Overview of the Cuban Food Market & Prospects for US Exports

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**Situation**

  - Cuba is Now A Top 35 US Ag Market
- US Ag Exporters May Now Travel to Cuba on a General License (Sept 8, 2009)
- US Bank Subsidiaries May Issue Letters of Credit
- Cash Before Shipment Payment Terms Revised for FY 2010
  - Should Reduce the Cost of US Products
- Cuban-Americans Can Now Make Unlimited Visits to Cuba & Take Money to Relatives
Overview

- Cubans Consume Much More Grain, Meat & Milk than Produced
  - 1.75 to 2.1 Times
- Import Up To 70-80% of Food Needs in Some Years
- US Has About 40% of Cuba’s Ag Market
  - EU, Brazil, Canada, Vietnam & Argentina Major Competition
- Food Ration System Being Revised
- 2009 & 2010 Dominated by Weak Economic Conditions
Depreciating US Dollar Makes US Exports Less Expensive
Market Prospects

- Cuba Depends on Nickel, Tobacco & Sugar As Key Earners of Foreign Exchange
  - Nickel Represents 40% of Cuba’s Export Earnings, $2.0 Billion
- Tourism Earns $2.0 Billion Annually
- Remittances Provide About $1.0 Billion Annually - Likely Up in 2010
- Low Nickel Prices, Declining Tourism & Debt Will Limit Food Purchases In Near Term
World Nickel Prices & Stocks

Cuba: 8th Largest Producer, 2d Largest Reserves

Cuban Exports

- Million CUC -

2003 2005 2007 2008

$0 $500 $1000 $1500 $2000 $2500

$1,688 $2,332 $2,081 $1,445 $3,680

Cuban Imports

Oficina Nacional de Estadísticas, 2010. 2009 food imports are CNAS estimate based on report from Agriculture & Agri Food Canada.

Food/Ag/Bev

Total

-Billion CUC-

2003 2005 2007 2009

- 37%

$0.9  $1.1  $1.3  $1.3  $1.6  $2.3  $14.2

$4.7  $5.6  $7.6  $9.5  $10.1  $2.3  $8.9

$10.1  $16.0

$12.0  $14.0  $16.0
Cuban Production, 2001-08

SUGAR (million tons)

PADDY RICE (thousand tons)
Market Prospects

- Low Salaries Limit Market Potential
  - $20/month for Most Cubans
- High Prices Constrain Food Purchases
- Those Who Have Access to US $ or Other Foreign Currency Are Much Better Off
  - 60% of Population
  - Taxi Drivers, Hotel & Wait Staff, Tourism Sector, Remittances from US
U.S. Ag Exports to Cuba

Million Dollars

**US Exports to Cuba by Product**

Source: Foreign Agricultural Service, USDA; SB Products Include Soybean Oil, Meal, and Flour

- Corn Value Down 37%
- Tonnage Down 15%

Products Represent ~ 95% of Total

<table>
<thead>
<tr>
<th>Product</th>
<th>2008</th>
<th>2009</th>
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<tbody>
<tr>
<td>Poultry Meat</td>
<td>$136.0</td>
<td>$144.5</td>
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<tr>
<td>SB &amp; Products</td>
<td>$134.7</td>
<td>$131.9</td>
</tr>
<tr>
<td>Corn</td>
<td>$119.9</td>
<td>$195.9</td>
</tr>
<tr>
<td>Wheat</td>
<td>$135.0</td>
<td>$72.9</td>
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<tr>
<td>Feeds</td>
<td>$37.3</td>
<td>$26.0</td>
</tr>
<tr>
<td>Pork</td>
<td>$12.5</td>
<td>$10.6</td>
</tr>
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</table>
Exports to Cuba by Port State, 2009

- VA: $53.8 Million SB/SBM
- GA: $18.7 Million
- MS: $22.7 Million
- AL: $29.3 Million
- LA: $240.7 Million
- FL: $79.8 Million

Wheat, Chicken, Feeds SB/SBP

Container Cargo via Florida
US Commodity Exports to Cuba, 2009-10

USDA

-1,000 Metric Tons-
(Jan 7-Apr 20)

<table>
<thead>
<tr>
<th>Commodity</th>
<th>2009</th>
<th>2010</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wheat</td>
<td>132</td>
<td>30</td>
<td>-77</td>
</tr>
<tr>
<td>Corn</td>
<td>186.5</td>
<td>132.9</td>
<td>-29</td>
</tr>
<tr>
<td>SBM</td>
<td>88</td>
<td>26.2</td>
<td>-70</td>
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<tr>
<td>Soybeans</td>
<td>40.2</td>
<td>39.4</td>
<td>-2</td>
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Final Thoughts

- Cuba is Top Grain Market in Caribbean, Likely to Remain So Long-term
- Processed Foods, Meats, Vegetables, Condiments All Have Potential…But, Hinges on Tourism
- Possible Policy Changes
  - US: H.R. 4645, Travel Restriction Reform & Export Enhancement Act of 2010
    - Allow Open Travel
    - Relax Payment Terms & Financing Restrictions
- Cuba: Responses to US Policy
Final Thoughts

- Container Cargo from Texas Has Been At a Disadvantage
  - Must First Move to Jacksonville, FL then Loaded for Cuba
- Cubans Like Texans and Like Doing Business with Texans!
- Consider Visiting the Cuban Interests Section in Washington, D.C.
- 2010 Will Be a Struggle to Maintain US Market Share
Thanks!!

Questions?

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