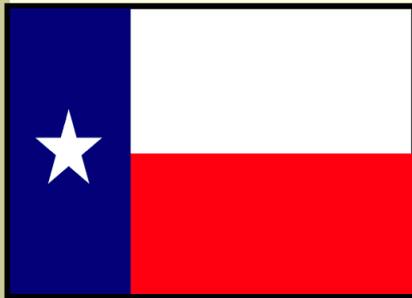


Overview of the Cuban Food Market & Prospects for US Exports



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



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°

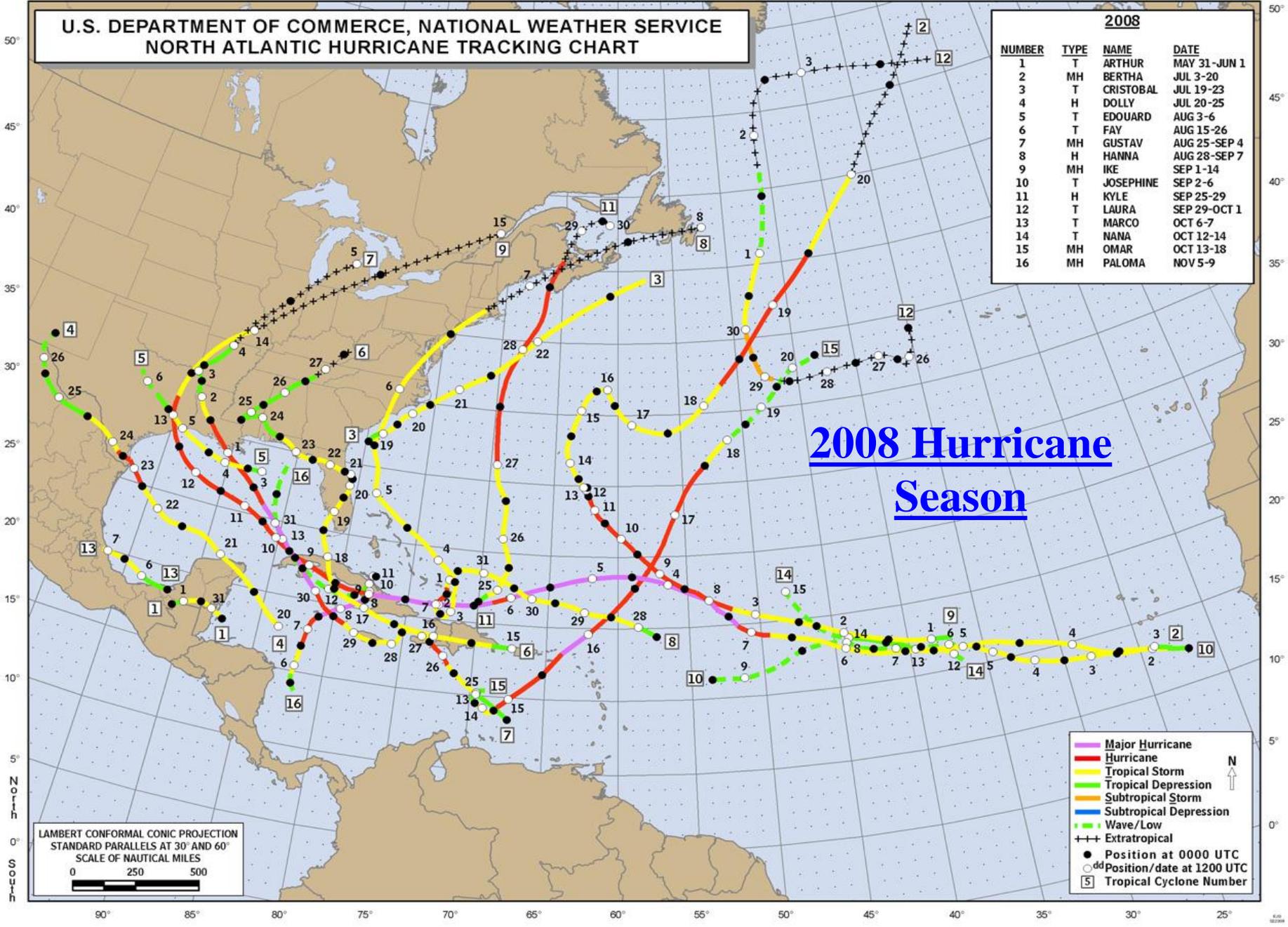
**U.S. DEPARTMENT OF COMMERCE, NATIONAL WEATHER SERVICE
NORTH ATLANTIC HURRICANE TRACKING CHART**

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

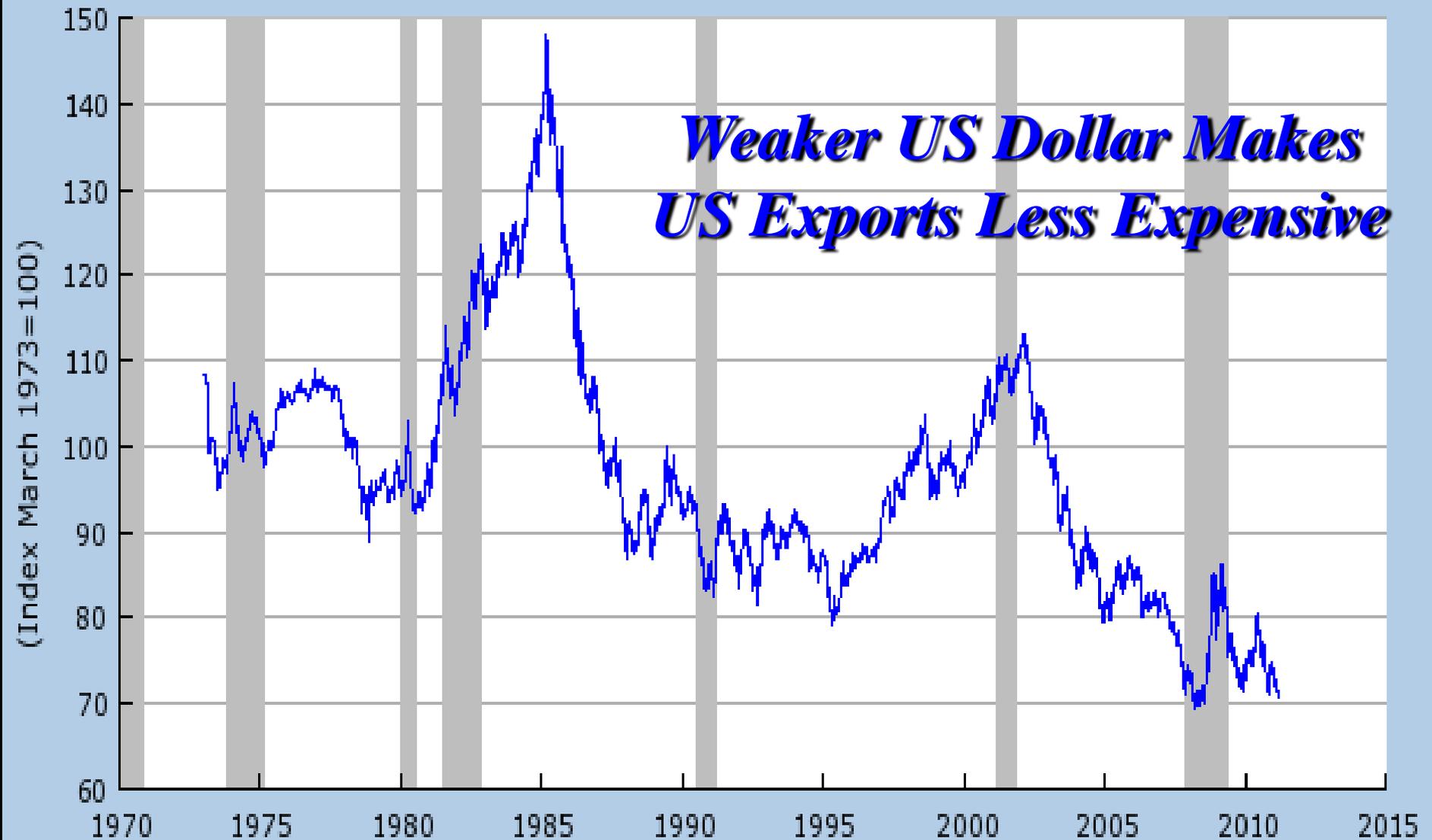
LAMBERT CONFORMAL CONIC PROJECTION
STANDARD PARALLELS AT 30° AND 60°
SCALE OF NAUTICAL MILES
0 250 500

— 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



Trade Weighted Exchange Index: Major Currencies (DTWEXM)

Source: Board of Governors of the Federal Reserve System



***Weaker US Dollar Makes
US Exports Less Expensive***

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

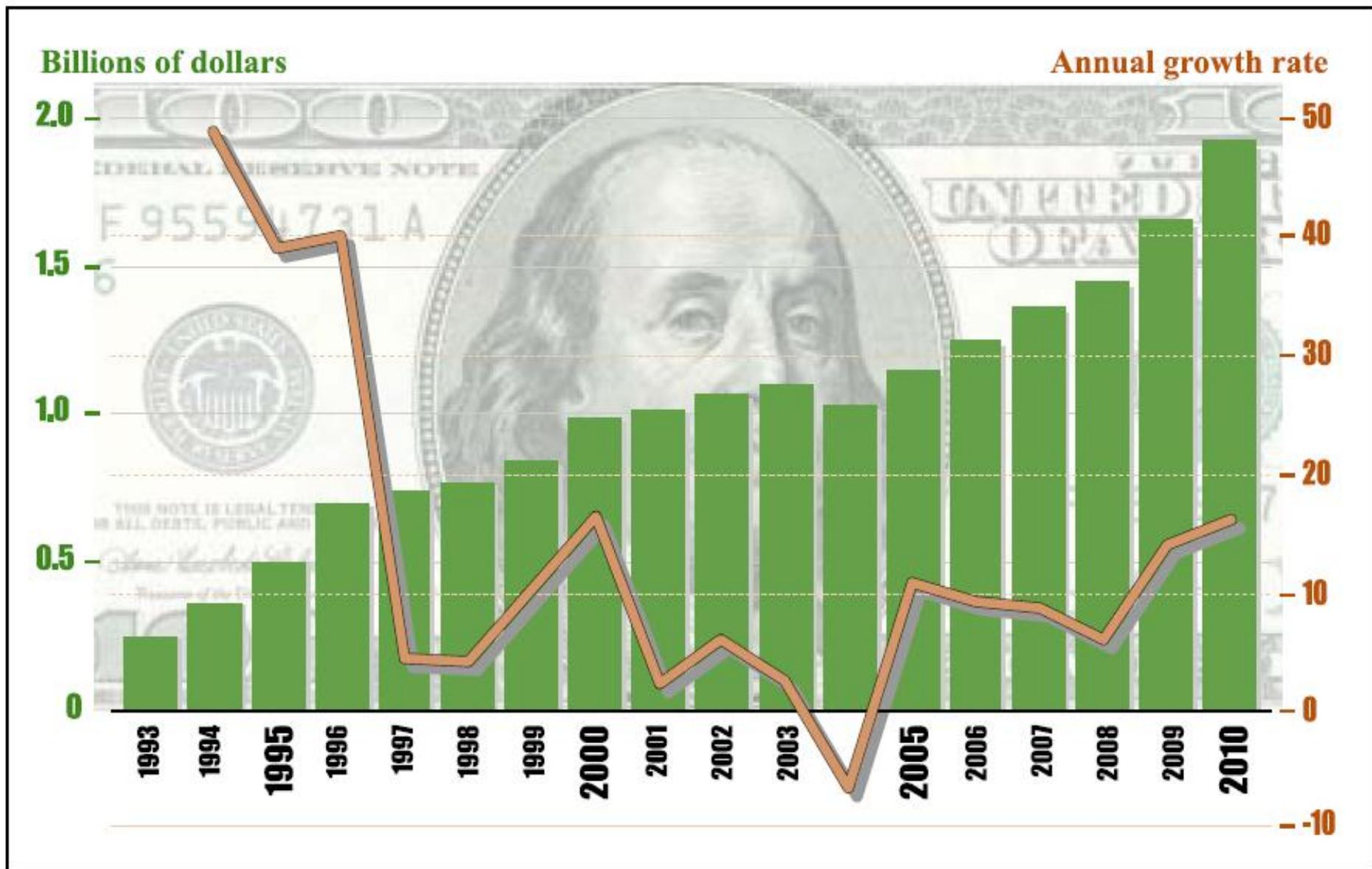
- Nickel Represents 1/3 of Cuba's Export Earnings, \$1.0 Billion

- Tourism Earns \$2.0 Billion Annually

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

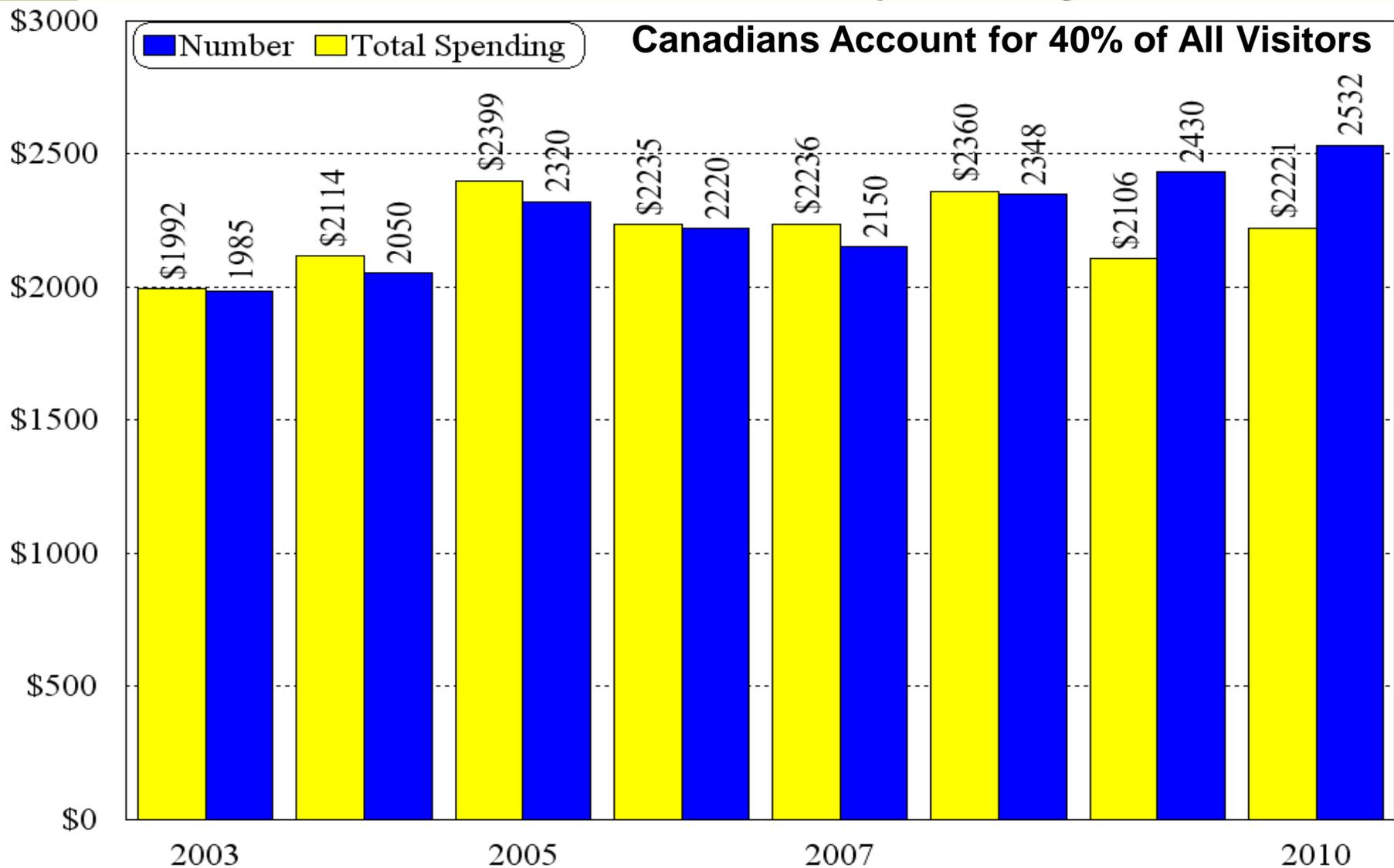


MONEY TRANSFERS TO CUBA: 1994-2010

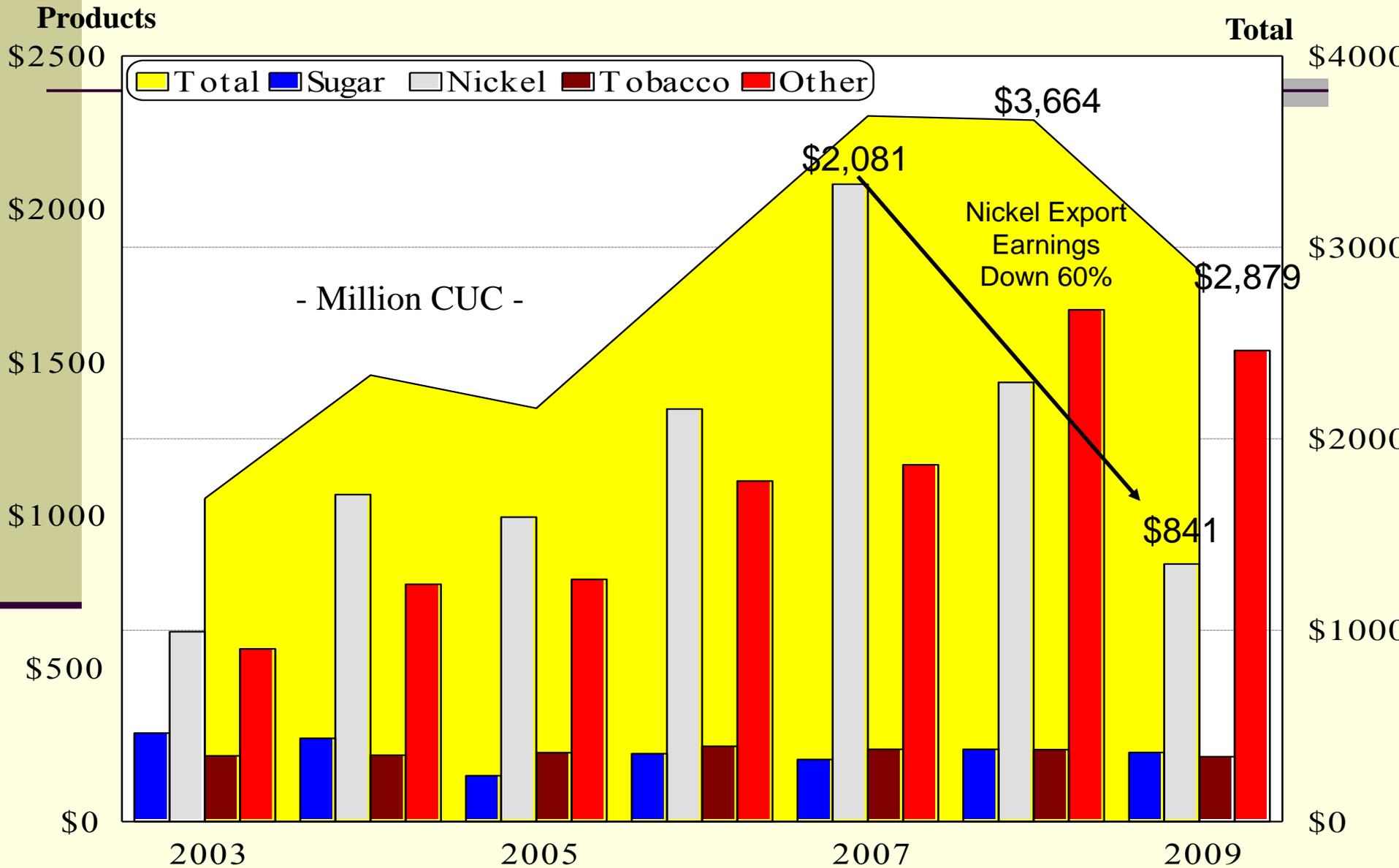


Source: The Havana Consulting Group

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

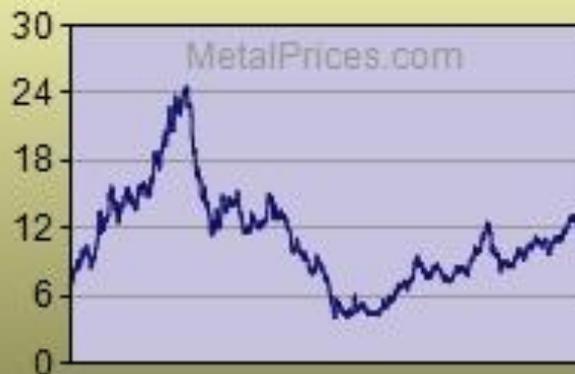


LME Nickel Settlement 1 Year - \$/LB

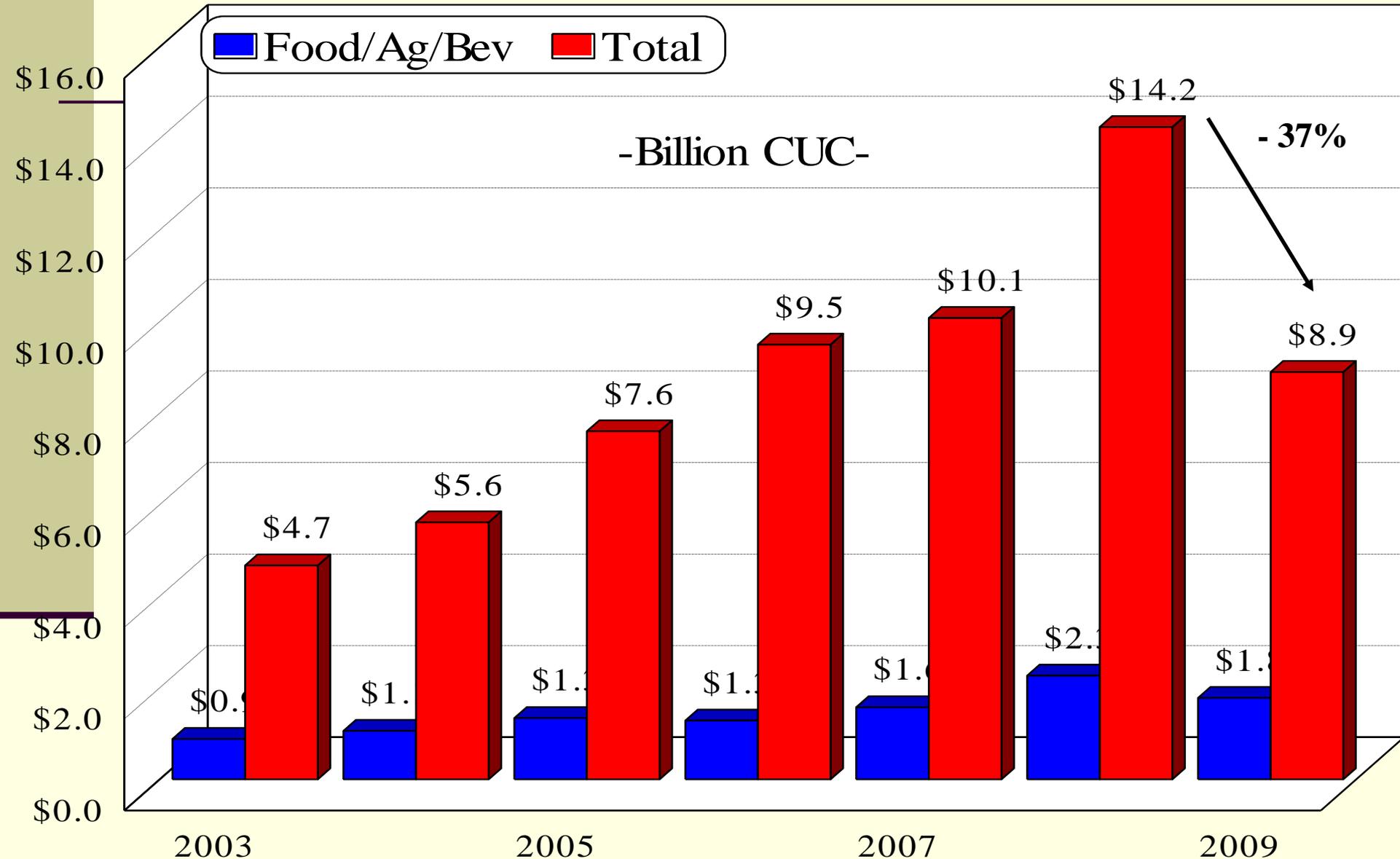


25 Mar, 2010 - 24 Mar, 2011

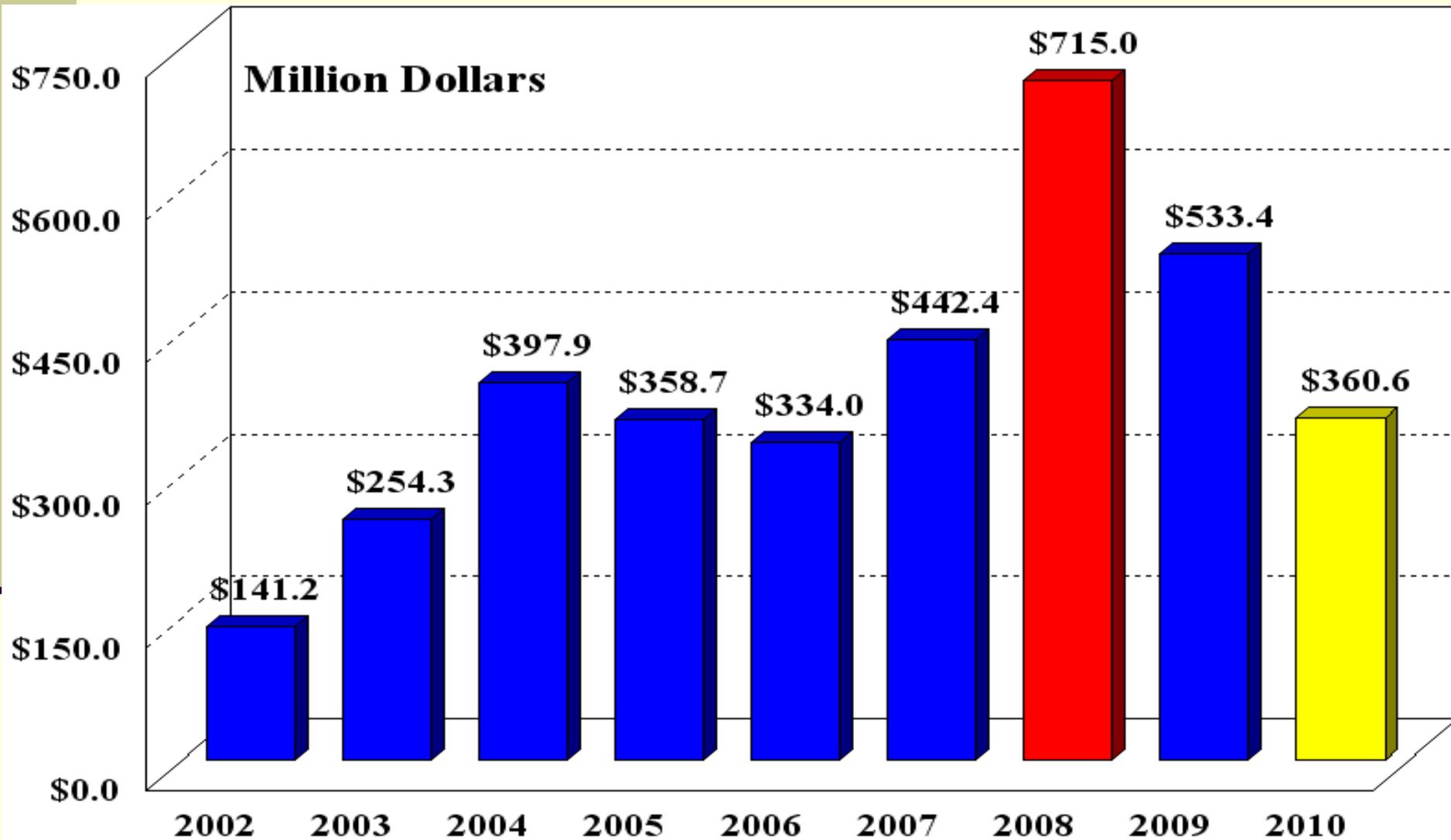
LME Nickel Settlement 5 Years - \$/LB



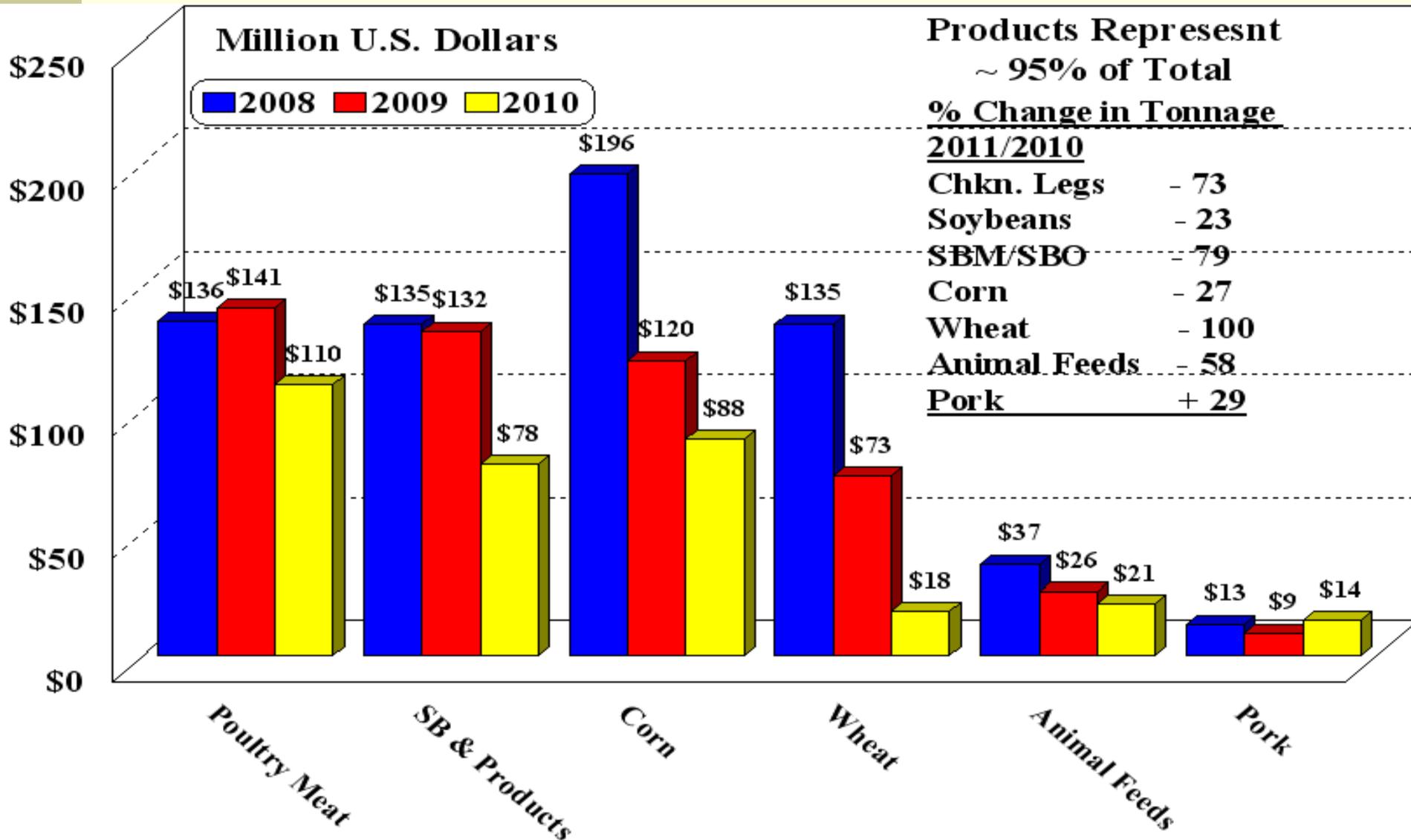
Cuba, Total Imports



US Exports to Cuba



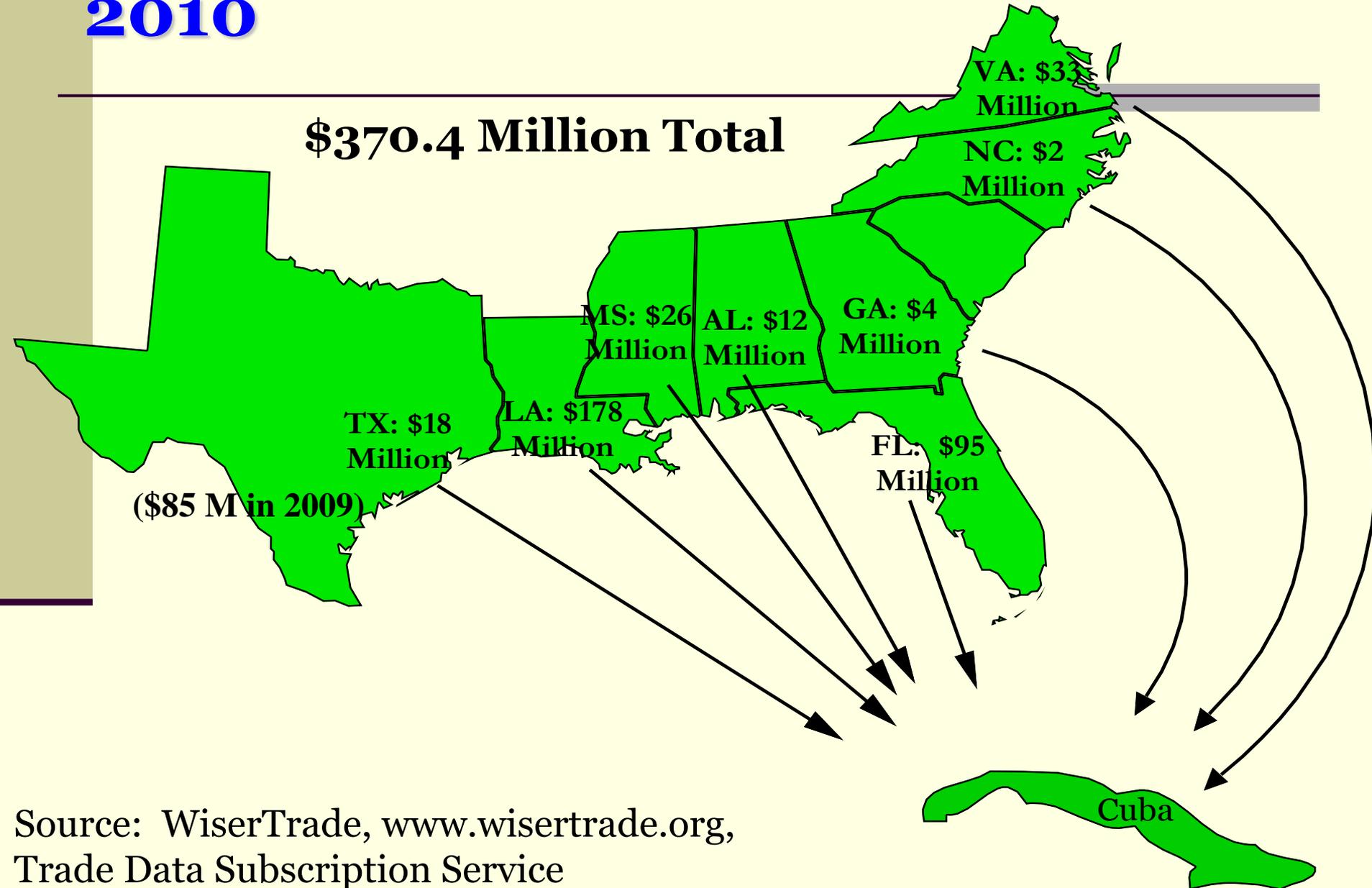
US Exports to Cuba by Product



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
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