



**U.S. House of Representatives  
 Committee on Agriculture  
 March 11, 2010  
 U.S. Agricultural Sales to Cuba  
 Barton Schott on behalf of  
 The National Corn Growers Association  
 Written Testimony**

Chairman Peterson, Ranking Member Lucas, and Members of the Agriculture Committee, thank you for the opportunity to testify about the importance of expanding U.S. agricultural trade to Cuba. My name is Bart Schott and I am the First Vice President of the National Corn Growers Association (NCGA). I am a third generation farmer from Kulm, North Dakota where I farm with my sons, raising corn, soybeans and spring wheat. I am here today on behalf of NCGA, which was founded in 1957, and represents over 35,000 dues-paying corn growers. NCGA and its affiliated state associations work together to help protect and advance corn growers' interests.

**U.S. Corn Production**

Despite numerous weather issues in 2009, U.S. corn producers set all time records in national average yields and total production. Our growers produced over 13.1 billion bushels of corn, have met all market demands and are building stocks. To maintain stocks at an appropriate level that does not negatively impact prices, we must pursue both export markets for corn and U.S. produced livestock products.

**U.S Corn Supply and Demand**

(mil bushel)	2007-08	2008-09	2009-10
Carry-in	1,304	1,624	1,673
Average Yield	151	153.9	165.2
Production	13,038	12,092	13,151
Supply	14,362	13,729	14,834
Feed & Residual	5,913	5,246	5,550
Ethanol	3,049	3,677	4,200
FSI	1,338	1,276	1,270
Export	2,437	1,858	2,050
Carry-out	1,624	1,673	1,764

Source: USDA, WASDE

**Corn Sales to Cuba**

Cuba is currently an important market for U.S. corn. According to the United States Department of Agriculture (USDA) Foreign Agricultural Service (FAS) data, during the

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2008-2009 marketing year, Cuba was our tenth largest export market. U.S. corn farmers currently have a 91 percent<sup>1</sup> average share of Cuban corn imports. In calendar year 2009, U.S. corn exports to Cuba were down to 24 million bushel, off the then peak in 2008 of 30.9 million bushels. The estimated value<sup>2</sup> of Cuban corn imports was \$134.0 million during marketing year 2007-08 and \$104.6 million in marketing year 2008-09. This is a significant change from when our corn producers first entered the Cuban market in 2001, exporting that year slightly less than 1 million bushels of corn.

The growth in corn-based ethanol production has led to the increased production of Distillers Dried Grains (DDGS). This high protein feed is a direct co-product of the ethanol industry. In marketing year 2008-09, Cuba imported 146,500 metric tons of DDGS from the U.S.<sup>3</sup>

### **Value-Added Products**

U.S. corn markets are directly impacted by increased exports of value added products such as meat. U.S. chicken producers export relatively significant quantities of meat to Cuba. In 2008, poultry exports to Cuba, primarily chicken, reached 146,000 metric tons.<sup>4</sup> During 2009, a slight retraction saw exports of 138,000 metric tons.

To put this into perspective, it takes approximately 79 bushels of corn to produce one metric ton of poultry, under a 2:1 conversion ratio of corn to white and/or dark meat. So, to meet 2009's poultry exports to Cuba, the U.S. broiler industry fed 10.9 million bushels of corn.

### **Unnecessary Restrictions to Agricultural Trade with Cuba**

The 2000 Trade Sanctions Reform and Export Enhancement Act (TSREEA) created exemptions that allow for the export of U.S. medical supplies and food (agricultural products) to Cuba. However, in 2005, the Office of Foreign Asset Control (OFAC) changed the meaning of "cash in advance" under TSREEA to require cash payments from Cuba before food leaves a U.S. port instead of allowing for payment prior to change in title of goods, which generally occurs at the port of destination. While NCGA appreciates the clear direction to roll back this requirement in the FY 2010 Omnibus Appropriations bill, this law only provides resolution regarding this issue for the rest of the fiscal year. It is not a permanent fix, and American producers will eventually continue to function with this disadvantage which is not shared by our competitors in supplying the Cuban market with food. Simply put, the time value of money can be a significant factor in the decision of where and from whom to buy a commodity or any other product.

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<sup>1</sup> Average calculated based on USDA FAS data from marketing years 2006-07, 2007-08 and 2008-09.

<sup>2</sup> Estimated value calculated based on USDA National Agricultural Statistics Service average U.S. corn price for that year.

<sup>3</sup> Data source USDA FAS.

<sup>4</sup> Data source USDA FAS.

TSREEA also involves a “direct banking” provision which necessitates payments from Cuba to U.S. suppliers through a third-country bank. This requirement adds yet another additional cost to each transaction involving the sale of agricultural goods to Cuba.

Currently, there are significant restrictions on American citizens’ travel to Cuba. Unfortunately, this greatly limits the opportunities for increased agricultural trade with this country. Increased travel to Cuba by Americans would boost sales of U.S. agricultural products, especially value-added agricultural products.

### **The Travel Restriction Reform and Export Enhancement Act**

NCGA strongly supports the newly introduced Travel Restriction Reform and Export Enhancement Act regarding Cuba and thank Chairman Peterson and Mr. Moran for their support of this important legislation. This bill provides an opportunity not only to protect and preserve current and trendline growth of U.S. sales of corn to Cuba, but to increase demand for DDGS and other corn value-added products such as poultry.

Corn farmers are more fortunate than other U.S. commodities, as we currently do move some bulk corn to Cuba. However, we do so under a competitive disadvantage and in spite of the two requirements mentioned earlier, the definition of cash in advance and the third party banking restriction. As mentioned, we are producing record amounts of corn in the U.S., while at the same time our strong regional competitors, such as Brazil and Argentina, do not face these same obstacles to export with Cuba. The immediate elimination of both these costs would certainly help maintain our current exports of bulk corn in light of ever increasing international competition.

These changes would also help increase sales of DDGS at a critical time. A past increase in Cuban imports of DDGS from marketing year 2007-08 to marketing year 2008-09 was almost 50 percent, indicating fast growing Cuban interest in this product. We need to capitalize now on this opportunity, but unfortunately, policies such as cash in advance and third party banking disproportionately penalize more expensive agricultural products, such DDGS.

This bill would also lift travel restrictions to Cuba. This portion of the bill is integral to actually increasing the demand for corn. Without travel, the increased demand for value-added agricultural products will not be as significant. U.S. tourism in Cuba will boost demand for American products. This increased economic activity would also lead to improvements in the Cuban diet, as their consumers sought out more animal proteins. Over the past decade, as Cuban chicken consumption has increased, Cuban chicken production declined.<sup>5</sup> As such, export projections for these value-added products would certainly increase past their current trendlines. Actual increases in corn demand here in the U.S. from trade with Cuba is a very important component of the benefits from better trade with Cuba, especially in light of recent record corn production.

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<sup>5</sup> In 2009, approximately 14 percent of the chicken consumed in Cuba was locally produced.

As an example, one of the best corollaries to examine regarding predictions for future growth is to look at the consumption patterns of other Caribbean islands, specifically the Dominican Republic, which has some of the same general cultural background as Cuba. Through the last decade, the Dominican Republic's per capita chicken consumption has been just over twice the amount of Cuba. In our estimation, it is reasonable to assume that Cuban chicken consumption could grow over time to match that of the Dominican Republic. If the import to domestic production ratio of chicken remained somewhat the same, doubling U.S. chicken exports to 277,000 metric tons would require almost 22 million bushels of corn.

### **Conclusion**

NCGA respectfully requests that the members of this Committee and others in Congress support the Travel Restriction Reform and Export Enhancement Act. Our members want to preserve our current corn exports, increase our export of DDGS at a critical point in the Cuban market and importantly, significantly increase demand for corn through opportunities in value-added corn products through travel-related economic activity. We believe that U.S. corn farmers can continue to be the number one reliable supplier to our customers around the globe, but need the changes wrought in this legislation and believe the time is right for those changes. Again, I greatly appreciate the opportunity to testify on this important opportunity for corn farmers.