

Potential Increase of Ag. Trade with Cuba

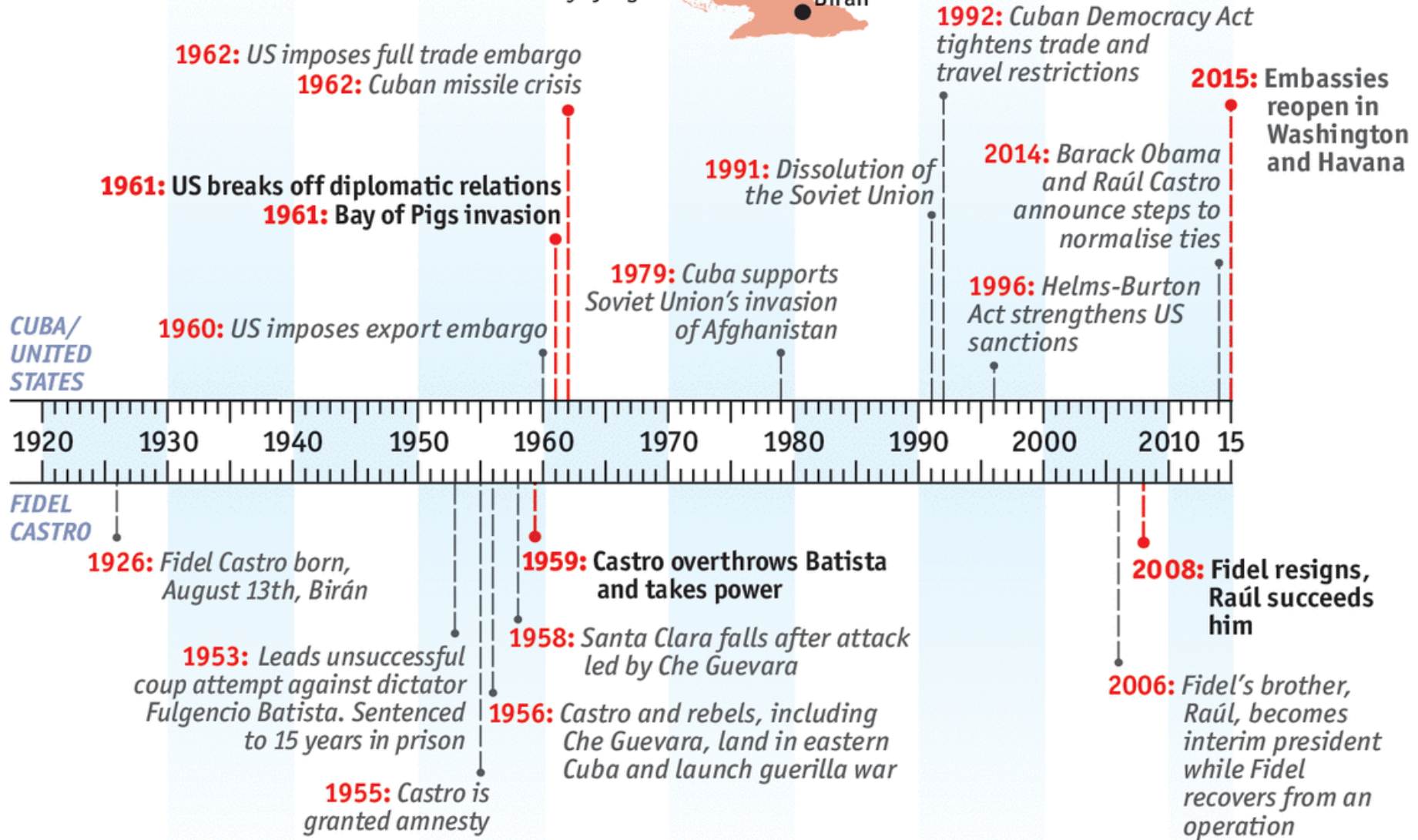
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Cuba and the United States



Source: *The Economist*

US Interests Section-Havana, Cuba



February 2007



March 2008

Situation

- President Obama visit in March 2016
 - Allow usage of U.S. Dollar
 - Can use check-off money to promote products and give credit for ag. exports to Cuba
- Support to end embargo in the Upper House, not so much in the Lower House
- HR 3687 Cuba Agricultural Export Act. 41 Co-sponsors
- HR 664, End Travel Restriction to Cuba. 129 Co-sponsors

Situation

- Raul Castro is President of Cuba (Feb 2008)
- Cuba's Population is 11 Million
 - *Literacy Rate of 99.8%*
 - *72% of Workforce (5.2 million) Employed by Government*
- Cubans Are Paid Only About \$20/month for Most Jobs & Occupations
- Even Cubans Working for Foreign Businesses are 'Employed' by Cuban Government
 - But Housing, Food, Education, Medical, Transport & Other Services Are Subsidized or Free

Cuba: Points of Interest



Cuba's Ports Are Small, Allowing Vessels Up To 25,000 tons
Barges Used for Most Container Cargo from United States
New Container Facility Being Built at Mariel (Brazilian Capital)

Market Overview

- Cuban Consumption of Grain, Meat & Milk Much More than Production
 - 1.75 to 2.1 Times
- Cuba Imports Up To 80% of Food Needs in Some Years
- ALIMPORT Buys All Food for Cuba, but recently there are “private” companies that buys food for tourist market

Market Overview



- US Has About 7.5% of Cuba's Ag Market, but as high as 40%
- Food Ration System (Supply Booklet) Being Reduced & Free Lunch at Work Eliminated
- Dual Exchange Rate: Convertible Peso (CUC) & National Peso (CUP)
 - 1 Dollar = 1 CUC & 1 US \$ = CUP 26.5
 - Cuba Imposes 13% Tax on All Dollar Conversions

CUBA'S RATION STORES



The Convertible Peso, or CUC



The Convertible Peso (CUC) Is Accepted Everywhere in Cuba
The Exchange Rate is 1\$ = CUC 1, Minus 13% Fee

The Cuban National Peso, or CUP



The CUP is Accepted Only for Limited Uses Such as Public Transport, Street Markets & Small Shops/Some Restaurants
The Exchange Rate is 1\$ = CUP 26.5, So Be Careful & Be Sure of
What You Receiving & Using

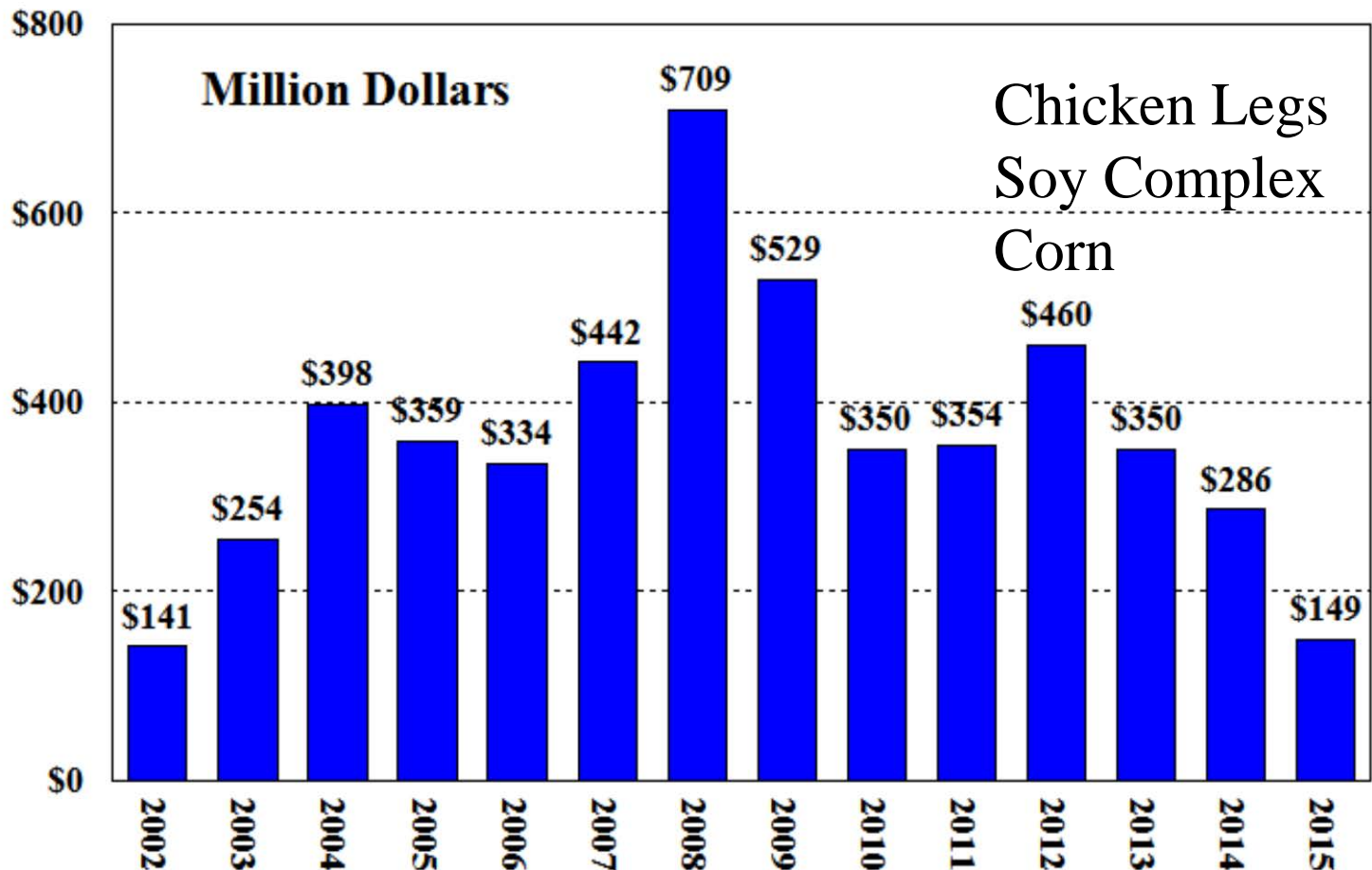
Market Prospects

- Cuba Depends on Exports, Remittances & Tourism As Key Earners of Foreign Exchange
 - Nickel Represents 35% of Cuba's Export Earnings, \$1.5 to \$2.0 Billion Annually
- Tourism Provided \$2 to \$2.5 Billion
 - A Record 3.5 Million Visitors in 2015
- Remittances Provide \$6.5 Billion in 2014 (90% for Food)
 - \$3.5 Billion in Merchandise & \$3.0 Billion Cash
 - Remittances Reach 62% of HH & Sustain 90% of Retail Market (Havana Consulting Group)
- Food Purchases Depend on These Factors
- AND, the Cuban Government's Decision to Purchase from US Exporters

Market Prospects

- Low Salaries Limit Market Potential
 - \$20/month for Most Cubans
- Cuban Ag/Food Imports About \$2 Billion/Year
- High Food Prices a Negative Factor
- Those Who Have Access to US Dollars or Other Foreign Currency Are Much Better Off
 - 62% of Households
 - Taxi Drivers, Hotel & Wait Staff, Tourism Sector, Remittances from US
- US Products Face Stiff Competition
 - China, Spain, France, Italy, Brazil, Canada, Vietnam

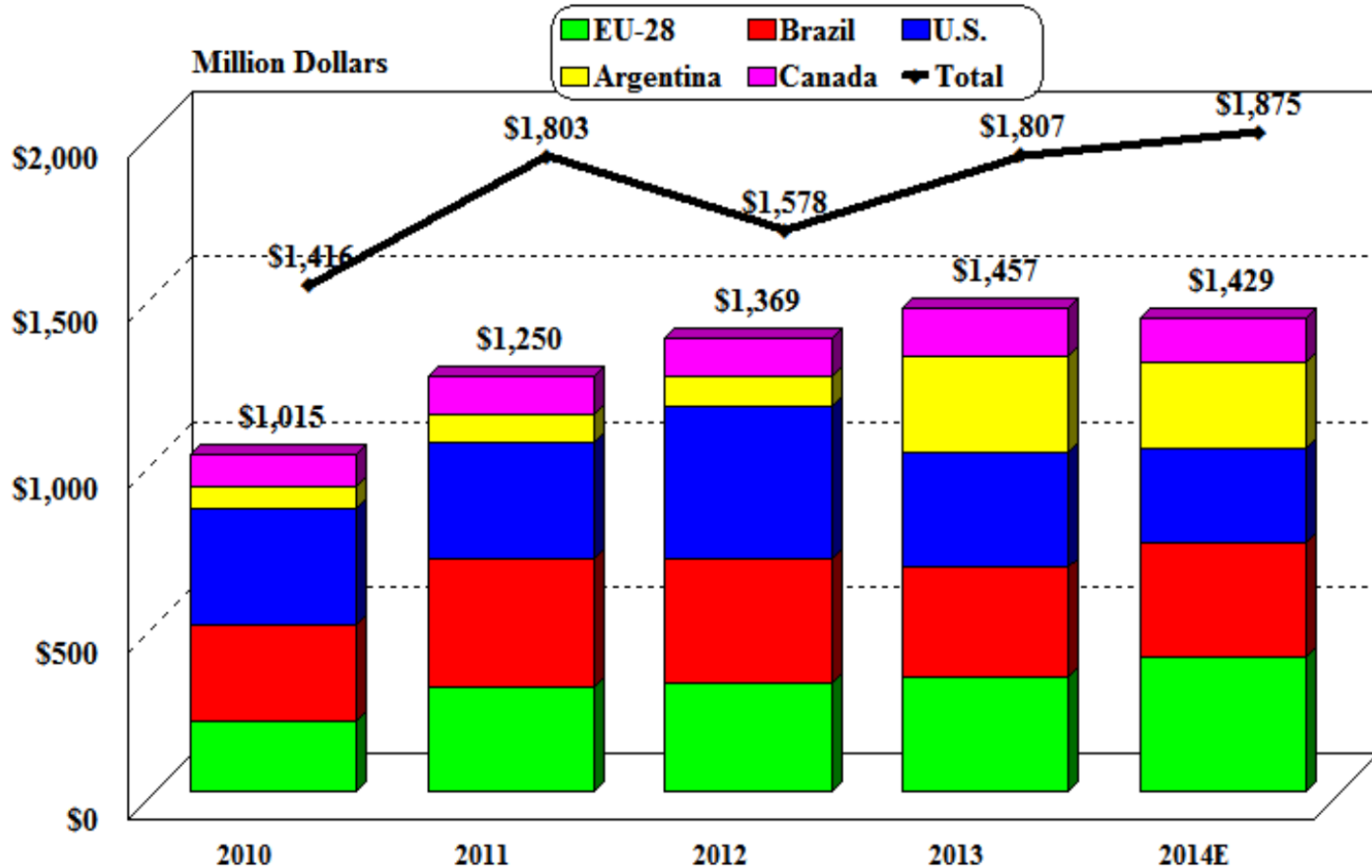
US Food/Ag Exports to Cuba



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

Source: U.S. Census Bureau, Foreign Trade, U.S. Trade in Goods by Country, www.census.gov/foreign-trade/balance/

Competition on Cuba Food Market



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

Thoughts After Visit

- Port of Mariel is a game changer
 - \$800+ million investment
 - Brazilian capital operated by Singapore-based PSA
 - Has capacity of Post-Panamax shipping (ships that can carry 12,500 TEUs)
 - Four cranes with capacity of 824,000 TEUs annually

Crane Operations at Mariel



Thoughts After Visit

- Port of Mariel the Hub of the Americas
- Established a pay-scale for workers at the port
- Talks on single currency
- There are five “private” food importers besides ALIMPORT
- Private restaurants for the tourist market multiplying fast
- Struggling to keep the pace with food and energy demand
- Venezuela crisis affecting Cuba oil supply

Final Thoughts

- Grains, Processed Foods, Meats, Vegetables, Condiments All Have Potential...But, Depends on
 - ✓ Tourism
 - ✓ Nickel Prices
 - ✓ Remittances
- Is Cuba Really a Market? Yes & No
- US Exports Could Easily Double in Near Term, Triple in Longer Term
- Trade Patterns Influenced by Policies in US and Cuba
- Lack of Credit Limits Potential for US Exports

Thanks!!

Questions?



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