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CUBA

Export Reversal

Food exports to cuba dipped by 11 percent in 2005 -- the fifth year of renewed u.s. agricultural trade

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American food sales to Cuba fell by 11 percent in 2005, the first drop since renewed agricultural commerce was approved by Congress in 2000, relaxing trade sanctions against the island that had been in place for more than 40 years.

The private U.S.-Cuba Trade and Economic Council released Cuba-U.S. trade figures for 2005 this week showing U.S. agribusiness exported \$350 million, down from \$392 million the year before.

The cause of the decline was in dispute. The Cuban government blamed the Bush administration for increased red tape in obtaining export licenses. Others said the government of President Fidel Castro had turned to other friendlier sources, including China and Venezuela, for food shipments.

But U.S. exports to Cuba still showed relative strength at a time when the Bush administration has stepped up its enforcement of the economic embargo against Cuba in other areas.

John S. Kavulich, senior policy advisor at the Council, predicted 2006 food sales could also fall as Cuba increases its reliance on allies for food and aid.

"The government of Cuba is focusing all commercial, political and economic activity toward Venezuela and China due to the largess of those countries," Kavulich said.

"If it can be purchased from those countries, they will purchase it from [them] because they are likely to not have to pay for it," Kavulich said.

Venezuela, with growing economic clout due to rising world oil prices, is currently exporting oil to Cuba on easy terms, although no one is sure of the exact amount.

In a Jan. 24 speech in Havana, Castro himself lashed out at the U.S. for trying to thwart trade with Cuba.

"The government of the United States is looking for any pretext to prevent, at any cost, the sale of agricultural products to Cuba, which have been taking place in growing volumes without our country failing to pay on time a single cent during five years . . .," Castro said before Cubans who marched on the U.S. Interests Section in Havana Jan. 24.

John Parke Wright, a Naples business executive involved in the shipment of cattle to Cuba, said the Cubans are moving forward with projects to improve cattle herds and dairy cows and use the United States as a supplier of breeding stock.

"I don't see any big continental shifts in policy or trading diversion," Wright said. "I see much more intense political jousting. It's politics."

A contract to export 300 head of cattle from Florida was put on hold over problems with the animals testing false positive to disease. But Wright said he was heartened because U.S. and Cuban health officials were talking and trying to find a way around the problem.

Last year, chicken was the No. 1 U.S. food export to Cuba, followed by corn, wheat, rice and soybeans in shipments that were authorized by the Trade Sanctions Reform and Export Enhancement Act of 2000.

The sale of healthcare products, authorized under the 1992 Cuban Democracy Act, are not included in the food totals, but amount to less than \$1 million yearly.

Despite the slowdown in 2005, U.S. grain sellers were optimistic that corn sales would increase this year.

The board of directors of the U.S. Grains Council, led by chairman Davis Anderson, visited Havana in mid-January and met with Pedro Alvarez, the head of the Cuban food import agency Alimport.

Alimport signed a letter of intent to purchase 700,000 tons of corn in 2006 from farmers represented by the grains council, a trade group that represents corn, barley and sorghum farmers.

"It would be fabulous if they purchased 700,000 [tons] this year," said Sarah Novak, director of membership at the Grains Council in Washington. "That amount would be significantly higher than in the past."

Cuban figures showed the government bought 481,000 tons of U.S. corn in 2004 and 237,000 tons in 2005, most of it for use in livestock feed.

"According to the Cubans, the drop was because of the change in rules," Novak said.

While the Cuban market is important regionally, it is small compared to countries such as Japan that buy 15 million tons of corn from the United States each year.

The council pegs total U.S. agricultural trade with Cuba since the 2001 law at \$1.14 billion. That differs from the Cuban figure of \$1.7 million, but Kavulich said the Cuban numbers include other costs, which cannot be verified.

Meanwhile, Kavulich said the White House was throwing up regulatory roadblocks to trade and other commercial contacts with the island -- taking "every available action that will make unpleasant any commercial dealing with Cuba" -- ranging from delays in obtaining licenses and visas to strict enforcement of customs and trade regulations.

However, said Kavulich, he did not see these difficulties as the source of the fall in exports.