

Tourism and Agriculture in Cuba

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Introduction

The economic impacts of increased travel and spending by U.S. visitors to Cuba are documented in *Estimated Economic Impacts of the Travel Restriction Reform and Export Enhancement Act of 2010* by the Center for North American Studies, Texas AgriLife Research, Texas A&M University, which was submitted for the record to the House Committee on Agriculture, United States House of Representatives, March 11, 2010 on H.R. 4645, the Travel Restriction Reform and Export Enhancement Act. The following comments are submitted as a supplement to that report.

Travel and Tourism in Cuba

A record 2.4 million tourists visited Cuba in 2009, spending about \$2.1 billion (ONE). While the potential increases in U.S. food and agricultural exports to Cuba attributed to open travel were estimated to range from \$48 million (short run) to \$336 million/year (long run), requiring \$1.1 billion in total business activity and creating up to 5,500 new jobs, these estimates included only the additional spending incident to travel by new U.S. visitors to Cuba. What is not included, and what is more difficult to quantify and estimate, is how much of these new tourism earnings may be spent by the Cuban government to purchase additional U.S. bulk commodities and intermediate agricultural products intended for local consumption. Such an increase in additional spending on bulk products would be anticipated not only because Cubans would increase consumption with additional resources, but because U.S. suppliers could regain market share lost in 2009-2010 to competitors who offer credit and extended payment terms to Cuba.

Cuban revenue from tourism was reported to be \$2.1 billion in 2009 and was a major source of foreign exchange. It was equivalent to 57 percent of all Cuban merchandise exports in 2009 and 28 percent of the balance of all services trade for 2007. Further, as Cuban tourism earnings increased by twenty eight percent from 2003 to 2008, U.S. exports grew by 181 percent. As Cuba's earnings from tourism declined 11 percent in 2009, U.S. exports fell by 25 percent. While numerous other factors also influenced U.S. exports, tourism in Cuba appears to be one important factor in maintaining a viable export market for U.S. products.

The following is submitted in response to comments by members regarding Cuba's policy allowing Cuban citizens to utilize local hotels, resorts and other tourist facilities.

Changes implemented by Raul Castro in April 2008 allow Cubans to stay at local tourist hotels and resorts for the first time since the early 1990s (Dominican Today and The Washington Post). Most of the 4 and 5 star facilities are out of the price range of many locals who earn the equivalent of about \$20/month. During the low season of 2009 (August), however, many of the 2 and 3 star hotels in Varadero, Cuba's major tourist beach resort area, booked one-week stays for locals for a fixed, all inclusive price of \$200/week (Global Post).

With about 60 percent of Cubans having access to hard currency, either from remittances, factory and farm bonuses, or tips, these 'new' tourists are creating additional demand for U.S. food products (Calgary Herald). Remittances are likely to increase in 2010 as more Cuban-Americans are

allowed to make an unlimited number to visits to relatives in Cuba, thereby increasing funds available to locals. As Cubans obtain more hard currency, it is highly likely that the government of Cuba will purchase additional high value products from U.S. exporters to supply the state operated stores that serve the needs of Cuban consumers. This would assist U.S. exporters to regain market share lost in 2009-2010.

While many other forces also influence U.S. exports, and cause-effect may be debatable, there does appear to be an established linkage between the amount of money Cuba earns from tourists who visit the island and the amount of food it can afford to import from the United States and other potential suppliers.

Other economic and non-economic factors influence Cuban food import purchasing decisions as well. One is foreign exchange earnings from nickel exports, which declined 58 percent from 2007 to 2010. Nickel represented about 40 percent of total Cuban merchandise exports in 2008, down from 57 percent in 2007. A second factor is the price competitiveness of U.S. products, which is affected by the exchange rate of the U.S. dollar, commodity/supply demand balance and payment/financing regulations imposed by U.S. law (see above referenced report). Finally, Cuba may decide that despite the availability of competitively priced U.S. products, it may be in their best long term interests to diversify sources of supply.

Agriculture in Cuba

The following is in response to member questions about soil quality and the productive capacity of Cuban agriculture.

Cuba has a tropical climate characterized by a dry season (November-April) and a rainy season (May-October). The annual average temperature ranges from 75 degrees in the West to 80 degrees in the East. Humidity averages about 80 percent and average annual rainfall is 52 inches, with about 39 inches falling during the rainy season (Cuba Weather).

About 50 percent of Cuba's land is classified as agricultural, with 75 percent of that land area in relatively flat to gently rolling terrain and suitable for tropical and subtropical agricultural production (USDA). About 76 percent of Cuba's population lives in urban areas (CIA). According to the Food and Agriculture Organization, about 70 percent of Cuba's arable land has low organic matter content, while 45 percent is characterized by low fertility, 42 percent is eroded and 40 is poorly drained. These soil conditions are attributed to poor land management, including continuous tillage, overgrazing, lack of fertilization, and inadequate or improper use of irrigation and drainage systems.

Cuba's agricultural land is about evenly split between cropland (46 percent) and pasture (54 percent) (USDA). Recently, a large, but so far undocumented, amount of Cuba's cropland was taken out of permanent crop production and placed in native, unimproved pasture (USDA). It is suspected that this was done in an attempt to increase milk production, which has declined about 10 percent since 2003. This occurred as milk output per cow actually increased 25 percent over the same period (ONE).

Sugar cane, coffee, tropical fruits (plantains, bananas and mangoes), roots/tubers, and vegetables/melons accounted for 80 percent of harvested area in 2008 (ONE). Cereals, primarily rice and corn, accounted for most of the balance of harvested area. Production of these cereal crops has declined from about 1.1 million metric tons (mt) in 2003 to 762,000 mt in 2008 (ONE). Cuba's corn

yields averaged about 41 bushels/acre from 2003-2008, about one-quarter of those obtained by U.S. corn producers. Cuban rice yields have averaged 2,750 pounds/acre since 2003, less than half the yields obtained in the United States. Soybean and other oilseeds production are very limited.

Because of poor soil conditions, high humidity, timing and amounts of rainfall, high insect infestation and lack of pesticide or biological controls, Cuba's ability to produce grain and oilseed crops is limited and likely to remain so over the long term. As a result, Cuba will remain one of the top grain and oilseed product markets in the Caribbean region provided the economic conditions there are conducive to market growth and the utilization of imported products.

References

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