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Subcommittee on Terrorism, Non-Proliferation, and Trade
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Hearing: Agricultural Trade with Cuba

Chairman Poe, Ranking Member Keating, and Members of the Subcommittee, 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 President Obama announced last December, the Administration is charting a new course with Cuba in its drive to further engage and empower the Cuban people. 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. After more than a half a century of isolation, the United States reopened its embassy in Havana on July 20. Though the embassy will operate in a restrictive environment, as some U.S. embassies around the world do, and decisions on a possible USDA presence in Cuba have not yet been made, USDA and many of its stakeholders are excited about this new chapter in U.S.-Cuba relations.

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 to implement certain policy measures. These amendments removed certain technical barriers between our two countries and created a more efficient, less burdensome payment process for 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 banks in Cuba – 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, these changes will help lead to expanded choices for Cuban consumers and an expanded customer base for America's farmers and ranchers. Additionally, it is our hope that increased limits on remittances to individual Cubans will enable them to purchase more U.S. goods, including agricultural products.

Permitted Agricultural Sales to Cuba

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

Though the policy changes announced by the President earlier this year are significant, we still have legislative hurdles to cross. Legislation has been introduced to further open agricultural trade with Cuba, and USDA stands ready to provide technical assistance to you and other Members as Congress considers further changes.

Cuba as a Potential Export Market

If remaining statutory limitations were removed, American agriculture 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 between 70 and 80 percent of its food, which means the economic potential for our producers is significant. Unfortunately, Cuba is plagued with outdated infrastructure, a depleted resource base, lack of agricultural inputs, and has been subjected to devastating hurricanes. Relative to our agricultural competitors, 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. Moreover, 11 million Cuban consumers desire food products that the United States can supply and American agriculture wants to sell to Cuba.

Agricultural commodities are among the types of goods that may be exported to Cuba

under the longstanding U.S. embargo and American farmers have been taking advantage of that opportunity. Prior to passage of TSRA, agricultural sales to Cuba 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 more than \$2 billion.

In FY 2014, the largest U.S. export to Cuba was poultry products, with exports valued at \$148.3 million. 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), rice (valued at more than \$29 million), bulk soybeans (valued at more than \$29 million), and bulk corn (valued at more than \$28 million).

While I am confident U.S. farmers, ranchers, and exporters are poised to capture markets in Cuba, I don't want to minimize the obstacles. In addition to those I mentioned a moment ago, we bear in mind two overarching factors. First, Cuba is a country with limited foreign exchange. And second, U.S. companies are behind our foreign competitors in market development.

Another impediment to trade is Cuba's tightly controlled import policy requiring that all U.S. agricultural import 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 agricultural 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 and Congress to support America's farmers and ranchers as they build on record agricultural exports. In FY 2014, global exports of U.S. food and agricultural products reached a record \$152.5 billion and supported about 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 agreements that support and create U.S. jobs while helping American agriculture to compete even more successfully. For example, USDA trade negotiators are currently working with the Office of the U.S. Trade Representative to advocate

on behalf of U.S. agriculture in two major negotiations, the Trans-Pacific Partnership (TPP) and the Transatlantic Trade and Investment Partnership (T-TIP). Once these agreements are in place, U.S. agricultural producers will enjoy improved access to markets representing two-thirds of the global economy.

Conclusion

Let me conclude by saying that, over time, there is significant potential for expanding U.S. agricultural exports to Cuba. Re-establishment of diplomatic relations and reopening of our embassy is simply the first step of the longer normalization process between the United States and Cuba. It's a complex process, involving bilateral engagement and dialogue that will continue for some time. The Administration is eager to engage with Congress in an honest and serious discussion 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 government and Cuban people in the coming years.

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