

# AMERICAN AGRICULTURAL TRADE WITH CUBA

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## HEARING BEFORE THE COMMITTEE ON AGRICULTURE HOUSE OF REPRESENTATIVES ONE HUNDRED FOURTEENTH CONGRESS SECOND SESSION

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SEPTEMBER 14, 2016

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## AMERICAN AGRICULTURAL TRADE WITH CUBA

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WEDNESDAY, SEPTEMBER 14, 2016

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

The Committee met, pursuant to other business, at 10:00 a.m., in Room 1300 of the Longworth House Office Building, Hon. K. Michael Conaway [Chairman of the Committee] presiding.

Members present: Representatives Conaway, King, Thompson, Gibbs, Austin Scott of Georgia, Crawford, Gibson, Hartzler, Benishek, LaMalfa, Davis, Yoho, Walorski, Allen, Bost, Rouzer, Abraham, Moolenaar, Kelly, Peterson, David Scott of Georgia, Costa, Walz, McGovern, Vela, Lujan Grisham, Kuster, Nolan, Bustos, Maloney, Aguilar, Plaskett, Adams, Graham, and Ashford.

Staff present: Bart Fischer, Callie McAdams, Haley Graves, Jackie Barber, Matt Schertz, Stephanie Addison, Keith Jones, Liz Friedlander, Matthew MacKenzie, Faisal Siddiqui, John Konya, Nicole Scott, and Carly Reedholm.

### OPENING STATEMENT OF HON. K. MICHAEL CONAWAY, A REPRESENTATIVE IN CONGRESS FROM TEXAS

The CHAIRMAN. Good morning. The Committee on Agriculture hearing entitled, *American Agricultural Trade with Cuba*, will come to order.

I have asked G.T. to open us with a prayer. G.T.

Mr. THOMPSON. Thank you, Mr. Chairman. I am proud to lead us in prayer.

Heavenly Father, we just thank you for this glorious day. Lord, we thank you for the resources you provide us. Thank you for the fact that you provide us with this industry of agriculture that allows us to feed and clothe and give us building materials, and all the great things that come through your blessings. Lord, we pray for the Members of this Committee and those in attendance here, that you may minister to their needs and bless them. All this I pray in my savior's name, Jesus Christ. Amen.

The CHAIRMAN. Thank you.

The United States has a long and complicated relationship with our neighbor to the south. While our close proximity to Cuba makes the island nation a natural trading partner, the stranglehold the Castro regime has had on Cuba has long prevented normalized relations between our two countries.

That stranglehold resulted in the United States imposing an embargo on trade with Cuba that has been in place in various forms

for almost 60 years. In 2000, the Trade Sanctions Reform and Export Enhancement Act, known as TSRA, authorized certain sales of food, medicine, and medical equipment to Cuba, subject to various restrictions on credit and financing. One such restriction requires Cuba to pay cash-in-advance for purchases, interpreted in 2005 by the Bush Administration to mean payment in cash before goods were shipped.

In December 2014, amongst a host of other changes, the Obama Administration announced its intention to modify the cash-in-advance provisions to require payment before transfer of title. While that move was generally applauded, I, and many of my colleagues, believe the U.S. secured too little in return for the litany of other concessions made to the brutal regime that continues to remain in power. The Castro regime remains one of the world's most oppressive human rights violators. Their heavy hand is in everything, including agriculture, where ALIMPORT remains the sole entity allowed to trade in agricultural products with foreign entities.

Against this sobering backdrop, I believe there lays an opportunity, albeit a rather narrow one, to make changes that will positively benefit both agricultural producers here at home, while contributing to economic growth in Cuba. To that end, our colleague and General Farm Commodities and Risk Management Subcommittee Chairman, Rick Crawford, authored the Cuba Agricultural Exports Act, H.R. 3687, which lifts the financing restrictions under TSRA, while providing for both market promotion and U.S. agribusiness investment under strict safeguards. The Committee was involved in the development of that bill, and both Ranking Member Peterson and I are cosponsors.

While I am very hopeful that we can find a path forward on expanding agricultural trade with Cuba, I remain firmly opposed to lifting the embargo or restrictions on travel. We are dealing with a regime that cares about little more than ensuring its own perpetuity and prosperity, all at the expense of the Cuban people. That being said, I think we all look forward to the day when the United States enjoys full, normalized relations with Cuba.

I also realize this is an issue where good folks will disagree, often quite passionately. That generally applies to both proponents and opponents of expanding agricultural trade with Cuba alike. My intention today is to have a respectful, constructive dialogue, with the goal of exploring common ground.

With that, I thank our witnesses for being here today.

[The prepared statement of Mr. Conaway follows:]

PREPARED STATEMENT OF HON. K. MICHAEL CONAWAY, A REPRESENTATIVE IN  
CONGRESS FROM TEXAS

The United States has a long and complicated relationship with our neighbor to the south. While our close proximity to Cuba makes the island nation a natural trading partner, the stranglehold the Castro regime has had on Cuba has long prevented normalized relations between our two countries.

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The CHAIRMAN. I recognize Mr. Peterson for any comments he would like to make. Collin.

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

Mr. PETERSON. Well, thank you, Mr. Chairman. And I also want to welcome today's witnesses to the Agriculture Committee.

As people know, I have been a long-time supporter of expanding trade with Cuba. Some of you who were here at the time when I was Chairman may remember that we passed legislation in this Committee that would expand U.S. agriculture exports, and allow Americans to travel to Cuba more freely. Unfortunately, that legislation died when it went to the Foreign Affairs Committee.

Now, as we are all aware, the Administration has taken steps to ease both trade and travel restrictions, and I believe this is a good step, but there is still more work to be done and more work we can do to open this market to American agricultural products.

I disagree with the Chairman; I would like to see the embargo lifted, but I am doubtful it is politically possible to do so.

I do want to caution some of our friends in the Agriculture Committee, however, about some of these glowing press reports that I see after they have traveled to Cuba. I was there last year, but, with the exception of rice and wheat, maybe dry edible beans, lentils, the potential benefits are limited, at least in my opinion, in the short-term because Cuba is a small country, and most people living there have a very limited income. Whatever we do will be positive, but some of these press reports you would think that it was like the whole world would be overturned if we do something there. When you have people making \$20 a day, there is not a whole lot

they can buy, outside of staples. So we need to keep things in balance here.

I don't know what it is going to take to get the incomes going up in Cuba, given the regime that is there, which I do agree with the Chairman that they leave a lot to be desired. And lifting the embargo would actually help raise the income in Cuba and, therefore, make it more likely that they would have money to buy things, going forward.

As I said, long-term trade with Cuba is going to be a benefit to U.S. agriculture, to the Cuban people, and I will do what I can, working with my colleagues, to see that that happens.

So again, I thank the chair, and look forward to today's testimony.

The CHAIRMAN. The gentleman yields back. Thank you.

The chair would request that other Members submit their opening statements for the record so our witnesses may begin their testimony, and to ensure that there is ample time for questions.

I would now like to welcome to our witness table Mark Isbell, a rice producer from North Little Rock, Arkansas, on behalf of USA Rice. Mr. Matt Gibson, Vice President and General Manager of the Grain Division, Bunge North America, St. Louis, Missouri, on behalf of the North American Export Grain Association. And Matt's adult supervision is in the room. His son, Bryan, is here to make sure that Dad does it right. Ms. Karen Lowe is Senior Vice President and the Ag Export Finance Division Head at CoBank ACB, Greenwood Village, Colorado. Dr. Luis Ribera, Associate Professor, Extension Economist and Director, Center for North American Studies, Department of Agricultural Economics, Texas A&M University, College Station. And then we have Mr. Mauricio Claver-Carone, Executive Director, Cuba Democracy Advocates, here in Washington, D.C.

And with that, Mr. Isbell, you are recognized for 5 minutes.

**STATEMENT OF MARK ISBELL, PARTNER, ZERO GRADE FARMS, NORTH LITTLE ROCK, AR; ON BEHALF OF USA RICE FEDERATION**

Mr. ISBELL. My name is Mark Isbell and I am a fourth generation rice farmer. My family and I grow 3,000 acres of rice annually on our farm in Lonoke County, Arkansas.

Two days ago, I was sitting on a tractor on our farm, and today, I am here in our nation's capital speaking with you. It is a remarkable privilege that we live in a country where that can happen. I am grateful for the opportunity to appear before the Committee today on behalf of the USA Rice Federation to discuss the importance of agricultural trade with Cuba.

Rice harvest is underway, and I wouldn't be here without the help of my family who is harvesting even now, and I also wouldn't be here if I did not realize the incredible importance of this issue for our farm families and farm communities across our country.

The USA Rice Federation represents all segments of the U.S. rice industry. And in the U.S., rice is grown on more than 3 million acres, with the majority being in eight states that include Arkansas, California, Florida, Illinois, Louisiana, Mississippi, Missouri, and Texas.



My grandfather started our rice farm in Arkansas soon after returning from World War II. In those days, Cuba was a major importer of U.S. rice. He was only 38, 3 years older than I am now, when the Cuban embargo began, and though he always hoped to see it, he never again saw any significant amounts of U.S. rice making its way back to the island before his death at age 90.

The Cuban market holds great potential for U.S. farmers, however, we are faced with obstacles, and they are not logistical, and have nothing to do with our product's quality or our ability to compete in the global marketplace. The obstacles we face in selling our rice to Cuba are statutory obstacles. With your help, these obstacles can be overcome.

As an export-dependent commodity, we are continually looking for new markets like Cuba to maintain a profitable industry. At the same time, our markets are threatened by excessive government supports for rice producers in key advanced developing countries, like Brazil, India, China, Thailand, and Vietnam, that distort global markets.

Over 50 years ago, rice shipments from the U.S. accounted for more than  $\frac{1}{2}$  of Cuba's imports, but since the embargo, an essentially dormant relationship between the U.S. and Cuba persisted for decades. And during that period, Cuba sought their imports from other countries, as the U.S. shipped rice to every island nation except for the one most significant to our industry's vitality.

Prospects brightened with the passage of TSRA of 2000 when U.S. agricultural and food exports to Cuba were granted, what many of us believed at the time to be a broad exemption from the embargo. In November of 2001, the industry made its first sale of U.S. rice to Cuba since the embargo was imposed. The sales showed what can happen when barriers are removed, and people meet and find common ground for cooperation and trade. Following that first sale, more continued, and as recently as 2004, sales of U.S. rice to Cuba were valued at \$64 million.

But what might have been a renaissance in trade instead became a brief anomaly. Due to a regulatory change in the definition of *payment of cash-in-advance* in 2005, U.S. rice exports to Cuba again dropped to zero. We learned from this experience that, given the opportunity, Cubans will buy our rice, however, as a cash-deficient economy, the Cubans need flexibility in obtaining credit to purchase commodities, globally, everyone has offered it to them except for the U.S. The question is not if Cuba will buy American rice, the question is when our country will let them.

The answer to that question lies with you, the Members of this Committee, and your colleagues in Congress.

Today Cuba imports about \$300 million worth of predominantly Vietnamese rice, which travels over 16,000 miles to reach Havana, while our southern ports are close by. With appropriate statutory changes, the U.S. could regain 30 percent of the Cuban rice business within 2 years. That is an estimated 135,000 metric tons of new demand, and we anticipate the U.S. share of the market would exceed 50 percent within 5 years, and 75 percent or more within 10.

I recently had the opportunity to travel to the island with Committee Members Abraham and Crawford, and I saw firsthand the

opportunity before us in Cuba. I am just one of many farmers to make that journey to Cuba in the last 2 years, and we, like many of the Cuban citizens, share the same optimism for improving our relations.

We are grateful for the progress that has been made recently, however, obstacles to conducting normal trade with Cuba still exist, and for U.S. commodities to compete on a level playing field with foreign competitors, Congressional action will be required.

As I stated earlier, the fact that a farmer can leave a rice field and travel to Washington to talk about issues that affect his industry says much about what is great about our country. However, the fact that a farmer has to leave his family's rice field and petition Congress to allow him to sell his family's goods on the open market speaks to some small thing that is broken within our system. That something that is broken is something that you can fix.

Congressman Crawford's bill is an attainable path forward toward the natural lifting of U.S. commodity prices, and could be the beginning of the end of a multigenerational policy that hindsight has proven ineffective in helping the Cuban people, and harmful to our farm economies.

USA Rice appreciates the opportunity to provide our views to the Committee and its distinguished Members, and I look forward to responding to any questions you have.

[The prepared statement of Mr. Isbell follows:]

PREPARED STATEMENT OF MARK ISBELL, PARTNER, ZERO GRADE FARMS, NORTH  
LITTLE ROCK, AR; ON BEHALF OF USA RICE FEDERATION

My name is Mark Isbell, and I'm a fourth generation rice farmer. My Father, Mother, Brother-in-Law, Cousin and I grow 3,000 acres of rice annually on our farm in Lonoke County, Arkansas. Our family has farmed there for nearly 100 years.

Two days ago I was sitting on a tractor on our farm, and today I am here in our nation's capital speaking with you. It is a remarkable privilege that we live in a country where that can happen.

I am here today to discuss the importance of agricultural trade with Cuba and share the perspective of a farmer who simply wants to sell his goods in a free and open marketplace.

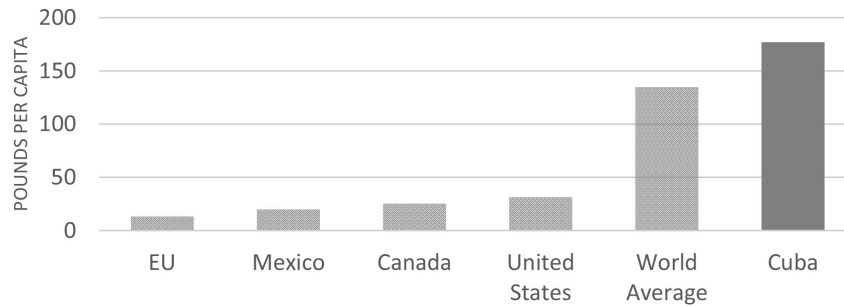
Rice harvest is underway on our farm and across our country, and I wouldn't be here without the help of my family back home who is harvesting even now. I also wouldn't be here if I did not realize the incredible importance of this issue for our farm families and farm communities across our country.

I am grateful for the opportunity to appear before the Committee today on behalf of the U.S. farmer and the USA Rice Federation.

The USA Rice Federation represents all segments of the U.S. rice industry from the farmers to the millers to the merchants and other allied businesses. Here in the U.S., rice is grown on more than 3 million acres, with the majority being grown in eight states including Arkansas, California, Florida, Illinois, Louisiana, Mississippi, Missouri, and Texas. Our industry markets rice in all 50 states and to 125 countries worldwide. USA Rice is a leading organization among commodity groups advocating for normal commercial relations, including the removal of financing restrictions on agricultural sales to Cuba, and works closely with multiple coalitions to raise awareness within Congress and the Administration on potential benefits. As a member of the USA Rice's International Promotion Committee, I can attest that gaining access to the Cuban market has been a long-time priority for the entire industry.

My grandfather started our rice farm soon after returning from World War II. In those days, Cuba was a major importer of U.S. rice. He was only 38—3 years older than I am now—when the Cuban embargo began, and though he always hoped to see it, he never again saw any significant amount of U.S. rice making its way back to the island before his death 2 years ago at age 90.

### Rice Consumption of Select Countries



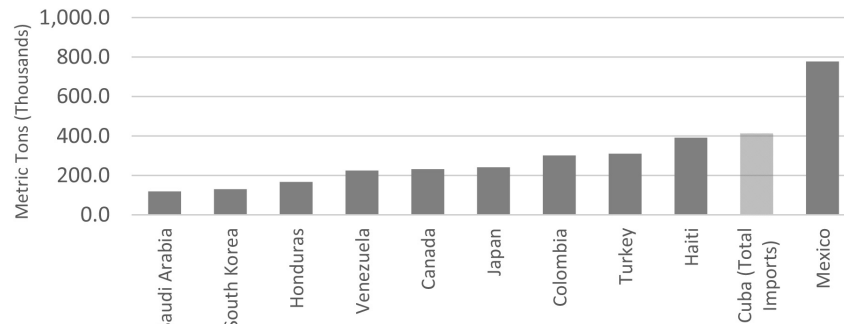
**Source:** University of Arkansas.

Today, Arkansas grows more than  $\frac{1}{2}$  of the rice in the U.S., most of which is long grain, the type consumed by the people of Cuba. Cuba imports nearly 600,000 tons of rice per year, and yet none originates in Arkansas, or anywhere in the U.S. for that matter.

I believe the Cuban market holds great promise for U.S. farmers. The obstacles we currently face in selling our rice to Cuba are not logistical. The obstacles we face in selling our rice to Cuba have nothing to do with our product's quality or our ability to compete in the global marketplace. The obstacles we face in selling our rice to Cuba are statutory obstacles. With your help, these obstacles can be overcome.

The United States exports  $\frac{1}{2}$  of the rice produced here annually. Maintaining existing markets and securing new markets are critical to the rice industry's success and to the economies in rice growing, milling, and marketing states. Our largest export markets include Canada, Mexico and Central America. As an export-dependent commodity, we are continually looking for new markets, like Cuba, to maintain a profitable industry. At the same time, our markets are threatened by widespread and excessive government supports for rice producers in key advanced developing countries like Brazil, India, Thailand and Vietnam that distort global markets.

### Top 10 Export Markets for U.S. Rice and Potential Cuban Market



Prior to the U.S. embargo on Cuba more than 50 years ago, annual rice shipments from the U.S. reached as much as  $\frac{1}{4}$  million metric tons, accounting for more than  $\frac{1}{2}$  of Cuba's rice imports. But since the embargo, an essentially dormant relationship between the U.S. and Cuba persisted for decades. During that period, Cuba sought their imports from other countries as the U.S. shipped rice to every island nation except for the one most significant to our industry's vitality.

Prospects brightened with passage of the Trade Sanctions Reform and Export Enhancement Act of 2000, when U.S. agriculture and food exports to Cuba were granted what many of us believed at the time to be a broad exemption from the embargo.

In November 2001, the industry made the first sale of U.S. rice to Cuba since the embargo was imposed.

The Cuban importers were well-informed and professional during negotiations through the final execution of that sale. The quality of rice they had purchased from U.S. farmers was met with excitement when it arrived at the Port of Havana. The sale showed what can happen when barriers are removed and people are allowed

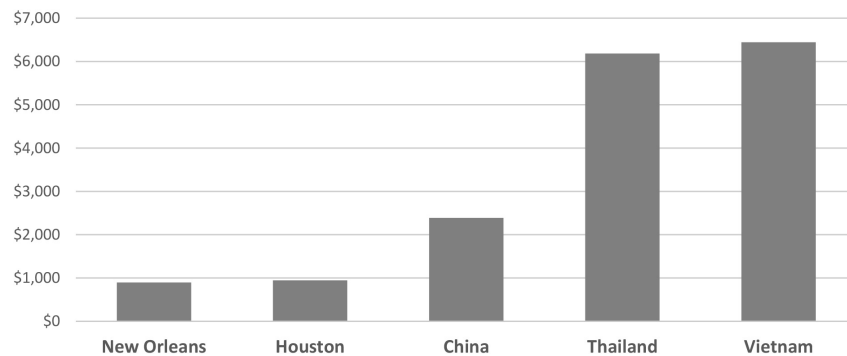
to meet and find common ground for cooperation and trade. Following the first sale, several more continued, and as recently as 2004, sales of U.S. rice to Cuba were valued at \$64 million. However, this wave of excitement was seriously curtailed, and what might have been a renaissance in trade instead became a brief anomaly. Due to a regulatory change in the definition of “payment of cash-in-advance” in 2005, U.S. rice exports to Cuba again dropped to zero.

What we learned from this experience is that given the opportunity, Cubans will buy our rice. However, as a cash-deficient economy, the Cubans need flexibility in attaining credit to purchase our products; globally, everyone has offered it to them except for the U.S. The question is not if Cuba will buy American rice, or even how they will buy American rice. The question is when we as a country will let them.

The answer to that question lies with you, the Members of this Committee and your colleagues in Congress.

Today, Cuba imports about \$300 million worth of predominantly Vietnamese rice on an annual basis. To put that in perspective, those Vietnamese exports are traveling over 16,000 miles to reach Havana, while our southern ports are close by. The U.S. is positioned with every advantage to serve the rice needs of the Cuban people in terms of required transit time, the cost of freight, and the cost of the rice.

#### **Average Cost of Shipping a Container of Rice to Cuba from Major Rice Exporting Ports**



Source: USDA-Economic Research Service, World Freight Rates.

With the appropriate statutory changes, the U.S. could regain 30 percent of the Cuban rice business within 2 years. That is an estimated 135,000 metric tons of new demand and we anticipate the U.S. share of the market would exceed 50 percent within 5 years, and it could reach 75 percent or more within 10 years with full commercial relations.

USA Rice Federation and rice farmers like myself and my family are committed to building the Cuban market for our product. I recently had the opportunity to travel to the island with Committee Members, Congressmen Abraham and Crawford, and I saw firsthand the opportunity before us in Cuba. I'm just one of many farmers to make the short journey to Cuba in the last 2 years, and we, like many of the citizens of Cuba, share the same optimism for improving our relations.

We are grateful for some of the apparent progress that has been made recently with respect to trade with Cuba. However, obstacles to conducting normal trade with Cuba still exist, and solutions require action by Congress. Normal commercial relations must be restored for U.S. rice exports and other U.S. commodities to have the opportunity to compete on a more level playing field with foreign competitors.

As I stated earlier, the fact that a farmer can leave a rice field and travel to Washington to talk about issues that affect his industry says much about what is great about our Country. However, on this issue, the fact that a farmer has to leave his family's rice field and petition Congress to allow him to sell his family's goods on the open market speaks to some small thing that is broken within our system.

That something that is broken is something that you can fix.

Many Members of this Committee have cosponsored legislation aimed at eliminating the restrictions on agricultural financing and agricultural trade with Cuba. Congressman Crawford's bill, H.R. 3687, the Cuba Agricultural Exports Act, is an attainable path forward towards a natural lifting of U.S. commodity prices, and could be the beginning of the end of a multi-generational policy that in hindsight

has proven ineffective in helping the Cuban people and harmful to our farm economies.

USA Rice appreciates the opportunity to provide our views to the Committee and its distinguished Members, and I look forward to responding to any questions you may have.

The CHAIRMAN. Thank you. Mr. Gibson.

**STATEMENT OF MATTHEW K. GIBSON, VICE PRESIDENT AND  
GENERAL MANAGER, GRAIN DIVISION, BUNGE NORTH  
AMERICA; MEMBER, EXECUTIVE COMMITTEE, NORTH  
AMERICAN EXPORT GRAIN ASSOCIATION, ST. LOUIS, MO**

Mr. GIBSON. Good morning. Thank you for the opportunity to testify this morning. I am Matt Gibson, Vice President and General Manager of Bunge North America's Grain Division. It is my honor and pleasure to testify on behalf of North American Export Grain Association, NAEGA. NAEGA, a not-for-profit organization chartered in 1912, works to promote and sustain the development of export trade from the United States of grain, oilseeds, and primary products processed therefrom. Bunge is a commodity trading and logistics food ingredients company with a global footprint, headquartered in White Plains, New York. With over 35,000 employees that stretch the globe on four continents and 40 countries, Bunge has been a part of the world food security solution for nearly 200 years, by helping farmers connect seamlessly with our customers through logistics and the processing of high-quality products ranging from animal feed to consumer foods to renewable fuels.

Trade is the lifeblood of NAEGA and its member companies, such as Bunge. Bunge, as well as NAEGA, understand that an expanding and well-developed global marketplace for food and agricultural products provides for a trading environment that meets the needs of all stakeholders by signaling to farmers what to produce, and investors, where to deploy their capital, so that we can most efficiently and effectively meet the needs of a growing world population. Practically speaking, Bunge serves two sets of customers; the farmer and the end-use customer.

When it comes to the opportunity for agricultural trade with Cuba, our two sets of customers are very much aligned. Both see economic growth and improved diets as fundamental to their interest. Both seek to access these markets. U.S. farmers would like the freedom to sell their products into markets who appreciate the high quality of products the United States has to offer. Food companies would like to buy high-quality food at competitive prices. The U.S. has both productivity and logistical advantage in meeting Cuba's needs.

As you well know, the Trade Sanctions Reform and Export Enhancement Act of 2000 allowed the United States to export agricultural products and medical supplies to the island. For several years thereafter, we saw a climbing market share in agricultural products. Over the past 8 years, however, that market share has deteriorated drastically. Cuba has imported zero wheat or rice from the United States over the past 5 years. Whether it is USDA's Foreign Agricultural Service or the recently published International Trade Commission report on the subject, most sources cite financing as

the restriction most significant for the reason for the decline of U.S. ag exports to Cuba.

The Dominican Republic bears many similarities to Cuba in terms of population and per capita income level. Between 2013–2015, the Dominican Republic imported \$1.3 billion worth of agricultural products from the United States. During the same time, Cuba, however, imported only \$262 million from the U.S. That is over \$1 billion the U.S. agricultural industry left on the table due to financing restrictions under which we must currently operate.

It is not that Cuba is not importing these products. They very much are. According to USDA's Foreign Agricultural Service, Cuba is buying wheat from the EU and Canada, corn from Argentina and Brazil, rice from Vietnam, soybean oil from Brazil, animal feed from Argentina and Mexico, and pulses from China. These are our competitors. These countries are able to compete and win in a market where we should be exceptionally competitive due to our quality, proximity, and time of delivery. We expect that Cuba's need for these products will grow. Cuba's GDP is expected to grow significantly over the next 5 years. And with an expanding middle class, the ease of travel restrictions from the U.S., agricultural imports will become increasingly necessary. While Cuba may never be a trading partner to the scale of Mexico and Canada, tangible effects would benefit the agriculture industry. Cuba depends on agricultural imports in order to feed its people. With the help of Congress to ensure that the United States has the ability to finance agricultural exports from the United States, we can once again play an important role in Cuba's security.

Thank you again, and I look forward to any questions you might have.

[The prepared statement of Mr. Gibson follows:]

PREPARED STATEMENT OF MATTHEW K. GIBSON, VICE PRESIDENT AND GENERAL MANAGER, GRAIN DIVISION, BUNGE NORTH AMERICA; MEMBER, EXECUTIVE COMMITTEE, NORTH AMERICAN EXPORT GRAIN ASSOCIATION, ST. LOUIS, MO

Good morning—thank you for the opportunity to testify this morning. I am Matt Gibson, Vice President and General Manager of Bunge North America's Grain Unit. It is my honor and pleasure to testify on behalf of the North America Export Grain Association (NAEGA).

NAEGA, a not-for-profit organization chartered in 1912, works to promote and sustain the development of the export trade from the United States of grains, oilseeds and primary products processed therefrom. NAEGA consists of private and publicly owned companies and farmer-owned cooperatives that are involved in and provide services to the bulk grain and oilseed exporting industry. Through a reliance on member action and support, NAEGA acts to accomplish this mission from its office in Arlington, VA, and in markets throughout the world.

Bunge is a leading agribusiness and food company with integrated operations that circle the globe, stretching from the farm field to the retail shelf. Founded in 1818 in Amsterdam, Bunge has been part of the world food security solution for nearly 200 years. We have expanded our operations and capabilities with the development of modern agriculture around the world and today, we have facilities in more than 40 countries on four continents. More than 35,000 employees help farmers produce larger harvests, connect seamlessly with growers, processors, handlers and customers, maintain relationships within and among regions, and produce our own high-quality products ranging from animal feed to consumer foods to renewable fuels. Bunge was a privately-held company for most of its history and in 1999, we moved our headquarters to White Plains, New York in anticipation of going public in 2001.

Trade is the life blood of NAEGA and its member companies, such as Bunge. Bunge, as well as NAEGA understand that an expanding and well-developed global

marketplace for food and agriculture products provides for a trading environment that meets the needs of all stakeholders by signaling to farmers what to produce and investors where to deploy their capital so that we can most efficiently and effectively meet the need of a growing world population.

Practically speaking, Bunge serves two sets of customers—the farmers and the end-use customer—which is often a food company that will further process our ingredients and ultimately provide a finished product to the consumer. At times, these two customers have conflicting interests but share several important objectives. Farmers want to sell their crop at the highest price possible to recoup their significant investment in land, labor and input costs. Food companies want to purchase food and food ingredients at a low price in order to develop them into an end product that is profitable yet affordable for the consumer. By the nature of our business, our world is spent striking the appropriate balance between those two sets of constituencies.

When it comes to the opportunity for agriculture trade with Cuba, however, our two sets of customers are very much aligned. Both see economic growth and improved diets as fundamental to their interests. Both seek access to markets. U.S. farmers would like the freedom to sell their product into a market which appreciates the high quality of products the United States has to offer. Cubans would like to buy high-quality ingredients at a competitive price. The U.S. has both productivity and logistical advantages in meeting Cuba's needs. In this instance when our two sets of customers' views are aligned, we must position ourselves to meet their needs.

As you well know, the Trade Sanctions Reform and Export Enhancement Act of 2000, allowed the United States to export agriculture products and medical supplies to the island. And for several years thereafter, we saw a climbing demand for agriculture products. Over the past 8 or so years, however, that demand has deteriorated drastically. In fact, in the past 5 years, Cuba has imported zero wheat or rice from the United States. Most sources, including USDA's Foreign Agricultural Service or the recently published International Trade Commission report on the subject, cite financing restrictions as the most significant reason for the decline in U.S. ag exports to Cuba.

The Dominican Republic bears many similarities to Cuba in terms of population and per-capita income level. Between 2013 and 2015, the Dominican Republic imported \$1.3 billion worth of agriculture products from the United States. During this same time, Cuba, however, imported only \$262 million from the U.S.<sup>1</sup> That is over \$1 billion to the U.S. agriculture industry left on the table due to the financing restrictions under which we must currently operate. In a low-margin business, such as ours, these numbers have a significant impact on the agriculture supply chain from the farmer to the retailer. It is not that Cuba isn't importing these products. They very much are. According to USDA's Foreign Agricultural Service, Cuba is buying wheat from the EU and Canada; corn from Argentina and Brazil; rice from Vietnam; soybean oil from Brazil; animal feed from Argentina and Mexico; and pulses from China. These are our competitors. These countries are able to compete and win in a market where we should be exceptionally competitive due to quality, proximity and time of delivery. And we expect that Cuba's need for these products will continue to grow. Cuba's GDP is expected to grow significantly over the next 5 years, and with an expanding middle class, and ease of travel restrictions from the U.S., agricultural imports will become increasingly necessary. While Cuba may never be a trading partner to the scale of Mexico or Canada, tangible effects would benefit the agriculture industry.

For the leading U.S.-based companies who buy grain and oilseeds from farmers, the effect of U.S. sanctions on Cuba reaches beyond the United States to the global supply chain.

As mentioned earlier, Cuba is buying grain from countries such as Argentina and Brazil. Many global agribusiness companies have operating companies in these countries as well, but for those which are U.S.-headquartered, current sanctions also prevent these Brazilian and Argentine affiliates from selling to Cuba. This creates an un-level playing field between U.S.-headquartered companies and our other competitors costing us and our farmer customers sales opportunities.

Cuba depends on agriculture imports in order to feed its people. It is estimated that imports account for between 60 and 80% of a Cuban's daily caloric consumption.<sup>2</sup> With the help of Congress to ensure that Cuba has the ability to finance agriculture exports from the United States, as well as removing any barriers to trade

<sup>1</sup>Mark A. McMinimy, *Financing U.S. Agricultural Exports to Cuba* (CRS Insight: June 2016).

<sup>2</sup>Brian D. Healy, *U.S. Agricultural Exports to Cuba Have Substantial Room for Growth* (Foreign Agricultural Service *International Agricultural Trade Report*: June 22, 2015), 5.

by affiliates of U.S. headquartered companies, we can once again play an important role in Cuba's food security.

Thank you again, and I look forward to any questions that you may have.

The CHAIRMAN. Thank you. Ms. Lowe.

**STATEMENT OF KAREN LOWE, SENIOR VICE PRESIDENT AND  
MANAGER, AGRICULTURE EXPORT FINANCE DIVISION,  
CoBANK ACB, GREENWOOD VILLAGE, CO**

Ms. LOWE. Good morning, Chairman Conaway, Ranking Member Peterson, and Members of the Committee. I appreciate the opportunity to appear before the Committee today.

I am Karen Lowe, Senior Vice President and Division Manager of Agriculture Export Finance for CoBank. Thank you for calling this hearing.

CoBank is one of the nation's largest providers of credit to agriculture and other rural industries. With approximately \$125 billion in assets, the bank provides loans, leases, and other financial services to farmer-owned agricultural cooperatives and rural infrastructure businesses in all 50 states. That includes my division, which provides export financing for companies shipping agricultural commodities and food products to markets all over the world.

CoBank is a member of the Farm Credit System, and also serves as the funding bank for affiliated farm credit associations, serving approximately 75,000 farmers and ranchers around the country. As a borrower-owned financial institution, CoBank returned \$514 million in patronage to our customers in 2015. That provided a 100 basis point reduction in the interest rate paid by most of our retail customers. Over the last 5 years, that total patronage return has exceeded \$2.2 billion. That is revenue that is invested and stays in our rural communities.

I am here to discuss CoBank's export financing work and the impact that Congressman Crawford's bill, H.R. 3687, the Cuba Agricultural Exports Act, would have on removing barriers to exporting agricultural commodities to Cuba.

CoBank is a leading global trade finance provider for U.S. agricultural exports, with approximately \$4.5 billion in export loans outstanding. CoBank provides trade finance for the export of multiple American commodities to over 30 countries, including developing markets. These are the products grown in Congressional districts represented on this Committee. Your farmers produced these products, but they typically don't export them directly. We work with the companies and banks that engage in those exports to make efficient and effective markets for American farmers.

As the Members of the Committee will realize, we are in an extended period of low prices on most agricultural commodities. This harsh reality makes every market, no matter the size, important to help move the crop and support prices. At the same time, sovereign risk in many emerging markets is increasing due to economic and geopolitical risk factors, which increases exporters' need for payment risk mitigation as well as the need for financing.

CoBank offers trade finance products such as letters of credit and loans. These products help our customers mitigate their foreign receivables collection risk and/or offer payment terms to make their products more competitive in the marketplace. CoBank's export fi-



nancing business benefits U.S. companies, including those focused on emerging markets. These markets include countries like China, Indonesia, Vietnam, Turkey, Saudi Arabia, Colombia, and Guatemala. Our largest market is South Korea, and our smallest the Dominican Republic.

CoBank's Agriculture Export Finance division has two types of customers; the American exporter and the correspondent bank in the importer's country. We are proud of our work to support the export of agricultural commodities, and it is an important benefit to our customers and our country's economy.

I would like to focus for a moment on H.R. 3687, introduced by Congressman Crawford. CoBank appreciates this effort to reduce barriers to ag exports to Cuba. Specifically, his bill would repeal restrictions on export financing for ag shipments to Cuba. In this time of low prices, it would help expand a market just 90 miles from Florida. The bill would also give producers and processors access to the USDA promotion programs for ag exports, such as the Market Access Program and the Foreign Market Development Program. These can help American producers compete more effectively in this market, while ensuring that U.S. taxpayer funds do not end up in the hands of the Cuban Government.

At CoBank, we fully recognize this bill will not eliminate all of the challenges in trading with Cuba. A number of additional issues will need to be addressed, including a lack of transparency in the Cuban banking system, questions of repayment ability, contract enforceability, and even the establishment of a non-government import entity. All of these challenges will need to be addressed, going forward, to completely open the flow of trade between our countries.

But in the meantime, CoBank strongly believes that every effort should be made to expand markets. This will help us further realize world-leading production capabilities of U.S. farmers and ranchers, as well as further solidify our position as the premiere provider of food, fiber, and nutrition to a growing world population. This will provide meaningful benefits to your constituents, U.S. agriculture, our rural communities, and the broader U.S. economy. We think H.R. 3687 is a good idea.

I appreciate the chance to join you today, and I look forward to the opportunity to address your questions.

[The prepared statement of Ms. Lowe follows:]

PREPARED STATEMENT OF KAREN LOWE, SENIOR VICE PRESIDENT AND MANAGER, AGRICULTURE EXPORT FINANCE DIVISION, COBANK ACB, GREENWOOD VILLAGE, CO

Good morning Chairman Conaway, Ranking Member Peterson, and Members of the Committee. I appreciate the opportunity to appear before the Committee today. I am Karen Lowe, Senior Vice President and Division Manager of Agriculture Export Finance for CoBank. Thank you for calling this hearing.

CoBank is one of the nation's largest private providers of credit to agriculture and other rural industries. With approximately \$125 billion in assets, the bank provides loans, leases and other financial services to farmer-owned agricultural cooperatives and rural infrastructure businesses in all 50 states. That includes my division which provides export financing for companies shipping agricultural commodities and food products to markets all over the world.

CoBank is a member of the Farm Credit System and also serves as the funding bank for affiliated Farm Credit associations serving approximately 75,000 farmers and ranchers around the country. As a borrower-owned financial institution, CoBank returned \$514 million in patronage to our customers in 2015. That provided

a 100 basis point reduction in the interest rate paid by most of our retail customers. Over the last 5 years, that the total patronage returned has exceeded \$2.2 billion. That is revenue that is invested and stays in our rural communities.

I am here to discuss CoBank's export financing work and the impact that Congressman Crawford's bill, H.R. 3687, the Cuba Agricultural Exports Act would have on removing barriers to exporting agricultural commodities to Cuba.

CoBank is a leading global trade finance provider for U.S. agricultural exports, with approximately \$4.5 billion in export loans outstanding. CoBank provides trade finance for the export of multiple American commodities to over 30 countries, including developing markets. These are the products grown in Congressional Districts represented on this Committee. Your farmers produce these products, but they typically don't export them directly. We work with the companies and banks that engage in those exports to make efficient and effective markets for American farmers.

As the Members of this Committee well realize, we are in an extended period of low prices on most agricultural commodities. This harsh reality makes every market, no matter the size, important to help move the crop and support prices. At the same time, sovereign risk in many emerging markets is increasing due to economic and geopolitical risk factors, which increases exporters' need for payment risk mitigation as well as the need for financing.

CoBank offers trade finance products such as letters of credit and loans. These products help our customers mitigate their receivables collection risk and/or offer payment terms to make their products more competitive in the marketplace.

CoBank's export finance business benefits U.S. companies, including those focused on emerging markets. These include countries like China, Indonesia, Vietnam, Turkey, Saudi Arabia, Colombia, and Guatemala. Our largest market is South Korea and our smallest the Dominican Republic. CoBank's Agriculture Export Finance Division ("AEFD") has two types of customers: the American exporter and the correspondent bank in the importer's country.

We are proud of our work to support the export of agriculture commodities and it is an important benefit to our customers and our country's economy.

I would like to focus for a moment on H.R. 3687, the Cuba Agricultural Exports Act introduced by Congressman Crawford. CoBank appreciates this effort to reduce barriers to ag exports to Cuba. Specifically, his bill would repeal restrictions on export financing for ag shipments to Cuba. In this time of low prices, that would help expand a market just 90 miles from Florida.

The bill would also give producers and processors—CoBank's customers—access to the USDA promotion programs for ag exports, such as the Market Access Program and the Foreign Market Development Program. These can help American producers compete more effectively in this market, while ensuring that U.S. taxpayer funds do not end up in the hands of the Cuban Government.

At CoBank we fully recognize that this bill will not eliminate all the challenges in trading with Cuba. A number of additional issues will need to be addressed, including a lack of transparency in the Cuban banking system, questions of repayment ability, contract enforceability, even the establishment of a non-government import entity. All of these challenges will need to be addressed, going forward, to completely open the flow of trade between our countries.

But, in the meantime, CoBank strongly believes that every effort should be made to expand markets. That will help us further realize the world-leading production capabilities of U.S. farmers and ranchers, as well as further solidify our position as the premier provider of food, fiber and nutrition to a growing world population. This will provide meaningful benefits to your constituents, U. S. agriculture, our rural communities, and the broader U.S. economy. We think H.R. 3687 is a good idea.

I appreciate the chance to join you today and look forward to the opportunity to address your questions.

The CHAIRMAN. Thank you, Ms. Lowe. Dr. Ribera.

**STATEMENT OF LUIS A. RIBERA, Ph.D., ASSOCIATE PROFESSOR, EXTENSION ECONOMIST, AND DIRECTOR, CENTER FOR NORTH AMERICAN STUDIES, DEPARTMENT OF AGRICULTURAL ECONOMICS, TEXAS A&M UNIVERSITY, COLLEGE STATION, TX**

Dr. RIBERA. Mr. Chairman, and esteemed Members of the Committee, thank you for the opportunity to testify on agricultural trade with Cuba.

I am Luis Ribera, the Director of the Center for North American Studies, and the Program Director for International Projects for the Agricultural and Food Policy Center, both at Texas A&M University.

The Center for North American Studies has over 15 years of experience working on Cuban-related issues, and has conducted dozens of economic impact analyses, examining how increasing U.S. food and agricultural exports to Cuba will impact the U.S. economy and the economies of the states that produce those products for export.

In general, we find that export creates jobs. And exports to Cuba are no exception. For every \$73,600 in U.S. food and agricultural export to Cuba, one job is created in the United States, along with another \$170,000 in economic activity to support those additional exports.

Cuba's food imports totaled \$1.9 billion in 2014. Cuba also has the potential to become a major market for U.S. agricultural exports, and to develop into a market that is quite diverse, with bulk staple products such as corn, wheat, soybean, and rice being important in the near-term. To put Cuba into perspective, U.S. agricultural export to Cuba of \$149 million represent less than one percent of the total U.S. agricultural exports of \$133 billion in calendar year 2015.

Our previous research indicates that U.S. export potential could exceed the record \$709 million set in 2008. With a more open economy, less regulation by both governments, strong tourism, and remittances, U.S. food and agricultural export have the potential to exceed \$1.2 billion annually within 5 years.

Nearly  $\frac{3}{4}$  of the labor force is employed by the Government of Cuba, at a wage of approximately \$20 per month. The literacy rate is estimated at 99.8 percent, the highest in the Western Hemisphere. The Government of Cuba, however, is involved in virtually every aspect of the business and personal lives of its citizens. Trade and investment are strictly limited and controlled by government regulation. Further, food and agricultural imports are required to enter the country through Empresa Comercializadora de Alimentos (ALIMPORT).

International trade between the United States and Cuba is strictly regulated by both governments, however, with the passage of the Trade Sanctions Reform and Export Enhancement Act of 2000, it allowed U.S. firms to legally export their agricultural products to Cuba, and travel there for business purposes.

From modest beginnings of \$141 million in 2002, the U.S. export peaked at \$709 million in 2008. U.S. export then fell to \$149 million in 2015. And from January to July of 2016, U.S. exports to Cuba were down two percent from the same period last year.

There are several reasons for this sharp decline in U.S. export. First, Cuba has diversified its food suppliers by shifting away from U.S. products in favor of those from Brazil, Canada, Argentina, Mexico, Spain, France, Ukraine, and Vietnam. Credit terms are offered by some of these countries, allowing ALIMPORT to conserve hard currency and use credit to make larger purchases. U.S. exporters cannot use layers of credit, reducing the competitiveness of U.S. products.

Currently, and likely in the near future, three key factors will influence the volume and mix of U.S. food and agricultural exports to Cuba. First, remittances to Cuba, largely from Cuban Americans in the United States, represent a major source of income and purchasing power for about 60 percent of Cuban households, and an important source of foreign exchange for the Government of Cuba. Second key factor is tourism. With a record of 3.5 million visitors in 2015, up from two million in 2004, the potential increase in U.S. food and agricultural export to Cuba due to increased travel ranges from \$48 million to \$366 million per year, creating up to 5,500 new jobs. These estimates include only the additional spending by new U.S. visitors to Cuba.

In conclusion, the Cuban market for U.S. food and agricultural export has the potential for growth. Our estimates indicate that U.S. food and agricultural export to Cuba have the potential to exceed \$1 billion annually. This additional export will support the creation of 6,000 new jobs throughout the U.S. economy. For this potential economic impact to be realized, however, several challenges lie ahead. First, sustained income growth and economic prosperity for Cubans is needed. Second, infrastructure improvement and investment will be necessary to improve the efficiency of existing supply chain and the creation of new cold chains to handle processed food. Finally, policies and regulations that facilitate trade, and that are transparent and consistent, are an absolute necessity.

Mr. Chairman, that completes my statement.

[The prepared statement of Dr. Ribera follows:]

PREPARED STATEMENT OF LUIS A. RIBERA, PH.D., ASSOCIATE PROFESSOR, EXTENSION ECONOMIST, AND DIRECTOR, CENTER FOR NORTH AMERICAN STUDIES, DEPARTMENT OF AGRICULTURAL ECONOMICS, TEXAS A&M UNIVERSITY, COLLEGE STATION, TX

Mr. Chairman, and esteemed Members of the Committee, thank you for the opportunity to testify on agricultural trade with Cuba. I am Luis Ribera, Associate Professor and Extension Economist in the Agricultural Economics Department at Texas A&M University. I am also the Director of the Center for North American Studies (CNAS) and the Program Director for International Projects for the Agricultural and Food Policy Center (AFPC), both at Texas A&M University. CNAS has over 15 years of experience working on Cuba related issues and has conducted dozens of economic impact analyses examining how increasing U.S. food and agricultural exports to Cuba will impact the U.S. economy and the economies of the states that produce those products for export. I would like to include as part of my testimony an study that my center, CNAS, developed titled[,] *Estimated Economic Impacts of the Travel Restriction Reform and Export Enhancement Act of 2010*. In general, we find that exports create jobs, and exports to Cuba are no exception. For every \$73,600 in U.S. food and agricultural exports to Cuba, one job is created in the United States, along with another \$170,000 in economic activity to support those additional exports.

#### **Cuba Market Potential**

Cuba's food imports totaled \$1.9 billion in 2014. Cuba also has the potential to become a major market for U.S. agricultural exports and to develop into a market that is quite diverse, with bulk staple products, such as corn, wheat, soybeans and rice, being important in the near-term. But, as Cuba grows and the tastes and preferences of the average Cuban become more sophisticated, U.S. exports will be well positioned to capture a growing share of the high-value food market. Currently, most high-value foods exported to Cuba are consumed in the tourist sector. To put Cuba into perspective, U.S. agricultural exports to Cuba of \$149 million represented less than one percent of total U.S. agricultural exports of \$133 billion in calendar year 2015.

Our previous research indicates that U.S. export potential could exceed the record \$709 million set in 2008. With a more open economy, less regulation by both governments, strong tourism and remittances, U.S. food and agricultural exports have the potential to exceed \$1.2 billion annually within 5 years. While much of this additional export volume may be consumed by international visitors, a growing share will also make its way into the Cuban populace, spurring additional demand for food and creating a larger potential market for U.S. exports.

In 2015, U.S. exports to Cuba were \$149 million, supported \$415 million in total business activity and provided employment for 1,555 workers throughout the U.S. economy. U.S. agriculture receives economic gains from increased agricultural exports, with benefits accruing to non-agricultural sectors such as business and financial services, real estate, wholesale and retail trade and health care. Approximately 45 percent of the gains in business activity go to non-agricultural sectors, while the majority of gains, 55 percent, go to agricultural producers, agribusinesses and related firms.

In 2015, U.S. exports were concentrated in poultry, soybean complex and corn. Major exports included frozen leg quarters and other poultry (\$78 million), soybeans and soybean meal (\$65 million) and corn (\$4.8 million). Together these three product categories represented 99 percent of U.S. agricultural exports to Cuba (*Figure 1*). Other U.S. exports were feeds/fodders (\$9.4 million), dairy products (\$1.4 million), pork (\$1.3 million) and fresh fruit, prepared and snack foods (\$379,000). U.S. poultry claimed 73 percent of the poultry market in Cuba, while the soy complex represented 20 percent and corn  $\frac{1}{2}$  of the market. Cuba is now the seventh largest market for U.S. exports in the Caribbean/Central American region, but has potential to become more important.

Cuba is a centrally-planned economy located 90 miles south of Key West, Florida. The proximity to the United States makes Cuba economically, socially and politically important. Since the U.S. embargo was implemented in 1962, effectively severing diplomatic and economic relations, U.S. firms have been prohibited from doing business there.

Nearly  $\frac{3}{4}$  of the labor force is employed by the Government of Cuba (GOC) at a wage of approximately \$20/month. The literacy rate is estimated at 99.8 percent, the highest in the Western Hemisphere.<sup>1</sup> The GOC, however, is involved in virtually every aspect of the business and personal lives of its citizens. Trade and investment are strictly limited and controlled by government regulation. Further, food and agricultural imports are required to enter the country through Empresa Comercializadora de Alimentos (ALIMPORT).

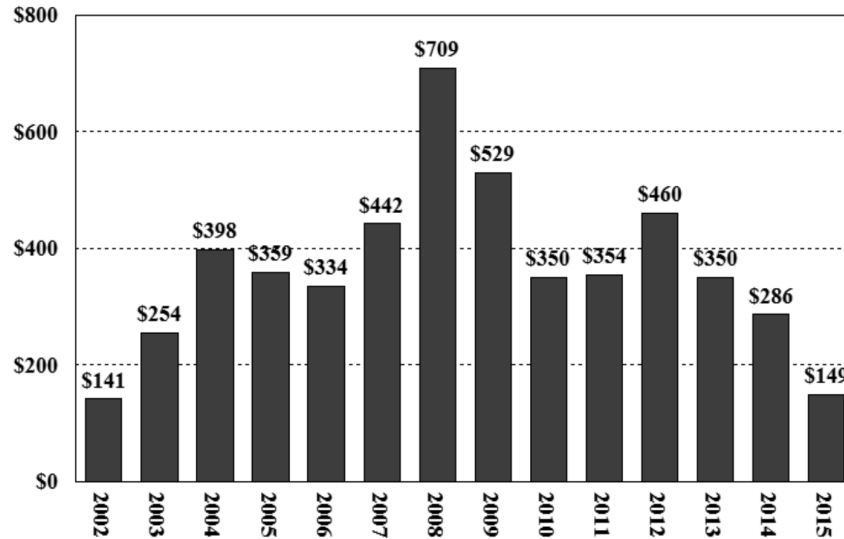
International trade between the United States and Cuba is strictly regulated by both governments. U.S. firms may export foods, agricultural products and medicines to Cuba. Recent regulatory changes allow the importation of selected Cuban products, but these products must be purchased from private businesses, not the Cuban Government. So, while some relaxation of regulation has occurred, there are significant regulatory impediments to trade in food and agricultural products.

However, a combination of factors led to the growth of U.S. food and agricultural exports to Cuba during the early 2000s. First, passage of the Trade Sanctions Reform and Export Enhancement Act of 2000 allowed U.S. firms to legally export their agricultural products to Cuba and travel there for business purposes. Second, the rapid onset of Hurricane Michelle in 2001 led to the destruction of most food crops in Cuba, and subsequently to acute food shortages. This prompted Cuba to begin the importation of U.S. food and agricultural products on a commercial basis for the first time since the embargo was imposed.

From modest beginnings of \$141 million in 2002, U.S. exports grew to \$398 million in 2004 and peaked at \$709 million in 2008. U.S. exports then fell to \$460 million in 2012, \$350 million in 2013, \$286 million in 2014 and 149 million in 2015 (*Figure 1*). From January to July 2016, U.S. exports to Cuba were down two percent from the same period last year to \$114 million.

This recent export performance is in sharp contrast to 2009, when a much larger and more diverse mix of U.S. products were exported to Cuba. In 2009, U.S. agricultural exports to Cuba of \$529 million required 8,588 jobs and generated \$1.6 billion in total economic activity. Major U.S. exports were 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 99 percent of total U.S. agricultural exports to Cuba. Other U.S. exports were dairy products (\$412,000), fruit (\$228,000), animal feeds (\$36,000), dried broths (\$32,000) and frozen breads (\$18,000).

<sup>1</sup> Central Intelligence Agency of the United States. *World Factbook, Cuba and the Dominical Republic*, April 2015.

**Figure 1. U.S. Food, Ag, and Related Exports to Cuba***Million Dollars*

Note: Total exports to Cuba include small amounts of non-ag-related exports.

Source: U.S. Census Bureau, Foreign Trade, U.S. Goods by Country, [www.census.gov/foreign-trade/balance/](http://www.census.gov/foreign-trade/balance/).

There are several reasons for this sharp decline in U.S. exports. First, Cuba has diversified its food suppliers by shifting away from U.S. products in favor of those from Brazil, Canada, Argentina, Mexico, Spain, France, Ukraine, and Vietnam. Credit terms are offered by some of these countries, allowing ALIMPORT to conserve hard currency and use credit to make larger purchases over periods of several months or longer, usually twice a year. Sustained high prices for many agricultural commodities and a strong U.S. dollar also negatively impacted U.S. exports over the last several years. Lower earnings from nickel exports also hampered the GOC from continuing large cash expenditures on imported food. Perhaps another reason may have been the deliberate decision by the GOC to move away from the United States as a food supplier. After a decade of trying to influence U.S. policy and failing, persistence may have waned. The net result was a loss of U.S. competitiveness and market share, followed by a precipitous 79 percent decline in U.S. exports between 2008 and 2015.

Cuba, however, does have potential for growth as a market for U.S. food and agricultural exports. With a population of 11 million, Cuba is similar in demographic composition and structure to the Dominican Republic, the largest U.S. market in the Caribbean/Central American region, ranging from \$1.1 billion to \$1.4 billion annually. Cuba also mirrors Guatemala, a market that has grown 38 percent over the past 5 years.

In 2014, the Dominican Republic had a population of ten million, with a labor force of 4.9 million. The proportion of the population between the ages of 25–54 was 39 percent. Per capita gross domestic product (GDP) was estimated at \$9,200. GDP was composed of 15 percent agricultural production, 22 percent industrial production and 63 percent services. In 2014, the Dominican Republic imported \$1.4 billion from the United States, compared to \$1.1 billion in 2010, an average annual growth rate of nearly seven percent.

Cuba, by contrast, had a labor force of 5.1 million in 2014. Per capita GDP was estimated to be \$10,200. This figure includes adjustment for government subsidized food, housing, transportation and medical care. Agriculture accounted for four percent of GDP, while industrial production was 22 percent and services was 74 percent. The proportion of the population between the ages of 25–54 was 47 percent, higher than the Dominican Republic and positive in terms of U.S. export growth potential since that age group tends to experience the highest levels of expenditure

on food and other consumer products. These demographic comparisons give some idea of the potential the Cuban food market could have if it becomes more market oriented, less restricted by government regulation and experiences investment in business and infrastructure.

Currently and likely for the near future, three key factors will influence the volume and mix of U.S. food and agricultural exports to Cuba. First, remittances to Cuba, largely from Cuban Americans in the United States, represent a major source of income and purchasing power for about 60 percent of Cuban households and an important source of foreign exchange for the GOC.

Cuba's exports are also important for sustaining the economy and the ability to import food. With imports representing as much as 80 percent of food consumption in some years, access to foreign exchange is crucial. Tourism (\$1.9 billion), nickel/cobalt (\$1.0 billion) and pharmaceuticals (\$547 million) were Cuba's three most important exports out of a total of \$5.3 billion in 2013. Other major exports included sugar (\$449 million), tobacco (\$245 million) and rum (\$154 million). Cuba's ability to purchase food fluctuates widely as global markets for these products influence prices and volumes traded.

Finally, U.S. export success is heavily influenced by decisions on the part of the GOC and ALIMPORT related to which products to purchase, at what price and in what volumes.

The present product mix of frozen leg quarters, soybean meal and corn could certainly increase to include more processed foods and high value products such as pork, beef, prepared meats such as sausage and hot dogs, along with condiments such as sauces, seasonings, mayonnaise, mustard and other products. Dairy products, rice and wheat also have strong potential in the market. Snack foods, frozen desserts, soups, gelatins and canned fruit and vegetables all have potential. Raisins, nuts, fresh fruit and vegetables, along with gum, bottled water, wine, beer and spirits all have potential. These products were exported to Cuba to some degree until 2012 when the Cuban Government began to make substantial food purchases from other suppliers.

### **Challenges in the Cuban Market**

There are several challenges that limit the performance of U.S. exports to Cuba. Consumer incomes, infrastructure/logistics, and policy and regulation are among the most important constraints. Consumer income growth is one of the critical factors affecting market potential in Cuba. With the large majority of the population on fixed, low incomes, consumer disposable incomes are limited.

Remittances, largely from Cuban Americans in the United States are an important component of household income and a bright spot in terms of market potential. These funds are transferred directly to Cubans and represent a substantial boost to consumer purchasing power. Estimated to increase eight percent from \$2.77 billion in 2013 to \$3.0 billion in 2014, remittances are likely to have a substantial positive economic effect on the Cuban economy and U.S. exports, spurring expenditures by those who receive them and fostering additional investment in small business ventures. Should remittances decline, however, there would be direct negative impacts on Cuban consumers and followed by lower purchases of U.S. food products.

Tourism is also an important income source for those Cubans who work in restaurants, hotels and other tourist related businesses, such as transportation. With a record 3.5 million visitors in 2015, spending an average of \$629/trip, tourism represents a key component of the Cuban economy that generated \$3.0 billion last year. Approximately 40 percent of all visitors to Cuba are from Canada, followed by Germany, England, Italy, France and Mexico. Allowing U.S. visitors to use credit cards will also have a positive economic impact, but the exact amount is uncertain and more research is required.

Cuba also relies on exports of nickel and cobalt, pharmaceuticals, sugar and rum. International market volatility due to wide swings in commodity prices can limit the amount of currency available for food purchases, and certainly dampen U.S. export potential.

Infrastructure and logistics pose special problems for U.S. exporters. Internet access in Cuba was severely limited, with only an estimated five percent of the population having access. However, over the last few months several Internet hotspots have been installed as well as smartphones data plans are made available for Cuban citizens. Although major strides have been made, limited Internet and e-mail can certainly have a negative effect on communications between Cuban officials and U.S. businesses after deals are made and the U.S. representative returns home.

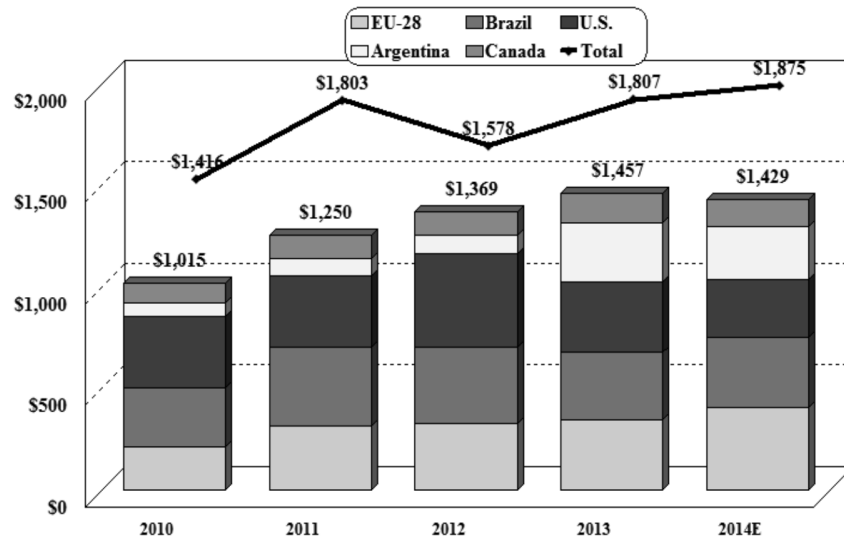
Electrical power, while adequate most of the time, does have limitations. Intermittent outages and complete loss of power are common occurrences. When this occurs, perishable food products located in warehouses, at Cuban Customs, in grocery stores

or restaurants may be subject to damage, partial spoilage or complete loss. Additional investment in power infrastructure will be an important factor in determining the amount of U.S. perishables that can be imported and retained in storage. Bulk cargoes, such as corn, soybeans, wheat and rice also face constraints due to antiquated unloading facilities at ports, limited vessel size constraints and slow loading capacities. Although the GOC has already invested over \$900 million in the development of the Zona Especial de Desarrollo (Special Development Zone) Port of Mariel to improve the port facilities and attract foreign direct investment. The Port of Mariel, operated by Singapore-based PSA, has four cranes with a capacity of 824,000 containers/year and the capacity to handle Post-Panamax shipping (ships that can handle over 12,500 containers). The development of an efficient, reliable supply chain is crucial to future U.S. export success.

Competition for the Cuban food market is keen. The U.S. share of the Cuban market has been declining for several years and continues to fall in 2016. Many U.S. competitors in the Cuban market offer some form of credit terms to ALIM[PORT] for food purchases. U.S. firms are precluded from doing so and also face an added constraint of being required to offer only cash-in-advance sales, or cash against documents. U.S. exporters cannot use letters of credit to facilitate sales and manage risk, raising the cost of U.S. products and making them less competitive relative to Spain, Canada, Brazil, China and Vietnam (*Figure 2*). Reducing the cost and time necessary to process payment for U.S. exports to Cuba would have positive 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. In summary, consistent, transparent and facilitative policies related to export finance for U.S. exports to Cuba would have positive economic impacts on U.S. exports and the U.S. economy.

**Figure 2. Competition in Cuba Food Market**

*Million Dollars*



Source: USDA Foreign Agricultural Service; WISERTrade; Brazilian Ministry of Development, Industry, and Foreign Trade; and Argentina Institute of Statistics and Census.

#### Background on Agriculture in Cuba

Agriculture (including sugar) accounts for 4.2 percent of Cuba gross domestic product (GDP), compared to 18 percent for repairs, 17 percent for public health and manufacturing at 15 percent. Cuba has a moderate, subtropical climate with an average of 330 days of sunshine annually. The island's weather is characterized by a dry season (November–April) and a rainy season (May–October). The average temperature ranges from 75° in the West to 80° in the East. Humidity averages about



80 percent and average annual rainfall is 52", with about 39" falling during the rainy season.

Roughly 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). According to the Food and Agriculture Organization of the United Nations, however, 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, and inadequate or improper use of irrigation and drainage systems.

Agricultural land in Cuba is evenly distributed 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. 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). Cereals (rice and corn), sugar cane, tropical fruits, and vegetables accounted for 84 percent of harvested area in 2013.

Cuba's field crop yields, harvested area and production have varied widely over the past decade. Corn yields averaged 47 bushels/acre in 2013, compared to 160 bushels/acre in the United States. These yields, however, were up 20 percent from 41 bushels/acre in the period from 2003–08. Harvested area for corn declined from 556,000 acres in 2010 to 440,000 acres in 2013. In 2013, Cuba rice yields averaged 3,000 pounds per acre, compared to 7,400 in the United States. Harvested area for rice was down five percent to 489,000 acres. Rice production was up in 2013 to 677,000 metric tons, however, nearly 20 percent more than 2010.

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. According to FAO, 42 percent of Cuba's agricultural land is affected by medium to highly erodible soils. Poor drainage and low fertility affect 40 to 44 percent of soils, while 70 percent experience low organic matter. As a result, Cuba will remain one of the top grain and oilseed product markets in the Caribbean region.

#### **International Visitors in Cuba**

A record 3.5 million international visitors traveled to Cuba in 2015, up from 2.0 million in 2004. Slightly more than 90,000 international visitors were U.S. business representatives and other approved categories. Revenue from international visitors is a major source of foreign exchange for the Government of Cuba (GOC), ranked third behind technical services and remittances. It is also an important source of income for Cubans working in tourism such as wait staff, taxi drivers and tour operators. This revenue was equivalent to 57 percent of all merchandise exports in 2009 and 28 percent of the balance of all services trade for 2007. Further, as Cuban tourism earnings increased by six percent from 2006 to 2008, U.S. exports doubled. As earnings from tourism declined 11 percent in 2009, U.S. exports fell by 25 percent. The potential increases in U.S. food and agricultural exports to Cuba due to increased travel range from \$48 million to \$366 million/year, creating up to 5,500 new jobs, these estimates include only the additional spending by new U.S. visitors to Cuba.

Changes implemented by the GOC in April 2008 allow Cubans to stay at some tourist hotels and resorts. Many of the four and five star facilities are out of the price range of most locals who earn the equivalent of about \$20/month. During the low season of 2009 (August), however, some of the two and three star hotels in Varadero, Cuba's major tourist beach resort area, were booking 1 week stays to locals for around \$200/week. 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 some additional demand for U.S. food products.

While many other forces also influenced U.S. exports, and cause-effect may be debatable, there does appear to be a fairly strong linkage between the amount of money Cuba earns from visits to the island and the amount of food it can afford to import from the United States and other suppliers. USDA estimated in 2008 that the proportion of imported foods supplying the tourist trade in Cuba was between 25 and 33 percent. CNAS estimates indicate that the U.S. share of the Cuban food market for international visitors is about 40 percent, implying that each tourism dollar spent in Cuba generates an additional \$0.10 to \$0.13 in U.S. food exports needed to supply the Cuban tourist trade.

In conclusion, the Cuban market for U.S. food and agricultural exports has potential for growth. From modest beginnings, the market has shown strong growth at

times, but also weakness. Our estimates indicate that U.S. food and agricultural exports to Cuba have the potential to exceed \$1.0 billion annually. These additional exports would support the creation of 6,000 new jobs throughout the U.S. economy. For this potential economic impact to be realized, however, several challenges lie ahead. First, sustained income growth and economic prosperity for Cubans is needed. Second, infrastructure improvement and investment will be necessary to improve the efficiency of existing supply chain and the creation of new cold chains to handle processed foods. Finally, policies and regulations that facilitate trade, and that are transparent and consistent are an absolute necessity. Open trade would certainly lead to more rapid growth, but absent free trade, less regulation of financing, the use of letters of credit and improvements in banking conditions in Cuba would stimulate U.S. export growth.

Mr. Chairman, that completes my statement.

#### ATTACHMENT

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

Parr Rosson, Flynn Adcock and Eric Manthei <sup>1</sup>

CNAS 2010-01

March 2010

#### **Introduction**

The following report was prepared for presentation 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. Finally, the results of the different analyses discussed below 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.

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It is also important to maintain the U.S. competitive position for wheat, corn, and soybean meal and oil. Through February 2010, U.S. exports of corn to Cuba were down 47 percent compared to 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 resulting from the FY 2010 Omnibus Appropriations Act will provide some 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 (Importad[ora] 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. 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 an 18 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 oil-seed 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  $\frac{1}{3}$  of the economic impact would occur in sectors that are exporting products to Cuba. Slightly more than  $\frac{1}{2}$  (\$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

	Short Run 4.5-Day Stay		Long Run 4.5-Day Stay		Long Run 7-Day Stay	
	Exports	Total Business Activity	Exports	Total Business Activity	Exports	Total Business Activity
<b>Top Exported Products</b>						
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
<b>Top Supporting Sectors</b>						
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

**Table 1. Estimated Economic Impacts of Increased U.S. Tourism to Cuba—Continued**  
*Million Dollars*

	Short Run 4.5-Day Stay		Long Run 4.5-Day Stay		Long Run 7-Day Stay	
	Exports	Total Business Activity	Exports	Total Business Activity	Exports	Total Business Activity
<b>Total Estimated Impacts</b>						
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 spirits, \$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  $\frac{3}{4}$  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*

	Removal of Finance Restrictions		Removal of Finance and Travel Restrictions	
	Exports	Total Business Activity	Exports	Total Business Activity
<b>Top Exported Products</b>				
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
<b>Top Supporting Sectors</b>				
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
<b>Total Estimated Impacts</b>				
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 estimated percentage changes to 2006 baseline exports were applied to 2009 exports except for rice, dairy products, beef, seafood, and wood products. For the latter set of products, the USITC estimated exports were used. 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.

The CHAIRMAN. Thank you, Dr. Ribera. Mr. Claver-Carone.

**STATEMENT OF MAURICIO CLAVER-CARONE, J.D., EXECUTIVE DIRECTOR, CUBA DEMOCRACY ADVOCATES, WASHINGTON, D.C.**

Mr. CLAVER-CARONE. Thank you, Mr. Chairman, Ranking Member, and Members of the Committee. It is truly a privilege to be here with you today to discuss these important and consequential issues surrounding U.S. agricultural trade with Cuba. I commend you for including a dissenting voice on this panel, and I am pleased to join my colleagues here, all of whom I have great respect for.

My name is Mauricio Claver-Carone, and I am the Executive Director of Cuba Democracy Advocates, a nonprofit, nonpartisan organization dedicated to the promotion of human rights democracy and the rule of law in Cuba.

As you are surely aware, pursuant to TSRA, the sale of agricultural commodities, medicine, and medical devices to the Castro regime in Cuba was authorized by Congress with an important caveat; that it must be for cash-in-advance. Prior to that, the export of food, medicine, and medical devices to the Cuban people had already been authorized under the Cuban Democracy Act of 1992. This is an important distinction that needs to be made, for in order to have a productive discussion about ag trade with Cuba, we need to understand how that island's totalitarian regime conducts business.

In most of the world, trade means dealing with privately owned and operated corporations, but that is not the case in Cuba. In Cuba, foreign trade and investment is the exclusive domain of the State; namely, the Castro regime. There are no exceptions. A noteworthy fact for all of us to remember. In the last 5 decades, every single foreign trade transaction with any country in the world with Cuba has been with a State entity, or with an individual acting on behalf of the State. The State's exclusivity regarding trade and investment remains enshrined in Castro's 1976 Constitution, Article 18.

Since the passage of TSRA in 2000, over \$5 billion in ag products have been sold to Cuba from the United States, but it is a very unpleasant fact, however, that all of those sales, by more than 250

privately owned U.S. companies, were made to only one Cuban buyer: the Castro regime. Hence, another unpleasant fact: all business decisions in Cuba are based on political and control-based calculations of the Castro regime. They are not based on market forces. If the Cuban people enjoyed property rights and were able to establish their businesses and freely partake in foreign trade and investment, my testimony here today would be very, very different.

Over the years in this same committee room I have heard testimony professing that the easing of sanctions, the redefining of *cash-in-advance*, the improvement of U.S. relations, increase of travel to the island, that that was going to benefit U.S. farmers. As we know, since December 17, 2014, the Obama Administration has done just that. As part of those concessions, the Obama Administration redefined *cash-in-advance* to ease payment terms, American travel has increased by 50 percent, Cuba's GDP grew last year by four percent, diplomatic relations were established. I lost count on all the business and ag delegations that have gone down to Cuba. So surely, these sales have dramatically increased, right? No. To the contrary. They have plummeted by nearly 40 percent in 2015, and during the first quarter of 2016, the slide continues as ALIMPORT, through the regime, purchased now only \$63 million of U.S. agricultural products. It is a further 21 percent drop this year.

Of course, those of us who understand how the Castro regime operates are not surprised for his long-used agricultural sales as a tool of political influence.

Let me be absolutely clear. Those of us who support sanctions and oppose financing transactions with the Castro regime do not do with the intent of harming American farmers. And conversely, I know that American farmers do not seek to sell their products with the intent of supporting or subsidizing the Castro regime. American farmers are the best in the world, and we share the desire to establish and expand markets. And as a matter of fact, I am sure that Cuban Americans in Florida consume more rice than any amount ever sold to Cuba pre- or post-1959, and we will continue to proudly do so. However, the ag groups represented here today remain steadfast in this desire to provide financing to Cuba, but that proposition must be weighed by serious factual considerations regarding the troubling structure of Cuba's business entities, military-run monopolies; its beneficiaries, the Castro regime and its cronies; the rights of victims, both Cubans and Americans; and whether such practices are in the U.S.'s security interest.

I believe that these safeguards, which we will discuss today, fall essentially into three categories. First, protect American taxpayers. Cuba ranks amongst the world's worst credit risk and debtor nations. Thus, I am confident we all agree that American taxpayers must not be exposed to any direct bailout of the Castro regime. Protect American victims of stolen property. According to *Inter-American Law Review*, the Castro regime's confiscation of U.S. assets was the largest uncompensated taking of American property by a foreign government in history. There are over 6,000 unpaid certified claims, worth \$7 billion. Many of the ports and infrastructure used for ag sales to Cuba were stolen from your fellow Ameri-



cans. That needs to be addressed. We should not have Americans essentially having their rights trampled upon by other Americans, and that is something very important. Farmers understand the importance of these property rights, because that is at the core of farming. Thus, I am sure that American farmers appreciate the injustice in that regard. And finally, concerning the third safeguard is to prevent support for Cuban military entities. The Cuban military owns GAESA, and the AP this week and had an exposé of how the Cuban military is essentially gaming the Obama Administration's travel regulations, and has taken over the biggest foreign trade bank, Banco Financiero Internacional, and hotel companies. Your colleagues, the Chairman of the Intelligence Committee, Devin Nunes, and the Chairman of the Armed Services Committee, Mac Thornberry, anticipated this trend and introduced the Cuban Military Transparency Act, which seeks to ensure that any amount of resources to Cuba, pursuant to any changes, truly reach the Cuban people and are not funneled through the military's entities and armed forces. That is a huge safeguard, and the same way that those companies were taken over, our concern is that as soon as financing comes through, our ALIMPORT will also be taken over by the military in the snap of a finger.

Thank you, sir. That concludes my remarks.

[The prepared statement of Mr. Claver-Carone follows:]

PREPARED STATEMENT OF MAURICIO CLAVER-CARONE, J.D., EXECUTIVE DIRECTOR,  
CUBA DEMOCRACY ADVOCATES, WASHINGTON, D.C.

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

It's truly a privilege to join you here today to discuss important and consequential issues surrounding U.S. agricultural trade with Cuba. I commend you for including a dissenting voice on this panel.

My name is Mauricio Claver-Carone and I'm the Executive Director of Cuba Democracy Advocates, a nonprofit, nonpartisan organization dedicated to the promotion of human rights, democracy and the rule of law in Cuba.

My testimony will be divided into two parts. *First*, I would like to present key facts regarding agricultural trade with Cuba and highlight the counter-productive trends we are seeing since President Obama announced a new policy of unconditional engagement with the Castro regime on December 17, 2014. *Second*, I would like to focus on the issue of financing agricultural sales to Cuba, which I understand is a priority for my fellow panelists, with the good faith and disposition to find common ground.

#### The Reality of Trade With Cuba

As you are surely aware, pursuant to the Trade Sanctions Reform and Export Enhancement Act of 2000 ('TSREEA'), the sale of agricultural commodities, medicine and medical devices to the **Castro regime** in Cuba was authorized by Congress, with one important caveat—these sales must be for “cash-in-advance.” Prior to that, the export of food, medicine and medical devices to the **Cuban people** had already been authorized under the Cuban Democracy Act of 1992 ('CDA').

This is an important distinction that needs to be made, for in order to have a productive discussion about agricultural trade with Cuba, one should understand how the island's totalitarian regime conducts business.

In most of the world, trade means dealing with privately-owned or operated corporations. That's not the case in Cuba. In Cuba, foreign trade and investment is the exclusive domain of the state, namely the Castro regime. There are no “exceptions.”

Here's a noteworthy fact: In the last 5 decades, **every** single “foreign trade” transaction with Cuba has been with a state entity, or individual acting on behalf of the state. The state's exclusivity regarding trade and investment remains enshrined in Article 18 of Castro's 1976 Constitution.

Since the passage of TSREEA in 2000, over \$5 billion in U.S. agricultural products have been sold to Cuba. It is an unpleasant fact, however, that all of those

sales by more than 250 privately-owned U.S. companies were made to **only one Cuban buyer**—the Castro regime.

As the U.S. Department of Agriculture’s (‘USDA’) own report on Cuba notes, *“The key difference in exporting to Cuba, compared to other countries in the region, is that all U.S. agricultural exports must be channeled through one Cuban Government agency, ALIMPORT.”*

ALIMPORT is an acronym for *Empresa Cubana Importadora de Alimentos, S.A.* It is a subsidiary of Cuba’s Ministry of Foreign Trade and serves as the sole procurement agency for U.S. agricultural products. Throughout the years, the Castro regime has ensured the Ministry of Foreign Trade is run by senior officials from Cuba’s intelligence services (known as *Directorio General de Inteligencia*, or ‘DGI’). The current Minister of Foreign Trade is a DGI official, Rodrigo Malmierca Díaz, who is the son of Isidoro Malmierca Peoli, a historic Castro family confidant and founder of Cuba’s counter-intelligence and state-security services.

Hence another unpleasant fact: All business decisions in Cuba are based on the political and control-based calculations of the Castro regime—**not** on market forces. If the Cuban people enjoyed property rights to establish their businesses and were allowed to freely partake in foreign trade and investment—my testimony today would be **very** different.

ALIMPORT primarily supplies government institutions, and the Cuban military’s hard currency retail stores (known as *Tiendas de Recuperación de Divisas*, ‘TRDs’), hotels and other facilities that cater to tourists and other foreigners.

So let’s immediately debunk a myth: Financing agricultural transactions with Cuba is **not** about assisting small and midsize farmers on the island, but about financing a monopoly of the Castro regime.

Again, as the USDA itself recognizes: *“U.S. food products will be sold and delivered to A[LIMPORT], which will take control of the imports at the Cuban point of entry, manage distribution throughout Cuba and coordinate payments. Consequently, U.S. agricultural firms planning on doing business with Cuba need to learn to negotiate and transact business with the Cuban [G]overnment through A[LIMPORT].”*

As a result, we already know what any further lifting sanctions towards Cuba would look like. TSREEA sales from the U.S. and business ventures with other nations exhibit the model: A mercantilist system whereby commerce is simply a tool to benefit and strengthen its totalitarian regime.

#### **President Obama’s Policy Changes Have Proven Counter-Productive**

President Obama’s policy of unilaterally easing sanctions has proven to be counter-productive for agricultural sales to Cuba. But before focusing on those figures, it’s important to note how President Obama’s new policy has **broadly** proven to yield counter-productive results.

For example, since December 17th, 2014:

- **Political arrests have intensified.** Throughout 2015, there were more than 8,616 documented political arrests in Cuba. Thus far, there have already been over 7,935 political arrests during the first 8 months of 2016. This represents the highest rate of political arrests in decades and nearly **quadruples** the tally of political arrests throughout all of 2010 (2,074), early in Obama’s presidency.
- **A new Cuban migration crisis has unfolded.** The United States is faced with the largest migration of Cuban nationals since the rafters of 1994. The number of Cubans fleeing to the United States in 2015 was nearly **twice** that of 2014. Some 51,000 Cubans last year entered the United States and this year’s figures will easily surpass that. The numbers of Cuban nationals fleeing the island have now **quintupled** since President Obama took office, when it was less than 7,000 annually.
- **Castro’s military monopolies are displacing “self-employed” workers.** There are fewer licensed “self-employed” workers in Cuba today than in 2014. In contrast, Castro’s military monopolies are expanding at record pace. The Cuban military-owned tourism company, Gaviota S.A., announced 12% growth in 2015 and expects to double its hotel business this year. Even the limited spaces in which “self-employed” workers previously operated are being squeezed as the Cuban military expands its control of the island’s travel, retail and financial sectors of the economy.
- **Internet “connectivity ranking” has dropped.** The International Telecommunication Union’s (ITU) Measuring the Information Society Report for 2015, the world’s most reliable source of data and analysis on global access to information and communication. ITU has dropped Cuba’s ranking to 129 from 119. The island fares much worse than some of the world’s most infamous sup-

pressors of the Internet suppressors, including Zimbabwe (127), Syria (117), Iran (91), China (82) and Venezuela (72).

- **Religious freedom violations have increased tenfold.** According to the London-based NGO, Christian Solidarity Worldwide (‘CSW’), last year 2,000 churches were declared illegal and 100 were designated for demolition by the Castro regime. Altogether, CSW documented 2,300 separate violations of religious freedom in 2015 compared to 220 in 2014. In the first half of 2016, there have already been 1,606 separate violations of religious freedom.
- **Democracy’s regional foes have been emboldened.** President Obama’s unconditional recognition and engagement of the sole remaining dictatorship in the Western Hemisphere has sent a message to Castro’s allies in the region that there are no consequences for rogue and undemocratic behavior. Hence the recent militarization (with Cuba’s support) of Venezuela’s regime and the parliamentary coup in Nicaragua.

#### **Agricultural Sales Have Not Escaped This Downward Trend**

Over the years, in this same Committee room, I have heard testimony professing that an easing of sanctions; re-defining of “cash-in advance”; improving U.S.-Cuba relations; and an increase in travel to the island, would benefit U.S. farmers. And, as we all know, since December 17th, 2014, the Obama Administration has engaged the Castro regime and extended a litany of unilateral concessions.

As part of these concessions, the Obama Administration has redefined “cash-in advance”; eased payment terms for agricultural sales; American travel to Cuba has increased by over 50%; Cuba’s GDP grew last year by over 4%; diplomatic relations were established; and endless U.S. business and trade delegations have visited Havana.

Yet, U.S. agricultural exports to Cuba *plummeted* by nearly 40% in 2015. During the first quarter of 2016, the slide continued, as ALIMPORT purchased only \$63 million in U.S. agricultural products. That is an additional 21% percent drop from the same period in 2015. These are the lowest numbers since the United States authorized agricultural exports to the Castro regime in 2000.

Of course, those who understand how the Castro regime operates are not surprised—for it has long used agricultural sales as a tool of political influence.

As a 2007 report of the U.S. International Trade Commission (‘ITC’) confirmed: *“A[LIMPORT] reportedly initiated a policy in 2003 that limited or ceased purchases from U.S. companies that did not actively lobby the U.S. Government for changes to laws and regulations regarding trade with Cuba. Purchases are also allegedly geared to particular U.S. States or Congressional districts in an effort to heighten local interests in pressing the Administration to normalize trade with Cuba.”*

Today is no different. The Castro regime wants the U.S. Congress to lift tourism, financing and investment sanctions that would overwhelmingly benefit its military monopolies, so it is putting on the squeeze.

#### **Financing Agricultural Sales to Cuba**

We will surely hear testimony today about Cuba being one of the U.S.’s largest export markets pre-1959 and how we need to “recapture” it. Politics aside, I would caution that Cuba’s economy is nowhere near the same today as it was throughout its pre-1959 history, when it was free-market oriented, with a dynamic private-sector, property rights, and among the largest middle class and highest per capita income in Latin America at the time. Today, Cuba is a totalitarian dictatorship, with a centralized control economy and the lowest per capita income in Latin America.

We will also surely hear testimony about Cuba purchasing rice from Brazil and Vietnam, instead of from the United States, as a result of the prohibition on U.S. financing for agricultural sales. But I would caution that Brazil and Vietnam’s rice sales to the Castro regime are heavily state-subsidized and made pursuant to political arrangements. They are *not* based on competitive terms and rates. I would further argue that the recent downfall of the socialist government in Brazil—and its shady financing deals with the Castro regime that are currently under investigation by the Brazilian authorities—may lead to a bigger increase in U.S. rice sales to Cuba than anything the U.S. Congress could do.

Finally, we will surely hear many theories and estimates about how much more money one commodity sector or another—or one state or another—can make from exports to the Cuba, if U.S. sanctions were further eased or lifted. However, as we’ve learned from the dramatic decline in agricultural sales figures over the last year—despite the Obama Administration easing of sanctions and establishing diplomatic relations with the Castro regime—that is hardly guaranteed.

Let me be absolutely clear. Those of us who support sanctions and oppose the financing of transactions with the Castro regime do not do so with the intent of harm-

ing American farmers. Conversely, I know that American farmers do not seek to sell their products with the intent of supporting or subsidizing the Castro regime.

American farmers are the best in the world and we all share their desire to establish and expand markets. As a matter of fact, I'm sure Cuban Americans in Florida consume more rice than any amount ever sold to Cuba pre- or post-1959. However, the agricultural groups represented here today remain steadfast in their desire for the financing of agricultural sales to Cuba and there is even legislation before this Committee to that end.

But any such proposition must be weighed by serious factual considerations regarding the troubling structure of Cuba's business entities (military-run monopolies), its beneficiaries (the Castro family and regime cronies), the rights of its victims (both Cubans and Americans), and whether such practices are in the U.S.'s security interests.

Thus, the question comes down to: How to authorize private financing for U.S. agricultural sales to Cuba without subsidizing its derelict regime and in a manner consistent with U.S. security interests and the rights of victims?

We are obviously not going to resolve this challenge today. But hopefully, this discussion can be helpful in understanding each other's concerns and in highlighting important safeguards that could address broader policy implications.

### **These Safeguards Fall Into Three Categories**

#### *1. Protect American Taxpayers*

Cuba ranks among the world's worst credit-risks and debtor nations. Moody's Investors Service gives Cuba's sovereign debt a Caa2 rating, which translates into "very high credit risk."

Despite highly publicized (and politicized) debt forgiveness concessions from Russia and the Paris Club, Cuba still owes upward of \$75 billion to a long international list of creditors. As recently as 2010, *Reuters* reported how Cuba "failed to make some debt payments on schedule beginning in 2008, and then froze up to \$1 billion in the accounts of foreign suppliers by the start of 2009." That should make anyone unwise enough to leave money sitting in a Cuban bank account reconsider.

And just a few months ago, on July 8th, 2016, General Raúl Castro stated, in his own words: "I should recognize that there have been some delays in current payments to creditors."

I am confident we all agree that American taxpayers must not be exposed to any **direct** bailout of the Castro regime. It is for this reason that TSREEA includes a prohibition (Sec. 7207(a)) on United States assistance, which reads:

*"No United States Government assistance, including United States foreign assistance, United States export assistance, and any United States credit or guarantees shall be available for exports to Cuba."*

But American taxpayers should also not be exposed to any **indirect** bailout of the Castro regime. Thus, TSREEA should further be supplemented by a prohibition in the Internal Revenue Code that would prevent any losses stemming from commercial transactions with Cuba's regime—pursuant to Obama's policy changes—from being deducted when calculating business taxes.

#### *2. Protect American Victims of Stolen Property*

According to the *Inter-American Law Review*, the Castro regime's confiscation of U.S. assets was the "*largest uncompensated taking of American property by a foreign government in history.*" Unfortunately, President Obama's policy of expanding business transactions with the Castro regime is already encouraging American companies to traffic and exploit properties stolen from other fellow Americans. Any expansion of such transactions by the U.S. Congress would further expose American victims.

There are nearly 6,000 unpaid, certified claims, worth nearly \$7 billion arising from the Castro regime's confiscation of American-owned business and properties. They include many of the ports and other infrastructure used for agricultural exports to Cuba.

American farmers understand the importance of property rights. Property is the very core of farming. As such, it is easy for farmers to appreciate the injustice of having your property stolen, and then co-opted, exploited and marketed to someone else to the benefit of the thief. This injustice must be corrected and resolved for the victims. Part of that solution will involve restitution from those collaborators who have knowingly benefited from the theft. The injustices occurring today in Cuba regarding confiscated property must be resolved; U.S. law promises that it will, and it is not just the Castro regime that is on the hook.

It is for this reason that Section 103 of the 1996 Cuban Liberty and Democratic Solidarity Act ('Libertad Act') contains a prohibition on the indirect financing of Cuba, which states:

*"No loan, credit, or other financing may be extended knowingly by a United States national, a permanent resident alien, or a United States agency to any person for the purpose of financing transactions involving any confiscated property the claim to which is owned by a United States national."*

The American victims of stolen property in Cuba must not only remain protected from any financing involving their property, but they should be provided recourse.

Unfortunately, President Obama is denying any recourse—through his waiver of Title III of the Libertad Act—to Americans who are now seeing their property rights trampled upon by other fellow Americans. That used to be unimaginable. If the Obama Administration is unwilling to protect the rights of grievous Americans, then a private right of action should allow for the victims to do so directly through the rule of law.

As such, the U.S. Congress should pass legislation to end the President's waiver authority over Title III of the Libertad Act and grant Americans the legal standing to pursue justice.

### 3. Prevent Support for Cuban Military Entities

Today, the Cuban military owns and operates one of the largest conglomerates in Latin America, known as the *Grupo de Administración Empresarial, S.A.*, or GAESA. Its portfolio includes companies that dominate ports, trade zones, tourist attractions, restaurants, hotels, real estate, retail stores, currency exchanges, gas stations, airlines, and other transportation services. Its head, Gen. Luis Alberto Rodríguez López-Callejas, is Raúl's son-in-law.

Far from empowering Cuba's small sector of "self-employed" residents, the Castro regime is taking full advantage of President Obama's new policy to accelerate the military's holdings of every entity poised to benefit from current U.S.-Cuba relations.

As an *Associated Press* report this weekend confirmed: "the [Cuban] military's long-standing business wing, GAESA, assumed a higher profile after Gen. Raúl Castro became President in 2008, positioning the armed forces as perhaps the prime beneficiary of a post-*détente* boom in tourism. Gaviota, the military's tourism arm, is in the midst of a hotel building spree that outpaces projects under control of nominally civilian agencies like the Ministry of Tourism. The military-run Mariel port west of Havana has seen double-digit growth fueled largely by demand in the tourism sector. The armed forces this year took over the bank that does business with foreign companies, assuming control of most of Cuba's day-to-day international financial transactions, according to a bank official."

Let there be no doubt, the Cuban military is already encroaching into the U.S. agricultural trade sphere, which is currently under the direction of the nominally-civilian Ministry of Foreign Trade. However, if Congress were to authorize any financing for agricultural sales to Cuba, I guarantee that GAESA would absorb ALIMPORT as swiftly—with no legal process and lack of transparency—as it recently did *Habaguanex, S.A.* and *Banco Financiero Internacional*. (Both were the focus of the AP story referenced in the prior paragraph).

With great foresight, just a few months after President Obama announced his new Cuba policy, the Chairman of the House Intelligence Committee, U.S. Rep. Devin Nunes (Cal.), and the Chairman of the House Armed Services Committee, U.S. Rep. Mac Thornberry (Tex.), anticipated this trend and introduced the *Cuban Military Transparency Act* (H.R. 2937), which seeks to ensure that any increase in resources to Cuba—pursuant the Obama Administration's recent policy changes—truly reach the Cuban people and are not funneled through the Castro regime's armed forces.

After all, these are the same Cuban armed forces that recently held a stolen U.S. Hellfire missile for nearly 2 years; that have been caught twice internationally-smuggling heavy weaponry, including the worst sanctions violations ever to North Korea; that oversee the most egregious abuses of human rights in the Western Hemisphere; that are subverting democracy in Venezuela and exporting surveillance systems and technology to other countries in the region; that welcome Russian military intelligence ships to dock in their ports; that share intelligence with the world's most dangerous anti-American regimes; and of which three senior Cuban military officers remain indicted in the United States for the murder of four Americans.

As such, I would urge that this important piece of legislation, introduced by your national security counterparts, remain the priority of any Cuba policy consideration by the U.S. Congress.

Mr. Chairman, this concludes my testimony. Again, I thank you for the opportunity to testify today. I look forward to continuing this important discussion and working in furtherance of our common interests.

The CHAIRMAN. Well, I thank our witnesses. Well, I thought I lost the script. The chair would remind Members that they will be recognized for questioning in order or seniority for Members who were here at the start of the hearing. After that, Members will be recognized in order of arrival. And I appreciate Members' understanding.

I recognize myself now for 5 minutes.

Well, I thank the witnesses for being here this morning. This is the clearest example of two sides to the story we could possibly have, and I appreciate the respect with which all of our witnesses treated the subject. This is a big deal, and I understand that.

Mr. Isbell, I appreciate your acknowledgement that the privilege of getting off your tractor and coming here and petitioning your Congress, jacking us up about something you think is important. My mind went immediately to that Cuban farmer. He is not about to get off whatever it is he is on, and go try to petition his government for anything that is going on, so clearly, we have some stuff to get done in this regard.

Dr. Ribera, yesterday, and staff, you made an interesting comment that, in your view, people first want food, and then they want work, and then they want to decide their own destiny. Would you help the rest of us understand what you meant by each of those three points, and why you put them in that particular order, and what is going on there in your mind?

Dr. RIBERA. Sure. Thank you for the opportunity again. And I have been to Cuba a couple of times; the first time in April of last year, and then February this year. And I saw a lot of changes. And what I do, because I speak Spanish, is just, instead of talking to Cuban Government, I talk to people. And I saw a big change and a little bit of hope from people on my second trip, as opposed to the first one. And I believe that, as people, the person that I talked to was a young father, 25 years old, has a wife and a little kid, and he said, "I work really hard just to get food to my family, to provide for my family, but the future it doesn't look very well." Basically, it looked like he didn't have any hope. And it really hit me when I talked to him because he is young, and that is going to be passing to the next generation as well.

On my second trip, because of the things that had happened with President Obama and different changes, I talked to people just in the Malecón area and they said, "Things are getting better, we have food, we have the hope that the embargo is going to be lifted or some things are going to change," but they still believe that they are going to stay as a communist country. They don't talk about that. But what I think is going to happen, and this is just me thinking, is that once they reach this other point that they have food, that they have the necessities, they want to be able to decide what their kids are going to be in the future.

The CHAIRMAN. Mr. Isbell, you may not have this number off the top of your head, but, I am trying to get a sense of what percent of the increased rice sales to Cuba would be *vis-à-vis* total U.S. rice

production. Where would the 138,000 tons fit in that in the near-term goal? What percentage of rice production would that be?

Mr. ISBELL. On a percentage, I wouldn't have that number off the top of my head, we can get back to you on that. But, I can say it is significant in comparison with some of our other markets. If you see, for instance, we have worked hard on sales recently to places like Iraq, and things like that. You get maybe 90,000 metric ton tender, and it moves the market, it moves the market significantly. We welcome when we see those types of demand come into the marketplace. So I am convinced that 135,000 metric tons, I don't know the exact percentage but it is a significant effect.

The CHAIRMAN. Thank you.

If you wouldn't mind, I am sure Ben or somebody could get that for us.

Mr. ISBELL. Yes, we will get that to you.

The CHAIRMAN. I guess the other question would be is: exports into Cuba peaked in 2008 under even the most restricted financing terms the Bush Administration had, and now it has dropped to \$149 million, which is pretty small. Do you see any evidence that the Cuban regime is targeting states and/or Congressional districts to buy specific products in order to have an impact on that Member's judgment? Do you all see any of that going on?

Mr. ISBELL. Personally, no.

The CHAIRMAN. All right. I appreciate that.

Mr. CLAVER-CARONE. I do.

The CHAIRMAN. All right. Mauricio.

Mr. CLAVER-CARONE. I do. I mean it is abundantly clear, and not just me, the International Trade Commission, in a 2007 report, acknowledged that the Castro regime particularly targets states and districts with certain agriculture populations in order to indirectly influence the United States Congress. That was the International Trade Commission not me.

The CHAIRMAN. And what year was that?

Mr. CLAVER-CARONE. It was a 2007 report that they did, and it was repeated in the recent report that International Trade Commission did.

The CHAIRMAN. All right. I appreciate that.

With that, I yield back. Mr. Peterson, 5 minutes.

Mr. PETERSON. Well, thank you, Mr. Chairman.

As I said, I was in Cuba, and as I understand it, the numbers that I have for the rice people, that they are paying \$242 a ton for rice from Vietnam. It is not as good a quality as ours, is that the correct number, or in the ballpark?

Mr. ISBELL. Probably, \$240, that seems low. Yes, that seems significantly low. It would be more than that, but I wouldn't have an exact number for you.

Mr. PETERSON. And our reference price on long grain rice is \$308 a ton, so we are probably comparable in price, although we have better quality.

Mr. ISBELL. Right.

Mr. PETERSON. So I am right about that? Yes.

Mr. ISBELL. Within reason, yes.

Mr. PETERSON. I agree and disagree with the gentleman here on the end. I don't believe under this situation that they are going to

buy anything from us. In talking to this guy from ALIMPORT, or however you say it, he has obviously taken direction from the Castros. We met with Miguel Díaz-Canel, the Vice President, who some people say will take over from the Castros. He is in his fifties. He is just as hardline as the Castros are. So, you have one person to deal with, and they don't want to buy from us. And so I go to the grocery store and they have chicken from North Carolina, which is a big part of our exports. At \$5 a pound, if the average people can't buy them, it is only the Embassy people that are buying them and tourists. I am supportive of Mr. Crawford and what we are trying to do here, but I just want to caution people, I think that these folks are not going to change, and it is because, in their words, of the blockade. It is not the embargo, it is the blockade. And this has been going on forever down there.

So where I disagree with the gentleman on the end is that we have had this policy for 50+ years and it hasn't worked, and so I don't know what the other option is, if opening this thing up is going to work either, but clearly, what we are doing isn't working. And what I am worried about is this. If we are going to make some kind of a deal with Cuba to get them to come into the situation, and we are going to actually screw some of the people in the U.S. in the process, that is what I am worried about, more than anything else. I am for lifting the embargo if it is straight up and they don't get anything out of it, we just lift it and let the economics and the situation take care of itself. In my opinion, that is probably the only way the average people are going to ever get to a point where they have enough money to buy anything.

We can pass this bill, I don't see it is going to make a whole lot of difference. Do you have any kind of special insight or relationship with this guy that runs ALIMPORT that thinks that you are going to get him to open up this market?

Mr. ISBELL. No, I don't, but what I would say is what we saw happening in the early 2000s is the perfect test case for what can happen again. When we were able to compete under fair terms, there were—

Mr. PETERSON. So who was buying it? So I thought that everything that came in had to go through this guy, because it seemed to me that even the grocery stores had to buy everything from this guy, even the domestic stuff. Am I right? This one guy controls the whole thing. I went into the grocery store and I said, "I want to see the sugar, because I have a big sugar district." So they go take me over. There is an aisle, it is empty on both sides. And I said, "Well, this is the sugar? I thought Cuba produced sugar." Well, they only get it once every 2 months, or whatever, and people know when it comes in, and then it all disappears and they don't have any for 2 months. As far as I understand it, this guy controls everything, even domestic sales, seems like. Am I right?

Mr. CLAVER-CARONE. Yes, sir. And I too agree and disagree with you in the sense of that I do believe Cuba wants to buy our products U.S. products, but they want us to pay for it.

Mr. PETERSON. No, they do, yes.

Mr. CLAVER-CARONE. They don't want to pay for it, and it is like they have done everywhere else in the world. We see in Brazil, Vietnam, and they are selling these products, those aren't competi-



tive terms. As a matter of fact, right now in Brazil the loan terms that were given by BNDES, which is the development bank, to the Cuban regime are under Federal investigation because it is political. They are political.

Mr. PETERSON. Yes. One of the things I am worried about is Brazil financed this port, as I understand it, \$300–\$400 million, and they told me that Brazil is talking about giving them a whole bunch of money to re-establish their sugar industry, which has come apart, and we don't need any more sugar in the world. We have enough of it, we don't need people going back into something, and it would not be economic. They would lose money on it.

Mr. CLAVER-CARONE. And, Congressman, that now has changed with the change of government in Brazil. That loan that was given for the Port of Mariel is under Federal investigation by the Brazilian authorities for corruption.

Mr. PETERSON. Are they going to stop doing that?

Mr. CLAVER-CARONE. And I argue, funny enough, that the change of government in Brazil is going to do more to help U.S. rice farmers sell on their current terms than anything we can do, financing or otherwise.

Mr. PETERSON. Thank you, Mr. Chairman.

The CHAIRMAN. The gentleman yields back. Mr. King, 5 minutes.

Mr. KING. Thank you, Mr. Chairman. I do appreciate this hearing. And I am curious about a number of things here, and I am resisting for the moment the urge to start off on a monologue, but I would instead turn my first question to Mr. Gibson. And you talked about the share of the market that you could gain if we could open up trade with Cuba, or at least open up some credit with Cuba. And you say Cuba's import is zero wheat or rice from the U.S. in the last 4 years or so, something like that. And so I want to ask you about your concept of the market, and that is then who is selling that rice to Cuba, and where is your product going? Are people going to, and the real question is this: Are Cubans going to eat more if we trade with them, or do we have an alternative market that our products go to, regardless of whether it is easy to export to Cuba because of the cash restrictions up-front?

Mr. GIBSON. Well, to answer the first part of your question, people are going to eat. The real question is how much do they have to pay for the product. So in the current environment—

Mr. KING. But I am not interested in that, I am interested in are they going to eat more or less, does that affect their diet, or is the overall world market going to be to the appetite of what people can afford, and then it is just the difference in the logistics of what the basis is between shipping rice to Cuba and selling it to an alternative market somewhere, say, for example, Vietnam?

Mr. GIBSON. Competition will always lower prices.

Mr. KING. Yes.

Mr. GIBSON. So when people have more money, they eat more.

Mr. KING. Okay. Well, slightly more. I don't think you have any numbers on that. And so I would just take it to this point that, in the business I am in, we want to see more construction projects out there because we have a bigger market to bid into. And this is a tiny, little margin. It is 11 million people on a little island, out of seven billion people on the planet. So we could divide 11 million

by seven billion and come up with a percentage of appetites that would be potentially affected by this. I am just putting that into a perspective because we have a very narrow vision on this, and I am, like a number of people in this room, I have made my trip to Cuba and I ended up spending nearly a week with an individual, I had better not identify him because he would be busted by the Castro Administration. I paid him cash to travel with me around from early in the morning until late at night, and I learned a lot. I learned a lot that you don't learn when you are following Castro's minders around Cuba. And some of these things, milestones about the history that we ought to be thinking about in this 50+ year saga of trying to free the Cuban people, back when we believed in promoting freedom around the world, and we will again. First place is, the Soviet Union propped Cuba up, and Cuba was a sugar-promoting island at the time. The world market on sugar then was 6¢ a pound, and the Soviet Union traded them 51¢ of oil for 6¢ of sugar. That is how they propped that regime up through all of that time, until the Soviet Union collapsed economically, and then Venezuela picked up the slack.

Oh, by the way, those Russian tractors are probably still sitting down there rusting, and they have been parked for parts, and now we have the only civilized country in the world that I know of that went from a mechanized agriculture to animal husbandry, went backwards instead of forwards. Now there is a billion feet of rope in Cuba to tie down their animals that they use to farm with. But Venezuela filled that hole. And when Venezuela goes under, then the President of the United States decided I am going to open up negotiations or relations with Cuba, and now we are in the business of negotiating here on how we might open up trade with Cuba to try to help their economy out and help the Cuban people. And I heard Ms. Lowe say that we wanted to keep the money out of the hands of the Castro regime. And I hear Mr. Claver-Carone say, "Well, every trade agreement for the last 50 years has been exactly with the Castro regime." And so it looks to me that the President of the United States is interested in bridging this Administration over, and giving help to the transition from the Castro Administration to the successor, which we have talked about. And this whole policy has been about the biological solution in Cuba that has to come one day, and it more imminent every single day, and that is Castro has lived a lot longer than we anticipated that he would. And I don't know that this Administration has a plan to transition and promote freedom in Cuba. I suspect they don't because it looks like to me that they have a plan to prop up the Marxist regime. And I don't want to curse the 11 million Cuban people to the next 50 years of living under a Marxist regime.

And then the money laundering that goes on in Cuba. It was 21 pesos to the U.S. dollar when I was there. It is 23.14 pesos now. Cubans can earn American dollars. They can hold them, but they can't spend them. They have to go to a Cuban bank where they get \$1 for every 23.14 pesos. And so they get 1 peso for every dollar. And Castro picks up 22 pesos out of that. He gets the *vigorish*. That props up the Cuban Administration.

Castro runs the hotels. American dollars go into the pockets of the Castro regime.

This big picture part of this thing has not been addressed in this hearing in an adequate way. And I recognize the testimony of Mr. Claver-Carone, and I think that we have much more we need to discuss before we move forward with something that would facilitate a Marxist regime in Cuba.

Thank you. I yield back.

The CHAIRMAN. The gentleman's time has expired. Mr. Costa, 5 minutes.

Mr. COSTA. Thank you, Mr. Chairman.

Well, we all have some ideas about the nature of the Castro regime. It has been a Marxist dictatorship since, really its inception, and it is obviously in all ways that we view human rights and freedoms that we cherish in this country, the Cuban Government's behavior toward its people has been the antithesis of what we believe in our country. Let's be clear about that. What we are witnessing is a transition. The Castro regime, I don't believe, is going to be in place indefinitely, and no one, I don't think, at this point can predict what will occur after the brother is no longer able to maintain the façade of his predecessor.

And I guess, Mr. Claver-Carone, to your points, while some of your issues that you raised are valid, I don't think it anticipates that continuing to do what we have always done over the last 50 years is somehow going to create change that we would like to see occur.

Dr. Ribera, what I didn't hear from you, and I would like to get your sense of, is if those of us who are looking at the long-term game, and, Ms. Lowe, you may want to comment as well, these steps to begin to open discussions and formal relations is a first step. Obviously, based upon conditions and reactions, and we are really talking about the next Administration. I mean this Administration has done what they have done, for better or worse, whether you agree or disagree, and it is going to be up to the next Administration to determine what kind of relationship they want to set up, under what sort of conditions as we go forward between ourselves and Cuba.

Dr. Ribera, what do you see is the long-term game here, as well as Ms. Lowe? I too was one of those who have visited Cuba. From a California agricultural perspective, there are a lot of opportunities there, providing you have the right set of circumstances. And please give me your sense, Dr. Ribera.

Dr. RIBERA. Well, as I mentioned in my statement, more trade creates jobs. And for the U.S., it is basically an opportunity—

Mr. COSTA. No, we get that part, but I am talking about what is your sense of the transition or the changes when the current President Castro no longer is in power, how do you think that is going to change?

Dr. RIBERA. Well, and again, this is talking to couple of people in the Malecón area, and they believe that they are still going to be a communist country. We also had some faculty from Havana—

Mr. COSTA. Right, and we have a communist country in China that we do a great deal of trade with. They call it socialistic capitalism.

Dr. RIBERA. Right.

Mr. COSTA. Deng Xiaoping, when they were converting to socialist capitalism said, "It doesn't matter whether a cat is white or black, as long as it catches mice." And they needed to change, and they did. And now everybody trades with China. And there are challenges there too.

Ms. Lowe, do you have any insight perspective?

Ms. LOWE. I want to make sure I understand the specific question. You mean on the regime change—

Mr. COSTA. Yes.

Ms. LOWE. Oh, apologies. On the regime change?

Mr. COSTA. Well, on what we ought to be thinking in terms of trade in the longer-term.

Ms. LOWE. Well, in the longer-term, I agree with the comment you made just a few moments ago, this is a really important first step in what is probably going to be a fairly long process. But, is a very important first step.

Mr. COSTA. I think 5, 10 years is what we are talking about.

Ms. LOWE. Yes. I wouldn't even begin to guess how many years. But at the end of the day, for the good of the American farmer, the American ag economy, in the long-term, we want to create as many opportunities as we can in every market, including one that is so strategically close to the U.S., and frankly, needs to import a vast majority of their food products.

Mr. COSTA. No, they have lots of problems.

Ms. LOWE. So that equation is good. As I mentioned, there is going to be a lot more work that has to be done. I mean, candidly, as far as a credit risk, I am very skeptical about Cuba as a credit risk today. Right? There is not any transparency, there is not good quality financial information that is credit, verifiable, *et cetera*. So a lot of things need to happen. The creation of a non-government-owned import entity is very important.

Mr. COSTA. Mr. Claver-Carone, your criticism, and I saw some of the European investments, Canadian investments, and others, in Cuba when I was there, are those governments propping up those investments, those foreign countries that have invested?

Mr. CLAVER-CARONE. Absolutely. Everyone has their dual strategic interests and dual political interests, European Union sanctions, Belarus and Zimbabwe, and other countries that we have different types of interest in regards, and that matter. But the important question you pose which is pivotal here is what is happening in Cuba right now, which is essentially a nepotistic transition. Essentially 80 percent of the economy right now is being put in the hands of the Cuban military, led by Raúl Castro's son-in-law, Luis Alberto Rodríguez López-Callejas. Raúl Castro's son is now heading up the Interior Ministry and all the intelligence and repressive apparatus. His grandson is heading up the Personal Security Service with his own personal kind of Secret Police, *per se*. So we are now seeing all of this happen under our nose, and if we give away the United States, everything that is in trust for the future of Cuba, for future Cuba's democrats and others, we are essentially handing it to this mafia and this next generation.

Mr. COSTA. You are making it sound like Cuba's version of the mafia or the Seminoles.

Mr. CLAVER-CARONE. It is. It is the Vivabelli family, the Castro family.

The CHAIRMAN. The gentleman's time has expired.

Mr. COSTA. Thank you.

The CHAIRMAN. Mr. Thompson, 5 minutes.

Mr. THOMPSON. Thank you, Mr. Chairman.

Ms. Lowe, the U.S. farm economy is facing very low commodity prices, and in these situations we need to take advantage of every opportunity. Can you expand on the possibilities of increased trade with Cuba, and what exactly it can bring to the rural economy?

Ms. LOWE. Well, in the very short-term, the impact of this bill passing would be somewhat limited. But the important thing, again, is to take that first step to create a level playing field. It is very, very clear as everybody appears to agree that the sales that are occurring are oftentimes with the support, in this case, of foreign government support. For example, the example of Korea providing export credits for the import of Korean products. In the short-run, I agree that there won't be a very significant change because many other things need to happen, particularly in terms of the creditworthiness of the importing entities in Cuba. But absent this next step, followed by other steps, we have to continue to keep the ball moving so that over the period of time we will create a level playing field for the U.S., and we will be able to compete.

I also believe that once the possibility of financing and the market becomes a bit more open, that will be further impetus, and other countries will push in this direction as well for the Cuban Government, Cuban banks to be able to produce the type of financial information that they are going to need to be able to produce, to more fully integrate into the world economy, including the financing of their products.

So other governments that are supporting them now, they have made their risk cost-benefit decisions, but they are going to require repayment of those obligations, Cuba is going to have to continue to demonstrate they can meet their obligations, those current obligations and the refinanced historical obligations. And over time, they will be able to take the steps that they will need, over years, I believe, to really be able to be a full partner in a level playing field of global trade.

Mr. THOMPSON. I want to follow up specifically, obviously, our number one industry in Pennsylvania is agriculture, and our largest commodity is dairy. And right now, our dairy prices are around \$14 per hundredweight; well under what it is costing to produce the milk. And it seems, as I have looked at this, I mean trade is a key issue with this. Specifically, in Pennsylvania, and nationwide, but I will just speak to Pennsylvania, our dairy exports are down 65 percent. Interesting enough, it is due largely, as I can trace it, to Russia. Not that we trade dairy with Russia, but Russia has put an embargo on European Union milk, and, therefore, where we would export our dairy products, the European Union is kind of, out of necessity, is flooding those areas, shutting our milk and our farmers' commodity out.

And Dr. Ribera had testified that recently a large amount of Cuba's cropland was taken out of permanent crop production and placed in native or improved pasture, I suspect in an attempt to

increase milk production, which has declined about ten percent since 2003. What role or opportunities do you see the United States dairy farmers playing in Cuba's market? Anyone who would like to take that question, would be great. Go ahead, Dr. Ribera.

Dr. RIBERA. Well, again, we used to send a lot of dairy products to Cuba back in 2008, 2009. Now we don't send anything. The main products that we send to them right now is leg quarters, chicken. We send a little bit of soybean and soybean meal, and corn. That is about it. There is this opportunity there because they basically consume 1.75 to 2.1 times more of the grains, meat, and dairy products that they actually produce. So it is a big opportunity.

You mentioned low prices, low commodity prices. When you look at the percentage of the farm income that comes from exports to overseas has increased from 28 percent in 1996 to over 35 percent in this year, or 2015. So we depend a lot on trade to survive, for us a percentage of the farm income.

Mr. THOMPSON. Yes. It was remarkable to me that one country that we don't directly trade that commodity with, can have such an influence over where we are today with the runaway prices on dairy.

So thanks to the panel. Mr. Chairman, I yield back.

The CHAIRMAN. The gentleman yields back.

Mr. McGovern, 5 minutes.

Mr. MCGOVERN. Well, thank you. And I want to thank the panel. I want to thank the Chairman for having this hearing. I want to thank my colleague, Congressman Crawford, for his bill. I support it, and I hope that this hearing will result in quick action by this Committee to markup H.R. 3687 and have it enacted before the end of the 114th Congress.

I strongly support normal trade relations with all countries, unless there are internationally recognized and approved sanctions against them. And in the case of Cuba, the United States is the only nation in the world to maintain trade sanctions, indeed, a trade embargo, against that country. I believe we should lift the travel sanctions we imposed on our own citizens, and I believe we should end our unilateral trade embargo. And so I see ending restrictions on U.S. agricultural trade as a step in the right direction. And it is certainly an area of policy where there is broad bipartisan consensus that ending these restrictions on U.S. agricultural goods and allowing our farmers to trade with Cuba on normal terms will be good for our farmers, and good for the Cuban people.

I have been to Cuba many times. My first visit was in 1979. And I was there when the President went down to announce the change in our policy. Things have changed. Not as fast as we would like them to change, but there are indications that things are changing in a way that, in 1979, the Castro regime would have been strongly against. And they are changing not because of anything we are doing, they are changing because the whole world is down there. The whole world is able to trade and to travel there, but we are not. And I am a believer that American farmers, the American people, American businesses can do more to open up political space in Cuba than all the saber-rattling and tough talking speeches that come out of the United States Congress.

As my colleagues on this Committee know, I am very interested in issues related to strengthening food security here in the United States and globally. And U.S. exports of rice and dairy to Cuba don't just support the State or the tourism sector, they also go to the warehouses and supermarkets that supply Cuban citizens. Our soybean oil and meal feed the livestock in Cuba and feed the people.

So I would like to ask Mr. Isbell and Mr. Gibson, if you could expand a little bit more on how you view U.S. agricultural sales to Cuba, helping not just U.S. producers, but Cuban citizens and consumers.

Mr. ISBELL. The important thing about trade is that it can benefit both sides of the equation. And as many have mentioned here today, it is incredibly important that we continue to try to find ways to better the lot of the average Cuban citizen. And the way we can start is by extending freedoms back to our own people here in the United States and set an example for the Cuban Administration to do the same to theirs.

Our goal is not just to trade rice and to make money, it is to benefit the average Cuban citizen. With USA Rice, we have technical exchanges that are in the works, and certain things like that. And over time, we can build bridges between individuals that greatly benefit not just the rice farmers in the industry through the United States, but the average Cuban citizen over there. And that is our goal.

Mr. MCGOVERN. Mr. Gibson.

Mr. GIBSON. Thank you. I agree with Mr. Isbell. One thing to add is, human nature is to get along better with people you trade with. I have been in the trade industry for 20 years, and I go to people that I trade with every day when problems arise or when we need to discuss things. And having any relationship with Cuba from an agricultural standpoint might just open up some dialogue to help the Cuban citizen.

Mr. MCGOVERN. Right.

Mr. GIBSON. When we look at the U.S. rice farmer, I have plenty of farmers in Mr. Isbell's area that would love to sell me more rice, but I don't have a place to go with it at the moment. So any trade we can open up, when it comes to U.S. rice, wheat, corn, beans, just opens up more markets for our U.S. farmers so that we can supply the rest of the world. We are going to have 2.3 billion bushels of corn left over after this harvest that has nowhere to go.

Mr. MCGOVERN. Right. Well, I appreciate it. All this emphasis is focused on how this benefits the Cuban Government, but when you go to Cuba and you talk to regular people, they see the benefit to themselves.

And look, the one thing we all should be able to agree on is what we have been doing for close to 6 decades has been a miserable failure by every measure. It has not served our interests, it has not helped the Cuban people, and when something is not working, especially after almost 6 decades, maybe it is time to reassess. And I, again, hope that we can move quickly on Mr. Crawford's bill.

With that, I yield back my time.

The CHAIRMAN. The gentleman's time has expired.

Mr. Austin Scott, 5 minutes.

Mr. AUSTIN SCOTT of Georgia. Thank you, Mr. Chairman. I have spent a lot of time over the last year or so speaking with the people from Cuba, and the one story that sticks in my mind is a gentleman that I spoke with a few months ago who said that when he was a child, they would tell the kids to put their head on their desk and to pray to God for candy. And they would lift their head up and there would be no candy on the desk. And they would tell them to put their head down on the desk and pray to Castro for candy. And they would lift their head up and there would be candy on the desk.

And so then the indoctrination of the Castro regime has gone on down there for a long, long time, but those same types of indoctrinations have gone on around the world. There are a lot of oppressive people out there. A lot of oppressive leaders or people who happen to be in leadership positions, I should say, around the world.

My question, and maybe this would be for you on the end, what is the state of the church in Cuba? Are people allowed to worship?

Mr. CLAVER-CARONE. Well, Congressman, that is a great question because we have now heard multiple times this whole question about, if we have the policy that we have had over 50 years, and it goes to that. I am all for change, but not change for the worse.

Mr. AUSTIN SCOTT of Georgia. But, answer my question, what is the status of the church? Are people in Cuba allowed to worship, or is that regime so oppressive that they will not allow it?

Mr. CLAVER-CARONE. They are only allowed to worship in State-sanctioned churches. And since December 17, 2014, religious persecution in Cuba has gone up tenfold, according to Christian Solidarity Worldwide. So it is getting worse since the new policy.

Mr. AUSTIN SCOTT of Georgia. Okay. So we don't have travel bans to countries that are even more oppressive than that.

Mr. CLAVER-CARONE. But we don't have other countries or a tourism industry that is owned by the Cuban military and intelligence services.

Mr. AUSTIN SCOTT of Georgia. There are other countries though where the countries that are so oppressive and those governments do own those industries.

I mean it is not the Castros, but it is others who are similarly oppressive as the Castros.

Mr. CLAVER-CARONE. If your number one source of income is tourism, like the number one source of income for Iran is oil, we are going to sanction tourism to Cuba and oil to Iran. It is logical.

Mr. AUSTIN SCOTT of Georgia. But, there is no travel ban to Iran.

Mr. CLAVER-CARONE. Because tourism is not a source of income for the Iranian regime.

Mr. AUSTIN SCOTT of Georgia. But, there is no travel ban in Iran, and, quite honestly, they are a much greater threat to American citizens than Cuba.

Mr. CLAVER-CARONE. Because the Iranian regime does not market tourism as their number one source of income.

Mr. AUSTIN SCOTT of Georgia. But there isn't a travel ban to Iran, and they are a much greater threat to the U.S. than, I mean Cuba is 90 miles from Miami. My wife is from Miami.

Mr. CLAVER-CARONE. Yes.



Mr. AUSTIN SCOTT of Georgia. If we are not there, shouldn't we expect other countries to be there that may not be our friends?

Mr. CLAVER-CARONE. Congressman, there is a seminary in the Florida Straits of hundreds of thousands, if not nearly a million, Cubans that were trying to flee to one country, the United States. We are their beacon of freedom. If we start acting like Canadians, Europe, and French, and everybody else, going on vacation in these Cuban military resorts and embracing this regime, we are going to lose being that beacon of hope to the United States.

Mr. AUSTIN SCOTT of Georgia. I am not talking about embracing a regime.

Mr. CLAVER-CARONE. Well, that is what it is.

Mr. AUSTIN SCOTT of Georgia. You are not answering the questions though.

Mr. CLAVER-CARONE. That is the reality.

I am, sir.

Mr. AUSTIN SCOTT of Georgia. No, you are not, not with facts. I mean this is an emotional argument. I feel for the people of Cuba. And I don't understand how having a travel ban, keeping good people from going to that country, is helping the people of Cuba.

Mr. CLAVER-CARONE. We don't have a travel ban, sir.

Mr. AUSTIN SCOTT of Georgia. And so——

Mr. CLAVER-CARONE. People are going to Cuba. What they are not allowed to do——

Mr. AUSTIN SCOTT of Georgia. But no, let me——

Mr. CLAVER-CARONE.—is tourism transactions——

Mr. AUSTIN SCOTT of Georgia. Let me finish please.

Mr. CLAVER-CARONE.—to the military-owned hotels and resorts.

Mr. AUSTIN SCOTT of Georgia. Reclaiming my time. I want to ask you another question. I apologize. There has to be a way to tie human rights and the improvement of the human rights conditions and countries to expanding trade opportunities for those countries.

And with that, Mr. Chairman, I would just like to say that whatever we do, going forward, we need to keep in mind the people of Cuba. I am not interested in helping the Castros, but not trading with Cuba is not helping the people of that country.

With that, I yield back.

The CHAIRMAN. The gentleman yields back.

Mrs. BUSTOS, 5 minutes.

Mrs. BUSTOS. Thank you, Chairman Conaway. And thanks for hosting this hearing today, along with the Ranking Member, Mr. Peterson. It is an important conversation that we are having, and it is very important to farmers from my state, which is Illinois, and farmers all over our country. And thank you to the witnesses for taking your time to spend with us today.

In the last year, I have been to Cuba twice. One of those times was with my colleague, Congressman Davis, also of Illinois. The entire purpose of that was to talk about agricultural possibilities for the State of Illinois. Second time was with the President. And it was an honor to be able to go there and advocate on behalf of our family farmers.

I too am a proponent of Congressman Crawford's resolution, and I am a strong supporter of it. And with that said, actually, my first question is to find out a little background that would help me. Dr.

Ribera, from Texas A&M, you talk about the possibilities of ag trade from the United States being somewhere around \$1.2 billion or \$2 billion. And you have assigned ten percent of that to the State of Illinois, that those are the ag trading possibilities. I just want to know a little background on how you have come up with that number so I can explain it when I am talking with our farmers back in Illinois about that.

Dr. RIBERA. Sure. Basically, what we did is that, looking at the states that produce the main commodities, and also looking at the percentage of what is exported, and that is basically the percentage that was assigned to Illinois because, I believe it would be corn, a big commodity there in Cuba, they require a lot of corn. They are buying right now from Brazil, but we can sell them a lot of corn as well.

Mrs. BUSTOS. Yes, we do a pretty good job in Illinois on corn and beans.

Dr. RIBERA. Yes, ma'am.

Mrs. BUSTOS. Okay, my second question is, I would like each of you to address this if you could, when Secretary Vilsack also was on the trip with the President, and there was a Memorandum of Understanding that was signed. Obviously, you have each addressed some challenges, we have heard about some challenges here from our fellow Members of Congress, but wondering in light of that Memorandum of Understanding, what has happened since then, what do you see as the possibilities for that? Maybe we can start with Mr. Isbell and go down the line, and if each of you can give us your thoughts on that please.

Mr. ISBELL. More specifically, the change since—could you repeat the last part of your question?

Mrs. BUSTOS. I am wondering what you see as the possibilities, with the Memorandum of Understanding that has been signed with the U.S. Department of Agriculture and Cuba, if we have seen any results of that, what you see is ahead for the possibilities because of that Memorandum of Understanding.

Mr. ISBELL. If I remember correctly, the Memorandum of Understanding created some exchanges on environmental aspects as well, and I think that is one place that agriculture can engage with Cuba and create some new relationships through that.

Other than that, it just lays the groundwork to continue the work that we have been trying to do to open that next door and take the next step. Yes.

Mr. GIBSON. As far as the Memorandum itself, I am not familiar that it truly created a whole lot. We appreciate the Memorandum, but really until we solve the financing issue, we just can't go anywhere.

Ms. LOWE. I honestly have nothing to add to what Mr. Gibson and Mr. Isbell have said. I agree with that. It is an indication of interest and intention, but we need to take some concrete steps to move the needle.

Dr. RIBERA. I would say the same thing as well. One other thing that it could help also is just to start looking at inspection agencies like APHIS, for example, and try to have the same regulations on both sides to try to harmonize what we export and what we import

from them as well. But the financing is the main issue. That is what ALIMPORT tells us.

Mr. CLAVER-CARONE. As I mentioned in my testimony, since December 17, 2014, ag sales have plummeted last year, and they are further plummeting this year, than the time when we had the strongest sanctions in 2008. What that tells you is, essentially, the more of these hearings and conversations, and the more they think they can get from the U.S. Congress for us to pay for our own ag sales, the less they are going to buy. They are trying to squeeze the U.S. Congress, frankly.

Mrs. BUSTOS. Thank you. And, Mr. Chairman, my time is up and I will yield back. Thank you.

The CHAIRMAN. The gentlelady yields back. Mr. Crawford, 5 minutes.

Mr. CRAWFORD. Thank you, Mr. Chairman. I appreciate you and the Ranking Member for holding this important hearing.

I want to put a little perspective on here. I don't think we are acting like Canada, I don't think we are acting like France, we need to be acting like the United States. Let me give you an historic perspective here: 1985, that was the year I joined the Army. U.S. trade to the Soviet Union was around \$2.1 billion. The height of the Cold War. The Soviet Union was actively engaged with the Afghans. I served in that theater later in my tenure in the United States Army. So somehow we managed to find a trade relationship with the Soviet Union; a very hostile regime, a very oppressive regime. I am not going to give you any further background on that.

Vietnam, 2001 Bilateral Trade Agreement, established permanent normal trade relations with Vietnam. Ten-Year Hot War with Vietnam; a very oppressive regime. Don't have to give you all the background there. We have seen an increase of 1,200 percent in trade in Vietnam.

So I am not asking us to act like Canada, I am asking us to act like the United States of America.

It is reasonable to think that we should provide opportunity for farmers. When I talk to farmers in my district they say, "You know what, we can get by without all the policy things that you are messing up in Washington if we can do a handful of things. First, get the EPA off our backs." I think we can all agree on that. "Second, open up market opportunities for U.S. producers. And third, we are seeing the evidence of yesterday with the WTO being taken to task over China corn, grain manipulations."

My point is, my goodness, we have to look at this thing over and over again through the lens of the Cold War that has been over for 20 years. I understand your concerns. This bill was written specifically to address the concerns and the sensibilities of the Cuban expat community in south Florida, very specifically, because we have a very sensitive understanding of how, as we have seen here, a very emotional issue, but my goodness, can we look at this in a different context?

Mr. Isbell, if you would, give me a little bit of perspective here. I know you mentioned 135,000 tons, we have done the math here and I gave the Chairman a bad figure earlier, but it has been refined, that represents anywhere between three to five percent of total U.S. production. Is that right?

Mr. ISBELL. That sounds correct.

Mr. CRAWFORD. And you see some long-term potential there. My point is, I am concerned that if we are not actively engaged in Cuba at this point, that there is a void of American leadership. This is what we say all the time. This is what is going on with trade agreements and world affairs. We have seen a void of U.S. leadership, and when we don't lead, bad things happen. And I just think it is time that we revisited this in a more productive light. I know that these are not good people that are calling the shots in Cuba. I know that. Neither were the Vietnamese when we fought them for 10 years. Neither were the Soviets when we had the Cold War for 40+ years. For that matter, neither is China who is grossly manipulating their currency, and who oppresses religious minorities, and who squelches free speech, and yet we have billions, if not trillions of dollars in economic investment in China. So are we to retol those relationships? Are we going to scale back our investment in China? Are we going to quit doing business with our friends in Saudi Arabia, who beheaded more prisoners last year than ISIS? I mean come on. It is not that difficult for us to look at this in a different light, understanding that 55 years hence, nothing positive has been yielded by the current posture.

So I understand there is risk. We don't want to put taxpayers at risk. The bill is written so that taxpayers are not at risk. A private-sector entity can engage in these transactions at their own risk. And that is the chance you take in the marketplace. We do that today, every day. Heck, as a former radio farm network owner, I had slow payers, some that would take 6 months. I am talking about some big, big clients, take 6 months to pay me. That is the chance I take in the business world. Do I want to do business with them again? I don't know. I would have to rethink that. That is my decision to make. We are not putting the taxpayer on the hook with this.

And I didn't intent to go down this trail. I really wanted to get some information from Mr. Gibson about recognizing that there is a lot of international investment, for example, in the Port of Mariel, and how that plays into this whole ag goods.

I am running out of time, but my point is we have a lot of data here that we can be talking about, and it comes down to this, we are continuing to look at this issue over and over again through the lens of 55 years worth of failed policy that has yielded no positive benefit for anybody here or in Cuba.

And with that, I yield back.

The CHAIRMAN. The gentleman's time has expired. Ms. Graham, 5 minutes.

Ms. GRAHAM. Thank you, Mr. Chairman. I was born in Miami in 1963, you all can do the math, so I have lived with this issue my whole life of our relationship with Cuba, 90 miles from where I grew up. And I listened to a lot of the conversation here today, and have agreed with a lot of it and disagreed with some of it. We started this hearing with the Chairman speaking about leverage, and I have made a whole lot of notes on my page here as we have gone through this discussion. And it does come down to that. I do think we need to incrementally start opening up our relationship with Cuba. And I say incrementally because we do want to hold

this oppressive regime accountable for its human rights violations. And I don't want, down the road, when the Castro brothers are no longer in power, I was concerned when I heard Mr. Peterson's comments about the Vice President coming into power and being equally as totalitarian. We can all agree that we don't want a void to be in Cuba that could potentially be filled by worse actors across the world. So I have been supportive of Mr. Crawford's bill because we do need to be taking incremental steps, but I think at the end of the day, and I didn't mean to go on about this either, but as a Floridian, this is personal for me, what we want is to help the Cuban people at the end of the day, many of whom have families in south Florida, and all over Florida.

So what can we do? And I guess my question is for Mr. Claver-Carone, am I saying that correctly?

Mr. CLAVER-CARONE. Yes, ma'am.

Ms. GRAHAM. Was it close enough?

Mr. CLAVER-CARONE. Yes, ma'am.

Ms. GRAHAM. I do think we made a mistake in being overbroad in easing restrictions to Cuba, because we have lost our ability to have some leverage, but what do we do? As we lift restrictions, what steps can we take, and this could be one of them, to have enough leverage that the Castros will feel inclined to have some of the benefit of trade trickle down to the citizens of Cuba, the people we want to help, right?

Mr. CLAVER-CARONE. Yes.

Ms. GRAHAM. I mean I don't know if you have any suggestions, any ideas—

Mr. CLAVER-CARONE. Congresswoman, I agree with you wholeheartedly in regards that our goal should be to help the Cuban people, and in that, I would say if this bill essentially said we want to authorize private financing for agricultural sales to privately owned and operated companies and entities in Cuba, I would be its biggest cheerleader right here, but that is not what we are discussing. We are talking about providing private financing to one company owned by the Castro regime that is going to hold food hostage over a people. So we are increasing what essentially is their control over the Cuban people. That is my concern, and thus, the safeguards that we want to be able to lay through.

Ms. GRAHAM. So back to my question, because I can tell you, I Googled you. You know a lot about this issue.

Mr. CLAVER-CARONE. Hopefully, only good stuff.

Ms. GRAHAM. Is that the verb, right, to Google? No? To Google?

The CHAIRMAN. I don't know, is it painful when you get Googled?

Ms. GRAHAM. We say in my office, because we are Southern, we say we Google it up. We Googled it up. I Googled it up. Okay, back to the question. What steps would you feel were appropriate to start, if any, to start to build a relationship with Cuba so that if, in fact, when the Castro brothers are gone, we are not left with this void that we have no relationship? See, I can see both sides of it. We don't want to leave a void where we have no relationship with Cuba, but it has to be incremental. One thing that I would suggest we would do would be to allow American companies to work with Cuban offshore oil drilling rigs because if, God forbid, they don't have the best—I know we are getting way off topic, but

if they don't have the best science and engineering for those oil rigs, and there is a spill, it is going to all flow south. That is how the water flows. But, one of the reasons I was interested in Mr. Crawford's bill is because I do think we need to be taking incremental steps. And I don't know what the answer is. As a Floridian, as someone who was born and raised in south Florida and understands the passion of these issues, I don't know. So maybe you and I could have a conversation at a later time and talk more in-depth, because I am way off topic.

And I yield back. I am out of time.

The CHAIRMAN. The gentlelady's time has expired.

Ms. GRAHAM. Thank you.

The CHAIRMAN. Mr. Benishek, 5 minutes.

Mr. BENISHEK. Thank you, Mr. Chairman. Boy, this has been really interesting for me, and I, frankly, don't understand many of the issues. Are we the only country that doesn't trade with Cuba, Mr. Claver-Carone?

Mr. CLAVER-CARONE. We do trade with Cuba. We sell them agricultural products, and we have exemptions—

Mr. BENISHEK. But like the embargo, what I don't understand is why, if we open the trade up, since the rest of the world trades with Cuba, why hasn't that opened up the regime? That doesn't work, so why adding us on there, how does that open up the regime more than the rest of the world already having a trading relationship, but already having difficulties in getting paid, if we do that, how is that going to make it different than the rest of the world failing, and their economy still being a failure?

Mr. CLAVER-CARONE. Well, I always argue the fact that all of the countries that do business with Cuba and have not promoted any type of positive change, in that regards, when people say the U.S. has a failed policy, "I say, well, why do we want to follow the failed policy of even more countries?" At the end of the day, whether we agree with U.S. policy towards Cuba or not, it is a principled policy which conditions about certain fundamental rights and security concerns. I mean and Congressman Scott had mentioned that the whole Iran *versus* Cuba, Iranian President Rouhani is going to Cuba, this week, to meet with the Castros. They are not going to discuss anything that promotes U.S. interests. This is 90 miles from our shores. So there are other concerns.

Mr. BENISHEK. Oh, I agree that there is a very, very bad security risk for America to have them there. But another thing that you mentioned in your testimony was that trading with—there was testimony—you have heard testimony here how that trading with Cuba would benefit U.S. farmers, but it seemed to me that you didn't feel that was true. So can you explain that position?

Mr. CLAVER-CARONE. My argument, what I was saying is when we have had the previous hearings, and as the Ranking Member was discussing when they previously discussed this issue, the whole argument, now it is about financing. It used to be about the definition about *cash-in-advance*. And in 2000, it was just about authorizing, in 2000, the argument was if we authorize agricultural sales to Cuba, that was going to fundamentally change Cuba because we are going to have all these interactions, *et cetera*, *et cetera*. It hasn't done so. To the contrary, it has made the funnel

even narrower. And what I want to do is broaden the funnel so that Cuban people will be able to partake in——

Mr. BENISHEK. And can you tell me more about why you think that the exports have gone—or the trade has gone down, and how you think that—you mentioned squeezing Americans, can you talk a little bit more about that because I am——

Mr. CLAVER-CARONE. Because, essentially, what the Cuban regime wants is the same as it has gotten from Brazil, Vietnam, and others, it essentially wants us to pay for it, it wants our taxpayers to guarantee it, and then, essentially, it wants to just control it. And it wants, also non-related to the issue today, it wants U.S. tourism. Tourism is its number one source of income. So you will note that when—and a lot of you that are in ag—that go down with farm delegations, what the Cuban regime always argues is that we need more American tourists to come down, so they spend more money so then we can buy more products from you. That is unrelated, *per se*, but that is essentially how they are trying to, go around and squeeze Congress on issues that are non-ag related.

Mr. BENISHEK. Right. Let me just ask another question similar to what Ms. Graham mentioned, and that is there any kind of an incremental demand that we can make on the Cuban regime to free things up to, a tit-for-tat, if you do this, we can do this? What is the way forward, could you give me a concrete idea of what to do, other than I don't see an idea.

Mr. CLAVER-CARONE. I just laid one before you with the Congresswoman's question. If you were to simply craft a bill to say we will allow private financing with Cuba with private companies operated by private entrepreneurs in Cuba, like we do with every other country in the Western Hemisphere, frankly. That is how it works in every other country of the Western Hemisphere. We don't do it through a State entity in that regards. So if we do that, that seems to me like a positive step to press the regime to say, "Hey, you are not going to be able to control everything that comes from the United States." And, I would arguably say that that would be an interesting move.

Mr. BENISHEK. In the short time I have left, can you tell me more about the American assets that have been confiscated by the Cubans, and now are going to be using those assets to——

Mr. CLAVER-CARONE. Congressman, I know the owners, the American owners, they were American in 1959, of the Port of Havana, of the Port of Santiago, where a lot of these agricultural exports that go to Cuba go through and are transported through. Those were stolen without compensation. So we have to recognize that every ag sale that is made to Cuba, even under these terms, is essentially trafficking on another American's stolen property. That issue should be addressed because that is, frankly, unfair to the American victims that were, I want to say it kindly, that were screwed over.

Mr. BENISHEK. I am out of time.

The CHAIRMAN. The gentleman's time has expired.

Mr. BENISHEK. Thank you.

The CHAIRMAN. David Scott, for 5 minutes.

Mr. DAVID SCOTT of Georgia. Thank you, Mr. Chairman. I like to look at this as an economic issue because, fundamentally, that

is what this is, economic interests and what is in the best economic interests of our American agriculture system. With Cuba, having a population of 12 million people that imports 80 percent of its food, only 100 miles from Florida, giving Cuba convenient access to the United States and our incredible array of agricultural food and products, having the world's largest, most significant agriculture economy, it is very imperative that we look into any and all possibilities of opening up increased trade with Cuba. It just makes good business sense to do this. I understand the regime, I understand the communist regime. And look at China. We have to look at this with a very jaundiced eye and say what is in the best interests of the American business? Our farmers, who are struggling.

Now, Dr. Ribera, I believe, I read your testimony, and in your testimony that you said that U.S. food and agriculture exports have the potential to exceed more than \$1.2 billion annually within 5 years. Why would we deny that to our American businesses?

So let me ask you, if we could change just one thing in regards to the restrictions placed by the United States on trade with Cuba, tell us what would that be, with the aim of getting the largest increase in exports to Cuba, thus, money into the pockets of the American farmer?

Dr. RIBERA. The answer to that is just let our farmers compete for that market, with the same terms that other countries have, and we will do very well. That is what we believe, that we can capture about  $\frac{1}{2}$  of that market, which is about \$1 billion, in the short-term. We are really competitive in producing the products that they need; greens, meat, and milk, we are competitive.

Mr. DAVID SCOTT of Georgia. Yes.

Dr. RIBERA. And if you give the opportunity to our producers to compete, they are going to do a good job.

Mr. DAVID SCOTT of Georgia. I agree with you 100 percent. I mean for people that may not know, of course, I represent Georgia. In 2014, Cuba imported \$147.8 million in poultry, meat, and eggs from the United States. But then in 2015, that number dropped to \$77.6 million. That 45 percent drop is not good for my State of Georgia. We are the nation's and the world's leader in producing poultry. And Georgia produces on average per day roughly 29 million pounds of chicken, 6.3 million table eggs, and 5.5 million hatching eggs. We want that to have an opportunity to get into Cuba. We are less than 600 miles from Cuba. We have a fantastic Savannah port. All of the infrastructure is right there, and even right now, Cuba currently serves as the sixth largest poultry export market for Georgia's poultry. We are exporting right now \$20 million worth of chicken to Cuba each year. So I want to look at this as a sound economic investment for the United States, and particularly from the interests of our farmers who deserve to be able to get their products to the Cuban market.

Thank you, Mr. Chairman.

The CHAIRMAN. The gentleman's time has expired. Mr. LaMalfa, 5 minutes.

Mr. LAMALFA. Thank you, Mr. Chairman, and thank you for calling this hearing on this important and interesting topic. I also appreciate the thoughtful work that Mr. Crawford is putting in on this effort, and makes great points and arguments on this.



As well Mr. Isbell can relate, I am one of those rice farmers too that made some of those trips to Washington, D.C., wondering when they were going to get straightened out. I hearken back to when there was an American ag movement, the Tractorcade came to D.C. a couple of times late 1970s, early 1980s, and I remember one of the quips by one of the farmers, "We are going to stay back here and fix this thing if it takes all week." So I hope you have all week. But again, thank you for being here, and the chance to meet with you a little bit earlier as well.

I had to leave home this week when we were starting rice harvest as well. It turns out about as green as Ms. Nicole's dress there, so we will have to wait a few more days to cut some rice, but you miss that at home.

I am just wondering, since 2009, we haven't seen any rice imported into Cuba. And why do you think we were exporting more in 2009, which is during this same Administration, than now?

Mr. ISBELL. There are a number of market forces at work that guide how rice trade happens at any given time, but with the credit restrictions, that creates another impediment that we also have to overcome. I will make a very simple analogy. Every now and then, you have to get a new tractor on the farm. And if I go to one town over and the dealer says, "I will sell it to you, but you have to pay me cash today and I am going to bring it to you next month." And I say, "Okay, I am going to look around a little bit more." And I go to the other town, the other direction from the farm, and I say, "How will you sell me a tractor?" And he says, "I will give you 90 days." Who do you think you want to buy the tractor from? You being a farmer, you understand that as well. I am going to go with the person that can extend credit. Right now, we do not have the ability to extend credit because of the statutory limitations that are in place.

And so with that——

Mr. LAMALFA. Well, I am going to see whoever has the 179 still in place at the end of the year, but that is something else. But I have heard some numbers on how many tons we might be putting in there, 135,000 tons might go in. I was looking at a *Farm Press* article a little bit ago, one of the southern marketers was thinking maybe up to 550,000 tons. And, I guess those might be pretty optimistic numbers with the situation with Cuba economically, and some of the things that doesn't make me jump right at this is some of the concerns about one man, one regime, everything running through them in Cuba. And I am not there to help prop up Castro either, so this is really a tough thing that I am torn on. But, how realistic are some of these numbers we are hearing on what kind of tonnage could be going in of rice, or other commodities?

Mr. ISBELL. Right. Anecdotally, frankly, they are conservative, but those numbers come from an academic study that I believe has a lot of validity, so I have no reason to question them. But to your point about going through one entity, and this has been made several times in the hearing today, it is less than ideal, I admit that, however, I know your district sells quite a bit of rice to Japan, our friends over there, and all of those——

Mr. LAMALFA. And TPP is looking like it might be a skinny 70,000 tons, which would be about six, seven guys could grow.

Mr. ISBELL. Right. All of the rice that goes into Japan goes through a government entity. All the rice that goes into Iraq, Jordan, Saudi Arabia, goes through a single government entity. It is not unique in the world. That is something that takes place. They are in less than ideal situations, but they are ones that we work with, and there are ways that we can do that as we try to continue to influence change without taking out the opportunities for the American farmer.

Mr. LAMALFA. Okay, thank you. Let me jump to Ms. Lowe real quick here too. I am concerned about the extending of the lines of credit, and the ability at the end of the day for them to actually pay for these products. Most of the stuff has gone cash on the barrelhead in the past, is that right? So how far are we going to be out there extended on credit that may come back against the taxpayer *versus* something—please.

Ms. LOWE. Well, at this point, the discussion is extending—

Dr. RIBERA. Microphone.

Ms. LOWE. Sorry. At this point, the discussion is extending credit from the private-sector. So each individual extender of credit, the person was going to have to make their business decision as to what terms they extend, for what period of time, *et cetera*. So I can't comment specifically. I mean certainly, we know that there is a lack of transparency in terms of the financial standing of the sovereign, and the banks and the banking system, and I am sure that would extend to any private companies as well, if they are ultimately able to buy our products. So that would be my biggest concern is a private-sector lender to Cuba for trade finance.

Other countries and other exporters are doing it. They are making their business decisions. I am not sure based on what information they are doing so, but as I mentioned earlier, the ability, the simple ability to extend financing will, over a longer period of time, lead those buyers to be able to produce that type of information so people can make good business decisions.

Mr. LAMALFA. Thank you.

Ms. LOWE. And if Cuba does have—

Mr. LAMALFA. I had better yield back.

The CHAIRMAN. The gentleman's time has expired.

Mr. LAMALFA. I had better yield back on time, ma'am. Thank you.

The CHAIRMAN. We are way over. Mrs. Walorski, 5 minutes.

Mrs. WALORSKI. Thank you, Mr. Chairman. Mr. Gibson, I have a question. Again, I appreciate the whole panel's input here. It is a lot of information, and it has answered a lot of my questions, but some of the estimates we heard for the potential of increased trade with Cuba are dependent upon lifting the travel restrictions or the embargo. Is there potential for increased ag trade even if those restrictions are not lifted, or is this an integral issue here connected?

Mr. GIBSON. Specifically on the travel issue, or—

Mrs. WALORSKI. Yes, on travel. Can we actually have increased trading without lifting, I am not advocating we do this, I am just asking how it works.

Mr. GIBSON. I am not going to say that trade would not increase without lifted travel restrictions, but, going to see your customer, understanding how they need the product, when they need it, that

is really important in the trade business. Our company travels to most of our customers to make sure that we are meeting their needs, and, quite honestly, to make sure that we feel comfortable in the financing piece on how we are going to get paid. So that travel piece is definitely an important part of the bill.

Mrs. WALORSKI. Okay. And, Dr. Ribera, I have a question. Your estimate, and we just talked about this a second ago, says that 60 to 80 percent of the Cuban diet is attributable to food imports. And that kind of echoes off of my colleague's question. Do you believe imports will continue to account for most of the Cuban food supply in the foreseeable future, and what capacity does Cuba have for increasing their own domestic production?

Dr. RIBERA. Cuba, being an island, we can compare it to other islands around, like the Dominican Republic or even Puerto Rico. Puerto Rico also imports about 85 percent of the food that they consume. So we would think that that will be the same thing in Cuba. Now, Cuba is the largest island in the Caribbean, but they are very limited in terms of agricultural land. They need a lot of input as well, a lot of investment in technology, fertilizer and other things, so I don't think they are going to be able to ramp-up their production, soon. And if they do, I still think that they are going to depend on a lot of inputs to feed their people.

Mrs. WALORSKI. And just another question, and it really echoes off of what Representative Thompson was talking about, and I believe he was talking about sugar. I sit in the State of Indiana, with Purdue University, with the Chicago Mercantile Exchange, CME, a lot of folks reading barometers on agriculture constantly. And, looking to the report with the weak crop prices, just disaster coming with low corn prices. And so my question is kind of the same, and I know that none of you here are from Indiana to speak on behalf of Indianan farmers, but could you just kind of speak to that, to how the access to the Cuban market could actually help Hoosier farmers in my district? Would this help with commodity prices? Can the U.S. recapture some of that lost market share in corn, given where Cuba is with corn? Can you just speak to that whole issue of the corn market?

Dr. RIBERA. Sure. It is basically finding another market. If we don't find another market for our excess production, it is going to stay in stock, and the stock, basically, is going to, basically, increase and reduce our prices. If we can find countries that we can place our corn, basically, it is going to increase the demand, which raises prices.

Now, again, Cuba is a small country. They import about \$2 billion, but it is still significant. If you ask the producers would they like to have access to a market of \$2 billion in food imports, I am sure they are going to say yes. So it is important. And like I mentioned before, over 35 percent of farm income comes from agricultural exports, so we depend a lot on those foreign markets, and to keep those foreign market and compete to make a living for our producers.

Mrs. WALORSKI. I appreciate it. And, Mr. Claver-Carone, just really quickly, you mentioned the idea, and somebody just asked this as well, about a good faith compromise. We are talking specifically about agricultural trade, where do you think the common

ground is with Representative Crawford's bill in finding some kind of common ground with what you are talking about?

Mr. CLAVER-CARONE. Yes. Well, if we were to take the approach that I was mentioning before, and it was just about finding a way to do business and private finance it to private entities in Cuba it would be a different story, but what we are trying to figure out here is how to finagle a way to allow private financing to one entity owned by the Castro brothers. So obviously, what is a concern to us is, first and foremost, the issue of the property, of the trafficking and property from other Americans, that is something that needs to be addressed, and second, what happens tomorrow as we are seeing, particularly since the President's policy, when the Cuban military takes over ALIMPORT directly and says, "Hey, I want that financing and I want to control it directly." Do we trust them with our money? I, frankly, don't, but—

Ms. WALORSKI. I appreciate it. And I yield back, Mr. Chairman.

The CHAIRMAN. Mr. Abraham, 5 minutes.

Mr. ABRAHAM. Thank you, Mr. Chairman. I appreciate that. And I appreciate this hearing.

You have heard from everybody today that the *status quo* of the last 50 years has certainly not worked, and certainly hasn't been beneficial to our American farmers. And when we don't do anything, as Representative Crawford said, as a leadership country, we see what happens in countries like Cuba. And we are getting some interspersed with facts here. The fact is the last 50 years has not been good for Cuba, it has not been good for the American farmers, by any token, and as Mr. Scott referenced, we need to look at this, certainly, as an economic issue, and, certainly, we don't want to forget the human rights issues of the Cuban people. But what we have been doing has not been working whatsoever.

And you have Rouhani meeting with the Castros today, you have Kim Jong-un that wants to come over and meet with them, you have all these bad players that all of a sudden want to be part of the puzzle because we are not there, and that concerns me that if we are not there, they are there. Russia was there. I was in Cuba earlier this year, and I talked to no less than, I quit actually counting after 50 people. I was with cab drivers, we went out to the farms. I would talk to people on the side of the road that could understand my English, because of my southern drawl, and I asked them all the same question: do you want American products and do you want American tourists? And I already had a notepad because I thought I would get some debate, 100 percent said they want the products and they want our goods.

So again, we need to look at this as a trade issue for our rice, and certainly other products, that will take care of our farmers first, and certainly, we want to help the Cuban people, but they have to help themselves, and we know that, and we have to help empower them with the American dollar.

Ms. Lowe, on other countries that do trade with Cuba, do they honor their credit agreements, do they pay?

Ms. LOWE. Well, I guess I don't have any—

The CHAIRMAN. Microphone.

Ms. LOWE. I keep forgetting that. Sorry. I don't have any detailed personal knowledge of that. I do know there are many countries

that are extending export credits in terms of insurance and guarantees to help their exporters make sales to Cuba and mitigate that payment risk. I know there was a renegotiation of a lot of the debt on Paris Club at the end of last year. There is some concern about the government's ability to, over time, continue to make all of their payments on a timely basis. And I have heard anecdotally about some slow paying, but I am not aware of any defaults that have occurred recently.

Mr. ABRAHAM. Mr. Claver-Carone, I read your testimony before I came here. Now, is it my understanding that ALIMPORT, that is not the only State-sponsored agency where you can get goods in. Is that a correct or an incorrect statement? I mean there are other ways to get goods into Cuba, is that right or wrong?

Mr. CLAVER-CARONE. No, sir. All U.S. exports to Cuba have to go through ALIMPORT. It is the sole entity. And in regards to your first questions they were very interesting with regards to the credit risks, they have defaulted on every debt. The reason why they are now going through these debt restructurings with Paris Club and all its people is because they are forgiving debt that they have defaulted on before.

I was looking for the exact quote, but I will just summarize, just in July 18 of this year, so a few months ago, Raúl Castro said, oh, by the way, yes, we are late paying debts again, and—

Mr. ABRAHAM. Well, if we don't step up and get our products in there, and if you have people like Rouhani from Iran and Putin and Kim Jong-un that want to come in and support, are they going to pay the bills for Cuba? I mean who is going to *prop* this government up financially, and I use that term poorly, I know, but if we don't get our products in there, and if we don't get our tourists in there, putting American dollars in there, who is going to do it?

Mr. CLAVER-CARONE. It is a great question. The only time that the Cuban regime has ever made any types of reforms has been when they have lost their subsidies. So the Soviet Union, after their collapse, and then now they made some after Venezuela and their oil collapse. But now, what we are seeing is that, since the Obama Administration's new policy, they are actually stopping and they are slowing down, and things are getting worse again, because they think that we are now going to go subsidize them.

Mr. ABRAHAM. Well, I guess that is my concern, is that I don't want—

Mr. CLAVER-CARONE. That is right. It should be.

Mr. ABRAHAM.—Venezuela or Russia or China paying Cuba's bill because then they become a puppet government of that country. And believe it or not, it can get worse.

Mr. CLAVER-CARONE. Yes.

Mr. ABRAHAM. We want to make it better. I just can't, we can't, I am out of time. Thank you, Mr. Chairman.

The CHAIRMAN. The gentleman's time has expired. Mr. Moolenaar, 5 minutes.

Mr. MOOLENAAR. Thank you, Mr. Chairman. I appreciate this discussion very much, and, Mr. Crawford, for putting this legislation forward so we can have this discussion.

I just want to assure Mr. Isbell and Mr. Gibson, I am very interested in seeing our agricultural product exports very strong and

looking for new markets for our products. So I guess what we are talking about here is somewhat of a foreign policy question, and you are in the midst of this. So just to be sure, Ms. Lowe, I appreciate your comments. I believe you had at one point said creation of a new entity that would need to occur before you felt comfortable with financing. Is that accurate?

Ms. LOWE. Well, I think—

Mr. MOOLENAAR. Microphone.

The CHAIRMAN. Microphone.

Ms. LOWE. You think I would learn by now. I think that would depend on, my understanding was that if we were not allowed to extend financing to ALIMPORT then there would have to be the creation of an entity that would be acceptable to us. So that may be a necessary step.

Mr. MOOLENAAR. Okay.

Ms. LOWE. Whether or not we would extend financing would be based on our due diligence, as we do on all of our borrowers to make sure they were creditworthy in our eyes.

Mr. MOOLENAAR. Yes. Okay, I just found it interesting that we have talked about foreign government sort of subsidizing exports to Cuba, and also this idea of forgiving debt, that was kind of new information to me as well. And some people had mentioned the credit risk involved. I would think that would be part of your due diligence. So you think you ought to have the opportunity to evaluate that, but you weren't in any way making a commitment to that right now.

Ms. LOWE. No. I mean I don't have enough information to do so.

Mr. MOOLENAAR. Yes.

Ms. LOWE. And I will say in the case of, for example, the Korean Trade Insurance Corporation, I would assume it is similar to our Export-Import Bank, they have announced \$60–\$70 million of credit insurance guarantees, so they recognize Korean companies are probably not going to feel comfortable exporting and taking that payment risk themselves to Cuba. So they are providing insurance, they want to promote that trade, and they are making some sort of cost-benefit assessment, right? I don't know how much information they have as to the ability of the Cubans to pay them back on a timely basis or with some reasonably small amount of delay, but they have apparently determined that they want to have the job creation the access for their products, and they are willing to take on that credit risk to promote that trade because probably those Korean private companies wouldn't want to sell just on open arm credit terms.

Mr. MOOLENAAR. Okay. Well, thank you. And then, Mr. Claver-Carone, I was intrigued by your idea of private entities, that you would be okay with legislation that would open that up. Are there entities like that? Is there an infrastructure, or is that just something that would have to be developed?

Mr. CLAVER-CARONE. I always mention, and there was an inherent contradiction in something that has been said before, when we say, oh, because we want to kind of expose the Cuban people to our ideas and have entrepreneurs, and I always tell people, have you ever been to Miami? It takes a Cuban about a week and a day to open up a store in Miami and to be a very successful entrepreneur.

I mean this is inherent in them. And also when people travel to Cuba, and your delegations, and as you just mentioned, and others, they always say we love Americans. Now, this about this inherently. For 50 years, we have had sanctions and we have been enemies of the Castro regime, and the Cuban people love us despite all that onslaught of propaganda and lack of information.

Mr. MOOLENAAR. So let me—

Mr. CLAVER-CARONE. So we are doing something right.

Mr. MOOLENAAR.—let me build on that. So you feel confident that it would be possible to develop those kind of relationships, but would your concern be that the Castro regime would not allow that to take place?

Mr. CLAVER-CARONE. Well, the Castro regime currently does not allow that in the sense that we believe in private enterprise, but there is something called the *cuentapropistas*, which are self-employment people, but they don't own certificate of corporations, they are not able to sell their companies, they don't have any stake. We want to encourage that and we want to build upon that. If those individuals were able to do that, just like when they get in a week and a day to Miami and open that up then that would be a positive trend. If the Congress sent that message to the regime that you need to allow your people to be independent entrepreneurs, have property rights, and be able to engage freely in trade with the United States, count me in.

Mr. MOOLENAAR. And your feeling is the leverage that we have right now, we ought to use that to have some constructive change.

Mr. CLAVER-CARONE. I believe that if our principle policy, if we are going to export our principles as we said, we should also make sure that we do it under conditions and under terms that are consistent with those principles.

Mr. MOOLENAAR. Okay. Just to clarify, are you of Cuban—

Mr. CLAVER-CARONE. Yes, sir.

Mr. MOOLENAAR. Okay. Do you have family or relatives in Cuba?

Mr. CLAVER-CARONE. Yes, sir. Family and friends.

Mr. MOOLENAAR. So when we talk about caring for the Cuban people, this is very close to you.

Mr. CLAVER-CARONE. I venture to say that no one cares more, on this panel, than myself, as much as I believe, obviously, that everyone cares, but it is definitely personal. And to make a quick point in that sense, I am not against taking money from Castro. To the contrary, sell him as much as you can. Take his cash. Our concern is handing money to that regime through that funnel and through that filter, that then we don't know how they are going to function with it, but that is our main concern.

Mr. MOOLENAAR. Thank you. Thank you, Mr. Chairman.

The CHAIRMAN. The gentleman's time has expired. Anyone else? Mr. Crawford?

Mr. CRAWFORD. Thank you, Mr. Chairman. I appreciate you allowing me a little bit of latitude here.

As you noted in your opening statement, there are certainly passionately held views on both sides of this issue, and I am certainly one of those. And I care about this issue, I care about the Cuban people, and as we have a familial bond with the Cuban people, as you have just expressed. I also care about our farmers. I represent

$\frac{1}{2}$  of the U.S. rice crop. It is important to me. But let me just say that we have had this conversation about the need for safeguards, and I completely understand that. That is why the bill was written with those safeguards in place. In fact, it is the only bill I know of that lists financing restrictions on agriculture, but has the built-in safeguards. In this bill, the U.S. Government is prohibited from promoting products or financing exports with the Cuban Government, or any extension of the Cuban Government. This can only be done with private entities that are certified by the Secretaries of Agriculture and State. So it is right there in the text.

Let me be clear about the concerns that we hear. We have already attempted to build the safeguards. Let me just ask you this. With all sincerity, and I know that because we are both so passionate about this, Mr. Claver-Carone, if you would be willing to continue the dialogue to work with us and work with me on refining this to the satisfaction of the folks in south Florida that are so passionate about it, as we are, and if we can do that, we have a path forward to try to reach an agreement that everybody can live with.

Mr. CLAVER-CARONE. As I mentioned from the get-go, I have tremendous respect for everyone on this panel, for you, for everyone here. And we love agriculture, so we want to help U.S. agriculture. And likewise, I know that you don't want to support a regime that is hurting our people.

Mr. CRAWFORD. Right.

Mr. CLAVER-CARONE. So, therefore, I am all open for continuing this dialogue and discussion, and finding ways to do so.

Mr. CRAWFORD. I appreciate that. As time goes on, we are both probably going to be prone to displays of emotion on this, and hopefully we can overcome that and move forward productively.

And again, I want to thank the witnesses, and particularly my friend, Mr. Isbell, who is in the middle of harvest and he took time away to come and be heard and represent the rice industry. Mr. Gibson, thank you. Ms. Lowe, Dr. Ribera, thank you so much. I appreciate it.

And, Mr. Chairman, I thank you and the Ranking Member for your latitude.

The CHAIRMAN. Thank you. The gentleman yields back.

I also want to thank our panelists. As I said early on, there are passionately held positions on both sides of this issue. Mr. Isbell, you are at risk, if that harvest goes better while you are here, they may ship you off all the time to get you out of their hair so they can do it correctly. I know that is what they do with Doug LaMalfa. They couldn't wait to get him back here. There are good people on both sides. And, quite frankly, I didn't hear anyone say anything different as to where we want to get to. It is how you get there that is the struggle. Neither side's arguments are completely persuasive. You are right, 60 years of a policy hasn't worked, got that, but I am unpersuaded that our involvement in China and Russia has turned them into beacons of hope. All the zillions of dollars of investment there, the travel, all that stuff, didn't work in those regimes either. This is the only country where it is the same two guys. I mean we all thought Father Time would get Castro by this point in time.



I was down there in December of 2007, and we thought he was done. We were worried that if he died and the revolution broke out, we couldn't get out of the country. Well, that is 8 years ago, and the old goober is still working it. So unlike Vietnam, unlike the Soviet Union, we are dealing with the same folks. And so I am not persuaded. You look at what happened after the President did the reset in December of 2014, as soon as he announced he was going to Cuba, that historic event, they started rounding up dissidents as a preemption, then arresting people for no good reason. Since that has happened, Internet connections have dropped. Cuba is now worse than Syria, Zimbabwe, Iran, China, Venezuela in terms of letting their people have access. When I was down there in 2007, there were ten of us on the trade delegation, and President Bush said don't go. And we were down there. I was with nine guys, like McGovern, they all wanted instant opening relationships with Cuba. And so in every meeting there would be either McGovern or Greg Meeks or Jeff Flake or Jerry Moran, would say we are all for getting this thing done, except this guy, and they point to me. Right? So I got thrown under the bus every single time. At the exit interview, we had a big press conference, they had all the cameras up there, it was a big, huge array, and I got to go dead last because everybody else was worn out, and my comments were a regime that is afraid to let the Cuban people know the baseball box scores for the Major League Baseball, they are afraid to let their people see those Cubans who have fled the country doing well in baseball, are we making any progress?

And so there are no good answers in this deal. There is no good solution. I am pleased that we are making some progress. Mauricio represents a passionate group of folks who want to get something done. Rick, you are representing a passionate group, and I am a cosponsor on your bill. There is a path forward. It is going to take wisdom and discernment, and nobody has the exact right answer, but I don't see anybody saying we need to get to a different point. We all want to get to that point where the everyday lives of the Cuban people are a little bit better. This is not going to turn into a nice democracy the way we understand it, that is just not going to happen, but it ought to be better than it is. And we are in a position with leverage now that no other country has, that we can exert that leverage, at the same time not hurting our farmers' and ranchers' exports. The number, 135,000 tons, is about one percent of our rice production, and so the 500 would get closer to your four or five percent number. So it is not a panacea. I am unconvinced that corn is not being sold down there now, that somehow us selling our corn there is going to move the market price, because that is not an unfulfilled market. You have to have new demand, and that would be supplanting somebody else's. And so all of the arguments have their goods and their bads, mine included, but this was probably the most respectful hearing we have had on a really contentious issue, deeply, passionately held opinions, and I am really proud of the Agriculture Committee for the way they conducted themselves today and explored this. And obviously, we are not done.

So with that, I have, yes, sir.

Mr. DAVID SCOTT of Georgia. Mr. Chairman, I just want to congratulate you on, again, pulling together a very timely, and it is a very, very important issue. And I would say that our strategy moving forward with Cuba could be summarized as sort of being like we need two trains running. There is no question that we need to deal with the horrendous human rights situations that you are concerned about, Mr. Chairman, in Cuba. There are no if, and, or buts about that. And then we have the other train running, which is an obvious one that helps us to get ready. Father Time has a way of dealing with a lot of problems that we may not be able to deal with. And I am reminded of when the Prophet Samuel came to David in the Bible, and he poured the oil on his head. David was a young fellow. And so he asked, "Samuel what do you do here, what are you doing." And the only answer Samuel could give was, "Be ye ready." He didn't know what that meant was be ready for the king. So all I am saying is that this other train that we have, making sure we are ready to get in there and to be able to open that market for many of our farmers are struggling, many of them depend upon that. And so this other train we will call, let's just be ready, as Father Time might help us to work out the other side of the problem that you are so concerned with.

Thank you, Mr. Chairman.

The CHAIRMAN. The gentleman yields back.

With that, under the Rules of the Committee, the record of today's hearing will be open for 10 calendar days to receive additional materials and supplementary written responses from the witnesses to any question posed by a Member.

This hearing of the Committee on Agriculture is adjourned.

[Whereupon, at 12:08 p.m., the Committee was adjourned.]

[Material submitted for inclusion in the record follows:]

SUBMITTED STATEMENT BY HON. TED POE, A REPRESENTATIVE IN CONGRESS FROM TEXAS

The United States' policy towards Cuba is more than 50 years old, and it has failed. It has not hurt the Castro regime that is still in power, but it has hurt others, including Cuban citizens and American farmers. It's time for a change, and an important step forward would be to reestablish agricultural trading ties between our two nations.

Prior to the embargo, the United States was one of Cuba's most important trading partners. With the embargo, that market has disappeared. In the years leading up to the embargo, Cuba was the ninth largest importer of American agricultural products. For U.S. long-grain rice, Cuba was the largest market for the exports.<sup>1</sup> Now, instead of buying long-grain rice from Texas, Cuba buys its rice from farmers across the world, in places like Vietnam and South America (Argentina, Brazil, Uruguay), despite the Port of Houston being a mere 400 miles from the Cuban coast.

The economic advantages of reestablishing agricultural ties between our two nations cannot be understated. For Texas alone, exports to Cuba would reach almost \$19 million annually with an additional \$24 million impact for supporting sectors, resulting in a total annual economic impact of approximately \$43 million for the state, according to the Texas A&M Center for North American Studies. The economic boon would be felt across the nation. Trading ties to Cuba opens up a new market in a country that imports approximately 80 percent of its food supply. Gaining access to that market would be a huge opportunity for American agricultural producers, and we would have a competitive advantage that almost no other country has: geographic proximity.

Sixteen years ago, the United States tried to reform our trading relationship with Cuba by enacting the Trade Sanctions Reform and Export Enhancement Act (TSRA). This law allowed the export of agricultural and medical commodities to Cuba for the first time since the embargo took effect in 1962. It did, however, come with a heavy set of regulations and stipulations. Exports to Cuba were only allowed on a cash-only and cash-first basis, requiring that cash payments must be made before U.S. agricultural products left U.S. ports rather than the more customary payment upon delivery. Though the law allows third party countries to help finance these exports, U.S. agricultural exporters are still prohibited from extending credit to Cuban buyers. Despite the difficulties that arose from complying with TSRA, U.S. exports to Cuba ballooned in the immediate years after its implementation, reaching a record \$711 million in 2008. However, exports fell down to \$300 million by 2014 as the U.S. Government redefined the definition of a cash payment, a policy change that put Cuba at a higher risk and agricultural exporters discovered that the hopeful opportunity brought unwanted financial burden. Consequently, there have been no U.S. rice exports to Cuba since 2008. While there was a decline in U.S. exports to Cuba during this period, the overall market for Cuban agricultural imports skyrocketed to \$2 billion.<sup>2</sup>

Under current law, there is no opportunity for U.S. agricultural businesses to trade directly with the Cuban people. Consequently, there is no real Cuban market. The current "market" is for trade with Cuba to go through ALIMPORT, Cuba's state-owned and state-controlled entity that makes all decisions regarding U.S. imports into the Cuban market.

Though well-intended, the 2000 reforms did not do enough. It's time to do more, and that's why I cosponsored H.R. 3687, the Cuba Agricultural Exports Act, with Congressman Rick Crawford (AR-1). This legislation amends TSRA to repeal the restrictions on export financing and give American agriculture producers access to the Department of Agriculture's marketing programs. It also allows American entrepreneurs to invest in Cuban agricultural businesses so long as the State Department and the Department of Agriculture determine that the business is independent and has no affiliation with the Cuban Government. And, importantly, it explicitly prohibits investments in property that was confiscated by the Cuban Government on or after January 1, 1959.

This bipartisan legislation is a testament to the will of our country's agricultural producers. With fifty years of failed policy, it's time for a change. It simply doesn't make sense for us to restrict trade with Cuba.

<sup>1</sup>McMinimy, Mark A. "U.S. Agricultural Trade with Cuba: Current Limitations and Future Prospects." *www.crs.gov*. Congressional Research Service, 1 Oct. 2015. Web. 12 Sept. 2016.

<sup>2</sup>Adcock, Flynn, Luis Ribera, and Parr Rosson. "The Potential for Texas Agricultural Exports to Cuba." *www.cnas.tamu.edu*. Texas A&M Center for North American Studies, Nov. 2015. Web. 12 Sept. 2016.

SUBMITTED STATEMENT BY DARIUS ANDERSON, PRESIDENT AND CHIEF EXECUTIVE OFFICER, U.S. CAVA EXPORTS

### **Introduction**

Chairman Conaway, Ranking Member Peterson, Members of the Committee, thank you for the opportunity to submit this testimony for your consideration.

I am Darius Anderson, Founder and CEO of U.S. Cava Exports. We are a California-based small business looking to export California wine, specialty crops and other products to the Cuban market.

Despite the fact that we have willing sellers in the U.S., and willing buyers in Cuba, the current regulatory and statutory barriers in U.S. law make the business of exporting U.S. agricultural products exceedingly difficult.

Today, in a warehouse in California, my company has four containers of California wine awaiting shipment to Cuba. Federal law prohibits our buyers from utilizing U.S. banks to finance their purchase of our product. So we wait. This delay costs us money. It means we cannot hire new employees. And it means we cannot develop this new and promising foreign market.

For this reason, U.S. Cava Exports supports the Cuba Agricultural Exports Act, H.R. 3687, and any legislation that repeals 22 U.S.C. 7207(b) or the other unnecessary provisions that restrict trade and travel to one of our closest potential markets.

### **Experience in the Cuban Market**

I chose to enter into this business with my eyes wide open. I am well versed in the long and sometimes unpleasant history between the United States and Cuba. And when I decided to start the company, I fully understood the significant legal and market access challenges that existed.

But even knowing of the challenges, the facts are clear as day: there is a strong and growing demand for U.S. products in Cuba.

I know this because I have been personally invested in working with the Cuban people, and to a lesser extent the Cuban Government, for more than 25 years.

When I made my first visit to Cuba in 1992, I fell in love with the place. I loved the beaches, the culture, the music, and the food. I returned to the country several times through the 1990's and as my appreciation continued to grow, I also came to understand the distinction between the political chasm between our governments and the real need to build cultural and personal ties between our citizens.

So in 2002, I started to lead facilitate trips of like-minded Californians to visit Cuba to learn more about one of our closest neighbors. The trips focused on cultural, humanitarian and entrepreneurial exchanges. By 2010, our trips were so popular that we formalized our work and founded the nonprofit 501(c)(3) Californians Building Bridges. As of today, CBB has facilitated more than 70 trips to the island, and I have personally visited more than 50 times.

I provide you with this background to underscore my point: I know first hand that the Cuban market is ripe for imports of U.S. agricultural products.

### **The Wine Market**

There are three key factors that make Cuba a promising market for California wines.

- (1) Who visits Cuba and will visit Cuba in the near-term;
- (2) Proximity to the U.S.; and
- (3) Growing wine consumption.

California wines are known around the world. But like any product, there are certain markets where California wines excel.

The U.S. is, of course, the largest market for California wines.

The next largest market is the EU, valued at \$622 million in 2015 according to the California Wine Institute. The third largest market for California wine is Canada, valued at roughly \$461 million.

Compare these numbers to tourism data in Cuba. The Oficina Nacional de Estadística e Información, the national statistics office, estimates that 41.6 percent of all tourists visiting the country in 2015 were from Canada; 5.6 percent of tourists visiting Cuba were from Italy; 5.1 percent were from Germany; 4.6 percent were from France; 4.1 percent were from England; 1.6 percent were from Spain.

That means that 62 percent of all foreign travelers in Cuba are from regions where California wine exports excel.

While that statistic alone would be enough to justify investment in this market, when you factor in the potential for U.S. citizens to more freely travel to Cuba, it is clear that the thriving tourism market is ripe for California wine.

Furthermore, proximity to Cuba puts California wine at a competitive advantage over exports from other wine producing nations. Early market analysis shows that because of how close Cuba is to the U.S., California producers can get wine into the Cuban market at a fraction of the cost of our competitors in the EU, Australia, New Zealand, Argentina, and Chile.

Finally, it is worth noting that it's not just the tourism market that has great potential. Wine consumption in Cuba has consistently experienced double-digit growth since at least 2007. And with more than 11 million people on the island, the market potential for domestic sales is significant as well.

### **Conclusion**

In order for U.S. Cava Exports and the rest of the U.S. agriculture industry to have full and competitive access to this market, Congress must act.

The current laws put U.S. agriculture at a disadvantage not only compared to our competitors abroad, but also compared to other U.S. industries. Because even if the embargo is lifted, the financing restrictions operate as an independent barrier to trade with our neighbor.

U.S. Cava Exports urges you to remove these un-necessary restrictions and in doing so, promote economic growth in the U.S. agriculture industry.

Thank you for the opportunity to offer this testimony today, and for your thoughtful consideration of this issue.

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SUBMITTED STATEMENT BY RANDALL C. GORDON, PRESIDENT, NATIONAL GRAIN AND  
FEED ASSOCIATION

The National Grain and Feed Association (NGFA) appreciates the opportunity to respectfully submit this statement for the record in conjunction with the House Agriculture Committee's hearing on U.S. agricultural trade with Cuba conducted on September 14, 2016.

The NGFA supports efforts to expand global market demand for U.S. agricultural products. As a charter member of the U.S. Agriculture Coalition for Cuba, the NGFA believes substantial benefits would be achieved by enacting legislation to authorize U.S. exporters to extend financing credit for purchases of agricultural exports.

The NGFA, established in 1896, consists of more than 1,000 grain, feed, processing, exporting and other grain-related companies that operate more than 7,000 facilities and handle more than 70 percent of all U.S. grains and oilseeds. Its membership includes grain elevators, feed and feed ingredient manufacturers, biofuels companies, grain and oilseed processors and millers, exporters, livestock and poultry integrators, and associated firms that provide goods and services to the nation's grain, feed and processing industry. The NGFA also consists of 29 affiliated State and Regional Grain and Feed Associations, and has strategic alliances with the North American Export Grain Association and Pet Food Institute.

Cuba is more than 4,000 miles from Europe and more than 2,000 miles from Brazil. But despite these logistical disadvantages, as well as the inherent productivity and competitiveness of U.S. agricultural producers and agribusinesses, the European Union and Brazil—not the United States—were the leading agricultural exporters to Cuba in 2014. Meanwhile, the United States, located just 90 miles from Cuba, constituted a mere 16 percent share of Cuba's agricultural imports.

A 2015 report by the U.S. Department of Agriculture's Foreign Agriculture Service found that the U.S. share of the Cuban agricultural import market has declined, in part because of increased competition from countries that are able to provide export credits to Cuban import authorities. In Fiscal Year 2014, Cuba imported \$1.873 billion worth of agricultural products, with the U.S. portion amounting to a paltry \$300 million. Almost all U.S. agricultural exports to Cuba either were grain, feed or value-add products, such as poultry and meat that boost domestic grain and feed demand and create U.S. jobs. Thus, the Cuban agricultural market is a natural fit for U.S. agricultural product exports.

The NGFA is realistic about the potential demand from Cuba's agricultural import market. Total U.S. agricultural exports were valued at \$152.5 billion in 2014, whereas Cuba's total agricultural imports from all sources amounted to \$1.873 billion. Regardless, Cuba is an available market in which the United States has a natural competitive production and transportation advantage. Additional agricultural trade with Cuba would provide real economic benefits to our country and represent another demand source for U.S. agricultural producers currently experiencing a decline in farm income.

The U.S. agricultural supply chain competes very well throughout the world when export markets with a level playing field exist. There are numerous public and private organizations, such as the NGFA, that devote considerable time, effort and resources advocating policies and working with foreign governments to remove barriers to U.S. agricultural exports. But Cuba is a market where the United States unilaterally can remove a significant trade barrier—the restriction on financing purchases of U.S. agricultural products. The current ban on offering credit terms and requiring U.S. agricultural products to be purchased using cash or through third-party guarantees from foreign banks has put the United States at a competitive disadvantage compared to key foreign competitors. The lifting of these credit restrictions is needed to level the playing field.

The NGFA thanks Chairman Conaway, Ranking Member Peterson, and the Committee for conducting this important hearing, and would be pleased to serve as a resource in providing the expertise of its member companies in working to better enable U.S. farmers, ranchers and agribusinesses to secure an increased share of Cuba's agricultural import market.

Sincerely,



RANDALL C. GORDON,  
President,  
National Grain and Feed Association.

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SUBMITTED LETTER BY BEN SCHOLZ, PRESIDENT, TEXAS WHEAT PRODUCERS  
ASSOCIATION

September 12, 2016

House Committee on Agriculture,  
Washington, D.C.

**RE: Written Testimony of the Texas Wheat Producers Association for the  
House Agriculture Committee Hearing On American Agricultural  
Trade with Cuba, September 14, 2016**

The Texas Wheat Producers Association (TWPA) appreciates this opportunity to provide comments to the House Committee on Agriculture pertaining to the public hearing: *American Agricultural Trade with Cuba*.

We are extremely grateful for the hearing today to discuss this important issue and will continue to support legislative efforts that will promote the flow of trade with Cuba, including H.R. 3687, the Cuba Agricultural Exports Act. We commend the Members of this Committee for recognizing the great potential of the Cuban market and the need to expand export opportunities for U.S. farmers.

Cuba is the largest wheat market in the Caribbean, a region in which U.S. market share is typically 80–90 percent. According to data reported by Texas A&M University, Cuba imported \$299 million of wheat in 2013 from the European Union and Canada. If financing restrictions and other obstacles were removed, the U.S. wheat industry fully expects to gain significant market share in Cuba, providing additional export value to Texas wheat producers.

At one time, Texas was a leading exporter to Cuba, but due to excessive regulations and current “cash-in-advance” requirements, no wheat has been traded between the two countries since 2011. Texas wheat producers have increased our efforts to promote the flow of wheat to Cuba, but we now rely on Congressional action to ease the obstacles associated with the trade of agricultural goods between the two countries.

This important discussion is taking place while farmers are struggling with a 56 percent decline in farm income, as estimated by USDA. Our producers are faced with record global wheat supplies and large crops at home which highlight the need for additional export opportunities. As an organization, we urge the Committee to strongly consider policy options, such as the elimination of financing restrictions, which will open the critical market in Cuba.

In closing, U.S. and Texas wheat farmers could benefit greatly from easing trade restrictions with Cuba. We see a market that is close in proximity and in great need of our product. These factors create the opportunity to develop a \$450 million new market for U.S. agricultural producers. Once again, we appreciate you bringing a

spotlight to this issue and look forward to working with Members of the Committee to bring legislative action which will promote agricultural trade with Cuba.

Sincerely,



BEN SCHOLZ, *President*,  
Texas Wheat Producers Association.

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SUBMITTED STATEMENT BY GORDON STONER, PRESIDENT, NATIONAL ASSOCIATION OF  
WHEAT GROWERS

Thank you, Chairman Conaway and Ranking Member Peterson, for holding an “American Trade with Cuba” hearing to address financial concerns that affect U.S. producers in trade with Cuba. The National Association of Wheat Growers (NAWG) appreciates the opportunity to submit this written testimony for the record.

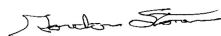
Cuba is the largest country by area and population in the Caribbean. With a population of over 11 million people Cuba consumes on average 800,000 metric tons (MT) worth \$200 million of wheat per year over the past 10 years. Since Cuba produces no wheat domestically and is the largest Caribbean country, this also makes them the largest wheat importer in the Caribbean. Unfortunately, due to U.S. restrictions, Cuba imports the bulk of their wheat from the European Union (EU), 73%, and Canada, 25%, with none coming from the U.S. in recent years.

As a country with a logistical and price advantage, we find it greatly troubling that our own self-imposed restrictions add a financial burden to the purchasers which in turn creates a barrier for U.S. wheat access to the marketplace. When Congress passed the Trade Sanctions Reform and Export Enhancement Act (TSRA) of 2000 it allowed trade in agricultural products with Cuba. TSRA requires Cuban buyers to pay cash-in-advance. For agriculture products the sole buyer is Cuba’s food import agency known as A[LIMPORT]. In 2005 the regulation was amended by the Treasury Department’s Office of Foreign Assets Control (OFAC) to also require purchasers to obtain and present letters of credit from a third-party, foreign bank, that would be responsible for the cash payment, prior to shipments, *in lieu of* payment from A[LIMPORT]. This method of payment prior to shipment is not practiced in international grain trade due to necessary processing time and document verification that typically takes 1 to 3 days of transit before payment approval. Once this change, which was unique to agriculture, took place the U.S. share of wheat exports to Cuba dropped from 48% in 2005 to 38% percent in 2006 to 28% in 2008. As of 2011 the U.S. has not exported wheat to Cuba, losing out to competitors like the EU and Canada.

However, in 2015 regulations were implemented that specified “cash payment in advance” to mean “cash before transfer of title and control” to alleviate the necessity of cash payment prior to shipment. The White House statements indicated this change was intended to improve U.S. agriculture and food sales to Cuba, but due to Cuba’s high credit risk status, its cash-poor position and the U.S.’s inability to offer credit terms, this has not driven more agriculture trade and these financial obstacles still remain.

All of this continues to help competitor countries, who do not have similar barriers, access the Cuban wheat market at the expense of U.S. wheat farmers. For example, EU exporters have the flexibility to offer financing, structure payments most profitable for them and their banks can interact with Cuban banks directly, eliminating these unnecessary burdens that affect the U.S. wheat producers. Meanwhile, U.S. wheat producers are missing out on the largest country in the Caribbean, a region where U.S. wheat has 80% of the market share. Cuba imports 30 million bushels of wheat every year worth \$200 million, and with the U.S. having the closest ports to Cuba from which to import wheat this could be a significant market if financial barriers were improved.

With improved financial means to conduct business with Cuba, specifically in grain trade, U.S. wheat would gain additional market access that could benefit the farm economy, which is simultaneously experiencing record low wheat prices and record high surplus straining wheat farmers across the nation. NAWG supports the Cuba Agricultural Exports Act (H.R. 3687) introduced by Rep. Rick Crawford (R-AR) and Chairman Conaway, and others, and wheat farmers from across the country urge the Committee to take up this or other legislation that will lift these financing restrictions.



GORDON STONER,  
*President,*  
 National Association of Wheat Growers.

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SUBMITTED STATEMENT BY AMERICAN FARM BUREAU FEDERATION

There is potential for substantial growth in U.S. agricultural sales to Cuba, but agricultural financing restrictions are hurting that growth. The U.S. food and agriculture industry is the only industry that must use third-country, non-U.S. banks for financing sales or have a cash transaction from a Cuban customer. These requirements increase transaction costs and limit the opportunity for sales into the Cuban market. Instead, Cuba buys most of their food imports from Brazil, Argentina, Vietnam, the European Union and Canada. Cuba imports up to 80 percent of its food, with a focus on rice, poultry, dairy, soy products, wheat and corn. The top U.S. agricultural exports to Cuba are poultry, soybean meal and corn. With normal financing, the U.S. could capture a significant share of the Cuban market for rice, wheat and many other food and agricultural products.

U.S. agricultural and food products can be exported to Cuba for humanitarian reasons under the Trade Sanctions Reform Act of 2000 (TSRA). While TSRA opened the channel for shipping agricultural commodities and food products to Cuba, restrictions on financing those sales have made it difficult to compete with our foreign competitors in the Cuban market. The U.S. has fallen from its position of a top supplier of agricultural products to Cuba to being the fifth largest supplier after the EU, Brazil, Argentina and Vietnam.

U.S. agriculture is at a global disadvantage as we watch foreign competitors continue to take away our market share because of their ability to offer generous credit terms. As recently as 2008, we were selling nearly \$700 million in agriculture products to Cuba annually. In 2015, our sales were \$150 million in what is nearly a \$2 billion market—U.S. market share is now less than ten percent of Cuba's agricultural imports despite the superior quality of our products. Located just 90 miles from the U.S. coast, with all of the transportation and logistics advantages for efficient marketing, Cuba should be growing, not shrinking, as a market for American agriculture.

Real opportunities exist for increased sales of U.S. agricultural products to Cuba as growing demand is driven by 11 million Cubans and by increasing tourism. Cuba is the second most visited island in the Caribbean, welcoming more than 3.0 million visitors in 2014. In 2015, Cuba experienced double digit tourism growth welcoming 17.4 percent more visitors than it did in 2014.

Since the normalization process between the U.S. and Cuba began in December 2014, successive rounds of amendments to Cuba-related regulations have been made through the Treasury and Commerce Departments. However, agriculture is at a unique disadvantage due to the codified restrictions of TSRA that prevent similar regulatory authorizations from being extended: as of January 2016, there is a general policy of approval for exports and re-exports of some agricultural items, but not those defined as agricultural commodities.

Because U.S. agriculture is the outlier among American business, focus is needed on the economic value Cuba provides as a trading partner. In the U.S., net farm income fell by 55 percent from 2013 to 2015, the biggest 2 year decline since the 1920s farm crisis. There is no better time than now to provide American farmers and agribusinesses the tools they need to expand agricultural exports to Cuba and help our industry survive this difficult economic environment.

We support legislative efforts to advance American agricultural trade with Cuba. It is necessary for Congress to act to allow private financing for agricultural exports to Cuba.

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SUBMITTED STATEMENT BY CORN REFINERS ASSOCIATION

The Corn Refiners Association commends Chairman Conaway for convening this hearing on "American Agricultural Trade with Cuba," and appreciate the opportunity to submit our views. Since 1913, the Corn Refiners Association has represented the U.S. corn refining industry. Our members manufacture products such as sweeteners, starches and feed that are used in food, animal feed, textiles, home improvement and commercial products that are consumed all over the world.

In late 2014, the U.S. began the normalization process with Cuba through a series of amendments to Cuba-related regulations within the U.S. Departments of the Treasury and Commerce. Those changes have allowed for different U.S. industries to seek out new business opportunities in Cuba and for the authorized export and



financing of those exports in particular sectors, such as telecommunications, civil aviation, and entertainment.

However, agriculture remains at a unique disadvantage due to the codified restrictions of the Trade Sanctions Reform Act of 2000 (TSRA). While the Act has allowed for U.S. agricultural and food products to be exported to Cuba for humanitarian reasons, it also prevents regulatory authorizations from being extended and prohibits U.S. exporters from extending credit to Cuba's agricultural importers. As a result, the U.S. fell from being Cuba's number one supplier of agricultural products in 2003 to fourth in 2012.

Given its proximity to the United States—just 90 miles off U.S. coastline—and with 11 million consuming citizens, Cuba is a natural market for the United States. In addition, Cuba's agricultural imports are expected to grow as increased tourism fuels demand for food products, especially value-added products, and as remittances flow more freely due to recently revised U.S. policies.

It is clear that significant opportunities exist for American agribusiness in Cuba, from exporters of agricultural commodities and food products to associated industries that would benefit from greater market access. Unfortunately, foreign competitors such as Canada, Brazil, the European Union and Argentina are increasingly taking market share from U.S. industry because those countries do not face the same financing and antiquated trade policy restrictions. Removing commercial barriers would allow U.S. agriculture to competitively serve the Cuban market.

It should also be recognized that normalizing commercial relations with Cuba would enhance Cuban citizens' access to affordable food while allowing U.S. farmers, ranchers and food companies to efficiently address Cuban citizens' food security needs. Expanding trade with Cuba would represent a positive development for the nutritional health and economic opportunities of the Cuban people, as well as an expanded market for American agriculture.

For the reasons listed, the Corn Refiners Association urges you to support favorable legislation that leads to normalizing commercial relations with Cuba. In so doing, we respectfully urge you to reject any legislative language that would reverse or hinder our ability to fully compete with other countries currently exporting agricultural products to Cuba.

We appreciate your consideration of our views and stand ready to be of assistance to the Committee.

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SUBMITTED LETTER BY MISSOURI RICE RESEARCH AND MERCHANDISING COUNCIL

September 14, 2016

Hon. K. MICHAEL CONAWAY,  
*Chairman,*  
 House Committee on Agriculture,  
 Washington, D.C.;

Hon. COLLIN C. PETERSON,  
*Ranking Minority Member,*  
 House Committee on Agriculture,  
 Washington, D.C.

Dear Chairman Conaway and Ranking Member Peterson:

The Missouri Rice Research and Merchandising Council (MRRMC) is pleased to present written comments in relation to today's hearing on American Agricultural Trade with Cuba before the House Committee on Agriculture. Thank you for holding the hearing and for providing us the opportunity to make comments on the Cuban market.

Twelve years ago on about this very day, U.S. Special Trade Ambassador Al Johnson got an earful today from the leaders of the Missouri Rice Research and Merchandising Council over a lunch of Missouri barbecue in the heart of Missouri rice country.

"We appreciate Ambassador Johnson coming all of the way out to rural Missouri to talk trade with us," said the late Sonny Martin, Chairman of the MRR&MC.

"We know he's been working to pry open some of the world markets that close the door in the faces of U.S. rice farmers, and we appreciate his hard work."

At the meeting, rice producers from around Missouri aired a number of trade concerns with Ambassador Johnson. The issues discussed included the pending WTO agriculture negotiations; the recently concluded CAFTA agreement; brewing rice trade disputes with Mexico and the European Union; and the need to assist U.S.

rice farmers to regain markets embargoed by the United States, especially Cuba and Iraq.

Mr. Martin pointed out **“Rice farmers have been hurt more than the producers of any other crop by our own government’s trade embargoes. Markets like Cuba, Iran, and Iraq—once our largest export markets—have all been closed to us by the unilateral actions of our own government.** It is too bad that Ambassador Johnson must work his tail off flying all over the world to convince other governments to crack open their rice markets, while customers like Cuba could and would open the doors wide to buy hundreds of thousands of tons of U.S. rice if our own government would simply let us sell our rice without restriction.”

So as former Congressman Mo Udall once said **“Everything has been said but not everyone has said it.”**

The Missouri Rice Research & Merchandising Council is established under state law to represent Missouri’s rice producers. The Board of the Council is duly elected by the membership, which includes all of Missouri’s rice growers. The Missouri Rice Research & Merchandising Council is a member of the U.S. Rice Producers Association. The U.S. Rice Producers Association representing rice farmers in Mississippi, Missouri, Texas, California, Louisiana and Arkansas is the only organization solely representing the views of the U.S. rice farmer.

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SUBMITTED LETTER BY U.S. AGRICULTURE COALITION FOR CUBA

September 14, 2016

Hon. K. MICHAEL CONAWAY,  
Chairman,  
House Committee on Agriculture,  
Washington, D.C.;

Hon. COLLIN C. PETERSON,  
Ranking Minority Member,  
House Committee on Agriculture,  
Washington, D.C.

Dear Chairman Conaway and Ranking Member Peterson:

The undersigned organizations of the U.S. Agriculture Coalition for Cuba (USACC) are pleased to present written comments in relation to today’s hearing on *American Agricultural Trade with Cuba* before the House Committee on Agriculture. Thank you for holding the hearing and for providing American food and agriculture interests the opportunity to explain the importance of the Cuban market to our farmers, ranchers, and businesses.

USACC represents a broad range of more than 100 agricultural commodity and farm member organizations along with members of the food and agricultural private-sector that support fully lifting the financing, trade, and travel bans for Cuba.

As you are well aware, U.S. agricultural and food products can be exported to Cuba for humanitarian reasons under the Trade Sanctions Reform Act of 2000 (TSRA). While TSRA opened the channel for shipping agricultural commodities and food products for humanitarian purposes to Cuba, remaining U.S. restrictions on financing those sales have made it difficult to compete with our foreign competitors in the Cuban market. U.S. restrictions require Cuban buyers of U.S. agricultural products to pay cash-in-advance or finance the transaction through third-country banking institutions.

U.S. agriculture is at a global disadvantage as we watch foreign competitors continue to take away our market share because of their ability to offer more favorable credit terms. As recently as 2008, our industry was selling nearly \$700 million in agriculture products to Cuba annually. In 2015, our sales were under \$200 million in what is nearly a \$2 billion market. U.S. market share is now less than ten percent of Cuba’s agricultural imports, despite superior quality, competitive prices of our products, and logistical advantages. Located just 90 miles from the U.S. coast, Cuba is a natural market for American food and agriculture businesses, as it has been in the past.

Since the normalization process between the United States and Cuba began in December 2014, successive rounds of amendments to Cuba-related regulations have been made through the Departments of Treasury and Commerce. Those changes have allowed for different industries to explore business opportunities in Cuba and for authorized export and financing of those exports in particular sectors, such as telecommunications, civil aviation, and entertainment. However, agriculture is at a unique disadvantage owing to the statutory restrictions of TSRA that require Congressional action. As of January 2016, the general policy of approval for exports and re-exports does not extend to all agricultural commodities.

Given that U.S. net farm income fell by 55 percent from 2013 to 2015, the biggest 2 year decline since the 1920s farm crisis, this is a time to focus on ways to expand agricultural trade. Providing American farmers and agribusinesses with the tools they need to engage in mutually beneficial commerce with Cuba can contribute to U.S. agriculture's economic growth.

Focus is needed on the economic value Cuba provides as a trading partner, allowing for this Congress to weigh-in by moving the critical legislation needed to allow private financing for agricultural exports to Cuba. As Congress considers legislation during the remainder of the year, we urge you to reject any language that would reverse or hinder our ability to fully compete with other countries currently exporting agricultural and food products to Cuba.

USACC appreciates your consideration of favorable legislation that advances the efforts of American agricultural trade with Cuba and USACC encourages your continued support of our vital industry.

Sincerely,

#### Agriculture Organizations

American Farm Bureau Federation	National Sorghum Producers	Iowa Farm Bureau
American Soybean Association	National Turkey Federation	Kansas Wheat
American Seed Trade Association	North American Export Grain Association	Food Export Association of the Midwest USA
American Feed Industry Association	North American Meat Institute	Food Export—USA Northeast
Association of Equipment Manufacturers	Rural & Agricultural Council of America	Louisiana Rice Council
Cherry Marketing Institute	U.S. Canola Association	Michigan Apple Association
Corn Refiners Association	U.S. Cattlemen's Association	Michigan Bean Shippers
Council of State Governments	U.S. Dairy Export Council	Michigan Bean Commission
CNFA: Cultivating New Frontiers in Agriculture	U.S. Dry Bean Council	Michigan Milk Producers Association
Dairy Farmers of America	U.S. Soybean Export Council	Michigan Corn Growers Association
Global Aquaculture Alliance	U.S. Rice Producers Association	Michigan Soybean Association
Independent Professional Seed Association	USA Dry Pea & Lentil Council	Michigan Potato Industry Commission
International Dairy Foods Association	USA Rice Federation	Missouri Corn Growers Association
Matter	Agribusiness Council of Indiana	Missouri Soybean Association
National Association of Wheat Growers	Arkansas Rice Growers Association	Missouri Department of Economic Development
National Association of Egg Farmers	Arkansas Farm Bureau	Missouri Department of Agriculture
National Barley Growers Association	Arkansas Rice Growers Association	Missouri Rice Council
National Black Growers Council	California Rice Producers	Missouri Forest Products Association
National Chicken Council	Illinois Corn Growers Association	Missouri Farm Bureau
National Corn Growers Association	Illinois Cuba Working Group	Mississippi Rice Council
National Council of Farmer Cooperatives	Illinois Soybean Growers	Ohio Farm Bureau
National Farmers Union	Illinois Farm Bureau	National Potato Council
National Foreign Trade Council	Indiana Farm Bureau	Texas Farm Bureau
National Grain and Feed Association	Indiana Corn Growers Association	University of Missouri-Fisher Delta Research Center
National Milk Producers Federation	Indiana Soybean Alliance	Virginia Department of Agriculture and Consumer Services
National Oilseed Processors Association	Indiana Corn Marketing Council	Alcorn State University

#### Agriculture Corporations

ADM	Hampton Alternative Energy & Feedlot	Sandy Ridge Cotton Company
Advanced Drainage Systems	Hover Farms	Smithfield Foods
AGCO	Intertek Agriculture Services	South Louisiana Rail Facility
Bunge	Kaehler Agriculture Enterprises	Sun-Maid Growers of California
Butterball	Kerley Nutritional Consulting	St. James Winery
Cargill, Incorporated	Louis Dreyfus Company	Synergy Resource Solutions, Inc.
Chicago Foods International	Missouri BioZyme, Inc	Thomas E. Jennings and Associates, Inc.
Campbell Farms	Missouri Burnett Farms	Turkey Knob Growers
Clark AG Company	Martin Rice Company	TRC Trading Group
CoBank	Michigan Allied Poultry Industries, Inc	U.S. Wellness Meats
Franklin Electric	Net Worth Feeds & Feeding	U.S. Cava Exports
GreenStone Farm Credit Services	Orrick Farm Services	

CC:

Members of the House Committee on Agriculture

