



Experts split on effect of ending Cuban export credit ban

By James C. Webster, Agri-Pulse

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Ending restrictions on travel and financial transactions with Cuba could double U.S. agricultural exports to Cuba, farm-state advocates told a U.S. International Trade Commission (USITC) hearing Tuesday. Nevertheless, two experts said that allowing the U.S. to finance sales to Cuba would be a risk for most U.S. exporters unless Cuba changes its policies.

Although the U.S. became Cuba's largest supplier of food and agricultural products after Congress allowed cash sales in 2000, about \$550 million annually, witnesses said potential growth has been hampered by Bush Administration regulations that limit business travel, require cash payments in advance and ban wire transfers between the countries.

"The federal government's policy, originally designed to oust Cuban President Fidel Castro, has failed miserably," said North Dakota Agriculture Commissioner Roger Johnson. "President Castro has outlasted 10 U.S. presidents. It is time for us to change our terribly misguided policy so that U.S. agricultural producers can capture that market and benefit from resumed trade relations."

Johnson's view was echoed by Bill J. Reed, vice president for public affairs of Riceland Foods, Inc., Stuttgart, Ark. **"Our industry believes that all U.S. economic sanctions and restrictions with respect to Cuba should be removed,"** he said. "There is no longer any justification for them." Reed described a "huge, but currently inaccessible, potential for rice exports to Cuba." Without restraints, he said the U.S. would have a competitive advantage to supply most of Cuba's annual imports of up to 600,000 metric tons of rice. U.S. rice sales to Cuba have averaged 163,000 metric tons for the past three years. Opening the Cuba market would increase U.S. rice farm value by an average of \$84 million a year, he said.

Gary C. Martin, CEO of the North American Export Grain Association, said Treasury Department rules governing sales to Cuba had "created a climate of commercial uncertainty," inhibiting business. He advocated **allowing direct payment by Cuba to U.S. banks and "expanded and more predictable business travel for U.S.**

commercial interests to Cuba.” The “significant logistical advantage” that the U.S has over competitor countries has increased with high commodity and freight prices, he said.

John S. Kavulich of the U.S.-Cuba Trade and Economic Council challenged many of the optimistic predictions of a boom in business if restrictions were eliminated. He argued that decisions that could lead to increased agricultural trade would need to be made in Havana rather than in Washington. “The government of Cuba must change,” he said. “The Cuban economy depends on not paying its debt.” **Kavulich said U.S. companies were “deathly afraid of being permitted to provide financing.”** CoBank, the largest lender for U.S. agricultural exports, has said that it would not finance exports to Cuba because of the risk of default.

William A. Messina Jr. of the University of Florida’s Institute of Food and Agricultural Sciences, who has predicted that U.S. farm exports to Cuba could reach \$1 billion a year under open trade and commercial relations, also said he could envision agricultural sales falling **“once the cash requirement is lifted as some U.S suppliers may not be willing to assume this risk.”**

Although USITC is not expected to make policy recommendations, it is scheduled to produce a report for the Senate Finance Committee by June 29 that will analyze the effect of U.S. restrictions on Cuba’s purchases of U.S. agricultural, fish and forestry products and estimate the potential if restrictions are ended.

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