 | 0.4              | 0.4                 | 0.0                 |
| Total Cuban imports (\$ million)                        | 39.0             | 36.9 - 38.3         | -2.1 - -0.7         |
| U.S. share of Cuban imports (%)                         | 57.3             | 62.9 - 73.9         | 5.6 - 16.6          |
| Cuban imports from the United States (\$ million)       | 22.3             | 24.1 - 27.2         | 1.8 - 4.9           |
| Lifting travel restrictions (scenario 2):               |                  |                     |                     |
| Cuban imports for Cubans (\$ million)                   | 38.6             | 38.8 - 39.1         | 0.2 - 0.6           |
| Cuban imports for Tourists (\$ million)                 | 0.4              | 0.9 - 1.9           | 0.5 - 1.5           |
| Total Cuban imports (\$ million)                        | 39.0             | 39.7 - 41.0         | 0.7 - 2.1           |
| U.S. share of Cuban imports (%)                         | 57.3             | 57.3                | 0.0                 |
| Cuban imports from the United States (\$ million)       | 22.3             | 22.7 - 23.5         | 0.4 - 1.2           |
| Lifting financing and travel restrictions (scenario 3): |                  |                     |                     |
| Cuban imports for Cubans (\$ million)                   | 38.6             | 37.0 - 38.1         | -1.6 - -0.5         |
| Cuban imports for Tourists (\$ million)                 | 0.4              | 1.8 - 2.0           | 1.4 - 1.6           |
| Total Cuban imports (\$ million)                        | 39.0             | 38.8 - 40.1         | -0.2 - 1.1          |
| U.S. share of Cuban imports (%)                         | 57.3             | 62.6 - 73.1         | 5.4 - 15.8          |
| Cuban imports from the United States (\$ million)       | 22.3             | 25.1 - 28.3         | 2.8 - 6.0           |

Source: Commission estimates.

Note: Estimates of the effects of lifting financing restrictions are based on a price wedge (additional cost) of 2.5 - 7.5 percent. Estimates of the effects of lifting travel restrictions are based on tourist increases of 250,000 - 750,000.

<sup>a</sup>The changes in the value of imports reflect the total changes in the cost to Alimport. The removal of restrictions entails reductions in the costs of importing. When these cost reductions are greater than the increase in the value of additional imports the change is negative. This does not imply a decline in the returns or prices received by U.S. exporters.

## Dry Beans<sup>56</sup>

Cuba is a large consumer of dry beans as they are an important source of non-meat protein in the Cuban diet.<sup>57</sup> Dry bean consumption in Cuba is heavily subsidized and provided as a basic foodstuff on the ration card at a quantity of 20 ounces per person per month.<sup>58</sup> In addition, Cuba processes peas and beans into a bean protein paste used in school nutrition programs, along with bread and soy protein products. Cuban production consists of a variety

<sup>56</sup> Dry beans, also termed “pulses” or “legumes,” include all dry edible beans, peas, and lentils (soybeans excluded), classified under HS0713.

<sup>57</sup> Johnson, Commission Hearing Transcript, 7.

<sup>58</sup> U.S. Department of Agriculture, Foreign Agricultural Service, *Caribbean Basin Market Development Reports*, 4.

of dry edible beans, peas, and lentils and accounts for about half of its dry bean consumption.<sup>59</sup> Cuban imports make up the balance and averaged 192,000 mt annually during 2001–05.

U.S. dry bean production amounted to \$649 million in 2005.<sup>60</sup> U.S. exports of dry beans, which include navy, pinto, black, and kidney beans; lentils; and chick and dried peas, amounted to \$403 million in 2006, with the EU, Mexico, Canada, and India being the four leading U.S. markets.<sup>61</sup> Cuba was the fifth leading U.S. market for dry beans in 2006 with purchases of \$20 million (table 4.10). The United States is the world's fifth leading exporter of dry beans (including peas and lentils), behind Burma, Canada, China, and Australia.<sup>62</sup> U.S. exports of dry beans have risen over the past several years and become more price competitive in world markets with other competitive global suppliers, such as Canada.<sup>63</sup>

In 2006, Cuba imported \$79 million of dry beans of which the United States supplied \$20 million (25 percent) (table 4.10). During 2004–06, the U.S. share of Cuban dry bean imports rose from 13 to 25 percent. In 2006, green peas and pinto beans each accounted for about 40 percent of U.S. dry bean exports to Cuba, with lentils (11 percent) and yellow peas the remainder.<sup>64</sup> U.S. dry bean exporters compete mainly with Canada and China in the Cuban market. For many years, Chinese dry black and pinto beans were priced lower than U.S. beans in the Cuban market,<sup>65</sup> possibly because of government assistance to Chinese producers.<sup>66</sup>

Currently, U.S. beans shipped to Cuba have a significant ocean freight advantage over Chinese beans, and have become more price competitive in Cuba since early 2006.<sup>67</sup> Ocean freight costs of U.S. products from New Orleans to Cuba are lower than ocean rates for the Canadian product from Thunder Bay to Cuba, but internal U.S. rail costs to transport Upper Midwestern beans and peas to the U.S. Gulf ports are higher than those faced by Canadian growers to Thunder Bay.<sup>68</sup> Nevertheless, U.S. peas and lentils have become more price competitive with Canadian products in recent years in third country markets, partly aided by the revalued Canadian dollar relative to the U.S. dollar.<sup>69</sup>

Lifting the financing regulations (scenario 1) likely would increase the value of Cuban purchases of U.S. dry beans by between \$9 million and \$21.9 million above the \$20 million of U.S. exports to Cuba in 2006 (table 4.10). Removal of travel restrictions to Cuba (scenario

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<sup>59</sup> Cuban dry bean production rose from 106,000 metric tons in 2000 to 132,000 tons in 2004, but then dropped to 106,000 tons in 2005 and 80,000 tons in 2006. United Nations, Food and Agriculture Organization, *FAOStat*.

<sup>60</sup> U.S. Department of Agriculture, Economic Research Service, *Vegetables and Melons Situation and Outlook Yearbook*, 146, 153-155.

<sup>61</sup> According to data of the U.S. Department of Commerce.

<sup>62</sup> United Nations, Food and Agriculture Organization, *FAOStat*.

<sup>63</sup> U.S. exports of dry peas and lentils to all markets rose from 767 million to 1,275 million pounds, and exports of dry edible beans from 5.6 million hundred-weight (cwt) to 7.2 million cwt, during 2004–05. U.S. Department of Agriculture, Economic Research Service, *Vegetables and Melons*, 151, 157.

<sup>64</sup> Department of Commerce.

<sup>65</sup> Johnson, Commission Hearing Transcript, 123.

<sup>66</sup> *Ibid.*

<sup>67</sup> *Ibid.*

<sup>68</sup> U.S. rate costs are \$26 per metric ton higher than for Canadian growers. Eric Bartsch, North Dakota Dry Pea and Lentil Council and *CubaNews*, “N. Dakota delegation scores pea sale to Alimport.”

<sup>69</sup> U.S. Department of Agriculture, Foreign Agricultural Service. *Canada Grain and Feed Annual Report 2006*, 8-9.

**Table 4.10** Dry beans: Effect of removing financing and travel restrictions on Cuban imports

| Scenario  | With restriction | Without restriction | Change <sup>a</sup> |
|---|------------------|---------------------|---------------------|
| Lifting financing restrictions (scenario 1):            |                  |                     |                     |
| Cuban imports for Cubans (\$ million)                   | 78.3             | 74.1 - 76.9         | -4.2 - -1.4         |
| Cuban imports for Tourists (\$ million)                 | 0.8              | 0.7 - 0.8           | 0.0                 |
| Total Cuban imports (\$ million)                        | 79.1             | 74.8 - 77.7         | -4.3 - -1.4         |
| Total Cuban imports (1,000 MT)                          | 245.0            | 246.8 - 250.5       | 1.8 - 5.5           |
| U.S. share of Cuban imports (%)                         | 25.2             | 37.3 - 55.8         | 12.1 - 30.7         |
| Cuban imports from the United States (\$ million)       | 19.9             | 28.9 - 41.8         | 9.0 - 21.9          |
| Lifting travel restrictions (scenario 2):               |                  |                     |                     |
| Cuban imports for Cubans (\$ million)                   | 78.3             | 78.7 - 79.4         | 0.4 - 1.1           |
| Cuban imports for Tourists (\$ million)                 | 0.8              | 1.0 - 1.3           | 0.2 - 0.5           |
| Total Cuban imports (\$ million)                        | 79.1             | 79.6 - 80.7         | 0.5 - 1.6           |
| Total Cuban imports (1,000 MT)                          | 245.0            | 246.7 - 250.0       | 1.7 - 5.0           |
| U.S. share of Cuban imports (%)                         | 25.2             | 25.2                | 0.0                 |
| Cuban imports from the United States (\$ million)       | 19.9             | 20.0 - 20.3         | 0.1 - 0.4           |
| Lifting financing and travel restrictions (scenario 3): |                  |                     |                     |
| Cuban imports for Cubans (\$ million)                   | 78.3             | 75.1 - 77.3         | -3.2 - -1.0         |
| Cuban imports for Tourists (\$ million)                 | 0.8              | 1.2 - 1.3           | 0.4 - 0.5           |
| Total Cuban imports (\$ million)                        | 79.1             | 76.3 - 78.6         | -2.8 - -0.5         |
| Total Cuban imports (1,000 MT)                          | 245.0            | 249.7 - 255.6       | 4.7 - 10.6          |
| U.S. share of Cuban imports (%)                         | 25.2             | 37.1 - 55.2         | 11.9 - 30.1         |
| Cuban imports from the United States (\$ million)       | 19.9             | 29.2 - 42.2         | 9.3 - 22.2          |

Source: Commission estimates.

Note: Estimates of the effects of lifting financing restrictions are based on a price wedge (additional cost) of 2.5 - 7.5 percent. Estimates of the effects of lifting travel restrictions are based on tourist increases of 250,000 - 750,000.

<sup>a</sup>The changes in the value of imports reflect the total changes in the cost to Alimport. The removal of restrictions entails reductions in the costs of importing. When these cost reductions are greater than the increase in the value of additional imports the change is negative. This does not imply a decline in the returns or prices received by U.S. exporters.

2) is likely to have a small impact on U.S. sales of dry beans to Cuba, as few dry beans are sold to the Cuban tourist sector, and would increase total U.S. dry bean exports by between \$100,000 and \$400,000 above the 2006 level. Elimination of both the trade and travel restrictions (scenario 3) is likely to increase U.S. dry bean exports by between \$9.3 million and \$22.2 million above the 2006 level of U.S. exports. Under this scenario, U.S. dry bean exporters may supply between 37 and 55 percent of Cuban dry bean imports.

## Poultry<sup>70</sup>

Between 2000 and 2005, Cuba became increasingly more dependent on poultry imports to meet its domestic consumption needs.<sup>71</sup> In 2001–02, Cuban production fell by one half in the aftermath of Hurricane Michelle in November 2001. Between 2002 and 2005, the share poultry of imports in Cuba's domestic consumption averaged 85 percent and the Cuban

<sup>70</sup> This section covers fresh, chilled, and frozen meat and the edible offal of poultry classified under the heading 0207; and prepared and preserved poultry products classified under the subheadings 160231, 160232, and 160239.

<sup>71</sup> The latest available data for Cuban consumption and production of poultry is 2005. United Nations, Food & Agriculture Organization, *FAOStat*.

government has indicated that it is more efficient for them to import poultry than to produce it domestically.<sup>72</sup>

The United States is the second largest global poultry exporter, after Brazil, with exports valued at \$2.5 billion in 2006, accounting for 26 percent of global poultry exports. In 2006, the largest export markets for U.S. poultry were Russia (19 percent), Mexico (17 percent), Canada (13 percent) and China (13 percent). Since 2002, Cuba has become an increasingly important market for U.S. poultry, accounting for 1.8 percent of exports in 2006. Abundant supplies of relatively low cost feed ingredients, as well as regional preferences for different poultry cuts help to make the United States one of the most competitive global poultry producers.<sup>73</sup>

The U.S. poultry and egg industry stated that the current U.S. restrictions on financing as well as travel to Cuba have negatively impacted the industry.<sup>74</sup> The added cost of financial restrictions and the use of letters of credit drawn on a foreign bank have directly affected the price competitiveness of U.S. sales of poultry to Cuba and halted the sale of U.S. eggs. Poultry industry officials also noted that U.S. regulations have dampened the attractiveness of Cuba as a destination for U.S. shippers and there is only one carrier that currently operates breakbulk vessels (the primary mode of transporting chilled and frozen poultry by sea) to Cuba.<sup>75</sup>

In 2006, Cuban poultry imports were valued at \$68.6 million of which the United States accounted for \$44.7 million, or 65 percent (table 4.11). Brazil is the major competitor in the Cuban market, accounting for \$20.1 million (29 percent). The United States enjoys a natural competitive advantage over Brazil in shipping costs and transit time to the Cuban market; one day or less from ports along the Gulf of Mexico versus over 25 days from Brazil.<sup>76</sup> The U.S. poultry exports to Cuba have been mainly frozen chicken leg quarters, drums, and wings, and ground turkey which are imported both in containers and bulk freighter shipments. Frozen U.S. chicken and ground turkey are sold in convertible peso stores as well as provided in the ration stores.<sup>77</sup>

The removal of the current financial restrictions on U.S. agricultural exports to Cuba (scenario 1) is likely to increase Cuban purchases of U.S. poultry in the range of \$6.7 million to \$10.8 million (table 4.11). The elimination of transaction costs associated with the current financial restrictions will enable the United States to be more price competitive with Brazil. The vast majority of poultry imported by Cuba is destined for domestic consumption, and the removal of current travel restrictions (scenario 2) would increase U.S. sales of poultry by \$1.1 million to \$3.2 million. Elimination of both financial and travel restrictions (scenario 3) is likely to increase Cuban imports of U.S. poultry by \$9.6 million to \$13.7 million.

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<sup>72</sup> Walters, "Expanding trade with Cuba creates opportunities for U.S. farmers, says UF expert."

<sup>73</sup> U.S. consumers prefer "white" chicken meat (breasts) and the U.S. exports "dark" meat (leg quarters and wings) to regions where it is preferred.

<sup>74</sup> United States Poultry and Egg Export Council and the National Chicken Council, written statement to the Commission, May 11, 2007.

<sup>75</sup> There are also significant indirect costs associated with the amount of time needed to apply for and receive a license from OFAC to travel to Cuba for business purposes. United States Poultry & Egg Export Council and the National Chicken Council, written statement to the Commission, May 11, 2007. Industry officials, interview with Commission staff, April 2007.

<sup>76</sup> United States Poultry and Egg Export Council and the National Chicken Council, written statement to the Commission, May 11, 2007.

<sup>77</sup> Cuban government officials, interviews by Commission staff, Havana, Cuba, June 12-13, 2007.

**Table 4.11** Poultry: Effect of removing financing and travel restrictions on Cuban imports

| Scenario  | With restriction | Without restriction | Change <sup>a</sup> |
|---|------------------|---------------------|---------------------|
| Lifting financing restrictions (scenario 1):            |                  |                     |                     |
| Cuban imports for Cubans (\$ million)                   | 58.3             | 55.6 - 57.1         | -2.7 - -1.3         |
| Cuban imports for Tourists (\$ million)                 | 10.3             | 9.8 - 10.1          | -0.5 - -0.2         |
| Total Cuban imports (\$ million)                        | 68.6             | 65.4 - 67.1         | -3.2 - -1.5         |
| Total Cuban imports (1,000 MT)                          | 116.7            | 120.2 - 123.7       | 3.5 - 7.0           |
| U.S. share of Cuban imports (%)                         | 65.2             | 76.6 - 84.8         | 11.4 - 19.6         |
| Cuban imports from the United States (\$ million)       | 44.7             | 51.4 - 55.5         | 6.7 - 10.8          |
| Lifting travel restrictions (scenario 2):               |                  |                     |                     |
| Cuban imports for Cubans (\$ million)                   | 58.3             | 58.6 - 59.2         | 0.3 - 0.8           |
| Cuban imports for Tourists (\$ million)                 | 10.3             | 11.6 - 14.3         | 1.4 - 4.1           |
| Total Cuban imports (\$ million)                        | 68.6             | 70.2 - 73.5         | 1.6 - 4.9           |
| Total Cuban imports (1,000 MT)                          | 116.7            | 119.5 - 125.0       | 2.8 - 8.3           |
| U.S. share of Cuban imports (%)                         | 65.2             | 65.2                | 0.0                 |
| Cuban imports from the United States (\$ million)       | 44.7             | 45.8 - 47.9         | 1.1 - 3.2           |
| Lifting financing and travel restrictions (scenario 3): |                  |                     |                     |
| Cuban imports for Cubans (\$ million)                   | 58.3             | 56.4 - 57.3         | -1.9 - -1.0         |
| Cuban imports for Tourists (\$ million)                 | 10.3             | 13.5 - 14.3         | 3.2 - 4.1           |
| Total Cuban imports (\$ million)                        | 68.6             | 69.8 - 71.7         | 1.2 - 3.1           |
| Total Cuban imports (1,000 MT)                          | 116.7            | 128.3 - 132.0       | 11.6 - 15.3         |
| U.S. share of Cuban imports (%)                         | 65.2             | 75.8 - 83.6         | 10.6 - 18.4         |
| Cuban imports from the United States (\$ million)       | 44.7             | 54.4 - 58.4         | 9.6 - 13.7          |

Source: Commission estimates.

Note: Estimates of the effects of lifting financing restrictions are based on a price wedge (additional cost) of 5 - 10 percent. Estimates of the effects of lifting travel restrictions are based on tourist increases of 250,000 - 750,000.

<sup>a</sup>The changes in the value of imports reflect the total changes in the cost to Alimport. The removal of restrictions entails reductions in the costs of importing. When these cost reductions are greater than the increase in the value of additional imports the change is negative. This does not imply a decline in the returns or prices received by U.S. exporters.

## Beef<sup>78</sup>

Cuba is neither a large beef producing nor a large beef consuming country. Between 2000 and 2005, per capita consumption averaged 6.6 kg, well below the 13.5 kg average for Central American and Caribbean nations.<sup>79</sup> Total consumption averaged 67,740 mt during 2000–05, but fell from 78,880 mt in 2000 to 58,450 mt in 2005.<sup>80</sup> Decreased consumption corresponded to production that fell from 75,770 mt in 2000 to 55,250 mt in 2004, although it recovered slightly in 2005 to 59,900 mt.<sup>81</sup> Domestic beef production supplies between 85 and 95 percent of domestic consumption.

<sup>78</sup> Beef as referred to in this section covers fresh, chilled, and frozen beef classified under headings 0201 and 0202; fresh and frozen edible bovine offal (variety meats) classified under subheadings 020610, 020621, 020622, and 020629; salted, dried, cured, or smoked beef products classified under subheading 021020; and prepared and preserved beef products classified under subheading 160250.

<sup>79</sup> United Nations, Food and Agriculture Organization, *2006 Meat Market Assessment and Meat Statistics*.

<sup>80</sup> *Ibid.*, *FAOStat*.

<sup>81</sup> *Ibid.*



The United States is currently the third largest global exporter of beef, by value, after Australia and Brazil.<sup>82</sup> In 2006, total U.S. beef exports were valued at nearly \$1.8 billion, accounting for 10.7 percent of global beef export value.<sup>83</sup> A substantial proportion of U.S. beef trade is with Canada and Mexico; other important markets include Taiwan, Egypt, Japan, the Bahamas, and Hong Kong. Major competing exporters include Australia, Brazil, Argentina, New Zealand, Canada, and Uruguay. Cuba accounts for a negligible share of U.S. beef exports. The United States is competitive on the world market for high-quality, grain-fed beef owing to high productivity coupled with abundant supplies of relatively low cost feed ingredients (i.e., pasture for cows; feed grains and protein supplements), economies of size in processing, and a highly efficient marketing and distribution system.

In 2006, Cuba imported \$42.3 million of beef, 95 percent of which was supplied by Brazil, Uruguay, and Chile. Brazil supplies processed beef to the Cuban market while Uruguay supplies frozen boneless beef.<sup>84</sup> The United States supplied less than \$100,000 of beef to Cuba in 2006 representing less than 1 percent of the total value of Cuban beef imports. The principal factor impeding U.S. beef exports to Cuba has been the inability of Cuban sanitary officials to visit U.S. slaughtering and processing facilities and to interact with USDA meat inspectors, particularly with respect to concerns over BSE.<sup>85</sup> Moreover, Brazil and Uruguay are very price competitive exporters of beef products to Cuba, including beef liver. Uruguay has a joint venture meat processing facility (jerked beef and other meats) specifically producing for export to Cuba.<sup>86</sup>

Lifting the financing restrictions is likely to increase U.S. beef exports to Cuba by between \$5.4 million and \$10 million (table 4.12). If travel restrictions were removed, it is likely that U.S. tourists would demand U.S. grain-fed beef rather than Brazilian or Uruguayan grass-fed beef. Therefore, assuming a shift in Cuba's purchase patterns to supply the type of beef U.S. tourists are likely to demand, the U.S. beef exporters could capture a significant portion (perhaps 80 percent or more) of imports resulting from increased U.S. tourism, likely an additional \$1.1 million to \$3.2 million. The removal of both sets of restrictions (scenario 3) would likely increase U.S. exports of beef to Cuba by \$8.8 million to \$12.9 million over their 2006 level.

## Pork<sup>87</sup>

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Pork is the preferred meat in Cuba. During 2000–06, per capita pork production in Cuba was among the highest in the Central American-Caribbean region, averaging almost 10 kilograms

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<sup>82</sup> Before bovine spongiform encephalopathy (BSE) was discovered in December 2003, in a Canadian cow imported into the United States, the United States was the largest global exporter by value of beef and beef products covered under this section.

<sup>83</sup> Global Trade Atlas.

<sup>84</sup> Ibid.

<sup>85</sup> Alimport officials, interview with Commission staff, Havana, Cuba, June 12, 2007.

<sup>86</sup> U.S. Department of Agriculture, Foreign Agricultural Service, GAIN Report No. C13010, September 24, 2003, 8.

<sup>87</sup> This section covers fresh, chilled, and frozen pork products classified under heading 0203; fresh and frozen edible pork offal (variety meats) classified under subheadings 020630, 020641, and 020649; pork fat classified under subheading 020900; salted, dried, cured, or smoked pork products classified under subheadings 021011, 021012, and 021019; and prepared and preserved pork products classified under subheadings 160241, 160242, and 160249. Hereafter, references to pork will refer to this entire list of pork and pork products unless otherwise specified.

**Table 4.12** Beef: Effect of removing financing and travel restrictions on Cuban imports

| Scenario   | With restriction | Without restriction | Change      |
|--|------------------|---------------------|-------------|
| <b>Lifting financing restrictions (scenario 1):</b>            |                  |                     |             |
| Cuban imports for Cubans (\$ million)                          | 38.1             | 36.3 - 37.3         | -1.8 - -0.8 |
| Cuban imports for Tourists (\$ million)                        | 4.2              | 4.0 - 4.1           | -0.2 - -0.1 |
| Total Cuban imports (\$ million)                               | 42.3             | 40.4 - 41.4         | -1.9 - -0.9 |
| Total Cuban imports (1,000 MT)                                 | 18.3             | 18.8 - 19.4         | 0.5 - 1.1   |
| U.S. share of Cuban imports (%)                                | 0.2              | 13.2 - 25.0         | 13.0 - 24.8 |
| Cuban imports from the United States (\$ million)              | 0.1              | 5.5 - 10.1          | 5.4 - 10.0  |
| <b>Lifting travel restrictions (scenario 2):</b>               |                  |                     |             |
| Cuban imports for Cubans (\$ million)                          | 38.1             | 38.3 - 38.6         | 0.2 - 0.5   |
| Cuban imports for Tourists (\$ million)                        | 4.2              | 5.6 - 8.3           | 1.4 - 4.1   |
| Total Cuban imports (\$ million)                               | 42.3             | 43.8 - 46.9         | 1.5 - 4.6   |
| Total Cuban imports (1,000 MT)                                 | 18.3             | 18.9 - 20.3         | 0.7 - 2.0   |
| U.S. share of Cuban imports (%)                                | 0.2              | 2.6 - 7.1           | 2.4 - 6.9   |
| Cuban imports from the United States (\$ million)              | 0.1              | 1.2 - 3.3           | 1.1 - 3.2   |
| <b>Lifting financing and travel restrictions (scenario 3):</b> |                  |                     |             |
| Cuban imports for Cubans (\$ million)                          | 38.1             | 36.8 - 37.4         | -1.3 - -0.6 |
| Cuban imports for Tourists (\$ million)                        | 4.2              | 7.7 - 8.4           | 3.5 - 4.2   |
| Total Cuban imports (\$ million)                               | 42.3             | 44.5 - 45.9         | 2.2 - 3.5   |
| Total Cuban imports (1,000 MT)                                 | 18.3             | 20.8 - 21.4         | 2.6 - 3.1   |
| U.S. share of Cuban imports (%)                                | 0.2              | 19.4 - 29.2         | 19.2 - 29.1 |
| Cuban imports from the United States (\$ million)              | 0.1              | 8.9 - 13.0          | 8.8 - 12.9  |

Source: Commission estimates.

Note: Estimates of the effects of lifting financing restrictions are based on a price wedge (additional cost) of 5 - 10 percent. Estimates of the effects of lifting travel restrictions are based on tourist increases of 250,000 - 750,000.

<sup>a</sup>The changes in the value of imports reflect the total changes in the cost to Alimport. The removal of restrictions entails reductions in the costs of importing. When these cost reductions are greater than the increase in the value of additional imports the change is negative. This does not imply a decline in the returns or prices received by U.S. exporters.

annually.<sup>88</sup> Cuban pork consumption averaged 115,000 mt annually during the same period, compared with domestic production of 92,000 mt.<sup>89</sup> On average, imports accounted for about 20 percent of domestic pork consumption between 2000 and 2006. Pork is sold fresh at peso agricultural markets as well as in fresh and frozen forms in convertible peso markets.<sup>90</sup>

The United States is the second largest global exporter of pork; the EU is the largest. In 2006, total U.S. pork exports were valued at nearly \$2.7 billion, accounting for 24 percent of global pork exports.<sup>91</sup> Other major competing exporters include Canada, Brazil, China, Chile, and Mexico. The largest markets for U.S. pork are Japan, Mexico, Canada, South Korea, and Russia. Cuba is a very small market for the United States, accounting for one-half of one percent of total shipments. A highly productive breeding herd and abundant supplies of relatively low cost feed ingredients (corn and soybean meal) help make the United States one of the most competitive pork producers in the world. Economies of scale in processing

<sup>88</sup> United Nations, Food and Agriculture Organization, *2006 Meat Market Assessment and Meat Statistics*.

<sup>89</sup> Cuban pork consumption increased sporadically from 98,000 mt to 124,000 during 2001–03 and from 118,000 mt to 123,000 mt during 2004–06. Cuban pork production ranged between a low of 90,000 mt in 2002 and a high of 98,000 mt in 2004, with the exception of 2001 when production dropped to 76,000 mt. United Nations, Food and Agriculture Organization, *2006 Meat Market Assessment and Meat Statistics*.

<sup>90</sup> Commission staff field visit, Havana, Cuba, June 12-14, 2007.

<sup>91</sup> Global Trade Atlas.

and an efficient marketing and distribution system also contribute to the competitiveness of U.S. pork in world markets.

Staff interviews with U.S. pork industry officials indicated that U.S. regulations on exports to Cuba cause inefficiencies that increase the cost of exporting pork to Cuba compared with other export destinations.<sup>92</sup> Officials noted that a more significant impediment to increased pork exports is the Cuban requirement that all sales with U.S. companies be negotiated through Alimport.<sup>93</sup> Industry officials also stated that U.S. regulations limit the willingness and ability of various shipping companies and port facilities to handle exports to Cuba. Consequently, pork exporters cannot use the most logistically and economically efficient ports to ship pork to Cuba.<sup>94</sup> The U.S. pork industry estimated that U.S. restrictions related to financing and travel result in approximately a 5 percent cost disadvantage relative to competitors in the Cuban market.

In 2006, Cuba imported \$33.6 million of pork, with the United States accounting for \$14.1 million or 42 percent (table 4.13).<sup>95</sup> The major competitors in the Cuban market are Canada and Chile, both of which have highly competitive pork producing and processing industries. However, Canadian pork exports to Cuba have fallen from \$14 million annually in 2001 to approximately \$11 million in 2006, possibly because of the recent appreciation of the Canadian dollar. Chilean pork exports to Cuba have steadily increased from \$1 million in 2001 to more than 6 million in 2006.

The removal of financing restrictions (scenario 1) is likely to increase the value of Cuban purchases of U.S. pork by between \$5.5 million and \$9.5 million (table 4.13). The lifting of travel restrictions (scenario 2) is likely to have a smaller impact on U.S. exports of pork, an increase of \$600,000 to \$1.9 million, as most of those are destined for the Cuban population. Elimination of both financial and travel restrictions is likely to increase U.S. pork exports by between \$7.3 million and \$11.2 million.

## Dairy<sup>96</sup>

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The dairy industry, like many agricultural sectors in Cuba, has fallen on hard times. In the mid-1980s, milk production topped out at approximately 250 million gallons.<sup>97</sup> By 2005,

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<sup>92</sup> Industry representative, interview with Commission staff, April 27, 2007.

<sup>93</sup> U.S. pork exporters find that the bid process is inconsistent and not based on market demand. U.S. pork exporters also believe that the inability to negotiate directly with Cimex, Cubalse, ITH, and the foreign companies that manage Cuban resort hotels puts them at a severe disadvantage relative to their competitors in accessing distribution channels that supply the Cuban tourism industry. Industry representative, interview with Commission staff, April 27, 2007.

<sup>94</sup> For example, having to ship pork through Florida ports adds approximately 2 cents per pound to U.S. exporters internal shipping costs. Market development is hindered by the disparate cost for shipping smaller, sample-sized shipments, which limits the ability to develop demand for U.S. product relative to competitors. Industry representative, interview with Commission staff, April 27, 2007.

<sup>95</sup> Based on unit values, most imported pork is lower-value product that is likely to be distributed to local processors or directly to local consumers. The unit value of some pork product imports suggests that some processed products are distributed to the tourist trade.

<sup>96</sup> Trade data for this section are based on HTS headings 0401-0406 (milk, cream, milk powder, yogurt, sour cream, buttermilk, curds, whey and whey protein concentrates, butter, dairy spreads, milk fats, and cheeses), 1702 (lactose), 2105 (ice cream), 3501 (milk protein concentrates and other caseins, and caseinates and other casein derivatives), subheading 1901.10 (infant formula) and subheading 3502.20 (milk albumin).

<sup>97</sup> *CubaNews*, "When it comes to sheer size, Camagüey leads the way."

**Table 4.13** Pork: Effect of removing financing and travel restrictions on Cuban imports

| Scenario  | With restriction | Without restriction | Change <sup>a</sup> |
|---|------------------|---------------------|---------------------|
| Lifting financing restrictions (scenario 1):            |                  |                     |                     |
| Cuban imports for Cubans (\$ million)                   | 26.9             | 25.7 - 26.3         | -1.2 - -0.6         |
| Cuban imports for Tourists (\$ million)                 | 6.7              | 6.4 - 6.6           | -0.3 - -0.1         |
| Total Cuban imports (\$ million)                        | 33.6             | 32.1 - 32.9         | -1.5 - -0.7         |
| Total Cuban imports (1,000 MT)                          | 17.1             | 17.6 - 18.1         | 0.5 - 1.0           |
| U.S. share of Cuban imports (%)                         | 42.1             | 59.7 - 73.9         | 17.6 - 31.8         |
| Cuban imports from the United States (\$ million)       | 14.2             | 19.6 - 23.7         | 5.5 - 9.5           |
| Lifting travel restrictions (scenario 2):               |                  |                     |                     |
| Cuban imports for Cubans (\$ million)                   | 26.9             | 27.0 - 27.3         | 0.1 - 0.4           |
| Cuban imports for Tourists (\$ million)                 | 6.7              | 8.1 - 10.8          | 1.4 - 4.1           |
| Total Cuban imports (\$ million)                        | 33.6             | 35.1 - 38.1         | 1.5 - 4.4           |
| Total Cuban imports (1,000 MT)                          | 17.1             | 17.8 - 19.3         | 0.8 - 2.3           |
| U.S. share of Cuban imports (%)                         | 42.1             | 42.1                | 0.0                 |
| Cuban imports from the United States (\$ million)       | 14.2             | 14.8 - 16.0         | 0.6 - 1.9           |
| Lifting financing and travel restrictions (scenario 3): |                  |                     |                     |
| Cuban imports for Cubans (\$ million)                   | 26.9             | 26.0 - 26.4         | -0.9 - -0.5         |
| Cuban imports for Tourists (\$ million)                 | 6.7              | 10.1 - 10.9         | 3.3 - 4.1           |
| Total Cuban imports (\$ million)                        | 33.6             | 36.1 - 37.3         | 2.4 - 3.7           |
| Total Cuban imports (1,000 MT)                          | 17.1             | 19.9 - 20.4         | 2.9 - 3.3           |
| U.S. share of Cuban imports (%)                         | 42.1             | 57.7 - 70.4         | 15.5 - 28.3         |
| Cuban imports from the United States (\$ million)       | 14.2             | 21.5 - 25.4         | 7.3 - 11.2          |

Source: Commission estimates.

Note: Estimates of the effects of lifting financing restrictions are based on a price wedge (additional cost) of 5 - 10 percent. Estimates of the effects of lifting travel restrictions are based on tourist increases of 250,000 - 750,000.

<sup>a</sup>The changes in the value of imports reflect the total changes in the cost to Alimport. The removal of restrictions entails reductions in the costs of importing. When these cost reductions are greater than the increase in the value of additional imports the change is negative. This does not imply a decline in the returns or prices received by U.S. exporters.

milk production had fallen to 113 million gallons produced by 380,000 dairy cows.<sup>98</sup> When Soviet support ended in the early 1990s, the Cuban government was unable to import cattle feed in large quantities, and grazing became a primary source of feed. Degraded grazing lands have become a serious problem, so that Cuba's milk production in 2006 was 0.8-1.8 gallons per cow per day,<sup>99</sup> compared to approximately 6.3 gallons per milking cow in the United States.<sup>100</sup> Some dairy processing facilities, such as the yogurt plant in Nuevitas (Camagüey province), are producing products from soybeans, owing to an inadequate supply of milk.<sup>101</sup>

The U.S. dairy industry remains a significant global exporter, particularly in non-fat dry milk (NDM), whey proteins, and lactose.<sup>102</sup> In 2006, the United States exported \$1.7 billion in dairy exports, up more than 16 percent from 2005. Other significant dairy-exporting

<sup>98</sup> National Milk Producers Federation, written submission to the Commission, May 10, 2007. Data converted from pounds to gallons at 1 gallon = 8.62 lbs.

<sup>99</sup> International Centre for Sustainable Cities. *Enhancing Sustainable Dairy Production Capacity in Cuba: Final report to CIDA*, 4.

<sup>100</sup> U.S. Department of Agriculture, National Agricultural Statistical Service, *Milk Production, Disposition and Income: 2006 Summary*, 2. USDA data is converted from pounds at a conversion rate of 1 gallon of milk = 8.62 pounds.

<sup>101</sup> *CubaNews*, "When it comes to sheer size, Camagüey leads the way."

<sup>102</sup> U.S. Dairy Export Council, 2005 Annual Report, 18.

countries include the EU, New Zealand, and Australia in all export categories, and Argentina and Ukraine for cheese and milk powders. The United States is the fourth largest exporter of milk powder,<sup>103</sup> behind New Zealand, the EU, and Australia. The top five export markets for the United States in 2006, by quantity, were Mexico, Indonesia, Philippines, Malaysia, and Vietnam. Cuba's share of U.S. milk powder exports was only 2 percent of total milk powder exports in 2006, declining from a 6 percent share in 2004 and a 5 percent share in 2005. Since 2004, nearly all Cuban imports of U.S. dairy products have been shipments of NDM, with very limited purchases of lactose, cheese, concentrated milk, whey, and other milk products. From 2001–03, Cuba purchased almost no U.S. dairy products.<sup>104</sup> U.S. competitiveness in dairy products is based on the recent depreciation in the dollar relative to other currencies and highly efficient transportation and handling services. With its close proximity to Cuba, the United States has a natural advantage over global competitors for dairy sales.

Cuban imports of milk powder (NDM and whole milk powder) from the world totaled \$128.0 million in 2006, while those of U.S. NDM were \$12.6 million, for a 10 percent market share for the United States. Other suppliers of milk powders to the Cuban market include New Zealand (34 percent share), Uruguay (17 percent), Argentina (14 percent share), EU (13 percent), and Brazil (9 percent). The share of Cuba's consumption supplied by imports is difficult to calculate. Much of Cuba's milk production is consumed as fluid rather than processed into cheese, ice cream, and other dairy products. A significant share of Cuba's consumption of processed products is satisfied by imports, and nearly all dairy goods consumed in the tourist market (except perhaps fluid milk) are imported. Under the current system of food rationing in Cuba, the government tries to provide every child under seven years of age one liter of milk per day. But reportedly such rations are not always available.<sup>105</sup>

U.S. dairy exporters find that current U.S. regulations hamper U.S. sales of dairy products to Cuba. After the imposition of more restrictive regulations by OFAC in 2005, Dairy America, an association of nine U.S. dairy cooperatives, experienced lower sales of NDM to Cuba. The new regulations reportedly added an additional \$3,000 in costs to each shipment of 1,000 mt, which, in Dairy America's view, may cause Alimport to seek other suppliers.<sup>106</sup>

Removing the current financial restrictions on U.S. agricultural exports to Cuba (scenario 1) is likely to increase Cuban purchases of U.S. milk powders, including NDM and whole milk powder, at the expense of global competitors (table 4.14). Increases in Cuban imports of milk powders from the United States under scenario 1 would range from \$14.7 million to \$41.8 million. Removing travel restrictions is also likely to increase Cuban purchases of U.S. milk powders by approximately \$200,000 to \$700,000 (scenario 2). Most of the Cuban demand for milk powders is among the local population (especially young children), rather than in the tourist sector, and the impact of additional tourists on imports of milk powders is

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<sup>103</sup> The United States exports little whole milk powder. In 2006, 98 percent of U.S. exports of milk powder was NDM.

<sup>104</sup> There were zero purchases in 2001; butter, buttermilk and cheese purchases totaled \$57,462 in 2002; and purchases of ice cream, lactose, whey, cream and milk fats totaled \$256,125 in 2003. Data from Global Trade Atlas.

<sup>105</sup> Jones, Commission Hearing Transcript, 126; Messina, Commission Hearing Transcript, 130; and National Milk Producers Federation, written submission to the Commission, May 10, 2007.

<sup>106</sup> Letter from United States Engage to Reps. Bill Delahunt, Jo Ann Emerson Jeff Flake, and Jerry Moran, June 20, 2005.

**Table 4.14** Milk powders: Effect of removing financing and travel restrictions on Cuban imports

| Scenario  | With restriction | Without restriction | Change <sup>a</sup> |
|---|------------------|---------------------|---------------------|
| Lifting financing restrictions (scenario 1):            |                  |                     |                     |
| Cuban imports for Cubans (\$ million)                   | 125.5            | 118.7 - 123.2       | -6.8 - -2.2         |
| Cuban imports for Tourists (\$ million)                 | 2.6              | 2.4 - 2.5           | -0.1 - 0.0          |
| Total Cuban imports (\$ million)                        | 128.0            | 121.1 - 125.8       | -6.9 - -2.3         |
| Total Cuban imports (1,000 MT)                          | 57.9             | 58.3 - 59.2         | 0.4 - 1.3           |
| U.S. share of Cuban imports (%)                         | 9.8              | 21.7 - 44.9         | 11.9 - 35.1         |
| Cuban imports from the United States (\$ million)       | 12.6             | 27.3 - 54.3         | 14.7 - 41.8         |
| Lifting travel restrictions (scenario 2):               |                  |                     |                     |
| Cuban imports for Cubans (\$ million)                   | 125.5            | 126.1 - 127.3       | 0.6 - 1.8           |
| Cuban imports for Tourists (\$ million)                 | 2.6              | 2.9 - 3.6           | 0.3 - 1.0           |
| Total Cuban imports (\$ million)                        | 128.0            | 129.0 - 130.8       | 0.9 - 2.8           |
| Total Cuban imports (1,000 MT)                          | 57.9             | 58.3 - 59.2         | 0.4 - 1.3           |
| U.S. share of Cuban imports (%)                         | 9.8              | 9.9 - 10.1          | 0.1 - 0.3           |
| Cuban imports from the United States (\$ million)       | 12.6             | 12.8 - 13.2         | 0.2 - 0.7           |
| Lifting financing and travel restrictions (scenario 3): |                  |                     |                     |
| Cuban imports for Cubans (\$ million)                   | 125.5            | 120.3 - 123.8       | -5.1 - -1.6         |
| Cuban imports for Tourists (\$ million)                 | 2.6              | 3.4 - 3.6           | 0.8 - 1.1           |
| Total Cuban imports (\$ million)                        | 128.0            | 123.7 - 127.4       | -4.3 - -0.6         |
| Total Cuban imports (1,000 MT)                          | 57.9             | 59.1 - 60.5         | 1.2 - 2.6           |
| U.S. share of Cuban imports (%)                         | 9.8              | 21.8 - 44.4         | 12.0 - 34.6         |
| Cuban imports from the United States (\$ million)       | 12.6             | 27.8 - 54.9         | 15.3 - 42.4         |

Source: Commission estimates.

Note: Estimates of the effects of lifting financing restrictions are based on a price wedge (additional cost) of 2.5 - 7.5 percent. Estimates of the effects of lifting travel restrictions are based on tourist increases of 250,000 - 750,000.

<sup>a</sup>The changes in the value of imports reflect the total changes in the cost to Alimport. The removal of restrictions entails reductions in the costs of importing. When these cost reductions are greater than the increase in the value of additional imports the change is negative. This does not imply a decline in the returns or prices received by U.S. exporters.

relatively limited. Removing both sets of restrictions (scenario 3) would likely cause a significant increase in Cuban purchases of U.S. milk powders, ranging from \$15.3 million to \$42.4 million.

Removing the current financial restrictions on U.S. agricultural exports to Cuba (scenario 1) is also likely to increase Cuban purchases of other dairy products (excluding milk powders) from the United States at the expense of global competitors (table 4.15). Increases in Cuban imports of other dairy products from the United States under scenario 1 would range from \$5.1 million to \$9.7 million. Removing travel restrictions is also likely to increase Cuban purchases of other dairy products from the United States by approximately \$200,000 to \$700,000 (scenario 2). Removing both sets of restrictions (scenario 3) would likely cause a significant increase in Cuban purchases of other dairy products from the United States, ranging from \$5.9 million to \$10.4 million.

**Table 4.15** Other dairy products: Effect of removing financing and travel restrictions on Cuban imports

| Scenario  | With restriction | Without restriction | Change <sup>a</sup> |
|---|------------------|---------------------|---------------------|
| Lifting financing restrictions (scenario 1):            |                  |                     |                     |
| Cuban imports for Cubans (\$ million)                   | 14.5             | 13.9 - 14.2         | -0.7 - -0.3         |
| Cuban imports for Tourists (\$ million)                 | 4.8              | 4.6 - 4.7           | -0.2 - -0.1         |
| Total Cuban imports (\$ million)                        | 19.4             | 18.5 - 19.0         | -0.9 - -0.4         |
| Total Cuban imports (1,000 MT)                          | 8.5              | 8.7 - 9.0           | 0.3 - 0.5           |
| U.S. share of Cuban imports (%)                         | 0.3              | 27.4 - 53.0         | 27.1 - 52.7         |
| Cuban imports from the United States (\$ million)       | 0.1              | 5.2 - 9.8           | 5.1 - 9.7           |
| Lifting travel restrictions (scenario 2):               |                  |                     |                     |
| Cuban imports for Cubans (\$ million)                   | 14.5             | 14.6 - 14.7         | 0.1 - 0.2           |
| Cuban imports for Tourists (\$ million)                 | 4.8              | 5.3 - 6.4           | 0.5 - 1.5           |
| Total Cuban imports (\$ million)                        | 19.4             | 19.9 - 21.1         | 0.6 - 1.7           |
| Total Cuban imports (1,000 MT)                          | 8.5              | 8.7 - 9.2           | 0.3 - 0.8           |
| U.S. share of Cuban imports (%)                         | 0.3              | 1.5 - 3.8           | 1.3 - 3.6           |
| Cuban imports from the United States (\$ million)       | 0.1              | 0.3 - 0.8           | 0.3 - 0.8           |
| Lifting financing and travel restrictions (scenario 3): |                  |                     |                     |
| Cuban imports for Cubans (\$ million)                   | 14.5             | 14.0 - 14.3         | -0.5 - -0.2         |
| Cuban imports for Tourists (\$ million)                 | 4.8              | 6.0 - 6.3           | 1.1 - 1.5           |
| Total Cuban imports (\$ million)                        | 19.4             | 20.0 - 20.6         | 0.7 - 1.3           |
| Total Cuban imports (1,000 MT)                          | 8.5              | 9.5 - 9.7           | 1.0 - 1.3           |
| U.S. share of Cuban imports (%)                         | 0.3              | 29.0 - 52.3         | 28.8 - 52.0         |
| Cuban imports from the United States (\$ million)       | 0.1              | 6.0 - 10.5          | 5.9 - 10.4          |

Source: Commission estimates.

Note: Estimates of the effects of lifting financing restrictions are based on a price wedge (additional cost) of 5 - 10 percent. Estimates of the effects of lifting travel restrictions are based on tourist increases of 250,000 - 750,000.

<sup>a</sup>The changes in the value of imports reflect the total changes in the cost to Alimport. The removal of restrictions entails reductions in the costs of importing. When these cost reductions are greater than the increase in the value of additional imports the change is negative. This does not imply a decline in the returns or prices received by U.S. exporters.

## High-value Processed Foods and Beverages<sup>107</sup>

Domestic production of processed foods in Cuba consists of a wide variety of foods and beverages, including milk and meat products, confections, grain-based products, fruit and vegetable products, alcoholic beverages, water, tropical and citrus juice, soft drinks, and beer.<sup>108</sup> In recent years, the Cuban government has begun to close down inefficient sugar mills and replace them with food processing plants such as those for pastas, chocolate, candy, and soybean and corn processing.<sup>109</sup> Foreign joint ventures, particularly Canadian, Israeli, Spanish, and Swiss, are also important drivers of certain food and beverage processing in Cuba. Despite this presence, the poor state of Cuba's transportation infrastructure and, in some cases, quality issues currently constrain domestic processors. The tourism sector demands high quality products that are familiar to foreign tourists. In 1999,

<sup>107</sup> For purposes of this section, the term 'processed foods' refers to those that are found in chapters 19-22 of the HTS, including grain-based products such as cookies, crackers, bakery products, breakfast cereals, pasta and flour-based preparations; processed fruits, vegetables, and nuts; soups, sauces, and condiments; miscellaneous food preparations; and alcoholic and non-alcoholic beverages.

<sup>108</sup> Ross and Fernandez Mayo, "Cuba's 'New' Peso Food Chain: Linkages and Implications for U.S. Exporters."

<sup>109</sup> *CubaNews*, "Cuba plans further downsizing of sugar industry."

the latest data available, only 20 percent of Cuba's domestic production of processed foods was sold in dollar stores and tourist outlets.<sup>110</sup> It has also been estimated that Cuba's domestic food production accounts for only five to 10 percent of the tourism industry's food needs.<sup>111</sup> As a result, Cuba depends on imported processed foods and food preparations for its growing tourist industry.<sup>112</sup>

The United States is a leading producer and exporter of processed products. Although U.S. exports of processed foods and beverages typically represent a small portion of total U.S. production, exports have become an increasingly important component of sales. Most international trade in processed foods is among developed nations with high per-capita incomes such as Japan, the EU, and Canada. However, export growth is mainly in developing markets with rising middle class incomes and a growing awareness and taste for U.S. products.<sup>113</sup> Many exports of certain processed foods, particularly sauces, mayonnaise, condiments, and many beverages, generally consist of branded products aimed at the high end of the retail market. In 2006, Cuba imported \$1.1 million in processed food from the United States, an increase of 21 percent over such imports in 2002.<sup>114</sup>

In 2006, Cuba imported \$66 million in processed food from the world, an increase of 77 percent over such imports in 2001, and showed steady growth during 2001–06 in virtually all categories. These imports were of a wide variety of bulk food preparations as well as specialty items, such as prepared baby food, bakery items, and olives. The bulk of Cuban imported processed foods during 2001–06 was for miscellaneous food preparations,<sup>115</sup> wine, tomato paste, cookies, pasta, sauces and condiments, jams, breads, beer and nonalcoholic beverages, and was mainly supplied by the EU throughout the period. Many EU products are presumably for use in the hotel and restaurant industry in which European firms, primarily Spanish, have investments. Brazil, Guatemala, and Chile were also important suppliers to the Cuban market. The governments of many of these countries offer trade promotion programs, such as financing programs, export subsidies, or barter arrangements, to encourage trade with Cuba.<sup>116</sup> In contrast, the U.S. share of total Cuban imports of processed foods and beverages was very small, or 1.7 percent in 2006. U.S. exports of processed food products to Cuba fluctuated widely during this period,<sup>117</sup> and consisted

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<sup>110</sup> Ross and Fernandez Mayo, "Cuba's dollar food market and U.S. Exports," 380.

<sup>111</sup> U.S. Department of Agriculture, Foreign Agricultural Service, *Cuba: HRI Food Service Sector Report 2002*, 11.

<sup>112</sup> *CubaNews*, "Reality Check: Not all companies want to sell to Cuba."

<sup>113</sup> U.S. International Trade Commission, *Processed Foods and Beverages: A Description of Tariff and Non-tariff Barriers for Major Products and Their Impact on Trade*, 9-1-9-3.

<sup>114</sup> No imports of processed foods from the United States were recorded in 2001.

<sup>115</sup> These imports were entered under HTS 2106.90, under which various food preparations are classified, including dairy mixtures, alcoholic preparations, butter substitutes, syrups, gelatins, artificial sweeteners, and coffee whiteners.

<sup>116</sup> U.S. Department of Agriculture, Foreign Agricultural Service, *Cuba: HRI Food Service Sector Report 2002*, 1.

<sup>117</sup> Cuban imports of processed foods from the United States generally remained in the \$1-2 million range, with the exception of 2003 and 2004 when \$11.6 million and \$10.0 million were imported, respectively. The jump in those years can be attributed to imports in one category, food preparations of cereals or dairy, entered under HTS 1901.90, under which various items are classified, including malt extracts, prepared puddings, dry mixtures, cajeta not made from cow's milk, and margarine cheese. These imports were valued at \$9.0 million and \$6.6 million in 2003 and 2004, respectively, while no exports in this category were shipped in any other year.



mainly of food preparations of cereals or dairy, tomato paste, protein concentrates, sauces and condiments, other food preparations,<sup>118</sup> and pasta.

The impact of U.S. restrictions on U.S. processed food companies has been mixed. One U.S. producer of alcoholic drink mixes reported success in exporting and growing its business to Cuba since 2002.<sup>119</sup> However, other food processing companies cited the complicated nature of U.S. law surrounding U.S. exports as a disincentive to doing business there.<sup>120</sup> Some other processed food companies' food exports have been hampered by restrictions on selling related food service dispensers and other equipment necessary for use with their products.<sup>121</sup> Others reported not being aware of the possibility of exporting their products to Cuba.<sup>122</sup> For some branded companies, the reluctance to export to Cuba stems from fear of alienating their customer base with strong views on Castro and his regime.

The removal of financing restrictions on U.S. agricultural exports to Cuba (scenario 1) is likely to increase Cuban purchases of U.S. processed food and beverages at the expense of global competitors. Increases in Cuban imports of processed foods from the United States under scenario 1 would range from \$17.9 million to \$33.8 million (table 4.16). This increase is likely because lower transportation costs, shorter shipping times, and the ability to fulfill quick turnaround orders would give U.S. processed food exporters a significant advantage over those from other countries.<sup>123</sup> Moreover, the high quality of U.S. food preparations is well known by buyers in the Cuban hotel and restaurant industry and Cuban citizens have historically favored U.S. branded food items.<sup>124</sup>

With the removal of travel restrictions to Cuba (scenario 2), U.S. processed food exports are likely to increase by \$2.5 million to \$7.6 million. This estimates that U.S. exports would garner 50 percent of Cuba's additional imports of high-valued processed foods. The removal of both sets of restrictions (scenario 3) would significantly increase U.S. exports of high-value processed foods to Cuba, by \$25.9 million to \$40.7 million.

## Fish Products<sup>125</sup>

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Cuba, despite being an island with a significant coastline, is a small producer of fish products, with annual production of about 9,000 mt, or well below one percent of the world's total.<sup>126</sup> Cuba has limited commercial fish-farm aquaculture, but does have an

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<sup>118</sup> These imports were entered under HTS 2106.90, under which various food preparations are classified, including dairy mixtures, alcoholic preparations, butter substitutes, syrups, gelatins, artificial sweeteners, and coffee whiteners.

<sup>119</sup> *CubaNews*, "From strawberry daquiri mix to soymilk, Florida firm sees huge potential in Cuba."

<sup>120</sup> *Ibid.*, "U.S. foodservice sector slow to export products to Cuba."

<sup>121</sup> Specific examples are pastry flour for making donuts and the equipment to form the donuts and concentrated juice mix and the dispenser to reconstitute it. *CubaNews*, "U.S. foodservice sector slow to export products to Cuba," and Commission staff interview with industry representatives, March 28, 2007.

<sup>122</sup> *CubaNews*, "U.S. foodservice sector slow to export products to Cuba."

<sup>123</sup> U.S. Department of Agriculture, Foreign Agricultural Service, *Cuba: HRI Food Service Sector Report 2002*, 4.

<sup>124</sup> Ross and Fernandez Mayo, "Cuba's dollar food market and U.S. Exports," 374.

<sup>125</sup> This section covers fish and fish products classified in chapter 3 and headings 1604 and 1605.

<sup>126</sup> United Nations, Food and Agriculture Organization, *FISHSTAT*.

**Table 4.16** Processed foods and beverages: Effect of removing financing and travel restrictions on Cuban imports

| Scenario  | With restriction | Without restriction | Change <sup>a</sup> |
|---|------------------|---------------------|---------------------|
| Lifting financing restrictions (scenario 1):            |                  |                     |                     |
| Cuban imports for Cubans (\$ million)                   | 49.5             | 48.1 - 48.9         | -1.4 - -0.6         |
| Cuban imports for Tourists (\$ million)                 | 16.5             | 16.0 - 16.3         | -0.2 - -0.5         |
| Total Cuban imports (\$ million)                        | 66.0             | 64.1 - 65.2         | -1.8 - -0.8         |
| U.S. share of Cuban imports (%)                         | 1.7              | 29.1 - 54.5         | 27.4 - 52.8         |
| Cuban imports from the United States (\$ million)       | 1.1              | 19.0 - 35.0         | 17.9 - 33.8         |
| Lifting travel restrictions (scenario 2):               |                  |                     |                     |
| Cuban imports for Cubans (\$ million)                   | 49.5             | 49.7 - 50.2         | 0.2 - 0.7           |
| Cuban imports for Tourists (\$ million)                 | 16.5             | 21.6 - 31.7         | 5.1 - 15.2          |
| Total Cuban imports (\$ million)                        | 66.0             | 71.3 - 81.9         | 5.3 - 15.9          |
| U.S. share of Cuban imports (%)                         | 1.7              | 5.1 - 10.7          | 3.4 - 9.0           |
| Cuban imports from the United States (\$ million)       | 1.1              | 3.7 - 8.7           | 2.5 - 7.6           |
| Lifting financing and travel restrictions (scenario 3): |                  |                     |                     |
| Cuban imports for Cubans (\$ million)                   | 49.5             | 48.8 - 49.1         | -0.7 - -0.4         |
| Cuban imports for Tourists (\$ million)                 | 16.5             | 29.7 - 32.3         | 13.2 - 15.8         |
| Total Cuban imports (\$ million)                        | 66.0             | 78.5 - 81.5         | 12.5 - 15.5         |
| U.S. share of Cuban imports (%)                         | 1.7              | 33.1 - 53.3         | 31.4 - 51.6         |
| Cuban imports from the United States (\$ million)       | 1.1              | 27.0 - 41.8         | 25.9 - 40.7         |

Source: Commission estimates.

Note: Estimates of the effects of lifting financing restrictions are based on a price wedge (additional cost) of 5 - 10 percent. Estimates of the effects of lifting travel restrictions are based on tourist increases of 250,000 - 750,000.

<sup>a</sup>The changes in the value of imports reflect the total changes in the cost to Alimport. The removal of restrictions entails reductions in the costs of importing. When these cost reductions are greater than the increase in the value of additional imports the change is negative. This does not imply a decline in the returns or prices received by U.S. exporters.

abundant catch of wild shrimp and spiny lobster.<sup>127</sup> It has a limited processing infrastructure (e.g., for canning) and much fish harvested for local consumption is dried or otherwise cured for preservation, or consumed fresh locally.<sup>128</sup> It is a somewhat larger importer of fish products, with estimated 2006 imports of \$25.8 million, also less than 1 percent of the world's total.<sup>129</sup> Cuba exports most of its domestic harvest, consisting largely of shrimp and other high-value crustaceans, mainly to the EU and Japan.<sup>130</sup> Imports supplied over 95 percent of apparent consumption of fish products in Cuba in 2004.<sup>131</sup>

The United States is the 6th largest producer of fish (aquaculture plus commercial catches), supplying 5.5 million mt (4 percent) of the world's production of 140.5 million mt in 2004, the latest available year.<sup>132</sup> It is also the 4<sup>th</sup> largest exporter, accounting for \$3.6 billion (5 percent) of global exports of \$71.5 billion in 2004. The EU is the largest market for U.S. exports, with 26 percent by value of total U.S. exports in 2006, followed by Japan

<sup>127</sup> Cuban government officials, interview by Commission staff, Havana, Cuba, June 13, 2007.

<sup>128</sup> Adams, "An Overview of the Cuban Commercial Fishing Industry and Implications to the Florida Seafood Industry of Renewed Trade," and Adams, "Recent Changes in Management Structure and Strategies of the Cuban Fishing Industry."

<sup>129</sup> Global Trade Atlas.

<sup>130</sup> Global Trade Atlas and United Nations, Food and Agriculture Organization, *FISHSTAT*. See also, *DTCNews*, "Cuban Fishing Industry Reports Millions in Revenue," which reports high levels of lobster production and that "(Cuban spiny) lobsters are highly demanded in the European and Japanese markets."

<sup>131</sup> United Nations, Food and Agriculture Organization, *FISHSTAT*.

<sup>132</sup> *Ibid*.

(23 percent), Canada (18 percent), Korea (11 percent), and China (10 percent). Cuba is not currently an important market for U.S. exports, with less than one-tenth of one percent of the total. Important international competitive advantages held by the U.S. industry include a vast supply of fish resources along three coasts, and a reputation for high quality.

Cuban imports from the world in 2006 reached \$25.8 million, of which the United States accounted for a negligible amount (\$3,000), mainly frozen shrimp and frozen fish fillets. Chile has been Cuba's main source of imports in recent years, supplying the Cuban market with fish fillets (e.g., salmon and Jack mackerel) and other products, nearly all of which go to the tourist sector.<sup>133</sup> Spain and Argentina are smaller but still important suppliers of Cuba's seafood imports.

With the financing-related restrictions removed (scenario 1), U.S. exports of fish products to Cuba would likely rise by \$7.7 million to \$14.6 million (table 4.17). With the removal of travel restrictions to Cuba (scenario 2), U.S. fish products exports are likely to increase by \$1.3 million to \$3.8 million. Much of any increase in fish products exports to Cuba would likely be for the tourist trade, and could include high-value items such as shellfish (for example, shrimp and American lobster), canned fish and shellfish, and fresh fish fillets (exports of which are currently limited owing to the risk of shipment delays for highly perishable food products). This estimates that U.S. exports would garner 50 percent of Cuba's additional imports of fish products. The removal of both sets of restrictions (scenario 3) would significantly increase U.S. exports of fish products to Cuba, by \$11.7 million to \$18.1 million.

## Forest Products

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Like many developing countries, Cuban consumption of paper is very low, while its production is even smaller, such that imports account for about two-thirds of Cuban consumption.<sup>134</sup> Cuban wood products consumption is also very low.<sup>135</sup> Cuban lumber production is constrained by inadequate raw materials and obsolete infrastructure<sup>136</sup> and is mostly consumed in the production of shipping pallets.<sup>137</sup> There was no production of plywood or other wood panels in Cuba during the period.

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<sup>133</sup> Cuban government officials, interview by Commission staff, Havana, Cuba, June 12, 2007.

<sup>134</sup> United Nations, Food and Agriculture Organization, *FAOSTAT*.

<sup>135</sup> Before cessation of Soviet subsidies and trade preferences, Cuban accounted for about half of all Caribbean of imports of wood products. Consumption collapsed in 1992 (with lumber and wood panels dropping 79 percent and almost 100 percent, respectively) and remains less than 40 percent of consumption prior to the collapse. Ross, "Factors Affecting the Potential Market in Cuba for Selected U.S. Forest Products," 104 and United Nations, Food and Agriculture Organization, *FAOSTAT*.

<sup>136</sup> Cuba has 94 relatively small sawmills with a total capacity of 230,000 cubic meters, roughly the same as one good size mill in the United States. Spelter and Alderman, *Profile 2005: Softwood Sawmills in the United States and Canada*, 1; "Institutional Strengthening of the Cuban Forest Service Project," CFAN, and Ross, "Factors Affecting the Potential Market in Cuba for Selected U.S. Forest Products," 107.

<sup>137</sup> In 2001, lumber production totaled 190,000 cubic meters. Production declined 23 percent in 2002 but recovered to 220,000 cubic meters in 2005, close to the Cuban industry's reported capacity. United Nations, Food and Agriculture Organization, *FAOSTAT*, and Luxner, "Florida Firm is First to Ship U.S. Lumber to Cuba Since 1958," 3.

**Table 4.17** Fish products: Effect of removing financing and travel restrictions on Cuban imports

| Scenario  | With restriction | Without restriction | Change <sup>a</sup> |
|---|------------------|---------------------|---------------------|
| Lifting financing restrictions (scenario 1):            |                  |                     |                     |
| Cuban imports for Cubans (\$ million)                   | 20.7             | 20.9 - 21.0         | 0.2 - 0.4           |
| Cuban imports for Tourists (\$ million)                 | 5.2              | 5.2 - 5.3           | 0.1                 |
| Total Cuban imports (\$ million)                        | 25.8             | 26.1 - 26.3         | 0.3 - 0.4           |
| U.S. share of Cuban imports (%)                         | 0                | 29.6 - 55.8         | 29.6 - 55.7         |
| Cuban imports from the United States (\$ million)       | 0                | 7.7 - 14.6          | 7.7 - 14.6          |
| Lifting travel restrictions (scenario 2):               |                  |                     |                     |
| Cuban imports for Cubans (\$ million)                   | 20.7             | 20.8 - 20.9         | 0.1 - 0.3           |
| Cuban imports for Tourists (\$ million)                 | 5.2              | 7.7 - 12.8          | 2.5 - 7.6           |
| Total Cuban imports (\$ million)                        | 25.8             | 28.4 - 33.7         | 2.6 - 7.9           |
| U.S. share of Cuban imports (%)                         | 0                | 4.5 - 11.3          | 4.5 - 11.3          |
| Cuban imports from the United States (\$ million)       | 0                | 1.3 - 3.8           | 1.3 - 3.8           |
| Lifting financing and travel restrictions (scenario 3): |                  |                     |                     |
| Cuban imports for Cubans (\$ million)                   | 20.7             | 21.0 - 21.3         | 0.3 - 0.6           |
| Cuban imports for Tourists (\$ million)                 | 5.2              | 12.1 - 13.2         | 6.9 - 8.1           |
| Total Cuban imports (\$ million)                        | 25.8             | 33.4 - 34.2         | 7.5 - 8.4           |
| U.S. share of Cuban imports (%)                         | 0                | 34.3 - 54.1         | 34.3 - 54.1         |
| Cuban imports from the United States (\$ million)       | 0                | 11.7 - 18.1         | 11.7 - 18.1         |

Source: Commission estimates.

Note: Estimates of the effects of lifting financing restrictions are based on a price wedge (additional cost) of 5 - 10 percent. Estimates of the effects of lifting travel restrictions are based on tourist increases of 250,000 - 750,000.

<sup>a</sup>The changes in the value of imports reflect the total changes in the cost to Alimport. The removal of restrictions entails reductions in the costs of importing. When these cost reductions are greater than the increase in the value of additional imports the change is negative. This does not imply a decline in the returns or prices received by U.S. exporters.

With abundant forest resources and a large forest products industry, the United States ranks among the top global exporters of both wood and paper products. Major markets include Canada, Japan, Mexico, and China, which collectively accounted for over 60 percent of U.S. wood products exports in 2006. In contrast, Cuba accounted for one tenth of one percent of U.S. wood products exports and ranked 47th among all markets in 2006.<sup>138</sup> Benefitting from low ocean freight rates and efficient service through Gulf Coast ports, U.S. mills (particularly those in the Southeast) are competitive in Cuba and other Caribbean markets.<sup>139</sup>

According to U.S. industry officials, travel restrictions and the costs and delays of obtaining a letter of credit are impediments to expanded wood products trade.<sup>140</sup> Travel (usually multiple trips) is necessary to sell treated wood products in Cuba, as producers often need to see specific end-use applications.<sup>141</sup> However, the size of the market and expected returns do not justify the administrative burden necessary to seek permission to travel.<sup>142</sup> For wood products, another restrictive aspect of export restrictions is that certain complementary products (e.g., roofing) are not on the list of eligible export items.<sup>143</sup> The 2005 OFAC rule

<sup>138</sup> In 2006, the United States was the fifth largest exporter of wood products behind Canada, the EU, China, and Russia. Global Trade Atlas.

<sup>139</sup> Industry official, e-mail to Commission staff, April 12, 2007. Industry official, interview with Commission staff, June 21, 2007.

<sup>140</sup> Ibid.

<sup>141</sup> Industry officials, e-mails to Commission staff, April 12, 2007 and May 3, 2007.

<sup>142</sup> Industry official, e-mail to Commission staff, April 12, 2007.

<sup>143</sup> Ibid., May 3, 2007.

change reportedly eliminated small- to medium-sized wood products firms from the Cuban market as only larger firms were able to offset the additional costs.<sup>144</sup> Delays of U.S. exports at the U.S. port occur because of the need to obtain a letter of credit, costing at least one U.S. wood products exporter \$40,000 to \$50,000 per export shipment for a delay of 10-15 days.<sup>145</sup>

In 2006, Cuban imports of forest products totaled \$57.5 million, of which \$33.6 million consisted of printing and writing paper, newsprint, and packaging papers, and \$23.9 million of wood products.<sup>146</sup> In 2006, Cuba imported \$9.7 million in forest products from the United States, accounting for 17 percent of Cuba's total forest product imports. Major competitors in the Cuban market were Canada (24 percent), the EU (22 percent), Brazil (14 percent), and China (8 percent). Among forest products, the United States supplied approximately 95 percent of Cuban imports of treated or untreated utility poles, which are not readily available from other countries.<sup>147</sup> Utility poles that Cuba had imported from Canada tended to degrade rapidly in the Caribbean climate unlike U.S. utility poles made of Southern Pine.<sup>148</sup> Reportedly, the extension of U.S. commercial credit for U.S. utility pole exports would allow a doubling of these exports.<sup>149</sup>

Based on the Commission's most likely estimates of direct and indirect costs of regulations and competitor response, the removal of financial restrictions (scenario 1) is likely to increase Cuban purchases of U.S. forest products at the expense of other suppliers. The increase in Cuban imports of U.S. forest products would range from \$6 million to \$17 million (table 4.18). The value of Cuba's total forest products imports would decrease slightly owing to price decreases resulting from unrestricted access by U.S. producers. Because Cuban demand for forest products is relatively price inelastic, increased demand is not expected to offset the impact of lower prices in the Cuban market. The impact of the removal of travel restrictions (scenario 2) would be much smaller because increased tourist travel is not expected to increase Cuban consumption of forest products very much in the near term. U.S. forest products exports to Cuba would increase by \$100,000 to \$300,000. Elimination of all restrictions (scenario 3) is likely to increase U.S. forest products from \$6.2 million to \$17.3 million.

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<sup>144</sup> Ibid.

<sup>145</sup> U.S. industry official, interview with Commission staff, June 21, 2007.

<sup>146</sup> Global Trade Atlas.

<sup>147</sup> Shipments in this sector came principally from producers in Alabama. Cuban consumption of utility poles is being driven by replacement of aging or hurricane-damaged poles and the upgrade of Cuba's electricity grid. Luxner, "Ron Sparks: Cuba is Key Market for Alabama Farmers," 8, and industry official, telephone interview with Commission staff, May 3, 2007. Cuban government officials, interview with Commission staff, Havana, Cuba, June 13, 2007.

<sup>148</sup> Industry officials, interview with Commission staff, June 21, 2007.

<sup>149</sup> Ibid.

**Table 4.18** Forest products: Effect of removing financing and travel restrictions on Cuban imports

| Scenario  | With restriction | Without restriction | Change <sup>a</sup> |
|---|------------------|---------------------|---------------------|
| Lifting financing restrictions (scenario 1):            |                  |                     |                     |
| Cuban imports for Cubans (\$ million)                   | 56.9             | 53.8 - 55.9         | -3.1 - -1.0         |
| Cuban imports for Tourists (\$ million)                 | 0.6              | 0.5 - 0.6           | 0.0                 |
| Total Cuban imports (\$ million)                        | 57.5             | 54.4 - 56.4         | -3.1 - -1.0         |
| U.S. share of Cuban imports (%)                         | 17.0             | 27.9 - 49.2         | 10.9 - 32.3         |
| Cuban imports from the United States (\$ million)       | 9.7              | 15.7 - 26.8         | 6.0 - 17.0          |
| Lifting travel restrictions (scenario 2):               |                  |                     |                     |
| Cuban imports for Cubans (\$ million)                   | 56.9             | 57.2 - 57.7         | 0.3 - 0.8           |
| Cuban imports for Tourists (\$ million)                 | 0.6              | 0.9 - 1.6           | 0.3 - 1.0           |
| Total Cuban imports (\$ million)                        | 57.5             | 58.1 - 59.3         | 0.6 - 1.8           |
| U.S. share of Cuban imports (%)                         | 17.0             | 17.0                | 0.0                 |
| Cuban imports from the United States (\$ million)       | 9.7              | 9.8 - 10.1          | 0.1 - 0.3           |
| Lifting financing and travel restrictions (scenario 3): |                  |                     |                     |
| Cuban imports for Cubans (\$ million)                   | 56.9             | 54.6 - 56.1         | -2.3 - -0.7         |
| Cuban imports for Tourists (\$ million)                 | 0.6              | 1.5 - 1.7           | 0.9 - 1.1           |
| Total Cuban imports (\$ million)                        | 57.5             | 56.0 - 57.8         | -1.4 - 0.3          |
| U.S. share of Cuban imports (%)                         | 17.0             | 27.6 - 48.3         | 10.7 - 31.3         |
| Cuban imports from the United States (\$ million)       | 9.7              | 16.0 - 27.0         | 6.2 - 17.3          |

Source: Commission estimates.

Note: Estimates of the effects of lifting financing restrictions are based on a price wedge (additional cost) of 2.5 - 7.5 percent. Estimates of the effects of lifting travel restrictions are based on tourist increases of 250,000 - 750,000.

<sup>a</sup>The changes in the value of imports reflect the total changes in the cost to Alimport. The removal of restrictions entails reductions in the costs of importing. When these cost reductions are greater than the increase in the value of additional imports the change is negative. This does not imply a decline in the returns or prices received by U.S. exporters.

## Other Food Products<sup>150</sup>

This sector contains a diverse group of agricultural and food products not elsewhere included in the other commodity sectors. The majority of Cuban imports of these products are tropical products that the United States does not generally export: coffee and tea; cocoa beans and cocoa products; spices; and sugar. However, this sector does include products of importance to U.S. exporters, particularly fresh fruits and vegetables (potatoes, apples, and fresh vegetables), cotton, seeds for planting, live animals, and animal genetics.

Cuban fruit and vegetable production has grown significantly over time. In particular, the Cuban citrus industry has been bolstered by the presence of an Israeli foreign joint venture that markets Cuban exports to Europe.<sup>151</sup> Cuba is the second leading grapefruit juice producer in the world (following the United States) and an important exporter of fresh Valencia oranges.<sup>152</sup> In 2005, citrus exports of \$100 million were Cuba's second leading

<sup>150</sup> This sector includes all other food and agricultural products not elsewhere covered within HS chapters 01, 04, 05, 06, 07 (except dry beans and peas (HS 0713)), 08, 09, 12 (except soybeans), 13-14, 17-18, 24, 33, 35, 40-41, and 51-53. Three-quarters of Cuban imports in this category, valued at \$57 million in 2006, consisted of coffee, fresh potatoes, sugar, chocolate and cocoa, and spices.

<sup>151</sup> BM Group of Israel has a 50 percent stake in one citrus processing plant, and provides financing for the domestic Cuban crop. *CubaNews*, "Citrus Crop Recovers from Last Year's Distasters."

<sup>152</sup> U.S. Department of Agriculture, Foreign Agricultural Service, *Caribbean Basin Hurricane Dennis' Impact on Cuba Agriculture 2005*, 4-5.

agricultural export behind tobacco.<sup>153</sup> In crop year 2005/06, Cuba grew 156,000 tons of grapefruit and 342,000 tons of Valencia oranges: about 80 percent was processed into citrus juice in five plants in Cuba; 5 percent exported fresh and/or sold to the tourism/convertible peso market; and the remaining 15 percent sold fresh to Cubans. Cuba has a large organic gardening and small farmer fresh vegetable and fruit sector, some products of which are sold in hard currency tourist hotels and restaurants through a marketing entity operated by the Ministry of Agriculture.<sup>154</sup> Cuban production of tropical yams, plantain, and sweet and white potatoes is abundant.<sup>155</sup>

Joint venture hotels and restaurants can experience problems with delivery of Cuban fresh produce as trucking and refrigeration are often lacking within Cuba.<sup>156</sup> Fresh fruits and vegetables are an important item in Cuban tourist restaurants: about 9 percent of a leading Cuban restaurant chain's purchases of imported food consisted of fresh fruits and vegetable imports.<sup>157</sup>

In 2006, Cuba imported \$57 million of these other products; three-quarters of the total consisted of coffee, fresh potatoes, sugar, chocolate and cocoa, and spices. In 2006, the United States exported \$2 million (4 percent) of these products. Cuban imports of fresh fruits and vegetables amounted to \$16 million in 2006, \$1.3 million supplied by the United States. The leading Cuban imports of fruit and vegetables from all countries were potatoes (64 percent) and apples (7); the United States supplied chiefly apples, almonds, and table grapes.

Cuba has imported 30,000 to 36,000 mt of seed potatoes annually for planting.<sup>158</sup> The EU exported about two-thirds of Cuba seed potato imports, with the remainder coming from Canada.<sup>159</sup> In addition to the seed potato needs, Cuba imports small amounts of fresh table potatoes when its domestic potato crop is low, according to the Maine Potato Growers. Cuba has imported seed potatoes to upgrade and improve its domestic potato production which has been declining over the past six years. In the case of fresh table potatoes, Cuban phytosanitary officials have been unable to inspect Maine potato fields and cultural practices, which has prohibited the fulfillment of a \$6-\$9 million fresh potato contract with Alimport.<sup>160</sup>

The United States is both an importer and exporter of fresh fruits and vegetables as well as one of the world's leading producers. The United States tends to import winter vegetables, and tropical fruit (such as bananas), and export temperate products like apples, pears, and edible nuts (almonds). U.S. exports of fresh fruits and vegetables amounted to \$9 billion in 2006, with Canada, the EU, Japan, Mexico, China, and Korea being the largest markets. Cuba was an insignificant market for U.S. fresh fruits and vegetables with purchases of \$1 million in 2006. In 2003, in the Eastern Caribbean market (not including Cuba), the United States supplied 38 percent of Eastern Caribbean imports of fresh vegetables of

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<sup>153</sup> About 90 percent as juice and the remainder as fresh fruit. *CubaNews*, "Citrus Crop Recovers from Last Year's Distasters."

<sup>154</sup> Ross and Fernandez Mayo, "Cuba's dollar food market and U.S. Exports," 14. In 2007 there were about 200,000 Cubans with urban gardens. Clausen, "Worms, Cows, and Sugarcane Cuba Heals its Soil," 49.

<sup>155</sup> United Nations, Food and Agriculture Organization, *FAOStat*.

<sup>156</sup> Industry representative, interview with Commission staff, May 4, 2007.

<sup>157</sup> Ross and Fernandez Mayo, "Cuba's dollar food market and U.S. Exports," 23.

<sup>158</sup> Joseph Lallande, Maine Potato Growers, Inc., written submission to the Commission, May 7, 2007.

<sup>159</sup> United Nations, Food and Agriculture Organization, *FAOStat*.

<sup>160</sup> Maine Potato Growers, Inc., written submission to the Commission, May 4, 2007.

\$44 million, and 58 percent of the region's imports of fresh fruits and nuts of \$25 million, according to USDA.<sup>161</sup>

There were no U.S. exports to Cuba of potatoes, tomatoes, lettuce, peppers or onions during 2001–06. U.S. exports to Cuba included apples and table grapes, which can be refrigerated for months without spoilage. U.S. exporters of more perishable fresh vegetables will not assume the risk posed by port delays owing to OFAC regulations. The States of Maine, Idaho, and North Dakota have been unable to export fresh potatoes to Cuba because of the travel restriction on Cuban phytosanitary officials traveling to those States.<sup>162</sup>

Removing the financing restrictions (scenario 1)<sup>163</sup> is likely to increase the value of Cuban purchases of other U.S. products by \$34.3 million to \$65 million above the \$5 million of U.S. exports to Cuba in 2006 (table 4.19). Removal of travel restrictions to Cuba (scenario 2) would increase U.S. fresh produce exports by \$1 million to \$3.1 million above their 2006 level. Elimination of both the trade and travel restrictions (scenario 3) is likely to increase U.S. fresh produce exports by \$37.6 million to \$67.8 million.

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<sup>161</sup> These fresh produce exports go to feed the 2 million tourists visiting the Eastern Caribbean, and to supply cruise ships docking at these countries. U.S. Department of Agriculture, Foreign Agricultural Service, *Caribbean Basin HRI Food Service Sector: Eastern Caribbean Region Report 2007*, 13.

<sup>162</sup> Joseph Lallande, Maine Potato Growers, Inc., statement to the Commission, May 7, 2007; Will Weissert, "North Dakota pushes potatoes in Cuba."

<sup>163</sup> For scenarios 1 and 3, it is assumed that Cuban officials would not be denied visas for travel to the United States to meet with U.S. phytosanitary officials, which has been a significant barrier to trade for this category of products. In addition, port delays owing to OFAC regulations, which are currently an important impediment to exports of perishable produce, are assumed to be removed in scenarios 1 and 3.



**Table 4.19** Other products: Effect of removing financing and travel restrictions on Cuban imports

| Scenario  | With restriction | Without restriction | Change <sup>a</sup> |
|---|------------------|---------------------|---------------------|
| Lifting financing restrictions (scenario 1):            |                  |                     |                     |
| Cuban imports for Cubans (\$ million)                   | 134.8            | 125.0 - 130.0       | -9.8 - -4.8         |
| Cuban imports for Tourists (\$ million)                 | 7.1              | 6.6 - 6.8           | -0.5 - -0.3         |
| Total Cuban imports (\$ million)                        | 141.9            | 131.5 - 136.8       | -10.4 - -5.1        |
| U.S. share of Cuban imports (%)                         | 3.4              | 28.6 - 53.1         | 25.2 - 49.7         |
| Cuban imports from the United States (\$ million)       | 4.9              | 39.2 - 69.9         | 34.3 - 65.0         |
| Lifting travel restrictions (scenario 2):               |                  |                     |                     |
| Cuban imports for Cubans (\$ million)                   | 134.8            | 135.4 - 136.7       | 0.6 - 1.9           |
| Cuban imports for Tourists (\$ million)                 | 7.1              | 9.1 - 13.2          | 2.0 - 6.1           |
| Total Cuban imports (\$ million)                        | 141.9            | 144.6 - 149.9       | 2.7 - 8.0           |
| U.S. share of Cuban imports (%)                         | 3.4              | 4.1 - 5.3           | 0.7 - 1.9           |
| Cuban imports from the United States (\$ million)       | 4.9              | 5.9 - 8.0           | 1.0 - 3.1           |
| Lifting financing and travel restrictions (scenario 3): |                  |                     |                     |
| Cuban imports for Cubans (\$ million)                   | 134.8            | 126.7 - 130.6       | -8.1 - -4.2         |
| Cuban imports for Tourists (\$ million)                 | 7.1              | 12.0 - 13.3         | 4.9 - 6.2           |
| Total Cuban imports (\$ million)                        | 141.9            | 138.7 - 143.8       | -3.2 - 2.0          |
| U.S. share of Cuban imports (%)                         | 3.4              | 29.5 - 52.4         | 26.1 - 49.0         |
| Cuban imports from the United States (\$ million)       | 4.9              | 42.4 - 72.7         | 37.6 - 67.8         |

Source: Commission estimates.

Note: Estimates of the effects of lifting financing restrictions are based on a price wedge (additional cost) of 5 - 10 percent. Estimates of the effects of lifting travel restrictions are based on tourist increases of 250,000 - 750,000.

<sup>a</sup>The changes in the value of imports reflect the total changes in the cost to Alimport. The removal of restrictions entails reductions in the costs of importing. When these cost reductions are greater than the increase in the value of additional imports the change is negative. This does not imply a decline in the returns or prices received by U.S. exporters.

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**APPENDIX A**  
**Request Letters**

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mar-16-2007 04:51pm From-COMMITTEE ON FINANCE

202-228-0567

T-275 P.002/002 F-107

MAX BAUCUS, MONTANA, CHAIRMAN  
 JOHN D. ROCKWELLER IV, WEST VIRGINIA  
 KENT CONRAD, NORTH DAKOTA  
 JEFF BINGAMAN, NEW MEXICO  
 JOHN F. KERRY, MASSACHUSETTS  
 BLANCHE L. LINCOLN, ARKANSAS  
 RON WYDEN, OREGON  
 CHARLES E. SCHUMER, NEW YORK  
 DEBBIE STABENOW, MICHIGAN  
 MARIA GANTWILL, WASHINGTON  
 KEN SALAZAR, COLORADO

CHARLES E. GRASSLEY, IOWA  
 ORRIN G. HATCH, UTAH  
 TRENT LOTT, MISSISSIPPI  
 OLYMPIA J. SNOWE, MAINE  
 JON KYL, ARIZONA  
 CRAIG THOMAS, WYOMING  
 GORDON SMITH, OREGON  
 JIM BUNNING, KENTUCKY  
 MIKE GRAF, IDAHO  
 PAT ROBERTS, KANSAS

RUSSELL SULLIVAN, STAFF DIRECTOR  
KOLAN DAVIS, REPUBLICAN STAFF DIRECTOR AND CHIEF COUNSEL

# United States Senate

COMMITTEE ON FINANCE  
WASHINGTON, DC 20510-6200

March 16, 2007

#009  
*Received ER on 3/16/07*

DOCKET NUMBER  
 2533

Office of the Secretary  
 Int'l Trade Commission

The Honorable Daniel Pearson  
 Chairman  
 U.S. International Trade Commission  
 500 E Street, S.W.  
 Washington, DC 20436

Dear Chairman Pearson:

In order to gain a better understanding of the economic effects on U.S. agricultural sales to Cuba of statutory and administrative restrictions related to trade with and travel to Cuba by American citizens, I request, pursuant to section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)), that the Commission institute an investigation and provide a report that provides an overview of recent and current trends in Cuban purchases of agricultural, fish and forestry products, including from the United States, and an analysis of U.S. restrictions affecting such purchases, including restrictions on U.S. citizen travel to Cuba.

To the extent possible, the report should include the following:

- an overview of Cuba's purchases of agricultural, fish and forestry products, from, to the extent possible, 2000 to the present, including identification of major supplying countries, products, and market segments;
- an analysis of the effects that U.S. restrictions, including those relating to export financing terms and travel to Cuba by U.S. citizens, may have had or currently have on Cuban purchases of U.S. agricultural, fish, and forestry products, and,
- a qualitative and, to the extent possible, quantitative estimate of U.S. sales of agricultural, fish and forestry products to Cuba, in the event that: (i) statutory, regulatory, or other restrictions affecting agricultural exports are removed, (ii) statutory, regulatory, or other restrictions on travel to Cuba by U.S. citizens are lifted, and, (iii) statutory, regulatory, or other restrictions affecting agricultural exports are removed and statutory, regulatory or other restrictions on travel to Cuba by U.S. citizens are lifted.

The Commission should provide its completed report no later than June 29, 2007. As we intend to make the report available to the public, we request that it not contain confidential business information.

Sincerely,

*Max Baucus*  
 Max Baucus



JOHN D. ROCKEFELLER IV, WEST VIRGINIA  
KENT CONRAD, NORTH DAKOTA  
JEFF BINGAMAN, NEW MEXICO  
JOHN F. KERRY, MASSACHUSETTS  
BLANCHE L. LINCOLN, ARKANSAS  
RON WYDEN, OREGON  
CHARLES E. SCHUMER, NEW YORK  
DEBBIE STABENOW, MICHIGAN  
MARIA CANTWELL, WASHINGTON  
KEN SALAZAR, COLORADO

CHARLES E. GRASSLEY, IOWA  
ORRIN G. HATCH, UTAH  
TRENT LOTT, MISSISSIPPI  
OLYMPIA J. SNOWE, MAINE  
JON KYL, ARIZONA  
CRAIG THOMAS, WYOMING  
GORDON SMITH, OREGON  
JIM BUNNING, KENTUCKY  
MIKE CRAPO, IDAHO  
PAT ROBERTS, KANSAS

# United States Senate

COMMITTEE ON FINANCE

WASHINGTON, DC 20510-6200

RUSSELL SULLIVAN, STAFF DIRECTOR  
KOLAN DAVIS, REPUBLICAN STAFF DIRECTOR AND CHIEF COUNSEL

June 18, 2007

The Honorable Daniel Pearson  
Chairman  
U.S. International Trade Commission  
500 E Street, S.W.  
Washington, DC 20436

Dear Chairman Pearson,

In order to gain a better understanding of the economic effects on U.S. agricultural sales to Cuba of statutory and administrative restrictions related to trade with and travel to Cuba by American citizens, I requested, pursuant to section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)), that the Commission institute an investigation and provide a report that provides an analysis of the effect of U.S. restrictions on U.S. agricultural exports to Cuba. I also asked that the Commission provide its report to the Committee no later than June 29, 2007.

It has come to my attention that the visas necessary for Commission staff to travel to Cuba to conduct research have only just been issued by the Cuban government and that additional time is necessary to incorporate the findings of the travel into the report. Therefore, I request that the Commission provide its completed report no later than July 12, 2007.

Sincerely,

  
Max Baucus

**APPENDIX B**  
***Federal Register* Notices**

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**INTERNATIONAL TRADE COMMISSION****[Investigation No. 332-489]****U.S. Agricultural Sales to Cuba: Certain Economic Effects of U.S. Restrictions****AGENCY:** United States International Trade Commission.**ACTION:** Institution of investigation and scheduling of public hearing.

**SUMMARY:** Following receipt of a request on March 16, 2007, from the Committee on Finance of the United States Senate (Committee), the Commission instituted investigation No. 332-489, U.S. Agricultural Sales to Cuba: Certain Economic Effects of U.S. Restrictions, under section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)).

**DATES:**

*March 30, 2007:* Date of institution.  
*April 24, 2007:* Deadline for filing requests to appear at the public hearing.  
*April 26, 2007:* Deadline for filing prehearing briefs and statements.  
*May 1, 2007, 9:30 a.m.:* Public hearing.  
*May 8, 2007:* Deadline for written statements, including any post-hearing briefs.  
*June 29, 2007:* Transmittal of report to the Committee on Finance.

**ADDRESSES:** All Commission offices, including the Commission's hearing rooms, are located in the United States International Trade Commission Building, 500 E Street, SW., Washington, DC. All written submissions, including requests to appear at the hearing, statements, and briefs, should be addressed to the Secretary, United States International Trade Commission, 500 E Street, SW., Washington, DC 20436. The public record for this investigation may be viewed on the Commission's electronic docket (EDIS) at <http://edis.usitc.gov>.

**FOR FURTHER INFORMATION****CONTACT:**

Industry-specific information may be obtained from John Reeder, Project Leaders (202-205-3319; [john.reeder@usitc.gov](mailto:john.reeder@usitc.gov)), or Joanna Bonarriva, Project Leaders (202-205-3312; [joanna.bonarriva@usitc.gov](mailto:joanna.bonarriva@usitc.gov)), Office of Industries, United States International Trade Commission, Washington, DC 20436. For information on the legal aspects of this investigation, contact William Gearhart of the Office of the General Counsel (202-205-3091; [william.gearhart@usitc.gov](mailto:william.gearhart@usitc.gov)). The media should contact Margaret O'Laughlin, Public Affairs Office (202-205-1819;

[margaret.olaughlin@usitc.gov](mailto:margaret.olaughlin@usitc.gov)). Hearing impaired individuals are advised that information on this matter can be obtained by contacting the TDD terminal on (202-205-1810). General information concerning the Commission may also be obtained by accessing its Internet server (<http://www.usitc.gov>). Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202-205-2000.

**SUPPLEMENTARY INFORMATION:** As requested by the Committee, the Commission will conduct an investigation and provide a report that contains, to the extent possible, the following information::

- An overview of Cuba's purchases of agricultural, fish and forestry products from, to the extent possible, 2000 to the present, including identification of major supplying countries, products, and market segments;
- An analysis of the effects that U.S. restrictions, including those relating to export financing terms and travel to Cuba by U.S. citizens, may have had or currently have on Cuban purchases of U.S. agricultural, fish, and forestry products; and,
- A qualitative and, to the extent possible, quantitative estimate of U.S. sales of agricultural, fish and forestry products to Cuba, in the event that: (i) Statutory, regulatory, or other restrictions affecting agricultural exports are removed, (ii) statutory, regulatory, or other restrictions on travel to Cuba by U.S. citizens are lifted, and, (iii) statutory, regulatory, or other restrictions affecting agricultural exports are removed and statutory, regulatory or other restrictions on travel to Cuba by U.S. citizens are lifted.

As requested, the Commission will transmit its report to the Committee by June 29, 2007.

**Public Hearing:** A public hearing in connection with the investigation is scheduled to be held at the U.S. International Trade Commission Building, 500 E Street, SW., Washington, DC beginning at 9:30 a.m. on May 1, 2007. All persons shall have the right to appear, by counsel or in person, to present information and to be heard. Requests to appear at the public hearing should be filed with the Secretary, United States International Trade Commission, 500 E Street, SW., Washington, DC 20436, no later than 5:15 p.m., April 24, 2007. Any prehearing briefs (original and 14 copies) should be filed not later than 5:15 p.m.,

post-hearing briefs or statements is 5:15 p.m., May 9, 2007. In the event that, as of the close of business on April 24, 2007, no witnesses are scheduled to appear at the hearing, the hearing will be canceled. Any persons interested in attending the hearing as an observer or non-participant may call the Secretary (202-205-2000) after April 24, 2007, to determine whether the hearing will be held.

**Written Statements:** In lieu of or in addition to participating in the hearing, interested persons are invited to submit written statements concerning the investigation. All submissions should be addressed to Secretary, United States International Trade Commission, 500 E Street, SW., Washington, DC 20436, and should be received no later than the close of business on May 8, 2007. All written submissions must conform with the provisions of section 201.8 of the Commission's Rules of Practice and Procedure (19 CFR 201.8). Section 201.8 of the rules requires that a signed original (or a copy designated as an original) and fourteen (14) copies of each document be filed. In the event that confidential treatment of the document is requested, at least four (4) additional copies must be filed, in which the confidential information must be deleted (see the following paragraph for further information regarding confidential business information). The Commission's rules do not authorize filing submissions with the Secretary by facsimile or electronic means, except as permitted by section 201.8 of the Commission's Rules (19 CFR 201.8) (see Handbook for Electronic Filing Procedures, [http://www.usitc.gov/secretary/fed\\_reg\\_notices/rules/documents/handbook\\_on\\_electronic\\_filing.pdf](http://www.usitc.gov/secretary/fed_reg_notices/rules/documents/handbook_on_electronic_filing.pdf)).

Any submissions that contain confidential business information must also conform with the requirements of section 201.6 of the Commission's Rules of Practice and Procedure (19 CFR 201.6). Section 201.6 of the rules requires that the cover of the document and the individual pages be clearly marked as to whether they are the "confidential" or "non-confidential" version, and that the confidential business information

April 26, 2007. The deadlines for filing

**16818**      **Federal Register** / Vol. 71, No. 167 / Tuesday, August 29, 2006 / Notices

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be clearly identified by means of brackets. All written submissions, except for confidential business information, will be made available in the Office of the Secretary to the Commission for inspection by interested parties. The Committee has asked that the report that the Commission transmits not contain any confidential business information. Any confidential business information received by the Commission in this investigation and used in preparing the report will not be published in a manner that would reveal the operations of the firm supplying the information.

By order of the Commission.  
Issued: April 2, 2007.

**Marilyn R. Abbott,**  
*Secretary to the Commission.*

[FR Doc. E7-6409 Filed 4-4-07;  
8:45 am]

**BILLING CODE 7020-02-P**

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35722

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**INTERNATIONAL TRADE COMMISSION**

[Investigation No. 332-489]

**U.S. Agricultural Sales to Cuba: Certain Economic Effects of U.S. Restrictions**

**AGENCY:** United States International Trade Commission.

**ACTION:** Extension of date for transmitting report.

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**SUMMARY:** Following receipt of a letter on June 18, 2007, from the Committee on Finance of the United States Senate (Committee), the Commission has extended to July 12, 2007, the date for transmitting its report to the Committee in investigation No. 332-489, *U.S. Agricultural Sales to Cuba: Certain Economic Effects of U.S. Restrictions*.

**DATES:** June 18, 2007: Receipt of letter from the Committee. July 12, 2007: New date for transmitting the Commission's report to the Committee.

*Background:* The Committee's letter dated June 18, 2007 and received on June 18, 2007, notes that Commission staff recently received visas to travel to Cuba and notes that the Commission will need additional time to incorporate any new information obtained during the travel into its report. To facilitate the incorporation of new information, the Committee has extended the transmittal date for the report to July 12, 2007.

The Commission published notice of institution of the investigation in the **Federal Register** on April 15, 2007 (72 FR 16817). The notice is also available on the Commission Web site at <http://www.usitc.gov>. All other information about the investigation, including a description of the subject matter to be addressed, contact information, and Commission addresses, remains the same as in the original notice. The public record for this investigation may be viewed on the Commission's electronic docket (EDIS) at <http://www.usitc.gov/secretary/edis.htm>.

Issued: June 25, 2007.

By order of the Commission.

**Marilyn R. Abbott,**  
*Secretary to the Commission.*

[FR Doc. E7-12657 Filed 6-28-07;  
8:45 am]

**BILLING CODE 7020-02-P**

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**APPENDIX C**  
**Hearing Witnesses**

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As of April 30, 2007 @ 3:00 p.m.

**TENTATIVE CALENDAR OF PUBLIC HEARING**

Those listed below are scheduled to appear as witnesses at the United States International Trade Commission's hearing:

**Subject:** U.S. Agricultural Sales to Cuba: Certain Economic Effects of U.S. Restrictions  
**Inv. No.:** 332-489  
**Date and Time:** May 1, 2007 - 9:30 a.m.

Sessions will be held in connection with this investigation in the Main Hearing Room (room 101), 500 E Street, S.W., Washington, D.C.

**STATE GOVERNMENT WITNESSES:**

**The Honorable Roger Johnson, North Dakota Agriculture Commissioner**

**ORGANIZATION AND WITNESS:**

**TIME ALLOCATION:**

U.S.-Cuba Trade and Economic Council, Inc. 10 minutes  
New York, NY

**John S. Kavulich, Senior Policy Advisor**

Port Authority of Corpus Christi 10 minutes  
Corpus Christi, TX

**Ruben Bonilla, Jr., Chairman, The Port Commission**

University of Florida 10 minutes  
Institute of Food and Agricultural Sciences ("IFAS")  
Gainesville, FL

**William A. Messina, Jr., Professor**

| <b><u>ORGANIZATION AND WITNESS:</u></b>  | <b><u>TIME ALLOCATION:</u></b> |
|--|--------------------------------|
| American Society of Travel Agents<br>Alexandra, VA<br><br><b>Paul Ruden</b> , Senior Vice President of Legal<br>and Industry Affairs<br><br><b>Melissa Teates</b> , Director of Research | 10 minutes                     |
| North American Export Grain Association<br>Washington, D.C.<br><br><b>Gary C. Martin</b> , President and CEO   | 10 minutes                     |
| U.S.-Cuba Trade Association<br>Washington, D.C.<br><br><b>Kirby Jones</b> , President  | 10 minutes                     |
| USA Rice Federation<br>Arlington, VA<br><br><b>Bill J. Reed</b> , Vice President, Public Affairs,<br>Riceland Foods, Inc.  | 10 minutes                     |

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## **APPENDIX D**

# **Summary of Views of Interested Parties**

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## **Roger Johnson, North Dakota Agriculture Commissioner North Dakota Department of Agriculture<sup>1</sup>**

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In his testimony, Commissioner Roger Johnson stated that North Dakota has exported \$32 million in agricultural products to Cuba since 2002, including dry edible beans, green and yellow peas, lentils, wheat, semolina flour, and pasta.<sup>2</sup> To facilitate Cuban trade, in November 2005 the Commissioner signed a memorandum with Alimport resulting in \$11 million in sales and an expected additional \$9 million by the end of 2007.

The Commissioner indicated North Dakota agriculture will not be fully competitive in the Cuban market, despite natural logistical competitive advantages, without normalized trade relations. Commissioner Johnson cited licensing, documentation, and “cash only” sales as issues that have affected North Dakota producers negatively. All shipments destined for Cuba without all embargo-required documents are stopped in Florida, often the result of government delays. Further, if a product misses the weekly ship to Cuba from Florida, the product must wait until the following week, jeopardizing product quality. According to the Commissioner, the “cash in advance” requirement has created a number of inefficiencies, characterized by sales of small volumes, the absence of long-term contracts, unnecessarily high transportation costs due to the lack of back hauling, and exchange rate losses.

The Commissioner suggested that establishing normalized trade relations with Cuba would benefit North Dakota and U.S. agriculture by a conservative estimate of a 30 percent increase in U.S. trade. In addition to streamlined documentation requirements and elimination of “cash in advance” sales, the Commissioner indicates that he supports direct banking transfers, a lifting of travel restrictions, the extension of trade beyond food and medicine, a biotech research exchange, and holding Cuba to the same sanitary and phytosanitary standards as the rest of the world trading community. According to the Commissioner, these changes in policy would lead to expansion of higher-value, higher-quality exports to Cuba and the ability to compete with foreign countries for the Cuban market.

## **John S. Kavulich, Senior Policy Advisor U.S.-Cuba Trade and Economic Council<sup>3</sup>**

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Mr. Kavulich of the U.S.-Cuba Trade and Economic Council referenced several issues with respect to the Cuban government that impair U.S. exports.<sup>4</sup> He said that the Ministry of Foreign Trade initiated a policy in 2003 in which Alimport decreased or suspended purchases from U.S. companies, depending on how actively members of Congress, state officials, and organizations were perceived to be lobbying the U.S. government for changes

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<sup>1</sup> Roger Johnson, commissioner, North Dakota Department of Agriculture, written submission and hearing transcript, 6-13.

<sup>2</sup> Agriculture is the largest sector in the North Dakota economy, generating \$4.7 billion in cash receipts in 2006, \$3.9 billion in exports, and leading the Nation in production of 14 commodity categories.

<sup>3</sup> John S. Kavulich, senior policy advisor, U.S.-Cuba Trade and Economic Council, hearing transcript, 13-22.

<sup>4</sup> The Council provides the United States business community with information and analysis on matters and issues of interest regarding commercial, economic, and political relations between the United States and Cuba.

in laws and regulations. According to Mr. Kavulich, the Cuban government also repeatedly defaults on payment for foreign imports. He also stated that Cuban government price controls purposefully limit the purchasing ability of consumers.

Mr. Kavulich said that policy changes needed to improve trade between the two countries would require Cuban reform, and not reform in the United States. Mr. Kavulich testified that limited investment in tourism infrastructure under the Cuban government has left Havana and the country incapable of handling the influx of tourists. Given minimum-standard hotel accommodations and the fact that most cruise ship tourists are being accommodated onboard their vessels, he testified that a significant increase in demand for high value, high-quality U.S. products is unlikely. The “cash only” sales provision in U.S. law is warranted, in his opinion, due to concerns of U.S. firms that a Cuban default would likely erode support for improved trade normalization. Further, according to Mr. Kavulich, regulations limiting exports to agricultural food products and health care products have not been substantially limiting.

Mr. Kavulich said that the Commission’s analysis in this investigation should include three scenarios regarding the Cuban Government regime. The first scenario should be based on the existing Cuban commercial, economic, and political institutions. The second should involve a Cuban government transitioning towards freer institutions. The third scenario should be a completely transitioned Cuban Government. Mr. Kavulich stated that the regime under which Cuban consumers are subject has direct and important impacts on the effect of the lifting of sanctions.

## **Ruben Bonilla, Jr., Chairman of the Port Commission Port Authority of Corpus Christi, Texas<sup>5</sup>**

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In his statement, Mr. Bonilla, Jr. said that the Port Authority of Corpus Christi has exported 100,000 metric tons of food products to Cuba since June 2003 as part of an agreement with Alimport to expand trade relations between the two entities for these and other commodities.<sup>6</sup> The Port Authority is actively pursuing similar export contracts for additional agricultural commodities and is involved in the signing of contracts between multiple States and Alimport.<sup>7</sup>

He cited concerns regarding U.S. restrictions on travel and direct banking, and the limitations on exportable products. He said Alimport pledged a doubling of exports through Corpus Christi, but that U.S. restrictions have prevented that from happening. He also said that current travel regulations prevent U.S. ports from effectively conducting business with Cuba most of the year, and that regulations on direct financial transfers to U.S. exporters can prevent shipment loading prior to receiving the cash transfer. He also indicated that if a cash

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<sup>5</sup> Ruben Bonilla, Jr., chairman of the Port Commission, Port Authority of Corpus Christi, Texas, written submission and hearing transcript, 46-54.

<sup>6</sup> The Port of Corpus Christi is the sixth-largest port in the United States by tonnage.

<sup>7</sup> These contract cover or tentatively cover wheat, beans, dairy products, pork, rice, processed foods, lumber and fresh fruit

transfer is delayed and the vessel is at port, the costs to the importer can be \$15,000 per day per vessel.

Mr. Bonilla reported that the president of Alimport stated that a lifting of restrictions on U.S. food and agricultural exports to Cuba could equate to \$5 billion in sales over the next five years. As such, Mr. Bonilla recommended five reforms to U.S. restrictions: (1) general business travel license provisions, (2) unrestricted travel for port authorities, (3) direct financial transfers to U.S. banks by Alimport, (4) the reduction of restrictions on rail cars and energy, and (5) the extension of visas to Alimport officials. He also indicated that U.S. travel restrictions for port officials should at a minimum mirror those restrictions in place for U.S. export shippers, and the license should be valid for 12 months with authorization to travel as frequently as necessary to conduct business.

## **William A. Messina, Jr., Agricultural Economist University of Florida Institute of Food and Agricultural Sciences<sup>8</sup>**

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Mr. Messina cited Cuban credit risk and the U.S. “cash only” sales provision, travel restrictions, and general distrust as potential factors limiting trade. He said the Cuban market is widely recognized as a very risky market in which to conduct credit sales and other financial transactions. According to Mr. Messina, some large firms may be willing to take on this credit risk, which is currently minimized through the “cash only” sales provision, to increase exports. Conversely, he could also envision a situation where exports would decrease without “cash only” sales as firms would be unwilling to assume such a high risk.

Mr. Messina suggested that the lifting of U.S. travel restrictions could increase tourism and family visitations and remittances. An influx of tourists could increase demand for new hotels and restaurants, driving demand for high-quality, high-value U.S. agricultural products. Mr. Messina added that the lifting of travel restrictions will increase the frequency of family visits and remittances. Much of the remittance would likely be used for food consumption, increasing demand for U.S. agricultural products. In addition, Mr. Messina testified that simple distrust between the United States and Cuba is a powerful disincentive to engage in commercial trading. He noted that he and his University of Florida colleagues found that open U.S.-Cuba trade and commercial relations could create an additional \$1 billion in U.S. agricultural exports and \$700 million in agricultural inputs.<sup>9</sup>

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<sup>8</sup> William A. Messina, Jr., agricultural economist, University of Florida Institute for Food and Agricultural Sciences, Texas, written submission and hearing transcript, 54-64.

<sup>9</sup> University of Florida faculty have conducted 15 years of collaborative work with faculty at the University of Havana on U.S.- Cuban trade relations. This collaboration has permitted unprecedented access to writings and expertise of Cuban economists and scientists, Cuban data, and first hand observation of farms and markets as Cuban agriculture has been transformed.



## **Bill J. Reed, Vice President, Public Affairs USA Rice Federation<sup>10</sup>**

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Mr. Reed testified that the U.S. rice industry is export dependent, shipping approximately one-half of its production of 6.4 million metric tons abroad annually.<sup>11</sup> He indicated that since the United States lifted its ban on agricultural exports to Cuba in 2000, U.S. rice exports to Cuba have totaled 630,000 tons. Prior to the embargo in 1962, Cuba was the largest export market for U.S. rice and is predicted to reach that status again if U.S.-Cuban trade relations are normalized, according to Mr. Reed.

In his testimony, Mr. Reed indicated that without normalized trade relations, the U.S. rice industry will not reach its potential in competing with other countries in the Cuban market despite competitive advantages and higher quality. Mr. Reed referenced the “cash only” sales provision and the restriction on direct wire transfers as key hindrances to U.S. agricultural exports to Cuba. These restrictions have prevented the United States from being a “reliable” supplier to the Cuban market.

Mr. Reed suggested that all economic sanctions and restrictions regarding Cuba should be removed. He testified that the TSRA legislation passed in 2000 to improve trade has been “impeded by unnecessary and unjustified regulatory action” by the current Administration with the purpose of restricting trade and travel with Cuba. He estimated that the United States would supply nearly all Cuban rice imports, currently averaging 550,000-600,000 tons annually, and make Cuba the second-largest rice export market if the U.S. government were to remove all restrictions.

## **Gary C. Martin, President and CEO North American Export Grain Association<sup>12</sup>**

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Mr. Martin cited licensing procedures for agricultural exports and the “cash only” payment provision as NAEGA’s primary concerns under the Trade Sanctions Reform and Export Enhancement Act of 2000.<sup>13</sup> Mr. Martin indicated that the U.S. government approval process for licenses is inconsistent and appears to take longer for agricultural exports to Cuba. Concerning “cash only” payment provision, Mr. Martin testified that U.S. government actions have created a climate of commercial uncertainty. In 2005, the Department of Treasury froze Cuban payments to U.S. exporters to review the terms of those payments. Mr. Martin noted the freeze included contracts from prior to the change in interpretation of the “cash only” provision, damaging certain U.S. interests. Mr. Martin added that the

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<sup>10</sup> Bill J. Reed, vice president of public affairs, USA Rice Federation, written submission and hearing transcript, 83-89.

<sup>11</sup> The USA Rice Federation is a national organization of rice producers, millers, merchants, exporters, and related industries that promote the U.S. rice industry.

<sup>12</sup> Gary C. Martin, president and CEO, North American Export Grain Association, written submission and hearing transcript, 67-74.

<sup>13</sup> The North American Export Grain Association (NAEGA) promotes and sustains the development of commercial grain and oilseed exports and represents a majority of U.S. exports of grains, oilseeds, and related products. With regard to Cuba, NAEGA is primarily interested in maintaining contract integrity and providing for optimal terms of trade under U.S. regulations.

Department of Treasury’s 2005 definition of “financing” under the “cash only” provision is unreasonable.

Mr. Martin recommended that the U.S. government improve licensing procedures and clarify “payment of cash in advance” in order to better participate in market opportunities available to U.S. industries in Cuba. He suggested that the Commerce Department provide greater consistency in the length of the approval process for licenses and improve the overall time it takes for approvals to occur. Mr. Martin also noted clarification is needed for definition of “payment of cash in advance” in addition to approval for direct financial transfers from Cuban to U.S. banks. He also expressed the need for expanded and more predictable business travel for industry representatives to Cuba.

## **James Summer, President USA Poultry and Egg Export Council<sup>14</sup>**

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In his submission, Mr. Summer stated that U.S. poultry is one of the largest U.S. export commodities to Cuba.<sup>15</sup> However, exports of U.S. poultry have had small or negative growth and eggs are no longer exported to Cuba in recent years due to U.S. restrictions and regulations on trade.

Mr. Summer identified restrictions on sales, transactional financing, and travel as having a significant detrimental effect on U.S. poultry and egg exports to Cuba. He stated that special licenses, needed for doing business in Cuba, require going through a cumbersome, time-consuming, and opaque application system that can take months to gain approval. The industry perceives the approval process as discouraging and designed to deny approval whenever possible. The prohibition on direct financial transactions leads to unnecessary transactional costs that could accrue to as much as \$7,300 for a standard shipment of chicken. He also indicated that travel restrictions have limited the number of tourists visiting Cuba and resulted in limited demand for high value products in the Cuban services industry. Additionally, the travel restrictions have limited the ability of Cuban health officials and technicians to visit the United States to participate in meaningful dialogue with U.S. counterparts to minimize misunderstandings that can cause unnecessary delays and disruptions in trade. Mr. Summer noted that the lack of both air and ocean transportation, the prohibition on currency exchange, and other requirements for doing business that would normally be taken for granted are either limited or extremely costly in Cuba.

Mr. Summer strongly recommended that restrictions on engaging in trade with Cuba, including restrictions on business and tourist travel, and financial transactions, be removed. The removal of these restrictions, according to Mr. Summer, would allow the U.S. poultry and egg industry to take advantage of its proximity to Cuba and competitively compete with foreign countries in the Cuban market.

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<sup>14</sup> James Summer, president, USA Poultry and Egg Export Council, written submission.

<sup>15</sup> The USA Poultry and Egg Export Council (USAPEEC) is a nonprofit organization dedicated to increasing exports of U.S. poultry and egg food products. The Council accounts for more than 90 percent of U.S. poultry and egg exports and includes most domestic production and processing companies.

## **Richard Ostlie, President American Soybean Association<sup>16</sup>**

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Mr. Ostlie of the American Soybean Association indicated that the Cuban market for soybeans, soybean meal and soybean oil imports totaled \$91 million of U.S. product in 2006, up from \$40 million in 2002.<sup>17</sup> He listed four hindrances to soy exports into Cuba: (1) payment of cash in advance, (2) third party banking, (3) licensing rules, and (4) the lack of government assistance. The requirement of “cash in advance,” according to Mr. Ostlie, caused delays and complications to U.S. export shipments, forcing Cuba to look elsewhere for alternative suppliers. The prohibition on direct financial transfers causes unnecessary delays and added costs, he said. There is no guarantee that licenses—which are necessary for selling goods to Cuba—would be granted, and the time and resources needed to apply have been burdensome, especially on small businesses and farmers. He also mentioned that U.S. agricultural cooperators and affiliates are unable to use government assistance for their exports to Cuba. Programs such as the USDA Market Access Program, Foreign Market Development and industry checkoff funds, used regularly for market development abroad, are not available for marketing to the Cuban market.

Mr. Ostlie recommended the lifting of restrictions on “cash in advance,” third party banking, licensing rules, and government payments. He noted these restrictions impede the economic growth of both Cuba and U.S. soybean producers, and cited a U.S. Soybean Export Council report that found lifting all U.S. restrictions on Cuba could result in approximately \$1 billion in U.S. sales of agricultural and food products to Cuba annually.

## **Joseph G. Lallande, President and CEO Maine Potato Growers<sup>18</sup>**

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Mr. Lallande of the Maine Potato Growers (MPG) wrote that Cuba offers a large and untapped potential export market for seed potatoes and tablestock potatoes.<sup>19</sup> He indicated that Alimport signed a letter of intent to purchase both seed and table potatoes from MPG, but the parties have been unable to successfully complete the transaction due to U.S. restrictions.

Mr. Lallande cited concerns regarding travel restrictions for both U.S. businesses and Cuban government officials, the revised “payment in cash” provision, and the prohibition on direct financial transfers. Mr. Lallande said that the cumbersome travel restrictions make business travel, which is essential for doing business, extremely difficult. These travel restrictions prevent Cuban plant health inspectors from visiting U.S. sites to determine if U.S. agricultural practices pose any threat to the Cuban potato industry. Additionally, Mr. Lallande noted that the “cash only” sales provision and restriction on direct transfer of funds

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<sup>16</sup> Richard Ostlie, president, American Soybean Association, written submission.

<sup>17</sup> The American Soybean Association is primarily focused on policy development and implementation and represents 27,000 soybean producers in the United States.

<sup>18</sup> Joseph Lallande, president and CEO, Maine Potato Growers, Inc., written submission.

<sup>19</sup> Maine Potato Growers, Inc. (MPG) is an agricultural marketing and supply cooperative serving the needs of northern Maine potato growers with 400 active member growers and 125 full-time associates.

from Cuban to U.S. banks places the United States at a competitive disadvantage with other foreign suppliers of the Cuban market.

Mr. Lallande stated that he hoped the U.S. government would begin more liberal commercial relations with Cuba. He said further that the lifting of travel restrictions, the “cash only” sales provision, and the direct financial transfers restriction would help MPG to sell its products to Alimport. He projected the potential export opportunity for his organization in Cuba at between \$6.6 million and \$9.0 million.

## **Kirby Jones, President U.S.-Cuba Trade Association<sup>20</sup>**

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In his submission, Mr. Jones of the U.S.-Cuba Trade Association (USCTA) said that the current Administration has taken action to stifle agricultural exports to Cuba despite Congress’ attempt to open agricultural trade in the Trade Sanctions Reform and Export Enhancement Act of 2000.<sup>21</sup> He described these actions as including: (1) redefining “payment in advance,” (2) freezing Cuban payments for U.S. products for investigations without any given reason, (3) threatening to investigate U.S. operations of foreign banks unless the banks terminate Cuban operations, (4) prohibiting U.S. firms from using the Netherlands-Caribbean Bank, a bank used by many U.S. firms exporting to Cuba, (5) permitting only one Cuban visit to each U.S. port annually, and (6) intimidating U.S. firms by not granting permission to travel to Cuba. Mr. Jones added that these and other actions taken by the Administration have led Cuban government officials to conclude that they are not willing to take the risk of further increasing purchases from the United States. Mr. Jones disagreed with claims made that Alimport purchases products based on political reasons. He said that Alimport’s purchasing decisions are based primarily on price and other normal business criteria.

Mr. Jones said that Congress should enact HR 1026, which would allow direct banking for agricultural sales, allow a general license for travel, and redefine payment in advance to mean payment before goods change title. He also said that Congress should ensure that the Administration seek congressional approval for any action which would impact Congressional legislation. Mr. Jones added that Congress should remove all restrictions on U.S. citizens traveling to Cuba by passing HR 654 and S 721. According to Mr. Jones, Alimport officials have said that if the current restrictions were removed Cuba would purchase \$850 million of U.S. agricultural products annually, giving U.S. exporters a 50 percent share of total Cuban agricultural product imports.

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<sup>20</sup> Kirby Jones, president, U.S.-Cuba Trade Association, written submission and hearing transcript, 74-82.

<sup>21</sup> The USCTA is comprised of 55 member companies and organizations which support full commercial relations between Cuba and the United States. Mr. Jones, president of USCTA, has been involved in U.S.-Cuba relations for 33 years and many of the agricultural sales contract negotiations with Cuba over the past five years.

## **Ron Sparks, Alabama Agricultural Commissioner State of Alabama Department of Agriculture and Industries<sup>22</sup>**

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Commissioner Sparks wrote that Alabama agricultural exports to Cuba totaled \$140 million in 2006 and had a \$400 million economic impact on the State. He said that Alabama agriculture, the State's largest industry, is a major exporter of poultry, utility poles, lumber, grains, and soybeans to Cuba. In his testimony, he expressed concern with restrictions on U.S. businesses that hinder the United States from effectively competing in the Cuban marketplace. He also expressed concern that Alabama agriculture will not be able to export products competitively into the Cuban market under current conditions. The Commissioner stated that both houses of the Alabama legislature overwhelmingly passed a resolution urging Alabama's congressional delegation as well as other U.S. government leaders to end the embargo and remove all travel restrictions against Cuba.

## **Larry Sitzman, Executive Director Nebraska Pork Producers<sup>23</sup>**

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Mr. Sitzman said that the Nebraska pork industry has benefitted from exports to Cuba over the past two years. Nebraska exported pork, along with wheat, dry edible beans, poultry, soybeans, corn, and beef to Cuba, totaling \$60 million. Mr. Sitzman expressed concern that the restriction on direct financing has disadvantaged Nebraska pork producers and processors in the Cuban market. He said that the requirement to handle financial transactions through a foreign, third-country bank adds additional fees to the final cost of pork. This, in turn, lowers the competitiveness of U.S. pork compared to other foreign pork suppliers in the Cuban market and decreases the profitability of U.S. pork processors and producers. He said that the restriction on direct financing should be altered in order to level the playing field for Nebraska pork producers with foreign counterparts.

## **Ignacio E. Sanchez, DLA Piper U.S. LLP Partner General Cigar Company, Inc.<sup>24</sup>**

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Mr. Sanchez, a representative for General Cigar Company, Inc., said that the company's Cuban operations, including assets and intellectual property, were confiscated by the Cuban government under the Castro regime.<sup>25</sup> He indicated that the Cuban state-owned companies, Cubatabaco and Corporacion Habanos, possess in Cuba and other foreign countries title to trademark registrations for long-established Cuban cigar brands, including ones owned by General Cigar in the United States.

He said that General Cigar is concerned with the unfair trade scenario that would result if

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<sup>22</sup> Ron Sparks, commissioner, Alabama Department of Agriculture and Industries, written submission.

<sup>23</sup> Larry Sitzman, executive director, Nebraska Pork Producers, written submission.

<sup>24</sup> Ignacio E. Sanchez, General Cigar Company, Inc., written submission.

<sup>25</sup> General Cigar is a 100-year old company that distributes its product primarily throughout the United States from tobacco grown in Dominican Republic and Honduras and manufactured in Dominican Republic.

any trade liberalization with Cuba, achieved in advance of fully normalized trade relations, permits the importation of Cuban products. Specifically, General Cigar is concerned that a joint venture between a Spanish company, Altadis S.A., and Corporacion Habanos, will create a monopoly in the U.S. market for distribution of Cuban cigars and result in the illegal use and derivation of profits from the confiscated trademarks, factories, and other production assets confiscated by the Cuban government and belonging to General Cigar in the United States.

Mr. Sanchez recommended that the Commission undertake a review of U.S. trade laws to determine the Commission's relevance to and potential effectiveness in addressing these anti-competitive conditions. Further, he suggested that Congress should grant the Commission the appropriate powers needed to address the future challenges that may arise from a change in U.S.-Cuba relations to prevent irreparable injury to the U.S. cigar market.

## **Shawna Morris, Director of Government Affairs and Trade U.S. Dairy Export Council and National Milk Producers Federation<sup>26</sup>**

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Ms. Morris said that the Cuban market is beneficial to the U.S. dairy industry (accounting for \$30 million of U.S. exports in 2005), but U.S. restrictions have caused a substantial decrease in 2006 exports. She said the National Milk Producers Federation (NMPF) and U.S. Dairy Export Council (USDEC) was concerned about the reinterpretation of the permissible payment terms by the Department of Treasury in 2005.<sup>27</sup> According to Ms. Morris, this reinterpretation has increased both the time and costs involved in exporting agricultural products to Cuba and has had a significant effect on the attractiveness of U.S. dairy exports to Cuban buyers.

Ms. Morris said that NMPF and USDEC are hopeful for completely normalized trade relations with Cuba. She said that it was the belief of both NMPF and USDEC that the reinterpretation of the payment provision by the Department of Treasury violates the intent of Congress in facilitating agricultural export opportunities in Cuba. As such, she recommended that the interpretation in place prior to late 2004 be restored.

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<sup>26</sup> Shawna Morris, director of government relations and trade, U.S. Dairy Export Council and the National Milk Producers Federation, written submission.

<sup>27</sup> The USDEC and NMPF combined represent the interests of dairy farmers, dairy cooperative marketing associations, propriety processors, and export traders.

## **Royce Schaneman, Executive Director Nebraska Wheat Board<sup>28</sup>**

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Mr. Schaneman said that Nebraska wheat producers have benefitted from the recent trade relationship with Cuba, and that Nebraska wheat producers have secured 175,000 metric tons of hard red winter wheat sales to Cuba.

He stated that suppliers have expressed frustration regarding the restrictions on direct financial transfers and the “cash only” provisions that have limited the ability of the wheat industry to export. Prohibiting direct financial transfers to U.S. banks increases the total cost of delivered commodities to Cuba, and this can result in either reduced profits for the U.S. industry or lost sales contracts to foreign competitors. In addition, Mr. Schaneman said that the requirement to perform all transactions on a “cash only” basis has caused contract completion delays and opportunities for processing errors which negatively impact the profitability of exporting companies.

Mr. Schaneman said changes to these U.S. financial provisions are necessary to provide a level playing field for U.S. wheat exporters by granting U.S. exporters the same access to the Cuban market as their foreign competitors.

## **John Thaemert, President of the National Association of Wheat Growers Leonard Schock, Chairman of U.S. Wheat Associates<sup>29</sup>**

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Mr. Thaemert and Mr. Schock wrote that U.S. wheat growers export approximately 50 percent of their annual wheat crop to all countries. They said that Cuba is the largest import market for wheat and wheat products in the Caribbean, and provides a significant export potential for U.S. wheat growers. They said that U.S. wheat exports are the third largest agricultural export to Cuba by value for the 2001 to 2006 period and the largest in marketing year 2006.

They expressed concern over the prohibition on direct financial transfers, travel restrictions, and lack of access to USDA commercial loan programs in Cuba. They stated that the prohibition on direct financial transfers has increased the cost of buying U.S. wheat and added an excessive and unnecessary administrative burden on Alimport. Travel restrictions, according to Mr. Thaemert and Mr. Schock, have made doing business in Cuba very difficult, while most of the U.S. wheat industry’s competition is easily able to travel to Cuba, as needed to conduct business. They also mentioned that access to the USDA commercial loan programs would help in exporting to Cuba, but would be insufficient due to the administrative burdens that exist for the previous reasons.

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<sup>28</sup> Royce Schaneman, executive director, Nebraska Wheat Board, written submission.

<sup>29</sup> John Thaemert and Leonard Schock, National Association of Wheat Growers and U.S. Wheat Associates, written submission.

Mr. Thaemert and Mr. Schock repeated the position of the U.S. wheat industry, calling for normalized trade relations with Cuba and the lifting of travel restrictions to and from Cuba. Specifically, they recommended overturning the February 2005 regulation changes regarding the transfer of funds between Alimport and U.S. exporters, which have had a substantial effect on the ability of U.S. wheat producers to export. They cited a U.S. Wheat Associates estimate that the current restrictions on trade and travel have cost the U.S. wheat industry at a minimum \$40 million annually in lost sales to the Cuban market.

## **Paul Ruden, Senior Vice President of Legal and Industry Affairs American Society of Travel Agents<sup>30</sup>**

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Mr. Ruden said that his testimony was for the limited purpose of expressing the results of an American Society of Travel Agents (ASTA) estimation of the impact of lifting the current U.S. travel restrictions to Cuba.<sup>31</sup> Mr. Ruden indicated that the ASTA estimates an increase of 1.8 million visits by U.S. citizens to Cuba by 2010 if the United States lifted its travel restrictions in 2008. Specifically, there would be an increase of 835,000 recreational visits by air, 481,000 cruise ship visitors, and 482,000 family visitors. He said that this estimate assumed a three-year build-up as flights are added and U.S. citizens become familiarized with Cuban travel options. Mr. Ruden also said that estimates are based on the travel patterns of Canadians to Cuba and the Dominican Republic and Americans to the Dominican Republic, along with the expected growth rates in tourism for Cuba and the Dominican Republic.

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<sup>30</sup> Paul Ruden, Senior Vice President of Legal and Industry Affairs, written submission and hearing transcript, 64-67.

<sup>31</sup> The American Society of Travel Agents (ASTA) is a worldwide professional travel trade organization with 26,000 members in 170 countries. The ASTA promotes and represents the views and interests of travel agents and its core principle is that travel restrictions should not be used as an instrument of government policy.





# **APPENDIX E**

## **Statistical Tables**

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**Table E.1** Cuban imports of wheat and meslin and flour, 2000–06

| Reporting country | 2000                                | 2001           | 2002           | 2003           | 2004           | 2005           | 2006           |
|-------------------|-------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
|                   | <i>US Dollars (1,000)</i>           |                |                |                |                |                |                |
| EU                | 116,433                             | 129,740        | 104,681        | 106,537        | 37,938         | 42,163         | 57,363         |
| United States     | 0                                   | 0              | 22,789         | 36,736         | 58,038         | 52,019         | 54,059         |
| Canada            | 16,250                              | 14,909         | 3,350          | 16             | 1,948          | 28,068         | 17,259         |
| Argentina         | 4                                   | 0              | <sup>(a)</sup> | <sup>(a)</sup> | 9,720          | 12,155         | 6,834          |
| Mexico            | 119                                 | 575            | 672            | 2,892          | 3,095          | 7,313          | 73             |
| Brazil            | 3                                   | 11             | 4              | 0              | 0              | 0              | 13             |
| China             | 0                                   | 0              | 0              |                | 9              | 0              | 8              |
| Other             | 25                                  | 1,391          | 2,214          | 51             | 31             | 12             | 3              |
| Reporting total   | 132,834                             | 146,627        | 133,709        | 146,233        | 110,779        | 141,731        | 135,612        |
|                   | <i>Quantity (1,000 metric tons)</i> |                |                |                |                |                |                |
| EU                | 910                                 | 859            | 596            | 582            | 140            | 180            | 264            |
| United States     | 0                                   | 0              | 176            | 245            | 353            | 328            | 301            |
| Canada            | 128                                 | 109            | 17             | <sup>(a)</sup> | 11             | 174            | 99             |
| Argentina         | <sup>(a)</sup>                      | 0              | 0              | 0              | 61             | 99             | 38             |
| Mexico            | <sup>(a)</sup>                      | <sup>(a)</sup> | <sup>(a)</sup> | 13             | 10             | 29             | <sup>(a)</sup> |
| Brazil            | <sup>(a)</sup>                      | <sup>(a)</sup> | <sup>(a)</sup> | 0              | 0              | 0              | 0              |
| China             | 0                                   | 0              | 0              | 0              | 0              | 0              | 0              |
| Other             | <sup>(a)</sup>                      | 13             | 23             | <sup>(a)</sup> | <sup>(a)</sup> | <sup>(a)</sup> | <sup>(a)</sup> |
| Reporting total   | 1,038                               | 983            | 814            | 840            | 575            | 809            | 703            |

Source: Compiled from Global Trade Atlas. Accessed May 15, 2007.

Note: Due to rounding, numbers may not add to total.

**Table E.2** Cuban imports of corn, 2000–06

| Reporting country | 2000                                | 2001           | 2002           | 2003           | 2004           | 2005           | 2006           |
|-------------------|-------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
|                   | <i>US Dollars (1,000)</i>           |                |                |                |                |                |                |
| United States     | 0                                   | 2,327          | 22,739         | 35,571         | 57,501         | 54,914         | 42,624         |
| Argentina         | 0                                   | 9,495          | 27             | 7              | 3,148          | 9,182          | 17,069         |
| Mexico            | 43                                  | 26             | 21             | 18             | <sup>(a)</sup> | 92             | 98             |
| Brazil            | 0                                   | 1,339          | 0              | 0              | 0              | 0              | 0              |
| Canada            | 5,409                               | 0              | 1,805          | 0              | 0              | 0              | 0              |
| China             | 2,500                               | 0              | 4,999          | 0              | 0              | 0              | 0              |
| EU                | 0                                   | 0              | 6              | 0              | 0              | 0              | 0              |
| Reporting total   | 7,951                               | 13,187         | 29,598         | 35,596         | 610,649        | 64,188         | 59,790         |
|                   | <i>Quantity (1,000 metric tons)</i> |                |                |                |                |                |                |
| United States     | 0                                   | 25             | 225            | 330            | 484            | 509            | 381            |
| Argentina         | 0                                   | 111            | <sup>(a)</sup> | <sup>(a)</sup> | 26             | 103            | 126            |
| Mexico            | <sup>(a)</sup>                      | <sup>(a)</sup> | <sup>(a)</sup> | <sup>(a)</sup> | 0              | <sup>(a)</sup> | <sup>(a)</sup> |
| Brazil            | 0                                   | 16             | 0              | 0              | 0              | 0              | 0              |
| Canada            | 39                                  | 0              | 2              | 0              | 0              | 0              | 0              |
| China             | 26                                  | 0              | 50             | 0              | 0              | 0              | 0              |
| EU                | 0                                   | 0              | <sup>(a)</sup> | 0              | 0              | 0              | 0              |
| Reporting total   | 65                                  | 152            | 277            | 330            | 510            | 612            | 507            |

Source: Compiled from Global Trade Atlas. Accessed May 15, 2007.

Note: Due to rounding, numbers may not add to total.

<sup>a</sup>Less than 500.

**Table E.3** Cuban imports of rice, 2000–06

| Reporting country            | 2000                                | 2001             | 2002             | 2003             | 2004             | 2005             | 2006                |
|------------------------------|-------------------------------------|------------------|------------------|------------------|------------------|------------------|---------------------|
|                              | <i>US Dollars (1,000)</i>           |                  |                  |                  |                  |                  |                     |
| United States                | 26                                  | 0                | 6,266            | 10,778           | 64,048           | 39,204           | 39,542              |
| Thailand                     | 23                                  | 0                | 0                | 0                | 2,832            | 0                | 7,495               |
| Brazil                       | 0                                   | 0                | 0                | 0                | 0                | 0                | 3,632               |
| EU                           | 60                                  | 36               | 289              | 45               | 104              | 1,435            | 577                 |
| Mexico                       | ( <sup>a</sup> )                    | 12               | 19               | 23               | 7                | 55               | 4                   |
| Canada                       | 0                                   | 12               | ( <sup>a</sup> ) | 1                | 1                | ( <sup>a</sup> ) | ( <sup>a</sup> )    |
| China                        | 38,809                              | 29,649           | 39,975           | 0                | 0                | 0                | 0                   |
| Argentina                    | 9                                   | 0                | 39               | 0                | 16               | ( <sup>a</sup> ) | 0                   |
| Belize                       | 0                                   | 111              | 0                | 0                | 0                | 0                | 0                   |
| Russia                       | 0                                   | 3                | 0                | 0                | 0                | ( <sup>a</sup> ) | 0                   |
| St. Vincent & the Grenadines | 0                                   | 6                | 0                | 0                | 0                | 0                | 0                   |
| Guyana                       | 0                                   | 0                | 0                | 0                | 0                | 97               | 0                   |
| Turkey                       | 0                                   | 0                | 0                | 0                | 0                | ( <sup>a</sup> ) | 0                   |
| Uruguay                      | 0                                   | 0                | 0                | 0                | 0                | 228              | 0                   |
| Reporting total              | 38,926                              | 29,827           | 46,589           | 10,847           | 67,007           | 41,019           | 51,250 <sup>b</sup> |
|                              | <i>Quantity (1,000 metric tons)</i> |                  |                  |                  |                  |                  |                     |
| United States                | ( <sup>a</sup> )                    | 0                | 55               | 88               | 177              | 154              | 158                 |
| Thailand                     | ( <sup>a</sup> )                    | 0                | 0                | 0                | 14               | 0                | 26                  |
| Brazil                       | 0                                   | 0                | 0                | 0                | 0                | 0                | 13                  |
| EU                           | ( <sup>a</sup> )                    | ( <sup>a</sup> ) | 1                | ( <sup>a</sup> ) | ( <sup>a</sup> ) | 4                | 1                   |
| Mexico                       | 0                                   | ( <sup>a</sup> ) | ( <sup>a</sup> ) | ( <sup>a</sup> ) | ( <sup>a</sup> ) | ( <sup>a</sup> ) | 0                   |
| Canada                       | 0                                   | ( <sup>a</sup> ) | 0                | ( <sup>a</sup> ) | ( <sup>a</sup> ) | ( <sup>a</sup> ) | 0                   |
| China                        | 226                                 | 196              | 217              | 0                | 0                | 0                | 0                   |
| Argentina                    | ( <sup>a</sup> )                    | 0                | ( <sup>a</sup> ) | 0                | ( <sup>a</sup> ) | 0                | 0                   |
| Belize                       | 0                                   | ( <sup>a</sup> ) | 0                | 0                | 0                | 0                | 0                   |
| Russia                       | 0                                   | ( <sup>a</sup> ) | 0                | 0                | 0                | 0                | 0                   |
| St. Vincent & the Grenadines | 0                                   | ( <sup>a</sup> ) | 0                | 0                | 0                | 0                | 0                   |
| Guyana                       | 0                                   | 0                | 0                | 0                | 0                | ( <sup>a</sup> ) | 0                   |
| Turkey                       | 0                                   | 0                | 0                | 0                | 0                | 0                | 0                   |
| Uruguay                      | 0                                   | 0                | 0                | 0                | 0                | 1                | 0                   |
| Reporting total              | 226                                 | 196              | 273              | 88               | 191              | 159              | 199 <sup>b</sup>    |

Source: Compiled from Global Trade Atlas. Accessed May 15, 2007.

Note: Due to rounding, numbers may not add to total.

<sup>a</sup>Less than 500.

<sup>b</sup>The reported total does not include rice from Vietnam. In 2005/06, there were a reported 500,000 metric tons of rice imported from Vietnam which the Commission estimates had a value of about \$115 million. The fob price of the Vietnamese rice was estimated at \$230 per metric ton, based on \$15 per ton above the lowest priced Thai export rice during 2005/06. Source: *Cuba News*, December 2006, 13; and USDA, ERS, *Rice Outlook*, June 12, 2007, table 6.

**Table E.4** Cuban imports of animal feed, 2000–06

| Reporting country | 2000                      | 2001   | 2002   | 2003   | 2004   | 2005   | 2006   |
|-------------------|---------------------------|--------|--------|--------|--------|--------|--------|
|                   | <i>US dollars (1,000)</i> |        |        |        |        |        |        |
| United States     | 0                         | 0      | 19,281 | 25,884 | 36,094 | 23,857 | 42,308 |
| Mexico            | 2,819                     | 5,234  | 2,227  | 2,411  | 1,287  | 7,725  | 7,115  |
| Argentina         | 28,248                    | 19,243 | 2,387  | 0      | 13,284 | 0      | 4,230  |
| Canada            | 309                       | 54     | 274    | 30     | 333    | 732    | 1,090  |
| Ecuador           | 0                         | 0      | 0      | 0      | 381    | 158    | 479    |
| Guatemala         | 0                         | 0      | 0      | 0      | 0      | 45     | 386    |
| EU                | 744                       | 1,171  | 1,209  | 890    | 426    | 136    | 342    |
| China             | 1,296                     | 2,186  | 2,450  | 1,688  | 0      | 0      | 23     |
| Costa Rica        | <sup>(a)</sup>            | 6      | 13     | 0      | 0      | 0      | 0      |
| Brazil            | 64                        | 42     | 0      | 0      | 0      | 17,375 | 0      |
| Jamaica           | 0                         | 0      | 1,425  | 557    | 549    | 0      | 0      |
| Reporting total   | 33,480                    | 27,938 | 29,267 | 31,459 | 52,353 | 50,029 | 55,972 |

Source: Compiled from Global Trade Atlas. Accessed May 15, 2007.

Note: Due to rounding, numbers may not add to total.

<sup>a</sup>Less than 500.

**Table E.5** Cuban imports of soybeans, 2000–06

| Reporting country | 2000                                | 2001           | 2002           | 2003           | 2004   | 2005   | 2006           |
|-------------------|-------------------------------------|----------------|----------------|----------------|--------|--------|----------------|
|                   | <i>US dollars (1,000)</i>           |                |                |                |        |        |                |
| United States     | 0                                   | 0              | 20,922         | 34,475         | 27,933 | 32,723 | 31,742         |
| Brazil            | 2,788                               | 6,006          | 800            | 46             | 0      | 7,756  | 105            |
| Canada            | 659                                 | 575            | 2,789          | 0              | 0      | 0      | 24             |
| Mexico            | <sup>(a)</sup>                      | <sup>(a)</sup> | <sup>(a)</sup> | 0              | 0      | 0      | 1              |
| Argentina         | 0                                   | 0              | 0              | 0              | 12,502 | 0      | 0              |
| Reporting total   | 3,448                               | 6,581          | 24,511         | 34,521         | 40,435 | 40,479 | 31,871         |
|                   | <i>Quantity (1,000 metric tons)</i> |                |                |                |        |        |                |
| United States     | 0                                   | 0              | 110            | 134            | 85     | 121    | 130            |
| Brazil            | 8                                   | 29             | 2              | <sup>(a)</sup> | 0      | 31     | <sup>(a)</sup> |
| Canada            | 2                                   | 2              | 15             | 0              | 0      | 0      | <sup>(a)</sup> |
| Mexico            | 0                                   | 0              | <sup>(a)</sup> | 0              | 0      | 0      | 0              |
| Argentina         | 0                                   | 0              | 0              | 0              | 44     | 0      | 0              |
| Reporting total   | 10                                  | 31             | 127            | 134            | 129    | 151    | 131            |

Source: Compiled from Global Trade Atlas. Accessed May 15, 2007.

Note: Due to rounding, numbers may not add to total.

<sup>a</sup>Less than 500.

**Table E.6** Cuban imports of fats and oils, 2000–06

| Reporting country | 2000                      | 2001   | 2002   | 2003   | 2004   | 2005   | 2006   |
|-------------------|---------------------------|--------|--------|--------|--------|--------|--------|
|                   | <i>US dollars (1,000)</i> |        |        |        |        |        |        |
| United States     | 0                         | 0      | 22,022 | 51,519 | 23,765 | 27,732 | 22,312 |
| Brazil            | 8,614                     | 17,760 | 4,186  | 3,167  | 12,295 | 21,168 | 8,119  |
| Mexico            | 5,494                     | 1,760  | 2,685  | 716    | 2,692  | 6,683  | 3,210  |
| Canada            | 649                       | 2,398  | 1,165  | 528    | 606    | 856    | 1,887  |
| EU                | 7,962                     | 3,866  | 5,147  | 5,205  | 1,677  | 1,694  | 1,572  |
| Argentina         | 10,151                    | 4,380  | 3,468  | 6,148  | 13,640 | 24,766 | 1,094  |
| Malaysia          | 0                         | 132    | 152    | 139    | 700    | 543    | 279    |
| Guatemala         | 0                         | 0      | 205    | 378    | 260    | 150    | 217    |
| Ecuador           | 0                         | 0      | 0      | 0      | 69     | 266    | 141    |
| China             | 0                         | 55     | 0      | 12     | 33     | 108    | 17     |
| All other         | 67                        | 443    | 1      | 100    | 38     | 72     | 116    |
| Reporting total   | 32,937                    | 30,794 | 39,029 | 67,924 | 55,791 | 84,037 | 38,964 |

*Source:* Compiled from Global Trade Atlas. Accessed May 15, 2007.

*Note:* Due to rounding, numbers may not add to total.

**Table E.7** Cuban imports of dry beans, 2000–06

| Reporting country | 2000                                | 2001             | 2002             | 2003             | 2004             | 2005             | 2006             |
|-------------------|-------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
|                   | <i>US dollars (1,000)</i>           |                  |                  |                  |                  |                  |                  |
| China             | 26,495                              | 24,271           | 33,890           | 41,456           | 23,759           | 42,505           | 35,933           |
| United States     | 0                                   | 0                | 58               | 1,184            | 8,395            | 11,669           | 19,910           |
| Argentina         | 288                                 | 80               | 160              | 143              | 4,240            | 611              | 13,124           |
| Canada            | 7,827                               | 14,313           | 17,297           | 6,510            | 27,553           | 6,868            | 9,603            |
| Mexico            | 271                                 | 71               | 39               | ( <sup>a</sup> ) | 171              | 1,137            | 347              |
| Brazil            | 0                                   | 0                | 0                | 0                | 0                | 0                | 148              |
| EU                | 378                                 | 586              | 643              | 5,425            | 208              | 65               | 37               |
| Belize            | 0                                   | 6                | 0                | 0                | 0                | 0                | 0                |
| Russia            | 0                                   | 0                | 0                | 0                | 0                | ( <sup>a</sup> ) | 0                |
| Singapore         | 0                                   | 0                | 0                | ( <sup>a</sup> ) | 0                | 0                | 0                |
| Turkey            | 0                                   | 0                | 0                | 0                | 0                | ( <sup>a</sup> ) | 0                |
| Reporting total   | 35,259                              | 39,327           | 52,087           | 54,718           | 64,327           | 62,854           | 79,103           |
|                   | <i>Quantity (1,000 metric tons)</i> |                  |                  |                  |                  |                  |                  |
| China             | 68                                  | 80               | 106              | 129              | 75               | 129              | 92               |
| United States     | 0                                   | 0                | 1                | 3                | 30               | 52               | 68               |
| Argentina         | 1                                   | ( <sup>a</sup> ) | ( <sup>a</sup> ) | ( <sup>a</sup> ) | 10               | 1                | 28               |
| Canada            | 47                                  | 71               | 79               | 22               | 107              | 24               | 56               |
| Mexico            | ( <sup>a</sup> )                    | ( <sup>a</sup> ) | ( <sup>a</sup> ) | 0                | ( <sup>a</sup> ) | 2                | ( <sup>a</sup> ) |
| Brazil            | 0                                   | 0                | 0                | 0                | 0                | 0                | ( <sup>a</sup> ) |
| EU                | ( <sup>a</sup> )                    | 1                | 1                | 21               | ( <sup>a</sup> ) | ( <sup>a</sup> ) | ( <sup>a</sup> ) |
| Belize            | 0                                   | ( <sup>a</sup> ) | 0                | 0                | 0                | 0                | 0                |
| Russia            | 0                                   | 0                | 0                | 0                | 0                | 0                | 0                |
| Singapore         | 0                                   | 0                | 0                | 0                | 0                | 0                | 0                |
| Turkey            | 0                                   | 0                | 0                | 0                | 0                | 0                | 0                |
| Reporting total   | 118                                 | 151              | 186              | 175              | 222              | 207              | 245              |

Source: Compiled from Global Trade Atlas. Accessed May 15, 2007.

Note: Due to rounding, numbers may not add to total.

<sup>a</sup>Less than 500.



**Table E.8** Cuban imports of poultry, 2000–06

| Reporting country | 2000                                | 2001           | 2002           | 2003           | 2004           | 2005           | 2006           |
|-------------------|-------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
|                   | <i>US dollars (1,000)</i>           |                |                |                |                |                |                |
| United States     | 0                                   | 1,959          | 23,097         | 37,003         | 61,209         | 58,276         | 44,730         |
| Brazil            | 5,872                               | 16,121         | 15,171         | 7,305          | 32,086         | 23,635         | 20,123         |
| EU                | 14,528                              | 10,084         | 5,330          | 6,234          | 8,246          | 3,310          | 2,704          |
| Canada            | 12,387                              | 12,509         | 4,820          | 1,905          | 767            | 551            | 881            |
| Argentina         | 0                                   | <sup>(a)</sup> | 0              | 0              | 749            | 91             | 108            |
| China             | 0                                   | 0              | 0              | 0              | 0              | 0              | 31             |
| Chile             | 0                                   | 6              | 18             | 2              | 1              | 6              | 29             |
| Mexico            | 106                                 | 12             | <sup>(a)</sup> | <sup>(a)</sup> | 37             | 0              | 0              |
| Trinidad & Tobago | 0                                   | 1              | 0              | 0              | 0              | 0              | 0              |
| Reporting total   | 32,893                              | 40,692         | 48,435         | 52,450         | 103,095        | 85,869         | 68,605         |
|                   | <i>Quantity (1,000 metric tons)</i> |                |                |                |                |                |                |
| United States     | 0                                   | 3              | 53             | 70             | 67             | 76             | 79             |
| Brazil            | 9                                   | 25             | 26             | 12             | 43             | 32             | 32             |
| EU                | 25                                  | 16             | 10             | 13             | 19             | 7              | 4              |
| Canada            | 20                                  | 18             | 8              | 4              | 1              | 1              | 1              |
| Argentina         | 0                                   | 0              | 0              | 0              | 1              | <sup>(a)</sup> | <sup>(a)</sup> |
| China             | 0                                   | <sup>(a)</sup> | <sup>(a)</sup> | <sup>(a)</sup> | 0              | <sup>(a)</sup> | <sup>(a)</sup> |
| Chile             | 0                                   | 0              | 0              | 0              | 0              | 0              | <sup>(a)</sup> |
| Mexico            | <sup>(a)</sup>                      | <sup>(a)</sup> | 0              | 0              | <sup>(a)</sup> | 0              | 0              |
| Trinidad & Tobago | 0                                   | <sup>(a)</sup> | 0              | 0              | 0              | 0              | 0              |
| Reporting total   | 54                                  | 63             | 97             | 99             | 130            | 116            | 117            |

Source: Compiled from Global Trade Atlas. Accessed May 15, 2007.

Note: Due to rounding, numbers may not add to total.

<sup>a</sup>Less than 500.

**Table E.9** Cuban imports of beef and beef products, 2000–06

| Reporting country | 2000                                | 2001           | 2002           | 2003           | 2004           | 2005           | 2006           |
|-------------------|-------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
|                   | <i>US dollars (1,000)</i>           |                |                |                |                |                |                |
| Brazil            | 0                                   | 153            | 1,044          | 1,167          | 1,230          | 1,984          | 22,615         |
| Uruguay           | 0                                   | 0              | 0              | 0              | 6,930          | 8,217          | 13,073         |
| Chile             | 0                                   | 12             | 1,242          | 4,435          | 5,898          | 5,370          | 4,696          |
| Canada            | 1,656                               | 4,334          | 2,122          | 960            | 60             | 979            | 1,851          |
| United States     | 0                                   | 0              | 162            | 0              | 209            | 0              | 71             |
| EU                | 2,000                               | 29             | 2              | 16             | 8,621          | 403            | 6              |
| Russia            | 0                                   | 44             | 0              | 0              | 0              | <sup>(a)</sup> | 1              |
| Argentina         | 6                                   | <sup>(a)</sup> | 0              | 1              | 1,209          | 2,180          | <sup>(a)</sup> |
| Australia         | 0                                   | 0              | 0              | 938            | 255            | 0              | 0              |
| China             | 105                                 | 0              | 0              | <sup>(a)</sup> | 0              | 0              | 0              |
| Mexico            | 53                                  | <sup>(a)</sup> | <sup>(a)</sup> | <sup>(a)</sup> | 836            | 35             | 0              |
| New Zealand       | 0                                   | 0              | 0              | 128            | 0              | 0              | 0              |
| Panama            | 0                                   | 0              | 1,242          | 304            | 100            | 0              | 0              |
| Trinidad & Tobago | 0                                   | 1              | 0              | 0              | 0              | 0              | 0              |
| Reporting total   | 4,020                               | 4,573          | 5,815          | 7,946          | 25,348         | 19,168         | 42,313         |
|                   | <i>Quantity (1,000 metric tons)</i> |                |                |                |                |                |                |
| Brazil            | 0                                   | a              | 1              | 1              | 1              | 1              | 10             |
| Uruguay           | 0                                   | 0              | 0              | 0              | 3              | 4              | 5              |
| Chile             | 0                                   | a              | 1              | 2              | 3              | 3              | 2              |
| Canada            | 2                                   | 3              | 2              | 1              | <sup>(a)</sup> | 2              | 1              |
| United States     | 0                                   | 0              | <sup>(a)</sup> | 0              | <sup>(a)</sup> | 0              | <sup>(a)</sup> |
| EU                | 2                                   | a              | 0              | <sup>(a)</sup> | 6              | <sup>(a)</sup> | 0              |
| Russia            | 0                                   | a              | 0              | 0              | 0              | 0              | 0              |
| Argentina         | <sup>(a)</sup>                      | 0              | 0              | 0              | <sup>(a)</sup> | 1              | 0              |
| Australia         | 0                                   | 0              | 0              | 1              | <sup>(a)</sup> | 0              | 0              |
| China             | <sup>(a)</sup>                      | 0              | 0              | 0              | 0              | 0              | 0              |
| Mexico            | <sup>(a)</sup>                      | 0              | 0              | 0              | <sup>(a)</sup> | <sup>(a)</sup> | 0              |
| New Zealand       | 0                                   | 0              | 0              | <sup>(a)</sup> | 0              | 0              | 0              |
| Panama            | 0                                   | 0              | <sup>(a)</sup> | <sup>(a)</sup> | <sup>(a)</sup> | 0              | 0              |
| Trinidad & Tobago | 0                                   | a              | 0              | 0              | 0              | 0              | 0              |
| Reporting total   | 4                                   | 3              | 4              | 5              | 14             | 11             | 18             |

Source: Compiled from Global Trade Atlas. Accessed May 15, 2007.

Note: Due to rounding, numbers may not add to total.

<sup>a</sup>Less than 500.

**Table E.10** Cuban imports of pork and pork products, 2000–06

| Reporting country                   | 2000           | 2001           | 2002           | 2003           | 2004           | 2005           | 2006           |
|-------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| <i>US dollars (1,000)</i>           |                |                |                |                |                |                |                |
| United States                       | 0              | 0              | 91             | 0              | 1,639          | 7,630          | 14,163         |
| Canada                              | 9,018          | 14,092         | 9,693          | 7,819          | 9,696          | 9,736          | 10,719         |
| Chile                               | 0              | 1,184          | 1,746          | 1,598          | 1,756          | 3,193          | 6,240          |
| China                               | 279            | 0              | 0              | <sup>(a)</sup> | <sup>(a)</sup> | 0              | 1,473          |
| EU                                  | 3,645          | 2,456          | 1,848          | 1,729          | 1,758          | 1,456          | 986            |
| Mexico                              | 161            | 134            | 147            | 102            | 222            | 137            | 33             |
| Argentina                           | 0              | 0              | 0              | <sup>(a)</sup> | <sup>(a)</sup> | <sup>(a)</sup> | 0              |
| Brazil                              | 0              | 2              | 19             | 56             | 720            | 3,962          | 0              |
| Dominican Republic                  | 0              | 1              | 0              | 0              | 0              | 0              | 0              |
| Russia                              | 0              | 0              | 0              | 23             | 0              | <sup>(a)</sup> | 0              |
| Reporting total                     | 13,102         | 17,869         | 13,544         | 11,328         | 15,792         | 26,115         | 33,617         |
| <i>Quantity (1,000 metric tons)</i> |                |                |                |                |                |                |                |
| United States                       | 0              | 0              | <sup>(a)</sup> | 0              | 2              | 4              | 8              |
| Canada                              | 6              | 8              | 8              | 5              | 5              | 5              | 5              |
| Chile                               | 0              | 1              | 1              | 1              | 1              | 2              | 3              |
| China                               | <sup>(a)</sup> | 0              | 0              | 0              | 0              | 0              | 1              |
| EU                                  | 3              | 2              | 1              | <sup>(a)</sup> | <sup>(a)</sup> | <sup>(a)</sup> | <sup>(a)</sup> |
| Mexico                              | <sup>(a)</sup> | <sup>(a)</sup> | <sup>(a)</sup> | <sup>(a)</sup> | <sup>(a)</sup> | <sup>(a)</sup> | <sup>(a)</sup> |
| Argentina                           | 0              | 0              | 0              | 0              | <sup>(a)</sup> | 0              | 0              |
| Brazil                              | 0              | <sup>(a)</sup> | <sup>(a)</sup> | <sup>(a)</sup> | <sup>(a)</sup> | 2              | 0              |
| Dominican Republic                  | 0              | 0              | 0              | 0              | 0              | 0              | 0              |
| Russia                              | 0              | 0              | 0              | <sup>(a)</sup> | 0              | 0              | 0              |
| Reporting total                     | 9              | 11             | 11             | 7              | 10             | 13             | 17             |

Source: Compiled from Global Trade Atlas. Accessed May 15, 2007.

Note: Due to rounding, numbers may not add to total.

<sup>a</sup>Less than 500.

**Table E.11** Cuban imports of other dairy, 2000–06

| Reporting country         | 2000   | 2001   | 2002   | 2003   | 2004   | 2005   | 2006   |
|---------------------------|--------|--------|--------|--------|--------|--------|--------|
| <i>US dollars (1,000)</i> |        |        |        |        |        |        |        |
| EU                        | 10,603 | 6,308  | 7,315  | 9,164  | 11,245 | 12,396 | 11,000 |
| Argentina                 | 0      | 0      | a      | a      | 1,374  | 3,175  | 3,152  |
| Uruguay                   | 0      | 0      | 0      | 162    | 539    | 311    | 1,189  |
| Canada                    | 1,564  | 2,119  | 1,678  | 206    | 811    | 772    | 1,188  |
| Brazil                    | 0      | 0      | 140    | 358    | 380    | 571    | 1,125  |
| Mexico                    | 823    | 955    | 715    | 683    | 808    | 673    | 752    |
| New Zealand               | 0      | 1,046  | 831    | 339    | 726    | 243    | 221    |
| Chile                     | 40     | 61     | 100    | 561    | 622    | 314    | 200    |
| All Others                | 921    | 2,664  | 189    | 261    | 693    | 208    | 381    |
| Reporting total           | 13,973 | 13,153 | 10,969 | 11,734 | 17,197 | 18,662 | 19,208 |

Source: Compiled from Global Trade Atlas. Accessed May 15, 2007.

Note: Due to rounding, numbers may not add to total.

<sup>a</sup>Less than 500.

**Table E.12** Cuban imports of milk power, 2000–06

| Reporting country | 2000                                | 2001   | 2002   | 2003   | 2004    | 2005    | 2006    |
|-------------------|-------------------------------------|--------|--------|--------|---------|---------|---------|
|                   | <i>US dollars (1,000)</i>           |        |        |        |         |         |         |
| New Zealand       | 6,343                               | 43,246 | 29,282 | 38,465 | 53,059  | 39,477  | 43,057  |
| Uruguay           | 0                                   | 0      | 0      | 133    | 0       | 22,429  | 21,791  |
| Argentina         | 882                                 | 0      | 0      | 78     | 673     | 10,064  | 18,400  |
| EU                | 59,981                              | 18,672 | 18,671 | 34,165 | 22,451  | 33,779  | 16,660  |
| United States     | 0                                   | 0      | 0      | 0      | 26,653  | 29,691  | 12,561  |
| Brazil            | 0                                   | 0      | 0      | 0      | 0       | 7,860   | 10,858  |
| Canada            | 6,661                               | 10,234 | 3,370  | 6,128  | 4,713   | 7,218   | 2,267   |
| Australia         | 0                                   | 7,851  | 8,653  | 1,028  | 0       | 1,757   | 1,505   |
| Chile             | 21                                  | 2,161  | 7,627  | 10,109 | 9,505   | 2,605   | 950     |
| Switzerland       | 0                                   | 0      | 0      | 0      | 0       | 2,317   | 484     |
| All Others        | 46                                  | 11     | 11     | 9      | 14      | a       | a       |
| Reporting total   | 73,934                              | 82,176 | 67,614 | 90,116 | 117,069 | 157,196 | 128,534 |
|                   | <i>Quantity (1,000 metric tons)</i> |        |        |        |         |         |         |
| New Zealand       | 3                                   | 21     | 22     | 24     | 26      | 18      | 19      |
| Uruguay           | 0                                   | 0      | 0      | a      | 0       | 10      | 10      |
| Argentina         | a                                   | 0      | 0      | a      | a       | 5       | 8       |
| EU                | 35                                  | 9      | 13     | 21     | 10      | 16      | 7       |
| United States     | 0                                   | 0      | 0      | 0      | 13      | 13      | 6       |
| Brazil            | 0                                   | 0      | 0      | 0      | 0       | 4       | 5       |
| Canada            | 4                                   | 5      | 2      | 3      | 2       | 3       | 1       |
| Australia         | 0                                   | 4      | 5      | 1      | 0       | 1       | 1       |
| Chile             | a                                   | 1      | 4      | 7      | 5       | 1       | a       |
| Switzerland       | 0                                   | 0      | 0      | 0      | 0       | a       | a       |
| Reporting total   | 43                                  | 39     | 46     | 56     | 57      | 71      | 58      |

Source: Compiled from Global Trade Atlas. Accessed May 15, 2007.

Note: Due to rounding, numbers may not add to total.

<sup>a</sup>Less than 500.

**Table E.13** Cuban imports of processed food products, 2000–06

| Reporting country      | 2000                      | 2001          | 2002          | 2003          | 2004          | 2005          | 2006           |
|------------------------|---------------------------|---------------|---------------|---------------|---------------|---------------|----------------|
|                        | <i>US dollars (1,000)</i> |               |               |               |               |               |                |
| EU                     | 21,324                    | 22,295        | 26,015        | 31,787        | 31,659        | 31,622        | 33,614         |
| United States          | 0                         | 0             | 933           | 11,629        | 10,047        | 2,317         | 1,126          |
| Mexico                 | 6,738                     | 5,018         | 4,792         | 4,777         | 3,128         | 4,343         | 4,004          |
| Chile                  | 2,476                     | 3,453         | 3,874         | 4,536         | 5,649         | 4,510         | 6,561          |
| Guatemala              | 0                         | 0             | 1,717         | 4,019         | 2,627         | 2,335         | 3,466          |
| Canada                 | 2,148                     | 1,974         | 1,861         | 2,428         | 2,486         | 2,480         | 2,303          |
| Brazil                 | 2,444                     | 2,037         | 1,010         | 1,574         | 2,446         | 3,508         | 4,124          |
| Colombia               | 163                       | 219           | 491           | 1,339         | 1,227         | 1,928         | 1,774          |
| Argentina              | 176                       | 275           | 1,122         | 983           | 1,814         | 1,573         | 1,950          |
| Costa Rica             | 124                       | 85            | 86            | 388           | 409           | 147           | 238            |
| Venezuela              | 239                       | 246           | 130           | 320           | 496           | 981           | 624            |
| Ecuador                | 0                         | 33            | 64            | 138           | 155           | 73            | 98             |
| Peru                   | 8                         | 21            | 20            | 116           | 83            | 18            | <sup>(a)</sup> |
| China                  | 28                        | 39            | 47            | 104           | 1,112         | 1,897         | 5,531          |
| All other              | 358                       | 1,016         | 492           | 529           | 894           | 26,860        | 1,252          |
| <b>Reporting total</b> | <b>36,227</b>             | <b>37,711</b> | <b>42,652</b> | <b>64,668</b> | <b>64,233</b> | <b>58,831</b> | <b>66,665</b>  |

Source: Compiled from Global Trade Atlas. Accessed May 15, 2007.

Note: Due to rounding, numbers may not add to total.

<sup>a</sup>Less than 500.

**Table E.14** Cuban imports of fish and seafood, 2000–06

| Reporting country      | 2000                      | 2001          | 2002          | 2003          | 2004          | 2005          | 2006           |
|------------------------|---------------------------|---------------|---------------|---------------|---------------|---------------|----------------|
|                        | <i>US dollars (1,000)</i> |               |               |               |               |               |                |
| Chile                  | 23,182                    | 13,477        | 10,878        | 6,676         | 15,576        | 15,277        | 14,373         |
| EU                     | 3,366                     | 10,343        | 3,145         | 2,775         | 2,683         | 4,130         | 4,300          |
| China                  | 0                         | 0             | 0             | 85            | 651           | 1,888         | 3,642          |
| Ecuador                | 0                         | 1,726         | 451           | 845           | 901           | 1,096         | 967            |
| Thailand               | 116                       | 0             | 96            | 259           | 383           | 359           | 619            |
| Peru                   | 432                       | 435           | 60            | 82            | 252           | 316           | 443            |
| Argentina              | 1,047                     | 1,731         | 1,169         | 851           | 1,448         | 1,377         | 420            |
| Canada                 | 395                       | 525           | 224           | 17            | 238           | 210           | 344            |
| Taiwan                 | 0                         | 0             | 0             | 40            | 0             | 54            | 336            |
| Panama                 | 0                         | 0             | 0             | 0             | 0             | 0             | 232            |
| Mexico                 | 369                       | 1,863         | 133           | 211           | 126           | 10            | 121            |
| Russia                 | 42                        | 37            | 17            | 23            | 5             | 5             | 16             |
| United States          | 0                         | 0             | 0             | 38            | 196           | 74            | 3              |
| All other              | 256                       | 1,023         | 518           | 1,886         | 805           | 2,123         | <sup>(a)</sup> |
| <b>Reporting total</b> | <b>29,205</b>             | <b>31,160</b> | <b>16,691</b> | <b>13,788</b> | <b>23,265</b> | <b>26,918</b> | <b>25,815</b>  |

Source: Compiled from Global Trade Atlas. Accessed May 15, 2007.

Note: Due to rounding, numbers may not add to total.

<sup>a</sup>Less than 500.

**Table E.15** Cuban imports of paper and wood products, 2000–06

| Reporting country | 2000                      | 2001   | 2002   | 2003   | 2004   | 2005   | 2006   |
|-------------------|---------------------------|--------|--------|--------|--------|--------|--------|
|                   | <i>US dollars (1,000)</i> |        |        |        |        |        |        |
| Canada            | 5,293                     | 2,952  | 7,704  | 9,604  | 8,456  | 8,554  | 13,690 |
| EU                | 8,757                     | 11,571 | 12,360 | 11,483 | 12,098 | 12,916 | 12,649 |
| United States     | 0                         | 0      | 15     | 5,242  | 9,816  | 6,425  | 9,742  |
| Brazil            | 745                       | 2,178  | 3,783  | 4,471  | 4,465  | 6,836  | 8,159  |
| China             | 0                         | 2,111  | 5,477  | 2,969  | 6,202  | 2,150  | 4,769  |
| Argentina         | 21                        | 49     | 1,399  | 2,727  | 3,302  | 5,178  | 3,800  |
| Mexico            | 5,916                     | 9,849  | 918    | 661    | 613    | 1,546  | 1,678  |
| Russia            | 192                       | 5      | 13     | 949    | 1,523  | 1,048  | 1,061  |
| Ecuador           | 0                         | 2,552  | 1,324  | 1,720  | 1,308  | 1,786  | 981    |
| Nicaragua         | 0                         | 0      | 0      | 0      | 98     | 197    | 348    |
| Chile             | 0                         | 14     | 43     | 70     | 95     | 193    | 171    |
| Honduras          | 0                         | 0      | 0      | 939    | 160    | 437    | 155    |
| Guatemala         | 0                         | 0      | 6      | 712    | 724    | 356    | 145    |
| Peru              | 0                         | 0      | 51     | 104    | 62     | 16     | 72     |
| Colombia          | 528                       | 462    | 607    | 176    | 12     | 115    | 39     |
| All Other         | 968                       | 1,507  | 1,461  | 1,908  | 1,126  | 2,636  | 2,583  |
| Reporting total   | 22,420                    | 33,252 | 35,161 | 43,734 | 50,058 | 50,389 | 57,463 |

*Source:* Compiled from Global Trade Atlas. Accessed May 15, 2007.

*Note:* Due to rounding, numbers may not add to total.



**APPENDIX F**  
**Tourism Modeling**

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## Introduction

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Several different approaches are taken to estimate the effects of removing the restrictions on U.S. travel to Cuba. The first approach, which is considered to be a long-run estimate, is based on U.S. demand for tourism services in Cuba being proportionally similar to Canadian demand for tourism in Cuba; it results in a total of approximately 4 million tourists from the world, 2.8 million of which are U.S. citizens, visiting Cuba each year. A second approach considers Cuba's short-run capacity limits and the U.S. demand shift is based on the number of U.S. visits to the Dominican Republic. Here the total number of visits to Cuba is slightly over 2.8 million, of which 1.1 million are U.S. citizens, per year. A third approach estimates the travel restriction as an equivalent ad valorem tariff. Removing the equivalent tariff eventuates in a smaller response, with less than 2.5 million total visits (554,000 U.S. citizens) by tourists to Cuba. The wide range of estimates in the different approaches results from the lack of a close correspondence between the legally defined restrictions and the economic concepts to model the removal of restrictions. The responses of U.S. tourists and Cuban suppliers to removal of the restrictions are also unknown. The lower range of these estimates is deemed more likely, at least in the short run. In the long run, the number of tourists could approach the higher estimate.

This appendix presents the model that was used to estimate the effects on Cuban tourism of eliminating the U.S. restriction on travel to Cuba. Only overnight stays are examined; cruise travel is not addressed. This model is similar to partial equilibrium trade models that are frequently used in studies estimating the effects of trade liberalization. In those studies, known tariffs in the affected industries are removed to estimate the effects of trade liberalization. The U.S. restrictions on travel to Cuba, which is a type of non-tariff barrier, cannot be modeled with an equivalent tariff that is known with certainty. Issues related to the uncertain nature of the travel restriction are discussed below. These types of models also depend upon elasticities that give information about the demand and supply relationships. Ideally these are estimated empirically, but only limited information about the elasticities is available in this case. This analysis focuses on the interrelated effects in the Cuban and associated tourist markets that would likely occur given particular representations of the U.S. travel restriction and model elasticities.

## The U.S. Travel Restriction

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The travel restriction prohibits U.S. citizens from spending money in Cuba on hotels and other tourism services unless they obtain a license from OFAC. Expenditures abroad by U.S. citizens are classified as U.S. imports of services. Thus, the travel restriction acts to limit imports of tourism services from Cuba, and such trade restrictions are often represented by a gap between the demand price and the supply price, such as the distance  $E_0A$  in figure F.1, where  $E_0$  represents the initial equilibrium and  $q_0$  represents the number of U.S. residents who go to Cuba while the restriction is in place.<sup>1</sup> Because the distance  $E_0A$  is unknown, we take two approaches to estimate the response if the travel restriction were lifted. The first approach, which is similar to that of Robyn and others,<sup>2</sup> focuses on estimating the distance  $E_0B$ . It is assumed that U.S. citizens in the absence of restrictions will travel to Cuba in a

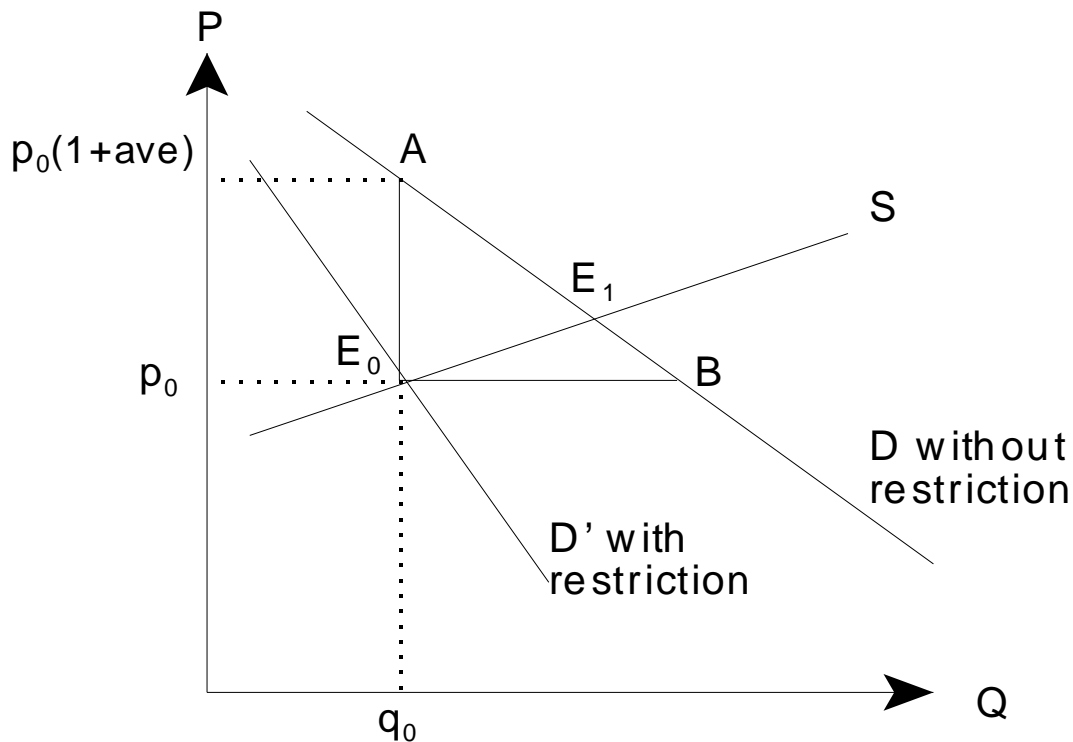
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<sup>1</sup> The initial price,  $p_0$ , is a composite price for all tourism services.

<sup>2</sup> Robyn, Dorothy, et al, "The Impact on the U.S. Economy of Lifting Restrictions on Travel to Cuba."

proportion similar to Canadians.<sup>3</sup> Cuba is the fifth largest tourist destination for Canadians, and this approach generates a long-run estimate. Almost 518,000 Canadians traveled to Cuba in 2005; if the same proportion of U.S. citizens were to go to Cuba, almost 4.8 million U.S. citizens would go to Cuba annually. Thus point B is established, and removing the restriction shifts the demand curve to D in figure F.1. Although this approach moves out the demand curve to match proportionally the number of Canadians visiting Cuba at current prices, supply is upward sloping; thus price rises, and the resulting number of tourists is less than if price had remained the same. The effect on the numbers of tourists is the same as if the price wedge  $E_0A$  were removed.

**Figure F.1 U.S. travel restriction**



<sup>3</sup> Robyn et al. argue that this is plausible because Canada and the United States are similar from socioeconomic and demographic viewpoints and have roughly similar percentages of their populations visiting the Caribbean region. Robyn, Dorothy, et al, "The Impact on the U.S. Economy of Lifting Restrictions on Travel to Cuba," 7.

Canadians have a history of visiting Cuba and may have developed an affinity for certain Cuban vacation sites that increases their propensity to return. Because these relationships have developed over a long period, U.S. citizens may not immediately respond in a similar fashion. Although tourism in the Dominican Republic is more developed than in Cuba, the Dominican Republic has a range of Caribbean tourism services and offers somewhat similar vacation opportunities as Cuba. For example, the Dominican Republic, which is also Spanish speaking, offers several all-inclusive beach-centered tourism options similar to Cuba. To represent a short-run demand shift, it is assumed that an equal number of U.S. citizens would travel to Cuba as currently travel to the Dominican Republic. In 2005, 1.4 million U.S. citizens visited the Dominican Republic. Because U.S. citizens may have become partial toward particular aspects of the Dominican tourism experience, this may be considered as a fairly large short-run response.<sup>4</sup> This approach is similar to the previous one in that an estimate of point B in figure F.1 has been made.

The final approach focuses on estimating the ad valorem equivalent tariff ( $E_0A$  in figure F.1, where  $D'$  is effective demand with the restriction); the effects of removing the restriction are then calculated by removing the estimated equivalent tariff. Some U.S. travelers circumvent the restriction by going through a third country. An ad valorem equivalent tax is estimated as the extra cost that such a traveler has to pay. Under these circumstances, the full price of a trip for a U.S. citizen ( $p_f$ ) includes regular air (or boat) fare ( $p_A$ ); the additional fare for traveling through a third country ( $p_{Axl}$ ); an ad valorem risk premium ( $r$ ) related to the possible negative consequences associated with circumventing the travel restriction;<sup>5</sup> and spending in Cuba on lodging, food, and other items ( $p_c$ ).

$$p_f = p_A + p_{Axl} + (1 + r) p_c$$

The extra cost of making the trip with the restriction in place includes the additional expenses for traveling through a third country ( $p_{Axl}$ ) and the risk premium ( $r p_c$ ). The unit price ( $p_0$  in figure F.1) of a trip without the travel restriction does not include these extra costs and is simply  $p_A + p_c = p_0$ . The ad valorem equivalent tariff (ave in figure F.1) is thus estimated as the extra costs over the unit price without the restriction  $(p_{Axl} + r p_c)/p_0$ .

The Commission estimates these expenditures as follows. Regular U.S. airfare to Cuba is estimated at \$600 based on round trip airfare between St. Louis (which is near the population center of the United States) and the Dominican Republic. Under the restrictions the traveler first goes to Cancun (also about \$600 round trip) and pays an additional \$450 for round trip airfare between Cancun and Cuba.<sup>6</sup> We assume the risk premium is half of the in-country price of tourism services. If a tourist spends \$1000 per visit in-country, the unit price without the restriction would be  $\$600 + \$1000 = \$1,600$ . The extra costs under the restriction are  $\$450 + 0.5 \times (\$1000) = \$950$ . The ad valorem equivalent tariff is thus estimated as  $(100 \times (\$950 / \$1600)) = 59$  percent.

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<sup>4</sup> A similar response would be obtained by selecting another destination with similar numbers of visits by U.S. citizens. For example, approximately the same number of U.S. tourists visited Jamaica as the Dominican Republic in 2005.

<sup>5</sup> Tourism travel to Cuba is not licensed, and the restriction applies to travel through third countries. Such travelers may face civil penalties and criminal prosecution when they return to the United States. See [http://travel.state.gov/travel/cis\\_pa\\_tw/cis/cis\\_1097.html](http://travel.state.gov/travel/cis_pa_tw/cis/cis_1097.html).

<sup>6</sup> Other popular third-country sites include Canada, Cayman Islands, Jamaica, Nassau, and the Dominican Republic. Although fares vary somewhat, fares through Cancun are competitive with these other sites.

## Model

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Despite little U.S. travel, tourism in Cuba is well developed, with over two million foreign visitors per year in recent years. International visitors account for all of the more developed types of tourism in Cuba, as Cuban nationals cannot afford most accommodations for international visitors and are also prohibited from doing so. The demand for tourism services in Cuba is represented as the horizontal or quantity sum of the demand by U.S. residents and the demand by non-U.S. visitors. International visitors, as well as Cuban suppliers of tourism services,<sup>7</sup> respond to price signals; thus the equilibrium number of tourists in the Cuban market is represented by setting the supply of tourism services in Cuba, as a function of price, equal to the sum of the U.S. and non-U.S. demands. In figure F.2,  $D^1$  represents non-U.S. demand, and effective U.S. demand is the difference between total market demand  $D^0$  and  $D^1$ . Initial equilibrium is at the point  $(q^0, p^0)$ ;  $q^1$  is the number of non-U.S. visitors, and  $q^0 - q^1$  are the U.S. visitors. When the restriction on U.S. travel is removed, total market demand shifts out to  $D^*$ , and the resulting equilibrium is  $(p^*, q^*)$ . Because  $p^* > p^0$ , fewer non-U.S. visitors demand tourism services in Cuba; examination of the non-U.S. demand curve  $D^1$  at price  $p^*$  shows that the resulting number of non-U.S. visitors is  $q^2$ , and the number of U.S. visitors is  $q^* - q^2$ . Implicitly a price wedge has been removed for U.S. residents as their quantity expands. While the market price increases for non-U.S. tourists, the implicit price for U.S. tourists decreases. Thus, U.S. residents will substitute away from similar markets for tourism services into Cuba, but non-U.S. residents will find the relatively lower prices in alternative markets more attractive and substitute towards those markets.

### *Demand*

Demand for international tourism depends upon the preferences and income of the tourist and relative prices in the destination countries. U.S. tourists because of their high income are believed to spend more than tourists from many other countries. Europeans are also believed to stay longer and spend more than many other tourists.<sup>8</sup> As incomes rise, consumers tend to spend a greater portion of income on tourism.<sup>9</sup> In this model, income is assumed to remain constant and is not discussed further.

It is assumed that both the representative U.S. and non-U.S. tourists have a category of demand that can be called Caribbean tourism services.<sup>10</sup> It is assumed that these consumers

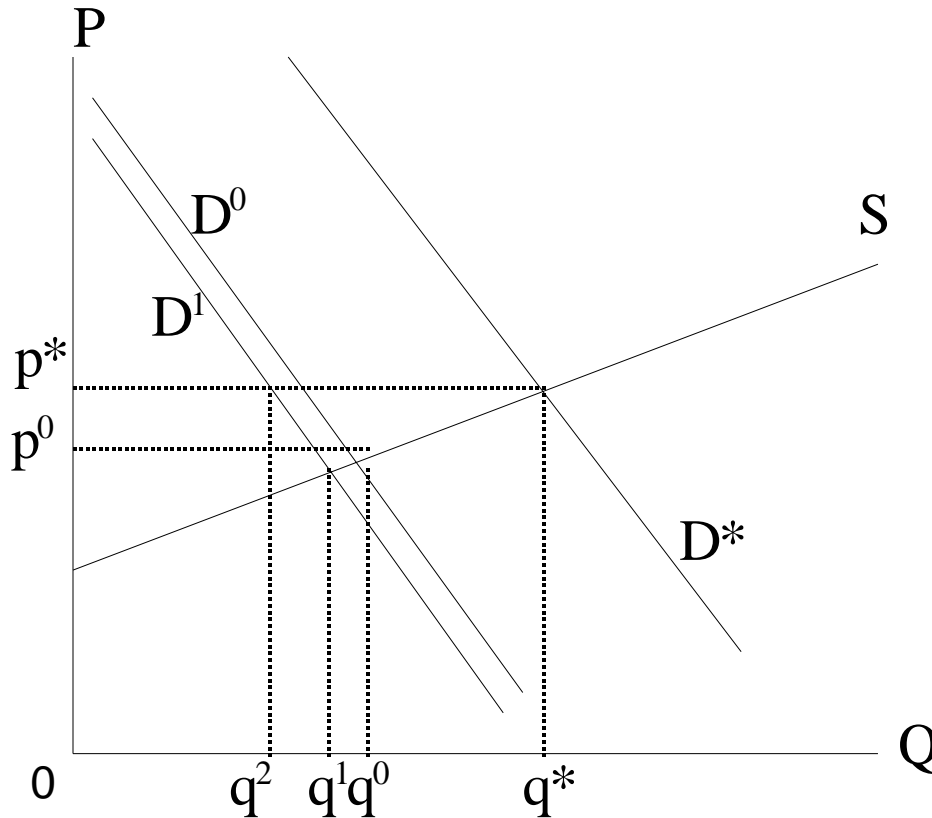
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<sup>7</sup> Various parts of the Cuban government and multinational firms provide tourism services and hold equity positions in hotels in Cuba. Private Cuban residents supply only a very small part of these services through room and board arrangements (*casas particulares*) and local eateries (*paladares*). Because tourism is a global market, monopolistic concerns are not considered here.

<sup>8</sup> ARA Consulting Group, Systems Caribbean, and KPMG Peat Marwick. "A Study to Assess the Economic Impact of Tourism on Selected CDB Borrowing Member Countries," 42.

<sup>9</sup> For example, Rosensweig finds an income elasticity of international tourism of 1.5. Rosensweig, "Elasticities of Substitution in Caribbean Tourism," 89-100.

<sup>10</sup> To some degree, a tourist may substitute any destination with any other somewhat similar destination, but Rosensweig finds greater substitution within Caribbean destinations than between Caribbean and European or North American destinations. Rosensweig, "Elasticities of Substitution in Caribbean Tourism," 89-100.

**Figure F.2** Removal of restriction on U.S. travel

have similar but not identical preferences<sup>11</sup> for tourism services in (1) Cuba, (2) South Florida, (3) Puerto Rico and the U.S. Virgin Islands, and (4) other Caribbean destinations.<sup>12</sup>

Generally, the demand for tourism is thought to be elastic because of the discretionary nature of tourism compared to food, for example, and empirical studies in Europe have found own-price demand elasticities in the range of -1.8.<sup>13</sup> However, studies in the Caribbean have found the demand for tourism to be inelastic, allegedly because of the different characteristics of each island. Crouch and Shaw found the price elasticity of tourism spending to be -0.39; Hiemstra and Ismail found the demand elasticity of hotel rooms to be -0.44.<sup>14</sup> This study uses

<sup>11</sup> This is the "Armington assumption." The technical details can be seen in Armington, "A Theory of Demand for Products Distinguished by Place of Origin," 159-178, and Francois and Hall, "Partial Equilibrium Modeling," 135-139.

<sup>12</sup> Included are Anguilla, Antigua and Barbuda, Aruba, Barbados, Bonaire, Cancun, Cayman Islands, Curacao, Dominica, Dominican Republic, Grenada, Jamaica, Montserrat, St. Lucia, St. Maarten, St. Vincent and the Grenadines, and Trinidad and Tobago.

<sup>13</sup> Durbarry, "Long-Term Structural Tourism Demand Modeling: An Application to France."

<sup>14</sup> These studies were summarized in Dixon, et al, "Tourism and the Environment in the Caribbean: An Economic Framework," 45-46. Papers in this series are not formal publications of the World Bank, but are circulated to encourage thought and discussion.

an aggregate demand elasticity for Caribbean tourism services of -1.2.<sup>15</sup> Similar aggregate demand elasticities for the category of Caribbean tourism were used for U.S. and non-U.S. consumers.

The degree that one tourist destination can be substituted for another is measured by the elasticities of substitution, which theoretically ranges between 0, indicating no substitution, and infinity, indicating perfect substitution. There is little empirical work on substitution elasticities for this region.<sup>16</sup> The elasticities of substitution used for this study are shown in table F.1; they indicate a relatively small degree of substitution between these markets.<sup>17</sup> U.S. tourists are believed to be less likely to substitute between Cuba and markets such as South Florida, Puerto Rico, and the U.S. Virgin Islands that do not require visas. Non-U.S. tourists are believed to substitute more between Cuba and other Caribbean destinations than destinations associated with the United States.

**Table F.1** Elasticities of substitution for U.S. and non-U.S. travelers

|                                   | South Florida            | Puerto Rico & U.S. Virgin | Other Caribbean |
|-----------------------------------|--------------------------|---------------------------|-----------------|
|                                   | For the U.S. tourist     |                           |                 |
| Cuba                              | 2                        | 2                         | 4               |
| South Florida                     | 4                        | 2                         | 2               |
| Puerto Rico & U.S. Virgin Islands | 3                        | 3                         | 3               |
|                                   | For the non-U.S. tourist |                           |                 |
| Cuba                              | 2                        | 2                         | 3               |
| South Florida                     | 3                        | 2                         | 2               |
| Puerto Rico & U.S. Virgin Islands | 3                        | 3                         | 3               |

Source: Commission estimate.

Representative U.S. and non-U.S. consumers or travelers currently purchase tourism services from all Caribbean market segments. The representative U.S. traveler currently purchases most of these services in South Florida and other Caribbean destinations and very little from Cuba (first column of table F.2), and the representative non-U.S. traveler purchases most Caribbean tourism services from other Caribbean destinations and relatively little from South Florida (second column of table F.2). Theory requires that these should be shares of expenditures of each representative traveler in the different market segments. Comprehensive data on expenditures are unavailable, and these estimates are based on the numbers of tourists in the different market segments. This approach implicitly assumes that expenditures are the same in different destinations. The relative importance of U.S. and non-U.S. travelers, again based on the number of tourists, are also shown for each destination in the last two columns of table F.2.

<sup>15</sup> An aggregate demand elasticity of -0.7 was tried but did not greatly affect the results, and runs with that elasticity are not reported.

<sup>16</sup> Rosensweig reported intra-Caribbean elasticities in the range of 2 to 3. Rosensweig, J.A., "Elasticities of Substitution in Caribbean Tourism," *Journal of Development Economics* 29 (1988): 89-100.

<sup>17</sup> Simple demand functions that are linear in logs were used, which, unlike demand functions using the CES functional form, permit different elasticities of substitution for different destinations.

**Table F.2** Market shares by representative U.S. and non-U.S. travelers and the shares of foreign tourist expenditures attributed to U.S. and non-U.S. tourists in each destination

|                              | Representative U.S.<br>traveler's share of<br>purchases in each market | Representative Non-U.S.<br>traveler's share of<br>purchases in each market | U.S. market<br>share | Non-U.S.<br>market share |
|------------------------------|--|--|----------------------|--------------------------|
|                              | <i>Percent</i>   |  |                      |                          |
| Cuba                         | 3.4  | 13.7   | 7.5                  | 92.5                     |
| Other Caribbean destinations | 36.7   | 58.5   | 47.5                 | 52.5                     |
| Puerto Rico & Virgin Islands | 12.9   | 16.2   | 83.5                 | 16.5                     |
| South Florida                | 47.0   | 11.6   | 90.8                 | 9.2                      |

Source: Staff calculations based on data in Caribbean Tourism Organization, *Statistical Report 2002-2003* and "Latest Statistics 2005," (September 2006) and "Tourist Arrivals by Main Market - 2005"; Rochell Broder-Singer, "Tourism Statistics South Florida," (June 2004); Office of Travel and Tourism Industries, U.S. Dept. of Commerce, "U.S. Citizen Air Traffic to Overseas Regions," 2005.

## Supply

Cuba offers a number of beaches both on the main island and on keys and the number of hotel rooms has been increasing, as shown in table F.3. It is believed that within the present framework (no major policy changes in Cuba) supply will likely continue to increase in the intermediate run. Cuba's cost of supplying tourism services is believed to be similar to that of other islands in the Caribbean.<sup>18</sup> Hiemstra and Ismail estimated a supply elasticity for hotel rooms in the Caribbean of 2.86.<sup>19</sup> An elasticity of supply of 3 was used for each country.

**Table F.3** Cuban travel data

|      | International arrivals of<br>overnight tourists (1,000) | Number of rooms in hotels<br>& other establishments | Mean annual occupancy<br>rate (percent) |
|------|---|---|---|
| 2000 | 1,741   | 38,072  | 74.2                                    |
| 2001 | 1,736   | 40,158  | 64.7                                    |
| 2002 | 1,656   | 41,323  | 59.7                                    |
| 2003 | 1,847   | 43,696  | 61.8                                    |
| 2004 | 2,017   | 45,270  | 63.5                                    |
| 2005 | 2,261   | 45,644  | 63.6                                    |

Source: Cuban Oficina Nacional de Estadística, *Anuario Estadístico de Cuba, 2005*, chap. 13.

In the short run the lack of hotel rooms and other tourist amenities hinder Cuba's ability to respond to large increases in the number of tourists. To represent this situation, a short-run upper bound was calculated by assuming that the trend rate of increases in the number of rooms between 2000 and 2005 would continue for the next three years and that the mean annual occupancy rate would increase from a mean of 65 percent to 80 percent, which is a practical upper limit given the seasonal peaks during the winter months but allow for the fact

<sup>18</sup> The extensive requirements and approvals necessary for infrastructure development raise Cuba's capital costs somewhat in comparison to competing suppliers, but its labor costs are thought to be less. Cuba has a well-educated population and over 20 hospitality schools to train tourism professionals. Cerviño and Cubillo, "Hotel and Tourism Development in Cuba: Opportunities, Management Challenges, and Future Trends," 223-246.

<sup>19</sup> Hiemstra and Ismail, "Incidence of the Impacts of Room Taxes on the Lodging Industry," 22-26.



that some Americans typically travel during the summer.<sup>20</sup> This approach results in a short-run capacity limit of 2.8 million tourists per year. When the capacity constraint is reached, the supply curve becomes vertical; thus price can still rise, but quantity cannot increase beyond this point. Sustained high prices signal investors that profits can be made by investing in tourism infrastructure, so the lack of hotel rooms is not expected to constrain the number of overnight tourists in the long run.

### ***Market Equilibrium***

Equilibrium in each market occurs where supply equals the sum of the demands of the representative U.S. and non-U.S. consumers. The following group of equations constitute the model where the left-hand side is supply, the first term on the right-hand side is demand by U.S. residents and the second term is demand by non-U.S. residents.

where

- the  $p$ 's are prices;
- the  $k$ 's, the  $K$ 's, and  $J$ 's are constants related to initial conditions;
- the  $c$ 's,  $F$ 's,  $V$ 's, and  $O$ 's are subscripts representing, respectively, Cuba, South Florida, Puerto-Rico and the U.S. Virgin Islands, and the rest of the Caribbean;  $c$ -US indicates the special implicit price for U.S. tourists in the Cuban market;
- $b$  shifts U.S. demand in the Cuban market in the quantity shock version; otherwise it equals 1;  $t$  is the ad valorem equivalent tariff that is removed in the price wedge version; otherwise it equals 0;
- the  $\varepsilon$ 's are supply elasticities;

$$k_c p_c^{\varepsilon_c} = K_c b \left( \frac{p_{c-US}}{1+t} \right)^\eta p_F^{\psi_{cF}} p_V^{\psi_{cV}} p_O^{\psi_{cO}} + J_c p_c^\phi p_F^{\chi_{cF}} p_V^{\chi_{cV}} p_O^{\chi_{cO}}$$

$$k_F p_F^{\varepsilon_F} = K_F p_{c-US}^{\psi_{FC}} p_F^{\eta_F} p_V^{\psi_{FV}} p_O^{\psi_{FO}} + J_F p_c^{\chi_{FC}} p_F^\phi p_V^{\chi_{FV}} p_O^{\chi_{FO}}$$

$$k_V p_V^{\varepsilon_V} = K_V p_{c-US}^{\psi_{VC}} p_F^{\psi_{VF}} p_V^{\eta_V} p_O^{\psi_{VO}} + J_V p_c^{\chi_{VC}} p_F^{\chi_{VF}} p_V^\phi p_O^{\chi_{VO}}$$

$$k_O p_O^{\varepsilon_O} = K_O p_{c-US}^{\psi_{OC}} p_F^{\psi_{OF}} p_V^{\psi_{OV}} p_O^{\eta_O} + J_O p_c^{\chi_{OC}} p_F^{\chi_{OF}} p_V^{\chi_{OV}} p_O^\phi$$

- the  $\phi$ 's and  $\eta$ 's are own-price elasticities, respectively, for non-U.S. and U.S. demand; and
- the  $\chi$ 's and  $\psi$ 's are cross price elasticities, respectively, for non-U.S. and U.S. demand.

The own-price and cross-price demand elasticities are calculated from the aggregate demand elasticities, the substitution elasticities, and the market shares using the approach of Francois and Hall.<sup>21</sup> The simulations based on this model are reported below.

<sup>20</sup> Cerviño and Cubillo point out that related infrastructure, such as airports, and tourist attractions must be developed at the same time as hotels and that these related investments may be less developed than hotels in Cuba. Cerviño and Cubillo, "Hotel and Tourism Development in Cuba: Opportunities, Management Challenges, and Future Trends," 223-246.

<sup>21</sup> Formulas 5.43 and 5.44 in Francois and Hall, 138 were used.

## Results

In this model, the initial equilibrium in the Cuban market has 2.261 million total tourists of which 171,000 are U.S. citizens, and the market clearing price for purchases in Cuba is \$1000 per tourist. These figures are based on Cuban government and World Tourist Organization data and adjusted for the numbers of Cuban Americans traveling to Cuba as reported in Chapter 3.

First, the demand for tourism services in Cuba by U.S. citizens is shifted out in similar proportion to that of Canadian demand. The results are large, and the total of over 4 million tourists must be viewed as a long-run response because it exceeds Cuba's current capacity to absorb tourists (table F.4).

**Table F.4** Long-run results from removing travel ban under the Canadian-like demand shift

| Market                            | Price                      | Quantity                       | Value                |
|-----------------------------------|----------------------------|--------------------------------|----------------------|
|                                   | <i>Percent change</i>      |                                |                      |
| Cuba                              | 21.8                       | 80.6                           | 102.3                |
| South Florida                     | -2.8                       | -8.5                           | -11.3                |
| Puerto Rico & U.S. Virgin Islands | -2.0                       | -6.1                           | -8.1                 |
| Other Caribbean destinations      | -4.6                       | -13.8                          | -18.4                |
| <b>Number of tourists in Cuba</b> | <b>U.S. origin (1,000)</b> | <b>Non-U.S. origin (1,000)</b> | <b>Total (1,000)</b> |
| Resulting total by source         | 2,799                      | 1,283                          | 4,083                |
| Net change by source              | 2,628                      | -807                           | 1,822                |

Source: Staff estimation.

Note: Totals may not add due to rounding.

In this scenario, large numbers of U.S. citizens shift purchases of tourism services toward the Cuban market, which negatively affects the other markets. However, non-U.S. tourists shift into those other markets, which mitigates the negative effects somewhat. The effect is largest in the other Caribbean destination which is thought to be most substitutable with the Cuban market.

Next, the short-run response is examined in which demand shifts out as if the same number of U.S. citizens visit Cuba as currently visit the Dominican Republic and limits on Cuba's ability to furnish tourism services is taken into account. Applying the estimated capacity constraint of 2.8 million tourists per year increases the price of tourism services in the Cuban market (table F.5). Shifting out the U.S. demand crowds some non-U.S. visitors out of the market, but changes in the numbers of tourists by source are smaller than in the long-run scenario.<sup>22</sup> Effects in the other markets are also less than in the long-run scenario.

<sup>22</sup> The capacity constraint, as previously discussed, is based on limits to hotel occupancy. Other short-run constraints likely apply specifically to U.S. travel. For example, a new air transport agreement between Cuba and the United States would have to be negotiated, and Cuba is not currently in compliance with FAA safety regulations and would not be permitted to fly into the United States. Although these barriers could be overcome in the long run, they would be additional constraints that limit the number of U.S. travelers to Cuba in the short run.

**Table F.5** Results with the short-run supply restriction from removing travel ban under the Dominican-Republic-like demand shift

| Market                            | Price                 | Quantity                | Value         |
|-----------------------------------|-----------------------|-------------------------|---------------|
|                                   | <i>Percent change</i> |                         |               |
| Cuba                              | 9.4                   | 23.8                    | 33.3          |
| South Florida                     | -1.0                  | -3.1                    | -4.1          |
| Puerto Rico & U.S. Virgin Islands | -0.7                  | -2.2                    | -2.9          |
| Other Caribbean destinations      | -1.6                  | -4.9                    | -6.5          |
| Number of tourists in Cuba        | U.S. origin (1,000)   | Non-U.S. origin (1,000) | Total (1,000) |
| Resulting total by source         | 1,127                 | 1,672                   | 2,799         |
| Net change by source              | 956                   | -418                    | 538           |

Source: Staff estimation.

Finally, the approach of removing an ad valorem equivalent tariff of 59.4 percent was taken. The effects under this scenario are much smaller (table F.6) than under the other approaches. The estimated equilibrium total number of tourists is less than the short-run quantity constraint. Effects in the other markets are also modest.

**Table F.6** Short-run results from removing travel ban under the ad valorem tariff approach

| Market                            | Price                 | Quantity                | Value         |
|-----------------------------------|-----------------------|-------------------------|---------------|
|                                   | <i>Percent Change</i> |                         |               |
| Cuba                              | 3.2                   | 10.0                    | 13.2          |
| South Florida                     | -0.4                  | -1.2                    | -1.6          |
| Puerto Rico & U.S. Virgin Islands | -0.3                  | -0.9                    | -1.2          |
| Other Caribbean destinations      | -0.7                  | -2.0                    | -2.7          |
| Number of tourists in Cuba        | U.S. origin (1,000)   | Non-U.S. origin (1,000) | Total (1,000) |
| Resulting total by source         | 554                   | 1,932                   | 2,487         |
| Net change by source              | 383                   | -158                    | 226           |

Source: Staff estimation.

Note: Totals may not add due to rounding.

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# **APPENDIX G**

## **Analytical Framework and Assumptions**

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# Analytical Framework and Assumptions in Estimating U.S. Sales of Agricultural Products to Cuba with Financing and Travel Restrictions Removed

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## *Analytical Framework*

### **Scenario 1: Lifting Financing Restrictions on U.S. Agricultural Exports to Cuba**

The analytical framework used to assess the effects of financing restrictions on U.S. exports of agricultural products to Cuba can be illustrated in two ways—from a simple pie chart and from a supply-demand diagram—as shown in figure G.1. In the pie chart, initial Cuban imports of an agricultural product from all country sources are represented by the entire pie (areas A+B+C), with the U.S. share of imports represented by the pie slice, A, and the rest-of-the-world share represented by the slices B and C (figure G.1, panel a). Lifting financing restrictions makes U.S. exporters more competitive vis-à-vis the rest-of-the-world in the Cuban market. The U.S. slice of the pie grows from A to A+B as U.S. exporters displace other Cuban import suppliers (although they keep the slice C). Also, lifting the financing restrictions causes the entire pie to grow slightly (so the U.S. share grows to include D) because the lower U.S. price generates additional purchases by Cuban importers. The U.S. share of imports is represented initially by  $A/(A+B+C)$ , and after the restrictions are lifted by  $(A+B+D)/(A+B+C+D)$ .<sup>1</sup>

Alternatively, the framework can be illustrated with Cuban import supply and demand curves (figure G.1, panel b). Initially, the total supply of imports is given by  $S_{ROW+US}^0$  which is the horizontal sum of the supply schedules of the rest-of-the-world ( $S_{ROW}^0$ ) and the United States.<sup>2</sup> Note that the supply curves are drawn relatively flat, capturing the assumption that both U.S. and rest-of-the-world supplies are highly elastic with respect to price. This is because Cuba, a small buyer of agricultural products compared with the overall world market, is not expected to significantly alter the world price as a result of changing its level of purchases. Cuba's demand is represented by  $D_{Cuba}$ . With financing restrictions in place, an initial equilibrium is  $Q_T^0$ , of which the rest-of-the-world supplies  $Q_{ROW}^0$  (represented by the areas B+C) and the United States supplies,  $Q_{US}^0$  (area A). The initial equilibrium price is  $P^0$ .

It is assumed that the payment and financial restrictions placed on U.S. exports to Cuba cause the U.S. supply curve to be higher than it would otherwise be. Lifting those restrictions shifts the U.S. supply curve down because a price gap applied to U.S. commodities is removed. The result is that the overall supply schedule faced by Cuban importers moves from  $S_{ROW+US}^0$  to  $S_{ROW+US}^1$ . A new equilibrium is reached at price,  $P^1$ , and imports,  $Q_T^1$ , made up of supplies from the rest-of-the-world,  $Q_{ROW}^1$ , and from the United States,  $Q_{US}^1$ . Total

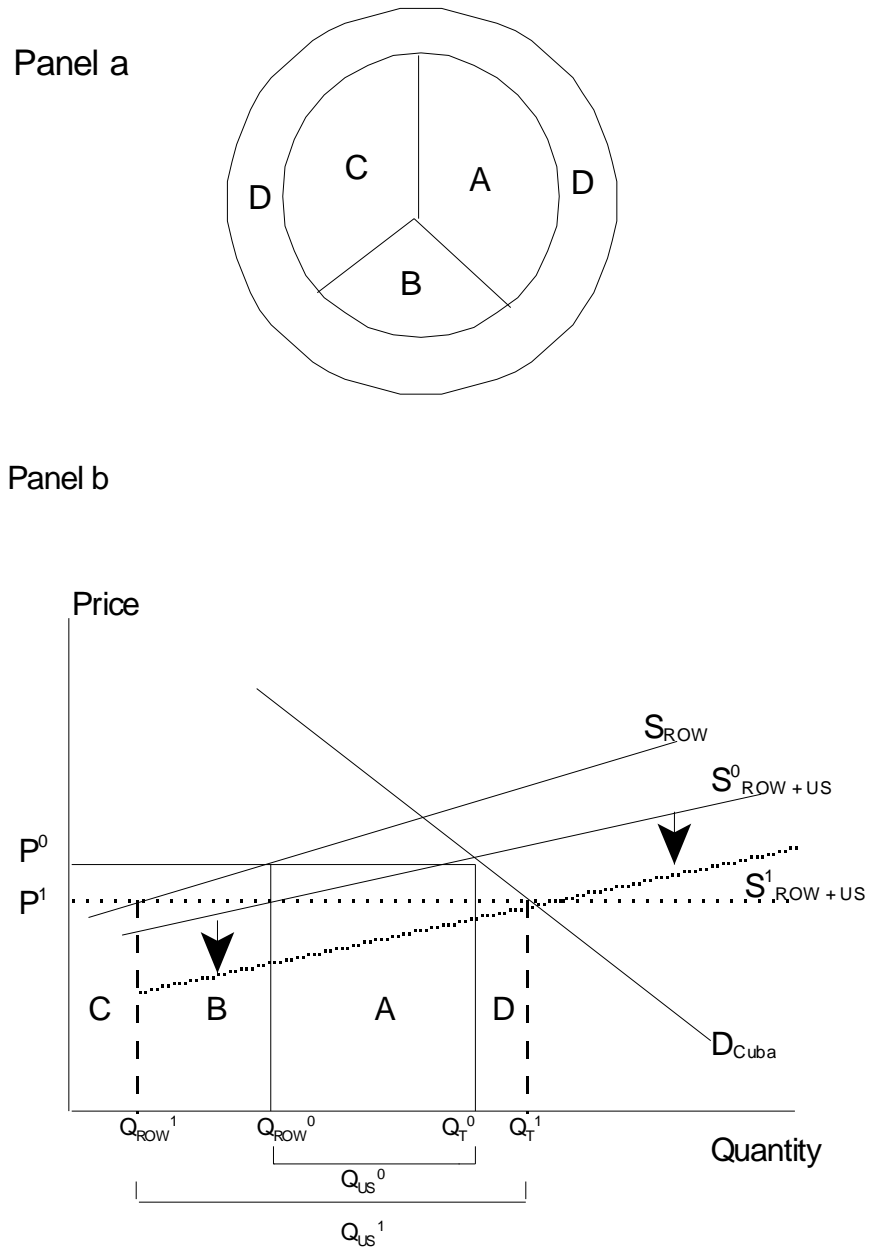
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<sup>1</sup> Although lower prices of U.S. imports may cause Cubans to import more from any import source including from the U.S., U.S. imports are shown to be represented by A+B+C+D for simplicity of presentation.

<sup>2</sup> For ease of presentation, the U.S. supply schedule is not drawn. It can be traced as the horizontal distance between  $S_{ROW+US}^0$  and  $S_{ROW}^0$ .



**Figure G.1** Illustrative effect of lifting financing restrictions on U.S. agricultural exports to Cuba



Cuban imports are made up of  $A+B+C+D$ , with area B representing U.S. imports formerly supplied by the rest-of-the-world, and area D representing the additional Cuban demand associated with a lower price supplied by the United States.

### **Scenario 2: Restrictions on Travel are Lifted**

In the second scenario, restrictions on travel by U.S. citizens to Cuba are lifted. This has two effects on the size of the pie (but not the slice because the financing restrictions are assumed to remain in place). First, the pie grows reflecting the macroeconomic impacts on the Cuban economy. With increased U.S. tourist expenditures, Cuba's GDP grows, thereby creating additional purchasing power with which Cubans can buy more imported food. Second, the pie grows because of greater numbers of tourists consuming food in Cuba, a large portion of which is imported food. In figure G.2, panel a, the growth in import demand is represented by the increase in the pie by the areas C and D, and Cuban imports from the United States change from  $A/(A+B)$  with the travel restrictions in place, to  $(A+C)/(A+B+C+D)$  without the restrictions.

The supply-demand representation of lifting the travel restrictions is shown in figure G.2, panel b. The initial equilibrium Cuban import level is  $Q_T^0$ , of which the United States supplies  $Q_{US}^0$  and the rest-of-the-world supplies  $Q_{ROW}^0$ . The equilibrium price is  $P^0$ . Lifting travel restrictions, as noted above, increases the demand for imports by Cuba, represented in figure G.2b as an upward shift in the demand curve from  $D_{Cuba}^0$  to  $D_{Cuba}^1$ . A new equilibrium is reached at a greater import level,  $Q_T^1$ , and higher price,  $P^1$ . Note the increase in imports is sourced from both the United States and rest-of-the-world,  $Q_{US}^1$  and  $Q_{ROW}^1$ , respectively.

## **Framework Assumptions**

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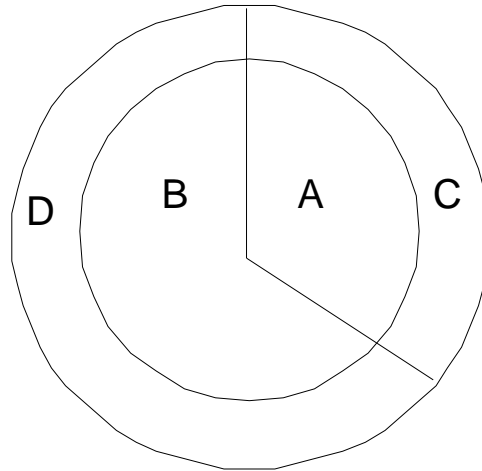
The analytical framework described above provides the basis on which the quantitative effects of lifting restrictions are estimated. The scenarios depicted in figures G.1 and G.2 were captured in a spreadsheet model using a set of base trade data, elasticities and multipliers, assumptions about the market segments (i.e., for consumption by locals and tourists) into which imported products are sold, and food expenditure patterns by tourists. Sources and assumptions made in selecting these model inputs are provided below.

### ***Commodity Sectors***

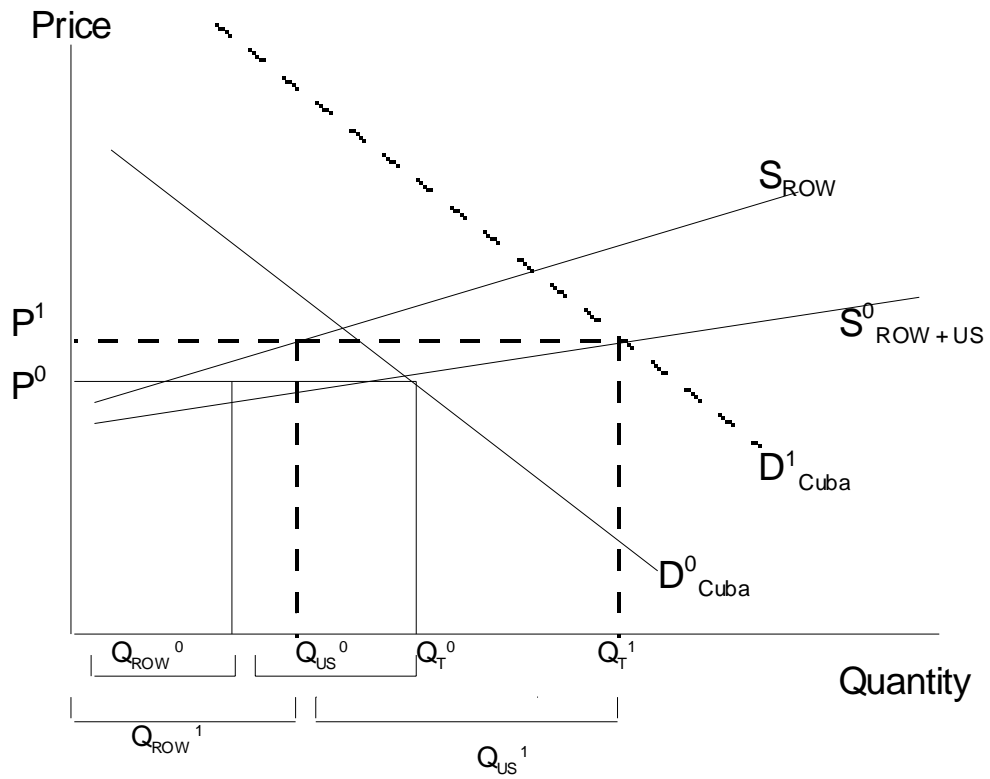
Base data and assumptions concerning the commodity sectors are shown in table G.1. Each column of this table is discussed below.

**Figure G.2** Illustrative effect of lifting travel restrictions on U.S. agricultural exports to Cuba

Panel a



Panel b



**Table G.1** Assumptions concerning individual commodity sectors

| Commodity       | Share of<br>tourist food<br>expenditure | Share of<br>imports for<br>tourist sector | Imports<br>from<br>World | Imports<br>from<br>U.S. | Price wedge    | Import<br>elasticity of<br>demand | U.S. & ROW<br>elasticity of<br>supply |
|-----------------|---|---|--------------------------|-------------------------|----------------|-----------------------------------|---------------------------------------|
|                 | <i>Percent</i>                          | <i>Percent</i>                            | <i>\$ mil.</i>           | <i>\$ mil.</i>          | <i>Percent</i> |                                   |                                       |
| Wheat           | 2                                       | 1   | 135.6                    | 51.4                    | 2.5 - 7.5      | -0.3                              | 5.0                                   |
| Rice            | 3                                       | 2   | 166.3                    | 39.5                    | 2.5 - 7.5      | -0.3                              | 5.0                                   |
| Corn            | 1                                       | 1   | 59.8                     | 42.6                    | 2.5 - 7.5      | -0.3                              | 5.0                                   |
| Animal feed     | 1                                       | 1   | 56.0                     | 42.3                    | 2.5 - 7.5      | -0.3                              | 5.0                                   |
| Soybeans        | 1                                       | 1   | 31.9                     | 31.7                    | 2.5 - 7.5      | -0.3                              | 5.0                                   |
| Fats & oils     | 3                                       | 1   | 39.0                     | 22.3                    | 2.5 - 7.5      | -0.3                              | 5.0                                   |
| Dry beans       | 1                                       | 1   | 79.1                     | 19.9                    | 2.5 - 7.5      | -0.3                              | 5.0                                   |
| Beef            | 8                                       | 10  | 42.3                     | 0.1                     | 5.0 - 10.0     | -0.6                              | 5.0                                   |
| Pork            | 8                                       | 20  | 33.6                     | 14.2                    | 5.0 - 10.0     | -0.6                              | 5.0                                   |
| Poultry         | 8                                       | 15  | 68.6                     | 44.7                    | 5.0 - 10.0     | -0.6                              | 5.0                                   |
| Milk powders    | 2                                       | 2   | 128.0                    | 12.6                    | 2.5 - 7.5      | -0.3                              | 5.0                                   |
| Other dairy     | 3                                       | 25  | 19.4                     | 0.1                     | 5.0 - 10.0     | -0.6                              | 5.0                                   |
| Processed foods | 30                                      | 25  | 66.0                     | 1.1                     | 5.0 - 10.0     | -0.8                              | 5.0                                   |
| Fish            | 15                                      | 20  | 25.8                     | 0.0                     | 5.0 - 10.0     | -1.3                              | 5.0                                   |
| Forest          | 2                                       | 1   | 57.5                     | 9.7                     | 2.5 - 7.5      | -0.3                              | 5.0                                   |
| Other products  | 12                                      | 5   | 141.9                    | 4.9                     | 5.0 - 10.0     | -0.3                              | 5.0                                   |

Sources: Global Trade Atlas and Commission estimates.

### Share of Tourist Food Expenditure

In scenario 2 (lifting the travel restrictions), an estimate of the additional tourist expenditure on food (in millions of dollars) is derived from estimates of the additional number of tourists, the number of days stayed, and the expenditure on food per tourist per day. How this additional expenditure impacts the demand for individual commodities requires an assumption about how tourists allocate their food expenditures among different products (e.g., for every dollar of tourist food expenditure, how many cents go to wheat, rice, beef, and pork). In the Commission's analysis, these assumptions were based on an extensive survey of Caribbean tourist spending patterns that provided estimates of food expenditures by product.<sup>3</sup> Because Cuba's tourism industry is well established, such Caribbean-wide patterns likely reflect spending patterns among tourists in Cuba itself. In cases where the commodity grouping in the cited study did not exactly match those in our analysis, information from industry and other sources was gathered by Commission staff and used to make appropriate adjustments.

### Share of Imports for Tourist Sector

In analyzing scenario 2, the framework splits Cuban imports among the two major market segments—the local population and tourists. This is because demand by Cubans is expected to respond to GDP growth, while demand by tourists is expected to reflect the number of tourists. Further, some imported products are more likely sold to Cubans (e.g., rice), while others are more likely for tourists (e.g., meat, fish, processed food, deciduous fruit). The

<sup>3</sup> Tourism Global Inc., *The Caribbean Accommodation Sector as a Consumer of Locally Produced Goods and Services and Contributor to Government Revenues*.

Cuban/tourist shares used in our estimates were based the Tourism Global, Inc., study,<sup>4</sup> analysis by the U.S. Department of Agriculture,<sup>5</sup> and discussions with Cuban officials.<sup>6</sup> In general, the tourist sector is assumed to account for a small share of bulk commodity imports (1-2 percent), and a higher share (10–25 percent) for higher-valued products.<sup>7</sup>

### **Imports from the World and the United States**

Statistics on Cuban trade with the world and United States were obtained from the Global Trade Atlas.<sup>8</sup> Cuban import data were based on the export data of supplying countries, owing to the fact that exporter data included 2005 and 2006, whereas Cuban import data only are reported through 2004.

### **Price Wedge**

To estimate the effect of Cuban Assets Control Regulations (CACR) on the sale of U.S. agricultural products to Cuba, it was necessary to first estimate the size of the cost wedge created by these regulations. The price wedge is the added cost per unit of U.S. exports of each commodity created by the restrictions that are the subject of this study. Without these restrictions, the price paid by Alimport would be lower; the difference in price is the price wedge.

The price wedge created by the regulations consists of two types of costs—direct costs and indirect costs. Direct costs are measurable and attributable to a specific product shipment, such as costs associated with procuring letters of credit, currency exchange, transportation, demurrage, and spoilage. Indirect costs are not measurable and not directly attributable to a specific shipment, such as costs associated with additional time needed to process transactions, administrative costs incurred in order to comply with the regulations, increased travel costs, and travel restrictions on some U.S. and most Cuban officials. Commission staff obtained information on these costs from interviews with industry officials.

### ***Letters of credit***

The costs associated with obtaining a letter of credit can range from less than 1 percent up to nearly 4 percent of the value of the shipment.<sup>9</sup> One industry source indicated that letter of credit fees ranged from 0.125 percent to 0.25 percent of the value of the letter of credit. Additional sources estimated the cost of obtaining a letter of credit at \$8,000 to \$10,000 per fully loaded bulk vessel.<sup>10</sup> During 2001–06, bulk shipments to Cuba averaged about 9,000 mt, valued at \$2.5 million.<sup>11</sup> Based on these values, the cost of obtaining a letter of credit for bulk shipments ranged from 0.3 percent to 0.4 percent of the value of the

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<sup>4</sup> Tourism Global Inc., *The Caribbean Accommodation Sector as a Consumer of Locally Produced Goods and Services and Contributor to Government Revenues*.

<sup>5</sup> U.S. Department of Agriculture. Foreign Agricultural Service, “Cuba HRI Food Service Sector.”

<sup>6</sup> Alimport officials, interview by Commission staff, Havana, Cuba, June 12, 2007; ITH officials, interview by Commission staff, Havana, Cuba, June 13, 2007.

<sup>7</sup> The share of imports for tourists covers products consumed in hotels and restaurants. It does not cover sales in convertible peso stores.

<sup>8</sup> Global Trade Atlas.

<sup>9</sup> Industry official, interview by Commission staff, April 2007.

<sup>10</sup> *Ibid.*, March 28, 2007, April 12, 2007, and April 17, 2007.

<sup>11</sup> *CubaNews*, “Despite the Obstacles, Cuba’s Alimport is Spending More than Ever on U.S. Food.”

shipment.<sup>12</sup> Additional information suggests that obtaining a letter of credit for smaller, container-based shipments is proportionally greater. For example, in March 2005, the charges on a 160 metric ton shipment of whey powder valued at about \$80,000 were stated to be between \$2,000 and \$3,000, representing 2.5 to 3.8 percent of the shipments value.<sup>13</sup> Other industry sources indicated that letter of credit fees could be as little as \$250.<sup>14</sup>

### *Demurrage costs*

Demurrage costs depend on whether the vessel is bulk or container. Demurrage for a bulk vessel in a U.S. port typically costs \$15,000 per day, and a bulk vessel can spend as many as 10 days at anchor owing to delays related to clearing letters of credit through third-country banks and other license requirements.<sup>15</sup> Container ship demurrage charges have been estimated at \$20,000 to \$30,000 per container ship per day (each vessel holding about 160 to 240 containers or about \$125 per container per day).<sup>16</sup> Container shipments typically consist of shipments based on several independent transactions with Alimport. Therefore, delays in the paperwork for any one transaction can delay all of the shipments, and in some cases vessels are forced to leave with only a partial load.<sup>17</sup> In April 2004, Cuban government officials indicated that Alimport had paid approximately \$18 million in extra charges because of shipping delays and currency exchange.<sup>18</sup> This represents 4.5 percent of the approximately \$400 million in U.S. agricultural exports to Cuba during 2001–03.<sup>19</sup>

### *High transport charges, foreign exchange transactions, and phytosanitary barriers*

Testimony before the Commission suggests that U.S. exporters of high-valued products (HVP) in non-bulk shipments face high transportation charges to Cuba because these shipments must frequently be shipped in half-empty vessels, or because the exporter must transport the merchandise to a more distant port where shipping services to Cuba exist.<sup>20</sup> Because of the restrictions, there is currently only one carrier operating container vessels that deliver HVPs to Cuba.<sup>21</sup> In 2007, this carrier shipped only once per week to Cuba, causing delays of merchandise at the U.S. port.<sup>22</sup> There are many other container lines originating from U.S. Gulf ports or U.S. ports along the Eastern Seaboard that could offer efficient delivery of U.S. agricultural products sold to Cuba.

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<sup>12</sup> Representatives of the U.S. poultry industry stated that the cost of a letter of credit was \$7,300 for a shipment of chicken parts valued at \$1.9 million or 0.38 percent. United States Poultry and Egg Export Council, written statement to the Commission, May 8, 2007.

<sup>13</sup> *CubaNews*, “In Wake of Tough New OFAC Regulations Food Exporters Turn to Letters of Credit.”

<sup>14</sup> United States Poultry and Egg Export Council, written statement to the Commission, May 8, 2007.

<sup>15</sup> Bonilla, Commission Hearing Transcript.

<sup>16</sup> Roger Johnson, North Dakota Commissioner of Agriculture, post-hearing written statement to the Commission, May 7, 2007.

<sup>17</sup> *Ibid.*

<sup>18</sup> Luxner, “Pedro Alvarez: Cuba Hungry for American Food Imports.”

<sup>19</sup> Industry sources have also told staff that Cuban importers were incurring large demurrage costs even before the U.S. rules were changed, and that demurrage costs are as much related to inefficiencies in the Cuban system as they are U.S. regulations. The information collected suggests that demurrage costs could be decreased, though not completely eliminated, if U.S. regulations were changed.

<sup>20</sup> Roger Johnson, North Dakota Commissioner of Agriculture, post-hearing written statement to the Commission, May 7, 2007; United States Poultry and Egg Export Council, written statement to the Commission, May 8, 2007; and industry officials, interview with Commission staff, April 27, 2007.

<sup>21</sup> United States Poultry and Egg Export Council, written statement to the Commission, May 8, 2007.

<sup>22</sup> Commission staff interview with Cuban officials, Havana, June 12-14, 2007.

Current U.S. restrictions prohibit foreign vessels that dock in Cuba from using U.S. ports for a six month period, and therefore many foreign flag shippers are precluded from competing to transport U.S. merchandise to Cuba. The Cuban-flag vessels of the Melfi Marine Container Company cannot enter U.S. ports to pick up U.S. merchandise.<sup>23</sup> As a result, maritime charges for U.S. containers exported to Cuba are much higher than for U.S. containers moving to other close Caribbean ports, such as to Haiti (which is about 60 miles from Cuba).<sup>24</sup> In addition, the cost of moving bulk cargo from U.S. ports to Havana in 2007 was double that to the Dominican Republic. Industry officials attributed this to U.S. restrictions and the lack of unloading capability at Cuban ports, which can only handle vessels of less than 25,000 mt, and because it takes much longer to unload the bulk cargo in the Cuban port.<sup>25</sup>

Regardless of whether demurrage is incurred or not, U.S. financing regulations increase processing time and the probability that shipping delays will occur. Therefore, the inherent risk of a 3-5 day delay in shipping perishable products that are refrigerated but not frozen (such as fresh fruits and vegetables), to Cuba is too great since such a delay could cause significant and unacceptable product loss. With only a once weekly container ship to Cuba, U.S. products can be delayed 10-13 days if a ship is missed.<sup>26</sup> As a result, very little produce (other than some U.S. apples) are reported to be exported to Cuba. According to Cuban officials, the cost of requiring payments in funds other than U.S. dollars and the involvement of third-country banks is significant.<sup>27</sup> It is reported that such costs amounted to \$30 million in 2006.<sup>28</sup>

Travel restrictions placed on Cuban officials limit the ability of U.S. exporters to make product sales. For example, the inability of Cuban phytosanitary officials to travel in the United States precluded the sale of North Dakota seed potatoes to Cuban buyers.<sup>29</sup> In addition, no U.S. beef has been purchased because of Cuban sanitary and phytosanitary officials' inability to visit the United States.<sup>30</sup> In the case of fresh table potatoes, Cuban phytosanitary officials have been unable to inspect Maine potato fields and cultural practices, which has prohibited the fulfillment of a \$6-\$9 million fresh potato contract with Alimport.<sup>31</sup> U.S. beef exports to Cuba have been negligible largely because Cuban inspectors have not been granted visas to travel to the United States.<sup>32</sup> Similarly, although Cuba has indicated interest in purchasing U.S. live dairy cattle, the inability of Cuban officials to inspect the animals has stymied most sales.<sup>33</sup>

### **Demand and Supply Elasticities**

The price elasticities of export supply to Cuba for both U.S. and non-U.S. suppliers are assumed to be highly elastic (the U.S. supply curve in a supply-demand graph of the Cuban import market is close to horizontal) and in all cases an elasticity of +5 was used. This is

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<sup>23</sup> Commission staff interview with Cuban officials, Havana, June 13, 2007.

<sup>24</sup> *Ibid.*, June 12, 2007.

<sup>25</sup> U.S. industry officials, interview with Commission staff, June 21, 2007.

<sup>26</sup> Commission staff interview with Cuban officials, Havana, June 12-14, 2007.

<sup>27</sup> Alimport officials, interview by Commission staff, Havana, Cuba, June 12, 2007.

<sup>28</sup> *CubaNews*, "Alimport contracts for \$118 million in U.S. food purchases," June 2007.

<sup>29</sup> Johnson, Commission Hearing Transcript, 171.

<sup>30</sup> Commission staff interview with Cuban officials, Havana, June 12-14 2007.

<sup>31</sup> Maine Potato Growers, Inc., written submission to the Commission, May 4, 2007.

<sup>32</sup> Alimport officials, interview by Commission staff, Havana, Cuba, June 12, 2007.

<sup>33</sup> Industry officials, interview with Commission staff, May 2007.

because Cuba is a very small market compared with U.S. and global exports for all the commodities covered. The Cuban import demand elasticities were based on the assumption that import demand for food and agricultural products is inelastic with respect to price.<sup>34</sup> For bulk commodities, an elasticity of -0.3 was assumed on the basis of a review of several published sources of food demand elasticities covering a broad range of commodities and estimated for countries with similar economic characteristics to Cuba.<sup>35</sup> Elasticities for higher-valued products ranged from -0.6 to -1.3, again on assumptions drawn from the economic literature.

### Assumptions on Tourism

The number of net additional tourists (i.e., additional U.S. travelers to Cuba less non-U.S. tourists that would be displaced by U.S. tourists) in the short-term is assumed to range from 250,000 to 750,000 (see the tabulation below). This estimate is based on previous studies, and the Commission's own empirical estimates.<sup>36</sup> For a full discussion of this issue, see chapter 3. Data are required for expenditures on food per tourist per day, as well as the average length (in days) of a typical tourist's visit to Cuba. A number of published sources provide a ranges of estimates. Approximate mid-points for these ranges are daily tourist food expenditures of \$50 per day and 4.5 days per visit.<sup>37</sup>

| Assumptions concerning tourism sector      |                   |
|--|-------------------|
| No. of net additional tourists             | 250,000 - 750,000 |
| No. days per visit                         | 4.5               |
| Expenditure on food/tourist/day (\$)       | 50                |
| Tourist expenditure-GDP multiplier         | 1.45              |
| Import-GDP multiplier                      | 0.38              |
| Share of imports accounted for by food (%) | 15                |

Lifting the travel restrictions affects U.S. exports of agricultural products in two ways: (1) an increase in tourism directly increases Cuban demand for food imports to supply those added tourists, and (2) an increase in tourist spending expands the Cuban economy, which increases Cuban demand for food imports by its own citizens as well as foreign tourists. The first is measured by a GDP/tourist expenditure multiplier (the increase in GDP caused by an

<sup>34</sup> Tomek and Robinson, *Agricultural Product Prices*.

<sup>35</sup> There are several sources of useful estimates of food demand (price and income) elasticities (some for Cuba, some for Caribbean or Latin American countries that can be used as proxies for Cuba), including databases maintained by USDA such as *Datasets: International Food Consumption Patterns* (excluding Cuba but including most other Caribbean countries) and SWOPSIM (Static World Policy Simulation Modeling Framework); Wu, "Growth, Expansion of Markets and Income Elasticities in World Trade;" Hong, "Import Elasticities Revisited;" and Pacheco-Lopez and Thirlwall, "Trade Liberalization, the Income Elasticity of Demand for Imports, and Growth in Latin America." In addition, the Food and Agricultural Policy Research Institute maintains the FAPRI Searchable Elasticity Database (including Cuba).

<sup>36</sup> Commission estimates of net additional tourists are 226,000 to 538,000. For its estimate of U.S. agriculture exports absent restrictions, the Commission used the wider range of 250,000 to 750,000 which takes into account the uncertainty of how tourists may respond to the elimination of restrictions and encompasses the magnitude of the most likely response by tourists.

<sup>37</sup> Ministry of Tourism officials, interview by Commission staff, Havana, Cuba, June 13, 2007; Peters, "International Tourism: The New Engine of the Cuban Economy;" Robyn, Dorothy, et al., "The Impact on the U.S. Economy of Lifting Restrictions on Travel to Cuba;" Rosson, "Estimated Agricultural Economic Impacts of Expanded U.S. Tourism to Cuba."



increase in tourism spending), and the second by an import/GDP multiplier (the increase in import demand caused by an increase in GDP). Combined, the two enable an estimate of the overall impact on Cuban demand for food imports caused by an increase in tourism. The multipliers selected were 1.45 for the tourist expenditure-GDP multiplier and 0.38 for the GDP-import multiplier. The sources for these parameters included a number of published academic studies of tourism and import demand in Caribbean economies.<sup>38</sup> In its May 2007 report for Cuba, the Economist Intelligence Unit reported trade statistics for 2005. These data indicated that about 15 percent of all Cuban imports were accounted for by food (other major non-food imports were machinery and equipment, fuel, and chemicals).

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<sup>38</sup> Studies with estimates (or ranges of estimates for these multipliers include Perry, et al, "Cuban Tourism, Economic Growth, and the Welfare of the Cuban Worker;" Wu, "Growth, Expansion of Markets and Income Elasticities in World Trade;" Hong, "Import Elasticities Revisited;" and Pacheco-Lopez and Thirlwall, "Trade Liberalization, the Income Elasticity of Demand for Imports, and Growth in Latin America." In addition, researchers at Michigan State maintain a model to predict the effects of tourism for the U.S. Park Service; their research provides a range for a generic tourism multiplier (1.3 to 1.6). Stynes and Propst, "Money Generation Model version 2." Many tourism multipliers are estimated from input-output matrixes.

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# **APPENDIX H**

## **Economic Literature Review**

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## Literature Review

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No one, to our knowledge, has examined the particular modifications of the financial restrictions on agricultural exports to Cuba addressed in this report. Other studies have explored the benefits to U.S. consumers of adding Cuba as a travel option and the gains to U.S. producers from opening the Cuban market to U.S. agricultural exports. These studies indicate that liberalization of restrictions also benefits Cuban exporters of travel services and Cuban consumers of agricultural imports. However, uncertainty over the responses of both private consumers and producers and the Cuban and U.S. governments has resulted in a wide range estimated effects.

This literature review focuses on the relatively small set of studies that have examined the effects of U.S. restrictions on agricultural exports and travel to Cuba. Generally, only studies that make quantitative estimates of the effects were selected for review. These studies are organized into three subsections: multipurpose and general studies, agricultural exports, and travel and tourism.

### *Multipurpose and General Studies*

This section looks at the previous Commission study, which examined the effects on a number of sectors of removing the restrictions on U.S. trade with Cuba. These estimates of increased exports to Cuba are relatively small. A critique of the Commission study by a professor from the University of West Virginia follows, and a Ph.D. dissertation asserting that globalization has dampened the effectiveness of the U.S. sanctions on trade with Cuba is very briefly discussed.

The Commission evaluated the effects of removing U.S. sanctions on U.S.-Cuban bilateral trade in 2001.<sup>1</sup> The Commission used econometric procedures and analysts' judgments predicated on studies and testimony by industry groups to formulate its estimates of increased exports for the 2001 study (commodity estimates are reproduced in table H.1). The Commission also estimated that from 100,000 to 350,000 more U.S. residents might travel to Cuba if the travel ban were lifted.<sup>2</sup> Although some estimates at the time were higher, they were believed to be improbable because of the lack of hotel space.

A key component of the econometric procedures was a gravity model that assumes trade between two countries is a function of their GDPs and the economic distance between them. Here, economic distance is measured by physical distance, a country's score on the Heritage Foundation's economic freedom index, the count of the number of foreign born citizens from each country in the United States, and indicator variables for current and former communist countries and for NAFTA membership. The gravity equation was first estimated for a sample of countries including Cuba but not the United States. Next, potential shares of U.S. exports in Cuba's imports were estimated using actual U.S. trade data with third-country trading partners. These estimates were combined with the parameter estimates and particular values of variables for Cuba from the initial regression to generate potential U.S.-Cuba trade.

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<sup>1</sup> U.S. International Trade Commission, *The Economic Impact of U.S. Sanctions with Respect to Cuba*.

<sup>2</sup> *Ibid.*, 4-21.

**Table H.1** Estimated U.S. agricultural exports to Cuba in the absence of U.S. sanctions

| Sector                          | Cuban imports from<br>the world, 1996-98<br>average | Estimate of U.S.<br>share of Cuban<br>imports | Estimate of U.S.<br>exports to Cuba | Estimate of Cuban<br>share of total U.S.<br>exports |
|---------------------------------|---|---|-------------------------------------|---|
|                                 | <i>Million dollars</i>                              | <i>Percent</i>                                | <i>Million dollars</i>              | <i>Percent</i>                                      |
| Selected agricultural products: |   |   |                                     |   |
| Meat                            | 95  | 65-80   | 62-76                               | 1   |
| Dairy                           | 82  | 5-15  | 4-12                                | 1-3   |
| Wheat                           | 86  | 40-60   | 34-52                               | 1   |
| Rice                            | 99  | 40-60   | 40-59                               | 4-6   |
| Feedgrains                      | 10  | 90-100  | 9-10                                | ( <sup>a</sup> )                                    |
| Animal feed                     | 53  | 80-90   | 42-48                               | 1   |
| Fats and oils                   | 37  | 80-90   | 29-33                               | 1   |
| Dried beans                     | 64  | 20-40   | 13-26                               | 4-8   |
| Cotton                          | 12  | 50-70   | 6-8                                 | ( <sup>a</sup> )                                    |
| Winter vegetables               | ( <sup>b</sup> )                                    | ( <sup>b</sup> )                              | ( <sup>c</sup> )                    | ( <sup>a</sup> )                                    |
| Tropical fruit                  | ( <sup>b</sup> )                                    | ( <sup>b</sup> )                              | ( <sup>c</sup> )                    | ( <sup>a</sup> )                                    |
| Seafood                         | 21  | 5-10  | 1-2                                 | ( <sup>a</sup> )                                    |
| <b>Total<sup>d</sup></b>        | <b>559</b>  | <b>43-58</b>                                  | <b>241-327</b>                      | <b>1</b>  |

Source: Reproduction of table ES-1, USITC, 2001, xxv. Estimated U.S. share of Cuban trade and estimated U.S.–Cuban trade data are derived from Commission staff estimates and the Commission gravity model.

<sup>a</sup>Less than half of 1 percent.

<sup>b</sup>Not available.

<sup>c</sup>Less than \$500,000.

<sup>d</sup>Represents over 90 percent of total Cuban imports of agricultural products.

The model implicitly assumes that Cuba will not grow significantly, so it is unable to afford to increase its imports significantly.

Trumbull critiqued this Commission gravity model.<sup>3</sup> He believes that the distance measure based on the distance between the largest city of each country does not adequately capture geographic characteristics. He suspects that U.S. trading partners are heterogenous in ways not accounted for by the model and that key variables are omitted from the model, which could bias the results. He argues that Cuban GDP would likely grow as the sanctions are lifted and that trade and Cuban GDP are thus endogenous. He also states that inferring the U.S. share of Cuban imports based on data from third countries is suspect because Cuba is unique. He argues that more sensitivity analysis should have been done, but that the results are believable despite the problems.

Spandoni argues that globalization has reduced the effectiveness of U.S. sanctions against Cuba. Non-U.S. transnational companies have invested in many sectors of the Cuban economy, and Cuba trades in a variety of goods with a number of foreign companies. For example, the Spanish firm Sol Melia manages and has equity interests in a number of Cuban hotels.<sup>4</sup> Despite the sanctions, Cubans have also benefitted from remittances from the Cuban

<sup>3</sup> Trumbull, “Imperfect Methodology but the Right Results? The USITC Report on the Economic Impact of U.S. Sanctions with Respect to Cuba,” 105-109.

<sup>4</sup> Spandoni, “Effectiveness of Economic Sanctions in the Context of Globalization and Transnational Linkages: The Case of Cuba,” 125.

diaspora, the majority of whom reside in the United States. Spandoni relies on a variety of case studies, Cuban government data, interviews, and secondary sources to examine U.S. financial flows in the Cuban economy and the effectiveness of sanctions, but he does not forecast what would happen if the sanctions were lifted.

### ***Agricultural Exports***

Two studies related to U.S. agricultural exports are reviewed in this subsection. Academics associated with Texas A&M prepared the first study that takes different projections of the increase in agricultural exports to Cuba and apportions the benefits to U.S. states. Their results vary based on the initial projections. Academics associated with North Dakota State University wrote the second study which shows that U.S. agricultural exports to Cuba are expected to increase as Cuban GDP rises.

Rosson and Adcock investigate the impact of increased agricultural exports to Cuba on the U.S. economy under three different alternatives.<sup>5</sup> These three alternatives assume, respectively, that the United States exports \$37.5 million, \$411 million, and \$1.24 billion of agricultural products annually to Cuba. The second alternative is based on the 2001 USITC study, although it assumes that additional commodities are exported.<sup>6</sup> The third alternative assumes a total absence of sanctions, high GDP growth in Cuba, and large U.S. market shares of imports. Compared to current conditions, in which Cuba's total agricultural imports amounted to \$1.04 billion in 2006, the third alternative is extremely optimistic.

Rosson and Adcock take the estimates of increased exports and apportion them to U.S. states based on each state's share of total domestic production of the particular commodity. They then use a detailed input-output model to estimate the related production that would be needed to meet the increases in demand for U.S. exports.<sup>7</sup> The method used in this study is fairly standard and is generally acceptable, but it has some limitations. If Cuban demand for U.S. exports increases, U.S. exporters will meet this demand in part by diverting shipments from other foreign destinations and possibly from the United States, as well. Thus, the net increase in final demand for U.S. products will be less than the increase in exports to Cuba. Also input-output analysis assumes that prices and technology are fixed. As export demand increases, prices for domestic goods may change, and substitution may occur among different inputs in the production process. For example, increased exports could raise the domestic price of the exported commodity. Thus, it is likely that this input-output study overestimates the economy-wide benefits from increased exports to Cuba.

Mattson and Koo examine Cuban agricultural production and estimate the Cuba-U.S. bilateral agricultural trade that would occur if restrictions were completely eliminated.<sup>8</sup> They observe that U.S. exports of wheat, corn, poultry, and rice to the Caribbean region excluding Cuba account for, respectively, 99 percent, 99 percent, 92 percent and 33 percent of total exports to the region. They then calculate potential U.S. exports to Cuba based on those market shares. While this approach may provide a theoretical upper bound for U.S. exports,

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<sup>5</sup> Parr and Adcock, "Economic Impacts of U.S. Agricultural Exports to Cuba."

<sup>6</sup> *Ibid.*, 3-6. The Center for North American Studies estimated exports for sectors not included in the 2001 ITC study.

<sup>7</sup> Specifically they use the IMPLAN model which captures disaggregated inter-industry flows plus final demand; IMPLAN then generates the total effects for each U.S. state.

<sup>8</sup> Mattson and Koo, "An Overview of Cuban Agriculture and Prospects for Future Trade with the United States."



attaining such high U.S. market shares appears improbable in the current policy setting in which Cuba has made its intention known not to become overly reliant on any one country.

Mattson and Koo also estimate relationships between Cuban imports of wheat, rice, corn, soybeans, and poultry and Cuban real per capita GDP.<sup>9</sup> They find a significant positive relationship between per capita GDP and imports of wheat, corn, and poultry; the relationship was insignificant for the other commodities. They use these relationships to calculate how much Cuban food imports would increase as its GDP increases by different amounts. Many economists have studied the relationship between income and food consumption with fairly consistent results: poor people in developing countries often spend very high proportions of their income on food, but the share of total expenditures devoted to food purchases decreases as income increases.<sup>10</sup> Despite Cuba's issuance of ration cards for basic food needs and its good health indicators, indications are that it will increase food purchases as its GDP improves,<sup>11</sup> and imports will continue to be a major source of food. Although Mattson and Koo's work is not without some problems, it stresses an important relationship between income and consumption. As Cuba's GDP improves, food imports are likely to increase as well, but at declining rate.

### *Travel and Tourism*

This subsection looks at two studies of the economic benefits of removing the restrictions on U.S. travel to Cuba. The first study (Sanders and Long), which was prepared for the Cuban Policy Foundation, estimates an intermediate to large response according to the time allowed for Cuban infrastructure to adjust. The second study, which was prepared for the Center for International Policy, looks at the long run and estimates a very large response. Neither of these studies considers the effect that increased numbers of U.S. tourists might have on other tourists visiting Cuba. It is likely that large increases in the numbers of U.S. tourists would raise prices in the Cuban market and push non-U.S. tourists toward other markets; thus, the net increase in the total number of tourists visiting Cuba would be less than the increased number of tourists from the United States. The net change in the number of tourists is also the appropriate number to use in calculations of the effects on U.S. exports to Cuba from increased travel.

Sanders and Long estimate the effect of removing the travel ban under three scenarios that (1) keep other restrictions in place, (2) allow U.S. companies to carry passengers to Cuba but restrict U.S. investment in Cuba, and (3) entirely eliminate the trade embargo.<sup>12</sup> They note that, although tourism has expanded significantly in Cuba, its numbers of arrivals per square kilometer and per kilometer of coastline remain low compared with other Caribbean destinations. Their method could be characterized as a thought experiment for each scenario informed by data and opinions of some travel industry experts. They assume that half the U.S. travelers to Cuba will be diverted from other international destinations and that the

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<sup>9</sup> They estimate separate single equation models for each commodity and include a constant, Cuban production of the commodity, and a time trend. These are not demand equations as no price variables are included; the specification may omit key variables as substitution among different commodities may be possible. Annual time series data from 1985 to 2000 is used, which is a very short series for statistical estimation. They do not report any tests for stationary or autocorrelation, and whether the time trend may be successful at removing any autocorrelation.

<sup>10</sup> A good summary of this literature appears in Angus Deaton, *The Analysis of Household Surveys: A Microeconomic Approach to Development Policy*, chapter 4.

<sup>11</sup> Commission Hearing Transcript, 125-130.

<sup>12</sup> Sanders and Long, "Economic Benefits to the United States from Lifting the Ban on Travel to Cuba," 5.

other half will be induced to travel internationally instead of staying home. Although lifting the ban will likely spur some new additional travel, it is arbitrary to assume that this number is one-half. Their estimates of net increases of overnight visitors in the first year are, respectively for the three scenarios, 300,000; 475,000; and 500,000 and similar figures for the fifth year are 840,000; 1,330,000; and 1,400,000.<sup>13</sup> Given the many uncertainties, such as the degree to which Cuba opens up its market for investment, their method for estimating the number of tourists is generally valid.

Next, Sanders and Long project the increases in national income and jobs that would result from the increased travel to Cuba. The Commission does not find that this analysis is supported by evidence. Expenditures by U.S. citizens in Cuba are counted as imports of tourism services,<sup>14</sup> and imports enter the national accounting identity with a negative sign. Although it is likely that both Cuba and the United States would gain from full trade liberalization, it is unlikely that increases in imports of tourism services alone will lead to net increases in national income and jobs. To the extent that tour operators and others in the U.S. travel industry gain from liberalization of the travel sector, these gains would be transfers from other parts of the economy.

Robyn et al. examine the impact of removing the travel ban to Cuba.<sup>15</sup> They look at the long run and do not consider Cuba's supply of hotel rooms and related tourism services as a constraint. They make a separate estimate for Cuban Americans visiting their families in Cuba by assuming that these visits will occur at the same frequency as visits by Dominican Americans to the Dominican Republic. They base their estimate of tourist visits by assuming that U.S. citizens will visit Cuba in similar proportion to Canadians. This approach leads to estimates of an additional 289,000 annual personal trips by Cuban Americans and an additional 2.72 million annual trips by tourists; their total estimate (current plus additional) is that 3.2 million U.S. citizens will visit Cuba annually. They apportion the increase into diversions from other destinations and new demand based on two methods. First, they assume that all additional trips by Cuban Americans are new demand and that 20 percent of the tourist trips are new demand. Their second approach, which classifies 1.09 million annual trips as new demand, assumes that U.S. travel to Cuba will be proportional to Canadian travel to Cuba. By not considering any constraints on the Cuban side, Robyn and others' results represent an upper bound on the tourism response.

Robyn et al. forecast the increase in demand for U.S. carriers as a result of removing the travel restriction and the additional economic output and employment that this would generate. This part of their work is subject to the same concern as Sanders and Long's work. Increased tourism expenditures in Cuba represent an increase in imports, and nothing has occurred on the income side to suggest that aggregate employment will increase. The consumer's budget constraint has not shifted out, so the likely increases in the travel sector are transfers from other segments of the economy and not net additions.

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<sup>13</sup> Sanders and Long, "Economic Benefits to the United States from Lifting the Ban on Travel to Cuba," 11.

<sup>14</sup> These tourists will convert dollars to Cuban pesos to purchase goods and services in Cuba. Similarly expenditures by foreigners in the United States are counted as U.S. exports.

<sup>15</sup> Robyn, et al, "The Impact on the U.S. Economy of Lifting Restrictions on Travel to Cuba."

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# **Exhibit 207**

## CIMEX PURCHASES AND CONTRACTS WITH US ENTITIES

**CIMEX REPORTS ON PURCHASES OF PROCESSED FOOD, BRANDED FOOD, AND BEVERAGES-** Mr. Eduardo Bencomo Zurdos, President of Republic of Cuba government-operated Corporacion Cimex S.A. (2001 revenues approximately US\$900 million) reported that the *U.S. Food & Agribusiness Exhibition* held at the Palacio de Convenciones de la Habana (Pabexpo) in the city of Havana, Republic of Cuba, from 26 September 2002 through 30 September 2002, resulted in the definitive re-introduction of processed foods and branded foods from the United States into the tourism sector and into the U.S. Dollar retail sector.

*“The most important aspect of the exhibition is what it was for many participants, an opportunity to exhibit their products, better understand the market, and develop relationships with our companies and purchasers for future business. In our view the fair begins after it closes,”* said Mr. Bencomo.

Mr. Manuel Dominguez Jimenez, Vice Director- Purchasing for Corporacion Cimex S.A., reported that the company had contracted for approximately US\$9 million in processed foods, branded foods, and beverages at the *U.S. Food & Agribusiness Exhibition*; and that other Republic of Cuba government-operated entities had contracted for approximately US\$8 million in processed foods, branded foods, and beverages at the *U.S. Food & Agribusiness Exhibition*.

**Source: U.S.-Cuba Trade and Economic Council, Inc.** “Final U.S. Food & Agribusiness Exhibition Report”.

<https://static1.squarespace.com/static/563a4585e4b00d0211e8dd7e/t/563a8590e4b0c2b53401b03a/1446675856208/pwnUSFAEfinalreport.pdf>

# **Exhibit 208**

**THIS EXHIBIT HAS BEEN  
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# **Exhibit 209**





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**Word Mark** CUBITA CAFE CUBANO CUBAN COFFEE MOLIDO GROUND

**Translations** The foreign wording in the mark translates into English as Cuban coffee and ground.

**Goods and Services** IC 030. US 046. G & S: Coffee

**Mark Drawing Code** (3) DESIGN PLUS WORDS, LETTERS, AND/OR NUMBERS

**Design Search Code** 01.17.13 - Islands, maps of ; Maps of islands  
 05.07.03 - Coffee beans  
 26.03.21 - Ovals that are completely or partially shaded  
 26.11.21 - Rectangles that are completely or partially shaded  
 26.17.01 - Bands, straight ; Bars, straight ; Lines, straight ; Straight line(s), band(s) or bar(s)  
 26.17.05 - Bands, horizontal ; Bars, horizontal ; Horizontal line(s), band(s) or bar(s) ; Lines, horizontal

**Trademark Search Facility Classification Code** SHAPES-BAR-BANDS Designs with bar, bands or lines  
 SHAPES-GEOMETRIC Geometric figures and solids including squares, rectangles, quadrilaterals and polygons  
 SHAPES-MISC Miscellaneous shaped designs  
 SHAPES-OVALS Oval figures or designs including incomplete ovals and one or more ovals  
 VEG Plant life such as trees,flowers,fruits,grains,nuts,wreaths,and leaves

**Serial Number** 77252382

**Filing Date** August 10, 2007

**Current Basis** 44E

**Original Filing Basis** 44E

**Published for Opposition** March 24, 2009

**Registration Number** 3717280

**Registration Date** December 1, 2009

**Owner** (REGISTRANT) Corporacion CIMEX, S.A. CORPORATION CUBA Edificio Sierra Maestra, First Ave & O Miramar, Havana CUBA

**Assignment Recorded** ASSIGNMENT RECORDED

**Attorney of Record** Lindsey Frank

**Disclaimer** NO CLAIM IS MADE TO THE EXCLUSIVE RIGHT TO USE "CAFE CUBANO" "CUBAN COFFEE" AND "MOLIDO GROUND" APART FROM THE MARK AS SHOWN

**Description of Mark** Color is not claimed as a feature of the mark. The mark consists of a shaded rectangular background with the stylized word "Cubita" with horizontal lines through it near the top, an oval in the center with the words "CAFE CUBANO" above an image of the island of Cuba made from coffee beans, and the words "CUBAN COFFEE" below the island image, and the words "MOLIDO GROUND" near the bottom of the rectangle.

**Type of Mark** TRADEMARK

**Register** PRINCIPAL

**Affidavit Text** SECT 8 (6-YR).

**Live/Dead Indicator** LIVE

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# **Exhibit 210**

THIS OPINION IS NOT A  
PRECEDENT OF THE TTAB

UNITED STATES PATENT AND TRADEMARK OFFICE  
Trademark Trial and Appeal Board  
P.O. Box 1451  
Alexandria, VA 22313-1451

**Brown**

Mailed: November 17, 2008

Opposition No. 91178943

Corporation Cimex, S.A.

v.

DM Enterprises & Distributors  
Inc.

**Before Holtzman, Cataldo and Ritchie de Larena,  
Administrative Trademark Judges.**

**By the Board:**

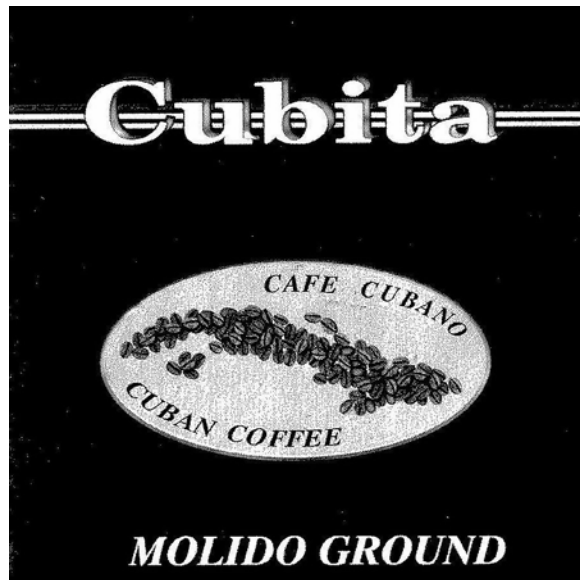
**DM Enterprises & Distributors, Inc.** ("applicant") has filed an application seeking registration on the Principal Register of the mark shown below for "coffee" in International Class 30. The application was filed on May 14, 1999, alleging February 13, 1994, as both the date of first use anywhere and the date of first use in commerce.<sup>1</sup>



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<sup>1</sup> The term CUBITA has been translated in the application as "little Cuba."

**Corporacion Cimex, S.A.** ("opposer"), a Cuban company, has opposed registration of applicant's mark. In its notice of opposition, opposer has alleged that it has a pending application in the United States to register the mark shown below on the Principal Register for "roasted coffee" in International Class 30, and that its ability to register this mark will be "interfered" with if applicant is allowed to register its mark.



Opposer's application Serial No. 77252382 was filed on August 10, 2007 under Section 44(e) of the Trademark Act, and the involved application has been cited by the trademark examining attorney as a potential bar to registration of opposer's mark. As grounds for opposition, opposer has alleged that it has priority over applicant based upon Article 7 of the General Inter-American

Convention for Trademark and Commercial Protection of Washington, 1929 ("Pan American Convention"), 46 Stat. 2907, and since applicant's mark has "interfered with" opposer's ability to register its mark, opposer can prevail as a matter of law. Additionally, opposer alleges that applicant's mark is primarily geographically deceptively misdescriptive within the meaning of Trademark Act §2(e)(3) and deceptive within the meaning of Trademark Act §2(a).

Applicant answered the amended notice of opposition by denying the salient allegations contained therein.

After a number of stipulated requests to extend the discovery and trial dates, opposer filed a timely motion for summary judgment on the ground that applicant's mark is an "interfering mark" and that opposer has priority over applicant based on Article 7 of the Pan American Convention. Applicant filed a cross-motion for summary judgment based upon opposer's alleged lack of standing to bring this opposition proceeding in light of the on-going, United States embargo with Cuba, the terms of which, according to applicant are "embodied in the Cuban Asset Control Regulations, 31 C.F.R. § 515.201 *et. seq.*" The motions for summary judgment have been fully briefed.

Summary judgment is an appropriate method of disposing of cases at the Board in which there are no genuine issues of material fact in dispute, thus leaving the case to be resolved as a matter of law. See Fed. R. Civ. P. 56(c). A party moving for summary judgment has the burden of demonstrating the absence of any genuine issue of material fact, and that it is entitled to summary judgment as a matter of law. See *Celotex Corp. v. Catrett*, 477 U.S. 317 (1986). The nonmoving party must be given the benefit of all reasonable doubt as to whether genuine issues of material fact exist, and the evidentiary record on summary judgment, and all inferences to be drawn from the undisputed facts, must be viewed in the light most favorable to the nonmoving party. See *Opryland USA, Inc. v. Great American Music Show, Inc.*, 970 F.2d 847, 23 USPQ2d 1471 (Fed. Cir. 1992).

Based on the instant record and the arguments of the parties in this case, we find that, as discussed below, opposer has met its burden of demonstrating that there are no genuine issues of material fact regarding opposer's standing to oppose registration of application Serial No. 75697908 or as to its right to prevail under Article 7 of the Pan American Convention.

**I. Background:**

By way of background, the United States is a party to the Pan American Convention with several Latin American nations, including Cuba. As defined, the Pan American Convention pertains to trademarks, trade names, unfair competition, and false indications of geographical origin or source. The beneficiaries under the Pan American Convention are defined as (1) nationals of contracting states, and (2) domiciled foreigners who own a manufacturing or commercial establishment or an agricultural development in any of the contracting states. See *British American Tobacco Co. v. Phillip Morris Inc.*, 55 USPQ2d 1585 (TTAB 2000).

Consistent with the Supreme Court's decision in *Bacardi Corporation of America v. Domenech*, 311 U.S. 150, 161, 47 USPQ 350, 355 (1940), the Board notes that the Pan American Convention is self-executing, and therefore became U.S. law upon ratification, requiring no special implementing legislation. Moreover, since the Pan American Convention has the same force as a federal statute and provides remedies independent of the Lanham Act, the Board remains an appropriate forum for opposer to assert priority under Article 7 in this proceeding. See *Diaz v. Servicios*



*De Franquicia Pardo's S.A.C.*, 83 USPQ2d 1320, 1328 (TTAB 2007).

**II. Summary Judgment as to Opposer's Standing:**

Having once again recognized the Board as an appropriate forum to bring such matters, we now consider the issue of opposer's standing. In considering opposer's standing, which we note forms the basis for applicant's cross-motion for summary judgment, it is well-settled that to establish standing, opposer must show that it has a "real interest" in the outcome of the proceeding; that is, that it has a direct and personal stake in the outcome of the opposition. See *Ritchie v. Simpson*, 170 F.3d 1092, 50 USPQ2d 1023, 1025-26 (Fed. Cir. 1999). Thus, standing only requires that a party opposing registration has a good faith belief that it is likely to be damaged by the registration. See *Lipton, Inc. v. Ralston Purina Co.*, 670 F.2d 1024, 213 USPQ 185, 189 (CCPA 1982).

Opposer, with its motion for summary judgment, submitted evidence that it filed an application, now suspended, for the mark **CUBITA** and design with the U.S. Patent and Trademark Office for "roasted coffee" in International Class 30. That evidence included a copy of an Office action in which applicant's mark was cited as a potential basis for refusal of opposer's application,

Serial No. 77252382. Alone, the fact that applicant's mark was cited as a potential bar to registration of opposer's pending application, supported by a copy of the attached Office action, clearly provides an adequate basis to find that there is no genuine issue as to opposer's standing. See *Hartwell Co. Shane*, 17 USPQ2d 1569 (TTAB 1990).

Nevertheless, applicant argues in its motion for summary judgment that opposer is a Cuban entity and given the existing embargo between the United States and Cuba, opposer lacks standing to pursue an opposition proceeding at the Board. In support, applicant cites the decision in *Havana Club Holdings, S.A. v. Galleon, S.A.*, 203 F.3d 116, 53 USPQ2d 1609, 1618 (2d Cir. 2000). However, in that case, which involved a false designation of geographic origin claim, the Court clearly held that Section 211(b) of the Omnibus Consolidated and Emergency Supplemental Appropriations Act of 1999<sup>2</sup> did not apply to that case because the involved claim was not based on the ownership

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<sup>2</sup> In pertinent part, Section 211(b) provides as follows: No U.S. court shall recognize, enforce or otherwise validate any assertion of treaty rights by a designated national or its successor-in-interest under sections 44(b) or (e) of the Trademark Act of 1946 (15 U.S.C. 1126(b) or (e)) for a mark, trade name, or commercial name that is the same as or substantially similar to a mark, trade name, or commercial name that was used in connection with a business or assets that were confiscated unless the original owner of such mark, trade name, or commercial name, or the bona fide successor-in-interest has expressly consented.

of a mark that had been confiscated by the Cuban government. Here, none of opposer's claims are based on the ownership of a confiscated mark, and since Section 211(b) therefore has no applicability in the matter currently before the Board, applicant's argument is without merit. See *Corporacion Habanos, S.A. v. Anncas, Inc.*, \_\_\_ USPQ2d \_\_\_ (Serial No. 78363024) (TTAB September 26, 2008) ("So as to be perfectly clear, opposer has standing, although it does not and cannot engage in any business in the United States due to the embargo on Cuban goods.").

Moreover, and consistent with the facts in *Corporacion Habanos, S.A. v. Guantanamera Cigars Co.*, 86 USPQ2d 1473 (TTAB 2008), opposer has also provided a copy of a letter from the Department of Treasury, attached with the declaration of counsel for opposer, David B. Goldstein, confirming that Cuban entities such as opposer, **Corporacion Cimex, S.A.**, are indeed permitted under Section 515.527 of the Cuban Assets Control Regulations, 31 C.F.R. Part 515, to "file an opposition to the registration of a new trademark ... where these actions relate to the protection of a trademark in which Cuba ... has an interest." In view thereof, we find that opposer has demonstrated that there is no genuine issue of material fact that opposer has a "real interest" in the outcome of this proceeding and as a

Cuban entity, has established standing to pursue this opposition at the Board.

**III. Summary Judgment Under Article 7:**

In pertinent part, the relevant provision of Article 7 of the Pan American Convention reads as follows:

Any owner of a mark protected in one of the contracting states in accordance with its domestic law, who may know that some other person is using or applying to register or deposit an interfering mark in any other of the contracting states, shall have the right to oppose such use, registration or deposit and shall have the right to employ all legal means, procedure or recourse provided in the country in which such interfering mark is being used or where its registration or deposit is being sought, and upon proof that the person who is using such mark or applying to register or deposit it, had knowledge of the existence and continuous use in any of the Contracting States of the mark on which opposition is based upon goods in the same class, the opposer may claim for himself the preferential right to use such mark in the country where the opposition is made or priority to register or deposit in such country, upon compliance with the requirements established by the domestic legislation in such country and by this Convention.

Thus, in order for opposer to prevail under Article 7 of the Pan American Convention, it must establish that there is no genuine dispute (1) that opposer is the owner of a **CUBITA** mark protected in Cuba; (2) that applicant is using or applying to register an "interfering mark" in the

United States; (3) that applicant had knowledge of the existence and continuous use in Cuba of opposer's **CUBITA** mark in connection with goods in the same class prior to its use of the **CUBITA** mark in the United States; and (4) that opposer has complied with the requirements set forth in the domestic legislation in the United States and the requirements of the Pan American Convention -- that is, filing for protection of its mark under Section 44 of the Lanham Act. Notably, opposer sets forth the factual support for these elements on pages 2-13 of its motion for summary judgment under the caption "Statement of Undisputed Material Facts." As discussed below, applicant specifically "affirms" that these facts are undisputed (Appl's Brief, pp. 2-3).

Given the material facts which are not in dispute and the evidence submitted by opposer in its motion for summary judgment, as a well as applicant's failure to submit any evidence which would raise a genuine issue of material fact, the Board finds that opposer has satisfied the requisite elements of Article 7 of the Pan American Convention. Per the following discussion, opposer is therefore entitled to judgment as a matter of law.

***A. Opposer's Ownership of a Foreign Protected Mark***

First, opposer has demonstrated that there is no genuine issue of material fact that opposer is the owner of a mark containing the term **CUBITA** and that the mark, currently in use in Cuba, has been registered and renewed in accordance with Cuban law. As proof, opposer has made of record a copy of a valid and subsisting Cuban registration for its mark for use in connection with "roasted coffee."<sup>3</sup> As such, opposer's ownership of a mark protected in a contracting state to the Pan American Convention, in this instance Cuba, is not at issue.

***B. That Applicant Is Using or Applying to Register an "Interfering Mark" in the United States***

The evidence of record also establishes that there is no genuine issue of material fact that applicant has applied to register an "interfering mark" in the United States. Indeed, opposer has submitted records to show that opposer filed an application to register its **CUBITA** mark for "roasted coffee" in International Class 30 in the U.S. Patent and Trademark Office and that applicant's prior

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<sup>3</sup> Along with the declaration of David B. Goldstein, opposer attached a "true and correct copy" of a registration renewal certificate for its **CUBITA** mark, issued by the General Director of the Cuban Office of Industrial Property. According to the certificate, the mark was registered to Kave Coffee, S.A., and the registration renewal was subsequently issued in opposer's name at Resolution No. 1966/2002 in Cuba, with the renewal effective until September 4, 2011.

pending application for **CUBITA** for "coffee" in International Class 30 was cited as a potential bar to registration of opposer's mark; and that opposer's application has been suspended pending the outcome of the instant opposition against applicant's involved application. Moreover, it is undisputed that the respective marks prominently display the identical term "**CUBITA**" in the same stylized lettering, set against virtually the same background design of horizontal lines, and applicant does not dispute that its mark has "interfered" with the registration of opposer's mark in the United States. Thus, there is no genuine issue of material fact that applicant's mark constitutes an "interfering mark" under Article 7 of the Pan American Convention. See, e.g., *Diaz*, 83 USPQ2d at 1329.

***C. Applicant's Knowledge of the Existence and Continuous Use in Cuba of the Mark in Connection with Goods in the Same Class Prior to Applicant's Use in the United States***

In the Board's view, opposer has also established that there is no genuine issue that applicant had knowledge of the existence and continuous use in Cuba by opposer of its **CUBITA** mark in connection with "roasted coffee" prior to applicant's use of its **CUBITA** mark in the United States for "coffee." For example, as stated in the declaration of applicant's attorney, Mr. Reynol Sampedro Vazquez, as well

as a November 23, 1998 letter from applicant's attorney at the time, Mr. Jesus Sanchelima, applicant was aware that opposer's **CUBITA** mark had been used to identify coffee in Cuba prior to applicant's first use of its mark; that efforts had been made by applicant's predecessor-in-interest to obtain the right to "market various coffee brands, some for ethnic markets (Cuban, Haiti, etc.)" such as **CUBITA** in the United States; and that applicant was aware of "discussions" about such matters between Kave Coffee, S.A., the original owner of opposer's mark, and Miguel Angel, one of the individuals from whom applicant purportedly purchased the right to use its **CUBITA** mark in the United States in 1999. Moreover, in response to opposer's motion for summary judgment and in its cross-motion for summary judgment, applicant conceded these facts and confirmed for the record that it indeed had knowledge of the existence and continuous use of **CUBITA** in Cuba by opposer and opposer's predecessor-in-interest, Kave Coffee, S.A.

***D. Opposer's Compliance with U.S. Domestic Legislation***

Furthermore, in submitting its application for registration with the U.S. Patent and Trademark Office and filing for protection under Section 44(e) of the Lanham Act, opposer has complied with the domestic, statutory



filing requirements of the United States and as a result, has satisfied this element. In further support, opposer submitted the declaration of Juan Antonio Gonzalez Alvarez, "Head of the Cubita Coffee Department of Corporacion Cimex, S.A.," wherein he stated that opposer "intends and expects to use in commerce in the United States its Cubita-marked Cuban origin coffee as soon as U.S. law permits." As applicant has also conceded this fact, the Board finds no genuine issues of material fact that opposer satisfied the requirements set forth in Section 44(e), namely that opposer has a bona fide intent to use its mark in commerce.

As we noted earlier, applicant, has expressly conceded the majority of opposer's "undisputed material facts" enumerated in opposer's motion for summary judgment. (App's Brief, pp. 2-3.) In particular, applicant "affirms" that "all facts" listed therein were true with respect to the requisite elements of priority under Article 7 of the Pan American Convention "with the exception and/or addition of the following facts": 1) that applicant filed its application with the U.S. Patent and Trademark Office in 1999; 2) that applicant's use of the **CUBITA** mark began in 1999; 3) that the Board previously considered the issue of misdescriptiveness and held that applicant's mark was not misdescriptive in another proceeding; 4) that applicant did

not intend to "feed off" of opposer's good will; and 5) that any implication that applicant knew or participated in a "scam" concerning the **CUBITA** mark is not accurate. However, none of these facts is material to the specific claim presented by opposer under Article 7 of the Pan American Convention in its motion for summary judgment. Therefore, consideration of any of them, even collectively, fails to generate a genuine issue of material fact for trial.

Continuing, the Board notes that applicant has failed to make any legal arguments against opposer's claim of priority under the Pan American Convention. Moreover, as in this case, when a moving party's motion for summary judgment is supported by evidence sufficient to indicate that there is no genuine issue of material fact and the moving party is entitled to judgment, the burden shifts to the nonmoving party to demonstrate the existence of at least one genuine issue of material facts that requires resolution at trial.

The nonmoving party, however, may not rest on the mere allegations of its pleadings and assertions of counsel, but must designate specific portions of the record or produce additional evidence showing the existence of a genuine issue of material fact for trial. Consequently, factual

assertions, without evidentiary support, are insufficient to defend against a motion for summary judgment. See *S & L Acquisition Co. v. Helene Arpels Inc.*, 9 USPQ2d 1221, 1225 n.9 (TTAB 1987). Thus, even if the factual assertions of opposer that were argued by applicant to be in dispute were material to the issue of priority under Article 7 of the Pan American Convention which they are not, insofar as applicant has not offered evidentiary support for those assertions, it has failed to demonstrate the existence of any genuinely-disputed, material fact for trial.

#### **IV. Applicant's Unpleaded Defenses**

With respect to applicant's assertion of a genuine issue of material fact on the unpleaded defenses of acquiescence and abandonment, since a party may not obtain or defend against a motion for summary judgment by asserting the existence of genuine issues of material fact as to unpleaded defenses, applicant's assertion of abandonment and acquiescence, now raised for the first time in its motion for summary judgment, are untimely and will be given no further consideration in this proceeding. See *Blansett Pharmacal Co. v. Carmrick Laboratories Inc.*, 25 USPQ2d 1473, 1477 (TTAB 1992).

We also note that the availability of the defense of acquiescence is severely limited in opposition proceedings

because this defense, in Board proceedings, starts to run from the time of knowledge of the application for registration (that is, from the time the mark is published for opposition), not from the time of knowledge of use and that the involved application was not published for opposition until April 17, 2007. See *Krause v. Krause Publications Inc.*, 76 USPQ2d 1904, 1914 (TTAB 2005). See also *National Cable Television Association v. American Cinema Editors, Inc.*, 937 F.2d 1572, 19 USPQ2d 1424, 1432 (Fed. Cir. 1991).

Viewing all doubt and inferences in a light most favorable to applicant, we conclude that there are no genuine issue of material fact with respect to opposer's standing as well as opposer's priority over applicant to register its mark under Article 7 of the Pan American Convention for "roasted coffee" in International Class 30. Opposer, on that basis alone, is therefore entitled to judgment as a matter of law. Accordingly, opposer's motion for summary judgment is granted, and applicant's cross-motion for summary judgment is denied.

Nevertheless, while opposer pleaded other grounds for opposition in its notice of opposition, it moved for summary judgment on only one basis. Opposer, therefore, is allowed **thirty (30) days** from the mailing date of this

Opposition No. 91178943

order to advise the Board whether it wishes to go forward on its other pleaded grounds for opposition, failing which the opposition will be sustained pursuant to Article 7 of the Pan American Convention only, registration to applicant of application Serial No. 75697908 will be refused, and the opposition will be dismissed without prejudice as to the remaining issues.