

**HEARING TO REVIEW U.S. AGRICULTURAL
SALES TO CUBA**

HEARING
BEFORE THE
COMMITTEE ON AGRICULTURE
HOUSE OF REPRESENTATIVES
ONE HUNDRED ELEVENTH CONGRESS

SECOND SESSION

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CONTENTS

	Page
Cuellar, Hon. Henry, a Representative in Congress from Texas, prepared statement	5
Lucas, Hon. Frank D., a Representative in Congress from Oklahoma, opening statement	3
Prepared statement	4
Peterson, Hon. Collin C., a Representative in Congress from Minnesota, opening statement	1
Prepared statement	2
Submitted letters on behalf of:	
Hubbard, Rev. Howard J, Bishop of Albany; Chairman, Committee on International Justice and Peace, United States Conference of Catholic Bishops	71
Vivanco, José Miguel, Executive Director, Americas Division, Human Rights Watch	71
WITNESSES	
Stallman, Bob, President, American Farm Bureau Federation; Rice and Cattle Producer, Columbus, TX	5
Prepared statement	7
Johnson, Roger, President, National Farmers Union, Washington, D.C.	10
Prepared statement	11
Wagner, Mike, Owner/Operator, Two Brooks Farm; Member, Board of Directors, U.S. Rice Producers Association, Sumner, MS; on behalf of USA Rice Federation	33
Prepared statement	34
Supplementary material	79
McReynolds, Jerry, President, National Association of Wheat Growers; Wheat Producer, Woodston, KS	44
Prepared statement	45
Supplementary material	81
Wilson, John J., Senior Vice President, Marketing and Industry Affairs, Dairy Farmers of America; Member, Board of Directors, National Milk Producers Federation, Kansas City, MO	49
Prepared statement	51
Schott, Barton, First Vice President, National Corn Growers Association; Corn, Soybean, and Wheat Producer, Kulm, ND	54
Prepared statement	55
Fritz, Scott E., Owner/Operator (President/Treasurer), Fritz Black Sand Farm, Inc.; Member, Board of Directors, American Soybean Association, Winamac, IN	58
Prepared statement	59
SUBMITTED MATERIAL	
AgriLIFE Research, Texas A&M University, submitted reports	72

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THURSDAY, MARCH 11, 2010

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The Committee met, pursuant to call, at 1:45 p.m., in Room 1300, Longworth House Office Building, Hon. Collin C. Peterson [Chairman of the Committee] presiding.

Members present: Representatives Peterson, Holden, Boswell, Baca, Costa, Halvorson, Dahlkemper, Bright, Schauer, Boccieri, Murphy, Pomeroy, Minnick, Lucas, Goodlatte, Moran, Johnson, King, Neugebauer, Conaway, Smith, Roe, Luetkemeyer, Thompson, and Cassidy.

Staff present: Aleta Botts, Tyler Jameson, John Konya, Clark Ogilvie, April Slayton, Debbie Smith, James Ryder, Mike Dunlap, Tamara Hinton, Kevin Kramp, Josh Mathis, Nicole Scott, and Sangina Wright.

OPENING STATEMENT OF HON. COLLIN C. PETERSON, A REPRESENTATIVE IN CONGRESS FROM MINNESOTA

The CHAIRMAN. Good afternoon and welcome to today's hearing.

Right now, Cuba relies heavily on imported food to feed its people; and the United States provides about 30 percent of the food Cuba imports. Given our geographic location close to Cuba and high-quality, well-priced commodities, the U.S. International Trade Commission estimates that the United States could provide as much as $\frac{1}{2}$ to $\frac{2}{3}$ of the food and agricultural imports if current trade restrictions were lifted. These restrictions are limiting a very promising market for U.S. agriculture producers. To that end, I have introduced legislation H.R. 4645, along with Congressman Moran and other Republicans and Democrats, including Members of this Committee, to expand U.S. agriculture exports to Cuba.

The bill we have introduced would eliminate the requirement that our farmers have to go through a third country bank to do business in Cuba, and would place agriculture exports to Cuba on the same terms for cash payment as other countries, requiring payment when the shipment changes hands, as opposed to what it is now.

It will also make it easier for U.S. citizens to travel to Cuba, allowing American agriculture producers to more easily conduct business with Cuba and boosting demand for U.S. products in Cuba at the same time.

However, it should be very clear that this bill will not end the U.S. embargo on Cuba, and will not allow U.S. banks to extend credit to Cuba. It will simply allow U.S. agriculture exporters to offer their products for sale in Cuba in the same way that they do for business with all of our other trading partners.

American agriculture is eager to increase exports and grow this important sector of the U.S. economy. That is why many diverse agriculture groups have already voiced support for this bill, including the American Farm Bureau, The National Farmers Union, the National Milk Producers, the National Chicken Council, the National Corn Growers, the National Wheat Growers, USA Rice Federation, U.S. Rice Producers, American Soybean Association, American Cotton Shippers, National Council of Farmer Cooperatives, and U.S. Apple Association, and others.

Before we begin, I think it is important to clarify one other thing right now. I do not think any of the Members here, or any of the witnesses at this table today, are supporters of the Castro regime. None of us support the Cuban Government's detainment of political prisoners. However, these policies we have in place today have done nothing to remove the regime or to improve the situation for political prisoners.

I have here and am entering into the record without objection letters from the Human Rights Watch and Conference of Catholic Bishops that support this legislation that I have introduced because they recognize the restrictions in place are failing the Cuban people.

[The documents referred to are located on p. 71.]

The CHAIRMAN. America's current policies have failed to achieve their stated goal; and, instead, they have hand-delivered an export market in our own backyard to the Brazilians, the Europeans, and other competitors around the world. It is time we ask ourselves why we have in place policies that simply do not work and only harm U.S. interests.

So, again, I want to thank all the witnesses for joining us today, and thank the Members for their interest in this important issue. I look forward to the witnesses' testimony

[The prepared statement of Mr. Peterson follows:]

PREPARED STATEMENT OF HON. COLLIN C. PETERSON, A REPRESENTATIVE IN
CONGRESS FROM MINNESOTA

Good morning and welcome to today's hearing of the House Agriculture Committee. Right now, Cuba relies heavily on imported food to feed its people, and the United States provides about 30 percent of the food Cuba imports. However, given our geographic location close to Cuba and high quality, well-priced commodities, the U.S. International Trade Commission estimates that the United States could provide as much as $\frac{1}{2}$ to $\frac{2}{3}$ of Cuba's food and agriculture imports if current trade restrictions were lifted. These restrictions are limiting a very promising market for U.S. agriculture producers.

To that end, I have introduced legislation, H.R. 4645, along with Congressman Moran and other Republicans and Democrats, including many Members of this Committee, to expand U.S. agricultural exports to Cuba.

The bill we have introduced would eliminate the requirement that our farmers have to go through a third country bank to do business in Cuba, and would place agricultural exports to Cuba on the same terms for cash payment as other countries, requiring payment when the shipment changes hands. It would also make it easier for U.S. citizens to travel to Cuba, allowing American agricultural producers to more easily conduct business with Cuba and boosting demand for U.S. products in Cuba.

However, it should be very clear that this bill will NOT end the U.S. embargo on Cuba and will not allow U.S. banks to extend credit to Cuba. It will simply allow U.S. agriculture exporters to offer their products for sale to Cuba in the same way they do business with all of our other trading partners.

American agriculture is eager to increase exports and grow this important sector of the U.S. economy. That is why many diverse agriculture groups have already voiced support for H.R. 4645, including the American Farm Bureau Federation, National Farmers Union, National Milk Producers Federation, National Chicken Council, National Corn Growers Association, National Association of Wheat Growers, USA Rice Federation, U.S. Rice Producers Association, American Soybean Association, American Cotton Shippers Association, National Council of Farmer Cooperatives, and U.S. Apple Association, among others.

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I thank our witnesses for joining us today to talk about this important issue, and I look forward to their testimony.

The CHAIRMAN. I will now recognize the gentleman from Oklahoma, the Ranking Member, for a statement.

**OPENING STATEMENT OF HON. FRANK D. LUCAS, A
REPRESENTATIVE IN CONGRESS FROM OKLAHOMA**

Mr. LUCAS. Thank you, Mr. Chairman.

I am glad we had an opportunity today to discuss the important role that exports play in the success of our farmers and ranchers. I look forward to hearing from a full set of witnesses who represent producers with agricultural export interests, several of whom are producers themselves.

Exports are essential to the prosperity of American farmers, and we should consistently seek greater opportunities for exports. We have several such opportunities ready and waiting. The three pending free trade agreements the U.S. signed with Panama, Colombia, and Korea are worth more than \$2.6 billion in new market access for American agricultural exports. The Korean agreement alone is the most economically significant agreement negotiated in 16 years.

Unfortunately, these agreements are being delayed unnecessarily.

The Obama Administration has in recent weeks passed up three key opportunities to lay out a clear path for expanding U.S. agricultural exports. Neither the President's budget proposal, his export initiative, nor this year's trade policy agenda places an emphasis on finally implementing our pending trade agreements. Instead, the Administration seems narrowly focused on trade enforcement and technical assistance to expand trade. These are important activities, but they are inadequate when it comes to opening new markets.

Today, we are here to talk about trade with Cuba. U.S. farmers are well positioned to supply food and agricultural products, which

are exempt from the embargo on humanitarian grounds. Since 2001, U.S. agricultural exporters have used licenses to send products to Cuba. Over the past decade, the U.S. share of the Cuban food market has risen dramatically.

In 2005, some additional changes were made to regulations governing exports to Cuba; and this Committee is interested in hearing how those changes have been implemented. Of particular concern is the issue of specific and general licenses for exports and travel, and how these licenses have been administered.

I hope that our witnesses can help us understand how these issues fit into our overall picture of expanding U.S. exports. I hope we can shed light on some of a few questions, such as regulations administered in an equitable and timely manner, are they? What changes can the Administration make to respond to your concerns? And what other avenues of exports do you see are a necessary component to our U.S. trade policy?

As we discuss these topics today, it is important to understand that our priorities should be finding a way to increase agricultural exports to help meet the food needs of the Cuban people without supporting Cuba's current oppressive government.

I thank the Chairman for this hearing, and I yield back.

[The prepared statement of Mr. Lucas follows:]

PREPARED STATEMENT OF HON. FRANK D. LUCAS, A REPRESENTATIVE IN CONGRESS
FROM OKLAHOMA

Thank you, Mr. Chairman.

I am glad we have an opportunity today to discuss the important role that exports play in the success of our farmers and ranchers. I look forward to hearing from a full set of witnesses who represent producers with agricultural export interests, several of whom are producers themselves.

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As we discuss these topics today, it's important to understand that our priority should be finding a way to increase agriculture exports to help meet the food needs of the Cuban people without supporting Cuba's oppressive government.

The CHAIRMAN. I thank the gentleman.
 All the Members will be able to put a statement into the record if they so wish.
 [The prepared statement of Mr. Cuellar follows:]

PREPARED STATEMENT OF HON. HENRY CUELLAR, A REPRESENTATIVE IN CONGRESS
 FROM TEXAS

Thank you Chairman Peterson and Ranking Member Lucas for holding today's hearing of the House Committee on Agriculture to review United States agricultural sales to Cuba. I look forward to our hearings on this issue, as I believe there are both strong positives and negatives to changes to our current policy.

When reviewing changes to our current relationship with Cuba, I must first and foremost represent my Congressional District and constituents. I understand the strong views that Cuba policy elicits, and I hope our hearings will serve to answer many questions about the short and long term implications this may lead to.

American agricultural producers are the best in the world. They have every ability to compete and succeed in any marketplace, and I do believe that expanding markets for them during some of the toughest economic times in our lifetimes will help lessen the impact of our current recession. That is why I have supported in the past increased access and trade globally. In fact, this Congress I created the Pro-Trade caucus. Let there be no doubt—trade creates jobs for American workers.

However, let us not be blind to the negatives of this legislation. Cuba is a communist country with a Dictator. There is no debating that. The United States has made a near 50 year commitment to ending the communist rule that lives only 90 miles off our border. We must carefully consider if now is the time—or if changing the policy now puts our last 50 years to waste.

Finally, we must try to ensure that by expanding trade into Cuba, we don't only generate revenue for the Cuban Government, but also improve the quality of life for 11 million Cuban citizens.

I have approached this issue with an open mind, and I will continue to learn of the impact this legislation will have in its current form. I look forward to a substantive and productive debate with my colleagues on the Committee on Agriculture, as I know many of them share my concerns.

Again, I thank the Chairman and the Ranking Member for holding these hearings. I understand the emotions that any discussion of Cuba can bring out. I look forward to the testimony today, and our continued work on this Committee.

The CHAIRMAN. We welcome our first panel, the Presidents of our two major general farm organizations, Mr. Bob Stallman, the President of the American Farm Bureau, and Mr. Robert Johnson, the President of the National Farmers Union.

So, gentlemen, we appreciate you being here with us today; and I guess, Mr. Stallman, you are up first. Welcome to the Committee.

STATEMENT OF BOB STALLMAN, PRESIDENT, AMERICAN FARM BUREAU FEDERATION; RICE AND CATTLE PRODUCER, COLUMBUS, TX

Mr. STALLMAN. Thank you, Mr. Chairman and Ranking Member Lucas, Members of the Committee.

I am Bob Stallman, President of the American Farm Bureau Federation and a rice and cattle producer from Columbus, Texas; and I certainly appreciate this invitation to share our views on U.S. agricultural exports to Cuba.

The American Farm Bureau Federation supports H.R. 4645. We appreciate the leadership of the Chairman and Representative Moran for sponsoring this legislation, and the efforts of other House Members who worked together to develop this bill.

H.R. 4645 will increase agricultural exports and supply food to the Cuban people. U.S. agricultural exports to Cuba do reach the Cuban people and are not solely placed in hard currency super-

markets. Cuba's agricultural production is not able to meet the food demands of the nation, so they must import agricultural goods. If not, many Cuban citizens would go hungry.

On the average, the United States has exported \$320 million in U.S. product per year since 2000. We have exported a variety of products, including corn, wheat, soybeans, rice, poultry, dairy products, pork, live cattle, dried beans and peas, and fresh and dried fruits, including apples, grapes, and pears.

The International Trade Commission has reported that the value of agricultural imports by Cuba has more than tripled since 2000, but those sales values have fluctuated. Our submitted statement includes U.S. commodity export numbers. Given that my colleagues representing those commodity groups will be testifying, I will focus my comments on the legislation and its importance.

The major factor contributing to sales fluctuations is that the U.S. is not viewed by Cuba as a reliable supplier due to our sales restrictions, and the ability of the U.S. Government to alter those restrictions on a whim. The United States should be the preferred supplier in Cuba, given our competitive prices, high-quality products and lower delivery costs due to the proximity of our countries. Instead, we have opened the door to countries like the European Union, Brazil, Canada, Vietnam, while hindering ourselves. Our competitive disadvantage in the market is not a result of partner-imposed trade reasons, but, rather, our own government-imposed restrictions.

What we are asking for from Congress is to give U.S. farmers the competitive advantage in Cuba that they should rightly have, and the opportunity to increase U.S. agricultural exports. The provisions of H.R. 4645 include returning the so-called payment of cash in advance rule to normal commercial terms, as intended by Congress. The Office of Foreign Assets Control rule change in 2005 negated the original intent of Congress, created a special case that only applies to Cuba, thus increasing the cost of purchasing our products and negatively impacting our sales. The current definition does nothing to protect U.S. exporters, but was put in place to attempt to hinder U.S. exports.

The additional dollars that Cuba now has to spend to purchase U.S. product does not go to the U.S. farmer, but, rather, the foreign bank carrying out the transaction. Payment of cash in advance was the method of doing business with Cuba prior to the change, and those who used this method previously are supportive of returning to what Congress originally intended.

The legislation would also eliminate the requirement that Cuba wire any payment for U.S. goods through a third country bank. This process comes with a high fee, again increasing the cost of purchasing agricultural goods from the United States. While U.S. telecommunications companies are authorized to receive payments directly from their Cuban counterparts, U.S. agriculture is singled out for this expensive, unnecessary, and discriminatory requirement.

The opposition has tried to argue against this bill based on Cuba's creditworthiness and the risk to U.S. suppliers. This bill does not allow credit or are we asking for credit. This bill would still require Cuba to pay for U.S. purchases in cash. The issue of

credit and Cuba's ability to pay does not apply to what is being proposed.

Finally, H.R. 4645 would lift the U.S. travel ban. Lifting the travel restrictions on U.S. citizens will have a direct impact on U.S. agricultural sales. Increased travel to Cuba by U.S. citizens will boost food demand in the country, and coupled with these other reforms U.S. industry would expect to meet the increased food needs. Remember, Cuba does not have the capacity to fully meet its own food needs.

This need also brings with it the opportunity to sell Cuba higher valued products, increasing the overall value of our exports to the country. Given that Cuba would still be required to purchase product from the U.S. with cash, those dollars received from U.S. visitors would be spent to meet those additional food needs.

Travel will also have a positive impact on the Cuban people and their food consumption. U.S. citizens traveling to Cuba will use dollars, and some of those dollars will flow back to the Cuban people. This will increase the income of the Cuban people, allowing them to purchase products they previously could not.

U.S. agriculture's goal is to make the United States the number one supplier in agricultural products to Cuba. In order to achieve this goal, Cuba must view the United States as its preferred supplier. Eliminating these restrictions will decrease the advantage the United States has given our competitors and restore the advantage to U.S. farmers.

U.S. agriculture is not requesting the embargo be lifted, but rather for Congress to take the small step of lifting key restrictions that will increase U.S. agriculture's competitiveness in the market. We urge Members of this Committee and this House to cosponsor and support H.R. 4645.

Thank you, and I look forward to the opportunity to answer questions.

[The prepared statement of Mr. Stallman follows:]

PREPARED STATEMENT OF BOB STALLMAN, PRESIDENT, AMERICAN FARM BUREAU
FEDERATION; RICE AND CATTLE PRODUCER, COLUMBUS, TX

My name is Bob Stallman. I am President of the American Farm Bureau Federation and a rice and cattle producer from Columbus, Texas. I appreciate the invitation to share Farm Bureau's views on U.S. agricultural exports to Cuba. Farm Bureau is the nation's largest general farm organization, with more than six million member families, representing producers of every commodity from every state as well as Puerto Rico.

While the United States has only been exporting U.S. agricultural products to Cuba for just over 10 years, we have seen the promise the market holds. Unfortunately, because of restrictions on U.S. exports to Cuba, U.S. farmers have not been able to benefit from the full potential of the market.

Because of the market potential, the American Farm Bureau Federation has been an advocate for easing restrictions on exports to Cuba and is a supporter of H.R. 4645, The *Travel Reform and Export Enhancement Act*. We appreciate the leadership of Chairman Collin Peterson and Rep. Jerry Moran for drafting this legislation, and the efforts of other House Members who worked together to develop this bill. This legislation will eliminate costly obstacles for American farmers interested in exporting to Cuba and will expand the potential for increase food consumption providing an even greater opportunity to export U.S. products to the market.

H.R. 4645 will increase agricultural exports and supply food to the Cuban people. U.S. agricultural exports to Cuba do reach the Cuban people and are not solely placed in hard-currency supermarkets. Cuba's agricultural production does not meet

the food demands of the nation so they must import agricultural goods, if not many Cuban citizens would go hungry.

The Cuban Market

U.S. agriculture has seen significant growth and experienced significant setbacks since being allowed to trade with Cuba in 2000. We have seen our sales increase and decline over the years, but on average the United States has exported roughly \$320 million in U.S. product per year since 2000. The factors that have contributed to these fluctuations can be attributed to U.S. regulation changes, cost of doing business with the United States, commodity prices, transportation cost, *etc.*, but the major factor is that the United States is not viewed by Cuba as a reliable supplier due to our sales restrictions and the ability of the U.S. Government to alter those restrictions at a whim.

The United States has exported a variety of commodities to Cuba. Of those commodities grain and feed has consistently been the top export group with sales of \$369 million making up more than half of our total exports in 2008. With an 81 percent increase from 2007 to 2008, corn and wheat have been the largest beneficiaries of these sales. Rice on the other hand had seen major growth until 2006 when exports reached a high of \$39 million; since then rice sales have been on a sharp decline resulting in no rice sales in 2009.

Oilseeds are the second largest group of exports to Cuba. The majority of what Cuba is importing from the United States in this group consists mainly of soybeans and soybean products. Of these products the United States exported \$135 million in 2008 and has seen a growth of 119 percent since Cuba began purchasing these products in 2002.

Since 2001 Cuba has been an importer of U.S. meats and dairy products. A majority of these sales have come from poultry purchases by Cuba. U.S. poultry sales showed nearly 80 percent growth in 2008 from 2007, with sales reaching a high of \$139 million. U.S. dairy sales have been less regular with dramatic sales increases and decreases. In 2008, the United States exported more than \$15 million in dairy products but those sales were a little more than half of what we exported during our top year, 2005 (\$30 million).

While the above mentioned products represent our largest exports, the United States also exports products like pork, live cattle, dried beans and peas, fresh and dry fruits including apples, grapes and pears. U.S. agriculture sales to Cuba exponentially increased until around 2005; however, after 2005 sales dropped as Cuba increasingly turned to our competitors to fill its needs. This shift in purchases was a result of the increasingly complex sale requirements, which caused Cuba to view the United States as an unreliable supplier. The Foreign Agriculture Service, United States Department of Agriculture, trade data comparing the export information for 2009 compared to the same period in 2008 shows our exports dropped by 23 percent.

According to the U.S. International Trade Commission (ITC) report, "U.S. Agricultural Sales to Cuba: Certain Economic Effects of U.S. Restrictions," Cuba's value of agricultural imports more than tripled from approximately \$500 million in 2000 to more than \$1.8 billion in 2008. There is much more opportunity to expand the U.S. market share. The United States should be the preferred supplier in Cuba given our competitive prices, high-quality products and lower delivery cost due to proximity of our countries. Instead, we have opened the door to countries like the European Union, Brazil, Canada and Vietnam while hindering ourselves. At this point our competitive disadvantage in the market is not a result of the usual trade reasons, tariffs, partner-imposed sanitary and phytosanitary measures or other non-tariff barriers, but rather our own government-imposed restrictions.

Making U.S. Agriculture Competitive in the Cuban Market

The American Farm Bureau is not currently advocating fully lifting the embargo, but we believe now is the time for Congress to take action to ease some of the current restrictions. President Obama early last year took action to eliminate the restrictions placed on Cuban American travel and remittances, as well as restrictions allowing U.S. telecommunication companies to do business in Cuba. Steps have also been taken by the Administration and some within Congress to engage with Cuba. This Congress passed a 1 year measure to ease restrictions on "cash payment in advance," and a measure to allow travel to Cuba for agricultural sales to be done on a general license, which is currently being implemented.

What we are asking for from Congress and the Administration is to give U.S. farmers the competitive advantage in Cuba that they should rightly have and the opportunity to increase U.S. agricultural exports. We believe the way to make that happen is to return "payment of cash in advance" to the commercial terms as in-

tended by Congress, eliminate the need to go through third country banks, issue visas for Cuban agriculture inspectors and eliminating all travel restrictions on U.S. citizen travel to Cuba.

The Office of Foreign Assets Control (OFAC) re-defining “payment of cash in advance” negated what was the original intent of Congress, ignored the commercial definition to create a special definition that only applies to Cuba, increased the cost of purchasing our products and negatively impact our sales. The current definition does nothing to protect U.S. exporters but was put in place in an attempt to hinder U.S. exports. “Payment of cash in advance” was the method of doing business with Cuba prior to the change, and those who used this method previously are supportive of returning to what Congress had intended.

The opposition has tried to argue against this bill based on Cuba’s credit worthiness and the risk to U.S. suppliers. This bill does not allow credit nor are we asking for credit. This bill would still require Cuba to pay for U.S. purchases in cash. The issue of credit and Cuba’s ability to pay does not apply to what is proposed.

U.S. citizen travel to Cuba will create a new demand for food in the market, increasing the opportunity to sell U.S. agricultural product. To meet the demand Cuba will have to import more food. Cuba does not have sufficient agricultural production to meet its own consumption. Travel will also have a positive impact on the Cuban people and their food consumption habits. U.S. citizens traveling to Cuba will use dollars and many of those dollars will flow back to the Cuban people. This will increase the income of the Cuban people allowing them to purchase higher valued food products they previously could not afford.

Payment of Cash in Advance

On Feb. 22, 2005, the OFAC issued a regulation narrowing the application of the term “payment of cash in advance” for sales to Cuba. Under the new OFAC definition, cash payments for U.S. agricultural goods sold to Cuba are restricted to payments received prior to shipment of the goods from U.S. ports. This restriction is contrary to the *Trade Sanctions Reform and Export Enhancement Act of 2000 (Export Enhancement Act)*, which allows for the shipment of agricultural goods under a broader interpretation of “payment of cash in advance” terms, consistent with practices successfully used by U.S. exporters.

Most contracts made with the Cuban Government for the purchase of U.S. agricultural products have used “payment of cash in advance” as the method of payment. Under its original interpretation, U.S. agricultural products could be shipped to Cuba but all certificates, title and ownership of the goods would only be transferred once payment was received from Cuba. Contracts now being made with Cuba are done under letters of credit from third party banks. These letters of credit have increased the cost of doing business with the United States which translates into a higher price for our commodities. The additional dollars Cuba spends for these transactions do not go to the U.S. farmer but rather the foreign bank carrying out the transaction.

Third Country Banks

Currently, Cuba must wire payments for U.S. goods through a third country bank in order for U.S. banks to receive the cash for the U.S. product to be delivered. This process comes with a high fee for handling the transaction, increasing the cost of purchasing agricultural goods from the United States. Having to go through a third country bank puts U.S. products at a disadvantage to those of our competitors. While U.S. telecommunications companies are authorized to receive payments directly from their Cuban counterparts, U.S. agriculture is singled out by law for the expensive, unnecessary and discriminatory requirement that payments must flow through foreign banks.

Removal of the Travel Ban

Lifting the travel restrictions on U.S. citizens will have a direct impact on U.S. agricultural sales. Increased travel to Cuba by U.S. citizens will boost food demand in the country and, coupled with other reforms, U.S. industry would expect to meet the increased food needs. The ITC study mentioned previously in this statement concurs that visitors would boost the demand for imported agricultural products. U.S. farmers have the capability to fulfill the demands of the Cuban citizen and the added demand of the country’s visitors. This new demand also brings with it the opportunity to sell Cuba higher-valued products, increasing the overall value of our exports to the country.

Increased travel will also bring much needed funds to purchase U.S. commodities. Given that the United States would not extend credit to Cuba, Cuba would still be required to purchase product from the U.S. with cash. Those dollars received from U.S. visitors would be spent to meet those food needs.

Denial of U.S. Visas

Cuban travel has been denied by the United States for important meetings for Cuban officials, like veterinary officials, to confer with U.S. suppliers, inspect facilities, discuss sanitary and phytosanitary issues and verify U.S. procedures and standards associated with the sale of U.S. food and agricultural exports to Cuba. Visits of this type are routinely conducted by U.S. officials and U.S. importers in markets that sell to the United States. It is also customary practice for foreign purchasing agents and government technical teams to travel to the U.S. to meet with U.S. suppliers and tour facilities. The denial of the visas associated with these commercial visits from Cuban officials has drastically limited the export of some U.S. products, hindering our trade growth and is contrary to the spirit of the *Export Enhancement Act*.

Conclusion

U.S. agriculture's goal is to make the United States the number one supplier of food and agricultural product to Cuba. In order to achieve this goal, Cuba must also view the United States as its preferred supplier. Our competitors do not have the same obstacles in trading with Cuba we face. Eliminating these restrictions will decrease the advantages the United States has given our competitors and restore the advantage to U.S. farmers. These actions will make it easier for Cuba to purchase U.S. commodities and most importantly will reduce the cost of purchasing our commodities. U.S. agriculture is not requesting the embargo be lifted but rather for Congress to take the small step of lifting key restrictions that will increase U.S. agriculture's competitiveness in the market.

We hope that Members of this Committee, and the House, will support Chairman Peterson's and Rep. Moran's *Travel Reform and Export Enhancement Act, H.R. 4645*. The bill will reverse the restrictions on "payment of cash in advance," eliminate the third country bank requirement and lift the ban on travel. Passage of this bill will make agriculture a strong player in the Cuban market and will increase U.S. agricultural exports.

The CHAIRMAN. Thank you, Mr. Stallman, I appreciate that.
Mr. Johnson, welcome to the Committee.

STATEMENT OF ROGER JOHNSON, PRESIDENT, NATIONAL FARMERS UNION, WASHINGTON, D.C.

Mr. JOHNSON. Thank you, Mr. Chairman and Members of the Committee.

For the record, my name is Roger Johnson. I am President of National Farmers Union, and a farmer from North Dakota. I am formerly the North Dakota Agriculture Commissioner and in that capacity I have personally lead eight trade-related missions to Cuba. So I speak with some firsthand experience.

The National Farmers Union has long supported ending the Cuban embargo. We think it is simply not achieving the goal that it was intended to achieve. And so, consequently, we clearly are in support of the Travel Restriction Reform and Export Enhancement Act that is before us today. It at least goes in the right direction by doing the right things. Allowing for direct financial transactions will allow for significant efficiencies in the marketplace to be realized, allowing for the same sorts of payment requirements that are afforded to other countries for our exporters, and, of course, allowing U.S. citizens to travel to Cuba.

Since the passage of the 2000 TSRA, U.S. farmers have earned about \$4 billion from sales to the Cubans. They have had an excellent repayment record. I know of no one who has not been paid in the extensive trips that I have had there and the contacts that I have made with U.S. suppliers.

Between 2000 and 2006, Cuba's food and export and ag imports nearly doubled. We have picked up a significant share of that, as has already been pointed out. We are very well positioned to supply

this market. One might argue that we are the best positioned of any country in the world to supply the Cuban market.

U.S. ag producers have already experienced positive impacts since the passage of TSRA. Nonetheless, the current policy is tepid and inconsistent with the policy that this country has towards a number of other countries in the world; and, frankly, the current policy which allows for the cash sale of food and medicine to Cuba is getting a little old.

We need to continue to advance in this current policy. Trade is based on relationships, and our word means something and relationships mean something between trading partners. We need to get beyond where we are at and get beyond the diplomatic slaps in the face that the 2005 change in policy, already referenced, that was intended to provide.

The current cash-only sales policy may seem to be in our best interest. However, it is an inefficient system characterized by small sales, the absence of long-term contracts, unnecessarily high transaction costs, and exchange rate losses, all of which hurt our competitiveness. Direct banking transfers, if they were permitted between the U.S. and Cuba for these products, would also add additional efficiencies.

Our policy currently is designed to use food as a weapon, and we would argue that that policy has failed. Just under 50 years ago, 60 percent of Cuba's food imports came from the U.S. We ought to get back to that goal.

The International Trade Commission predicts that lifting the ban on ag products would increase U.S. exports to Cuba to between \$900 million and about \$1.2 billion, leading to an increase of somewhere between \$ $\frac{1}{4}$ -\$ $\frac{1}{2}$ billion annually. We ought to do this. This bill would get us a long ways down the road towards making that accomplishment.

That report also pointed out a number of factors that are both positive and negative with respect to our relationship. They are detailed on page four of my testimony. You can see the three positive factors that we have deal with our competitive prices and high quality of products, our lower cost of delivery, and the smaller volumes that, because of our proximity, we are able to move into that market on a just-in-time basis.

But that report also details eight factors that hinder our ability to access that market. This bill would go a long ways towards eliminating a majority of those eight factors.

I realize that there are political factors to consider as well when lifting the ban on travel to Cuba. As the Chairman stated at the opening of this hearing, we have never been supportive of military dictatorships. We do, however, feel this embargo has failed. It is time to move on, and passing this bill would at least be a significant step in the right direction. Thank you.

[The prepared statement of Mr. Johnson follows:]

PREPARED STATEMENT OF ROGER JOHNSON, PRESIDENT, NATIONAL FARMERS UNION,
WASHINGTON, D.C.

Chairman Peterson, Ranking Member Lucas and Members of the Committee, thank you for the opportunity to testify about the importance of agricultural trade with Cuba. My name is Roger Johnson and I am President of the National Farmers Union (NFU). NFU is a national organization that has represented family farmers

and ranchers and rural residents for more than 100 years. As a point of reference, during my career I have personally led eight trade-related missions to Cuba, so I speak from firsthand experience.

NFU has long supported ending the Cuban embargo and establishing trade relations with Cuba. For this reason, NFU supports the Travel Restriction Reform and Export Enhancement Act sponsored by House Agriculture Committee Chairman Collin C. Peterson, Agriculture Appropriations Chair Rosa L. DeLauro, Representative Jerry Moran and Representative Jo Ann Emerson.

This bill would allow direct financial transactions for agricultural sales to Cuba; require agricultural exports to Cuba to meet the same payment requirements as exports to other countries; and would allow U.S. citizens to travel to Cuba.

Since January 2009, 13 bills have been introduced in Congress to ease restrictions on travel, financial transactions or agricultural trade with Cuba. Clearly, in this case, politics is blocking good policy decisions.

Trade with Cuba

Since passage of the 2000 Trade Sanctions and Reform Act (TSRA), U.S. farmers have earned \$4 billion from sales to the Cuban market and Cubans have had an excellent payment record. However, due to continued arbitrary restrictions on U.S. agricultural sales driven by Executive Orders rather than Acts of Congress, U.S. producers have failed to unlock the full market potential in Cuba. Cubans have begun to shift their purchases of several commodities to other suppliers, such as Vietnam, Canada, Brazil and the European Union (EU).

Expanding exports and trade are critical to expanding opportunities for U.S. agricultural producers and will allow producers to provide the highest quality food products to people around the world. Cuba relies on imports for most of its food needs. Between 2000 and 2006, Cuba's food and agricultural imports nearly doubled. Passage of such legislation will increase exports, meaning millions of dollars for U.S. agriculture.

U.S. producers are well-positioned to supply Cuba with additional commodities, with the ability to reach three major Cuban ports in 1 day or less, compared to 25 days from Brazil. Current U.S. policy hampers our ability to supply the Cuban market, a market we once dominated.

Effects of U.S. Trade Restrictions with Cuba

U.S. agricultural producers have already experienced positive impacts from the sale of agricultural products into the Cuban market since the passage of TSRA. Nonetheless, our current policy is tepid and inconsistent with policy the United States has with other countries. Current policy allows for cash sale of food and medicine to Cuba, yet direct banking exchanges are not allowed.

The current "cash only" sales policy may seem to be in the best interest of the U.S.; however, it is an inefficient system, characterized by small sales, the absence of long-term contracts, unnecessarily high transaction costs, and exchange rate losses. This policy needs to be changed so U.S. producers can benefit from full and normalized trade relations with Cuba. If direct banking transfers were permitted between the U.S. and Cuba for the purchase of American-made products by Cuba, notable positive impacts on both countries' economies would be possible, creating a win-win situation. Current U.S. policy is designed to use food as a weapon, and it has failed.

Just under 50 years ago 60 percent of Cuba's food imports came from the U.S. Our policy should allow domestic producers to reach that level once again. More recently, agricultural trade with Cuba reached a value of approximately \$750 million before additional regulations, which were designed as a diplomatic slap in the face, were put in place during the Bush Administration. Following the additional restrictions, agricultural sales have steadily declined with a recent report by the International Trade Commission (ITC) showing approximately \$290 million in agricultural cash sales to Cuba.

Parties in both Cuba and the U.S. have increasingly cited how cumbersome agricultural trade has become. Some are considering abandoning trade altogether, with Cubans left to source their commodities from other origins. The current embargo is not working.

Last year the U.S. Government purchased more than \$300 million in surplus U.S. agricultural goods in an attempt to support the market; while opening the Cuban market would not fully offset these purchases, it would certainly help. Ending the Cuban embargo would both save taxpayer dollars and assure Cuba a consistent source of reasonably priced, high-quality food.

As this cumbersome trade process continues, we have seen a ten percent decrease in imports from the U.S. to Cuba in 2005 and an additional decrease of four percent

in 2006. Looking at the percentage of market access the U.S. has in Cuba, clearly grains are the easiest commodity to move because of the uncertain timeframe it will take to get all of the necessary paperwork in line. Shipping is clearly not the problem. The U.S. has almost no market share of value-added or processed foods, which are usually more perishable and more costly to ship, allowing Brazil and the EU to fill this demand. Value-added goods also tend to yield higher returns for U.S. exporters and create more jobs and economic activity than commodity sales. The very type of food exports we most want are the ones our current restrictive policy preclude.

The ITC predicts lifting the ban on agricultural goods would increase U.S. exports to Cuba by between \$924 million and \$1.2 billion. This would also increase the U.S. market share in Cuba compared to other competing countries from the current 38 percent to between 49 percent and 64 percent.

U.S.—Cuba Trade Policy Recommendations

Lifting the current restriction on tourism would provide Cuba with more U.S. dollars, which could then be used to purchase more U.S. products, particularly more value-added agricultural products for the food service and hotel trades. Many of these products could have a significant impact on economic growth and support for rural farm and ranch families.

Passage of this legislation would mean millions of dollars in agricultural exports for U.S. producers and the economy. According to the ITC report released in June 2009, there are only three major factors that enhance the competitiveness of U.S. agricultural exports to Cuba:

1. U.S. exporters offer competitive prices and high-quality products.
2. U.S. exporters benefit from lower cost of delivery than competing suppliers.
3. U.S. exporters can provide smaller volumes of individual shipments on a just-in-time basis to smaller Cuban ports.

However, according to the same report, U.S. exporters are hampered by eight major factors making the U.S. a less desirable trading partner and decreasing market access:

1. U.S. exports cannot offer credit to Cuba for the purchases while other trading partners to Cuba make concessions for trade with Cuba.
2. The U.S. Government requires payment from Cuba in cash in advance channeled through third-country banks, driving up transaction fees.
3. When purchasing U.S. products, ALIMPORT may incur additional storage and demurrage costs if the transactions paperwork is not completed on schedule.
4. U.S. exporters wishing to travel to Cuba in order to complete sales contracts find the travel licensing process to be cumbersome, nontransparent and time consuming.
5. The U.S. restricts visits by Cubans for sales negotiations and for sanitary and phytosanitary inspections of U.S. products and processing facilities.
6. U.S. agriculture trade associations cannot use industry-generated funds or U.S. Department of Agriculture Market Access Program money for market research and promotion activities in Cuba.
7. U.S. regulations penalize foreign vessels that dock in Cuban ports, resulting in less competition among carriers and higher maritime transportation costs.
8. The Cuban Government makes purchases from certain countries based on geopolitical motivations.

Travel to Cuba

The Obama Administration has, by Executive Order, lifted part of the travel ban for Cuban Americans to travel to Cuba to visit family. Every American should be free to travel to and from Cuba.

The aforementioned ITC report clearly indicates that lifting the travel ban will result in an influx of U.S. tourism. An enhanced tourism industry would boost the demand for imported agricultural products, particularly high-valued products from the U.S., and bring more hard currency into the country, allowing ALIMPORT to buy more U.S. agricultural products for the domestic Cuban population.

I realize there are political factors to consider when lifting the ban on travel to Cuba. This is a sensitive topic, and as an organization NFU may be criticized for supporting lifting this ban, but I want to clearly state NFU has never been supportive of a military dictatorship. However, this 50 year embargo has not worked

for our nation's farmers and ranchers and has only caused the Cuban people, not the Cuban Government, to suffer.

Conclusion

NFU has clear, common-sense policy on Cuba. It is our recommendation that the Cuban embargo be lifted. If that is not possible, at minimum the eight impeding roadblocks outlined by the ITC must be dissolved in order to increase U.S. exports to Cuba. Passage of the Travel Restriction Reform and Export Enhancement Act would be a significant step toward tearing down artificial walls put in place by past Administrations and Congressional actions. I appreciate the opportunity to testify today and look forward to responding to any questions Committee Members may have.

The CHAIRMAN. Thank you, Roger—Mr. Johnson, Mr. President.
Mr. JOHNSON. You are welcome.

The CHAIRMAN. He is my neighbor. I can call him Roger.

Mr. Stallman, you mentioned that we are not viewed as a stable supplier, and we have this 1 year fix that was put in and it is apparently being implemented on part of this. Do you think that is going to be enough to make any difference? Or do we need a more permanent fix to make this work?

Mr. STALLMAN. No. I mean, obviously, as much as it is—it is good, but it is not enough. You need more long-term certainty when you are dealing with trade.

That is what I meant by not being viewed as a reliable supplier. We made the change back in 2005, on a short-term basis. And for longer term trade you need to have certainty about what policy will be in terms of transactions. Having the short-term implementation is good, but it is not enough.

The CHAIRMAN. Thank you.

Mr. Johnson, you have been to Cuba a bunch of times, as you mentioned. Could you just tell us what the effects of that travel were both in the United States and Cuba? And why did you travel to Cuba? And how did that travel relate to U.S. agriculture? Can you just elaborate a little bit more on that, and on how the current policy is negatively affecting the smaller sales?

Mr. JOHNSON. Sure, I would be pleased to, Mr. Chairman.

All of my trips to Cuba were in the order of trying to advance trade. We led trade delegations, usually of North Dakota companies, but often for our neighboring Minnesota companies, as well, that went down with agricultural products. We had to get specific licenses. That has been changed now, so a general license will get folks down there. We are still finding out how that will play out. It was a fairly cumbersome process. To get the licenses, you had to license each individual participant, and you had to demonstrate that their reason for traveling exclusively related to selling food or ag products.

I can tell you that the way the financial transactions have to be handled is extraordinarily cumbersome. The way it used to be is the goods would dock at the port, usually in Havana; and before they could be off-loaded, the money had to be received. But that is just a little piece of it. The money would normally get wired across the ocean, converted into a foreign currency, and then converted into the U.S. dollar. So you would have two conversions, both of which would lose you some money in transaction costs.

And then, because of time changes, a day later they would get transferred back to the U.S. bank. It would get in the bank in

which—that would be paying the seller. In that case, the North Dakota company or Minnesota company that would be selling the products, or their broker.

And then that would have to be confirmed by the Federal Government before word could be sent back to Cuba, “Yep, we have the money. It is in the bank. Now you can offload the ship.”

This is very inefficient. The Cubans told us repeatedly five to 15 percent right off the top they accounted for just because of that process.

Now, in 2005, when the Administration made that change—and essentially same process, except that all this now had to happen at the port in the U.S., instead of the port in Cuba—there was a long period of time, 6 to 9 months, where the policy had changed, but there was no official recognition of the change. You saw enormous uncertainty in the market.

I think it was intended as a diplomatic slap in the face. Clearly, that is what it was received as by the Cubans. There were lots of concerns about that. We can go into that if you want to pursue it more. But the system is extraordinarily inefficient.

The last point I would like to make about this, we have—on three of the trips, specifically the Cubans were interested in potatoes coming out of the Red River Valley, both table stock and seed potatoes. On two of those trips, we specifically negotiated deals to sell table stock and seed potatoes to Cuba. None of those sales have yet occurred, because of the complexities of getting all these travel arrangements to allow the Cuban inspectors to come up and to get our sanitary and phytosanitary standards reconciled between the two countries, since USDA can’t talk to Cuba, only the State Department can.

We were left in our Department and the Minnesota Department of Agriculture and the Department of Agriculture in the State of Maine trying to negotiate those requirements with the Cubans and then coming back to the State Department and to USDA. We never got it all done. It just never happened, and the sales have never happened as a result of it.

The CHAIRMAN. Thank you.

The gentleman from Oklahoma.

Mr. LUCAS. Thank you, Mr. Chairman.

I do appreciate this hearing today, and I am very pleased to have knowledgeable witnesses. Part of these hearings, of course, is the exchange of information to better enlighten the Committee to understand what is really going on.

First, before we move directly into the Cuba issue, on the free trade agreements, can you reiterate, gentlemen, your organizations’ position, if you have a position, on the timely efforts to move the free trade agreements with Panama, Colombia, and Korea?

Mr. STALLMAN. Our Bureau has been supportive of passing those agreements. We supported negotiating them, and we supported passing them once they were negotiated. That applies to Colombia, Panama, and South Korea. They are absolutely good for American agriculture. We need to pass those agreements, and obviously there are issues holding those up. We have communicated that to the Administration and also to this Congress.

Mr. LUCAS. Thank you, Mr. Stallman.

Mr. Johnson.

Mr. JOHNSON. I don't believe that the Farmers Union has taken a specific position on those three agreements.

I will say as a general matter our policy argues that trade needs to be much more fair and that, in particular, we want labor requirements to be part of trade agreements and environmental requirements, currency rates, those sorts of things. I will say that our annual convention begins in 2 days, and I expect we may very well end up debating this issue there. But, right, now I don't think we have a policy on those three particular agreements.

Mr. LUCAS. After the convention, if you decide to be consistent, I would be most appreciative to know that and if you would forward it to me.

Gentlemen, you are both obviously very good farmers or you would not have been elected by your farm organization, so you understand production agriculture hands on. Mr. Johnson, you alluded to several trips to Cuba. Mr. Stallman, have you been to Cuba?

Mr. STALLMAN. Yes, I have, not as many times as Mr. Johnson, but I have been there.

Mr. LUCAS. Absolutely. My question for both of you is, when you have been in that country, have you spent any time out in the countryside in addition to the being in the urban areas working on the trade issues?

Mr. STALLMAN. We absolutely did. We went down with multiple goals, one, obviously, to talk to all important government officials, also to look at their port facilities and determine what the transportation infrastructure was. But we also went out into the countryside to try to get what was, frankly, a superficial assessment of what their ability was to produce food and what the opportunities were for imports. So we did travel some in the country.

Mr. LUCAS. I will admit I have not been there. So I ask you this question, what were your observations about the quality of the soil. Most assuredly good people, well-educated people, would you say that if their system would permit it that they have the potential to greatly increase their own agricultural production?

Mr. STALLMAN. They definitely have potential. They have, obviously, a tropical climate and soils decent enough to grow a lot of crops suitable for that climate. They lack capital. The people are willing to work. When I was there they were just beginning to open up, I guess you would say, farmers markets that would allow producers to come in and actually sell their products, as opposed to having it sold to the government. So that was a small step. The potential is there, but the restriction on their system and lack of infrastructure investment and capital is hindering their ability.

Mr. LUCAS. The reason I bring that question up, when we do business with the Cuban Government, we facilitate their ability to not only meet the needs of their constituencies down there, but to also continue to exist. It is one of the few examples of Soviet-style communism that still exists in the world, which means not a market-driven economy but a government-dominated economy. Even in places like mainland China, where the Communist party still attempts to maintain absolute political control, they have adopted a

more market-oriented process and, consequently, have seen dramatic economic growth in the last 10 to 20 years.

I guess what I am getting at is, in your observations the soil is good, the potential is there, good people clearly, but don't you think that the system that they have that controls the resources, isn't that impeding their ability? And would we therefore—second question—would we therefore be continuing the problems they have by directly or indirectly helping the system survive?

That is a good question for you, Bob. I look forward to the answer.

Mr. STALLMAN. The first part of that answer is that, yes, there is no question their form of government and the type of control that comes from the top from the Castro family, and the military, inhibits their ability to do this.

In terms of what would happen based on our engagement and opening up the travel ban, I think the more opportunity that we have to interact with Cubans at all levels and the greater opportunity there is for them to see the truth about America *versus* the web of propaganda and lies that they are given by the government. It enhances the opportunity to, ultimately, move more towards democratic reforms. I think it is that interaction and exchange that we want.

The government has maintained themselves in power over the years by putting all of their problems on the backs of the United States, or trying to, because of our policies. That is what the government has done. But if the truth is known by the Cuban people about Americans and about our form of government and our capitalistic system, I think that will provide a great opportunity for that exchange of information and ideas to occur.

Mr. LUCAS. Mr. Johnson?

Mr. JOHNSON. There were a whole bunch of questions, Ranking Member. Let me see if I can kind of remember them in order.

First of all—

Mr. LUCAS. The basic question is, do we—by making it easier for the Cuban Government to buy things here, do we facilitate their ability to hold on and keep the Cuban people in this place they are trapped in now?

Mr. JOHNSON. I understand that question, and I agree fully with what Mr. Stallman said. I firmly believe that the best way to bring light, if you will, to the people down there is to open up travel. I think the influx of American tourists that would come into that country, and the exchange of views that would occur between our citizens and their citizens, would be healthy for both of our people.

And if you look at what has happened, the policy we put in place some 50 years ago was designed to get rid of a system of government. Ten U.S. Presidents have come and gone, and all we have done is move from one Castro to a younger brother who is not very young. We would argue that the policies we have used to try and make the changes that I think you and I agree ought to be made have simply not worked.

Mr. LUCAS. And the contagion has spread to other countries in Central and South America.

Tolerate me one more moment, Mr. Chairman. I can see where the need to meet the basic food needs of the Cuban people should

be met. That is a humanitarian issue, meeting things that are on those ration cards. And I understand they have an amazing system for allocating out the calories that people get. Meeting those needs, I can't argue with that for a moment.

I just don't want to facilitate things that wind up enabling the regime to hold on and to spread its style of governance around by using access to things that the average Cuban citizen never sees. They probably don't drink much bourbon, and they don't see any lobster tails, but those kind of things help facilitate a tourism industry that brings real, hard cash into the country. Those are the kind of things we need to look at.

I realize that is more than the scope of this bill and, perhaps, more than the scope of this hearing, but it is the kind of thing we need to think about in our overall policies.

Thank you, Mr. Chairman.

The CHAIRMAN. I thank the gentleman.

The gentleman from Pennsylvania, Mr. Holden.

Mr. HOLDEN. Mr. Johnson, I am having a rough time grasping how this cash-in-advance provision works. I know you have elaborated on it in some detail. Can you maybe elaborate a little more and how the provisions in the Chairman and Mr. Moran's bill would change that?

Mr. JOHNSON. Yes, I would be pleased to.

The basic provision of this bill relative to cash in advance is simply to put in law what you already did with the last appropriation bill, I think it was, that put it in place for this year but that expires at the end of this fiscal year. So this would simply extend that provision, going forward.

It would essentially return us to the policy that was in place from the beginning in 2000 when we first had some opening under the TSRA Act to the point in 2005 when the Administration put a different definition on the term *cash in advance* than what is used anywhere else in the world. So it would put us back to the normal definition, if you will.

Now, related to that is the ability to do direct financial transactions, which is also in this bill. It is essential to get rid of 90 percent of that garbage that I talked about in that very convoluted system. If you did that, instead of sending the Cubans' money over to Europe, converting that into a Euro or some other currency and then reconvertng to a dollar and then sending it back, you would just directly send the dollars to the U.S. bank. That would take probably 2 or 3 or 4 days of delay out of the system, and it would take the inefficiencies of currency conversions out of the system, which can be very substantial if they need to happen in a very rapid basis, as they always do in these kinds of transactions.

Mr. HOLDEN. Mr. Stallman, I believe you said that EU and Brazil and Canada are the three biggest—where Cuba imports most of the agriculture products from; is that correct?

Mr. STALLMAN. Yes.

Mr. HOLDEN. And I also believe you said that all sectors of the U.S. agriculture economy would benefit from this legislation. What sector do you think would benefit the most?

Mr. STALLMAN. Oh, gosh, that would be difficult. It would probably vary over the years. I mean, rice was a huge export to Cuba

in the past. You know, they obviously eat a lot of pork. Their market for dried beans—the whole list that I read are potentials, and I don't know, ultimately, which one would benefit.

The point is, in the aggregate, if we can remove some of these restrictions that we have been talking about, you will enhance the opportunity, basically, for all commodities that would be desired by the Cubans to purchase.

Mr. HOLDEN. Thank you. Thank you, Mr. Chairman.

The CHAIRMAN. I recognize the gentleman from Kansas, the co-sponsor, and thank him for his leadership. Mr. Moran.

Mr. MORAN. Mr. Chairman, I thank you for holding this hearing; and I am pleased to be your ally in regard to this legislation.

I appreciate the testimony of the two Presidents of our farm organizations. I don't have any questions. I just want to kind of outline the history and my understanding of what we are about here.

In July of 2000, I offered an amendment on the House floor, as a relatively new Member of the House of Representatives, that would prohibit the use of any money in an appropriation bill from being used to enforce sanctions for food, medicine, and agriculture products in a sale to Cuba.

The end result of that amendment—and it was a controversial day. I remember it as part of my time in Congress. It will stand out to me. But, ultimately, despite being suggested that this bill or this amendment would be overwhelmingly defeated, it passed by 301 to 116. A majority of Republicans, a majority of Democrats said it is time to change the policy.

It changed the history of our relationship between the United States and Cuba, a history that had been in existence for 40 years, of which there were no sales of any of those products to Cuba. Again, we are not talking about trade. We are talking about sales.

So the end result of that amendment and the broad support here in that Congress, July of 2000—and, in fact, all the Members to my right voted for that amendment. It is so long ago that there is no one here that voted against that amendment. They just weren't here at the time. So broad support among the Agriculture Committee and a broad set of supporters among all Members of the House; 301 to 116 said let's do something different.

I remember my conversation on the House floor that said, "In Kansas, we will try something once. If it doesn't work, we probably will try it again. We might even try it a third time. But after about 40 years, Kansans would decide let's try something different. If our goal is to change the leadership of Cuba, let's do something different than what we are doing, because it is not working."

And I will admit that my interest in this was very provincial. It was about Kansas farmers. It was how do we get another market in a very difficult economy in which we can sell our products to. And, as a result, the Trade Sanctions and Reform Export Enhancement Act of 2000 became law.

We were doing just fine until 2005 when the Treasury Department decided to change the regulations and say that cash in advance no longer meant, as it does every other place in our relationship, it no longer means when the ship arrives in Havana. It means when the ship leaves the United States. So we added an-

other set of 4, 5, 6, days, 2 weeks in which the Cubans had to pay that much earlier.

We also said from the very beginning you have never been able to finance this. There are no government subsidies in these sales. We restricted the ability to use a U.S. bank in those regulations. And so they then had to go to a third party bank in a foreign country, get a letter of credit, and we increased the cost of doing business with the United States.

As a result, after the 2005 change in regulations, we lost 20 to 30 percent of our exports. And so year after year I have offered the amendment again to an appropriation bill that says, no money can be spent in this appropriation bill to enforce those new regulations which make no sense. And that amendment has passed the house time and time again. That is what is in this bill. It has been approved as most recently as last year in an appropriation bill. We have said it is okay, and sometimes when I have offered my amendment it has been adopted by voice vote. And so the controversy that sometimes surrounds this issue is pretty limited when it comes to the agricultural side of what we are doing here.

As a result of the change in our laws, and despite the fact that these restrictions made it more difficult and we were losing market share, we are seen by the Cubans as an unreliable selling partner, again not a trading partner, a selling partner. We sold \$708 million worth of agriculture commodities to Cuba in 2008, and it is rice. They import rice from Vietnam and China if they are not buying it from us.

This idea of whether or not the food actually gets to the Cuban people, I don't understand that issue. Because when we don't sell, all we are doing—this is a unilateral sanction. All we are doing is restricting our ability for our farmers and our agribusinesses to conduct business in Cuba.

And yet France, Argentina, Canada, they love our embargo. They love the fact that we made this market more restrictive because they fill it.

And so if you are interested in whether or not the Cuban people are getting the food, that is not this bill. We can't necessarily affect that. Because when we don't sell, somebody else does. Those decisions are already made by someplace down the road, not whether or not we agree to take cash.

All the agricultural side of this legislation does is return us to the common days, the days before 2005, in which we operated normally. And it is normal compared to around the world.

And we deal with Communist countries on an ongoing basis in a trading relationship in which we offer them credit. Who is the United States biggest creditor? China. And yet we are nervous about selling for cash up front agriculture commodities, food, and medicine to a country 90 miles off our shore. What a double standard we have created in this country.

In Kansas—and I hope to ask my Kansas witness today—we would not object to selling Boeing aircraft to China, and yet we worry whether or not we are going to sell wheat to Cuba. I don't understand how we got ourselves in this position in which we worry about this issue, cash up front, no government subsidy. We

are taking money out of the Cuban Government and putting it into the pockets of farmers and American business, agribusiness.

Finally—my time has expired a minute and 18 seconds ago—I would just add my provincial interest started with Kansas farmers and a desire to see that we have one more market. You may recall the year 2000 was not a perfect year on farms across this country, and every market mattered to us for our success.

And, again, Cuba is not the end all. It doesn't solve all of our problems or doesn't make us all wealthy. But having spent some time on this issue I am convinced, as has been indicated today, that this is not just about the United States. This is about how we change the Cuban people's opportunities.

Because economic freedom, the market system that we all say we believe in, the free market system causes the Cuban people, when they have the ability to buy consumer goods—in this case, I am just talking about food, fill their diet. The more contact we have with them economically, the more demands they will make upon the Cuban Government to change for the opportunity for liberty and freedom. That ultimately is what this is about.

Again, as I started out as just a provincial Kansas Congressman wanting to take care of Kansas wheat farmers, I think there is a much more noble cause to this than just that, which is we can make a greater difference in the lives of Cubans by dealing with them than by ignoring them.

Thank you, Mr. Chairman.

The CHAIRMAN. I thank the gentleman for his passion and eloquent statement and for his persistence on the issue. I recognize the gentleman for Iowa, Mr. Boswell.

Mr. BOSWELL. Thank you, Mr. Chairman. Thanks for having this hearing.

And, Mr. Moran, I firmly confirm what you have said. If I had 7 minutes, I would give it back to you and let you say it again. Because you have said everything, and I totally agree with you.

I, too, have been down there, Mr. Presidents, both of you. I appreciate that but assume that you know who Mr. Alvarez is. I spent a lot of time with him. I spent quite a bit of time with Mr. Castro. Sometimes we would be entertained. I can tell you about that a little bit.

But we went out in the country, and I think that Mr. Moran is exactly right. I think you all have it right. We are just denying ourselves markets. Because they can go elsewhere, and they are, and learn about the process of getting the money to pay for it and what they had—it cost them more, but they still did it. And there we sat not being able to send a product that we could have on the way down there so quick. And they want it, and they can use it.

And as far as the other parts of the political side of it, how many years do we have to wait to figure out that this is not working? And it is not working. It is silliness to keep this up.

So I am very supportive of the bill, in fact, if left up to me, Mr. Chairman, I would probably expand it. We really are just spiting ourselves by not taking advantage of this market; and we are denying our producers, the farmers of Kansas, Iowa, Minnesota, Texas, Oklahoma, and everywhere, the opportunity to have a place to sell—not even trade, just to sell. I think this ought to be done.

So I yield back the balance of my time. Or I could give it to Mr. Moran, I suppose.

The CHAIRMAN. I think we heard enough out of him.

Mr. BOSWELL. We agree. It is time to do something.

The CHAIRMAN. All right. I thank the gentleman.

The gentleman from Texas, Mr. Neugebauer.

Mr. NEUGEBAUER. Thank you.

I want to echo a lot of things that my good friend from Kansas, Mr. Moran, said. I opposed the Administration's plan when they went to cash before you ship it, cash in advance. I think it is a little ridiculous that we have to pretend like we are not having relations with Cuba and we have to trade through a third country bank. I think that doesn't make sense as well.

I, too, have been to Cuba; and I know that that is a wonderful country. It is unfortunate that such wonderful people are having to live under this dictatorship, one that has truly kept that country in the dark ages for a number of years.

I think when I look at this bill—H.R. 4645 I believe is the number on it—is that I agree with most of the things that the two witnesses said. I think that one of the things that I am a little concerned about is that we can enhance business travel. Where we are focusing on these trades, we are facilitating people being able to put those deals together so we can increase and expand the market for American agriculture.

I am not to the point, personally today, that I am ready to open up the tourist trade, although for family members or people who have family in Cuba, we should continue that process. But when I was down there, it was represented to me by the Cuban people that live in that country—there were some wonderful hotels along the beach. The Cuban people are not allowed to go into the lobbies of those hotels. I think it would be an affront to the Cuban people for us to embrace the support of those hotels when the Cuban people themselves cannot go in there.

So, Mr. Chairman and Mr. Moran, I have a great deal of respect for both of you; and I support a lot of the concepts of your bill and would look forward to seeing that we could limit some of the travel pieces of that where we could facilitate being able to expand American agricultural markets, but at the same time respecting and not causing a great injustice for us to open up an opportunity that the Cuban people themselves do not have.

I don't really have any questions for the panel, but I would give them an opportunity to respond to the two or three statements that have been made here. So, Mr. Stallman.

Mr. STALLMAN. Just a response from my visit out there, being out in the streets and moving around the country. There were tourists from a multitude of other countries from around the world. They were moving around pretty freely and had interactions with the Cuba people. And while you are absolutely correct in your description of their resort hotel system that they have there, having that opportunity for, once again, the Cuban people to interact with American tourists, to be able to hear about America, to me that undermines the messages they receive from their government. And, once again, I think that would be the quickest way to actually

make progress on this country's goal of figuring out how to change regimes and the form of government there.

Mr. NEUGEBAUER. Thank you.

Mr. Johnson.

Mr. JOHNSON. Yes, I certainly agree with what was just said.

On the issue of the Cubans not being allowed into hotels, I think that was the case, but it is my understanding that in the transition between Fidel Castro to Raúl that that was one of the changes that has been made under the new government there, that there is no longer a prohibition against the Cubans using the hotels.

The fact of the matter is that their income levels are so low that most of them couldn't afford to pay the room rates that you and I pay when we go down there. I don't think it is a prohibition. I think it is just a matter of the income level to support it.

And, frankly, in some small part, this bill is about helping to boost their income just a little bit, too. By getting the food to them in a more efficient fashion at a lower cost, getting it spread out a little further, maybe that helps boost that income so a few of them can use those hotels and resorts.

Mr. NEUGEBAUER. I hear what you are saying, but my observation is that none of that money really funnels to the Cuban people. You can increase the GDP in that country substantially, but, unfortunately, it stays in a very small number of hands. And that really the overall quality of life—and I am sure both of you know what the allocation of food is, and it is a pretty nominal amount of sustenance that the people themselves receive. So while it may increase the GDP of the country, I don't think it increases the income of the Cuban people.

With that being said, I am supportive of the trade pieces of that and have been—do feel like—I don't understand the logic behind the changes made in 2005, it wasn't the right thing to do. I am supportive of returning to the way we were doing it before, because that, as you both testified, that was working.

Thank you, Mr. Chairman.

The CHAIRMAN. The gentlelady from Illinois, Mrs. Halvorson.

Mrs. HALVORSON. I have had a lot of people tell me of their concern about the travel portion of the bill *versus* the ag portion. I know I have heard all of the reasons that you believe it would help if we had travel, but this question will be two-fold, I suppose. How you feel it would affect your bottom line in agriculture? But, also, could you still support the bill if the two were separated, if it did not have the travel? If the travel wasn't expanded but we still fully supported or expanded the ag portion?

So if the two of you could answer that, how you felt about if the two were separated, or if they need to be together, or what the bottom line on agriculture is.

Mr. JOHNSON. Well, I think I made it clear in my testimony that we would go much further than the bill. And so, obviously, anything that moves in the right direction is something that we would be supportive of.

I would argue that in some small part, besides allowing the tourists to come in and begin to change the system, which has been adequately explained here and I fully concur with, another part of that is the tourists will bring some dollars.

And so while this bill is not about trade, as Congressman Moran so eloquently stated, it is about sales. There is a little bit of the other part of the trade that happens with the tourism, because it will bring some dollars into the Cuban economy. Now, that does a couple of things, but, for agriculture, one of the big things it does is it allows more income into the system so that they can purchase more agricultural products.

Number two, in my written testimony I didn't talk about this because of time. I talked about the value-added in agriculture that many of us, many of you have spent a lot of time and effort working on to try and expand value-added in agriculture so that we can export higher-value products instead of just raw commodities.

The tourism industry—bringing U.S. tourism helps that part of our export market a whole lot more than just doing the ag piece that is in the bill. It will—number one, there will be a demand for more of these value-added products from the tourists who have higher expectations, if you will.

And, number two, that provides an opportunity—one of the things that I discovered early on with the trade missions that I led from North Dakota was that the Cubans are very astute business people. They are not going to spend any more than they have to. They were very tough negotiators, as they ought to be, as we all are. Very capitalistic, frankly, in that regard. They saw no need to spend any more than what they absolutely had to.

We tried to sell value-added products. In fact, our Lieutenant Governor was the chair of the board of a pasta company, number three in North America in terms of size, and went down with me and on his own a couple of times trying to sell pasta. I think we might have sold a little tiny piece of one container.

Frankly, there just isn't the ability to pay for those value-added products. We mostly sold—I would say 99 percent of the products sold out of North Dakota—probably the same is true across the board in the U.S. We mostly sold raw commodities that ended up going into that ration distribution system that has been talked about. It was to meet the fundamental humanitarian needs of the Cuban people. And if they had more income they would put more of that food into that system.

Mrs. HALVORSON. Mr. Stallman.

Mr. STALLMAN. We certainly support the travel provisions that are in this bill. We have always, as my colleague has said, supported any measures that move the ball forward with respect to our trading relationships with Cuba.

Opening up the travel and the tourism, while all of that GDP growth obviously does not go to the Cuban people, there will be a lot of casual exchange of dollars. We did that when we were down there, so some of those dollars will find their way into Cuban's hands, and it will increase some Cuban's purchasing power. That is in addition to what we have already talked about, the interaction and exchange of ideas.

We would still support the bill even if it went back to purpose specific travel, because it does move the ball forward, but we would prefer to see all the provisions that are in the bill remain.

Mrs. HALVORSON. Thank you. I yield back.

The CHAIRMAN. I thank the gentlelady. The gentleman from Texas, Mr. Conaway.

Mr. CONAWAY. Thank you, Mr. Chairman. I am supportive of the ag issues in terms of being able to sell more U.S. products, whether value-added or not, to Cuba. I have been there. Mr. Moran and I went, he and I were there; there were ten of us on the trip, nine of whom supported unlimited lifting of the embargo with Cuba and one guy who didn't. He got thrown under the bus at every single meeting that we had with the head of the communist party and all those folks, and that guy was me. But it was a great trip, very eye-opening.

I am not convinced that the lifting of the tourist travel will have any impact that would help us further our goal of freeing up the Cuban people. The Cuban people right now, in my view, are muddling along reasonably okay. There is not enough misery in the system for them to rear up against the totalitarian government that they live under. There, they control everything down to the point that they won't allow the Cuban people to know the box scores on baseball games. I guess they are afraid that the few Cuban players who have defected, fled that regime, are doing really well, and they don't want their folks at home to know that there is a life on the other side of the deal.

I also hope, Mr. Stallman, Mr. Johnson, that the same passion you bring to defending this, trying to do something against this communist country, that you would bring to the table when we talk about our one free, democratic friend in South America, and that is Colombia.

Mr. Johnson, I hope next month at your meeting you will be just as passionate for doing a free trade agreement. The labor issues aside, that is false. We all know that. That is a stigma and may have been true 20 years ago, but it is not the case today. And so we have a great friend there that we poke a stick in his eye every day that allows Hugo Chávez to do that.

So I am not convinced that U.S. travel—there is unrestricted travel from around the world—Canadians and anybody else can go in there—and it has not had any kind of impact on the deal. So I support the Chairman and Mr. Moran's bill with respect to all things agricultural-wise. I can't support, at this stage, the lifting of the travel ban or tourist travel ban that would be a part of it. So I hope that we can count on your support for Colombia, Panama, and South Korea's free trade agreements, because those are our friends and we ought to treat our friends almost as good as we treat someone that is not our friend. If we did this, in order for that totalitarian government to remain in control, they have to have a bogeyman, and that bogeyman will be the United States—is the United States. If we had lifted all this and tried to argue that the United States was not the bogeyman, then the Cuban community in Miami would be. Somebody is going to be the bogeyman for this totalitarian government to maintain their strict controls over everything that has been going on down there.

So I appreciate your comments, and look forward to your help on the Colombia Free Trade Agreement, and Panama and South Korea.

With that, Mr. Chairman, I yield back, short of the 7 or 8 minutes.

The CHAIRMAN. I thank the gentleman for his brevity. The gentleman from California, Mr. Costa.

Mr. COSTA. Thank you very much, Mr. Chairman. I do support your efforts on this legislation, and I think that, frankly, we have tried numerous efforts to deal with the oppressive regime in Cuba, from the Kennedy Administration to the present-day Administration. And all of those efforts have been unsuccessful, if the ultimate judgment for success was removing Castro from power and creating a more democratic regime.

By all standards, all of the efforts with both Democratic and Republican Administrations have been unsuccessful, and Castro, much to everybody's surprise, has outlived many Presidents since that time, since that policy has been in place.

My view is that, I mean, we have dealt with a lot of repressive regimes, regimes that don't respect human rights as we understand them today, whether it be in China or whether it be in other parts of the world, and yet we do trade with them. For the life of me, I can't understand why that same sort of even-handedness should not be applied to Cuba.

As a matter of fact, frankly, we have seen changes in places like China and others when we have engaged with them, and we have seen greater freedoms become available to the populations. So it seems to me that we ought to just create the good old Yankee know-how and allow American farmers and ranchers, dairymen, and others to engage in active trade.

I went to Cuba in 2002. I have viewed their efforts on agriculture production both as it relates to fruits and vegetables, and as it relates to dairy and livestock. And from my own firsthand observations, having been a dairy farmer for three generations, I think I know something about that business, they have a long ways to go. What they do well is sugar, and we don't need that. So the fact of the matter is this legislation is good.

I want to get to a few questions. Mr. Johnson, you talked about current policy that restricts producers to making smaller sales and reduced long-term contracts. Can you elaborate on that and how we can change them?

Mr. JOHNSON. Sure. Just the fact that you can't do direct transactions makes it really impossible.

Mr. COSTA. So that has to change?

Mr. JOHNSON. Yes. That has to change, the uncertainty that swirls around what our policy is going to be.

Mr. COSTA. Mr. Stallman made that point in his opening comments. How much do third country banks charge on sales on the average, and how should we change that in financing, when we hopefully will change the policy whether through this legislation or other activities?

But the financing, when I was there in 2002, was also an issue because, obviously, the limit—everything they were doing was in dollars at that time.

Mr. JOHNSON. Yes. What the Cubans have told me repeatedly is that it is from five to 15 percent. Perhaps in a couple of cases as much as 20 percent of the total value of what they bought was

eroded because of that convoluted transaction arrangement I described. How much of that is from—

Mr. COSTA. There has got to be a better way to do that.

Mr. JOHNSON. Of course. And this bill would in fact solve the biggest part of that problem.

The ITC report, if I remember, concluded—I believe they said from 2½ to ten percent of the value of the sales was being chewed up in that exchange process.

Mr. COSTA. Okay.

Mr. Stallman, you talked about, in your testimony, the need for visas to be issued for Cubans to visit the U.S. for trade-related purposes. Is this not included under the Travel Restriction Reform and Export Enhancement Act? And if not, should we include it in this legislation?

Mr. STALLMAN. We need to have that ability to have those government officials from Cuba to come over. And it is the same type of visa and courtesy that we actually provide every other country in the world with respect to trade. They come over to inspect facilities, look at phytosanitary issues, and we are restricting government officials from coming to do that.

Now, frankly, that hasn't impacted that many sales yet because of the other restrictions.

Mr. COSTA. Quickly, before my time is up, you talked about 60 percent—before the Castro regime—of food was exported from this country to Cuba. Obviously, we couldn't get back to that overnight. But what market share at this point do the Europeans and the South Americans have?

Mr. STALLMAN. Well, the Cubans increased their agricultural imports, and I am probably thinking about 2008 figures, to \$1.8 billion. We think we could have up to ⅔ of that. So if we had what we should have and got about \$1.2 billion, then that would leave about \$600 million for the rest of the world, and we would be more than happy with that because we would have the advantage.

Mr. COSTA. Thank you. My time has expired.

The CHAIRMAN. The chair thanks the gentleman. The gentleman from Missouri.

Mr. LUETKEMEYER. Thank you, Mr. Chairman.

This is an interesting bill from the standpoint that we have agriculture and then we have tourism mixed in the same bill, which is kind of a head-scratcher to me. In one situation we are putting money in our pockets by trading with these folks, and the other, by the tourism part of it, we are putting money in their pockets, which is kind of—why would we want to do that?

Question number one: What is the potential for Cuban trade on the agricultural portion of this? Do you gentlemen have a figure on that by any chance?

Mr. STALLMAN. Well, as I said, their total ag imports are about \$1.8 billion. So that would be the top of the line. We obviously wouldn't get all of that. We think we could get ⅔ of it.

Mr. LUETKEMEYER. You think you could get ⅔?

Mr. STALLMAN. Yes. If we did not have the restrictions that exist.

Mr. LUETKEMEYER. If I remember your calculations, we get about ⅓ of it right now.

Mr. STALLMAN. Roughly.

Mr. LUETKEMEYER. So we would be able to double our exports to them. Is that roughly what you both agree on?

Mr. STALLMAN. Approximately.

Mr. LUETKEMEYER. Okay. I am just kind of curious. I have had many jobs over my lifetime before I got here, and one of them happened to be the Director of Tourism for the State of Missouri. I can't go along with any of the analogies of what you just told about what is going to happen with the tourism aspect of this bill. It doesn't work that way.

The people in Cuba right now, Mr. Stallman, you made the comment that we need to interact with them. I think Mr. Johnson also made the same comment, that we need to interact with them so they can understand how good a country we are, and that way they will overthrow their government and be willing to look at other issues.

I think they already know that. I think by the number of people that try to escape from that country every chance they get, I think they already know that. They are being oppressed because they don't want anybody to have enough freedom to even think about getting out. The longer we keep them depressed—our government keeps them depressed, I think that they are headed there.

So I am very curious about this, because I have grave concerns about the travel portions of the bill. I think the ag portion is good. But whenever we are setting there, Mr. Stallman, you made the comment that purpose-specific travel, I think that is where we need to head with this bill. I think if we had purpose-specific travel restrictions or enhancements in this bill, that would be what we need to do. But I don't think we need to get into an area that is not agricultural. To say that we are going to improve the where-withal of the people of Cuba by tourism, so they can buy our agricultural products, is a stretch beyond which I can't go, because I can tell you that is not the way it works.

So I kind of take exception to some of your testimony from my own past, but I agree with what you—I appreciate your position on the agricultural portion, because it is going to be imperative that as we look for new areas for our own economy, with our ag economy to expand, this is one of those places where we can actually go.

I will yield back the balance of my time, Mr. Chairman. But I do want to reiterate that I think that you and Mr. Moran, as sponsors of the bill, I would hope and urge you to somehow redefine this tourism portion of this, get a little more travel-specific, purpose-specific in their travel there, because we have gone well beyond what is in the best interest of ourselves as trading partners.

Mr. LUCAS. Would the gentleman yield before he yields back?

Mr. LUETKEMEYER. Yes, I would.

Mr. LUCAS. Just an observation on the tourism issue. You have to bear in mind, of course, that in an economic system that is so dysfunctional as they have down there, their version of Communism, they have to have a way to generate the capital to buy the agricultural goods.

Mr. LUETKEMEYER. But you also have a country dominated by the government which generates those things. It controls all that.

Mr. LUCAS. That is exactly right.

Mr. LUETKEMEYER. Whenever you dump the money in there as a tourist, that money does not go to the individuals. That money goes back to the government. The government controls everything.

Mr. LUCAS. You are exactly right.

Mr. LUETKEMEYER. The few pennies that fall through the cracks that the people get will only barely feed their families, whatever they have to. That is not going to come back to us as a trading partner.

The tourism aspect of this bill is, quite frankly, it just doesn't wash. I can tell you from being in the business, it does not wash. But, again, I thank the sponsors of the bill, certainly urge them to continue on with this. I think it is imperative we do this for our agricultural community. But I would ask them to pare down this travel portion of this.

Thank you, Mr. Chairman.

The CHAIRMAN. I thank the gentleman. The gentleman from Nebraska, Mr. Smith.

Mr. SMITH. Thank you, Mr. Chairman, and thank you to the witnesses. This is interesting. I will say that I appreciate the enthusiasm for increased velocity of trade. I have been amazed at the heavy lifting, as Mr. Conaway pointed out, the heavy lifting that these trade agreements, aside from the Cuban issue, have been.

Now, to confirm. You suggested that our exports to Cuba would double if the travel restriction is lifted.

Mr. STALLMAN. If the transactional restrictions and travel restrictions are lifted, the potential is there for that to happen. Yes, sir.

Mr. SMITH. And that would be done with about how many dollars' worth of travel and tourism generated? If we are going to double the exports, that would be done with how many dollars of tourism existing in Cuba? From either one of you.

Mr. JOHNSON. I think we are both going to guess.

Mr. SMITH. Okay, That is fair.

Mr. STALLMAN. I am not even going to guess.

Mr. JOHNSON. Let me not guess then. Let me suggest that probably the best answer to that is from the ITC report that actually came to the same conclusion that we both have said a number of times. The \$1.8 billion is recorded in that report to be roughly 60 to 65 percent ability to recapture ag markets. And I believe if you read the report, it will give you the assumptions. Perhaps it will give you the level of tourism expected.

My memory tells me that a couple of years ago there was an expectation that it might be as much as \$1 billion worth of tourism revenues that would accrue if it were opened up wide from the U.S. to Cuba. And I will try to reconfirm that. And if that is wrong, I will try to get back for the record, Mr. Chairman.

Mr. SMITH. One concern that I have is that there is a lot more competition amidst the world of travel and tourism than there would be with—of course, I am a bit biased, too—with an exporting district in terms of agriculture. With high-quality products that are available and accessible on demand and otherwise, that there is just—it would be a lot harder for Cuba to get tourism dollars than it would be for us to market the agricultural products. Would you share that concern?

Mr. JOHNSON. Frankly, I would disagree. I think if Cuba was open to U.S. tourism, you would see an awful lot of interest from Americans to travel to Cuba. It has been the place you can't travel to. For those who have been traveling, it is the place you can't go.

One of the interesting things that I observed of all the times I have been to Cuba, when there were more than one state delegation there for different trade fairs, *et cetera*, the largest state delegation every single time was from Florida. And I thought, well, isn't that interesting? I mean, why are the Floridians so interested in opening up trade with Cuba.

You know, you think about sugar, you think about citrus, you think about what is their angle. It is their tourism industry overwhelmingly. Why? Because a lot of their tourism has to do with these cruise ships that travel around. And the one place that is forbidden is Cuba. So they can sail everywhere, and they have a lot of repeat customers. Apparently people that go on cruise ships like to go. I wouldn't know firsthand. But the one place that they want to go next is, they want to stop in Cuba.

Mr. SMITH. That is very interesting. And, Mr. Stallman, would you wish to comment as well?

Mr. STALLMAN. I was just going to add on, and I don't think it has been brought up, U.S. citizens can travel to Sudan, can travel to Iran, but we are not allowed to travel to Cuba. You know, philosophically, that makes no sense whatsoever.

Mr. SMITH. I hear you. And I hope that we can arrive at something. Clearly, our strategy to date hasn't gotten us a lot of reforms. And so I hope that we can arrive at something where we can move forward, promote democracy and freedom, and at the same time opportunity here at home.

So with that I yield back. Thank you.

The CHAIRMAN. I thank the gentleman. The gentleman from Iowa, Mr. King.

Mr. KING. Thank you, Mr. Chairman. I appreciate being recognized, and I appreciate the testimony of the witnesses.

I will say that I was of your opinion back in the 1990s, and I took the initiative to go on a trip down to Cuba. I was with the People to People mission, entirely legal and supported, of course. And I went down there because I intended to, with personal experience, ratify my opinion that we should open up trade with Cuba.

There is nothing like going somewhere to learn the things that support your position, that gives a person the authority and the credibility to then come back and advocate for such a position. And I can't think of another time in my life that I went somewhere actually for that reason, or certainly had not had an experience that turned me 180 degrees, like the time I spent in Cuba.

If I had stayed with the People to People mission, we spent our days being handled by Castro's minders, going from place to place, listening to people in gray smocks answer questions that were translated from English into Spanish, that were not the questions that we were asking, and the answers that they were giving were not the answers to the questions that were being asked. It took me a little while to figure that out.

And myself and then state Senator David Miller went off on our own, and we ended up picking up an individual; he actually ap-

proached us down along Havana Harbor, and he became our guide for 3 days. And we went all over that island in 3 days. And he was a communist, a Marxist, and he was proud of Cuba and he was a Cuban historian.

But throughout those long days I learned some things, in spite of his intent to give us a 3 day commercial, and two of those things stood out for me that I can't get past. One of them is that when Castro nationalized the real property in Cuba, which I think was 1963, 25 percent of that real property, the deeds to that property, were in the hands of Americans. The Americans are the only ones that have not been compensated for that real estate. They hold their deeds today. And if there were to be investments from Americans into Cuba, having witnessed the Mariel boatlift, I can't imagine Castro doing anything except selling that real property that belongs to Americans back to other Americans to pit them against each other. That would be one point.

Another point that was a surprise to me was to learn at that time the exchange rate of the peso to the dollar was 21:1. And one would think that Americans trading in Cuba, tourists going to Cuba, would give the Cubans an opportunity to make some money off of that endeavor, so maybe it lifts them up economically and exchanges a little spirit of free enterprise.

But what really happens is—it has changed a little bit now but the effect is the same—is that Cubans could at that time earn American dollars, and they can hold them but they couldn't spend them, unless they went to a dollar store where an American dollar was worth 1 Peso, not 21 Pesos. Castro was picking up the 20 peso *villancicos* out of the 21 Pesos to the dollar. And that was going, and still goes, into his treasury and into his coffers to fund the Administration, to fund his brutal communist dictatorship.

Those are just two points that I couldn't get past. I couldn't find a way to rationalize that, even though I went down there to be able to ratify an opinion to opening up trade to Cuba.

So where I sit today is that we have invested nearly a half a—well, we have—a full half a century into waiting out the ideological solution in Cuba. And I can't imagine we can wait very much longer. But I am more patient than the witnesses before us here. I am willing to wait out this ideological solution because we have invested so much in it. And I would say that Castro has been an exporter of his Marxist ideology in the Western Hemisphere, and that changes the argument on whether we allow trade into China or into Iran.

I understand the philosophy that has been voiced here, and I would only draw that distinction. It is our back door. He has exported his brand of Marxism. He has been influential not just in the Western Hemisphere, but in places like Angola as well.

I am not opposed to getting food to Cubans. And I would hope that if we do something here, we can limit our endeavor to getting food to Cubans, rather than inadvertently propping up a communist regime. When that day comes of the ideological solution, if we don't have a plan in place, if we don't have a way to encourage the Cubans anymore than we have encouraged the Iranians when they took to the streets, then those 11 million Cubans down there that have been now cursed with a half a century of living under

the slavery of the communist dictator Castro may well see another half of a century.

So that is how I look at this. And I hope we can find a solution that doesn't play into the hands of Castro. And I am going to just pass up my chance to ask a question, Mr. Chairman. I appreciate being recognized, and I appreciate the witnesses.

The CHAIRMAN. I thank the gentleman. Would the gentleman answer a question? Are you in favor of selling Boeing Aircraft to China and other things that we are doing which are propping up that communist regime?

Mr. KING. Let's figure out how to work on that endeavor as well, Mr. Chairman, because it does light up my attention.

The CHAIRMAN. I thank the gentleman.

I want to thank the witnesses for being with us. You guys did a great job, as usual, and we appreciate your taking the time and being patient.

I will call the next panel. We have Mr. Mike Wagner with the U.S. Rice Producers Association and Owner/Operator of the Two Brooks Farm on behalf the USA Rice Federation from Sumner, Mississippi; Mr. Jerry McReynolds, wheat producer and President of the National Association of Wheat Growers from Woodston, Kansas.

Mr. Moran, do you want to say something?

Mr. MORAN. I am happy to say something about Mr. McReynolds. I am delighted that he is here as a witness. Mr. McReynolds is a farmer in my home county of Rooks County, Kansas. He and his family are highly respected and highly regarded, and anything that happens good in our home county usually involves somebody with the last name of McReynolds. And Jerry has continued that commitment, especially in agriculture.

He is now the President of the National Association of Wheat Growers, was a previous President of the Kansas Association of Wheat Growers, and serves on our Kansas Farm Bureau Board of Directors since 1998. Just an all around good guy and somebody who has a lot of credibility with lots of Kansans.

Thank you, Mr. Chairman.

The CHAIRMAN. I thank the gentleman. And welcome, Mr. McReynolds.

Mr. John Wilson, Senior Vice President of Marketing and Industry Affairs for DFA, on behalf of the National Milk Producers Federation of Kansas.

Mr. Barton Schott, corn producer and First Vice President of National Corn Growers, from Kulm, North Dakota. Home of Angie Dickinson, right? She is a little bit better looking than you, but not much.

And, Mr. Scott Fritz, soybean producer and Board Member of the American Soybean Association from Winamac, Indiana.

Gentlemen, welcome to the Committee. We look forward to your testimony.

And we will start with Mr. Wagner. You are recognized for 5 minutes. Your statements will be made part of the record. And welcome to the Committee.

STATEMENT OF MIKE WAGNER, OWNER/OPERATOR, TWO BROOKS FARM; MEMBER, BOARD OF DIRECTORS, U.S. RICE PRODUCERS ASSOCIATION, SUMNER, MS; ON BEHALF OF USA RICE FEDERATION

Mr. WAGNER. Thank you, Mr. Chairman. Mr. Chairman and Members of the Committee, I am Mike Wagner, a rice farmer from Sumner, Mississippi. I appear today on behalf of the U.S. Rice Producers Association and the USA Rice Federation. I would like to acknowledge Mr. Jackie Loewer, a fellow farmer from Branch, Louisiana, who is here today. Our organizations represent rice producers in all rice producing states, as well as rice millers, merchants, and exporters.

I would like to preface my statements by stating we do not support Castro's regime.

As a first-time witness before Congress, I am especially honored and humbled to appear before you today. After almost 50 years, one thing is clear: Our Cuban policy is ineffective. It punishes U.S. farmers and costs U.S. jobs.

In the 1950s, Cuba was the largest export market for U.S. rice. In 1959, Cuba accounted for 51 percent of all U.S. rice exports. After Congress provided for agricultural trade with Cuba in 2000, Cuba rapidly became our fastest growing market for U.S. rice. In 2004, the Cubans bought \$64 million worth of U.S. rice, providing 1,400 U.S. jobs. As the chart from page five of my prepared statement reflects, it established Cuba as our fourth largest milled rice customer.

In 2005, OFAC issued a rule revising the rules governing the payment terms for these sales to Cuba. As this chart from page seven of my prepared statement indicates, U.S. rice sales to Cuba plummeted from \$64 million in 2004 to zero in 2009 and 2010.

At the same time of the rule's imposition, the Cubans had purchased more than \$1 billion in U.S. food and farm goods. Cuban buyers generally paid by cash and paid promptly. There was no extension of credit to Cuba.

Cuba has the potential to once again become a top export market for U.S. rice. But no reasonable buyer can rely on an export seller for food supplies, knowing that the exporting country's government can and will change export policies at a whim. As a result, U.S. agriculture has been relegated to a residual supplier of rice and other farm goods to Cuba.

Current policy drives most payments for sales to Cuba to be made by a letter of credit issued by a third country bank. This increases transaction costs, enriches foreign banks at the expense of U.S. farmers, and drives U.S. jobs overseas.

We appreciate that this week OFAC redefined temporarily the term *cash in advance* for purposes of agriculture sales to Cuba. This needs to be made permanent, and payments should be authorized to be made directly to U.S. banks.

By contrast, U.S. law authorizes telecommunications companies to make payments directly to Cuba. Eight U.S. companies did make payments totaling hundreds of millions of dollars directly to Cuba. As illustrated by the comparative charts from page ten of my statement, this discriminates against U.S. agriculture. If U.S. multinationals can make payments directly to Cuba, then why should

U.S. farmers be forced to use foreign banks? Congress should change the law to allow payments for U.S. agriculture products to be made directly to U.S. banks.

The U.S. International Trade Commission concluded that removing these restrictions would increase U.S. rice exports to the island by \$43 million per year, to more than \$80 million. Instead, U.S. policies have driven rice exports to zero.

Our travel restrictions impose ever-changing bureaucratic red tape on travel to Cuba to seek new agriculture sales. We are disappointed that our government continues to restrict the freedom of Americans to engage with the people of only one country on Earth, Cuba.

The ITC concluded that if restrictions on travel of U.S. citizens to Cuba were lifted, gains valued in millions of dollars per year would be made in exports of U.S. processed foods, poultry, beef, pork, and fish.

The damage done since 2005 to our reputation as a reliable supplier can be repaired, but not until the Cubans are convinced that our government will not unilaterally void contracts or otherwise restrict trade.

We agree with much of what President Obama said in his State of the Union address about the need to increase our exports and support U.S. jobs. Unfortunately, our Cuba policy ignores the President's wise advice. It reduces U.S. employment by choking off trade with Cuba; it decreases U.S. exports, and cedes this important market to our competitors.

To begin to address this, the President should state publicly that the United States Government will not impose any new restrictions on sales of food and agriculture products to Cuba. This would reassure producers, exporters, and Cuba that our government will not prevent us from reliably supplying the Cuban market.

To better address all of these issues, we strongly support the enactment of H.R. 4645. I look forward to addressing any questions you might have.

[The prepared statement of Mr. Wagner follows:]

PREPARED STATEMENT OF MIKE WAGNER, OWNER/OPERATOR, TWO BROOKS FARM;
MEMBER, BOARD OF DIRECTORS, U.S. RICE PRODUCERS ASSOCIATION, SUMNER, MS;
ON BEHALF OF USA RICE FEDERATION

Introduction

Good morning Mr. Chairman and Members of the Committee. I am Mike Wagner, a rice farmer from Sumner, Mississippi. I am the current President of the Mississippi Rice Council, and serve on the Board of Directors of the U.S. Rice Producers Association. My testimony today is on behalf of both the U.S. Rice Producers Association and the USA Rice Federation. Together our organizations represent rice producers in all of the major rice producing states of Arkansas, California, Louisiana, Missouri, Mississippi, and Texas—as well as rice millers, merchants, exporters and related industries. As a first time witness before the Congress, I am especially honored and humbled to appear before you today.

Thank you for holding this timely hearing to review the state of U.S. agricultural sales to Cuba. It is unfortunate that this once-vibrant market for U.S. agricultural goods is being thwarted by U.S. policies. It is especially frustrating to rice producers and the rice industry that successive Administrations continue to implement policies contrary to Congressional intent to the detriment of rice producers, the U.S. rice industry, and indeed all of U.S. agriculture.

Similarly, it is sad that our antiquated, ineffective policy restricts the rights of American citizens to travel to Cuba. It is the ONLY country in the world that our government prohibits American citizens to visit. After almost 50 years of the United

States unilaterally choking off exports and travel to Cuba, one thing is clear: it is a policy that is not only ineffective, but one that also punishes U.S. farmers, and costs U.S. jobs in related businesses.

We applaud the efforts of Chairman Peterson and Congressman Moran to enact legislation to begin to create jobs in the United States by rationalizing agricultural sales to Cuba and to open travel there for all U.S. citizens.

Cuba: America's Largest Natural Rice Market

In 1951, Cuba was the destination for 252,878 metric tons of U.S. rice, approximately \$52 million in sales that represented 51% of U.S. rice exports at that time. Rice exports to Cuba during the period between 1951 and 1960 averaged approximately 169,000 metric tons, valued at \$37 million annually and accounted for 25% of all rice exports for the decade.¹ Following the overthrow of the Batista Government in 1959, the unilateral U.S. embargo closed the Cuban market in 1960.

The U.S. rice industry has grown tremendously in the past 40 years. U.S. rice production is projected to increase from last year to approximately 237 million hundredweights (cwt) in 2010, up 17 million cwt from 2009 production. On average, approximately 50% of the U.S. crop moves into export channels. For the 2009 marketing year, USDA projects 99 million cwt in rice exports.

In addition to shutting off exports to Cuba, export embargoes imposed unilaterally by our government represent one of the greatest impediments to the enhanced exports of U.S. rice. For example, the largest market for U.S. rice in the 1950s was Cuba, in the 1970s it was Iran, and in the 1980s it was Iraq. Unfortunately for rice producers and the rice industry, unilateral embargoes imposed by our own government later negatively affected each of these important markets.

Rice farmers have known for decades what the U.S. Department of Agriculture concluded in 1997, that "Of all grains exported by the United States, rice has been particularly hard-hit by trade restrictions."² The Department went on to note that such unilateral trade restrictions had put more than 13 percent of projected global rice import demand off-limits to U.S. farmers and exporters.

Fortunately, as policymakers have recognized the ineffectiveness of trade embargoes, each of these embargoes has been lifted. Only the embargo against trade with and travel to Cuba remains. It is widely recognized as having been a failure, and it should be ended.

The 2000 Export Enhancement Act Reopens Rice Trade With Cuba

Thanks to the leadership of Senators Byron Dorgan, Richard Lugar, Representative Jo Ann Emerson and many others, Congress provided for the resumption of trade with Cuba when it passed the Trade Sanctions Reform and Export Enhancement Act of 2000. The Act sought to achieve its goal of enhancing U.S. agricultural export opportunities by explicitly exempting sales of food and medicine from the exercise of any economic embargo. In order to prevent the extension of credit to Cuba by any U.S. entity, the Act limited the financing terms of sales to Cuba to either—

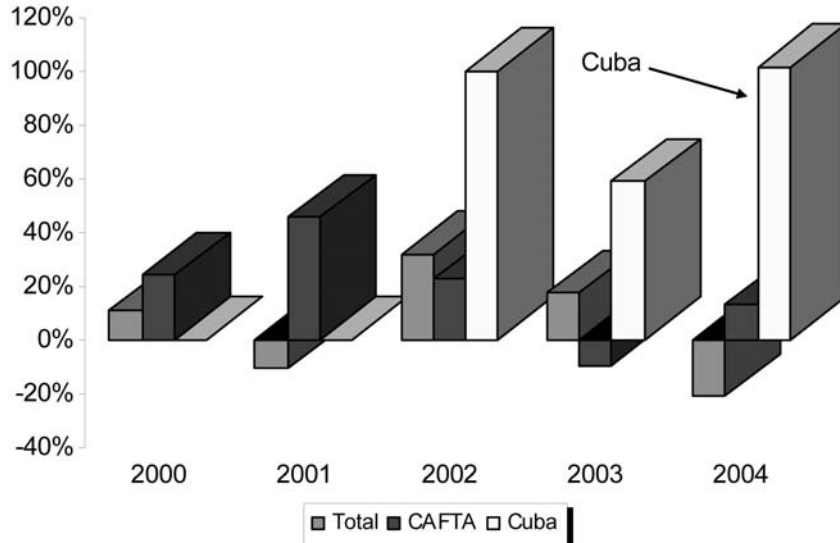
(A) Payment of cash in advance; or

(B) Financing by third country financial institutions (excluding United States persons or Government of Cuba entities), except that such financing may be confirmed or advised by a United States financial institution.

Cuba first made purchases of U.S. agricultural products under the new Export Enhancement Act authorities in December 2001. Between 2001 and early 2005, Cuba contracted to purchase approximately \$1.25 billion worth of U.S. agricultural goods. These purchases included shipments of nearly 320,000 tons of U.S. rice, worth a reported \$81 million. In 2004 the Cubans bought \$64 million worth of U.S. rice—more than their purchases of any other commodity. This established Cuba as our fastest growing market overall, and one of the top five customers for long grain rice.

¹A total of 1.7 MMT, based on U.S. Department of Commerce estimates (See *Attachment A*).

²**A Review of U.S. Trade Restrictions and Grain Exports**, Foreign Agriculture Service, U.S. Department of Agriculture, http://www.fas.usda.gov/grain/circular/1997/97-09/feature/trd_rstr.htm.

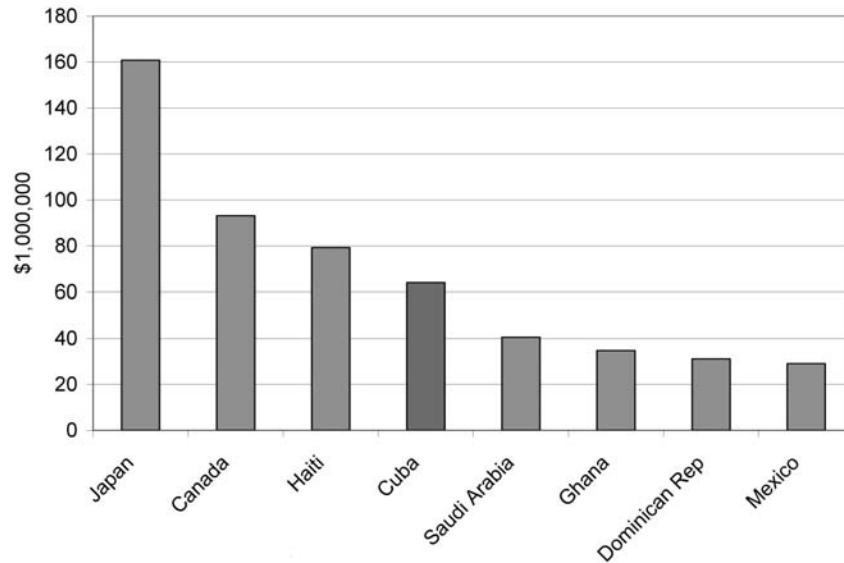
Annual Growth Rate of Rice Exports 2000–2004 Tonnage Basis

The majority of this trade was conducted on a cash basis, pursuant to licenses issued by the Department of Commerce. Cuban purchasers generally paid promptly, and there was no extension of credit to Cuba by U.S. entities. Clearly, the bipartisan improvements made by Congress in the 2000 Act were working to enhance exports on a cash basis, as Congress had intended.

In 2004 alone, the U.S. exported 177,000 tons of rice to Cuba worth an estimated \$64 million with a total economic impact on local U.S. economies of \$220 million and provided for up to 1,400 jobs.

Cuba has the potential to once again become a top export market for U.S. rice, representing a 400,000 to 600,000 MT export market under normal commercial trade and travel relations.

Largest U.S. Milled Rice Export Markets, 2004



Source: USITC Trade DataWeb.

OFAC's Cash in Advance "Reinterpretation" Imposed Unwarranted Trade Restrictions and Crippled U.S. Exports

Beginning in November of 2004 the Treasury Department's Office of Foreign Assets Control (OFAC) began holding up payments to U.S. sellers doing business with Cuba, and began imposing new regulatory reviews and/or licensing requirements on U.S. sellers and their banks. On February 22, 2005, OFAC issued a Final Rule revising the regulations governing the payment terms permitted for the sale of licensed agricultural products to Cuba (*70 Fed. Reg. 9225*; the "Final Rule"). The Final Rule was published without any prior notice to Congress or to the exporting community, nor was any opportunity afforded for comment on the Final Rule by the agricultural or exporting communities.

Rice producers and the rice industry were particularly disappointed that in imposing this new restriction on exports to Cuba, OFAC ignored the requirement in section 903 of the 2000 Export Enhancement Act that prohibits the President from imposing any new restriction or condition on commercial export sales of agricultural commodities unless the President submits a report to Congress regarding the restriction 60 days before its imposition, AND the Congress enacts a joint resolution approving the report.³ It is difficult for rice farmers to agree with OFAC that the new "interpretation" was not a restriction or condition on trade when the interpretation rendered invalid \$250 million worth of open agricultural export contracts, and

³ Section 903(a) of the Export Enhancement Act (22 U.S.C. 2207(a)) reads as follows:

"Sec. 903. Restriction.

"(a) NEW SANCTIONS. Except as provided in sections 7203 and 7204 of this title and notwithstanding any other provision of law, the President may not impose a unilateral agricultural sanction or unilateral medical sanction against a foreign country or foreign entity, unless—

"(1) not later than 60 days before the sanction is proposed to be imposed, the President submits a report to Congress that—

"(A) describes the activity proposed to be prohibited, restricted, or conditioned; and

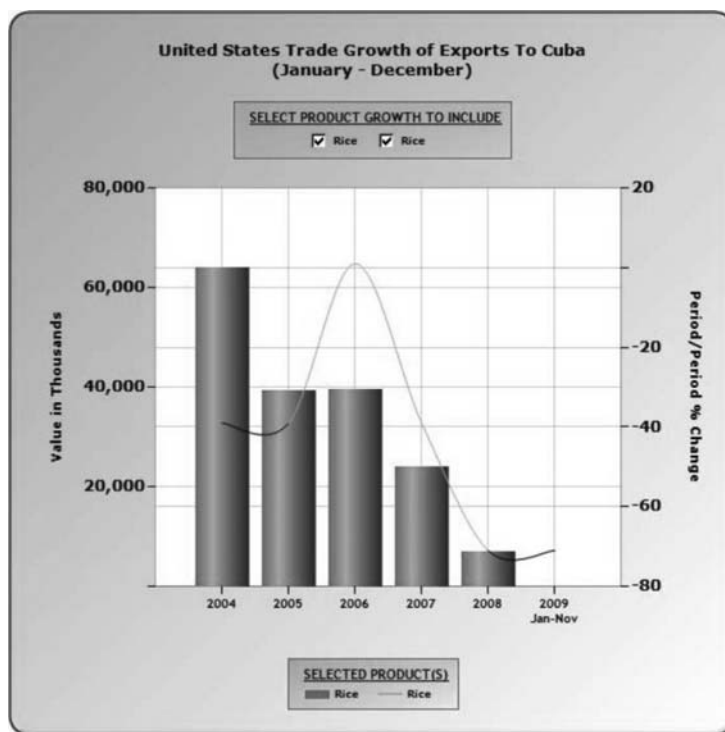
"(B) describes the actions by the foreign country or foreign entity that justify the sanction; and

"(2) there is enacted into law a joint resolution stating the approval of Congress for the report submitted under paragraph (1)."

Section 902(6) and 902(2)(E) of the Act make clear that the prohibited unilateral agricultural sanctions under section 903(a) include "any prohibition, restriction, or condition on carrying out" "any commercial export sale of agricultural commodities".

imposed expensive new requirements to finance trades through banks in foreign countries.

As we predicted at the time of the imposition of the Final Rule, it devastated the market for sales of U.S. rice to Cuba. As the following chart indicates, U.S. rice sales to Cuba plummeted from \$64 million in 2004 to ZERO in 2009.



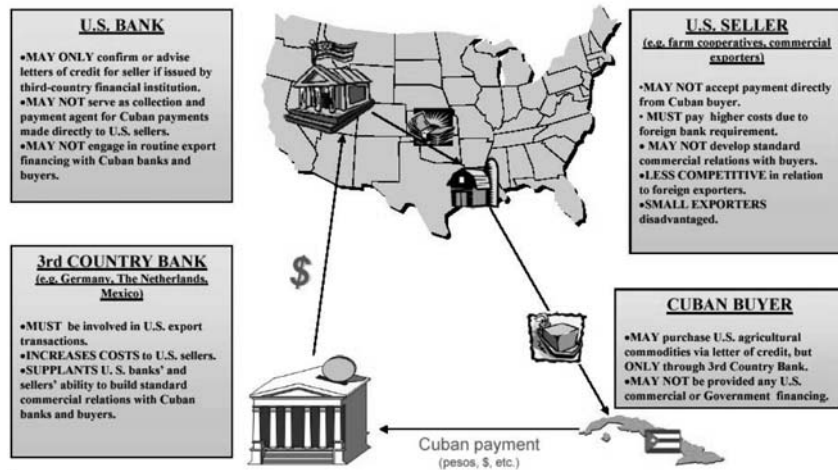
Why did this happen? The Rule and its heavy-handed imposition sent the clear message to ALIMPORT, the Cuban food importing agency, that the United States could not be trusted as a reliable supplier of food and agriculture products to feed the Cuban people. At the time of the Final Rules' imposition, the Cubans had purchased more than \$1 billion in U.S. food and farm goods. Despite the dire warnings of those opposed to food exports to Cuba, the Cubans paid cash for all of these deliveries, and had done so in a timely manner. As a reward for building this excellent trade relationship, the U.S. Government in the Final Rule unilaterally imposed a new interpretation of the "cash in advance" requirement that made illegal the terms of the trade that had been contemplated by Congress and proven by commercial success.

No reasonable buyer can rely on an export seller for critical food supplies knowing that the exporting country's government can (and will) change export policies at a whim. As a result, U.S. agriculture has been relegated to a position as a secondary, residual supplier for rice and many other agricultural goods to Cuba.

Another result of the Rule has been to drive most if not all payments for remaining U.S. agricultural sales to Cuba to be conducted via a letter of credit issued by a third country (non-Cuban) bank. As illustrated in the chart below, this requirement drives up the transaction costs to U.S. sellers and Cuba alike, and reduces the competitiveness of U.S. agricultural products to Cuba. These costs will fall disproportionately on small exporters, many of whom will be run out of the market by the increased costs and complexities of the trade. The costs of these reduced sales will ultimately be borne by U.S. farmers. Effectively the Rule enriches foreign banks at the expense of U.S. farmers, processors, and exporters; and drives the jobs associated with these activities to overseas competitors.

CURRENT LAW: Increases Costs and Reduces U.S. Competitiveness

Required Foreign Bank Participation Drives Business Overseas



If allowed to remain in place, OFAC's unilateral changes in the terms of these sales threaten opportunities for future sales and brand U.S. agriculture as an unreliable supplier in world agricultural markets.

Congress Should Clarify and Reiterate the Operation of Cash Sales Under the Enhancement Act

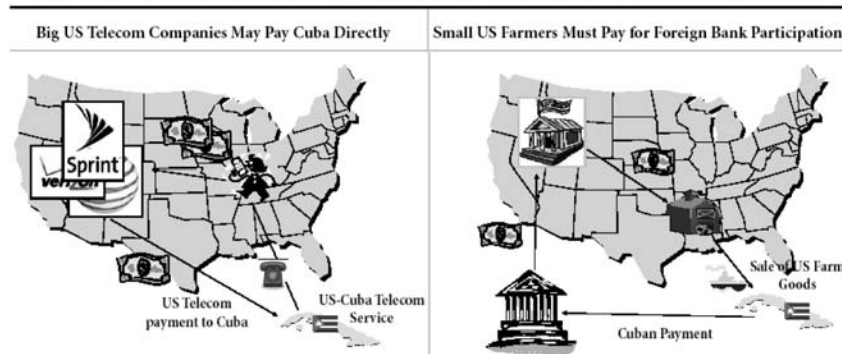
We strongly urge Congress to enact legislation reiterating the intent of Congress that the payment of cash in advance under the 2000 Export Enhancement Act was indeed intended to enhance trade, not to restrict it. This issue is addressed in H.R. 4645, the Travel Restriction Reform and Export Enhancement Act, which was introduced on February 23, 2010 by Chairman Peterson and cosponsored by Representatives Jerry Moran, Jo Ann Emerson, Rosa DeLauro, and 36 other Members of the House of Representatives. We urge the swift enactment of this legislation to reiterate the intent of Congress that exports financed by the payment of cash in advance be allowed to continue on the same basis that had been successfully used for \$1 billion in exports during 2001 through 2004, before the U.S. rice sales to Cuba were killed off by the OFAC 2005 Final Rule.

Congress Should Begin To Correct the Discriminatory Treatment Of U.S. Farmers By Authorizing Direct Transfers From Cuba to U.S. Financial Institutions

As described above, current U.S. law discriminates against American farmers and agricultural exporters. It prohibits Cuba from directly paying U.S. sellers for their purchases. Even safe and secure payments by bank letters of credit are required to be routed through third country banks. This requirement unnecessarily drives up the cost of U.S. exports, discourages U.S. sales, and costs U.S. jobs. There is no offsetting benefit to this policy except to enhance the profits of foreign banks.

By contrast, U.S. law authorizes telecommunications service providers to make service related payments directly to Cuba. In fact, eight U.S. companies make payments totaling hundreds of millions of dollars directly to Cuba. According to published reports, these payments totaled \$150 million in 2007 and \$120 million in 2008, and will likely increase since the Obama Administration has broadened the services that U.S. telecom firms may provide to Cuba. The obvious discriminatory disparity between the treatment afforded U.S. farmers and exporters, and multinational telecommunications companies is illustrated by the following comparative flow charts.

STOP DISCRIMINATION AGAINST US FARMERS



Congress should address this disparity in the treatment of U.S. farmers and multinational telecom providers. Over the past 8 years the Cubans have purchased almost \$4 BILLION in U.S. food and farm goods. While the U.S. and global banking systems nearly collapsed, Cuba has continued to maintain an exemplary record of payments for their U.S. agriculture purchases.

Opponents of agricultural sales to Cuba argue that allowing direct payments by Cuba to U.S. sellers will somehow benefit the Cuban Government. But at the same time, some of these opponents SUPPORTED legislation providing for the direct payment of HUNDREDS OF MILLIONS OF DOLLARS TO THE CUBAN GOVERNMENT EACH YEAR as compensation for services provided by U.S. telecommunications companies.

If U.S. multinationals can make payments directly TO Cuba, then why should U.S. farmers be disadvantaged? Congress should change the law to allow U.S. farmers and their exporters to be paid directly by Cuba.

Legislation to begin to correct this discrimination is included in the Travel Restriction Reform and Export Enhancement Act (H.R. 4645). Rice producers and the rice industry strongly support the enactment of this provision to stop the discrimination against U.S. agriculture and to support U.S. employment.

Together, these modest rationalizations of agricultural export terms would significantly enhance U.S. exports. A comprehensive study by the U.S. International Trade Commission (ITC) during the Bush Administration concluded that the Treasury Department's restrictions on agricultural payment terms had a "substantial negative effect on the sales of agricultural products to Cuba." The ITC also found that removing these restrictions would increase annual U.S. agricultural sales to Cuba by more than \$300 million.⁴

In the case of rice, the ITC concluded that the lifting of these unnecessary restrictions could increase U.S. rice exports to the island by \$43 million per year. As of 2006, U.S. rice enjoyed a 77 percent share of Cuban imports, for sales valued at \$40 million. The restrictive policies of the United States have driven those exports to zero. The enactment of H.R. 4645 could reverse this trend and give U.S. rice producers, processors, exporters and those whom they employ a fighting chance to regain this key market.

Congress Should Open Travel for All U.S. Citizens to Cuba: A Mutual Benefit for Both U.S. and Cuban Citizens

The rice industry also strongly supports the freedom of U.S. citizens to travel to and from Cuba. We continue to be disappointed that our government continues to restrict the freedom of Americans to travel to and engage with the people of only one country on Earth: Cuba. These restrictions also frustrate the intent of the Export Enhancement Act of 2000 by imposing ever-changing bureaucratic red tape requirements for travel to Cuba to facilitate new agriculture sales. This policy is widely acknowledged to be a failure, and should be relaxed to allow U.S. citizens to travel to Cuba.

Specifically, we support the reform of these burdensome and costly travel restrictions as provided for in H.R. 4645. We also support H.R. 874, the "Freedom to Trav-

⁴"U.S. Agricultural Sales to Cuba; Certain Economic Effects of U.S. Restrictions"; Investigation No. 332-489; USITC Publication 3932; July 2007.

el to Cuba Act,” introduced by Congressman William Delahunt, and currently co-sponsored by 178 other Members of the House.

The legislation would lift all restrictions on U.S. citizens traveling to Cuba, and will have a direct impact on U.S. agricultural sales. Increased travel to Cuba will boost food demand in the country and provide the funds to purchase U.S. commodities. U.S. producers and the agriculture industry would expect to meet the increased food needs.

The U.S. International Trade Commission concluded that if restrictions on travel of U.S. citizens to Cuba were lifted, gains in exports valued in the millions of dollars per year would be made in exports of U.S. processed foods, poultry, beef and pork, and fish.

In addition, lifting the travel ban will reflect the desires of the American people. Public opinion polls show that about 64 percent of Americans⁵ and $\frac{2}{3}$ of Cuban-Americans⁶ support the freedom of U.S. citizens to travel to Cuba.

We strongly support the enactment of this provision and H.R. 4645 in its entirety, and urge each of the Committee’s Members to cosponsor and support the enactment of this important legislation.

Congress Should Insist on Strict Compliance With Section 903 of the 2000 Export Enhancement Act

Congress should insist that OFAC, and Administrations both now and in the future respect the requirement in section 903 of the 2000 Export Enhancement Act that prohibits the imposition of new trade restrictions or conditions absent the prior notice to, and approval by, Congress. Rice producers are very concerned that absent this vigilant protection of Congress’ rights, there will be nothing to stop the total shut down of exports to Cuba by future unwarranted “interpretations” of the Act by overzealous or politically driven Administrations.

The President Should Reassure U.S. Agriculture and Our Cuban Customers That the Administration Will Not “Go Backwards” on Agricultural Sales to Cuba

The damage done since 2005 to our reputation as a reliable supplier of agriculture and food products to Cuba can be repaired over time. But until the Cubans are convinced that our government will not unilaterally void contracts or otherwise restrict trade, we will continue to be relegated to a residual supplier to the Cuban market.

There is one thing that the Administration could do immediately to repair U.S. agriculture’s reputation as a reliable supplier and to reassure Cuban and other buyers. This would not cost any money, nor does it involve changing the embargo in any way.

To accomplish this, the President should simply state publicly that the United States Government will not impose new restrictions on sales of food and agriculture products to Cuba. That progress made in opening and servicing these markets will not be opposed or destroyed by government intervention. Such a statement, and its faithful implementation by the Administration, could go a long way to reassuring U.S. producers and exporters, and Cuba, that the United States Government will not prevent U.S. agriculture from reliably supplying the Cuban market.

Conclusion: A No-Cost, One-Way Trade Opportunity That Benefits U.S. Farmers, Workers, and the Public

Rice producers and the rice industry have paid a high price for our government’s failed policy toward Cuba. First in 1960, and again in 2005, Democratic and Republican Administration’s alike have driven exports to one of our largest rice markets from robust levels to literally nothing.

The U.S. rice industry in the Mississippi Delta and along the Gulf Coast has a tremendous transportation advantage over their Asian competitors in reaching the Cuban rice market. In the 1950’s and again between 2001 and 2005, U.S. rice farmers and millers had built sales to the Cuban rice market with high-quality rice that Cuban consumers prefer over Asian rice. Unfortunately, actions by our own government effectively killed that market. The Cuban demand for food imports is largely being met by a number of U.S. agriculture’s key competitors in the global market

⁵According to the CNN/Opinion Research Corp. poll conducted April 3–5, 2009, 64 percent of the 1,023 Americans surveyed by telephone thought the U.S. Government should allow citizens to travel to Cuba. And 71 percent of those polled said that the U.S. should reestablish diplomatic relations with Cuba.

⁶According to the 2009 Bendixen & Associates poll, $\frac{2}{3}$ of Cuban and Cuban American adults—67 percent—support the lifting of travel restrictions for all Americans so that they can also travel to Cuba freely.

such as Canada, Brazil, and Vietnam. And this is the result almost entirely of actions by our own government.

U.S. rice farmers have been told that export markets are our markets of the future. We agree with much of what President Obama said in his State of the Union speech last month about the need to increase our exports:

“We need to export more of our goods. Because the more products we make and sell to other countries, the more jobs we support right here in America. So tonight, we set a new goal: We will double our exports over the next 5 years, an increase that will support two million jobs in America. To help meet this goal, we’re launching a National Export Initiative that will help farmers and small businesses increase their exports, and reform export controls consistent with national security.

We have to seek new markets aggressively, just as our competitors are. If America sits on the sidelines while other nations sign trade deals, we will lose the chance to create jobs on our shores. But realizing those benefits also means enforcing those agreements so our trading partners play by the rules. And that’s why we’ll continue to shape a Doha trade agreement that opens global markets, and why we will strengthen our trade relations in Asia and with key partners like South Korea and Panama and Colombia.”

Rice farmers and the entire rice industry support these goals to increase exports and support U.S. jobs. Unfortunately, with respect to Cuba, our government’s policy ignores all of the President’s wise advice. U.S. Government policy *reduces* U.S. employment by choking off trade with Cuba. That policy continues to *decrease* U.S. exports, and cedes this important market to our global competitors. Rather than aggressively contending for the Cuban market, our government does indeed sit on the sidelines, while blocking our own team from taking the field.

When these markets are closed off, everyone in the industry is hurt, and farmers predictably pay the ultimate costs of lost markets from their own pockets. These are unnecessary costs that rice farmers should not be asked to pay, especially when pending budget proposals would reduce the farm safety net on which farmers depend here at home.

All we are asking is that the law governing food sales to Cuba be allowed to operate as Congress intended; that the discriminatory treatment of U.S. farmers in regard to these sales be corrected; and that American citizens be allowed to travel to Cuba and take the engagement of our values and economic activity with them—as they can often do in every other country on Earth.

We strongly support the enactment of the H.R. 4645 Travel Restriction Reform and Export Enhancement Act. This legislation represents a modest, sensible first step to fulfilling the intent of the Export Enhancement Act of 2000 and the promise brought by the engagement of the U.S. people with those we seek to feed in Cuba.

I look forward to addressing any questions that you may have.

Thank you.

ATTACHMENT A

Cuba's Share of Total U.S. Rice Exports, by volume and value, 1951-1961 *

Table 9. Cuba's share of total U.S. rice exports, by volume and value, 1951-1961

Year	U.S. exports		Cuban imports from U.S.		Cuba's share ^a	
	Quant. Metric tn	Value million \$'s	Quant. metric tn	Value million \$'s	Quant. —%—	Value
1951	493,498	94	252,878	52	51.2	55.3
1952	800,402	157	219,282	50	27.4	31.8
1953	707,332	154	253,786	50	35.9	32.5
1954	568,862	107	162,532	38	28.6	35.5
1955	454,454	81	96,702	21	21.3	25.9
1956	824,010	132	144,826	27	17.6	20.4
1957	740,928	124	187,048	40	25.2	32.3
1958	573,856	97	187,048	40	32.6	41.2
1959	690,080	105	171,612	36	24.9	34.2
1960	893,472	130	15,890	17	1.8	13.1
1961	806,758	106	(b)	(b)	(b)	(b)

^a Calculated by the authors.^b Minimal amounts before the economic embargo was totally enforced.

Source: U.S. Department of Commerce (various issues).

* Alvarez, J. and W.A. Messina, Jr., *Cuba's Rice Industry: Potential Imports From Florida*, International Working Paper 92-27, Food and Resource Economics Department, Institute of Food and Agricultural Sciences, University of Florida, Gainesville, Florida, September 1992.

The CHAIRMAN. Thank you very much, Mr. Wagner. I appreciate it.

Mr. McReynolds, welcome to the Committee.

STATEMENT OF JERRY McREYNOLDS, PRESIDENT, NATIONAL ASSOCIATION OF WHEAT GROWERS; WHEAT PRODUCER, WOODSTON, KS

Mr. McREYNOLDS. Thank you, Chairman Peterson, Ranking Member Lucas, Congressman Moran, and Members of the Committee.

My name is Jerry McReynolds. I am a wheat and sorghum farmer from Woodston, Kansas, and currently serve as President of the National Association of Wheat Growers. Thank you for holding this hearing and allowing me to share some of my experiences regarding our efforts to sell wheat to Cuba.

I visited Cuba; had the opportunity in 2003 with my daughter as part of a small group of Kansas wheat producers on an educational mission. Seeing the situation firsthand was a unique experience for me, and we found that the Cuban people were very warm, very open, and enjoyed discussing American life.

As a part of this mission, our group had the opportunity to meet with Pedro Alvarez, who is the head of ALIMPORT, Cuba's food import company. Mr. Alvarez expressed to us his sincere desire and eagerness to purchase Kansas wheat, both for quality and for the country's needs. In fact, he held pen in hand and was ready to sign an agreement, which we did not have and could not have because of the restrictive policies.

My take-home message from this trip was simply that the Cubans want and need our wheat. However, current policy with respect to agricultural trade and travel with Cuba is unnecessarily impeding U.S. sales of wheat to the island.

With no domestic production of wheat, Cuba is the largest importer of wheat and wheat products in the Caribbean. Over the past 3 years, Cuba's population of 11.4 million consumed, on average, 800,000 metric tons of wheat per year, and the nation's grain consumption is increasing, driven by both population and income growth.

The bottom line is this: The Cubans need the wheat, and will continue to source it wherever it is most competitive.

The U.S. should be able to boast about maintaining a lion's share of that growing Cuban market just as we do elsewhere in the Caribbean. Instead, we have maintained roughly 38 percent of the market compared to an 85 percent share in other Caribbean nations.

A 2007 report by the U.S. International Trade Commission said we could hold 65 percent of the Cuban market if the financial and travel restrictions were removed, constituting an additional \$34 million of export. We would argue our market share could and should be actually closer to the 85 percent level, contributing closer to \$100 million in market gains.

Despite our clear competitive advantage on transportation and logistics and, arguably, the superior quality of wheat, our European Union, Canadian, and Argentine competitors continue to hold a significant portion of that market. This is attributable to their more

favorable trade terms; specifically, the fact that these countries are not subject to the financing and travel restrictions that we face.

This year's situation is a perfect example. Sales to the Cuban market are down 65 percent from last year. The entire 113,000+ metric tons sold have already been shipped, and there are no outstanding sales on the books to load out. Moreover, the Cubans do not have the budgetary resources to make any more purchases from the U.S. this year, virtually handing that market to our Canadian and European Union competitors.

The current year's dire sales situation highlights an often overlooked reason for our declining sales: Cuba lacks cash, which U.S. law requires in advance for purchases of food and medicine. This only encourages Cubans to go to our competitors, such as Canada, as they can access lines of credit to purchase their wheat.

We encourage and recognize the challenges associated with offering lines of credit to Cuba, and are not advocating any movement in that direction presently. But we recognize what can be done to infuse cash into the country to enable them to purchase our agricultural products: Lift the ban on travel. Coupled with eased trade restrictions on agricultural exports, increased travel to Cuba will boost food demand in the country which U.S. growers will be able to fulfill. And it will also bring needed funds to citizens of Cuba for purchases of U.S. commodities.

All in all, we believe existing policies that impede travel and sales of our agricultural products to the nation seem to serve no function other than to decrease our sector's competitiveness. We believe the time is right for some meaningful act and a meaningful change.

The Travel Restriction Reform and Export Enhancement Act, H.R. 4645, sponsored by Chairman Peterson and Representative Moran, would be a great catalyst to provide an opportunity for significant new sales of wheat to Cuba, boosting income in the United States, in the U.S. heartland, and adding critical resources to the U.S. economy. The legislation would make incremental changes that would allow the U.S. farmer the ability to conduct a more normal business function with a country that needs our agricultural goods to feed people.

At a time when our economy needs every possible boost, and when President Obama has made a popular pledge to double U.S. exports—and it is only 90 miles off of our coast.

I want to thank you, Chairman Peterson and Congressman Moran, and all of you Committee Members here today. We look forward to working with you and we urge you to support H.R. 4645. Thank you for this opportunity to testify.

[The prepared statement of Mr. McReynolds follows:]

PREPARED STATEMENT OF JERRY McREYNOLDS, PRESIDENT, NATIONAL ASSOCIATION OF WHEAT GROWERS; WHEAT PRODUCER, WOODSTON, KS

Chairman Peterson, Ranking Member Lucas and Members of the Committee, my name is Jerry McReynolds. I am a wheat and sorghum farmer from Woodston, Kansas, and currently serve as the President of the National Association of Wheat Growers. Thank you for holding this hearing and allowing me the privilege of coming here today to share some of my personal experiences, and the experience of the industry in which I operate, with respect to our ability to sell wheat to Cuba.

The wheat industry has long been engaged in the discussion surrounding U.S. trade policy toward Cuba. Though we do not profess to be foreign policy experts on most occasions, we do know enormous amounts about selling wheat around the world, and, in an average year, we export about half of our production.

I visited the island nation of Cuba with my daughter as part of a small group of U.S. wheat producers on a 2003 educational mission. Seeing the situation first-hand was a unique experience, and we found the Cuban people warm and very open to discussing “American life”. We also saw that Cuban farmers lacked the tools, equipment and supplies that they needed to produce their own food. Planting and harvesting equipment was outdated and in ill-repair, and most farmers there cultivated small gardens by hand, leaving the oxen for use in larger fields. And we learned that Cuba has to import wheat for all of its consumption needs.

As a part of this mission, our group had the opportunity to meet with Pedro Alvarez, the head of ALIMPORT, Cuba’s food import company. Mr. Alvarez expressed to us a sincere eagerness to purchase Kansas wheat, recognizing both the quality of our product and the country’s need for it. In fact, he held a pen in hand, ready to sign an agreement to buy U.S. wheat, but was simply unable due to our country’s restrictive policies.

My take-home message from this trip was this: The Cubans want and need our wheat. However, current policy with respect to agricultural trade and travel with Cuba is unnecessarily impeding U.S. sales of wheat to the island nation.

Cuban Market Potential

With no domestic production of wheat, Cuba is the largest importer of wheat and wheat products in the Caribbean. Over the past 3 years, Cuba’s population of 11.4 million consumed on average 800,000 metric tons (MT) of wheat per year, and the nation’s grain consumption is increasing, driven by both population and income growth. Despite three hurricanes and a global economic crisis, Cuba’s economy grew 4.3 percent last year. Five new pasta plants have been built, a flour mill doubled in capacity and a new milling facility has been built.

Despite this news of recent economic growth, the fact hasn’t changed that Cuba remains reliant on agricultural imports. With no resources available to purchase fertilizer or pesticides, it’s my understanding that the Cuban Government is now relying on small organic farms for food production. While a respectable and novel approach to solve Cuba’s food needs, these farms are simply too small and production techniques too limited to produce enough food on a large scale to sustainably feed Cuba’s growing population. Bottom line: the Cubans need wheat and will continue to source it where it is most competitive.

Impact of Trade and Travel Restrictions on U.S. Wheat Sales to Cuba

The U.S. should be able to boast maintaining a lion’s share of the growing Cuban wheat market just as we do elsewhere in the Caribbean. Instead, we have maintained roughly 38 percent of the market compared to an 85 percent share in other Caribbean nations. A 2007 report by the U.S. International Trade Commission (ITC) indicates that the U.S. could hold 65 percent of the Cuban market if the financial and travel restrictions were removed, contributing an additional \$34 million dollars of exports. We would argue our market share could, and should, reach closer to 85 percent, contributing closer to \$100 million in new market gains.

While Cuba’s proximity to major U.S. export facilities gives the U.S. a clear competitive advantage on transportation and logistics, and we continue to boast a product of superior quality, our European Union, Canadian and Argentine competitors continue to hold a significant portion of the Cuban market due to their more favorable trade terms.

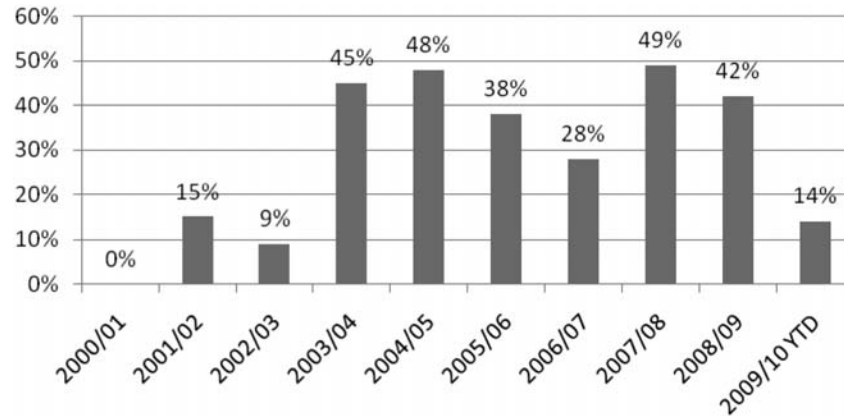
Despite our clear competitive advantage in the country, our unrealized market share can be attributed largely to the financing and travel restrictions in place that are not constraining the ability of our competitors to sell their product to Cuba.

As background, the wheat industry has been allowed to sell into the Cuban market since the Trade Sanctions Reform and Export Enhancement Act (TSRA) took effect in 2001. On Feb. 22, 2005, the Treasury Department’s Office of Foreign Assets Control (OFAC) amended the regulations regarding payment to sellers. The change required cash payment in advance or letters of credit from a foreign third-party financial institution on all agricultural commodity sales to Cuba. This change meant that exporters would have to receive payment before the shipment even leaves port for Cuba. This put an end to the ability of ALIMPORT, Cuba’s food import agency, to directly pay sellers upon arrival of the shipment, as is consistent with normal business practices, and quickly depressed our sales into the market.

After payment rules were amended, wheat sales to Cuba dropped more than 25 percent in marketing year 2006, to only 28 percent of the Cuban wheat market.

Sales rebounded the following 2 years, driven largely by global economic concerns, but have again fallen sharply this past year.

U.S. Share of Cuban Wheat Market



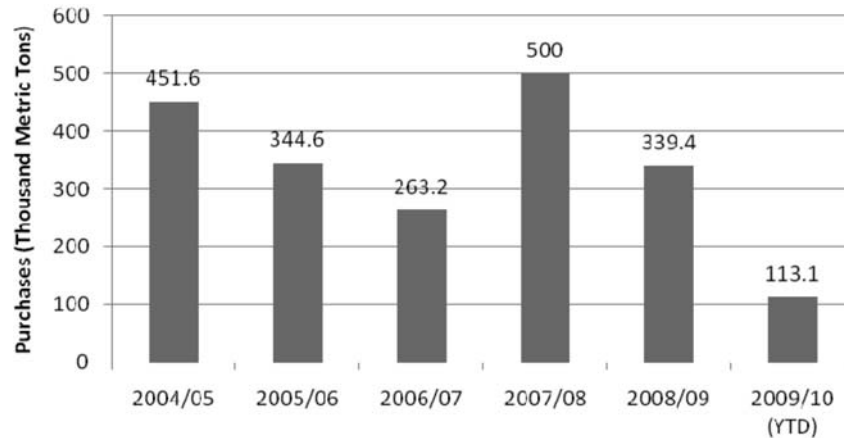
*USDA Production, Supply and Distribution database.

The 2007 ITC report stated that the new financial regulations have “had a substantial negative effect on the sale of agricultural products to Cuba.” Easing the payment restrictions will allow U.S. wheat growers to capitalize on several comparative advantages in regards to wheat exports. Proximity provides a logistical and price advantage for U.S. growers. Freight rates from U.S. ports to Cuba are about 33 percent less than rates from Europe and significantly less than from Canada. Domestic storage and internal infrastructure require Cuba to purchase smaller shipments that arrive exactly on schedule, so a limited transit time is particularly crucial in this market; a shipment from U.S. ports takes a matter of days as compared to 25 days when shipped from Brazil. Other competitive advantages that could be enjoyed by U.S. growers include world-class marketing capabilities and the handling capacity of U.S. ports.

Despite these clear competitive advantages, Cuba will look to other sources for their food needs while financial and travel restrictions are still in place. This threat of continued diminishing market share has hit home this year more powerfully than ever, as current year wheat sales to the country are less than a third of where they should be.

This year’s sales into the Cuban market are down 65 percent, totaling 113,100 metric tons *versus* 357,700 metric tons for the same time period in the 2008–2009 marketing year. The entire 113,100 metric tons has already been shipped, and there are no outstanding sales on the books to load out. Moreover, the Cubans do not have the budgetary resources to make any more purchases from the U.S. this year, virtually handing the market to our Canadian and European Union competitors who will offer them credit.

Cuban Purchases of U.S. Wheat



*Data from USDA's Foreign Agricultural Service.

The current year's dire sales situation highlights an often-overlooked reason for our declining sales levels. In addition to the cumbersome and cost-prohibitive environment created by our restrictive financing terms, another significant reason cited for these declining sales levels is Cuba's lack of cash, which U.S. law requires *in advance* for purchases of food and medicine. This only encourages Cubans to go to our competitors, such as Canada, where they can access lines of credit to purchase their wheat.

Though we recognize the challenges associated with offering lines of credit to the country and are, therefore, not advocating any movement in that direction, it is important to recognize that there is something more reasonable that can be done to infuse cash into the country to enable them to purchase our agricultural products—lift the ban on travel.

Removing the restrictions on agricultural trade alone will not be enough to maintain (or restore) our ability to sell wheat into the Cuban market. This is why we support coupling these changes with a lifting of the travel ban. Coupled with eased trade restrictions on agricultural exports, increased travel to Cuba will boost food demand in the country which U.S. growers will be able to fulfill. And, as cited above, it will also bring much needed funds to citizens of Cuba for purchase of U.S. commodities.

The Time Is Right for Legislative Action

A number of bills have been introduced to clarify the payment rules and ease travel restrictions hamstringing our ability to sell wheat to Cuba. Countless attempts have been made in annual appropriations processes to include language to resolve some of these longstanding issues. Just recently we have begun to see some positive movement, signaling the time is right for some real, meaningful change.

The Omnibus Appropriations Act of 2009 amended the TSRA to permit travel related to commercial marketing, sales negotiation, accompanied delivery or servicing of agricultural commodities. The FY 2010 Financial Services Appropriations bill clarified that "payment of cash in advance" should be interpreted to mean payment of cash when the buyer takes physical possession of the product rather than prior to it leaving U.S. ports. These both were positive steps, but we need more than temporary fixes; we need a permanent solution.

The Travel Restriction Reform and Export Enhancement Act (H.R. 4645) sponsored by House Agriculture Committee Chairman Collin Peterson and Rep. Jerry Moran would be a great catalyst to providing an opportunity for significant new sales of wheat to Cuba, boosting income in the U.S. heartland and adding critical resources to the U.S. economy.

This legislation will eliminate the need to go through third country banks to conduct a normal business transaction, thereby eliminating the added cost of doing business that is currently hindering sales and decreasing the competitiveness of U.S. wheat. It will also permanently clarify the "payment of cash in advance" provision and bring it in line with the requirements of exports to other countries. Thirdly, the legislation will allow all U.S. citizens freedom of travel to Cuba, reducing the

red tape for us as farmers and agricultural trade associations to make sales to the country. This will also allow us to conduct the technical and trade servicing activities that we conduct as part of our export development business around the world resulting in an increased demand for our exports to feed the growing number of visitors to Cuba.

As important as it is to recognize what this legislation would accomplish, it is equally beneficial to clarify what it does NOT do. The legislation does not lift the embargo on the country. It does not allow Cuba to export their products to the U.S., nor does it change the travel restrictions for Cubans to visit the U.S. It does not even allow us to extend credit to the country.

The legislation simply would make incremental changes that would allow the U.S. farmer the ability to conduct more normal business functions with a country that needs our agricultural goods to feed its people.

Existing policies that impede travel and sales of agricultural products to the nation seem to serve no function other than to decrease our sector's competitiveness. Canada, Argentina and even the European Union all have access to the Cuban market and are taking market share that should be ours.

At a time when our economy needs every possible boost, and when President Obama has made a popular pledge to double U.S. exports, I would contend there is no better time than to re-examine just why exactly we are being out-competed in a market just 90 miles off our shore.

The time is right for the U.S. to consider incremental, common-sense policy changes that would enable our industry to realize the full potential of the Cuban market.

Conclusion

I, a Kansas farmer, recognize that many are tied to maintaining our current policy toward Cuba at all costs. My question to them is this: to what end? If the goal in maintaining our policy is to affect change in the nation, perhaps it is time to re-evaluate the means to achieving that end. Let's start on a small, incremental scale by re-evaluating the restrictions placed on agricultural trade and travel.

I would like to thank Chairman Collin Peterson and Congressman Moran, as well as other Committee Members here today who have long been champions of making these incremental improvements and common-sense changes to our policy. I would respectfully urge the rest of the Committee and others in Congress to help us achieve this long-awaited change by supporting H.R. 4645, the Travel Restriction Reform and Export Enhancement Act.

Thank you for the opportunity to testify today on behalf of our nation's wheat growers.

The CHAIRMAN. Thank you, Mr. McReynolds. I appreciate that. Mr. Wilson, welcome to the Committee.

STATEMENT OF JOHN J. WILSON, SENIOR VICE PRESIDENT, MARKETING AND INDUSTRY AFFAIRS, DAIRY FARMERS OF AMERICA; MEMBER, BOARD OF DIRECTORS, NATIONAL MILK PRODUCERS FEDERATION, KANSAS CITY, MO

Mr. WILSON. Thank you. Chairman Peterson, Ranking Member Lucas, and Members of the Agriculture Committee, thank you for the opportunity to testify about the importance of expanding U.S. agricultural trade to Cuba.

My name is John Wilson, and I am Vice President of Marketing and Industry Affairs for Dairy Farmers of America. I also serve on the Board of Directors for National Milk Producers Federation and the Board of Directors for the U.S. Dairy Export Council. DFA, National Milk, and USDEC have worked in a complementary way for several years to expand the prospects for U.S. dairy exports, including to the Cuban market.

I would like to begin by expressing our strong appreciation to the many Members of this Committee that worked tirelessly with us over the past year to address a dire price/cost squeeze throughout the producer community. That catastrophic situation was brought on in large part due to an abrupt decline in exports of dairy mar-

kets demand that began in 2008 and persisted throughout much of 2009.

National Milk believes that efforts to help regain the ground that we lost last year with our exports are essential to helping stimulate further recovery for farmers, and in putting the U.S. dairy industry on a firmer footing, going forward.

One such positive step in the right direction for the dairy industry is the subject of this hearing today. In National Milk Producers Federation's view, there are two critical sides to the coin in terms of stimulating greater dairy product sales to Cuba. The first involves unnecessary technical and regulatory barriers to greater sales. The second involves the greater demand that eliminating the restrictions on Americans' rights to travel to Cuba would generate.

We are greatly pleased to see that Chairman Peterson and Congressman Moran have just introduced legislation that would tackle both these important sides of the equation. We are urging all Members of Congress to support the Travel Restriction Reform and Export Enhancement Act. In our view, it is a very beneficial step forward for American agriculture.

As this Committee is aware, legislation was passed in 2000 that allowed for the export of agricultural products to Cuba. This enabled us to sell dairy products to a new market. The peak years for our industry were in 2004 and 2005, during which we approximately sold \$30 million worth of dairy products each year, before new restrictions on agricultural sales were introduced by the previous Administration.

In 2005, however, the Administration redefined the meaning of TSREEA's *cash in advance* requirement in a way that dramatically impacted future contracted sales and violated the express intent of Congress to encourage noncredit agricultural sales to Cuba. That regulatory change dramatically impacted future contracts of dairy products with Cuba. This was seen by a drop in sales of U.S. dairy products to Cuba of more than half the following year.

Compared to a strong increase in U.S. dairy exports to most other markets over the past 5 years, sales to Cuba since 2005 have never again even approached their prior level.

The Fiscal Year 2010 appropriations language on this issue was very helpful; but because it is not a permanent change and will only be in effect for this fiscal year, it does not provide the certainty businesses need to enter into longer-term contracts with Cuba.

Besides addressing technical matters related to the ease of conducting agricultural sales to Cuba, we firmly believe that stimulating additional demand by allowing Americans to travel freely to Cuba would also provide a much-needed additional boost to U.S. sales of dairy products. Wider travel by the American people to Cuba would also stimulate greater sales of dairy products there, as the additional influx of visitors bring demand for more value-added products such as cheese.

On behalf of America's dairy producers and the many dairy processors who are also supportive of the measures mentioned in my testimony, I respectfully ask Congress to pass the Travel Restriction Reform and Export Enhancement Act to help expand the export opportunities for the U.S. dairy industry.

We look forward to enjoying the impact that this legislation would have on our ability to more easily provide the Cuban people, and those Americans wishing to travel to Cuba, with the nutritious and safe foods that we produce in such abundance here in the United States.

Again, thank you for the opportunity to testify about this important matter.

[The prepared statement of Mr. Wilson follows:]

PREPARED STATEMENT OF JOHN J. WILSON, SENIOR VICE PRESIDENT, MARKETING AND INDUSTRY AFFAIRS, DAIRY FARMERS OF AMERICA; MEMBER, BOARD OF DIRECTORS, NATIONAL MILK PRODUCERS FEDERATION, KANSAS CITY, MO

Chairman Peterson, Ranking Member Lucas, and Members of the Agriculture Committee: thank you for the opportunity to testify about the importance of expanding U.S. agricultural trade to Cuba. My name is John Wilson and I am the Sr. Vice President of Marketing & Industry Affairs for Dairy Farmers of America (DFA) and I also serve on the Board of Directors for the National Milk Producers Federation (NMPF).

Dairy Farmers of America is a dairy marketing cooperative that serves and is owned by dairy farmers in 48 states. DFA is one of the country's most diversified manufacturers of dairy products, food components and ingredients, and is a leader in formulating and packaging shelf-stable dairy products. Our cooperative's success is built on the success of its producer-members, who raise their dairy herd, and their families, on family farms across the nation.

NMPF develops and carries out policies that advance the well being of dairy producers and the cooperatives they own. The members of NMPF's 31 cooperatives produce the majority of the U.S. milk supply, making NMPF the voice of more than 40,000 dairy producers on Capitol Hill and with government agencies. I am offering this testimony on the behalf of NMPF's nation-wide membership. DFA is also a member of the U.S. Dairy Export Council, which has long worked jointly with NMPF on issues relating to expanding U.S. dairy exports, including to the Cuban market.

I would like to begin by expressing strong appreciation to the many Members of this Committee that worked tirelessly with DFA and NMPF over the past year to address a dire price-cost squeeze throughout the producer community. That catastrophic situation was brought on in large part due to an abrupt decline in export market demand beginning in mid-2008.

That shortfall in export demand was brought on due to an ill-fated combination of cyclically high prices that began to weaken demand just at the onset of the global economic crisis, combined with a resurgence of milk supplies in Oceania as New Zealand and Australia's drought problems abated. This combination of events contributed to a sudden imbalance whereby global demand fell significantly short of available supplies. Because the U.S. market had gradually increased production to respond to the international market signals being sent in recent years that indicated higher demand for U.S. dairy products, U.S. producers found the rug pulled out from under them when such a significant portion of the market for U.S. milk evaporated in the latter part of 2008.

In addition to the strong efforts by this Committee and by the U.S. Department of Agriculture to help support dairy producers' economic recovery this past year, NMPF believes that efforts to help regain the ground lost in 2009 in U.S. participation in the global dairy market are essential to helping stimulate further recovery in the dairy sector and to putting the U.S. dairy industry on a firmer footing going forward. It is because of this that NMPF supports measures designed to expand U.S. dairy exports and offer positive net trading opportunities to America's hard-working dairy producers.

One such item that would be a positive step in the right direction for the dairy industry pertains to expanding agriculture trade to Cuba. Cuba is a market where we should be a natural preferred seller due to our strong proximity advantages, but regulatory hurdles imposed by our own government have thwarted our ability to best supply this market. A June 2009 International Trade Commission Updated Study on U.S. Agricultural Sales to Cuba found that doing away with all of the financing and travel restrictions on U.S. agricultural exports to Cuba would have boosted 2008 dairy sales to Cuba from \$13 million to between \$39 and \$87 million and increased our market share that year from a mere 6% to a much more respectable 18 to 42 percent. Although current legislation would not extend that far and

NMPF is not actively seeking an end to the ban on extending credit to Cuba, these figures clearly suggest that easing the agricultural trade and the overall travel restrictions now in place would yield impressive gains for U.S. dairy exports.

In NMPF's view there are two critical sides to the coin in terms of stimulating greater dairy product sales to Cuba. The first involves unnecessary technical and regulatory barriers to greater sales, introduced either by the prior Administration's interpretation of the 2000 Trade Sanctions Reform and Export Enhancement Act (TSREEA) or by TSREEA itself. The second pertains to abolishing the restrictions on Americans' rights to travel to Cuba. The latter is relevant because greater travel to Cuba by American tourists would be expected to significantly boost sales of U.S. agricultural products to that country as well as to improve the ease with which our members could make the necessary in-person connections to better conduct business with Cuba.

Because it addresses both these critical sides of the equation, NMPF and its members, as well as both dairy producers and processors in the U.S. Dairy Export Council, are extremely supportive of the newly introduced Travel Restriction Reform and Export Enhancement Act, H.R. 4645. In our view, this bill, sponsored by Chairman Peterson and Representative Moran, provides the best prospect for addressing the most significant issues hindering greater sales of U.S. agriculture products to Cuba. As mentioned earlier, expanding U.S. dairy exports, particularly in a way that provides net benefits to American dairy farmers, is viewed as a key ingredient to helping restore profitability in our dairy industry.

Technical/Regulatory Issues of Concern:

TSREEA allowed for the export of agricultural products, including dairy, to Cuba. This enabled us to sell dairy products—primarily nonfat dry milk but also other products—to a new market. The peak years for our industry were in 2004 and 2005 during which approximately \$30M of dairy products were sold each year before further restrictions on agricultural sales came into effect.

TSREEA requires payment of "cash in advance" in order to ensure that no credit is extended to the Cuban Government. NMPF agrees with this legislative intent and is not disputing the clear desire of Congress and of many throughout America to not extend credit to the Cuban authorities.

Under the first several years of TSREEA, products were exported using procedures normally followed when selling on payment terms commonly known as "cash in advance," as required in the original Office of Foreign Asset Control (OFAC) regulations. Specifically, the procedure entailed (1) shipping the product from a U.S. port, and (2) advising the Cuban buyer of its shipping status (an "on-board" bill of lading is prepared by the shipping company). At this point, the process began for full payment in advance of the buyer having ownership of the product. Once full payment is received, the "on board" bills of lading—the shipping documents that allow the buyer to gain control of the product—were released to the buyer. It is important to note that under this commonly used international trading practice, the Cuban buyer did not gain control and ownership of the product until payment was made. This practice fully complied with the spirit and the letter of TSREEA.

In 2005, however, OFAC "redefined" the meaning of the "cash in advance" requirement in TSREEA in a way that dramatically impacted future contracted sales and violated the express intent of Congress to encourage non-credit agricultural sales to Cuba. In effect, the new OFAC ruling required cash payments from Cuba before the U.S. commodities could even leave the U.S. port. Although a letter of credit option was also permitted as another payment avenue, the overall impact was to add further complexity and cost to making the sale.

That regulatory change dramatically impacted future contracts of dairy products with Cuba. This was seen by a drop in sales of U.S. dairy products to Cuba of more than half the following year (to \$13 million in 2006). Rather than growing as global U.S. dairy exports did between 2004 and 2008, sales to Cuba since then have ranged from minimal (*e.g.*, approximately \$1 million in 2007 and approximately \$3 million in 2009) to only half of peak sales in prior years (*e.g.*, \$16 million in 2008 when global demand was quite tight and so Cuba was likely driven to seek out alternative sellers).

NMPF urges Congress to act to clarify the intent of Congress with respect to the "cash in advance" requirement before further opportunities are foregone in Cuba. We greatly appreciate the clarity provided by Congress in the FY 2010 Omnibus Appropriations bill on this point and are looking forward to a rule being issued by OFAC on this matter. However, while very welcome, the appropriations process only provides resolution and clarity for the length of the fiscal year. As a business that frequently enters into supply contracts over long periods, this uncertainty is not helpful to securing business. Therefore, we believe strongly that a more permanent

resolution in statute is required. That is why the inclusion of this element in the Travel Restriction Reform and Export Enhancement Act is so critical in our view.

Along similar lines, we applaud the Travel Restriction Reform and Export Enhancement Act's addressing the unnecessary cost involved in TSREEA's "direct banking" provision which requires routing of payment through a third-country bank to conduct agricultural trade. This prohibition against allowing direct payments to be made to U.S. banks for agricultural sales serves no useful purpose in our view. It merely makes sales transactions more complicated and costly due to the fees charged for these additional transactions. We agree with Chairman Peterson and Mr. Moran that it is time for Congress to eliminate those TSREEA regulatory measures that have been found to serve no useful purpose, are not in keeping with the spirit of TSREEA, and have served only to make sales more costly without serving a logical policy goal (such as the direct banking provisions).

It is clear that we are now among the least-preferred of suppliers given these technical and regulatory impediments to U.S. agricultural sales to Cuba. The U.S. should be actively working to expand agricultural exports—in line with the long-standing goals of many bipartisan Congressional leaders and with the President's recently stated aim to double U.S. exports over the next several years.

Americans Traveling to Cuba:

NMPF believes that permitting all Americans to travel to Cuba without restriction would provide an additional boost to U.S. sales of dairy products to Cuba. Eliminating travel restrictions to Cuba would open up new opportunities for our members to more easily travel to Cuba to further encourage sales of U.S. dairy products there. Additionally, wider travel by the American people to Cuba would stimulate greater sales of dairy products in that dairy-importing nation. This would benefit America's dairy industry through greater sales opportunities but would also bring our policy with respect to Cuba more in line with how the U.S. treats other countries, including dictatorships and repressive regimes that surely rival the Cuban Government's oppressiveness and humanitarian violations.

Rather than being a sanction on Cuba, the ban on travel by Americans is a restriction placed by our own government on American citizens. The U.S. Government does not restrict travel to any other country, including state sponsors of terrorism like Iran, Syria, and Sudan, as well as North Korea, Burma, and Uzbekistan. Additionally, although the travel ban is very strongly supported by an extremely vocal and active minority in the U.S., recent public opinion polls show that 64 percent of Americans¹ and 2/3 of Cuban-Americans² support the freedom of U.S. citizens to travel to Cuba.

NMPF strongly supports an end to the restrictions on Americans' ability to travel freely where they choose. That is why we are so pleased to see the Travel Restriction Reform and Export Enhancement Act marry action related to American travel with the technical changes necessary to better facilitate non-credit sales of agricultural products to Cuba.

Conclusion:

We respectfully ask the Members of this Committee and others in Congress to support the Travel Restriction Reform and Export Enhancement Act which will greatly improve American agriculture's ability to provide the Cuban people and those Americans wishing to travel to Cuba with the nutritious and safe foods that we produce in such abundance here in the United States. The U.S. dairy industry firmly believes that it is critical that we work to expand opportunities for our dairy exports to allow our dairy producers, as well as their dairy manufacturing partners, to grow and prosper. Improving our ability to export to Cuba by doing away with many of the barriers the U.S. Government has erected to us in that market is a very important step in the right direction.

The CHAIRMAN. Thank you, Mr. Wilson, for your testimony.
Mr. Schott, you are recognized.

¹According to the CNN/Opinion Research Corp. poll conducted April 3–5, 2009, 64 percent of the 1,023 Americans surveyed by telephone thought the U.S. Government should allow citizens to travel to Cuba. And 71 percent of those polled said that the U.S. should reestablish diplomatic relations with Cuba.

²According to the 2009 Bendixen & Associates poll, 2/3 of Cuban and Cuban American adults—67 percent—support the lifting of travel restrictions for all Americans so that they can also travel to Cuba freely.

**STATEMENT OF BARTON SCHOTT, FIRST VICE PRESIDENT,
NATIONAL CORN GROWERS ASSOCIATION; CORN, SOYBEAN,
AND WHEAT PRODUCER, KULM, ND**

Mr. SCHOTT. Chairman Peterson and Members of the Agriculture Committee, thank you for the opportunity to testify about the importance of expanding U.S. trade to Cuba.

My name is Barton Scott. I am the First Vice President of National Corn Growers. I am a family farmer from Kulm, North Dakota. I farm with my three sons. We grow soybeans, wheat, and corn on our farm. And I am here today on behalf of NCGA, which represents 35,000 dues-paying corn growers. NCGA and its affiliated state associations work together to advance corn growers' interests.

If I can leave you one thing to remember today, it is that the Cuban embargo is working. It is working against U.S. farmers and ranchers. Everyone at this table has felt the economic effect of this embargo, but I cannot believe that we were the group meant to be targeted.

U.S. ranchers and farmers need the increased one-way trade that the newly introduced Travel Restriction Reform and Export Enhancement Act provides, and I thank Chairman Peterson and Mr. Moran for the support of this important legislation.

This bill ends the embargo's effect on corn farmers by providing an opportunity, not only to protect and preserve current and trend-line goal of U.S. sales to Cuba, but also to increase the demand for DDGS and other value-added products such as poultry.

Despite numerous weather issues in 2009, U.S. producers set all-time records in national average yields and total production. Our growers produced 13.1 billion bushels of corn, have met all market demands, and are building stocks. To maintain stocks in an appropriate level that does not negatively impact pricing, we must pursue both export markets for corn and U.S.-produced livestock products.

Corn farmers are more fortunate than other U.S. commodities. We currently do move some bulk corn to Cuba. According to USDA Foreign Agricultural Service data, during the 2008–2009 marketing year, Cuba was our tenth largest exporting market. Corn farmers currently have 91 percent average share of the Cuban corn imports. However, we make these sales under competitive disadvantage and in spite of the cash in advance and the third-party banking restrictions in place right now.

As I mentioned earlier, we are producing a record amount of corn in the U.S., while at the same time our strong regional competitors, such as Brazil and Argentina, do not face these same obstacles to export with Cuba. The immediate elimination of both of these costs would help, certainly, maintain our current exports of bulk corn in light of ever-increasing international competition.

This bill would also help increase sales of DDGS at a critical time. A past increase in Cuban imports of DDGS from marketing year 2007 and 2008 to marketing year 2008 and 2009 was almost 50 percent, indicating fast-growing interest in this product.

Corn markets: U.S. corn markets are also directly impacted by increased export sales of value-added products such as meat. U.S. chicken producers export relatively significant quantities of meat to

Cuba. In 2008, poultry exports to Cuba, primarily chicken, reached 146,000 metric tons. During 2009, a slight retraction saw exports over 138,000 metric tons.

To put this into perspective, it takes approximately 79 bushels of corn to produce 1 metric ton of poultry under the 2:1 conversion ratio of corn to white and/or dark meat. So to meet 2009 poultry exports to Cuba, the U.S. corn industry fed 10.9 billion bushels of corn.

This bill also lifts travel restrictions to Cuba. A portion of this bill is integral to actually increasing demand for corn. Without travel, the increased demand for value-added products would not be significant. U.S. tourism in Cuba will boost demand for American products. This increased economic activity will also lead to improvements to the Cuban diet. And as their consumers sought out more animal proteins, and over the past decade as Cuban chicken consumption has increased, Cuban chicken production declined. Export projections for these value-added products would certainly increase past and current trend lines.

Actual increase in corn demand here in the U.S. from trade with Cuba is an important component to the benefits from better trade with Cuba, especially in light of their record corn production. As an example, one of the best ways to predict future growth is to look at consumption patterns of other Caribbean islands, specifically the Dominican Republic. Through the last decade, Dominican Republic's per-capita chicken consumption has been just over twice the amount of Cuba. In our estimation, it is reasonable to assume that Cuban chicken consumption would grow over time to match that of the Dominican Republic. If the import of domestic production ratio of chicken remains somewhat the same, doubling U.S. chicken exports to 277,000 metric tons would require almost 22 million bushels of corn.

In conclusion, I ask for this Committee's support to end the embargo's effect on farmers like myself across America. Sometimes there are unintended consequences from a decision, and here we have a perfect opportunity to fix it.

We strongly believe that U.S. corn farmers can continue to be the number one reliable supplier to our customers around the globe, but we need the changes this legislation can do, and I think the time is right for those changes.

Again, I greatly appreciate the opportunity to testify on this important opportunity for corn farmers. Thank you.

[The prepared statement of Mr. Schott follows:]

PREPARED STATEMENT OF BARTON SCHOTT, FIRST VICE PRESIDENT, NATIONAL CORN GROWERS ASSOCIATION; CORN, SOYBEAN, AND WHEAT PRODUCER, KULM, ND

Chairman Peterson, Ranking Member Lucas, and Members of the Agriculture Committee, thank you for the opportunity to testify about the importance of expanding U.S. agricultural trade to Cuba. My name is Bart Schott and I am the First Vice President of the National Corn Growers Association (NCGA). I am a third generation farmer from Kulm, North Dakota where I farm with my sons, raising corn, soybeans and spring wheat. I am here today on behalf of NCGA, which was founded in 1957, and represents over 35,000 dues-paying corn growers. NCGA and its affiliated state associations work together to help protect and advance corn growers' interests.

U.S. Corn Production

Despite numerous weather issues in 2009, U.S. corn producers set all time records in national average yields and total production. Our growers produced over 13.1 billion bushels of corn, have met all market demands and are building stocks. To maintain stocks at an appropriate level that does not negatively impact prices, we must pursue both export markets for corn and U.S. produced livestock products.

U.S. Corn Supply and Demand

(mil bushel)	2007–08	2008–09	2009–10
Carry-in	1,304	1,624	1,673
Average Yield	151	153.9	165.2
Production	13,038	12,092	13,151
Supply	14,362	13,729	14,834
Feed & Residual	5,913	5,246	5,550
Ethanol	3,049	3,677	4,200
FSI	1,338	1,276	1,270
Export	2,437	1,858	2,050
Carry-out	1,624	1,673	1,764

Source: USDA, WASDE.

Corn Sales to Cuba

Cuba is currently an important market for U.S. corn. According to the United States Department of Agriculture (USDA) Foreign Agricultural Service (FAS) data, during the 2008–2009 marketing year, Cuba was our tenth largest export market. U.S. corn farmers currently have a 91 percent¹ average share of Cuban corn imports. In calendar year 2009, U.S. corn exports to Cuba were down to 24 million bushel, off the then peak in 2008 of 30.9 million bushels. The estimated value² of Cuban corn imports was \$134.0 million during marketing year 2007–08 and \$104.6 million in marketing year 2008–09. This is a significant change from when our corn producers first entered the Cuban market in 2001, exporting that year slightly less than 1 million bushels of corn.

The growth in corn-based ethanol production has led to the increased production of Distillers Dried Grains (DDGS). This high protein feed is a direct co-product of the ethanol industry. In marketing year 2008–09, Cuba imported 146,500 metric tons of DDGS from the U.S.³

Value-Added Products

U.S. corn markets are directly impacted by increased exports of value-added products such as meat. U.S. chicken producers export relatively significant quantities of meat to Cuba. In 2008, poultry exports to Cuba, primarily chicken, reached 146,000 metric tons.⁴ During 2009, a slight retraction saw exports of 138,000 metric tons.

To put this into perspective, it takes approximately 79 bushels of corn to produce 1 metric ton of poultry, under a 2:1 conversion ratio of corn to white and/or dark meat. So, to meet 2009's poultry exports to Cuba, the U.S. broiler industry fed 10.9 million bushels of corn.

Unnecessary Restrictions to Agricultural Trade with Cuba

The 2000 Trade Sanctions Reform and Export Enhancement Act (TSREEA) created exemptions that allow for the export of U.S. medical supplies and food (agricultural products) to Cuba. However, in 2005, the Office of Foreign Asset Control (OFAC) changed the meaning of "cash in advance" under TSREEA to require cash payments from Cuba before food leaves a U.S. port instead of allowing for payment prior to change in title of goods, which generally occurs at the port of destination. While NCGA appreciates the clear direction to roll back this requirement in the FY 2010 Omnibus Appropriations bill, this law only provides resolution regarding this issue for the rest of the fiscal year. It is not a permanent fix, and American producers will eventually continue to function with this disadvantage which is not shared by our competitors in supplying the Cuban market with food. Simply put, the time value of money can be a significant factor in the decision of where and from whom to buy a commodity or any other product.

¹ Average calculated based on USDA FAS data from marketing years 2006–07, 2007–08 and 2008–09.

² Estimated value calculated based on USDA National Agricultural Statistics Service average U.S. corn price for that year.

³ Data source USDA FAS.

⁴ Data source USDA FAS.

TSREEA also involves a “direct banking” provision which necessitates payments from Cuba to U.S. suppliers through a third-country bank. This requirement adds yet another additional cost to each transaction involving the sale of agricultural goods to Cuba.

Currently, there are significant restrictions on American citizens’ travel to Cuba. Unfortunately, this greatly limits the opportunities for increased agricultural trade with this country. Increased travel to Cuba by Americans would boost sales of U.S. agricultural products, especially value-added agricultural products.

The Travel Restriction Reform and Export Enhancement Act

NCGA strongly supports the newly introduced Travel Restriction Reform and Export Enhancement Act regarding Cuba and thank Chairman Peterson and Mr. Moran for their support of this important legislation. This bill provides an opportunity not only to protect and preserve current and trendline growth of U.S. sales of corn to Cuba, but to increase demand for DDGS and other corn value-added products such as poultry.

Corn farmers are more fortunate than other U.S. commodities, as we currently do move some bulk corn to Cuba. However, we do so under a competitive disadvantage and in spite of the two requirements mentioned earlier, the definition of cash in advance and the third party banking restriction. As mentioned, we are producing record amounts of corn in the U.S., while at the same time our strong regional competitors, such as Brazil and Argentina, do not face these same obstacles to export with Cuba. The immediate elimination of both these costs would certainly help maintain our current exports of bulk corn in light of ever increasing international competition.

These changes would also help increase sales of DDGS at a critical time. A past increase in Cuban imports of DDGS from marketing year 2007–08 to marketing year 2008–09 was almost 50 percent, indicating fast growing Cuban interest in this product. We need to capitalize now on this opportunity, but unfortunately, policies such as cash in advance and third party banking disproportionately penalize more expensive agricultural products, such DDGS.

This bill would also lift travel restrictions to Cuba. This portion of the bill is integral to actually increasing the demand for corn. Without travel, the increased demand for value-added agricultural products will not be as significant. U.S. tourism in Cuba will boost demand for American products. This increased economic activity would also lead to improvements in the Cuban diet, as their consumers sought out more animal proteins. Over the past decade, as Cuban chicken consumption has increased, Cuban chicken production declined.⁵ As such, export projections for these value-added products would certainly increase past their current trendlines. Actual increases in corn demand here in the U.S. from trade with Cuba is a very important component of the benefits from better trade with Cuba, especially in light of recent record corn production.

As an example, one of the best corollaries to examine regarding predictions for future growth is to look at the consumption patterns of other Caribbean islands, specifically the Dominican Republic, which has some of the same general cultural background as Cuba. Through the last decade, the Dominican Republic’s per capita chicken consumption has been just over twice the amount of Cuba. In our estimation, it is reasonable to assume that Cuban chicken consumption could grow over time to match that of the Dominican Republic. If the import to domestic production ratio of chicken remained somewhat the same, doubling U.S. chicken exports to 277,000 metric tons would require almost 22 million bushels of corn.

Conclusion

NCGA respectfully requests that the Members of this Committee and others in Congress support the Travel Restriction Reform and Export Enhancement Act. Our members want to preserve our current corn exports, increase our export of DDGS at a critical point in the Cuban market and importantly, significantly increase demand for corn through opportunities in value-added corn products through travel-related economic activity. We believe that U.S. corn farmers can continue to be the number one reliable supplier to our customers around the globe, but need the changes wrought in this legislation and believe the time is right for those changes. Again, I greatly appreciate the opportunity to testify on this important opportunity for corn farmers.

The CHAIRMAN. Thank you, Mr. Schott, for your testimony.
And, Mr. Fritz, welcome to the Committee.

⁵In 2009, approximately 14 percent of the chicken consumed in Cuba was locally produced.

**STATEMENT OF SCOTT E. FRITZ, OWNER/OPERATOR
(PRESIDENT/TREASURER), FRITZ BLACK SAND FARM, INC.;
MEMBER, BOARD OF DIRECTORS, AMERICAN SOYBEAN
ASSOCIATION, WINAMAC, IN**

Mr. FRITZ. Good afternoon, Mr. Chairman. And thank you, and thanks to the Members of the Committee and the fellow members of the panel and staff that are here in the room today.

I am Scott Fritz, a soybean and corn farmer from Winamac, Indiana, and a Member of the Board of Directors of the American Soybean Association, or ASA. ASA is the advocate and representative of the U.S. soybean farmers on policy issues. We are pleased to have the opportunity to appear before you today on the important issue of agriculture trade with Cuba.

ASA commends you, Mr. Chairman, and the Members of the Committee, for seeking to normalize trade and travel between the United States and Cuba. An initial step in this direction was taken with the enactment of the Trade Sanctions Reform and Export Enhancement Act, or TSRA, in the year 2000, which lifted sanctions on commercial sales of U.S. agriculture commodities to Cuba.

As a result of this legislation, Cuba has become a key importer of U.S. soybeans, soybean meal, and soybean oil. According to the U.S. International Trade Commission, soybean and soybean product exports to Cuba more than doubled from \$61.6 million in the year 2002 to \$134.7 million in the year 2008. Soybeans, soybean meal, and soybean oil represent 19 percent of the value of total U.S. exports to Cuba in the year 2008, and was 25 percent of the total value in the year 2009.

While this performance certainly represents an improvement after the long-standing trade embargo, there is significant potential to further increase soy exports to Cuba. In 2008, Cuba imported a total of 496,000 metric tons of soybean, soybean meal, and soybean oil from all sources. Of this total, 282,000 metric tons, or 58 percent, were purchased from the United States.

However, the U.S. soybean industry is uniquely positioned to significantly increase its share of the Cuban market. U.S. ships can reach the three major Cuban ports in 1 day, compared to up to 25 days from Brazil or Argentina. As a result, our shipping costs are much lower than for our South America competitors, giving us a natural advantage in supplying the Cuban market.

Unfortunately, TSRA imposes significant financing and licensing conditions on U.S. export sales to Cuba. All transactions must be paid in cash prior to shipment, commercial and government financing or credit is prohibited, export licenses are required, and all transactions must be handled by a third-party bank.

A list of these and other factors that weaken the competitive position of U.S. agriculture exports to Cuba is attached to my statement. These restrictions nullify our natural competitive advantage in exporting to Cuba. Their elimination would enable the U.S. to further increase its market share of soybean and soybean products exports to that country.

ASA strongly supports the Travel Restriction Reform and Export Enhancement Act, which would eliminate the financing and travel restrictions affecting trade with Cuba.

Necessary policy changes include the following:

Allow direct banking. At present, all financial transactions with Cuba must be handled by third-party banks outside the United States.

The second point: The payment-in-advance rule should be eliminated. In fact, the U.S. does not impose this requirement on sales to any other country.

The third point: Unrestricted travel to Cuba should be allowed. Currently, farmers and companies selling goods to Cuba must apply for a license before traveling there, and there is no guarantee the licenses will be granted in a timely manner. And the time and resources required to apply for license are burdensome, particularly to farmers and small businesses.

U.S. economic sanctions against Cuba have cost U.S. farmers and businesses billions of dollars in exports to the Cuban market. In a time of economic downturn, we can no longer sit on the sidelines and watch our competitors continue to supply a market where we have a natural competitive advantage.

ASA strongly supports the Travel Restriction Reform and Export Enhancement Act which eliminates financial and travel restrictions on Cuba, and which would be consistent with the Administration's goal to double exports in the next 5 years. U.S. farmers stand ready to meet Cuban demand on soybean products, but U.S. policy must change.

Thank you again, Mr. Chairman, for the opportunity for the American Soybean Association to present its views on this important issue. And I would be happy to respond to any questions.

[The prepared statement of Mr. Fritz follows:]

PREPARED STATEMENT OF SCOTT E. FRITZ, OWNER/OPERATOR (PRESIDENT/TREASURER), FRITZ BLACK SAND FARM, INC.; MEMBER, BOARD OF DIRECTORS, AMERICAN SOYBEAN ASSOCIATION, WINAMAC, IN

Good morning, Mr. Chairman and Members of the Committee. I am Scott Fritz, a soybean and corn producer from Winamac, Indiana, and a Member of the Board of Directors of the American Soybean Association (ASA). ASA is the advocate and representative of U.S. soybean farmers on policy issues. We are pleased to have the opportunity to appear before you today on the important issue of agricultural trade with Cuba.

ASA commends you, Mr. Chairman, and other Members of the Committee, for seeking to normalize trade and travel between the United States and Cuba. An initial step in this direction was taken with enactment of the Trade Sanctions Reform and Export Enhancement Act, or TSRA, in 2000, which lifted sanctions on commercial sales of U.S. agricultural commodities to Cuba. As a result of this legislation, Cuba has become a key importer of U.S. soybeans, soybean meal and soybean oil. According to the U.S. International Trade Commission, soybean and soybean product exports to Cuba more than doubled, from \$61.6 million in 2002 to \$134.7 million in 2008. Soybeans, soybean meal and soybean oil represented 19 % of the value of total U.S. exports to Cuba in 2008.

While this performance certainly represents an improvement after the long-standing trade embargo, there is significant potential to further increase soy exports to Cuba. In 2008, Cuba imported a total of 496,000 metric tons of soybean, soybean meal and soybean oil from all sources. Of this total, 282,000 metric tons, or 58 percent, were purchased from the United States. However, the U.S. soybean industry is uniquely positioned to significantly increase its share of the Cuban market. U.S. ships can reach the three major Cuban ports in 1 day, compared to 25 days from Brazil or Argentina. As a result, our shipping costs are much lower than for our South American competitors, giving us a natural advantage in supplying the Cuban market.

Unfortunately, TSRA imposes significant financing and licensing conditions on U.S. export sales to Cuba. All transactions must be paid in cash prior to shipment, commercial and government financing or credit is prohibited, export licenses are re-

quired, and all transactions must be handled by a third-party bank. A list of these and other factors that weaken the competitive position of U.S. agricultural exports to Cuba is attached to my statement. These restrictions nullify our natural advantage in exporting to Cuba. Their elimination would enable the U.S. to further increase its market share for soybean and soybean product exports to that country.

ASA strongly supports the Travel Restriction Reform and Export Enhancement Act, which would eliminate financing and travel restrictions affecting trade with Cuba. Necessary policy changes include the following:

- **Direct Banking Should Be Allowed**—At present, all financial transactions with Cuba must be handled by third-party banks outside the United States. This requirement results in unnecessary costs and delays for U.S. businesses, which must receive payment from Cuba through a third-country bank, rather than a U.S. bank.
- **The “Payment in Advance” Rule Should be Eliminated**—Under the Payment in Advance Rule, a product sold to Cuba must be paid for in cash prior to shipment from U.S. ports. This contrasts with the normal business practice of paying for goods after arrival, when title to the goods changes hands. The U.S. does not impose this requirement on sales to any other country.
- **Unrestricted Travel to Cuba Should be Allowed**—Currently, farmers and companies selling goods to Cuba must apply for a license before traveling there. There is no guarantee that licenses will be granted in a timely manner, and the time and resources required to apply for the license are a burden, particularly to farmers and small businesses.

Removing the financing restrictions will make U.S. agricultural products more competitive because it would reduce Cuba’s cost of purchasing U.S. products. The ITC estimates that such costs would be lowered by from 2.5 to 10 percent of the purchase price. The Commission also estimates that, in the absence of financing restrictions, U.S. exports to Cuba would have been from 11 to 26 percent higher in 2008.

If the travel ban is eliminated, the number of U.S. citizens traveling to Cuba annually would increase to between 500,000 and 1.0 million. This growth in travel to Cuba would bring in more hard currency, enabling the Cuban state-trading agency, ALIMPORT, to buy more U.S. agricultural products. Ending the travel ban would also benefit the U.S. economy by creating much-needed American jobs in the tourism and airline industries.

U.S. economic sanctions against Cuba have cost U.S. farmers and businesses billions of Dollars in exports to the Cuban market. In a time of economic downturn, we can no longer sit on the sidelines and watch our competitors continue to supply a market where we have a natural advantage. ASA strongly supports the Travel Restriction Reform and Export Enhancement Act, which eliminates financial and travel restrictions on Cuba, and which would be consistent with the Administration’s goal to double exports in the next 5 years. U.S. farmers stand ready to meet Cuban demand for soybean products, but U.S. policy must change. Legislation can “correct an economic blind spot that has allowed other countries to chip away at America’s international competitiveness.”

Thank you, again, Mr. Chairman, for the opportunity for the American Soybean Association to present its views on this important issue. I would be happy to respond to any questions.

Source: “U.S. Agricultural Sales to Cuba: Certain Economic Effects of U.S. Restrictions” U.S. International Trade Commission, June 2009. http://www.usitc.gov/publications/332/working_papers/ID-22.pdf.

Factors Weakening the Competitive Position of U.S. Agricultural Products in the Cuban Market

- U.S. exporters cannot offer credit to Cuba for the purchase of U.S. products. Most U.S. competitors make concessions to finance trade with Cuba.
- U.S. regulations require U.S. exports to Cuba to be paid “cash in advance.” Payments are made through letters of credit through third-country banks. The regulations are a particular concern for small and medium-sized exporters because they do not have established commercial relationships with the appropriate foreign banks.
- When purchasing U.S. products, ALIMPORT may incur additional storage and demurrage costs if the transactions paperwork is not completed on schedule.

- U.S. exporters wishing to travel to Cuba in order to complete sales contracts find the travel licensing process to be cumbersome, nontransparent, and time consuming.
- The United States restricts visits by Cubans for sales negotiations and for SPS inspections of U.S. products and processing facilities.
- U.S. agricultural trade associations cannot use industry-generated national Checkoff funds, USDA Foreign Market Development funds, or USDA Market Access Program allocations for market research and promotion activities in Cuba.
- U.S. regulations penalize foreign vessels that dock in Cuban ports prior to arrival in the U.S., resulting in less competition between carriers and higher transportation costs.

The CHAIRMAN. Thank you very much, Mr. Fritz.

And I thank all of the panel members for their testimony.

I was visiting with my staff about the discrepancy between the different commodities in terms of how it has impacted you.

Mr. Wagner, do you know why rice has been—it seems like you are hit harder than the others in terms of the markets you have lost. Is there an easy explanation for this?

Mr. WAGNER. I think I can say that Mr. Alvarez was quite miffed that he had to pay cash in advance in the fashion that he did. And every time in the last 30 or 40 years that sanctions have been imposed, it has been the rice farmers that have really lost. We lost the Cuban market, we lost the Iranian market, we have lost the Iraqi market. The Vietnamese have captured the Cuban rice market.

The CHAIRMAN. I think corn and soybean—corn went up, actually, in terms of the percentage of the market that you have. Am I right about that?

Mr. SCHOTT. Currently, we are selling them 91 percent of their corn needs.

The CHAIRMAN. And you used to be, rice used to be, what, 50, 60 percent or more?

Mr. WAGNER. Of our exports? Yes.

The CHAIRMAN. Of the imports that Cuba was getting, you were a big percentage of that market at one time.

Mr. WAGNER. Fifty percent of our exports went to Cuba.

The CHAIRMAN. And they were buying the majority of their rice from the U.S. at that time.

Mr. WAGNER. Correct.

The CHAIRMAN. So I guess I was wondering, is it a difference of freight rates or something? Is that having an impact?

Mr. WAGNER. Presently?

The CHAIRMAN. Well, corn I guess is bulkier than wheat or rice in terms of—is that some of the impact? I mean, how is Vietnam able to send it over here? Are they giving them some kind of better terms?

Mr. WAGNER. One, they offer credit, which we do not. Two, they have an inferior product which is more affordable since they are so cash-strapped.

The CHAIRMAN. So that is part of the deal.

Mr. WAGNER. That is a lot of it.

The CHAIRMAN. And the corn, I heard you say you are starting to sell DDGS now to Cuba. Is that correct?

Mr. SCHOTT. Yes, Mr. Chairman. There is a big demand for DDGS for their livestock and poultry industry. They want to grow their dairy industry down there. And because of the price of DDGS and the protein, they are real interested in purchasing more of that.

The CHAIRMAN. And apparently, Mr. McReynolds, there has been an increase in where they have built some new pasta plants and milling capacity in Cuba. Am I correct about that?

Mr. McREYNOLDS. My understanding, yes.

The CHAIRMAN. Has that increased your sales to Cuba or does that have any impact, or has that gone some other place?

Mr. McREYNOLDS. Well, of course, our sales at this point in time are really down, about 14 percent of—and at one time we were at the 48 percent level.

The CHAIRMAN. So the Canadians have picked a lot of this up?

Mr. McREYNOLDS. Competitors have picked that up, which they are going to get the product somewhere.

The CHAIRMAN. I understand. I am just trying to figure out where it is coming from. I guess Canada is probably our biggest competitor with Cuba.

Mr. McREYNOLDS. Generally.

The CHAIRMAN. Probably more than Argentina. Argentina has got that export tax.

Mr. McREYNOLDS. Right.

The CHAIRMAN. And with the corn, that basically would have to come from Argentina, too, because Brazil doesn't really grow that much corn. I mean, they have some. They grow it as a kind of secondary crop. But they are more a competitor in soybeans, I would guess, Brazil would be. Right?

Mr. SCHOTT. Right. But Brazil is increasing their corn acres pretty quick.

The CHAIRMAN. Because they are increasing their soybean acres. I mean, they are using it kind of as a rotation crop or a second crop with soybeans, as I understand it.

Mr. SCHOTT. That is correct.

The CHAIRMAN. But they are not really focused on corn. When I was down in Argentina the last time, there was a lot of transition going, in Argentina, to corn in what would be their equivalent of our corn belt. You know, they have plowed up a lot of pasture land and are planting corn. If the government down there doesn't kill them off before they get started, they might be our best allies in that regard. But I was just trying to get some sense of why it was different in different areas. But I guess Vietnam has lower quality rice, it is probably cheaper, and they are giving them some kind of break, financing and whatever.

Mr. WAGNER. Correct. It has been about a third cheaper per metric ton last year.

The CHAIRMAN. But if we get back under normal situations, you would probably get a fair amount of that market back, I would guess.

Mr. WAGNER. We would, especially when you put some money into the Cubans' pockets.

The CHAIRMAN. All right. Thank you very much. The gentleman from Oklahoma.

Mr. LUCAS. Thank you, Mr. Chairman. And just the question I had asked the previous panel and I ask you: On the free trade agreements out there that are pending—Panama, Colombia, Korea—I assume, gentlemen, your organizations are all supporters of those?

Mr. SCHOTT. NCGA, their policy is in support of the FTAs. Correct.

Mr. FRITZ. The American Soybean Association does indeed support the FTAs.

Mr. WILSON. The National Milk Producers and Dairy Farmers of America both would say yes.

Mr. McREYNOLDS. National Association of Wheat Growers supports those.

Mr. LUCAS. Thank you very much.

And let's focus for a moment on what the Chairman was looking at just a moment ago, talking about the freight rates and the competition and the economics of it all.

Mr. Wagner, once again, you said the chief competitor for the Cuban market in rice were the Vietnamese. Do you know what the freight rate difference is between shipping from New Orleans or wherever the main port would be for that sort of product and, say, shipping from Vietnam?

Mr. WAGNER. Two years ago, if I remember right, it was ten times. It was something like, \$1,000 per metric ton to ship from the Far East to that market. I couldn't say what it would have been for us because we weren't players in the market, but it is substantially less. Obviously, it is a 30 to 40 day trip from Vietnam or Thailand through the Panama Canal to Cuba. We can make it in 2 days. We can ship it on smaller vessels. All those costs are—savings in costs are passed on to the Cubans and they could buy more product.

Mr. LUCAS. Mr. McReynolds, I assume as was mentioned a moment ago, the Canadians would be the leading competitor on wheat. Do you have any idea what the freight difference is between shipping Canadian wheat to Cuba *versus* from New Orleans or Galveston, wherever, in the United States?

Mr. McREYNOLDS. Well, I don't have those off the top of my head. We can get those to you and to the Committee. But in days, it takes about 2 days, as was stated earlier. And from Canada, it takes 7 to 8 days to make that trip. So the transportation costs are certainly higher.

Mr. LUCAS. It was a fascinating statistic, Mr. Wilson your commodity group's estimate.

Mr. WILSON. I certainly should get you a better number. If I can guess, if you would like for me to take a guess, probably something north of 10¢ a pound on whether it be nonfat dry milk or cheese.

Mr. LUCAS. And your leading competitor in the Cuban market right now would be New Zealand?

Mr. WILSON. Probably New Zealand, Australia and Europe. We are not exactly sure what the combination is but they would be the three biggest competitors.

Mr. LUCAS. And the product that you would primarily be selling down there would be powder.

Mr. WILSON. Most likely nonfat dry milk. That is what we were selling the most before. But certainly with the tourism aspect to this, we think it could be a very viable market for cheese and many other dairy products, for that matter, as Americans go down there and eat.

Mr. LUCAS. Mr. Schott, on your commodity group your leading competitor would be from where?

Mr. SCHOTT. Well, we are targeting Argentina and Brazil.

Mr. LUCAS. So how would the freight rates—would you estimate or can you find me information later between shipping from the U.S. and coming from South America?

Mr. SCHOTT. I am not prepared to answer that question but I can get you the data.

Mr. LUCAS. That is a good answer.

Mr. FRITZ. As I stated in my written statement, we think it is 1 day to ship from the United States to Cuba, where it could be up to 25 days of shipping time from South America. Now I realize that South America would be coming out of a northeastern port or it could be coming out of Argentina. I have heard the number, I am sorry I don't have the number, the cost of Panamax ships per day—the difference would be somewhere between 15 to 20 days, and it doesn't take long for that to add up quickly.

Mr. LUCAS. So a substantial trade difference given an equitable situation then. I think, gentlemen, you will find that most of us on this Committee want your producers to have an opportunity to do their business and to demonstrate their economic efficiency.

As you have heard various comments and the various Members of all perspectives, there is a sensitivity about the government down there. I suspect my good colleagues with their legislation will perhaps in some modified form have more success than they might realize today. But, nonetheless, we do need to remember we are dealing with a country that, because of its horrible economic and political system, cannot feed itself. If they didn't have the political system, the economic system they have right now, they would be dramatically less dependent on you and on the farmers that I represent, that you represent too.

So in the actions we take here, while we want to make sure our farmers have access to those opportunities, we also need to bear in mind the consequences to the people that we are affecting and to the region as a whole.

I appreciate the Chairman tolerating my editorial comment at the end there, and I yield back.

The CHAIRMAN. Thank you. The gentleman from Kansas.

Mr. MORAN. I remember hearing at least one time, Mr. Wagner, that Cuba imports $\frac{1}{5}$ of the world's rice. Is my recollection at all correct? And the point that was made to me is while they consume 20 percent of the world's rice, they are consuming not U.S. rice, but China, Vietnamese—you are shaking your head so maybe my recollection is wrong.

Mr. WAGNER. They import up to half a billion metric tons a year.

Mr. MORAN. And rice would be a major product in the Cuban diet.

Mr. WAGNER. Oh, yes. They eat up to 150 pounds a year. They started eating rice in 1512. It is written in history.

Mr. MORAN. And let me join in the comments about the Cuban Government. Nothing that anybody is doing with this legislation or any efforts here is to put any stamp of approval upon the dictatorship that has lasted so long and has created so many economic and freedom burdens upon the Cuban people. I just want to comment, and most of my focus in my time in Congress, almost exclusively, has been on the agricultural side. Although as I said earlier, I believe that the other component of this legislation, the ability to travel by U.S. citizens to Cuba, enhances the opportunity for Cuban freedom, liberty, and economic opportunity.

But I do want to comment about the conversation that we have had on this Committee. Somehow we got on the conversation about tourism. This is not a bill that creates tourism. This is a bill that authorizes travel by United States citizens. If you want to talk about it from the Cuban perspective, you can, I suppose. But, what we are really doing here is creating freedom and liberty for Americans, United States citizens, about what country they can visit. As has been indicated, we do not place restrictions like we do on Cuba on any other travel by U.S. citizens to any other country.

One of the leaders in this effort in regard to travel has been the Congressman from Arizona, Mr. Flake. And every time I have heard him speak about this issue, it is not about boosting the Cuban economy, it is about liberty for American citizens. And part of what I came to Congress to do is to promote freedom and liberty in the United States.

I believe one of the primary responsibilities we have as Members of Congress is to see that another generation of Americans have the liberties and freedoms that we are authorized and guaranteed under our United States Constitution.

I think the focus of the comments of some of my colleagues on the Committee, as they talk about creating a tourism industry in Cuba, is really misguided. What we are talking about here is authorizing the liberty of American people to travel to another country.

I yield back and therefore give back the 2½ minutes that I exceeded the last time I was given the microphone.

The CHAIRMAN. So recognized, and I thank the gentleman.

The gentleman from Iowa, Mr. King.

Mr. KING. Thank you, Mr. Chairman. I really didn't anticipate to have Mr. Moran inspire me quite so much, but a point that I made earlier is about the liberty of the Cuban people. And I think that is something we should take into consideration. We are the vanguard of liberty for the world. And it is part of what remains of the Monroe Doctrine. It is our global position that has put our troops in harm's way on every continent that I can think of.

But I take you back to these circumstances. There is a limit to what the Cubans can buy. In fact they are limited, they can't buy anything from you. All business is conducted by ALIMPORT, which is Castro's organization. He decides who gets the proceeds and who does not. He is able to distribute the foodstuffs to the people who support him, and he is able to keep it away from the people who do not support him. He does use it as a tool. I am just not hearing this in the dialogue on how Castro would be able to use some of this as a tool.

Here are some things: I just asked them to put together for me some of the items that are on the ration card. And I haven't heard dialogue either about the rationing in Cuba, and this is updated exactly today. Here are the rations: If you are between 0 and 7 years old or a pregnant woman—I don't know any other gender that can become pregnant—you can purchase a liter of milk every day and meat when available. The ration per person per month, 5 pounds of rice; 4 pounds of sugar; 1–2 bags of salt, whatever size they are; one tube of toothpaste for up to four persons in a household; 8 ounces of grains, other types of grains than rice; a quarter pound of cooking oil per person per month; a half a bar of soap per person per month; two bags of coffee per person per month; four eggs per person per month. A couple of omelettes a month would be the ration on the eggs.

I think we need to think of this in the context of what it is like in a country that is so politically manipulated that people are scared to death to even get to know their neighbor, and having food used as a tool against them for political purposes.

And so I just pose this question this way, to each of you, and maybe I can articulate it enough so that it can allow you to each provide an answer. I know that we have talked about the economics of this, and my life has been wrapped up in the economics of ag commodities and the necessity for us to have good markets. It is everywhere around me. I look from my house and I will see either corn or soybean. I love that. I love that in the middle of my life for all these years that I have been blessed with.

But this discussion that we have had is about the economic impact on our ag producers, and that is the only focus that I have heard. And I am not charging that you have a responsibility beyond that, but I would just ask the question, starting with Mr. Wagner: Has a discussion about the promotion of this liberty that Mr. Moran so eloquently talks about promoting it to the Cuban people, has that also been a part of the discussion as you look at your policy. Or have these policies by your organization and each of you been confined to the economic question solely as your testimony apparently has been?

Mr. WAGNER. No, we have talked about the moral side of this as well and it—something came to mind last night. How can you export freedom when there is such a shortage of it in this country? If we don't have the freedom to travel there and carry on commerce there, I don't know how we are going to export and change those people's way of life.

Mr. KING. Mr. Wagner, though, is it then this rationale—it doesn't have to be the position of your organization—but is it the rationale that Americans traveling to and trading with Cubans does export freedom and liberty to them because it is contagious? That is what I believed when I went there, but I no longer believe that. But is that close to the position that is being discussed?

Mr. WAGNER. I think we have some evidence of that in history in the USSR and China to some degree, and in Vietnam. That we are open trading partners with Vietnam now. We just finished a war with them, what, 30 years ago.

Mr. KING. Thank you, Mr. Wagner. Mr. McReynolds.

Mr. MCREYNOLDS. I just go back to my experiences there and realize it wasn't a long period of time. But the Cuban people were very eager to communicate with us and just eager to—just little things; know a little more about the United States, about America, about schools and universities. I was overwhelmed with their eagerness to have a better understanding of our life and what we did in our lifestyles and our families.

And so, when you have that free travel opportunity, you open a whole new world up to people that have that opportunity. And to restrict U.S.—I don't see the rationale there at all. And we have the opportunity to go to other places in the world, why would we be restricted there? I think it opens up a whole new world to Cuban people.

I think even our interaction with our guide and with the people that we associated with, which was a cross-section of individuals, I got the impression that they benefited from us being there. I guess I would like to think that. But I certainly did.

Mr. KING. I learned to love the people and to that sentiment I would agree. That result, of course we did not, but I would ask, Mr. Chairman, if I could allow the witnesses on down the line to respond to a similar question with the time we have.

Mr. Wilson? Thank you, Mr. Chairman.

Mr. WILSON. Well, I would say our initial reason is economic, because we do see it will benefit U.S. dairy farmers by being able to adequately compete with dairy farmers from other parts of world. However, along those lines, you can't avoid getting into the other aspects of this argument. I think in one sense you would say, okay, we have been doing this for my whole lifetime essentially.

Mr. KING. Castro's whole lifetime.

Mr. WILSON. And we really haven't made any progress there. I guess we look back from 100,000 feet in the world and you see how communication, partly through the Internet, but communication has changed the world just in the last few years, really. And it has changed a lot of countries and the way they treat their people in the last few years.

And so perhaps allowing U.S. citizens the freedom of going to Cuba, whether it be tourists or whether it be on business or whatever. There has to be some interaction with the common people in those—

Mr. KING. You recognize that enriches the regime. Every dollar spent down there, a large share of it goes into the hands of Castro.

Mr. WILSON. We are not going to change that overnight, but we have to take this in steps. And we would believe that it is a positive step to allow people from the United States to go there. How are they any different from China? We have said that before here.

Mr. KING. Thank you. Mr. Schott.

Mr. SCHOTT. Yes. Our policy is economic as well, and I am not reinventing the wheel here; we talked with our leadership about these issues and we know what you are talking about. But we do look at China and say, we are sending food to China right now and that is an oppressive nation. And so that is how we deal with the situation on the corn board.

Mr. KING. Thank you. Mr. Fritz.

Mr. FRITZ. Thank you, Mr. King. I think this answer is perhaps in two parts. The American Soybean Association, of course, had a long history of supporting free and open trade and opposing restrictions. With that said, I have promoted U.S. export cost savings in many countries of the world, serving on the ASA Trade Policy and International Affairs Committee.

What you learn when you travel is you learn the cultures of the country and you learn to understand the people. You learn to tolerate other cultures and you appreciate them for what they are.

Specifically, what I see happening in Cuba is that when we have visitors, any visitors, American visitors or visitors from other parts of the world in Cuba, in effect we are holding the government accountable because we have eyes on the ground. We have people seeing what is going on. We have the ability to bring back those stories of discrimination and poor respect for human rights.

Specifically to this bill, we exported 496,000 metric tons of soybean meal and soybean oil to Cuba. That is a lot of food and a lot of protein for a lot of people, not just members of the regime. So in regards to this bill, I see this bill as a way of doing business and doing business better than what we had before. But what is it all about? It is all about feeding hungry people.

Mr. KING. Thank you, Mr. Fritz.

In conclusion, Mr. Chairman, I want to thank all the witnesses. And I want to just put this into the record: that one of my goals, one of my very high goals and dreams in life, is to swim ashore at the Bay of Pigs and walk out onto a free Cuba. I hope we all live to see that day.

The CHAIRMAN. Mr. King, I think from your comments that you must have supported the Russian grain embargo.

Mr. KING. I think what I saw—

The CHAIRMAN. Maybe you are not old enough to remember that.

Mr. KING. I am a very youthful individual, Mr. Chairman. What I saw happen with the Russians—

The CHAIRMAN. The problem is the people are going to get this stuff someplace. Just us cutting it off, all we are doing is hurting ourselves. Whether they buy it from the U.S. or buy it from Vietnam or wherever they buy it, isn't going to do a thing about the problems we are talking about.

We have groups here that I don't always agree with, the Human Rights Watch and so forth, that have exactly the opposite position that you do, that they say that this bill will help these human rights problems. So we are cutting off our nose to spite our face here. This is crazy, and we are going to disagree on that, but it has gone on long enough.

Mr. KING. Thank you for the endorsement of my sanity, and I yield back the balance of my time.

Mr. LUCAS. I think the Chairman has many words of wisdom there. Let's pass those three free trade agreements and get on with it everywhere.

The CHAIRMAN. All right.

So, Mr. Lucas, that is the final word?

Mr. LUCAS. Final word.

The CHAIRMAN. All right. So under the rules of the Committee, a record of today's hearing will remain open for 10 calendar days

to receive additional material and supplemental written responses from the witnesses to any questions posed by a Member. And this hearing of the Committee on Agriculture is adjourned.

[Whereupon, at 4:00 p.m., the Committee was adjourned.]

[Material submitted for inclusion in the record follows:]

SUBMITTED LETTER BY HON. COLLIN C. PETERSON; ON BEHALF OF REV. HOWARD J. HUBBARD, BISHOP OF ALBANY; CHAIRMAN, COMMITTEE ON INTERNATIONAL JUSTICE AND PEACE, UNITED STATES CONFERENCE OF CATHOLIC BISHOPS

March 10, 2010

Hon. COLLIN C. PETERSON,
Chairman,
Committee on Agriculture,
U.S. House of Representatives,
Washington, D.C.

Dear Chairman Peterson:

As Chairman of the Committee on International Justice and Peace of the United States Conference of Catholic Bishops (USCCB) I write to express support for H.R. 4645, the Travel Restriction Reform and Export Enhancement Act. This bipartisan bill removes obstacles to legal sales of United States agricultural commodities to Cuba and ends restrictions on all Americans traveling to Cuba. Our Conference of Bishops supports both objectives of this legislation as ways to advance the goal of increasing engagement with the people of Cuba.

The USCCB has for many years consistently called for relaxing the sanctions against Cuba. These policies have largely failed to promote greater freedom, democracy and respect for human rights in Cuba. At the same time, our nation's counter-productive policies have unnecessarily alienated many other countries in the hemisphere. Improving the lives of the Cuban people and encouraging democracy and human rights in Cuba will best be advanced through more, rather than less, contact between the Cuban and American people. Removing the barriers to agricultural exports to Cuba, and thus deepening the trade relationship, is one step toward this goal.

While our Conference welcomed the Administration's lifting of travel restrictions for Cuban Americans, ongoing restrictions on the ability of other Americans to travel to Cuba, even when accompanying their Cuban American relatives, remain objectionable. No one should be prevented from supporting a spouse in visiting a dying relative or attending a family funeral simply because he or she is not Cuban American. We welcome H.R. 4645 because it lifts all restrictions on travel by all U.S. citizens to Cuba and removes unnecessary obstacles to trade.

Sincerely yours,



Most Reverend HOWARD J. HUBBARD,
Bishop of Albany and Chairman,
Committee on International Justice and Peace.

SUBMITTED LETTER BY HON. COLLIN C. PETERSON; ON BEHALF OF JOSÉ MIGUEL VIVANCO, EXECUTIVE DIRECTOR, AMERICAS DIVISION, HUMAN RIGHTS WATCH

Washington, D.C.—March 11, 2010

Hon. COLLIN C. PETERSON,
Chairman,
Committee on Agriculture,
U.S. House of Representatives,
Washington, D.C.

Dear Mr. Chairman,

I would like to congratulate you on convening this timely and important hearing of the United States House of Representatives Committee on Agriculture on U.S. travel and agricultural trade with Cuba. Human Rights Watch fully supports the Travel Restriction Reform and Export Enhancement Act (H.R. 4645), which would remove obstacles to legal sales of U.S. agricultural commodities to Cuba and abolish restrictions on travel to the island. We believe the proposed legislation, as well as similar legislation in the United States Senate (S. 1089), represents a necessary step towards ending a U.S. policy that has failed for decades to have any impact whatsoever on improving human rights in Cuba.

In November 2009, Human Rights Watch released a 123-page report (<http://www.hrw.org/en/node/86554>) on human rights in Cuba under Raúl Castro. The report concludes that rather than dismantle Cuba's repressive machinery, Raúl Castro

has kept it firmly in place and fully active. Scores of political prisoners arrested under Fidel Castro continue to languish in Cuba's prisons, and Raúl Castro's Government has used Draconian laws and sham trials to incarcerate scores more who have dared to exercise their fundamental freedoms.

The death in custody on February 23, 2010, of political prisoner Orlando Zapata Tamayo after an 85 day hunger strike served as a tragic reminder of the abuse suffered by those who dare to criticize the Castro Government, and the lack of recourse for victims of repression. In the aftermath of Zapata's tragic death, some have argued that the U.S. embargo policy should not be changed, or that restrictions on trade and travel should be tightened further. Human Rights Watch disagrees.

Efforts by the U.S. Government to press for change by imposing a sweeping ban on trade and travel have proven to be a costly and misguided failure. The embargo has done nothing to improve the situation of human rights in Cuba, and imposes indiscriminate hardship on the Cuban population as a whole. It has provided the Cuban Government with an excuse for its problems and pretext for its abuses. Rather than isolating Cuba, the policy has isolated the United States, enabling the Castro Government to garner sympathy abroad while simultaneously alienating Washington's potential allies.

There is no question: the Cuban Government bears full and exclusive responsibility for the abuses it commits. However, so long as the embargo remains in place, the Castro Government will continue to manipulate U.S. policy to cast itself as a Latin American David standing up to a U.S. Goliath, a role it exploits skillfully. Ending the travel ban and removing obstacles to agricultural trade are steps in the right direction toward reforming this failed policy, and Congress should act swiftly to pass the Travel Restriction Reform and Export Enhancement Act.

Eliminating barriers to agricultural trade and lifting the travel ban will not, by themselves, bring an end to the Raúl Castro Government's repression. As a result, Human Rights Watch recommends that the U.S. Government replace its failed embargo policy with a more effective, multilateral approach. Our report lays out a proposal for the United States to work with allies in the European Union, Canada, and Latin America to forge a new coalition that will exert targeted pressure on the Raúl Castro Government to end its human rights abuses.

I would ask that you please share this statement with Members of your Committee, and I would be very grateful if you would include this letter in the record of your hearing.

Sincerely,



JOSÉ MIGUEL VIVANCO,
Executive Director, Americas Division,
Human Rights Watch.

SUBMITTED REPORT BY *AGRI*LIFE RESEARCH, TEXAS A&M UNIVERSITY

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

March 11, 2010

Introduction

The following report was prepared for submission to the House Committee on Agriculture, United States House of Representatives, March 11, 2010 related to the public hearing on H.R. 4645, the Travel Restriction Reform and Export Enhancement Act.

The analyses and report were prepared by the Center for North American Studies (CNAS). Contributors were, Principal Author, C. Parr Rosson III, Professor and Director; Co-author, Flynn J. Adcock, International Program Coordinator; and Research Assistant, Eric Manthei. All are located in the Center for North American Studies, Department of Agricultural Economics, Texas AgriLife Research/AgriLife Extension, Texas A&M University.

Key Findings, Assumptions and Limitations of the Analysis

In 2009, U.S. exports to Cuba were \$528 million, supported \$1.6 billion in total business activity, and provided 8,600 jobs throughout the U.S. economy. If U.S. travel and financial restrictions are removed, up to \$365 million/year in additional U.S. exports could result, requiring \$1.1 billion in business activity and 6,000 new jobs.

While U.S. agriculture is estimated to receive major economic gains from increased exports, non-agricultural sectors such as business and financial services, real estate, wholesale and retail trade, and health care are also important beneficiaries of increased exports to Cuba, receiving up to 45 percent of the gains in some cases.

The results of this analysis assume that any increase in U.S. exports to Cuba is a 'net' increase in the U.S. export position. Otherwise, the economic impacts presented here would overestimate the effects of U.S. exports to Cuba on the U.S. economy. A second assumption is that Cuba's tourist industry follows a similar developmental pattern to other Caribbean countries in terms of food and beverage consumption and imports. Third, the results of a report by the U.S. International Trade Commission (*U.S. Agricultural Sales to Cuba: Certain Economic Effects of U.S. Restrictions*, USITC 3932, July 2007) were used to estimate the value of U.S. exports to Cuba if travel and financial restrictions are modified. Displacement of U.S. tourism is assumed to be minimal. Finally, the results should not be combined, or added together, because they were estimated using separate economic impact analyses and double counting would result.

Importance of Legislation for Improving U.S. Competitive Position in Cuba

Allowing U.S. citizens/permanent residents to travel to Cuba and U.S. firms to utilize modified financing methods will improve the U.S. competitive position in the Cuban market. New financing provisions would allow U.S. exporters to recover lost markets for rice and forest products, for example, creating new jobs and economic activity.

It is also important to maintain the U.S. competitive position for wheat, corn, and soybean meal. For January–February 2010, U.S. exports of corn to Cuba were down 47 percent compared to the same period in 2009, while wheat exports are off 69 percent and soybean meal exports had fallen 55 percent. The majority of these declines in exports are attributed to increased costs associated with financial restrictions, demurrage on vessels, currency conversion costs, and higher costs associated with using letters of credit (ALIMPORT staff, 3/2/2010). Recently implemented cash in advance rules will provide a temporary respite, but will not alleviate the problem entirely.

Consequently, Cuba appears to be diversifying its suppliers by shifting away from U.S. firms in favor of Brazil, Canada, China and Vietnam. Credit terms are often offered by these countries, allowing ALIMPORT (Importada de Alimentos—the Cuban Food Import Agency) to conserve its hard currency and use credit to make larger purchases over a longer period of time. The net result is a loss of U.S. competitiveness and market share, followed by declining exports. If conditions do not improve and if alternative markets are not developed, negative economic impacts will occur in terms of lost business activity and employment.

Background

The Trade Sanctions Reform and Export Enhancement Act of 2000, allows certain exceptions for the exportation of U.S. agricultural products and medicines to Cuba. Since passage of the TSREEA, U.S. agricultural and food exports to Cuba have expanded, reaching a record \$711 million in 2008. This was almost $\frac{2}{3}$ higher than 2007. Last year (2009) was quite different however, as U.S. exports to Cuba declined 26 percent to \$528 million. This large drop-off was attributed to a 15 percent decline in Cuba's per capita tourist earnings, a 30 percent drop in Cuban export earnings from nickel sales, and weak export sales of sugar and tobacco. Another major set of factors was the relative high cost of U.S. products due to somewhat onerous U.S. financial requirements. Together, these factors severely limited the ability of ALIMPORT to purchase U.S. products on a cash basis. Despite this decline, Cuba remains the sixth largest U.S. agricultural market in the Latin American/Caribbean region.

U.S. exports to Cuba are highly concentrated in a few key sectors. For 2009, the 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). These four product categories represented 89 percent of total U.S. agricultural exports to Cuba. Other important U.S. exports 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).

U.S. agricultural exports to Cuba of \$528 million in 2009 required 8,588 jobs and generated \$1.6 billion in total economic activity. CNAS estimates indicate that for every \$1 of U.S. agricultural exports to Cuba in 2009, an additional \$1.96 in business activity was required to support those exports.

These economic impacts of food and other agricultural exports to Cuba were estimated using IMPLAN, an input/output model. IMPLAN is maintained by Minnesota IMPLAN Group, Austin, Minnesota. Economic multipliers for each sector of the economy were used to estimate how a change in one sector affects business activity and employment in the other sectors of the economy.

Business activity refers to the total output of a sector, such as corn, and the value of all purchased inputs used to produce corn for export. Business activity also includes employee compensation, proprietor income, rents and royalties, and payment of indirect business taxes. Employment is reported as total jobs, with full-time and part-time jobs counting the same.

Economic Impacts of Removing U.S. Travel Restrictions to Cuba

Two scenarios were analyzed to estimate the economic impacts of removing U.S. travel restrictions to Cuba. Both scenarios focus only on the export of high value products, mainly processed foods, beverages, horticultural products and seafood. This analysis assumes that all travel restrictions are removed and that visitors remain in Cuba between 4.5 and 7 days.

Scenario 1: Short Run (Years 1–2)

The short run analysis provides estimates of U.S. exports and economic activity before Cuba has time to adjust to the increased number of tourists/visitors from the United States by increasing hotel room capacity, and improving critical infrastructure such as power generation and transportation. It also assumes that visitors remain in Cuba for 4.5 days. Based on the USITC report, 538,000 additional visitors were estimated to arrive and spend \$50/day for food/drink. CNAS estimates that the U.S. share of tourist expenditures on food/drink would be 40 percent.

This results in additional U.S. food/drink exports to Cuba of \$48.4 million/year (table 1). Major exports would be frozen broilers/turkeys/eggs (\$8 million), beef, pork, edible offal (\$6.3 million), miscellaneous processed foods (\$5.5 million), flour/malt (\$3.3 million), dry milk/cheese (\$3 million), canned fruits/vegetables (\$2.9 million), soft drinks (\$2.5 million), distilled spirits/wines/beer (\$2.4 million), fruits (\$2.4 million), fats/oils (\$2 million). Other exports include condiments, vegetables/melons, snack foods, refined sugar, seafood, and frozen desserts.

The additional \$48.4 million in exports would be expected to require \$116.7 million in additional business activity, creating a total economic impact of \$165.1 million and 786 new jobs. About 38 percent of the economic impact would be attributable directly to new exports. The largest share of new economic activity (62 percent, or \$102 million), would result from input purchases and household spending in sectors that support exports, but do not actually export. About \$14 million of this new total business activity is agriculturally related activities such as grain and oilseed production, ranching, forestry, fishing, and corn milling. Together, these sectors require 153 new jobs to support new U.S. exports to Cuba.

Business services, such as legal, accounting and technical consulting require \$11 million in business activity and 84 new jobs. Additional food processing supports \$8 million in business activity, while real estate, wholesale trade and finance require \$7.3 million, \$7 million, and \$6.4 million in business activity, respectively. These sectors also require 89 new jobs. Other sectors required to support new exports include: petroleum (\$8.8 million), transportation (\$4.8 million), wood processing (\$3 million), and retail trade and food/drink establishments (\$4.7 million).

Scenario 2: Long Run (Minimum of 5 Years)

Two long run scenarios are reported. The first assumes that U.S. tourists to Cuba stay 4.5 days, while the second scenario assumes tourists stay 7.0 days and daily food expenditures rise to \$60 per day. Over the long run, it is also assumed that Cuba's tourist industry adjusts to the increased demand for services by renovating existing hotels and facilities, building new facilities and improving critical infrastructure. As these improvements occur, it is estimated that 2.0 million U.S. tourists would visit Cuba annually.

Assuming new tourists stay 4.5 days, U.S. exports are estimated to increase by \$180 million/year million to meet the increased demand for high value foods/drink products (table 1). This would lead to a total economic impact of \$614 million in business activity and 2,923 new jobs. As was the case in Scenario 1, slightly more than 1/3 of the economic impact would occur in sectors that are exporting products to Cuba. Slightly more than half (\$200 million) of the non-export related business activity is expected to occur in other agriculture activities, business services, food production, real estate, wholesale trade and finance. About 55 percent of the new jobs associated with increased exports, 2,252, would occur in the previously noted non-export sectors of the economy. The remainder of the new jobs, 671, would be

in petroleum, transportation, health care, food/drink establishments, retail trade and other sectors.

Table 1. Estimated Economic Impacts of Increased U.S. Tourism to Cuba
(Million Dollars)

	<i>Short Run 4.5 Day Stay 538,000 New Tourists</i>		<i>Long Run 4.5 Day Stay 2 Million New Tourists</i>		<i>Long Run 7 Day Stay 2 Million New Tourists</i>	
	Exports	Total Business Activity	Exports	Total Business Activity	Exports	Total Business Activity
Top Exported Products						
Poultry Meat and Eggs	\$8.1	\$13.6	\$30.0	\$50.5	\$56.0	\$94.2
Pork, Beef and Products	\$6.3	\$8.8	\$23.4	\$31.9	\$43.6	\$59.6
Miscellaneous Food Products	\$5.5	\$5.8	\$20.9	\$22.0	\$39.2	\$41.3
Flour and Malts	\$3.3	\$4.1	\$12.4	\$15.4	\$23.2	\$28.8
Dry Milk and Cheese	\$3.0	\$4.0	\$11.3	\$15.1	\$21.1	\$28.3
Canned Fruits/Vegetables	\$2.9	\$3.4	\$10.7	\$12.5	\$19.9	\$23.3
Soft Drinks	\$2.5	\$2.8	\$9.3	\$10.3	\$17.4	\$19.2
Spirits/Wine/Beer	\$2.4	\$2.8	\$9.1	\$10.6	\$17.0	\$19.7
Fruits	\$2.4	\$2.9	\$8.9	\$10.7	\$16.6	\$20.1
Top Supporting Sectors						
Ag Related Activities	N/A	\$14.0	N/A	\$51.9	N/A	\$96.9
Business Services	N/A	\$11.1	N/A	\$41.2	N/A	\$76.8
Oil, Gas, and Petroleum Products	N/A	\$8.7	N/A	\$32.4	N/A	\$60.4
Other Food Production	N/A	\$8.0	N/A	\$29.9	N/A	\$55.8
Total Estimated Impacts						
Business Activity	\$48.4	165.1	\$180.0	\$614.2	\$336.0	\$1,146.5
Employment (# of Jobs)	181	786	671	2,923	1,252	5,456

Assumptions for 4.5 day stay scenarios are that \$50 per day per person spent by 538,000 visitors in the Short Run and 2.0 million visitors in the Long Run. These assumptions are taken from the U.S. International Trade Commission Report entitled *U.S. Agricultural Sales to Cuba: Certain Economic Effects of U.S. Restrictions*, USITC Publication 3932, July 2007. For the Long Run 7 day stay scenario, 2.0 million visitors spend \$60 per day each. For all scenarios, it is assumed that the U.S. achieves 40 percent of the market share for these food expenditures and the export pattern follows the U.S. export pattern to other Caribbean nations for consumer-oriented food products.

Note: for supporting sectors, there are no exports resulting in N/A for those export values.

Assuming U.S. visitors remain in Cuba for a 7.0 day stay and spend \$60/day on food results in additional U.S. exports of \$336 million/year (table 1). These additional exports would require \$810.5 million in business activity, for a total economic impact of \$1.15 billion, which would support 5,456 new jobs.

The total business activity due solely to new exports is \$433.6 million. In terms of the impacts by sector due to increased exports, \$94.2 million is attributed to frozen broilers/turkeys and eggs, \$59.6 million to pork, beef and edible offal, \$41.3 to processed foods, \$28.8 million to flour and malt products, \$28.3 dry milk and cheese, \$23.3 to canned/preserved fruits and vegetables, \$20.1 million to fruits, \$19.2 million to soft drinks, \$18.7 to wine/beer/distilled sprits, \$17.6 to fats/oils, \$14 million to bakery goods, and \$10.4 million to vegetables and melons. Other important impacts occur in snack foods, sugar, breakfast foods, confectionaries, seafood and frozen desserts.

The business activity attributed to important non-export sectors includes: other agriculture such as grain and oilseed production, ranching, forestry and fishing (\$96.9 million), business services (\$76.8 million), petroleum (\$60.4 million), other food processing (\$55.8 million), real estate (\$50.5 million), finance (\$48.4 million), transportation (\$33.5 million), food, drink and retail (\$30.6 million), health care (\$27.5 million), and forestry (\$21.3 million).

More than ¾ of the jobs associated with these additional exports, 4,202, occur in the non-export sectors. Other agriculture accounts for 1,062 jobs, followed by business services (582 jobs), food and drink retail (507), health care (303), wholesale trade (247), transportation (194), finance (186), and real estate (181). All of the other sectors account for 785 jobs.

Economic Impacts of Modifying Payment Terms and Financial Requirements

Reducing the cost and time necessary to process payment for U.S. exports to Cuba would have major economic impacts in terms of increased exports and economic activity. U.S. exports to Cuba would be expected to rise by \$271.2 million/year, requiring an additional \$561.9 million in business activity for a total economic impact of \$833.1 million and supporting 4,478 new jobs (*table 2*).

Processed and other food products sectors are estimated to require \$246.6 million in business activity and 1,228 new jobs to support additional exports to Cuba. Grain sectors, mainly corn, rice and wheat, would require \$87 million in additional business activity and 767 new jobs. Dairy products would require \$40.3 million in additional business activity, followed by poultry products (\$30.9 million), forestry products (\$23.2 million), beef, pork and edible offal (\$20 million), seafood (\$12.1 million), soybean meal and oil (\$12.2 million), and animal feeds (\$9.9 million). There would be 1,138 new jobs required to produce and market these additional exports to Cuba. Most of these jobs would be concentrated in the grains sector (767), poultry (141) and forestry (97).

Important economic impacts would occur among the non-export sectors as well. In fact, about 42 percent of the business activity and 47 percent of the jobs are associated with non-export sector production. Other agriculture business activity is estimated to be \$72 million, followed by petroleum at \$34.6 million, business services (\$32.2 million), real estate (\$30 million), food, drink and retail (\$23.8 million), finance (\$22.9 million), wholesale trade (\$20.5 million), health care (\$13.2 million), and forestry (\$6.8 million).

There are 2,112 new jobs required in the non-export sectors to support additional exports to Cuba. The major sectors impacted are other agriculture (641), business services (250), health care (145), food, drink and retail (133), real estate (120), wholesale trade (105), finance (95) and transportation (85).

Table 2. Estimated Economic Impacts of Elimination of U.S. Restrictions on Financing Exports and Restrictions on Travel to Cuba
(Million Dollars)

	<i>Removal of Finance Restrictions</i>		<i>Removal of Finance and Travel Restrictions</i>	
	Exports	Total Business Activity	Exports	Total Business Activity
Top Exported Products				
Grains (Rice, Wheat, Corn)	\$78.7	\$87.2	\$122.7	\$134.7
Other Food and Ag Products	\$49.5	\$161.6	\$57.5	\$187.8
Dry Milk and Other Dairy	\$35.0	\$40.4	\$50.0	\$57.8
Poultry Meats	\$27.3	\$30.9	\$35.2	\$40.0
Processed Food Products	\$26.0	\$84.9	\$34.5	\$112.7
Wood Products (Lumber)	\$21.5	\$23.2	\$21.5	\$23.3
Pork, Beef and Products	\$14.5	\$20.0	\$18.8	\$25.9
Seafood Products	\$11.5	\$12.1	\$15.0	\$15.8
Soy Complex	\$5.9	\$12.2	\$8.1	\$16.7
Top Supporting Sectors				
Other Ag Related	N/A	\$72.0	N/A	\$92.1
Business Services	N/A	\$32.2	N/A	\$43.6
Real Estate	N/A	\$29.7	N/A	\$41.6
Financial Services	N/A	\$22.9	N/A	\$31.6
Wholesale Trade	N/A	\$20.5	N/A	\$27.9
Total Estimated Impacts				
Business Activity	\$271.2	\$833.1	\$365.2	\$1,104.1
Employment (# of Jobs)	2,366	4,478	3,104	6,004

Assumptions for increased exports are based upon the U.S. International Trade Commission Report entitled *U.S. Agricultural Sales to Cuba: Certain Economic Effects of U.S. Restrictions*, USITC Publication 3932, July 2007. USITC estimates of the percentage changes for 2006 baseline exports were applied to 2009 exports. The actual USITC estimated dollar value of exports was used for rice, dairy products, beef, seafood and wood products. Other Food and Ag Products include fresh horticultural products, cotton, livestock, and seeds for planting.

Note: for supporting sectors, there are no exports resulting in N/A for those export values.

Economic Impacts of Removing Financial Constraints and Allowing Travel to Cuba

There are some additional economic benefits of allowing increased travel, while simultaneously removing financial constraints on U.S. exports to Cuba. U.S. exports

are estimated to rise by \$365.2 million/year, while the total economic impact would be \$1.1 billion, requiring 6,004 new jobs (*table 2*).

As in the previous analyses, most of the major gains in business activity would occur for food products and processed foods (\$300.5 million), grains (\$134.7 million), dairy (\$57.8 million), poultry (\$40 million), beef/pork (\$25.9 million), forestry (\$23.3 million), seafood (\$15.8 million), the soy complex (\$16.9 million), and animal feeds (\$13.3 million).

Major gains in business activity would also occur for non-export sectors as well. Other agriculture would require \$92 million, followed by petroleum (\$48.3 million), business services (\$43.6 million), real estate (\$41.6 million), finance (\$31.6 million), wholesale trade (\$27.9 million), food, drink and retail (\$32.4 million), transportation (\$18.4 million), health care (\$17.8 million), food processing (\$11.3 million) and forestry (\$9.2 million).

Employment occurring in non-export sectors would be expected to increase by 2,864 jobs. Major gains in employment would occur for other agriculture (857), business services (339), food, drink and retail (326), health care (196), real estate (172), finance (131), wholesale trade (143), and transportation (114). All other sectors would require 536 jobs to support additional exports to Cuba.

Summary and Conclusions

If H.R. 4645, the Travel Restriction Reform and Export Enhancement Act, is implemented as proposed, it is estimated that it would have substantial positive economic impacts on the U.S. economy. Exports to Cuba would increase by \$365 million/year and would support \$739 million in additional business activity for a total economic impact of \$1.1 billion, requiring 6,000 new jobs. While there are major economic gains for U.S. agriculture, there are also important economic gains for non-agricultural sectors such as business services, financial institutions, real estate, wholesale and retail trade, petroleum and health care services.

If only the travel restrictions are removed, it is estimated that U.S. exports would increase by \$48.4 million/year in the short run and by \$336 million/year over the long run, requiring 5,456 new jobs. Alternatively, if only the payment and financial restrictions are modified, U.S. exports are estimated to increase by \$271.2 million/year, requiring an additional \$561.9 million in business activity for a total economic impact of \$833.1 million and supporting 4,478 new jobs.

The results of these analyses indicate that U.S. agricultural producers, input suppliers, agribusiness firms, food processors, business services suppliers, the financial sector, real estate, health care, oil, gas and petroleum suppliers, transportation companies, trade facilitators, and port authorities in many parts of the United States can expect additional economic gains if H.R. 4645 is implemented and U.S. exports to Cuba expand. Improved access to the Cuban market is more important now that new competition has emerged and the U.S. market share is threatened, especially for dominant U.S. products such as soybean meal, corn, wheat, rice, poultry and dry milk. Increased access for U.S. travelers is also important for stimulating demand for U.S. foods in Cuba over the next few years as economic recovery occurs and U.S. firms become better positioned to respond to global market opportunities.

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: [Redacted] or E-mail: [Redacted]. <http://cnas.tamu.edu>.

SUBMITTED REPORT BY AGRILIFE RESEARCH, TEXAS A&M UNIVERSITY

Tourism and Agriculture in Cuba

March 22, 2010

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 Raúl 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 four and five 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 two and three star hotels in Varadero, Cuba's major tourist beach resort area, booked 1 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 of 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 ten percent since 2003. This occurred as milk output per cow actually increased 25 percent over the same period (ONE).

Sugarcane, 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 $\frac{1}{4}$ 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.

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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: [Redacted] or E-mail: [Redacted] <http://cnas.tamu.edu>.

SUPPLEMENTARY MATERIAL SUBMITTED BY MIKE WAGNER, OWNER/OPERATOR, TWO BROOKS FARM; MEMBER, BOARD OF DIRECTORS, U.S. RICE PRODUCERS ASSOCIATION; ON BEHALF OF USA RICE FEDERATION

March 22, 2010

Hon. COLLIN C. PETERSON,
Chairman,
Committee on Agriculture,
House of Representatives,
Washington, D.C.;

Hon. FRANK D. LUCAS,
Ranking Minority Member,
Committee on Agriculture,
House of Representatives,
Washington, D.C.

Dear Chairman Peterson and Ranking Member Lucas,

On behalf of the U.S. Rice Producers Association and USA Rice Federation, I would like to take this opportunity to clarify and supplement our responses to a few of the matters discussed at the hearing to review U.S. agricultural sales to Cuba held on March 11, 2010. The hearing once again reaffirmed the irrationality of our foreign policy with regard to Cuba.

It was certainly interesting to respond to questions about pending Free Trade Agreements. One of the major purposes of these agreements is to eliminate any non-tariff trade barriers enacted by other countries.

Yet the U.S.'s misguided Cuba policy does exactly that against our own producers. Through the implementation of onerous bureaucratic requirements we have essentially unilaterally eliminated all U.S. rice sales to Cuba. We heartily agree with Congressman Moran's point that this is not an issue regarding trade. Trade is bilateral. This is an issue about SALES, and our inability to make them because of U.S. policies.

We disagree with the argument that the several pending Free Trade Agreements should somehow "go first" before rationalizing U.S. agriculture sales and travel to Cuba. This suggests a false choice between two desirable policy changes. If anything, changing our trade and travel policies toward Cuba is EASIER than negotiating and enacting Free Trade Agreements, since changing our policy toward Cuba requires only unilateral changes in U.S. policy.

There are a few pertinent points that we would like to further elucidate. Cuba is a major player in our hemispheric rice trade. In 2004, when Cubans were able to pay for agricultural goods before the change of title at the Cuban port, the U.S. exported 176,631 metric tons of rice to Cuba, valued at over \$64 million. This amounted to almost 10% of the total U.S. rice exports in the Western Hemisphere for that year. Since 2004, U.S. rice sales to Cuba have diminished with the addition of onerous restrictions on payment. In 2007 and 2008, Cuba bought more than 650,000 tons of rice annually, less than 2% of which came from the United States. Cuba is buying an increasing volume of farm goods from Canada and other U.S. competitors, who offer a high quality product free of bureaucratic red tape. The U.S. used to be the principal supplier of rice to Cuba, and our sales have now plummeted to zero because of self-inflicted wounds to our export sales.

Cuba spent more than \$2.5 billion on purchases of agricultural products in 2008, which represents an increase of more than 50% with respect to the \$1.6 billion of agricultural imports from 2007. Only 16% of Cuba's imports in 2007 and 2008 were U.S. bulk commodities. Our inability to provide credit or be a reliable supplier has disproportionately affected rice as seen in our current non-existent exports. As rice is a key staple in the Cuban diet, Vietnam has stepped in and provided credit and reliable rice supplies to the Cuban people, who number over 11.2 million. As in the earlier grain embargoes, our competitors benefit most from our unilateral sanctions. The cost of these sanctions is borne by U.S. farmers and the Cuban people.

Not only does this hurt us economically, but in today's current worry of climate change many have adapted the mantra of eating locally produced food. In rice trade with Cuba, we are the locals. Gulf Coast ports can have rice shipped to Cuba in 3 days, while our competitor Vietnam takes several weeks. The magnitude of difference in the carbon footprint of these transactions is vastly different.

I would also note that the 500,000 tons of rice required by Cuba (or more), represents all of Mississippi's annual rice production-supporting thousands of Mississippi farm and related jobs.

We would also note the Administration's recently announced trade strategy to increase exports. Rice could substantially contribute to this effort, at no cost to the government. A simple change in our bureaucratic processes could immediately result in millions of dollars in increased rice and other agricultural sales to Cuba.

ALIMPORT, Cuba's leading food importing agency, has estimated that Cuba could buy agricultural products from the U.S. valuing upwards of \$21 billion over 5 years if normal trade and no economic embargo restrictions were in place. This of course would be most significant to U.S. farmers, processors, exporters, and those in related industries.

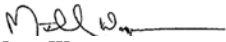
It was also raised several times in the hearing that Cuba imports food and agriculture products through a single desk trading entity—ALIMPORT. Trading with State Trading Entities is not new. The U.S. traded agriculture goods with STEs in many other countries in the past, including Australia, Mexico, the Soviet Union, Vietnam, and many others. Arguably that engagement helped to drive some centrally controlled economies toward more open markets, and to encourage the more open economies to move toward entering into Free Trade Agreements with the United States. We expect that trading with Cuba can move toward the same desirable result.

Similarly, we believe that granting American citizens the right to more freely travel to Cuba will yield positive economic benefits, as well documented by the U.S. International Trade Commission and more recent work by Texas A&M University. Enhancing the engagement between our peoples can have other salutary benefits, as we believe was the case in the former Soviet Union, its several satellite states, and other formerly closed countries.

For all of these reasons and those spelled out in our testimony before the Committee, we continue to strongly support the enactment of the H.R. 4645 Travel Restriction Reform and Export Enhancement Act.

Thank you again for holding the very timely hearing and for accepting these comments to supplement the testimony that we provided at the hearing.

Respectfully Submitted,


MIKE WAGNER.

SUPPLEMENTARY MATERIAL SUBMITTED BY JERRY McREYNOLDS, PRESIDENT,
NATIONAL ASSOCIATION OF WHEAT GROWERS; WHEAT PRODUCER, WOODSTON, KS
April 8, 2010

Hon. COLLIN C. PETERSON,
Chairman,
Committee on Agriculture,
House of Representatives,
Washington, D.C.;

Hon. FRANK D. LUCAS,
Ranking Minority Member,
Committee on Agriculture,
House of Representatives,
Washington, D.C.

Dear Chairman Peterson and Ranking Member Lucas:

Thank you for your interest in the issue of agricultural trade and travel with Cuba as discussed in the House Agriculture Committee hearing on March 11, 2010. I appreciated the opportunity to testify on behalf of the National Association of Wheat Growers (NAWG) regarding the importance of this issue to growers across the country and would ask that this additional information be included in the record for the March 11 hearing.


This letter specifically addresses the question regarding freight rate differentials on shipments to Cuba from different wheat origins. As requested, below are some general freight indications that U.S. Wheat Associates has compiled based on current values and sailing time for Cuba. Note that values change routinely based on market conditions such as ship availability and back-haul options. We believe these numbers speak very clearly as to the competitive advantage of U.S. wheat growers in shipping to the Cuban market.

Origin	Freight Rate	Sailing Time
Canada/St. Lawrence	\$48/metric ton	7 days
Argentina	\$46/metric ton	17 days
U.S. Gulf	\$26/metric ton	2 days

I hope this information is helpful and please don't hesitate to contact me or the staff of NAWG if you have any additional questions regarding this vital subject.

Thank you again for your work on behalf of U.S. agriculture and we look forward to continuing the dialogue about this and other issues of importance to our industry.

Sincerely,


JERRY McREYNOLDS,
President.