

2009 Economic Impacts of U.S. and Texas Exports to Cuba

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The Trade Sanctions Reform and Export Enhancement Act of 2000, allows the export of U.S. agricultural products to Cuba. Since then, exports have expanded, reaching a record \$711 million in 2008. This was nearly two-thirds higher than 2007. U.S. exports to Cuba declined 26 percent in 2009 to \$528 million. This large drop-off was attributed primarily to an 18 percent decline in Cuba's per capita tourist earnings, a 30 percent drop in export earnings from nickel sales, and weak export sales of sugar and tobacco. Together, these factors severely limited the ability of ALIMPORT, the Cuban food import agency, to purchase U.S. products on a cash basis. Despite this decline, Cuba has grown to become the sixth largest U.S. agricultural market in the Latin American/Caribbean region.

For 2009, major U.S. exports to Cuba included frozen broilers, turkeys and other poultry (\$144 million), soybeans and soybean products (\$133 million), corn (\$120 million) and wheat (\$73 million). Other leading exports in 2009 were animal feeds (\$26 million), pork (\$11 million), dry beans (\$4.3 million), and processed foods and phosphate fertilizers (\$3 million) each. Minor exports were apples, pears and grapes (\$2.6 million), margarine (\$2.2 million), and treated poles (\$1.7 million).

Agricultural exports support business activity and jobs, and shipments to Cuba are no exception. The Center for North American Studies (CNAS), Texas AgriLife Research at Texas A&M University, estimates that in 2009, for every one dollar of U.S. agricultural exports to Cuba an additional \$1.96 in business activity was generated throughout the U.S. economy. Additional business activity includes indirect activity, which results from firms purchasing inputs to produce the exports, and induced activity, which is created by expenditures of income made by employees of firms in all of the affected sectors.

U.S. exports to Cuba of \$528 million required an additional \$1.04 billion in economic activity, for a total economic impact of \$1.6 billion. Processed poultry, grains and soybeans were the most important contributors to this additional economic activity, followed by animal feeds production and pork processing. Another \$121 million was needed to produce other agricultural products used to produce for export. Non-farm sectors also benefited from U.S. exports to Cuba. Business and agricultural services, real estate, finance, energy production, transportation, health services, wholesale trade and fertilizer manufacture contributed about \$1.0 billion in economic activity associated with exports to Cuba.

Nationwide, 8,584 jobs supported U.S. agricultural exports to Cuba in 2009. About one-quarter of these jobs (1,977) were in grain production, but many other sectors were also important. Nearly 800 jobs were attributed to the processing of poultry and pork for export, with 750 jobs supporting soybean exports and another 240 jobs needed to produce other agricultural goods. An additional 4,800 jobs supported the non-farm sectors that manufactured and distributed agricultural chemicals, fertilizer and other inputs used in farming and food processing, along with energy, transportation, wholesale trade and finance.

Cuba has also become an important market for Texas products. CNAS estimates that Texas agricultural exports to Cuba were valued at approximately \$20.6 million in 2009. Major Texas exports to Cuba were frozen broilers (\$7.7 million), corn (\$5.5 million), animal feeds (\$3.3 million), wheat (\$3.0 million), pork, beef and products (\$574,000), and cotton (\$193,000). The potential exists for Cuba to expand its imports of beef and cattle, dairy products, cotton, planting seeds, horticultural products and a variety of processed foods, but this potential is limited by current economic conditions, travel restrictions and payment requirements.

Texas exports to Cuba generate economic activity throughout the state and region. In 2009, Texas

exports of \$20.6 million were supported by an additional \$17.8 million in business activity, for a total economic impact of \$38.4 million. For each dollar of Texas exports to Cuba, an additional \$0.86 was required to support business activity throughout the Texas economy. Exports of grains required \$8.8 million in business activity, while poultry exports required \$8.4 million. Animal feed exports support \$3.5 million, while pork, beef and related product exports supported slightly more than \$1.0 million. Soybeans and products required \$345,000 and cotton exports required \$207,000 in business activity.

Texas ports play a key role in facilitating exports to Cuba. In 2009, \$85.2 million in food/agricultural products moved to Cuba through Texas ports. Exports through Houston were valued at \$63.0 million, while exports through Beaumont were \$13.4 million and Galveston, \$8.8 million. Exports to Cuba through Texas ports require \$96.3 million in total business activity and 159 jobs.

Impacts of Texas exports are also important to sectors that have no direct export sales to Cuba. Major non-farm sectors supporting business activity include: other agricultural activities such as animal production, forestry and other crop production (\$4.4 million), business and financial services (\$2.1 million), oil/gas extraction and refining (\$2.0 million), wholesale and retail trade (\$1.7 million), real estate (\$1.5 million), transportation (\$842,000), health care/medical services (\$501,000) and food processing and sales (\$453,000).

Texas exports to Cuba required 475 jobs in 2009. About 176 jobs supported grain exports, primarily wheat and corn. Poultry processing required 37 jobs, while all other direct exports required 11 jobs. Agricultural input supply and other support activities required 29 jobs to support Texas exports to Cuba. Port activities, wholesale trade, food service, real estate, truck transportation medical services, food and beverage stores, and other sectors contributed an additional 222 jobs that supported Texas exports to Cuba.

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Estimated Economic Impacts of U.S. and Texas Exports to Cuba, 2009
-Thousand Dollars-

| | <i>U.S.</i> | | | <i>Texas</i> | | |
|--------------------------------|-------------|----------------------|-------------|--------------|----------------------|----------|
| | Direct | Indirect/ Induced | Total | Direct | Indirect/ Induced | Total |
| Total Estimated Impacts | | | | | | |
| Business Activity | \$528,213 | \$1,036,890 | \$1,565,103 | \$20,635 | \$17,813 | \$38,448 |
| Employment (# of Jobs) | 2,912 | 5,672 | 8,584 | 213 | 103 | 316 |
| Top Exported Products | | | | | | |
| Grains (Corn and Wheat) | \$192,787 | \$31,889 | \$224,676 | \$8,473 | \$294 | \$8,767 |
| Poultry Meat | \$144,448 | \$16,836 | \$161,284 | \$7,680 | \$679 | \$8,359 |
| Soybean Products | \$71,480 | \$36,941 | \$108,421 | \$120 | \$119 | \$239 |
| Soybeans | \$61,508 | \$53,405 | \$114,913 | \$105 | \$2 | \$107 |
| Animal Feeds | \$25,990 | \$30,763 | \$56,753 | \$3,317 | \$175 | \$3,492 |
| Pork , Beef and Products | \$13,287 | \$10,975 | \$24,262 | \$574 | \$487 | \$1,061 |
| Cotton | \$562 | \$1,858 | \$2,420 | \$193 | \$14 | 207 |

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