

The Cuban Market for U.S. and Texas Food Products

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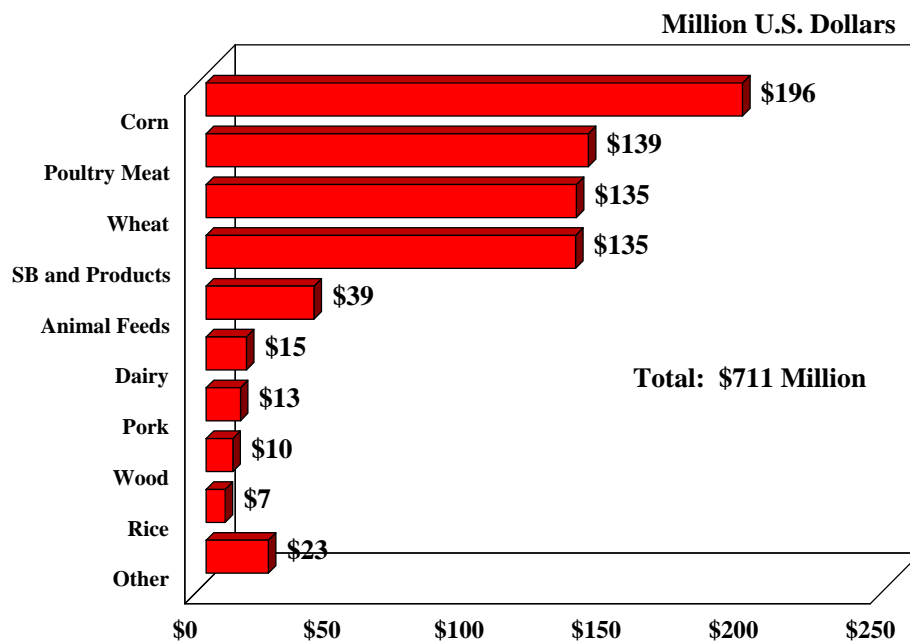


U.S. and Texas Exports to Cuba

The Trade Sanctions Reform and Export Enhancement Act in 2000 legalized the export of U.S. agricultural products to Cuba. Since then, exports have expanded, reaching a record \$711 million in 2008. This is almost two-thirds higher than 2007. Cuba has grown to become the sixth largest U.S. agricultural market in the Latin American/Caribbean region. U.S.-Cuba trade is limited to exports as Cuban products are prohibited in the United States.

Corn (\$196 million), poultry (\$139 million), wheat (\$135 million) and soybeans and soybean products (\$135 million) account for about 85 percent of all U.S. exports to Cuba during 2008 (figure 1). Other leading products are animal feeds (\$39 million), dairy products (\$15 million), pork (\$13 million), wood (\$10 million) and rice (\$7 million).

Figure 1. U.S. Ag Exports to Cuba, 2008



Source: Foreign Agricultural Service, USDA

Cuba has also become an important market for Texas products. The Center for North American Studies, Texas AgriLife Research at Texas A&M University estimates that Texas agricultural exports to Cuba were valued at approximately \$45 million in 2008. The major Texas exports to Cuba were dry milk, wheat, corn, animal feeds, and poultry meat. The potential exists for Cuba to expand imports of U.S. beef and cattle, dairy products, cotton, planting seeds, horticultural products and a variety of processed foods.

For the period January-July 2009, U.S. agricultural exports to Cuba were valued at \$338 million, down 19 percent from the same period last year. Grains and feeds exports, the largest category, were off 17 percent in tonnage and 41 percent in value. Soybean and products exports were up 18 percent from last year, while poultry sales held steady. Pork exports have doubled over last year, while exports of

beef were up 42 percent. July 2009 exports were valued at \$40 million compared to \$71 million last year. July 2009 grains and feeds exports were down 56 percent in tonnage compared to July 2008.

Texas ports play a key role in facilitating exports to Cuba and rank second nationally behind Louisiana as the top shipper. In 2008, \$143 million in food/agricultural products moved to Cuba through Texas ports, fifty percent higher than 2007 and nearly doubling the amount shipped to Cuba in 2004. Thus far in 2009, exports to Cuba through Texas ports are down about 32 percent. Exports through Houston were valued at \$112 million during 2008 while exports through Beaumont were \$31 million. Exports through Corpus Christi were \$46,000.

The near term outlook for U.S. exports to Cuba is clouded by recession and damage done by three hurricanes in 2008, a weak dollar provides an advantage to exporters. While there are signs of deep economic decline in some food purchases, such as staple grains, there are bright spots, such as soybeans, pork and beef, and to lesser extent, beef. Prospects for the Cuban food market hinge on tourism, nickel prices and remittances to the island. All of these factors can be expected to improve as the global recession abates and consumer confidence and spending increase. While the outlook for 2009-2010 is mixed, as economic conditions improve, expect to see a resumption of U.S. exports and much stronger sales.

For information on Texas activities related to the Cuban market, review the Texas-Cuba Trade Alliance web site as www.tcta.us. The TCTA sponsors periodic market updates, workshops and seminars to assist Texas companies in exporting to Cuba. You can also e-mail the TCTA at tcta@TriStrategies.com.

Under current regulations, U.S. businesses must be licensed by the Office of Foreign Assets Control (OFAC) (U.S. Treasury) to travel to Cuba and negotiate sales with Alimport, the Cuban government agency that handles all food imports. As of September 3, 2009, businesses may travel to Cuba on a General License, but reporting requirements exist, so be sure to check with OFAC before making any travel arrangements. OFAC's telephone number is 202-622-2480. The web site is www.treas.gov/ofac. The licence is issued free of charge.

In addition, U.S. products must be licensed by the Bureau of Industry and Security (BIS) (U.S. Department of Commerce). The telephone number for BIS is 202-492-4811. This service is free of charge. To receive the license on-line requires 10 days and can be done at the following web site: www.bis.doc.gov/snap/index.htm.

<http://cnas.tamu.edu>

Once the export license and travel licenses are processed, it will be necessary to contact the Cuban Interests Section (under auspices of the Swiss Embassy) to obtain a business visa. The telephone number for the Cuban Interests Section is 202-277-8340. There is a visa fee of \$70 and the process may take about two weeks.

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