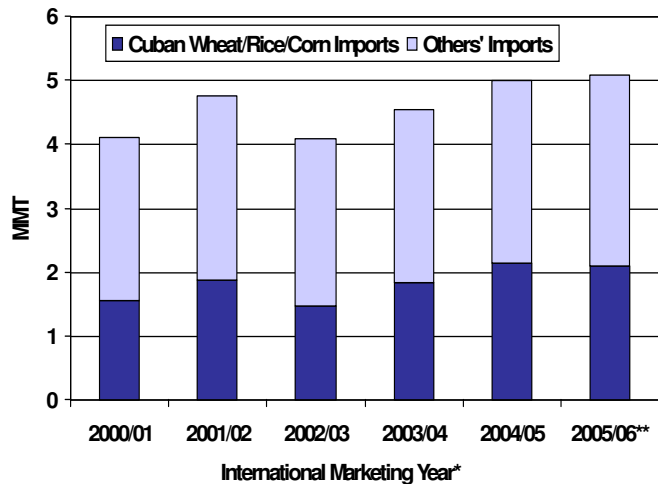




# International Trade Report: Cuban Market, Good for U.S. Grain

Cuba surged from the *bottom* 20<sup>th</sup> percentile of U.S. grain export markets to the *top* 20<sup>th</sup> percentile as trade restrictions have eased; although many import decisions are still tempered by political relations, not economics.

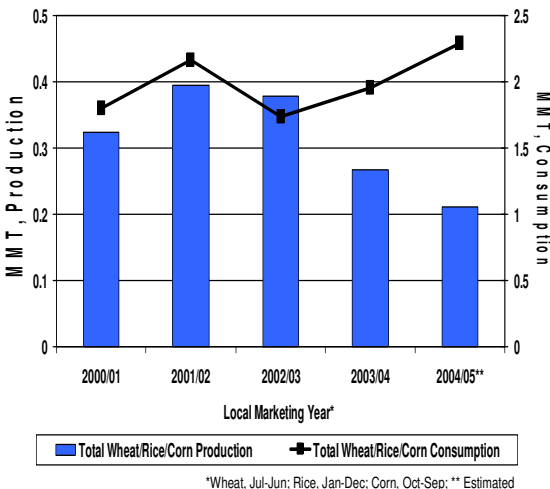
**Chart 1: Cuba Takes 40% of Caribbean Grain Imports**



\*Wheat, Jul-Jun; Rice, Jan-Dec; Corn, Oct-Sep; \*\* Estimated

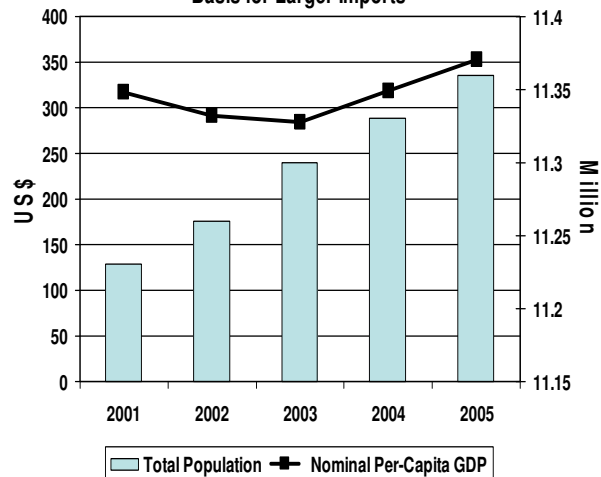
Cuba is the largest single grain market in the Caribbean taking on average 40% of the region's grain imports (Chart 1), and is forecast to remain dependent on foreign grain supplies for two reasons. First, no wheat is produced and corn and rice production are shrinking (Chart 2). Second, consumption is rising on both population and income growth (Chart 2, Chart 3).

**Chart 2: Cuba's Grain Shortfall in the Millions**



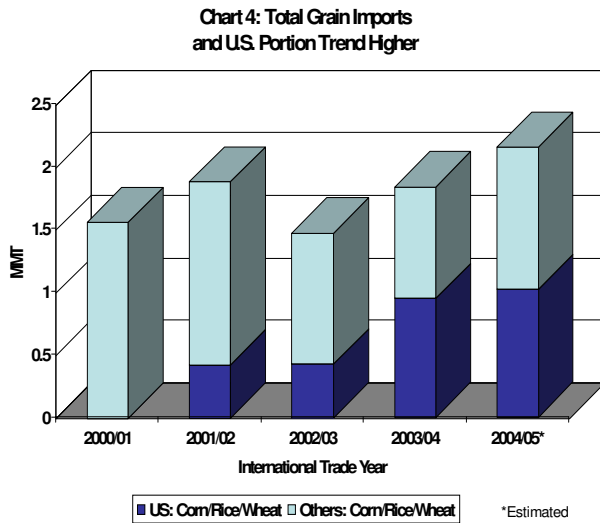
\*Wheat, Jul-Jun; Rice, Jan-Dec; Corn, Oct-Sep; \*\* Estimated

**Chart 3: Population and Income Growth:  
Basis for Larger Imports**



Since the beginning of the new millennium, not only have total grain imports steadily increased, but the U.S. share has also trended higher (Chart 4) as the U.S. government eased restrictions on

trade. On February 25, 2001 the Trade Sanctions Reform and Export Enhancement Act took effect and expanded the list of products eligible for export and approved commercial agricultural exports to Cuban private and public sector entities. This change in policy translated into relatively large U.S. grain exports to the nearby market. The current level of business has not been realized since the early 20th century when Cuba's economic fate was virtually entirely dependent on trade with the United States.

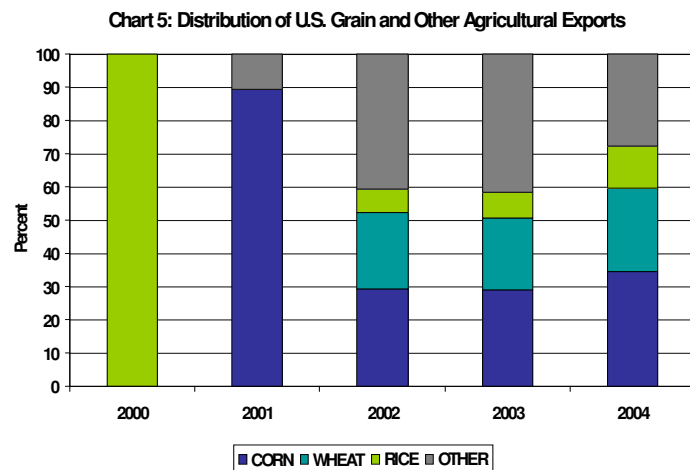


obviously gives the United States a competitive advantage on freight costs and shipping schedules. Additionally, given inadequate port and storage facilities, this proximity allows Cuba to purchase small, timely shipments on a hand-to-mouth basis, rather than shipments on the relatively more costly large Panamax vessels that require significant storage and distribution capacity. With shorter turn-around time on these small shipments, this nearby importer is able to more efficiently manage grain distribution across the island as well as its already scarce financial and managerial resources.

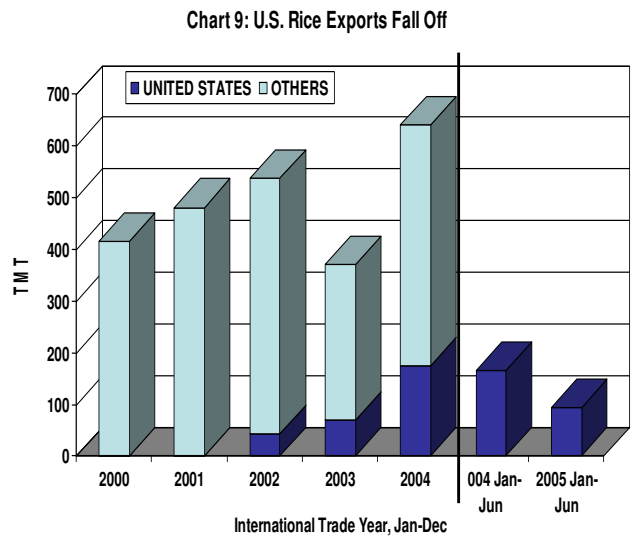
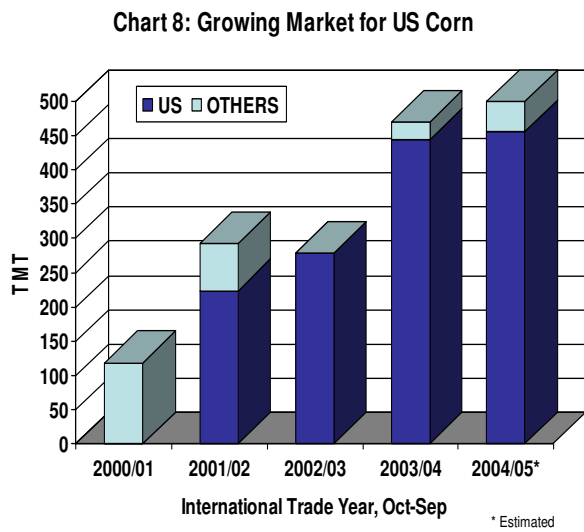
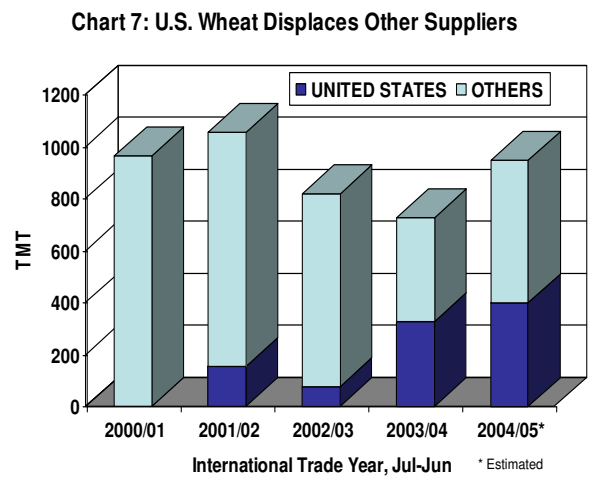
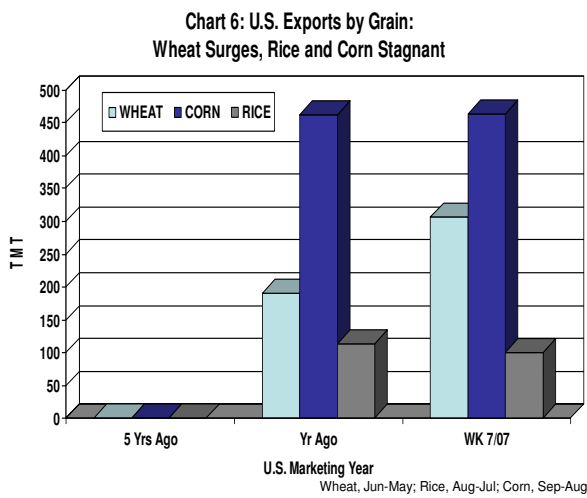
According to private estimates and pre-embargo trade flows, if trade with Cuba were to normalize, the United State has the potential to dominate this growing grain market, which is presently estimated at nearly 2.5 million MT (Chart 4).

Although the country's relatively poor economic standing renders it largely a rice-consuming population, the United States has been able to market other agricultural products, including various poultry products.

However, it is clear that U.S. agricultural export growth to this market will mostly be derived from increased grain sales (Chart 5).



U.S. wheat's market share is expanding largely at the expense of French wheat (Chart 7) as historical political ties shift to the economic realities of price, time, and quality flexibility offered by U.S. exporters. The market for U.S. corn should also continue to expand (Chart 8) with rising incomes and commensurate demand for more poultry and livestock products in daily diets. This corn market was virtually non-existent prior to the easing of U.S. trade policy, but has since surged to half a million tons. U.S. rice exports are down slightly year-to-year, despite the narrowing price gap between U.S. and Asian prices as many buying decisions are still often based on historical political relationships. It is very likely that political *and* cultural sensitivities are having a greater influence on rice trade while wheat and corn purchases are based more on economics. Still, U.S. rice probably stands to benefit the most from greater market access since rice is the main staple in the Cuban diet. If trade were not restricted, Cuba could replace Mexico and Japan as the top market for U.S. rice in quantity and value.



For more information, contact Michelle Moore at 202.720.9523 or [Michelle.Moore@fas.usda.gov](mailto:Michelle.Moore@fas.usda.gov)