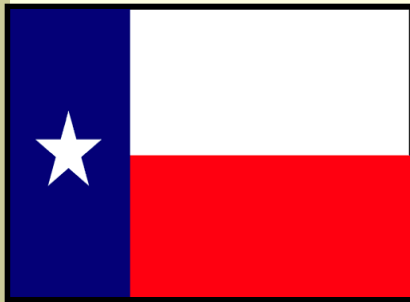


Overview of the Cuban Food Market & Prospects for US Exports



**Exporting to Cuba
Texas-Cuba Trade Alliance
Houston, TX
March 31, 2011**



**Parr Rosson, Professor & Director
Center for North American Studies
Department of Agricultural Economics
Texas A&M University**



<http://cnas.tamu.edu/>

Situation

- *Trade Sanctions Reform & Export Enhancement Act (2000) Allows US Exports of Food, Ag, Forestry & Medicines to Cuba*
- US Ag Exporters May Travel to Cuba on a General License (Sept 8, 2009)
- Cash-in-Advance Payment for US Exports Required by US Treasury

Overview

- Cubans Consume Much More Grain, Meat & Milk than Produced
 - 1.75 to 2.1 Times
- Import Up To 70-80% of Food Needs in Some Years
 - US Has About 40% of Cuba's Market
 - EU, Brazil, Canada, Vietnam & Argentina Major Competition
 - US Disadvantaged Because Cannot Extend Credit
- Food Ration System Being Revised (1962)
- Termination of 500,000 – 1.3 Million Government Employees May Weaken Purchasing Power in Cuba

120° 115° 110° 105° 100° 95° 90° 85° 80° 75° 70° 65° 60° 55° 50° 45° 40° 35° 30° 25° 20° 15° 10° 5° West 0° East 5°

U.S. DEPARTMENT OF COMMERCE, NATIONAL WEATHER SERVICE NORTH ATLANTIC HURRICANE TRACKING CHART

2008

NUMBER	TYPE	NAME	DATE
1	T	ARTHUR	MAY 31-JUN 1
2	MH	BERTHA	JUL 3-20
3	T	CRISTOBAL	JUL 19-23
4	H	DOLLY	JUL 20-25
5	T	EDOUARD	AUG 3-6
6	T	FAY	AUG 15-26
7	MH	GUSTAV	AUG 25-SEP 4
8	H	HANNA	AUG 28-SEP 7
9	MH	IKE	SEP 1-14
10	T	JOSEPHINE	SEP 2-6
11	H	KYLE	SEP 25-29
12	T	LAURA	SEP 29-OCT 1
13	T	MARCO	OCT 6-7
14	T	NANA	OCT 12-14
15	MH	OMAR	OCT 13-18
16	MH	PALOMA	NOV 5-9

2008 Hurricane Season

LAMBERT CONFORMAL CONIC PROJECTION
STANDARD PARALLELS AT 30° AND 60°
SCALE OF NAUTICAL MILES
0 250 500

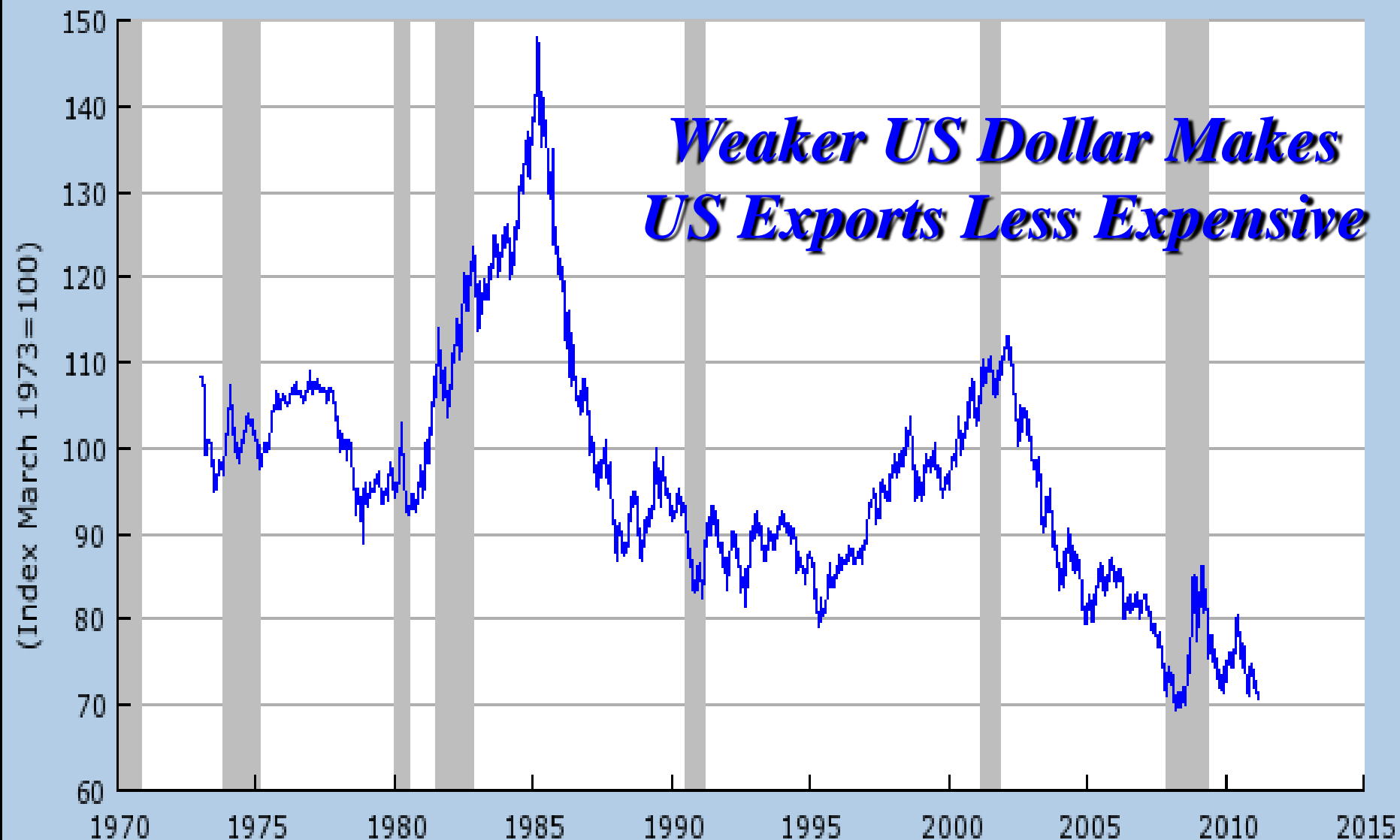
- Major Hurricane
- Hurricane
- Tropical Storm
- Tropical Depression
- Subtropical Storm
- Subtropical Depression
- Wave/Low
- Extratropical
- Position at 0000 UTC
- Position/date at 1200 UTC
- [5] Tropical Cyclone Number

North
South



Trade Weighted Exchange Index: Major Currencies (DTWEXM)

Source: Board of Governors of the Federal Reserve System



Shaded areas indicate US recessions.

2011 research.stlouisfed.org

The Convertible Peso, or CUC



The Convertible Peso (CUC) Is Accepted Everywhere in Cuba
The Exchange Rate is 1\$ = CUC 0.95, Minus 10% Fee

Cuba: The Market

- Two Main Markets in Cuba

- National Market
- Tourist/Visitor Market

- Cuba Depends on Nickel, Tourists & Remittances to Earn Foreign Exchange

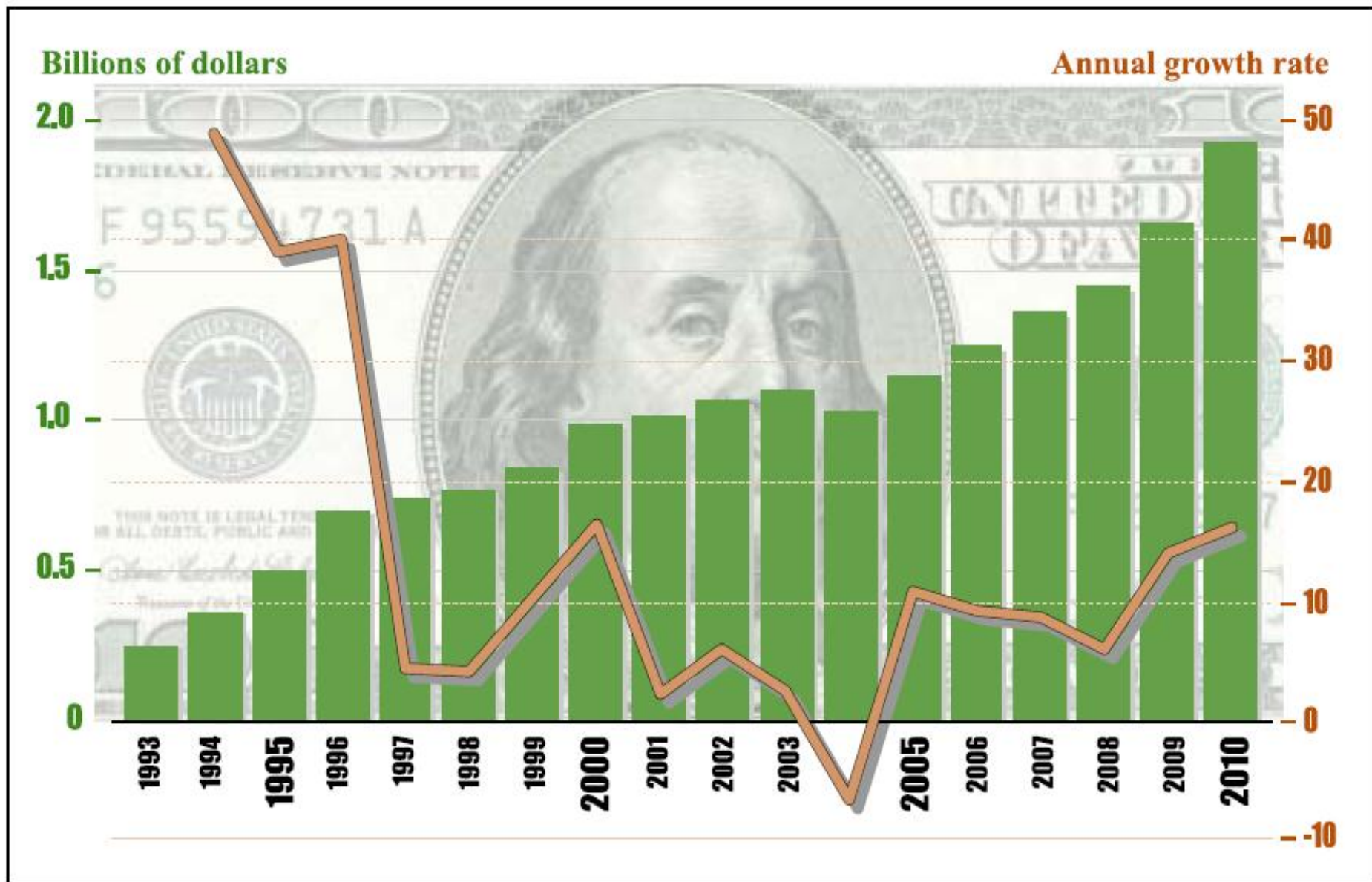
- Nickel Represents 1/3 of Cuba's Export Earnings, \$1.0 Billion

- Tourism Earns \$2.0 Billion Annually

- Remittances Provide About \$2.0 Billion Annually-Likely Up in 2011

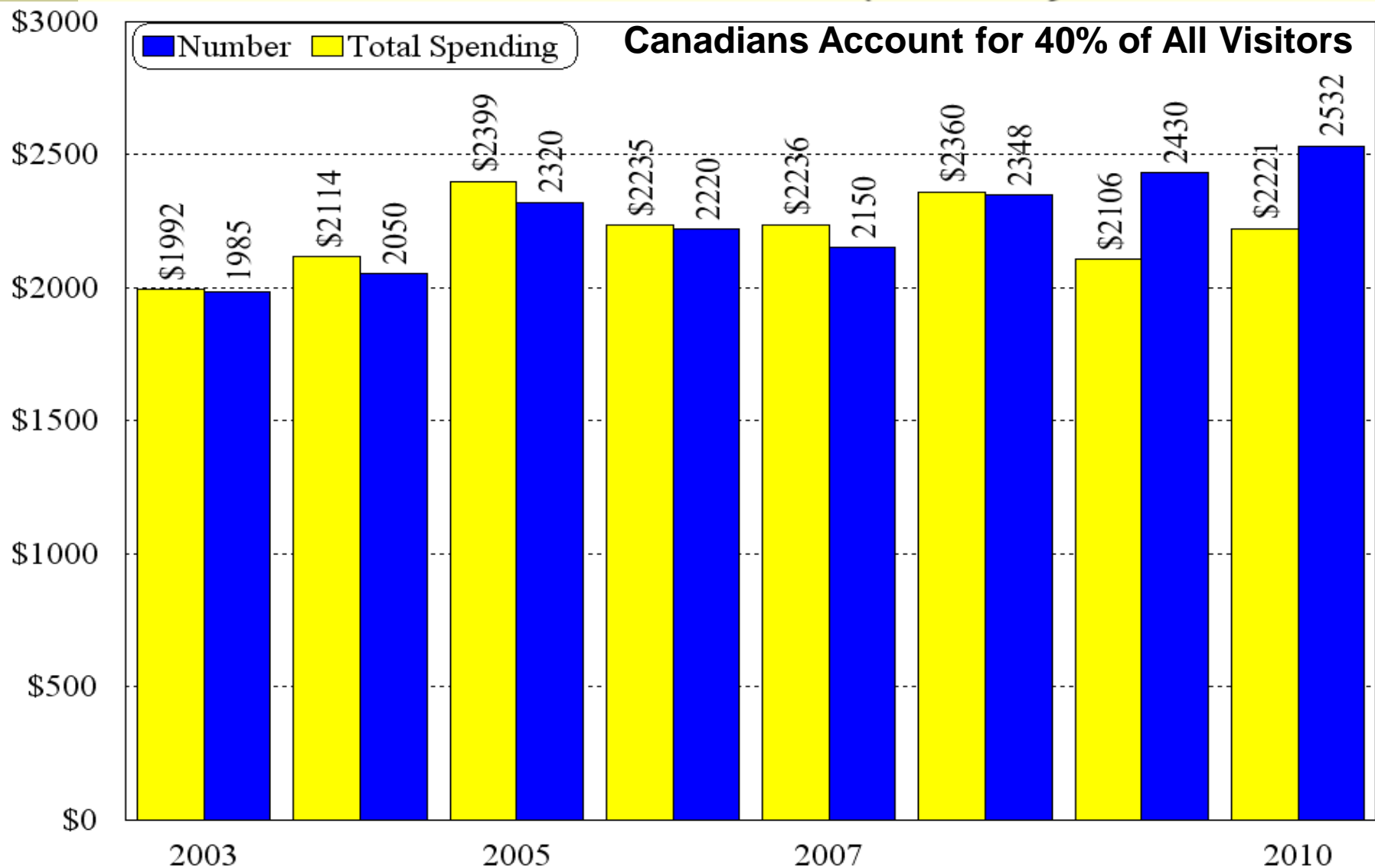


MONEY TRANSFERS TO CUBA: 1994-2010

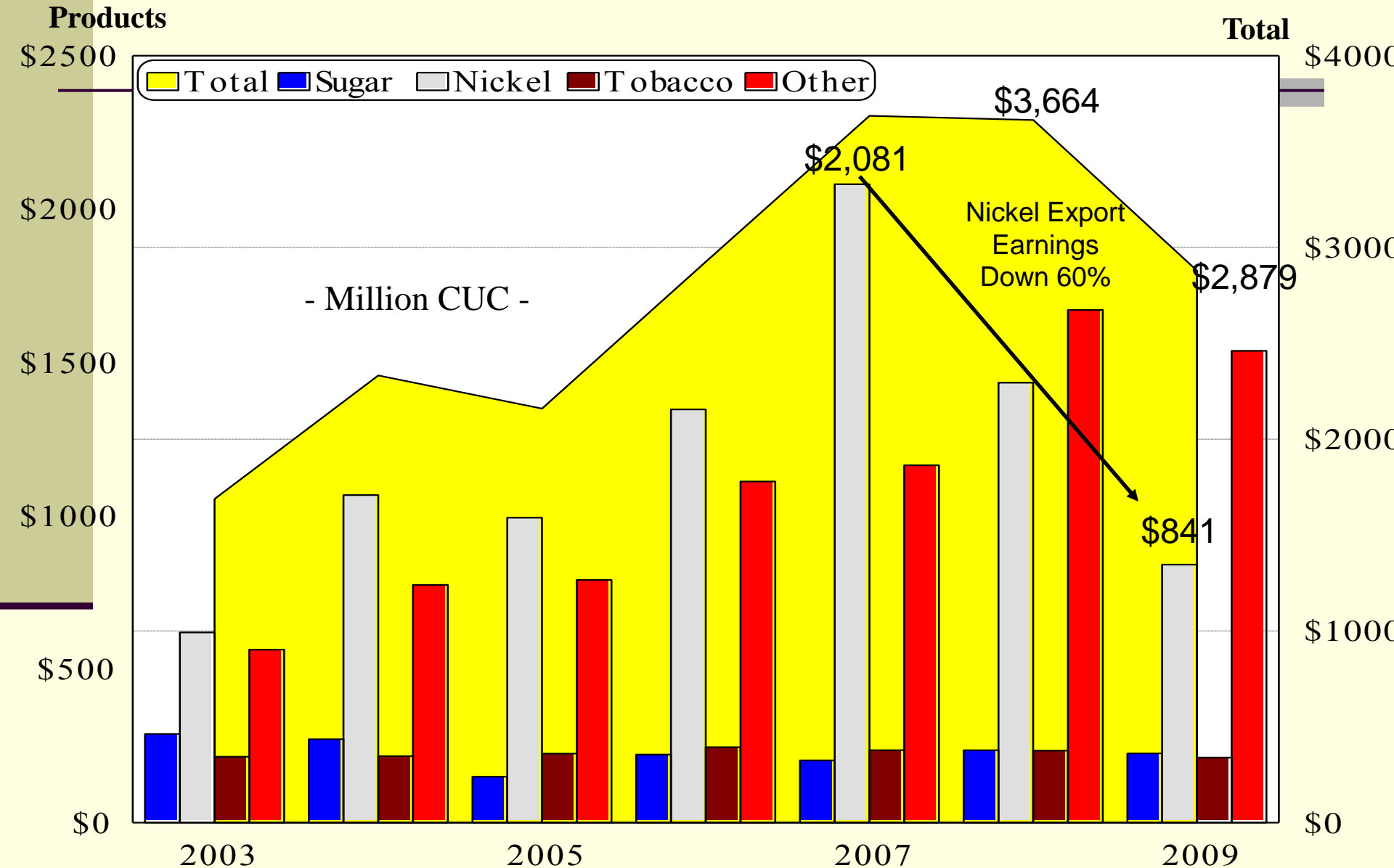


Source: The Havana Consulting Group

Visitors to Cuba & Expenditures in Convertible Pesos (CUC)



Cuba, Total Exports



World Nickel Prices

Cuba: 8th Largest Producer, 2d Largest Reserves

LME Nickel Settlement 30 Days - \$/LB



25 Feb, 2011 - 24 Mar, 2011



LME Nickel Settlement 1 Year - \$/LB



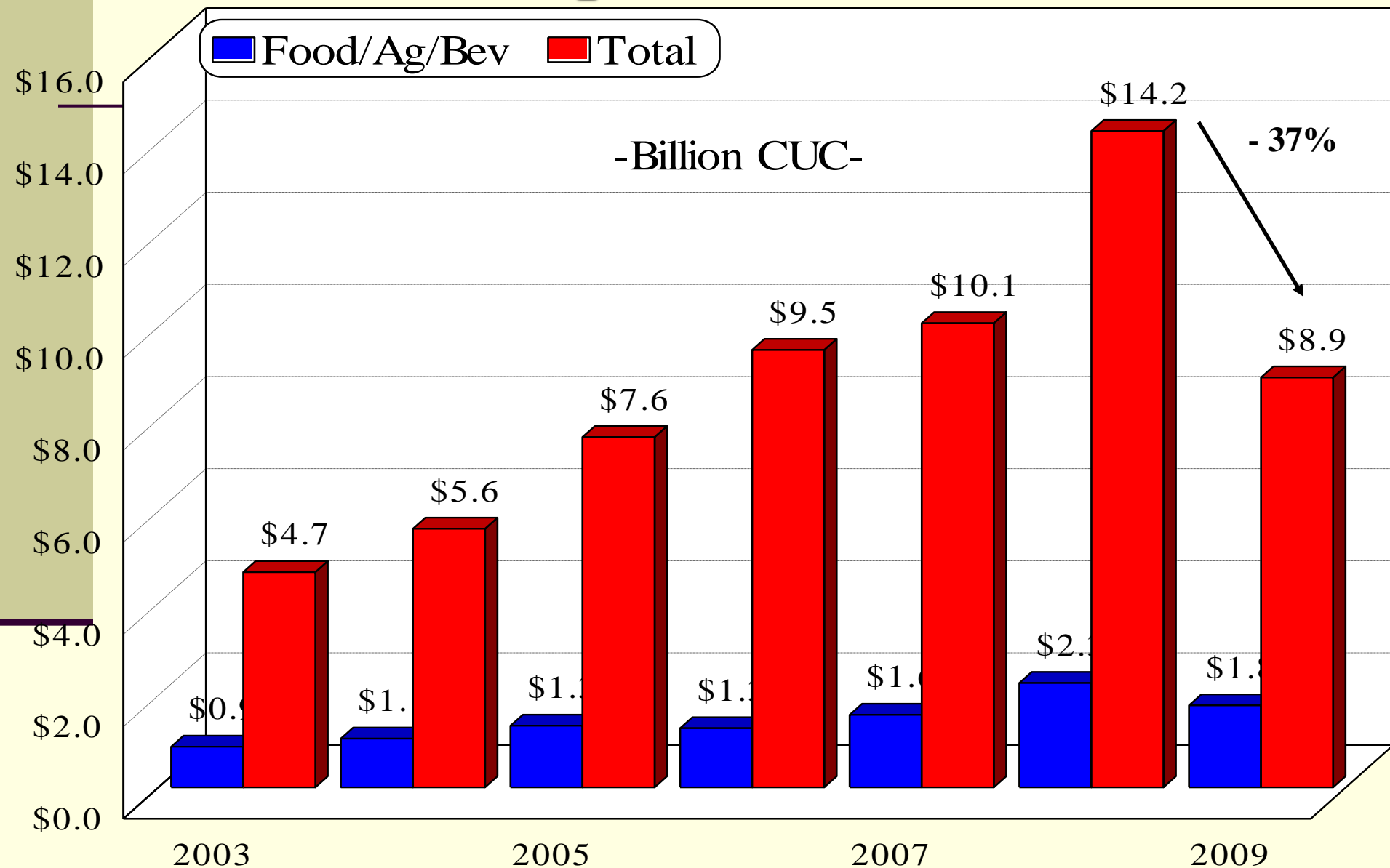
25 Mar, 2010 - 24 Mar, 2011

LME Nickel Settlement 5 Years - \$/LB

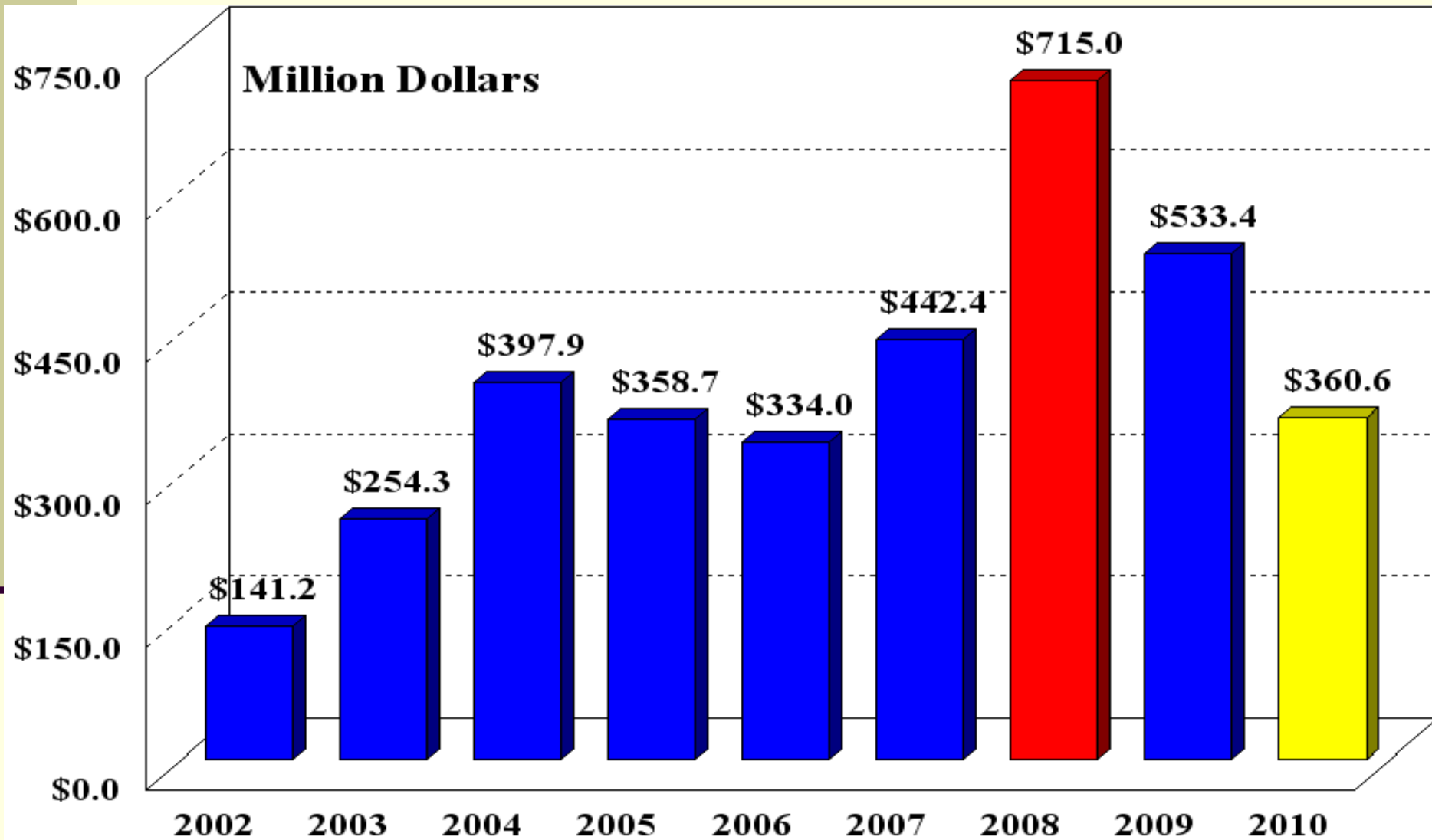


27 Mar, 2006 - 24 Mar, 2011

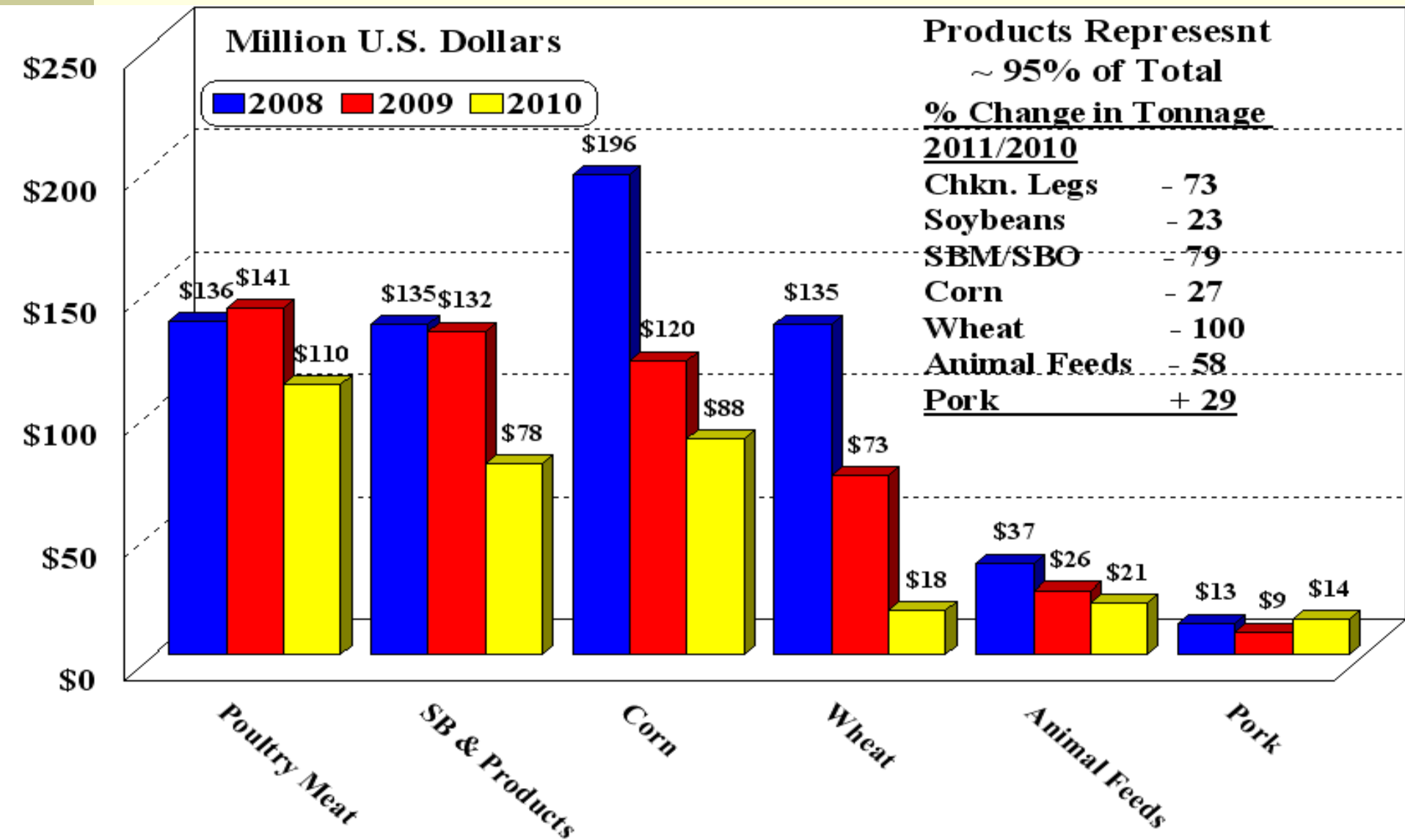
Cuba, Total Imports



US Exports to Cuba



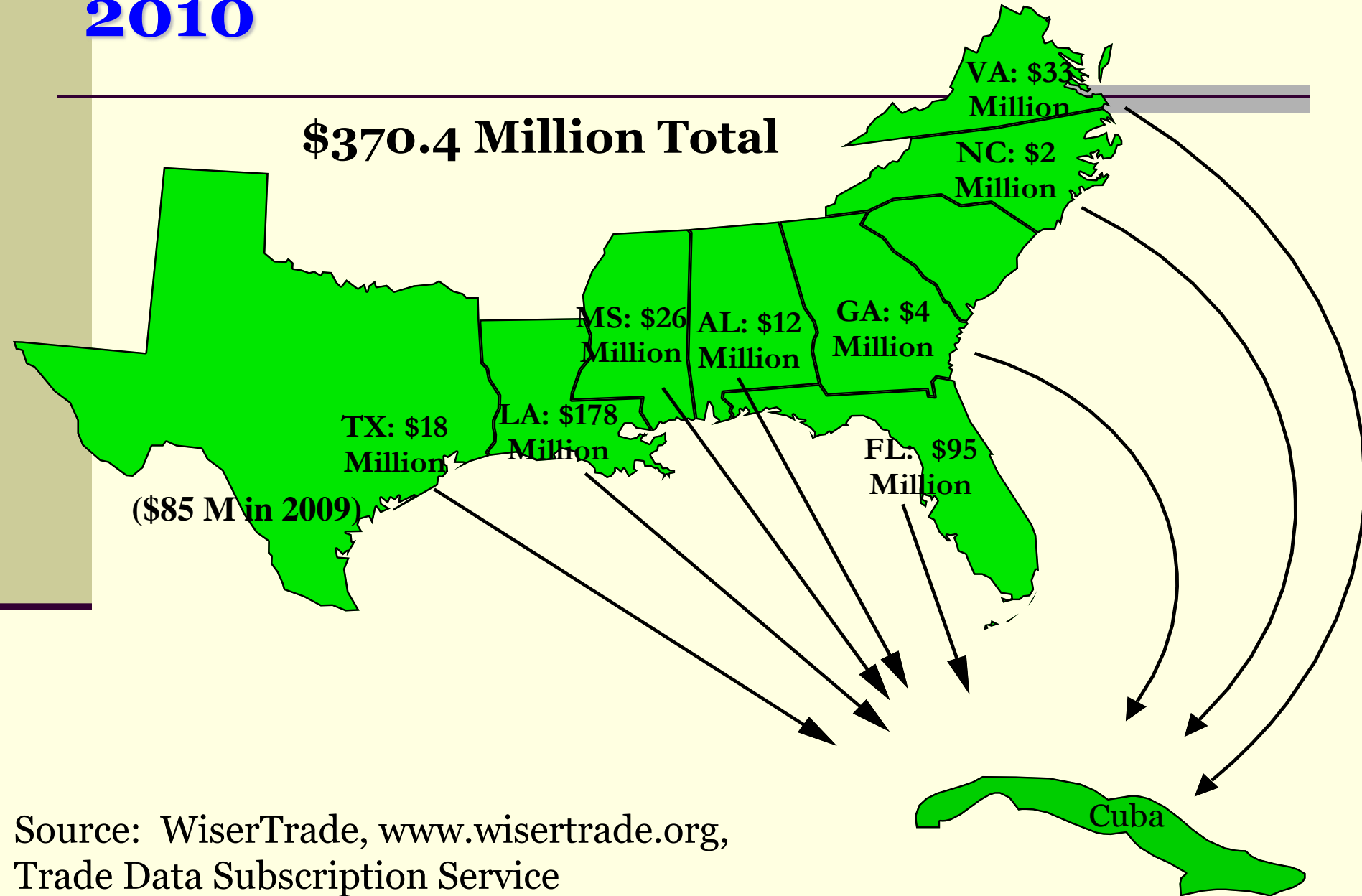
US Exports to Cuba by Product



Exports to Cuba by Port State

2010

\$370.4 Million Total



Source: WiserTrade, www.wisertrade.org,
Trade Data Subscription Service

Market Prospects

- Low Salaries Limit Market Potential
 - \$18-\$20/month for Many Cubans
- High Prices Constrain Food Purchases
- Those Who Have Access to US \$ or Other Foreign Currency Are Much Better Off
 - Estimated to be 60% of Population
 - Taxi Drivers, Hotel & Wait Staff, Tourism Sector, Remittances from US

Final Thoughts

- Cuba is Top Grain Market in Caribbean, Likely to Remain So Long-term
- Potential for Texas Products Is Good
- Things Texas Needs to Work On:
 - ✓ Rice, Wheat, Sorghum
 - ✓ Beef
- Processed Foods, Meats, Vegetables, Condiments All Have Potential...But, Hinges on Tourism



Final Thoughts

- Container Cargo from Texas Important for Future Exports
- Texas Has Very Good Relationship with Alimport & Cuban Interests Section
- Consider Visiting the Cuban Interests Section in Washington, D.C.
- If Remittances & Tourism Maintain Growth Path, 2011 *Could* Be A Better Year for US Exports

Thanks!!

Questions?



Slides Posted at
cnas.tamu.edu

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