U.S.-Cuba Agricultural Trade: Past, Present, and Possible Future

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Presentation for C-FARE Program
March 21-22, 2016

Views expressed are those of the author and should not be attributed to the Economic Research Service or USDA.
Overview

- U.S. – Cuba agricultural trade, then and now
- Cuba’s agricultural trade
- Implications of President’s Executive Actions
- A potential future for U.S. – Cuba agricultural trade
Select US Exports to Cuba: Pre-Embargo vs 2012-14

<table>
<thead>
<tr>
<th></th>
<th>1956-58</th>
<th>2012-14</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Annual average $US (millions)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total agricultural exports to Cuba</td>
<td>139.17</td>
<td>365.26</td>
</tr>
<tr>
<td><strong>Animals and products</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chicken meat, fresh or frozen</td>
<td>0.16</td>
<td>131.00</td>
</tr>
<tr>
<td>Pork</td>
<td>9.96</td>
<td>4.33</td>
</tr>
<tr>
<td>Lard</td>
<td>21.66</td>
<td>0.02</td>
</tr>
<tr>
<td><strong>Oilseeds and products</strong></td>
<td>4.81</td>
<td>103.58</td>
</tr>
<tr>
<td>Soybean meal</td>
<td>1.46</td>
<td>59.37</td>
</tr>
<tr>
<td>Soybeans</td>
<td>0.00</td>
<td>44.08</td>
</tr>
<tr>
<td><strong>Grains and feeds</strong></td>
<td>53.85</td>
<td>97.26</td>
</tr>
<tr>
<td>Corn</td>
<td>0.00</td>
<td>72.87</td>
</tr>
<tr>
<td>Rice</td>
<td>32.90</td>
<td>0.00</td>
</tr>
<tr>
<td>Wheat</td>
<td>5.74</td>
<td>0.00</td>
</tr>
<tr>
<td>Wheat flour</td>
<td>8.27</td>
<td>0.00</td>
</tr>
</tbody>
</table>

Relaxation of embargo in 2000 allowed U.S. agricultural exports to Cuba to resume.

- Cuban Liberty and Democratic Solidarity Act of 1996
- Trade Sanctions Reform and Export Enhancement Act (TSRA) of 2000
  - Authorizes U.S. exports of food, medicine, and medical equipment to certain countries, including Cuba
  - Does not provide a legal framework for the resumption of U.S. agricultural imports from Cuba
U.S. agricultural exports to Cuba

Source: USDA/FAS, GATS database
Agricultural Exports to Cuba by Source: 2001-14

Imports include: wheat from EU; corn, rice, soybeans, soy products, poultry meat from Brazil; rice from Vietnam; and nonfat dry milk from New Zealand.

Sources: USDA/FAS, and export data of national governments, as cited by Global Trade Information Services
Cuban Agricultural Exports to the World

• In 2001, Russia was the top destination, but China and the European Union have since become the leading buyers of Cuban agricultural exports.

• Cuban agricultural exports fluctuate with sugar exports, which make up about 90 percent of the total.

• Cuba’s agriculture-related exports have increased dramatically over the past 15 years.
  • Mostly cigars and cigarettes, rum and tafia, as well as ethanol.
U.S.-Cuba Possible Future

• Recent Executive Actions may facilitate U.S. agricultural exports to Cuba and lead toward a more normal economic relationship:
  • Relaxation of U.S. restrictions on travelling to Cuba
  • Higher ceilings on remittances to Cubans other than close relatives
  • Revised definition of “cash-in-advance” reduces Cuba’s need to use third-country financial institutions when paying for U.S. agricultural products

• Actions do not provide legal framework for:
  • Resumption of Cuban agricultural exports to the United States
  • Use of credit and financing to leverage U.S. agricultural exports to Cuba
Possible Effects of Normal Trade Relations

• **Short-term effects:**
  • Ban on agricultural imports from Cuba ends
  • USITC (2007) study suggests potentially large short-run effects on U.S. agricultural exports to Cuba, in neighborhood of $230 million per year

• **Long-term effects:**
  • U.S. agricultural import growth from further specialization in Cuba due to its resource endowments
  • U.S. agricultural export growth from reduced transaction costs and additional economic growth in Cuba
Might a “Normal” Agricultural Trading Relationship with Cuba Look Like the Dominican Republic?

<table>
<thead>
<tr>
<th></th>
<th>Cuba</th>
<th>Dominican Republic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real GDP per capita (2005 US$)</td>
<td>$ 5,351</td>
<td>$ 5,101</td>
</tr>
<tr>
<td>Real GDP per capita (PPP)</td>
<td>$ 20,122</td>
<td>$ 12,505</td>
</tr>
<tr>
<td>GDP growth (%)</td>
<td>3.00</td>
<td>3.0-7.0</td>
</tr>
<tr>
<td>GINI Index (income inequality)</td>
<td></td>
<td>45.7</td>
</tr>
<tr>
<td>Population</td>
<td>11,258,597</td>
<td>10,528,954</td>
</tr>
<tr>
<td>Primary school completion (%)</td>
<td>93.2</td>
<td>90.4</td>
</tr>
<tr>
<td>Adults literacy (%)</td>
<td>99.8</td>
<td>90.9</td>
</tr>
<tr>
<td>Government expenditures (% of GDP)</td>
<td>33.3</td>
<td>10.9</td>
</tr>
<tr>
<td>Agriculture, value added (% of GDP)</td>
<td>5.0</td>
<td>6.2</td>
</tr>
<tr>
<td>Employment in agriculture (%)</td>
<td>18.5</td>
<td>12.0</td>
</tr>
<tr>
<td>Trade Openness Index</td>
<td>44.0</td>
<td>57.0</td>
</tr>
</tbody>
</table>

Source: World Bank, World development Indicators (most recent available year)
US Exports to Dominican Republic and Cuba: 2013-15 (average)

**Total US Ag-Exports:**
- DR: $1.2 Billion
- Cuba: $262 Million

**Bar Chart:**
- Animals and Animal Products: 
- Grains and feeds: 
- Fruits and preparations: 
- Vegetables and preparations: 
- Oilseeds and products: 
- Tobacco, unmanufactured: 
- Other horticultural products:

**Source:** FAS Global Agricultural Trade System (GATS)
Might a “Normal” Agricultural Trading Relationship with Cuba Look Like the Dominican Republic?

• U.S. share of Cuba’s agricultural imports would likely rise above its current level of 20 percent
  • Dominican Republic obtains about 45 percent of its agricultural imports from the United States
• U.S. would likely export a broader range of agricultural products
  • Likely to re-capture a large share of Cuba’s rice market, as well as wheat, nonfat dried milk, and dried beans
  • Initiate exports of intermediate and higher-value, consumer-oriented products, some oriented toward tourism and food services
• U.S. imports from Cuba: horticultural products, tobacco, and perhaps sugar, depending on U.S. policy
Conclusions

• Before the Cuban revolution, the U.S. and Cuba had a normal trading relationship and were among each others’ top partners

• After TSRA (2000), U.S. agricultural exports grew to $685M by 2008, but has declined in recent years

• If normal trade relations resumed, U.S. agricultural exports would likely increase, in total and in diversity
For more information, please read: “U.S.-Cuba Agricultural Trade: Past, Present and Possible Future”


Thank you!

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