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U.S. Agricultural Trade with Cuba: Current Limitations and Future Prospects

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U.S. Agricultural Trade with Cuba: Current Limitations and Future Prospects

For most of the period since the early 1960s, the United States has imposed comprehensive economic sanctions on Cuba, including a trade embargo, in opposition to the country's authoritarian government and poor human rights record. Although Congress authorized U.S. commercial agricultural exports to Cuba in the Trade Sanctions Reform and Export Enhancement Act of 2000 (TSRA; P.L. 106-387, Title IX), that law also prohibited U.S. government support and private financing for such exports. As a result, U.S. shipments to Cuba have remained low, accounting for a fraction of 1% of U.S. agricultural exports in recent years. The United States imports no agricultural products from Cuba.

Prior to 1960, Cuba was the ninth-largest export market for U.S. agricultural products. Currently, U.S. agricultural exports to Cuba are minor, with chicken meat accounting for over 90% of the \$157 million of shipments in 2020. Many U.S. food and agricultural industry interests believe the Cuban market could offer meaningful export expansion potential for their products if a number of U.S. restrictions on trade with Cuba were removed. Among the measures most often cited as inhibiting exports of U.S. products are a prohibition on the provision of private financing and credit for exports to Cuba, denial of access to U.S. government credit guarantees and USDA export promotion programs, the ban on general tourism to Cuba, and the general prohibition on U.S. imports of Cuban goods.

Two government studies have also concluded that U.S. agricultural exports to Cuba could expand markedly if key elements of the embargo against Cuba were removed. In 2015, a U.S. Department of Agriculture study asserted that basic commodities—including U.S. rice, wheat, dry beans, and dried milk—could readily gain market share in Cuba under more normal trade relations in view of the close proximity of U.S. ports to Cuba compared with export competitors. The study found that higher-value food and agricultural products might also make inroads in Cuba, particularly if Cuba could increase its access to foreign exchange by selling its products in the United States. Similarly, a 2016 U.S. International Trade Commission (USITC) report on Cuban imports and the effects of U.S. restrictions on U.S. agricultural exports to Cuba, issued at the request of the Senate Finance Committee, concluded that the removal of U.S. restrictions on trade could result in significant gains for U.S. agricultural exports.

While Cuba was once a leading sugar producer and the largest foreign supplier to the U.S. market prior to the embargo, its sugar industry has undergone a decline since the demise of the Soviet Union. Cuba continues to export limited quantities of sugar and might request access to the lucrative U.S. sugar market if normal trade relations were restored. U.S. sugar imports from Cuba face a variety of inhibitions. Section 620(a)(2) of the Foreign Assistance Act of 1961 (P.L. 87-195) denies a quota authorizing the importation of Cuban sugar into the United States, and Section 902(c) of the Food Security Act of 1985 (P.L. 99-198) denies a sugar import quota to Cuba or to other countries that may export Cuba-origin sugar to the United States. If trade is normalized between the United States and Cuba, both countries' sugar trade patterns might shift, even though Cuba's total exports and the United States' total sugar import volume might change only minimally. Any such opportunity would most likely be the result of a negotiated agreement between the United States and Cuba.

One bill pending in the 117th Congress (S. 249) would lift the trade embargo on Cuba and allow bilateral agricultural trade between the two countries. Another bill (H.R. 1090) would continue existing trade restrictions and impose additional restrictions on software downloaded from Cuba. In the 116th Congress, among other bills that would have maintained trade restrictions, two (H.R. 1898 and S. 1447) would have removed prohibitions on financing of agricultural exports to Cuba. Neither bill was enacted.

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Introduction

Political and economic developments in Cuba, a one-party authoritarian state with a poor human rights record, have frequently been the subject of intense congressional concern since the 1959 Cuban revolution.¹ For most of the period since the early 1960s, the United States has imposed comprehensive economic sanctions on Cuba, including a trade embargo. Although Congress authorized U.S. commercial agricultural exports to Cuba in the Trade Sanctions Reform and Export Enhancement Act of 2000 (TSRA; P.L. 106-387, Title IX), that law also prohibited U.S. government support and private financing for such exports. As a result, U.S. shipments to Cuba have remained low, accounting for a fraction of 1% of U.S. agricultural exports in recent years. The United States imports no agricultural products from Cuba.²

Proposed legislation in the 117th Congress (S. 249) would remove the trade embargo and the prohibitions in TSRA on using U.S. public or private financing for agricultural exports.³ This report provides background on U.S.-Cuba agricultural trade, describes the current trade relationship, and considers prospects for future trade in agricultural products should the embargo be relaxed or repealed.

Background on U.S.-Cuba Agricultural Trade

Prior to the 1959 Cuban revolution, the United States and Cuba conducted a brisk trade in agricultural products. During the three fiscal years immediately before the revolution—FY1956-FY1958—Cuba ranked as the ninth-largest market for U.S. agricultural exports and the second-largest supplier of U.S. agricultural imports. Rice, lard, pork, and wheat flour led the list of U.S. farm exports to Cuba in value terms, with Cuba ranking as the largest foreign market for U.S. long-grain rice. Cane sugar, molasses, tobacco, and coffee topped the list of U.S. agricultural imports from Cuba during that period.⁴

In 1962, President John F. Kennedy imposed an embargo on trade with Cuba that was later expanded to prohibit most financial transactions and to freeze Cuban government assets in the United States. With the imposition of sanctions, U.S. agricultural trade with Cuba halted. Congress subsequently strengthened sanctions on Cuba with the passage of the Cuban Democracy Act of 1992 (P.L. 102-484) and the Cuban Liberty and Solidarity (LIBERTAD) Act of 1996 (P.L. 104-114).

Congress opened the door to U.S. agricultural exports to Cuba in 2000 with the passage of TSRA (P.L. 106-387, Title IX), albeit with restrictions on U.S. government assistance and private financing. Those limitations remained in place until 2014, when the Obama Administration

¹ For more, see CRS Report R45657, *Cuba: U.S. Policy in the 116th Congress and Through the Trump Administration*, by Mark P. Sullivan.

² U.S. Census Trade Data accessed via U.S. Department of Agriculture (USDA), Foreign Agricultural Service (FAS), May 2021, <https://apps.fas.usda.gov/gats/ExpressQuery1.aspx>.

³ Another bill (H.R. 1090) would continue existing trade restrictions and impose additional restrictions on software downloaded from Cuba. A group of 75 Members of Congress have requested that President Biden remove the embargo. See Representative Bobby Rush, “Rush, Cohen, Lee, Moore, 75 Democratic Colleagues Urge President Biden to Reverse Trump Administration’s Cruel Policy Towards Cuba,” press release, March 2, 2021, <https://rush.house.gov/media-center/press-releases/rush-cohen-lee-moore-75-democratic-colleagues-urge-president-biden-to>.

⁴ Steven Zahniser et al., *U.S.-Cuba Agricultural Trade: Past, Present, and Possible Future*, USDA, Economic Research Service (ERS), AES-87, June 2015, https://www.ers.usda.gov/webdocs/outlooks/35794/53141_aes87.pdf?v=8279.4.

initiated a policy of engagement. In 2015 and early 2016, the Administration issued a policy of general approval for exports to Cuba of certain categories of goods and followed this up in January 2016 by permitting U.S. private export financing of these goods. Agricultural products, however, continue to be excluded from private U.S. financing due to TSRA. In June 2016, the U.S. Department of Agriculture (USDA) and the Cuban Ministry of Agriculture signed a memorandum of understanding for cooperation in agriculture and related fields.⁵ In January 2017, the two countries signed an agreement to promote technical cooperation in plant- and animal-health-related issues in agriculture, with the aim of preventing the introduction and spread of plant and animal pests, diseases, and their vectors in the United States and Cuba.⁶

The Trump Administration unveiled a new policy toward Cuba that increased sanctions and rolled back efforts to normalize relations.⁷ This policy did not affect the agricultural agreements between the two countries signed in 2016 and 2017. In the 2018 farm bill (P.L. 115-334), Congress included provisions that allow USDA export promotion funding for certain activities in Cuba. However, prohibitions against the provision of credit and financing for U.S. exports and against access to U.S. government programs and commercial facilities that would otherwise be available to facilitate U.S. agricultural exports to Cuba remain in place.

Identified Barriers to Expand Agricultural Exports to Cuba

In April 2015 testimony before the Senate Agriculture Committee, Michael T. Scuse, USDA Under Secretary for Farm and Foreign Agriculture, identified a number of factors that inhibited the United States from becoming “a major trading partner with Cuba” in agricultural products, considering that Cuba imports around 80% of its food and that U.S. exporters enjoy significant logistical advantages over their major export competitors in Brazil and Europe. These factors included the prohibition on any U.S. government export assistance under TSRA, such as credit guarantees and market promotion programs;⁸ Cuba’s limited supply of foreign exchange; and its requirement that all imports from the United States be funneled through Cuba’s state trading corporation, Alimport—a requirement that is not imposed on all of Cuba’s trading partners.⁹

Later that same year, USDA’s Economic Research Service (ERS) cited restrictions imposed by TSRA on the terms of payments and financing as a “major inhibitor of U.S. agricultural exports to Cuba.”¹⁰ Under TSRA, payment or financing terms are limited to either cash in advance or financing by third-country financial institutions, with the latter being a more laborious process than making a conventional payment directly from the buyer’s financial institution in Cuba to the seller’s financial institution in the United States. ERS concluded that the inability to extend credit

⁵ USDA, “Agriculture Secretary Vilsack Announces Historic Agreements for U.S.-Cuba Agriculture Sectors,” press release, March 21, 2016, <https://www.fas.usda.gov/newsroom/agriculture-secretary-vilsack-announces-historic-agreements-us-cuba-agriculture-sectors>.

⁶ FAS, “U.S.-Cuba Animal and Plant Health Memorandum of Understanding,” January 19, 2017, https://www.fas.usda.gov/sites/default/files/2017-02/signed_animal_plant_health_mou_english_spanish_01_2017.pdf.

⁷ For more, see CRS Report R45657, *Cuba: U.S. Policy in the 116th Congress and Through the Trump Administration*, by Mark P. Sullivan.

⁸ The 2018 farm bill (P.L. 115-334) allows USDA export promotion funding for certain activities in Cuba, but restrictions remain on credit guarantees and other financing.

⁹ Testimony of Michael T. Scuse, USDA Under Secretary for Farm and Foreign Agriculture, April 21, 2015, <https://www.fas.usda.gov/newsroom/testimony-agricultural-trade-cuba-under-secretary-michael-scuse-senate-agriculture>.

¹⁰ Steven Zahniser et al., *U.S.-Cuba Agricultural Trade: Past, Present, and Possible Future*, ERS, AES-87, June 2015, https://www.ers.usda.gov/webdocs/outlooks/35794/53141_aes87.pdf?v=8279.4.

to Cuban buyers placed U.S. agricultural exporters at a competitive disadvantage in relation to other exporting countries.

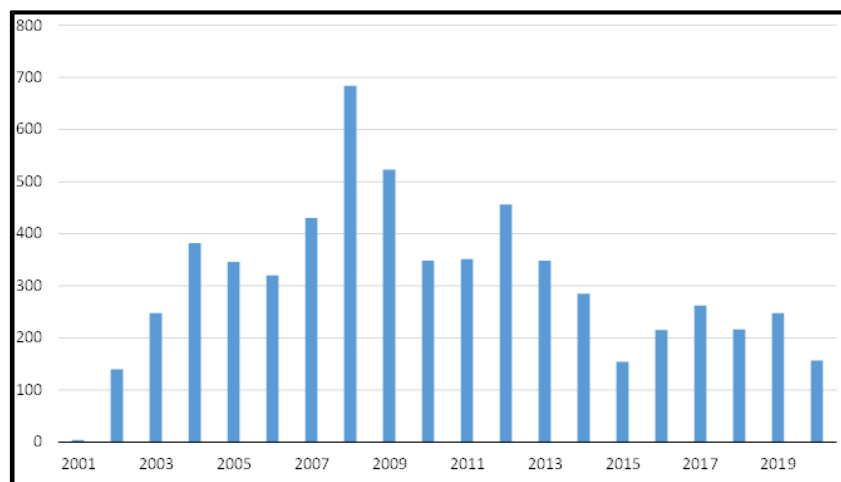
In 2016, under the Obama Administration, the Department of the Treasury altered its interpretation of “cash in advance” from requiring cash payment before the shipment of goods from a U.S. port of departure to requiring cash payment before transfer of title. Moreover, U.S. institutions were allowed to open correspondent accounts at Cuban financial institutions. Additionally, restrictions imposed on travel—including eliminating people-to-people educational travel, limiting direct air travel between the United States and Cuba, prohibiting cruise ship travel, and prohibiting U.S. travelers from staying at over 400 hotels and private residences for rent—targeted Cuba’s revenue from foreign tourists, affecting a source of foreign exchange that Cuba could otherwise use to purchase imports.¹¹

U.S. Agricultural Exports to Cuba

Following the imposition of the U.S. embargo on trade with Cuba in 1962, trade in farm products between the two countries was negligible until enactment of TSRA in 2000. That law authorized certain sales of food, medicines, and medical equipment to a number of countries, including Cuba. TSRA did not change the general ban on imports from Cuba and added prohibitions on extending credit or U.S. government support for exports to Cuba. Notwithstanding these disadvantages, U.S. agricultural exporters quickly established a foothold in Cuba, with export sales reaching a peak of \$684 million in 2008 in the aftermath of several hurricanes and tropical storms (**Figure 1**), representing 0.6% of total U.S. agricultural exports of \$118 billion that year.¹²

Figure 1. U.S. Agricultural Exports to Cuba, 2001-2020

In Millions of U.S. Dollars



Source: U.S. Census Bureau Trade Data, accessed via U.S. Department of Agriculture (USDA), Foreign Agricultural Service (FAS), April 2021, <https://apps.fas.usda.gov/gats/default.aspx>.

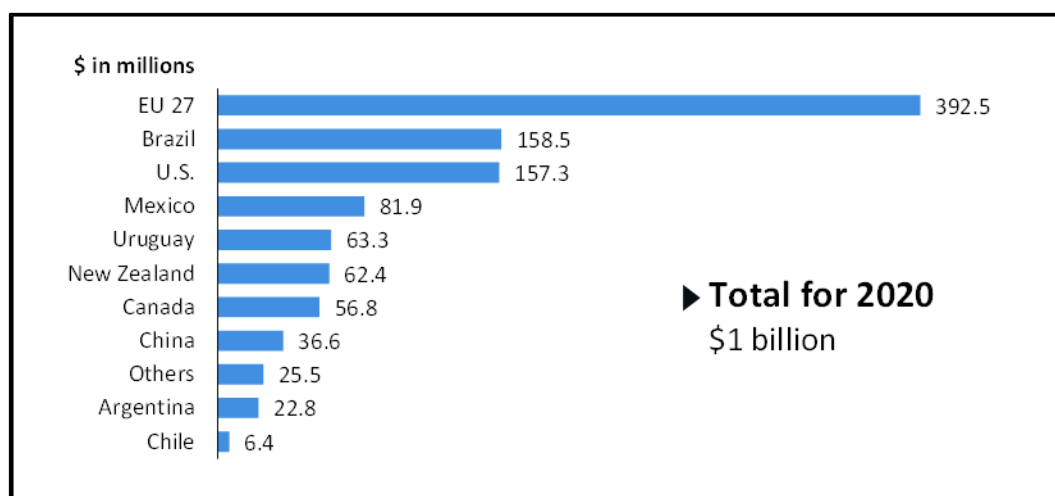
Note: The figure uses the World Trade Organization (WTO) definition of *agriculture* that USDA adopted in March 2021.

¹¹ A statutory ban on general tourism to Cuba was imposed in Section 910(b) of TSRA (22 U.S.C. §7209(b)). See CRS Report RL31139, *Cuba: U.S. Restrictions on Travel and Remittances*, by Mark P. Sullivan.

¹² CRS calculations based on U.S. Census Bureau Trade Data, accessed via FAS, April 2021, <https://apps.fas.usda.gov/gats/default.aspx>.

U.S. agricultural exports to Cuba have trended lower since 2008, reaching a low of \$154 million in 2015. The easing of sanctions by the Obama Administration contributed to an uptick in U.S. agricultural exports to Cuba in 2016 and 2017, but continued constraints have since curbed U.S. export growth. In the past, some experts attributed this to a preference within the Cuban government for diversifying its supplier network; an effort to establish closer relations with certain countries, such as China; and the availability of credit offered by some non-U.S. suppliers.¹³ In 2020, the European Union (EU, excluding the United Kingdom) accounted for 37% of Cuba’s total agricultural imports, while the United States and Brazil accounted for 15% each of the total \$1 billion in imports (**Figure 2**). A 2015 USDA report asserted that “U.S. restrictions on extending credit to Cuban buyers have made it harder for U.S. agricultural exporters to sell a larger volume and broader variety of commodities to Cuba.”¹⁴

Figure 2. Major Cuban Agricultural Import Suppliers in 2020



Source: CRS estimate using national trade statistics of exporting countries, via Trade Data Monitor (TDM), accessed April 2021. Official Cuban import data, not available in TDM, may vary from CRS estimates.

Notes: WTO definition of *agriculture* that USDA adopted in March 2021 is used. EU 27 = European Union without the United Kingdom.

U.S. exports to Cuba are concentrated in a few commodities, with chicken meat accounting for most of the exports (over 90% in 2020), followed by soybeans and corn (**Table 1**). In 2016 and 2017, after easing of the trade restrictions by the Obama Administration, the United States also exported notable amounts of beer, bakery goods and other processed cereal products, and chocolates. In 2017, exports of all U.S. agricultural products, except poultry, declined. U.S. agricultural exports to Cuba were lower in 2020, affected by Cuba’s deep recession amid the COVID-19 pandemic, but included a greater diversity of products.

In 2020, five USDA cooperator organizations applied for export promotion funding for Cuba for the first time,¹⁵ but four of them did not utilize it—likely due to measures implemented to prevent

¹³ See testimony of C. Parr Rosson III, Texas A&M University, on June 2, 2015, Senate Agriculture Committee, https://www.agriculture.senate.gov/imo/media/doc/Testimony_Rosson1.pdf; also testimony of Marco A. Palma, Texas A&M University, Senate Finance Committee, June 2, 2015, https://www.usitc.gov/press_room/documents/testimony/332_552_004.pdf.

¹⁴ Zahniser et al., *U.S.-Cuba Agricultural Trade*.

¹⁵ See U.S.-Cuba Trade and Economic Council, “USDA Updates Reporting on Usage in Cuba of MAP/FMD Funding Authorized by 2018 Farm Bill,” February 2, 2021, <https://www.cubatrade.org/blog/2021/1/10/>

the spread of COVID-19. Potatoes USA was the only organization that used USDA export promotion program funding in 2020. The money went to ship U.S. seed potatoes to Cuba for varietal field trials per a market access protocol signed by USDA and the Cuban Ministry of Agriculture in December 2020.¹⁶

Table I. Major U.S. Agricultural Exports to Cuba
In Thousands of U.S. Dollars, 2016-2020

Product	2016	2017	2018	2019	2020
Poultry Meat	105,157	165,360	154,538	190,395	143,647
Soybeans	18,924	40,663	34,221	15,276	7,953
Corn	33,869	38,404	19,140	9,855	5,383
Planting Seeds	0	0	0	15	92
Beer	574	418	245	29	71
Bakery Goods, Cereals, and Pasta	4,142	3,880	166	0	36
Rice	0	255	0	0	28
Chocolate and Cocoa Products	4,215	3,112	982	0	22
Tree Nuts	0	0	0	0	15
Other Meat Products	0	0	0	0	13
Other Products	48,128	10,312	6,540	32,897	73
Total Agriculture	215,009	262,404	215,832	248,467	157,333

Source: U.S. Census Bureau Trade Data, accessed via FAS, April 2021, <https://apps.fas.usda.gov/gats/default.aspx>. WTO definition of *agriculture*, adopted March 2021 by USDA, is used.

Assessment of Cuban Market Potential

During 2014 and 2015, a number of studies assessed the potential for expanding U.S. agricultural exports to Cuba if trade and economic restrictions between the two countries were removed. Key studies are discussed below.

U.S. International Trade Commission (USITC) Assessment

In December 2014, the Senate Committee on Finance requested that the U.S. International Trade Commission (USITC) conduct an investigation and issue a report on trends in Cuban imports of goods and services, including from the United States. The committee also requested that the agency provide an analysis of U.S. restrictions affecting Cuba's purchases. In its letter to the USITC, the committee identified three areas of particular interest:

1. an overview of Cuba's imports of goods and services from 2005 to 2014, to the extent possible, including identification of major supplier countries, products, and market segments;

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¹⁶ Potatoes USA, "U.S. Seed Potatoes to Cuba," December 9, 2020, <https://potatoesusa.com/news-events/u-s-seed-potatoes-to-cuba/>. Concurrent to the trial shipment in December 2020, USDA and the Ministry of Agriculture signed a market access protocol for U.S. seed potatoes to enter Cuba, the details of which will be posted on USDA, Animal and Plant Health Inspection Service site, at <https://pcit.aphis.usda.gov/pcit/faces/signIn.jsf>.

2. a description of how U.S. restrictions on trade, including those related to export financing terms and travel to Cuba by U.S. citizens, affected Cuban imports of U.S. goods and services; and
3. for sectors where the impact was likely to be significant, a qualitative and, to the extent possible, quantitative estimate of U.S. exports of goods and services to Cuba in the event that statutory, regulatory, or other trade restrictions on U.S. exports of goods and services as well as travel to Cuba by U.S. citizens are lifted.

The committee subsequently expanded its request to include¹⁷ the following elements:

- a qualitative analysis of existing Cuban nontariff measures, Cuban institutional and infrastructural factors, and other Cuban barriers that would inhibit U.S. and non-U.S. firms in conducting business in and with Cuba, including restrictions on trade and investment; property rights and ownership; customs duties and procedures; sanitary and phytosanitary measures; state trading; protection of intellectual property rights; and infrastructure affecting telecommunications, port facilities, and the storage, transport, and distribution of goods;
- a qualitative analysis of any effects that such measures, factors, and barriers would have on U.S. exports of goods and services to Cuba in the event of changes to statutory, regulatory, or other trade restrictions on U.S. exports of goods and services to Cuba; and
- to the extent feasible, a quantitative analysis of the aggregate effects of Cuban tariff and nontariff measures on the ability of U.S. and non-U.S. firms to conduct business in and with Cuba.

In response to the Finance Committee's request, the USITC held a hearing in June 2015 to solicit the views of a range of experts and interested stakeholders, among which were food and agricultural interests. In the resulting report, issued in March 2016,¹⁸ the USITC concluded that U.S. agricultural exports could expand significantly if U.S. restrictions on trade with Cuba were removed. In particular, the USITC observed that U.S. agricultural suppliers viewed the inability to offer credit and U.S. restrictions on travel to Cuba as key obstacles to increasing U.S. farm exports.

The USITC report made a number of observations concerning U.S. farm and food exports to Cuba, including the following:

1. U.S. agricultural exports to Cuba generally declined from 2009 through 2014—in dollar terms, in market share, and in the variety of products shipped—whereas Cuba's overall agricultural imports increased significantly over this period;
2. the United States is a competitive exporter of grains, meat, soybeans, and soybean products, for which Cuba depends heavily on imports;
3. U.S. exporters enjoy advantages compared with major competitors, including the close proximity of U.S. ports to Cuba and lower shipping costs, which would allow them to be highly price-competitive on certain agricultural products if U.S. travel and financing restrictions were lifted;

¹⁷ USITC, "Overview of Cuban Imports of Goods and Services and Effects of U.S. Restrictions," 80 *Federal Register* 175, September 10, 2015, <http://www.gpo.gov/fdsys/pkg/FR-2015-09-10/pdf/2015-22697.pdf>.

¹⁸ USITC, "Overview of Cuban Imports of Goods and Services and Effects of U.S. Restrictions," Publication No. 4597, March 2016, <https://www.usitc.gov/publications/332/pub4597.pdf>.

4. it is unclear whether lifting U.S. restrictions would lead the Cuban government to change its requirement that U.S. agricultural products be imported exclusively by the state trading corporation, Alimport;
5. the potential for increasing U.S. exports could be tempered by Cuba’s desire to diversify its supplier network to prevent it from becoming overly dependent on one country, particularly the United States; and
6. other important factors in determining any expansion in U.S. agricultural exports would include the purchasing power of the Cuban economy, the availability of hard foreign currency, and the extent to which Cuba succeeds in its policy of import substitution through increases in agricultural production.

The USITC report also provided an analysis of potential commodity-specific effects of removing U.S. restrictions on trade with Cuba. A summary of its conclusions is included in **Table 2**. Overall, the USITC concluded that if U.S. restrictions on trade with Cuba had been lifted in 2015, exports of the agricultural commodities listed in **Table 2** could have increased within five years to about \$800 million annually from a 2010-2013 average of \$300 million.

Table 2. Potential Commodity Effects of Removing U.S. Trade Restrictions on Cuba

Commodity Group	USITC Outlook
Wheat	Annual sales could expand to \$75 million within several years, compared with zero since 2012, and eventually exceed \$150 million.
Rice	U.S. exports (zero since 2009) could capture 30% of the market, or \$60 million annually, within two years, rising to one-half of the market within five years and three-quarters within 10 years.
Corn	Sales could exceed previous levels of the late 2000s of \$100 million-\$200 million per year, reflecting U.S. logistical advantages versus major foreign competitors.
Soybeans and Soybean Products	Exports of soybeans and soybean meal could expand and soybean oil sales resume, reflecting U.S. price competitiveness and logistical advantages over competitors.
Pulses	Exports of pulses—zero since 2012—could resume for dry beans but would face stiff competition from China, which offers extended credit, and from Canadian beans.
Poultry	As the leading supplier of Cuba’s top food import, the United States could have limited sales gains in the short-term. Longer term, transport cost advantages, rising incomes, and tourism could spur U.S. sales.
Pork	Pork is a small share of Cuba’s food imports, but U.S. sales could increase from a low level, led initially by low-value cuts and variety meats, with higher-value cuts expanding over time.
Beef	Similar to pork in that beef represents under 1% of Cuba’s food imports. Any U.S. sales would likely involve either lower-priced cuts for Cubans or higher-end cuts for tourists.
Dairy	Lower freight costs could facilitate a resumption of U.S. exports, likely led by milk powder, with the potential for a broader range of products to fill 30% of Cuba’s dairy imports by 2020.

Source: USITC, “Overview of Cuban Imports of Goods and Services and Effects of U.S. Restrictions,” Publication No. 4597, <https://www.usitc.gov/publications/332/pub4597.pdf>.

USDA, Economic Research Service (ERS) Report

In a 2015 analysis, ERS cited Cuba's geographic proximity to the United States as a potential advantage for U.S. food and agricultural product exports that could help drive export gains.¹⁹ Another reason that the agency saw an opportunity to expand U.S. agricultural exports to Cuba was that the U.S. share of the market in Cuba, at about 20%, was less than half the U.S. market share in the Dominican Republic, a country with similar demographic and socioeconomic characteristics.

ERS indicated a potential for U.S. rice to “regain a large share of Cuba's import market” if a normal trading relationship were to be established—but only if U.S. suppliers were allowed to provide competitive terms of credit. ERS also suggested that exports of other U.S. commodities such as dry beans, wheat, and dry milk could benefit if normal trade relations were restored. In addition, ERS contended that tourist-oriented food-service sales could support U.S. exports of cheese, yogurt, and higher-value cuts of pork, poultry meat, and beef, particularly if restrictions on tourism to Cuba were relaxed. The agency also saw potential for expanded U.S. export sales of low-value cuts of pork, pork variety meats, chicken leg quarters, and milk powder, subject to income growth within Cuba.

Other Studies

Research conducted by Texas A&M University's Center for North American Studies in 2010 concluded that U.S. agricultural exports to Cuba had the potential to climb to \$1.2 billion within five years if restrictions on trade financing and travel were relaxed.²⁰ Texas A&M named Arkansas, Texas, Minnesota, Louisiana, Missouri, and Nebraska as the states that would be expected to benefit most from such an increase in agricultural exports.²¹ Among the factors most likely to influence the volume and mix of U.S. agricultural exports to Cuba, Texas A&M cited remittances to Cuba from Cuban-Americans in the United States and access to foreign exchange based on Cuba's exports—led by tourism, nickel/cobalt, pharmaceuticals, sugar, and tobacco products.

In 2015 testimony to the USITC, University of Florida economist William A. Messina Jr. pointed out that if the United States accepts more agricultural imports from Cuba, farmers in Florida who grow many of the same products during the same season as Cuba could face increased competition. Vegetables, citrus, sugar, and tropical fruit are among the products grown in both places. Messina noted that there are farms in Cuba that pay no rent to the government for their land, among other subsidies, and pointed out that subsidies could become more consequential if firms from other countries were to develop Cuba as a production platform for exporting produce, especially fresh vegetables, to the United States.²² Some also worry that opening the U.S. market to Cuba's produce could expose Florida to new invasive pests and diseases. The 2017 agreement signed by the United States and Cuba to promote technical cooperation in plant- and animal-health-related issues in agriculture, with the aim of preventing the introduction and spread of

¹⁹ Zahniser et al., *U.S.-Cuba Agricultural Trade*.

²⁰ Parr C. Rosson, Flynn J. Adcock, and Eric Manthei, “Estimated Economic Impacts of the Travel Restriction Reform and Export Enhancement Act of 2010,” Texas A&M University, CNAS 2010-01, March 11, 2010; and testimony of Parr Rosson, Texas A&M University, Senate Committee on Agriculture, Nutrition and Forestry, April 21, 2015, https://www.agriculture.senate.gov/imo/media/doc/Testimony_Rosson1.pdf.

²¹ Testimony of Palma, Senate Finance Committee, June 2, 2015.

²² Testimony of William A. Messina Jr., University of Florida, USITC June 2, 2015, https://www.usitc.gov/press_room/documents/testimony/332_552_011.pdf.

plant and animal pests, diseases, and their vectors in the United States and Cuba,²³ might help minimize these risks if bilateral trade between the two countries were to resume.

Cuba's Agricultural Exports

Cuba's agricultural exports are limited, with global annual imports from Cuba averaging \$710.8 million per year during 2017-2019 (**Table 3**). Based on data from importing countries (Cuban export data are not readily available), Cuban agricultural exports are concentrated in a few products. Sugar accounted for 59% of all reported imports of Cuban agricultural products during this period, followed by cigars, which accounted for almost 32%. Fruit and vegetable imports from Cuba came to about 1% of total agricultural imports from Cuba (**Table 3**).

Table 3. Global Imports of Agricultural Products from Cuba

Average of 2017-2019, in Millions of U.S. Dollars

Agricultural Products	\$ Millions	Share of Total
Sugars and Sweeteners	348.19	49.0%
Cigars	224.29	31.6%
Distilled Spirits	100.96	14.2%
Tobacco and Cigarettes	9.63	1.4%
Ethanol	4.68	0.7%
Coffee	6.79	1.0%
Fruit, Fresh, Preserved, Dried, and Juices	6.20	0.9%
Vegetables, Fresh, Dried, and Frozen	0.35	0.0%
Cocoa Beans, Paste, Butter, and Powder	2.36	0.3%
Other Products	7.36	1.0%
Total Agriculture	710.80	

Source: National trade statistics of importing countries, via TDM, accessed April 2021. Official Cuban export data, not available in TDM, may vary from data in the table.

Note: WTO definition of *agriculture*, adopted March 2021 by USDA, is used.

The EU was the largest market for agricultural exports from Cuba, accounting for 37% of the \$710.8 million imported annually, on average, during 2017-2019. China followed, with a 26% share.²⁴ Cuba's other important markets for agricultural exports are Canada, Mexico, and other countries in the Asia-Pacific region, including Japan, South Korea, Singapore, and Australia.

Cuban Sugar Production and Exports

Cuba, long known as a major producer and exporter of sugar, experienced a 66% decline in production and an over 80% decline in exports over the past two decades (**Figure 3**). During that same period, U.S. sugar imports increased 157%, from 1.44 million metric tons in 2001 to 3.71 million metric tons in 2020. U.S. sugar production levels have trended upward during that period,

²³ FAS, "U.S.-Cuba Animal and Plant Health Memorandum of Understanding," January 19, 2017, https://www.fas.usda.gov/sites/default/files/2017-02/signed_animal_plant_health_mou_english_spanish_01_2017.pdf.

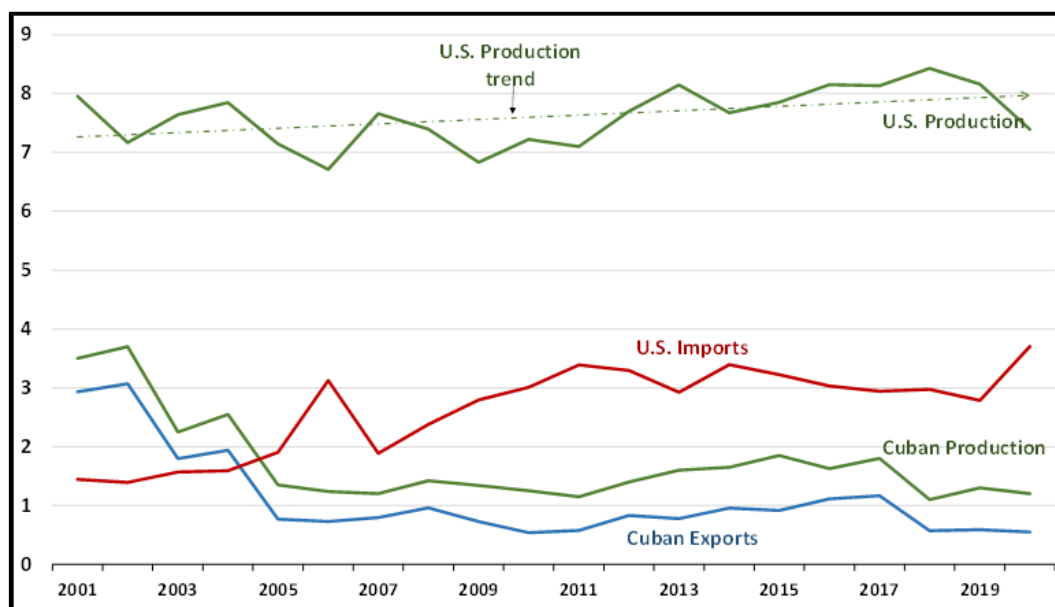
²⁴ National trade statistics of importing countries, via Trade Data Monitor, accessed April 2021.

but most of the increase in U.S. demand has been met by greater imports. No Cuban sugar is imported into the United States.

In addition to restrictions under TSRA, U.S. sugar imports from Cuba face other inhibitions. Section 620(a)(2) of the Foreign Assistance Act of 1961 (P.L. 87-195) denies a quota authorizing the importation of Cuban sugar into the United States, and Section 902(c) of the Food Security Act of 1985 (P.L. 99-198) denies a sugar import quota to Cuba or to other countries that may export Cuba-origin sugar to the United States. If trade is normalized between the United States and Cuba, both countries' sugar trade patterns might shift, even though Cuba's total exports and the United States' total sugar import volume might change only minimally.²⁵ In recent years, Canada, Mexico, and Brazil have been the top sources of U.S. sugar imports, while China, Norway, and the EU have been Cuba's biggest sugar export markets.²⁶

Figure 3. U.S. and Cuban Sugar Production and Trade

In Million Metric Tons, 2001-2020



Source: FAS, PSD Online, accessed April 2021, <https://apps.fas.usda.gov/psdonline/app/index.html#/app/advQuery>.

The United States regulates its sugar imports using tariff-rate quotas (TRQs), whereby imports within a set quota volume enter the United States at a lower tariff rate while imports over the set quota volume are levied a higher tariff rate.²⁷ The United States provides sugar market access to its trading partners based on U.S. commitments under the World Trade Organization (WTO) or under other trade agreements. To export sugar to the United States, Cuba would have to negotiate a quota allocation or some other form of market access. A 2002 paper authored by two officials at

²⁵ S. 249 (117th Congress) would repeal these provisions along with other existing restrictions on U.S. trade with Cuba.

²⁶ U.S. statistics from U.S. Census data; Cuban statistics based on importing country data via Trade Data Monitor.

²⁷ For background on the structure and operation of the U.S. sugar program, see CRS In Focus IF10223, *Fundamental Elements of the U.S. Sugar Program*, by Mark A. McMinimy; and CRS Report R43998, *U.S. Sugar Program Fundamentals*, by Mark A. McMinimy.

the USITC identified six possible options for providing Cuba with access to the U.S. sugar market that the authors contend would be compliant with WTO market access provisions:²⁸

- allocate WTO quotas on a first-come, first-served basis;
- auction sugar quotas;
- redistribute the TRQ among countries, including Cuba;
- increase the TRQ to accommodate Cuba;
- replace the existing TRQ with a simple tariff; and
- provide market access for sugar as part of a free trade agreement with Cuba.

Legislative Restrictions and Efforts to Ease Them

The text box below summarizes statutory provisions currently restricting U.S. agricultural trade with Cuba.

Selected Statutory Provisions Relevant to U.S. Agricultural Exports to Cuba

- Two restrictions that some have identified as being among the most significant in terms of inhibiting U.S. agricultural exports to Cuba are found in Section 908 of TSRA (22 U.S.C. §7207):
 1. prohibiting U.S. aid to facilitate exports to Cuba; and
 2. limiting the means by which a U.S. person may finance the sale of agricultural products to Cuba to cash in advance or third-country financing.
- Concerning sugar specifically, Section 902 of P.L. 106-387, the Food Security Act of 1985 (U.S.C. §1446 note), denies a sugar import quota to Cuba and to any third country trading in Cuban sugar, although this restriction is subject to presidential waiver under terms provided in the LIBERTAD Act (P.L. 104-114).

Recognizing that U.S. farmers and exporters are competing for food and agricultural markets in Cuba under terms that place them at a distinct disadvantage against foreign competitors, Members of Congress have proposed legislation in recent years to ease various elements of the U.S. economic embargo on Cuba or repeal it entirely.²⁹ In the 115th Congress, provisions enacted as part of the farm bill (P.L. 115-334) allow USDA export promotion funding for certain activities in Cuba, although other USDA programs, including credit guarantee programs, cannot be used for activities related to U.S. agricultural exports to Cuba. In the 116th Congress, bills in both houses of Congress (H.R. 1898 and S. 1447) would have removed prohibitions on financing of agricultural exports to Cuba. Neither was enacted. A bill in the 117th Congress (S. 249) would repeal the LIBERTAD Act and lift the trade embargo on Cuba. Removal of the embargo would move toward normalization of U.S.-Cuba trade relations, although trade in products limited by U.S. import quotas, such as sugar, would require additional negotiations for quota allocation. Trade in products that require plant and animal health or food quality and safety verifications, such as fruit, vegetables, and certain prepared foods, may need further bilateral engagements to develop protocols for approval of exports or imports.

²⁸ Devry S. Boughner and Jonathan R. Coleman, “Normalizing Trade Relations with Cuba: GATT-Compliant Options for the Allocation of the U.S. Sugar Tariff-Rate Quota,” *Estey Centre Journal of International Law and Trade Policy*, vol. 3, no. 1 (2002), pp. 1-16, <https://ideas.repec.org/a/ags/ecjilt/23911.html>.

²⁹ CRS Report R44119, *U.S. Agricultural Trade with Cuba: Current Limitations and Future Prospects*, by Mark A. McMinimy.

Several farm-related groups have expressed their support for normalized trade and travel to Cuba. For example, both the American Farm Bureau Federation (AFBF) and the National Farmers Union have stated that the Trump Administration actions to restrict trade limited U.S. agricultural exports to Cuba.³⁰ AFBF asserts that U.S. wheat is losing its Cuban market to Canada and the EU, and U.S. rice to Brazil and Vietnam. The National Council of Farmer Cooperatives has likewise indicated its support of a policy that eases financial and travel restrictions with Cuba to facilitate U.S. agricultural exports to that country.³¹ Various agricultural commodity groups—such as the American Soybean Association,³² the National Corn Growers Association,³³ and USA Rice³⁴—along with over 100 U.S. agriculture-related groups, urged the Trump Administration in 2017 to “support American agriculture by strengthening the bilateral trade relationship between the U.S. and Cuba.”³⁵

During his presidential campaign, President Biden stated that he would reverse Trump Administration policies that harmed the Cuban people without advancing democracy and human rights.³⁶ However, the Biden Administration has not made specific comments concerning U.S. - Cuba agricultural trade.

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³⁰ AFBF, “U.S. Agriculture and Cuba,” accessed May 2021, <https://www.fb.org/issues/trade/us-agriculture-and-cuba/>; and National Farmers Union, “U.S. Policy Reversal on Cuba Eliminates Opportunity for Family Farmers,” press release, June 16, 2017, <https://nfu.org/2017/06/16/u-s-policy-reversal-on-cuba-eliminates-opportunity-for-family-farmers/>.

³¹ National Council of Farmer Cooperatives, “U.S. Agricultural Exports to Cuba,” April 2019, <http://ncfc.org/2019/04/u-s-agricultural-exports-cuba/>.

³² American Soybean Association, “Soy Growers Urge Continued Support of U.S.-Cuba Ag Trade,” January 19, 2017, <https://soygrowers.com/news-releases/soy-growers-urge-continued-support-of-u-s-cuba-ag-trade/>.

³³ National Corn Growers Association, “NCGA Statement on Changes to U.S.-Cuba Policy,” June 16, 2017, <https://www.ncga.com/stay-informed/media/in-the-news/article/2017/06/ncga-statement-on-changes-to-u-s-cuba-policy>.

³⁴ USA Rice, “U.S. Takes Further Actions to Alienate Cuba,” October 22, 2019, <https://www.usarice.com/news-and-events/publications/usa-rice-daily/article/usa-rice-daily/2019/10/22/u.s.-takes-further-actions-to-alienate-cuba>.

³⁵ Engage Cuba Coalition, “Over 100 U.S. Agriculture Groups Urge Trump to Strengthen U.S.-Cuba Trade Relationship,” January 13, 2017, <https://www.engagecuba.org/press-releases/2017/1/13/over-100-us-agriculture-groups-urge-trump-to-strengthen-us-cuba-trade-relationship>.

³⁶ *Americas Quarterly*, “Joe Biden Answers 10 Questions on Latin America,” March 4, 2020 (updated October 29, 2020), <https://www.americasquarterly.org/article/updated-2020-candidates-answer-10-questions-on-latin-america/>.

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