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Financing U.S. Agricultural Exports to Cuba

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In December 2014, President Obama announced a new policy approach toward Cuba that in part seeks to reduce the role of long-standing U.S. sanctions on commercial relations with Cuba while also promoting greater engagement and normal relations with the island nation. For U.S. agriculture, the most significant change to emerge from the altered U.S. policy stance toward Cuba has been a revised interpretation of the definition of "payment of cash in advance" that conditions sales of agricultural commodities to Cuba under the Trade Sanctions Reform and Export Enhancement Act of 2000 (TSRA, Title IX of P.L. 106-387). In January 2015, the U.S. Department of the Treasury revised its interpretation of "cash in advance" from one that limits such transactions to cash payment before the shipment to the current interpretation that cash payment is required before transfer of title. For additional information on U.S. policy toward Cuba and bilateral relations, see CRS Report R43926, *Cuba: Issues for the 114th Congress*, by Mark P. Sullivan.

U.S. Farm Exports to Cuba Have Slumped in Recent Years

Although Section 980(b) of TSRA permits the export of U.S. agriculture products to Cuba, subject to the cash in advance rule, or with third-country financing, it specifically prohibits any role for U.S. government assistance and also bars the provision of private financing to facilitate such sales. Following the enactment of TSRA, U.S. farm exports to Cuba climbed from zero in 2000 to $685 million in 2008, but thereafter declined sharply, with 2015 marking a low point at $149 million (**Table 1**). Cuba's total agricultural imports declined from a peak of about $2.4 billion in 2008 to $2 billion in 2013 and 2014.

In a report issued in 2015, USDA compared the potential for U.S. agricultural exports to Cuba to those of the Dominican Republic, noting that the Dominican Republic market bears similarities to Cuba in terms of population and per-capita income. But whereas the Dominican Republic imported an annual average of $1.3 billion of U.S. farm products between 2013 and 2015, Cuba's average annual imports were far lower at $262 million over that same period. For more on U.S. agricultural trade with Cuba, see CRS Report R44119, *U.S. Agricultural Trade with Cuba: Current Limitations and Future Prospects*, by Mark A. McMinimy.

Table 1. Major U.S. Agricultural Product Exports to Cuba

2013-2015 Average

Product	Value in Millions of U.S. Dollars	Percentage of Total
Total Agricultural Exports	261.8	100%
- Poultry Meat & Products (ex. eggs)	123.9	47.3%
- Soybean Meal	63.9	24.4%
- Corns	30.0	11.5%
- Soybeans	26.1	10%
- Feeds and Fodder NESOI	6.8	2.6%
- Distillers Grains	4.9	1.9%
- Pork and Pork Products	3.4	1.3%

Source: U.S. Department of Agriculture, Foreign Agricultural Service.

Notes: Totals do not add up because list is limited to major products; NESOI = not elsewhere specified or indicated.

Numerous farm groups and agribusiness interests also have identified Cuba as a market that could become a significantly larger importer of U.S. farm products. This reflects Cuba's heavy dependence on agricultural imports (amounting to about 70% to 80% of its domestic requirements according to a March 2016 report of the U.S. International Trade Commission (ITC)) to feed its population of 11 million, the considerable transportation cost and delivery time advantages that U.S. exporters have over competitors (such as Brazil and Vietnam), and the broad range of U.S. agricultural products available for export. Some of these same stakeholders have pointed to TSRA's ban on the use of private financing by U.S. entities to facilitate exports of agricultural products and its prohibition on the use of U.S. government export promotion programs for Cuba as policies that impair the competitiveness of U.S. agricultural products relative to foreign suppliers and that curb U.S. agricultural exports to Cuba.

In its March 2016 report on the effect of U.S. restrictions on Cuban imports of goods and services, the ITC concluded that U.S. agricultural exports to Cuba could post significant gains if U.S. restrictions on trade were removed. In particular, it noted that U.S. agricultural suppliers view the inability to offer credit and U.S. restrictions on travel to Cuba as key obstacles to increasing farm exports.

Exceptions to Private Financing Ban Exclude Agricultural Products

In 2015, and in early 2016, the Obama Administration issued a policy of general approval for the export to Cuba of certain additional categories of goods and followed this up in January 2016 by permitting U.S. private export financing of these goods. But agricultural products continued to be excluded from private U.S. financing due to the prohibition imposed by TSRA. Critics of the Obama Administration's policy initiative to move toward normal bilateral relations with Cuba point out that Cuba remains a one-party communist regime with a poor record on human rights, and they contend that reforms that demonstrate a commitment to democracy and human rights should precede a relaxation in the U.S. sanctions regime.

In response to concerns about the ability of U.S. farmers and exporters to compete for agricultural sales to Cuba, some Members of Congress have proposed legislation that would ease or repeal various elements of the U.S. economic embargo on Cuba (see CRS Report R43926, *Cuba: Issues for the 114th Congress*, by Mark P. Sullivan .). Several of these would specifically address agricultural elements of economic sanctions on Cuba, including: H.R. 635 (Rangel); S. 491 (Klobuchar); S. 1049 (Heitkamp) S. 1543 (Moran); H.R. 3238 (Emmer); and H.R. 3687 (Crawford).

Most recently, on June 16, 2016, the Senate Appropriations Committee reported S. 3067, the FY2017 Financial Services and General Government Appropriations bill. Section 634 of the bill would amend TSRA by removing the prohibition on private financing of agricultural commodity sales to Cuba. In addition, a proposed amendment (Crawford) to the House version of the Financial Services appropriations bill, H.R. 5485 (see amendment 24 in H.Rept. 114-639) would prohibit funding in the Act to implement, administer, or enforce Section 908(b) of TSRA that prohibits private financing of agricultural exports to Cuba.