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Hearing: Opportunities and Challenges for Agriculture Trade with Cuba

Chairman Roberts, Ranking Member Stabenow, and Members of the Committee, I am pleased to come before you today to discuss agricultural trade with Cuba. The Administration's new approach to Cuba is significant for U.S. agricultural producers, processors, and exporters. There are major opportunities for U.S. agriculture in Cuba, but significant challenges remain to doing business there.

Charting a New Course on Cuba

As you know, on December 17, President Obama announced a set of policy and regulatory changes to chart a new course in U.S. relations with Cuba and to further engage and empower the Cuban people. As President Obama reiterated at the Summit of the Americas this month, the changes are aimed at giving Cuban citizens new opportunities to gain greater control over their own lives. The measures also seek to expand opportunities for America's farmers and ranchers to sell goods in Cuba.

Less than a month after the President's announcement, the Treasury Department's Office of Foreign Assets Control (OFAC) published amendments to the Cuban Assets Control Regulations (CACR) to implement the relevant policy changes. The regulatory changes removed certain technical barriers between the U.S. and Cuba and created a more efficient, less burdensome payment requirement and process for authorized sales of U.S. agricultural products to Cuba. These changes – which include a revised interpretation of the statutory term “cash-in-advance” as well as authorization for U.S. banks to establish correspondent accounts at Cuban banks – should improve the speed, efficiency, and oversight of authorized payments between the United States and Cuba. These changes had been sought by members of the U.S. agricultural community. Our belief is that, ultimately, they will help lead to expanded choices for Cuban consumers and an expanded customer base in Cuba for America's farmers and ranchers.

Permitted Agricultural Sales to Cuba

Under the Trade Sanctions Reform and Export Enhancement Act of 2000 (TSRA), Congress lifted the ban on the export of agricultural products that had been restricted under Cuba sanctions for decades. Despite this opening, U.S. government agencies – including USDA – remain prohibited from providing government assistance, U.S. export assistance, and any U.S. credit or guarantees for exports to Cuba. As Secretary Vilsack has said, he can't use a single dollar of trade promotion funding for our trade with Cuba. These restrictions apply to FAS' successful cooperative market development programs like the Market Access Program and the Foreign Market Development Program.

The policy changes announced by the President are significant, but we still have legislative hurdles to cross. Legislation has been introduced to further open agricultural trade with Cuba, including legislation sponsored and cosponsored by members of this committee. USDA stands ready to provide technical assistance to you and other Members as Congress considers further openings with Cuba.

Cuba as a Potential Export Market

If the embargo is removed, we could be poised to become a major trading partner with Cuba. Cuba depends heavily on imports to feed its 11 million citizens and growing numbers of foreign visitors. According to the World Food Program, Cuba imports about 80 percent of its food, which means that the economic potential for our producers is significant. Unfortunately, the country is plagued with an outdated infrastructure, a depleted resource base, a lack of agricultural inputs, and has been subjected to devastating hurricanes. The United States has potentially huge structural advantages in exporting to Cuba. Chief among them is location. We are less than 100 miles away, meaning lower shipping costs and transit times, especially when compared to our current top competitors – Brazil and Europe. Plus, there's the fact that 11 million Cuban consumers desire food products that the United States can supply, and American agriculture wants to sell to Cuba.

Under TSRA, agricultural products are among a few types of goods that may be exported to Cuba under the longstanding U.S. embargo, and our producers have taken advantage of that opportunity. Before passage of TSRA, U.S. law prevented the sale of agricultural commodities to Cuba and agricultural sales were zero. By fiscal year 2008, U.S. agricultural exports to Cuba had reached a peak of \$658 million. However, by the end of last fiscal year, they had fallen by

more than half, to \$300 million. Yet, at the same time, global agricultural exports to Cuba have doubled over the past decade to \$1.7 billion.

Right now, the largest U.S. export to Cuba is poultry products, with exports valued at \$148.1 million in FY 2014. This made Cuba the eighth-largest export market for U.S. poultry. Other top U.S. exports last fiscal year included soybean meal (valued at nearly \$75 million), bulk soybeans (valued at more than \$29 million), and bulk corn (valued at more than \$28 million).

I am confident U.S. agricultural exporters can capture the market in Cuba, but I don't want to minimize the obstacles. In addition to those I've already talked about, here are a few more worth considering. Cuba is a country with limited foreign exchange. U.S. companies are also behind our foreign competitors in market development.

Another impediment to trade is Cuba's tightly controlled import policy requiring that all U.S. agricultural imports must be channeled through one state corporation, called Alimport. Many of our competitors have additional options of trading with other Cuban agencies, but Alimport is the exclusive agent for the Cuban government on buying decisions and negotiating purchases from U.S. firms. Alimport not only negotiates contracts for purchase with U.S. firms, but it arranges for payment, takes control of the imports at the Cuban port, and manages the distribution process within Cuba.

Enhancing Export Opportunities around the Globe

The recent changes in U.S. policy toward Cuba are just one example of opportunities for USDA to support America's farmers and ranchers as they build on record agricultural exports. In FY2014, exports of U.S. food and agricultural products reached a record \$152.5 billion and supported nearly one million American jobs. The potential for U.S. agricultural exports around the globe is considerable and USDA is taking action to help producers secure and expand market access for American agricultural products. It is also critically important that we have Trade Promotion Authority (TPA) as we seek approval of trade agreements that support and create U.S. jobs while helping American agriculture to compete even more successfully. TPA will help ensure that America's farmers, ranchers, and food processors receive the greatest benefit from these trade agreements, and builds on efforts that have helped achieve record agricultural exports over the past six years.

Conclusion

I will say that in regards to agricultural trade with Cuba, that there is potential for expanding U.S. exports over time. It is important to keep in mind that re-establishment of diplomatic relations and opening Embassies is simply the first step of the longer process of normalization relations between the United States and Cuba. It's a complex process, involving bilateral discussions that will continue into the future. The Administration looks forward to engaging with Congress in an honest and serious debate about what we can do to promote positive change in Cuba. Throughout history, agriculture has served as a bridge to foster cooperation, understanding, and the exchange of ideas among people. I have no doubt that agriculture will have an important role to play as these conversations continue and we expand our relationship with the Cuban people in the coming years.

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