

Economic Impacts of the Travel Restriction Reform and Export Enhancement Act of 2010 on California

CNAS Issue Brief 2010-13

March 24, 2010



Introduction

This Issue Brief estimates the economic impacts on California of implementing H.R. 4645, the Travel Restriction Reform and Export Enhancement Act of 2010. This analysis is based on a previous report, *Estimated Economic Impacts of the Travel Restriction Reform and Export Enhancement Act of 2010* prepared by the Center for North American Studies. Major findings of that report indicate that in 2009, U.S. exports to Cuba were valued at \$528 million, supported \$1.6 billion in total business activity, and provided 8,600 jobs throughout the U.S. economy. Removal of U.S. travel and financial restrictions to Cuba would add \$365 million/year to U.S. exports, requiring \$1.1 billion in additional business activity and 6,000 new jobs. This Issue Brief examines similar impacts on California.

Economic Impacts on California

Implementing H.R. 4645 would increase California agricultural exports to Cuba by \$56.7 million annually (see table). This represents a five-fold increase in the value of California's 2009 agricultural exports to Cuba of \$9.5 million. In addition, these new exports to Cuba would require \$58.8 million in additional business activity and 764 new jobs. Nearly half of the new jobs (369) are required in sectors that produce goods for export to Cuba. There are 395 jobs attributed to the sectors that provide input and services to support exports to Cuba.

Major gains in business activity would occur for grains, dairy, fruit, cotton, processed foods, wood and poultry. Increases in total business activity attributed to additional exports to Cuba would be \$20.7 million for rice and wheat, \$11.4 million for dry milk and other dairy products, \$9.3 million for fruit, \$7.8 million for planting seeds and cotton, \$6.0 million for processed foods, \$1.5 million for wood products and \$1.3 million for poultry meats. All other exported products would add about \$3.7 million in total business activity.

Important supporting sectors that do not have any exports to Cuba, but that would experience increased business activity include: other agriculture, \$8.5 million; real estate, \$6.6 million; oil, gas and petroleum products, \$5.1 million; business services, \$4.9 million; financial services, \$4.3 million; and wholesale trade, \$3.8 million. All other supporting sectors are estimated to contribute \$20.5 million in total additional business activity to the California economy.

Summary and Conclusions

The California economy would receive \$116 million in total additional business activity and 764 new jobs by increasing agricultural exports to Cuba. The majority of the gains in business activity are for sectors that produce and export products to Cuba. About half of these gains in business activity would occur in the rice, dairy, fruit, seeds and cotton, and processed foods sectors. Slightly more than half of the employment gains occur in non-export sectors that provide inputs or services that support exports to Cuba.

**Estimated Economic Impacts for California of Elimination of U.S. Restrictions
on Financing Exports and Restrictions on Travel to Cuba
-Additional Exports and Economic Activity-**

	Exports	Indirect and Induced Activity	Total Business Activity
Exports	<i>-Thousand Dollars-</i>		
Grains (<i>Rice, Wheat</i>)	\$20,461.9	\$209.0	\$20,670.9
Dry Milk and Other Dairy	\$10,215.7	\$1,180.7	\$11,369.4
Fruit	\$9,000.4	\$254.6	\$9,255.0
Other Crops (<i>Seeds, Cotton</i>)	\$6,876.4	\$965.5	\$7,841.9
Processed Food (<i>Fruit, Vegetable, Frozen</i>)	\$5,496.1	\$550.9	\$6,047.0
Wood Products (<i>Lumber</i>)	\$1,451.0	\$71.7	\$1,522.7
Poultry Meat	\$1,140.5	\$113.9	\$1,254.4
All Other Exports	\$2,100.0	\$1,572.5	\$3,672.5
Supporting Sectors			
Other Ag Related	N/A	\$8,465.0	\$8,465.0
Real Estate	N/A	\$6,574.3	\$6,574.3
Oil, Gas and Petroleum Products	N/A	\$5,133.4	\$5,133.4
Business Services	N/A	\$4,949.1	\$4,949.1
Financial Services	N/A	\$4,322.6	\$4,322.6
Wholesale Trade	N/A	\$3,848.5	\$3,848.5
All Other Sectors	N/A	\$20,541.9	\$20,541.9
Total Estimated Impacts			
Business Activity	\$56,742.1	\$58,794.0	\$115,536.1
Employment (# of Jobs)	369	395	764

Assumptions for increased California exports are based on California shares of U.S. production for respective products and applied to increased exports in Table 2 of *Estimated Economic Impacts of the Travel Restriction Reform and Export Enhancement Act of 2010*, Center for North American Studies, March 11, 2010.

Notes: For supporting sectors, there are no exports resulting in N/A for those exports columns. Indirect activity results from firms purchasing inputs to produce exports and induced activity is created by expenditures of income made by employees of firms in all affected sectors. Total Business Activity is the total of exports, indirect, and induced activities.

Contributors to this Issue Brief are C. Parr Rosson, III, Professor and Director, Flynn J. Adcock, International Program Coordinator, and Eric Manthei, Research Assistant. All are located in the Center for North American Studies, Department of Agricultural Economics, Texas AgriLife Research/AgriLife Extension, Texas A&M University. For further information, please contact Parr Rosson, Extension Economist and Director, Center for North American Studies, Department of Agricultural Economics, Texas A&M University, College Station, Texas. Tel: 979-845-3070 or E-mail: prosson@tamu.edu. <http://cnas.tamu.edu>.