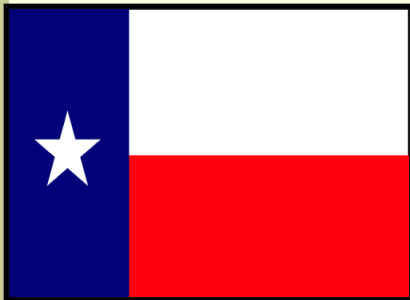


Overview of the Cuban Food Market & Prospects for US Exports



Exporting to Cuba
Texas-Cuba Trade Alliance
Houston, TX
April 21, 2010



Parr Rosson, Professor & Director
Center for North American Studies
Department of Agricultural Economics
Texas A&M University

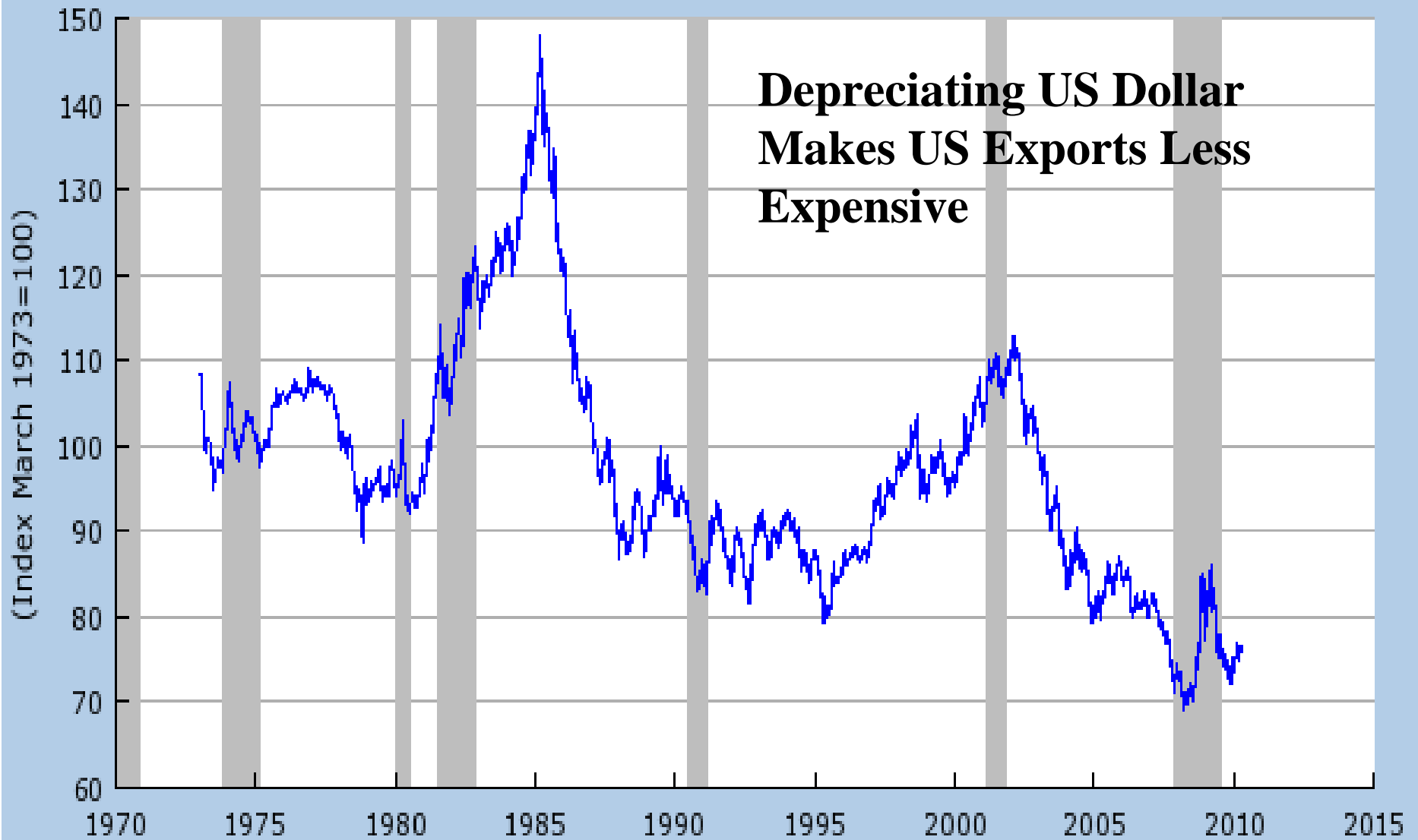
Situation

- *Trade Sanctions Reform & Export Enhancement Act* (2000) Allows US Exports of Food, Ag, Forestry & Medicines to Cuba
 - 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

Trade Weighted Exchange Index: Major Currencies (DTWEXM)
Source: Board of Governors of the Federal Reserve System



**Depreciating US Dollar
Makes US Exports Less
Expensive**

Shaded areas indicate US recessions.
2010 research.stlouisfed.org

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

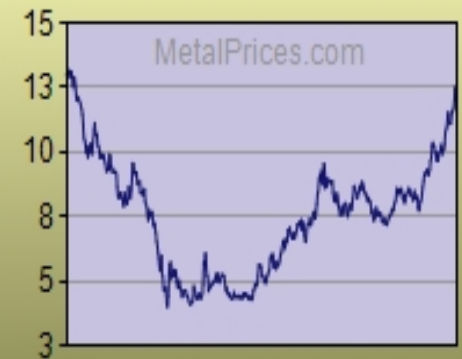
LME Nickel
Settlement 30 Days - \$/LB



22 Mar, 2010 - 19 Apr, 2010



LME Nickel Settlement 2 Years - \$/LB



21 Apr, 2008 - 19 Apr, 2010

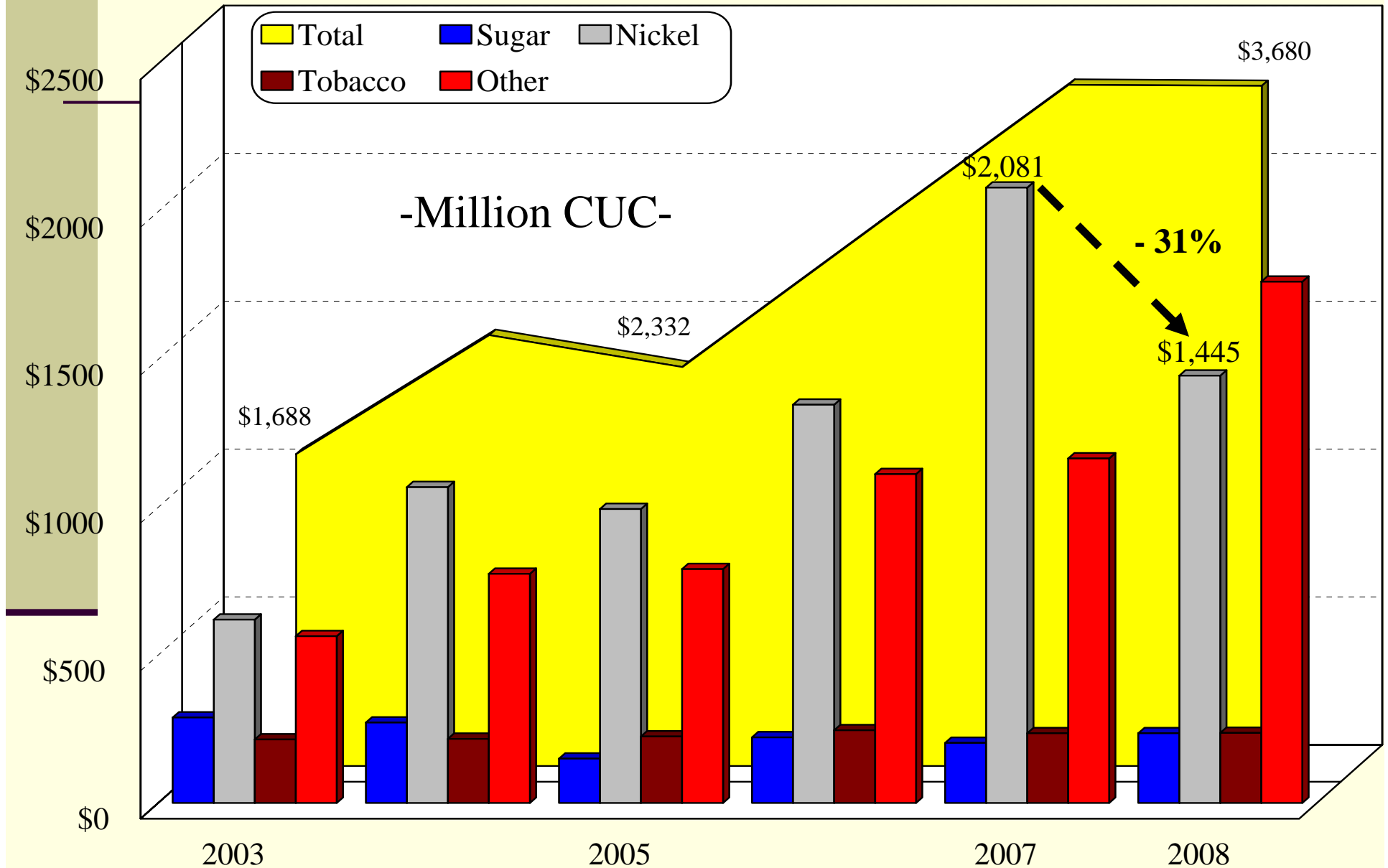
LME Nickel Settlement 5 Years - \$/LB



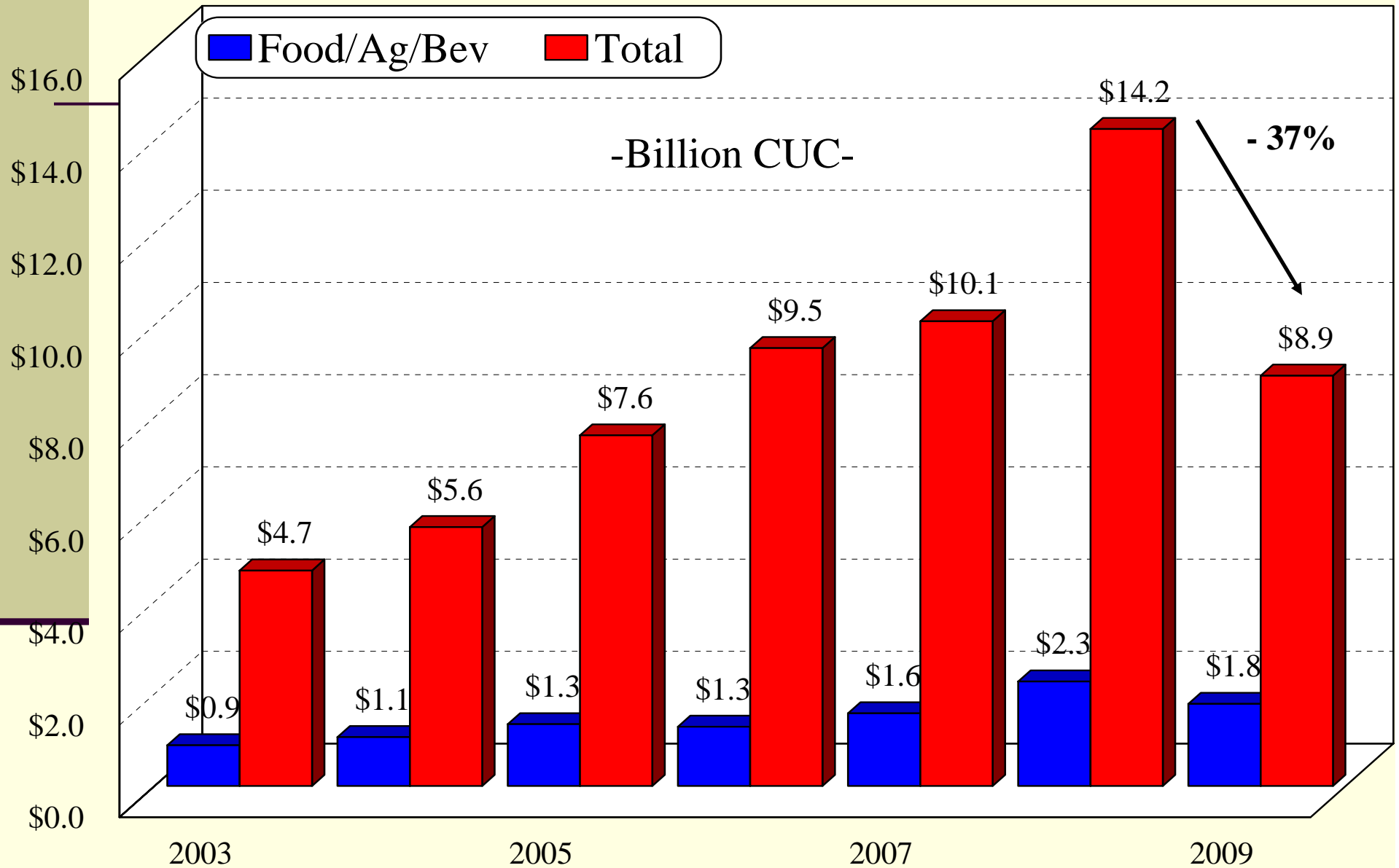
12 May, 2004 - 11 May, 2009

London Metals
Exchange, www.lme.com

Cuban Exports

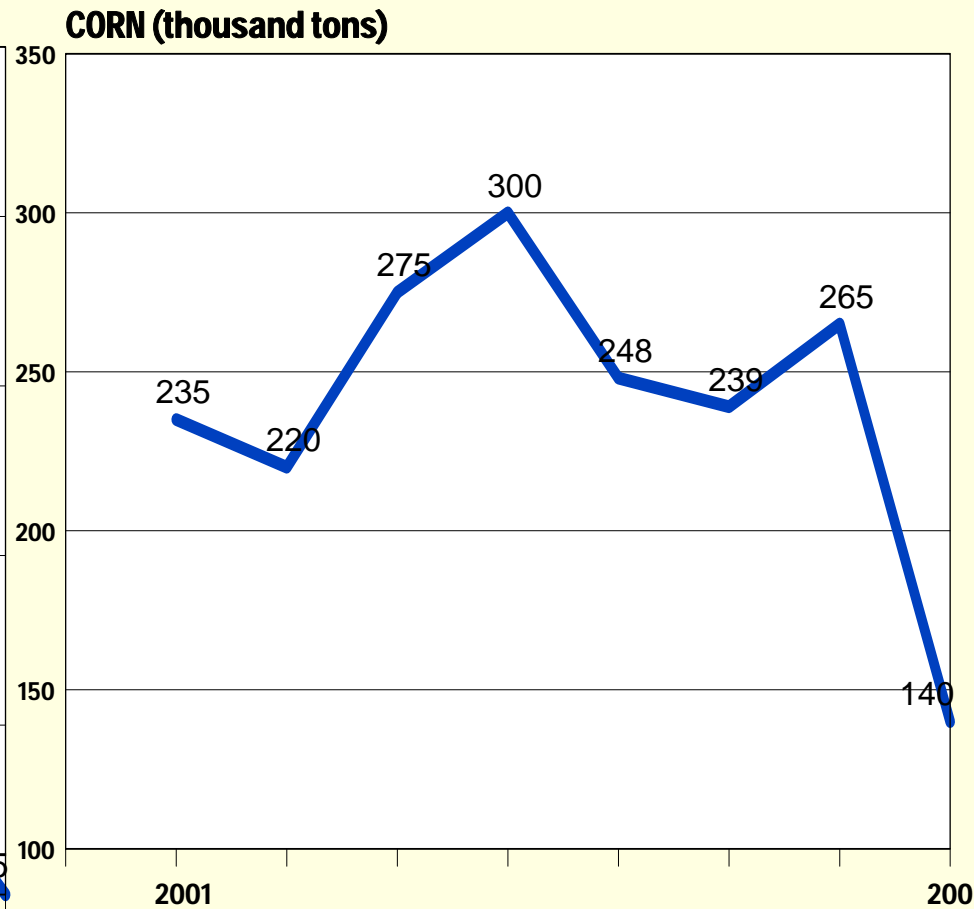
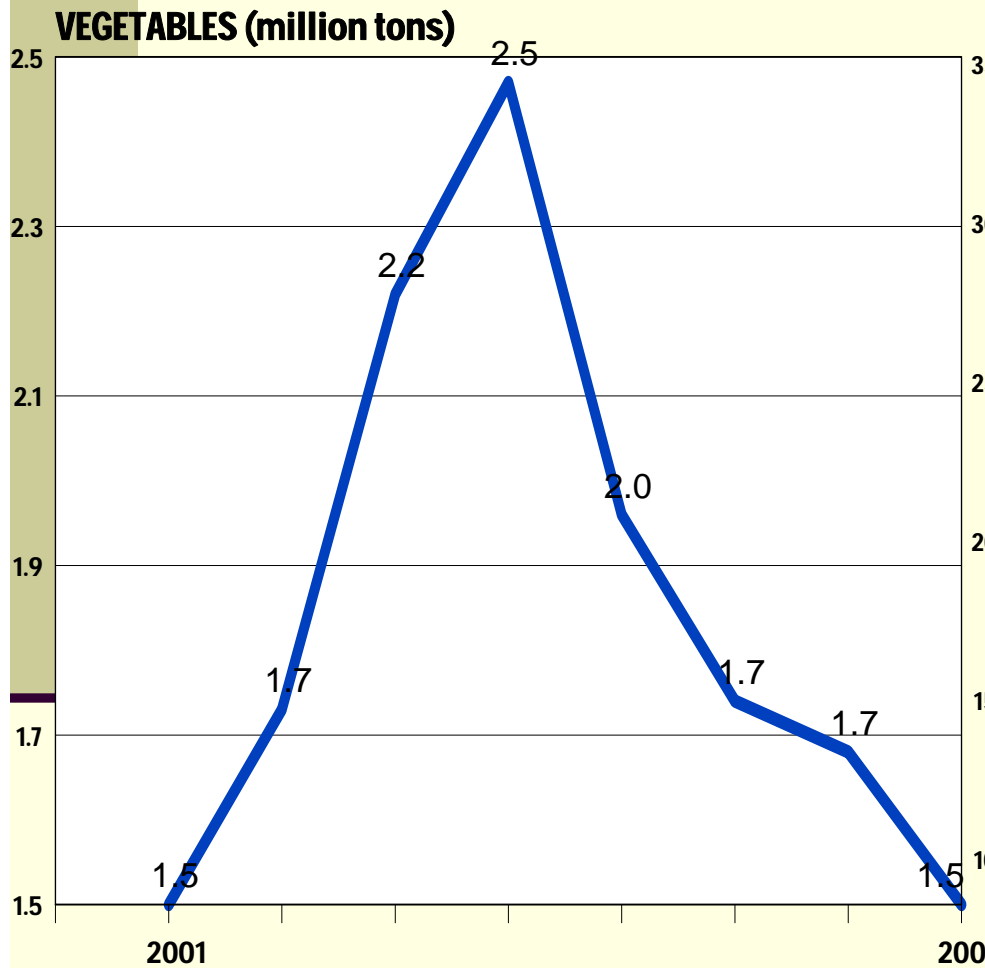


Cuban Imports



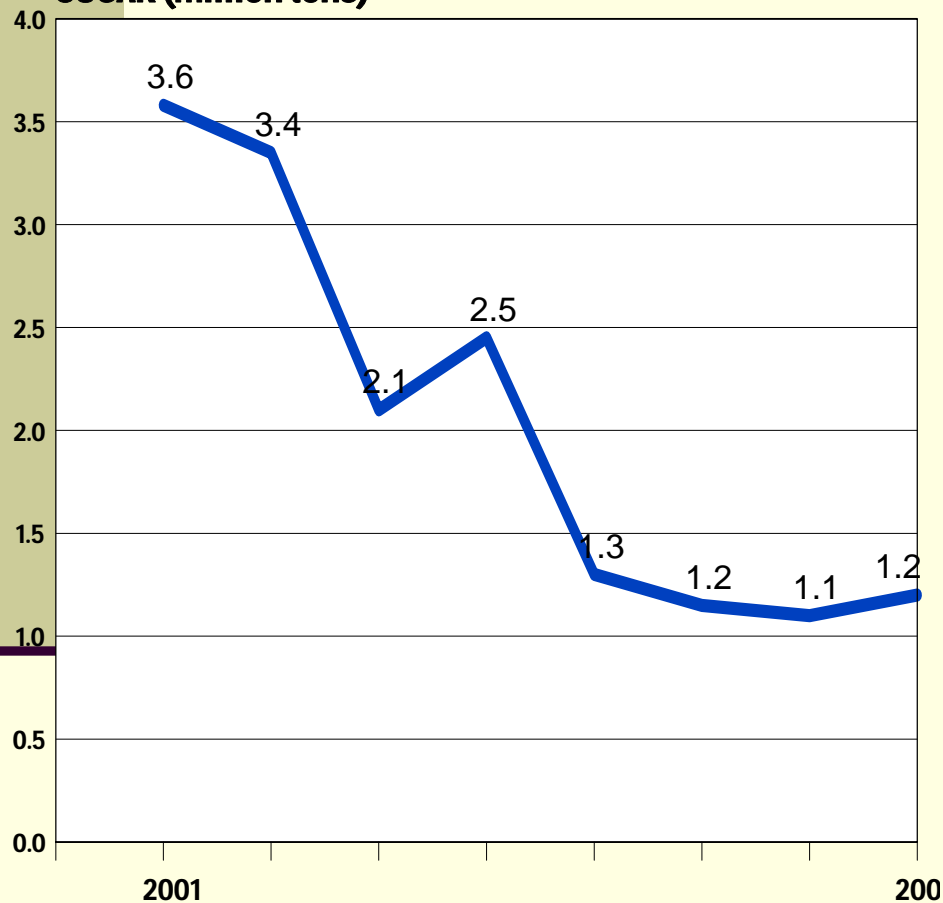
Oficina Nacional de Estadísticas, 2010. 2009 food imports are CNAS estimate based on report from Agriculture & Agri Food Canada.

Cuban Production, 2001-08

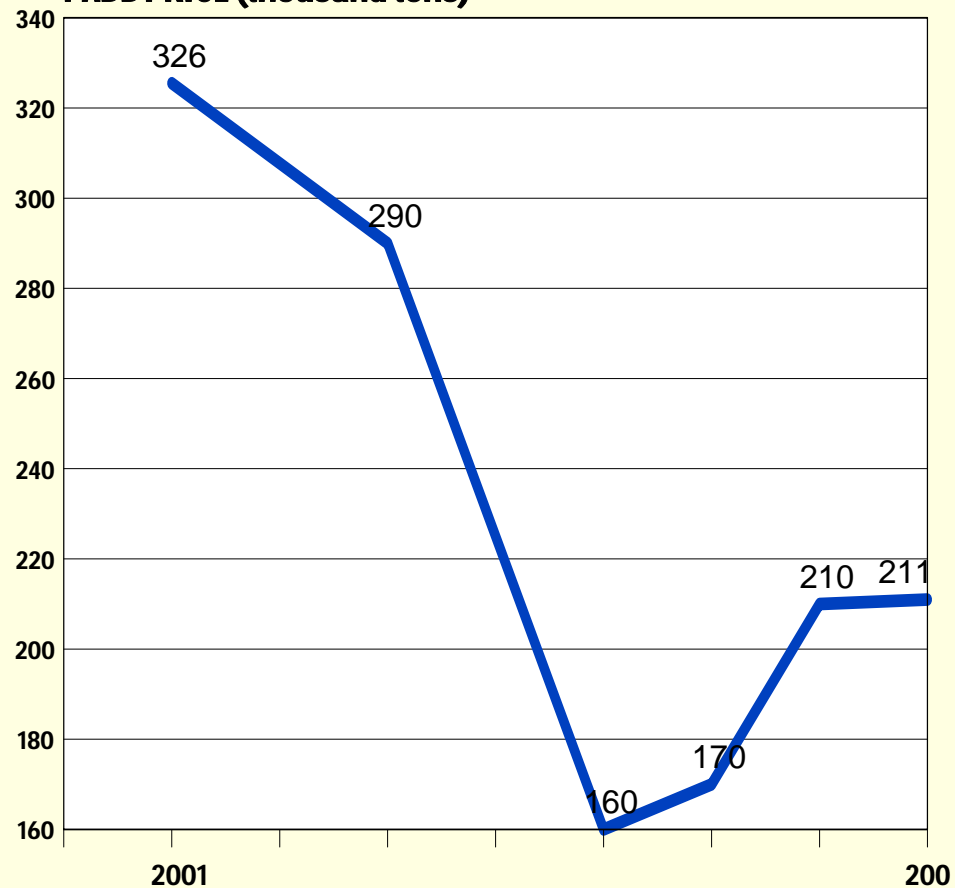


Cuban Production, 2001-08

SUGAR (million tons)



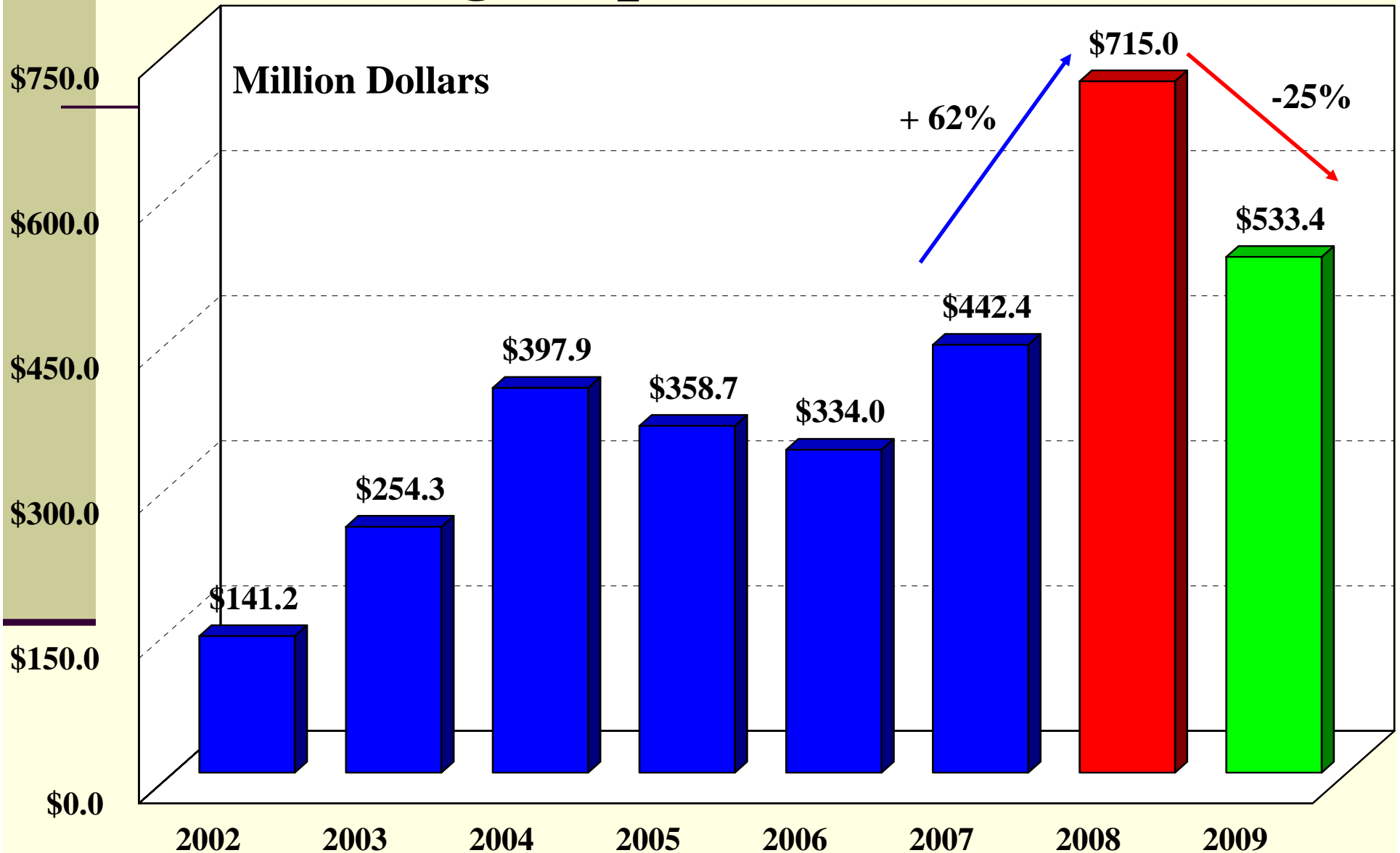
PADDY RICE (thousand tons)



Market Prospects

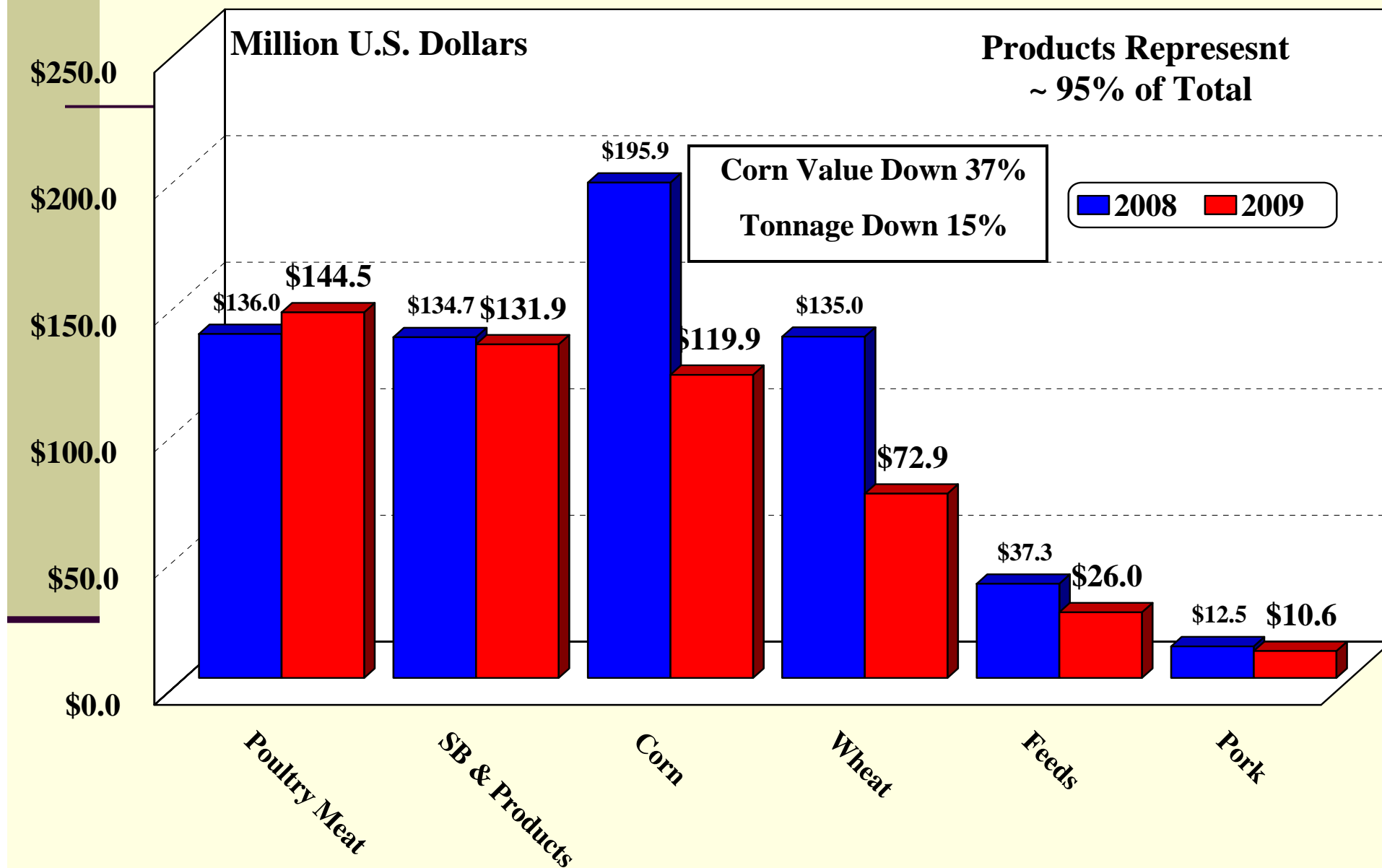
- Low Salaries Limit Market Potential
 - \$20/month for Most Cubans
- High Prices Constrain Food Purchases
- Those Who Have Access to US \$ or Other Foreign Currency Are Much Better Off
 - 60% of Population
 - Taxi Drivers, Hotel & Wait Staff, Tourism Sector, Remittances from US

U.S. Ag Exports to Cuba



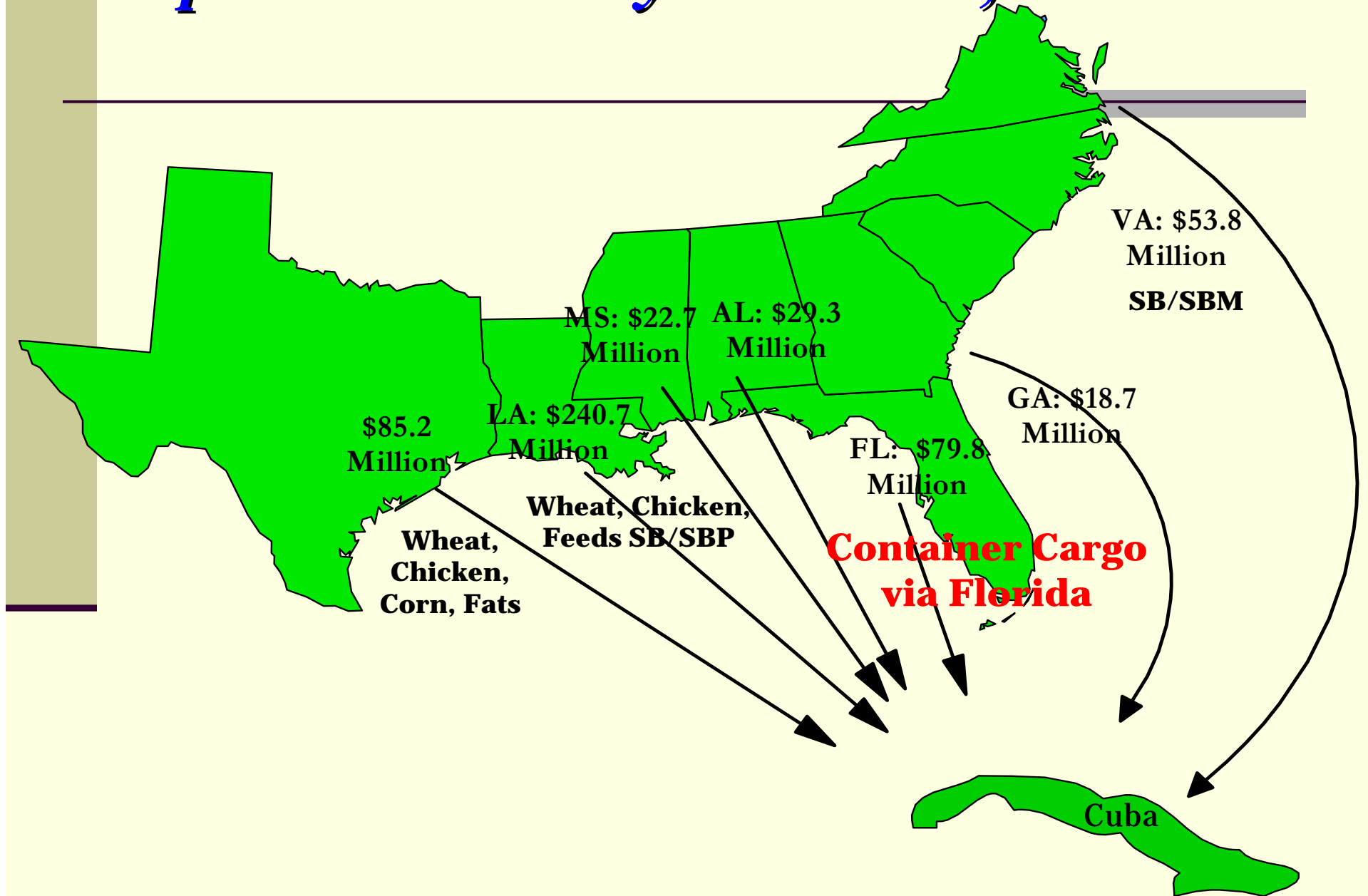
Source: USDA Global Agricultural Trade System, <http://www.fas.usda.gov/gats/default.aspx>

US Exports to Cuba by Product

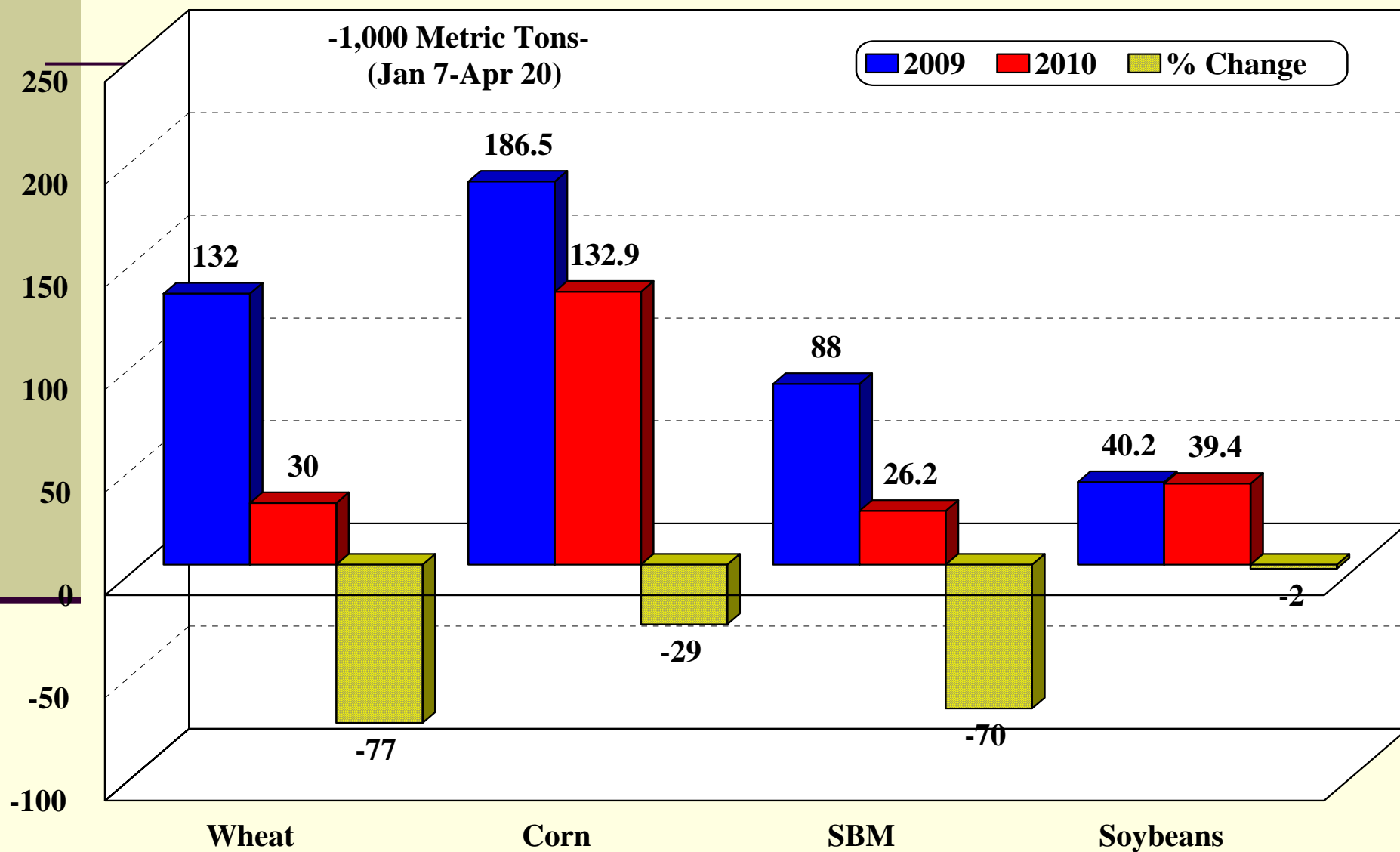


Source: Foreign Agricultural Service, USDA; SB Products Include Soybean Oil, Meal, and Flour

Exports to Cuba by Port State, 2009



US Commodity Exports to Cuba, 2009-10



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?



Slides Posted at
cnas.tamu.edu

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