

Rice Trade with Cuba: Potential and Constraints

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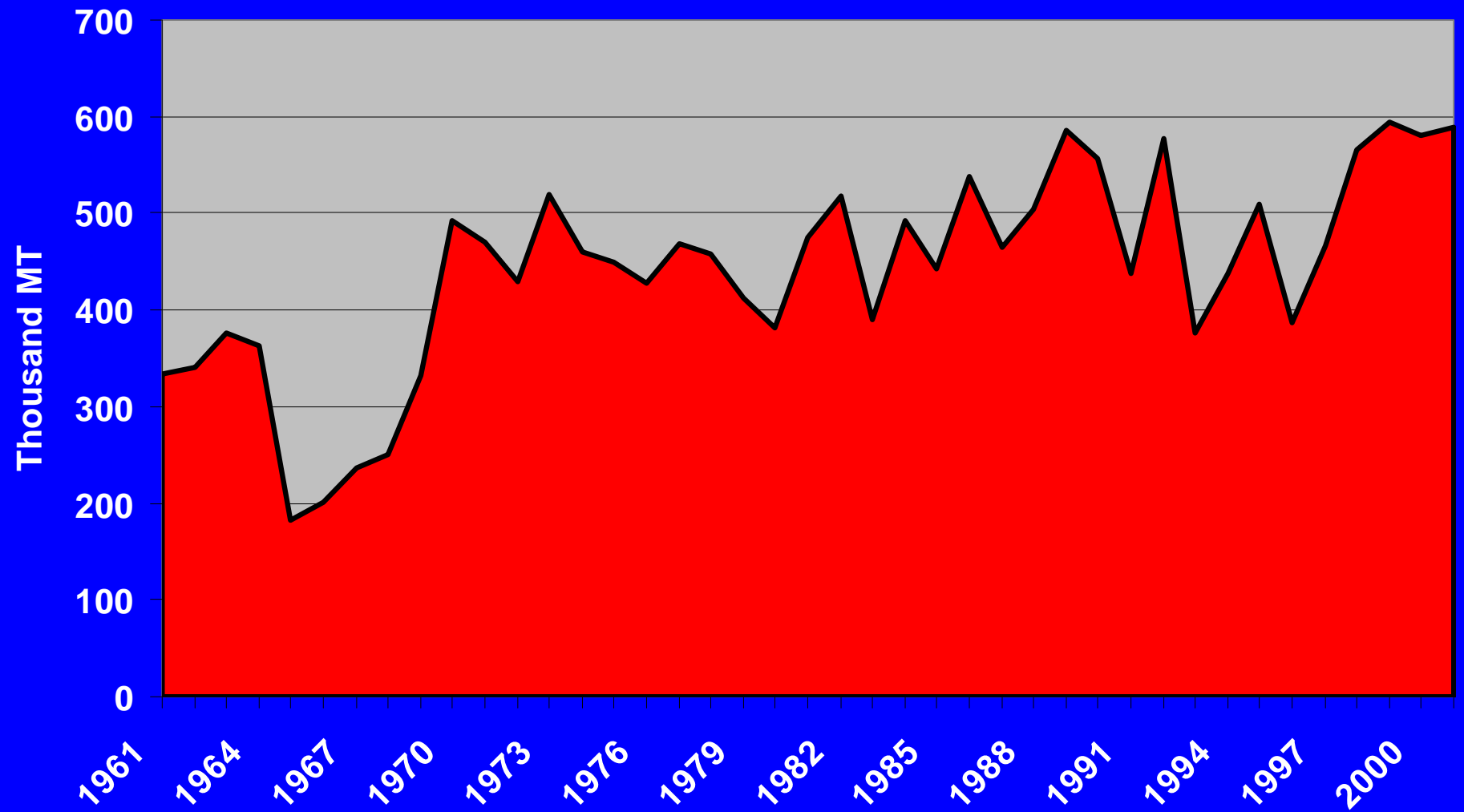


Symposium on U.S.-Cuban Agricultural
Trade: Reflections, Realities, and
Expectations

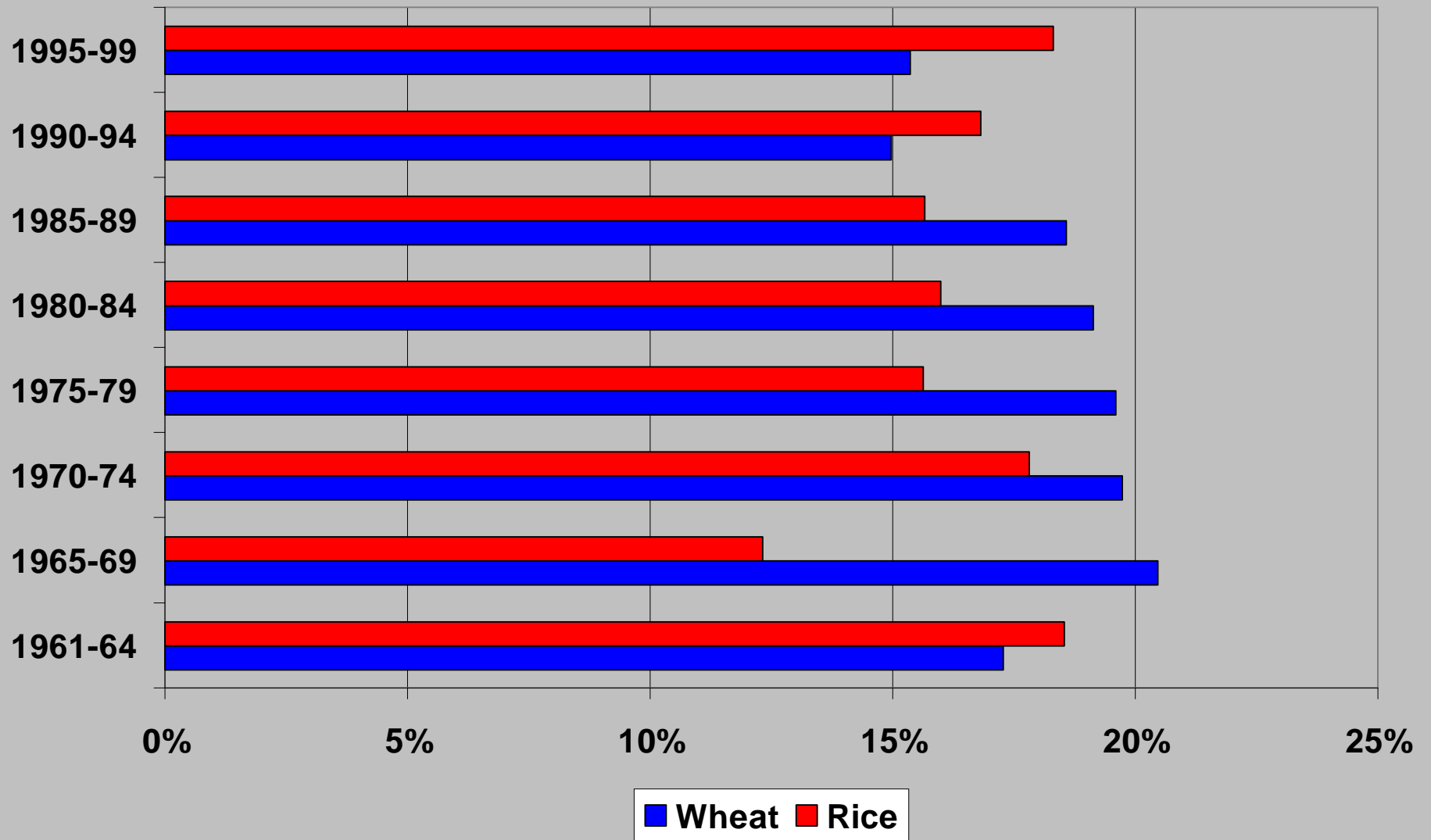
Overview of presentation

- Cuban Rice Economy
- U.S. Rice Exports
- Trade Potential and Constraints

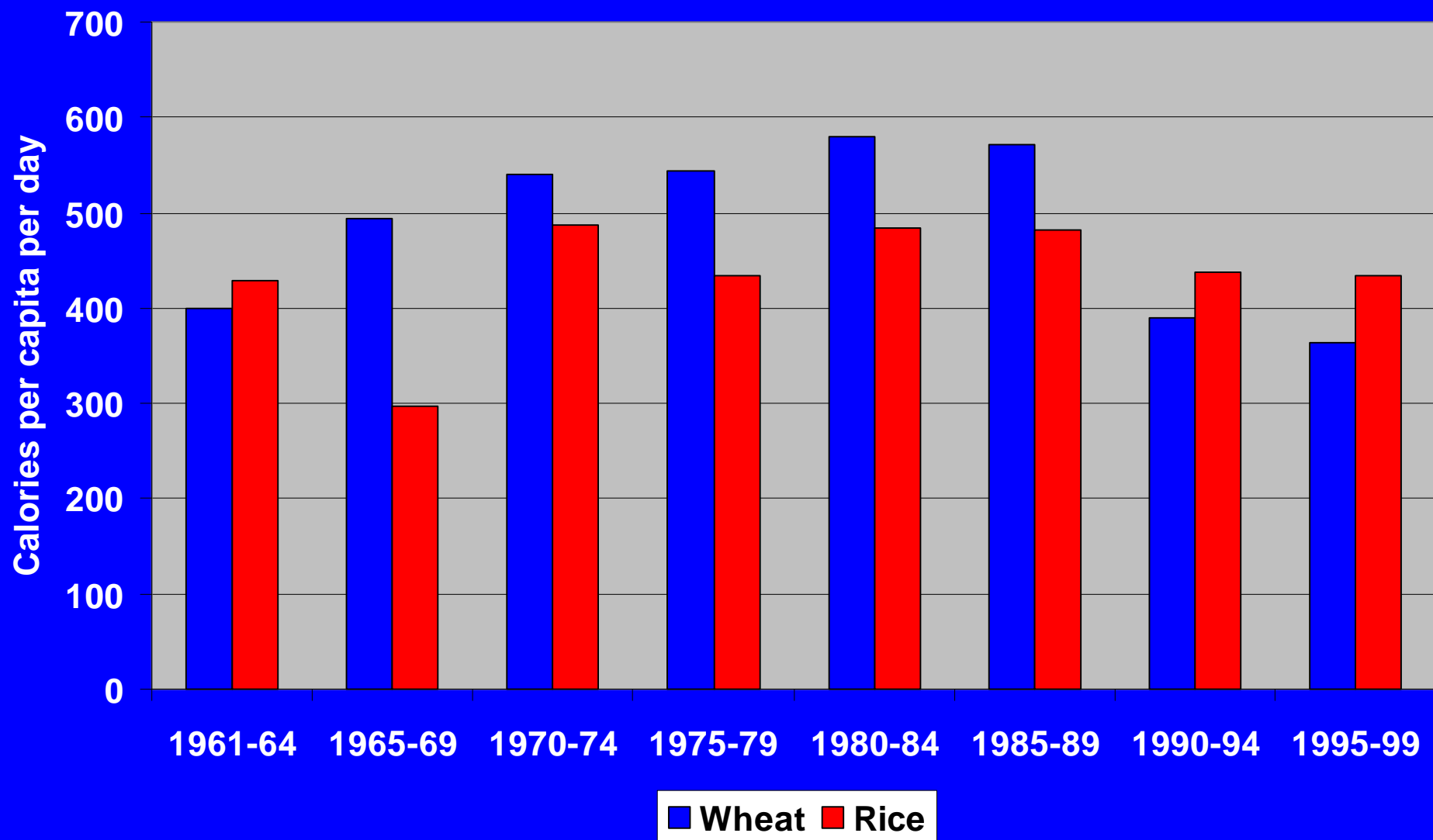
Rice Consumption in Cuba



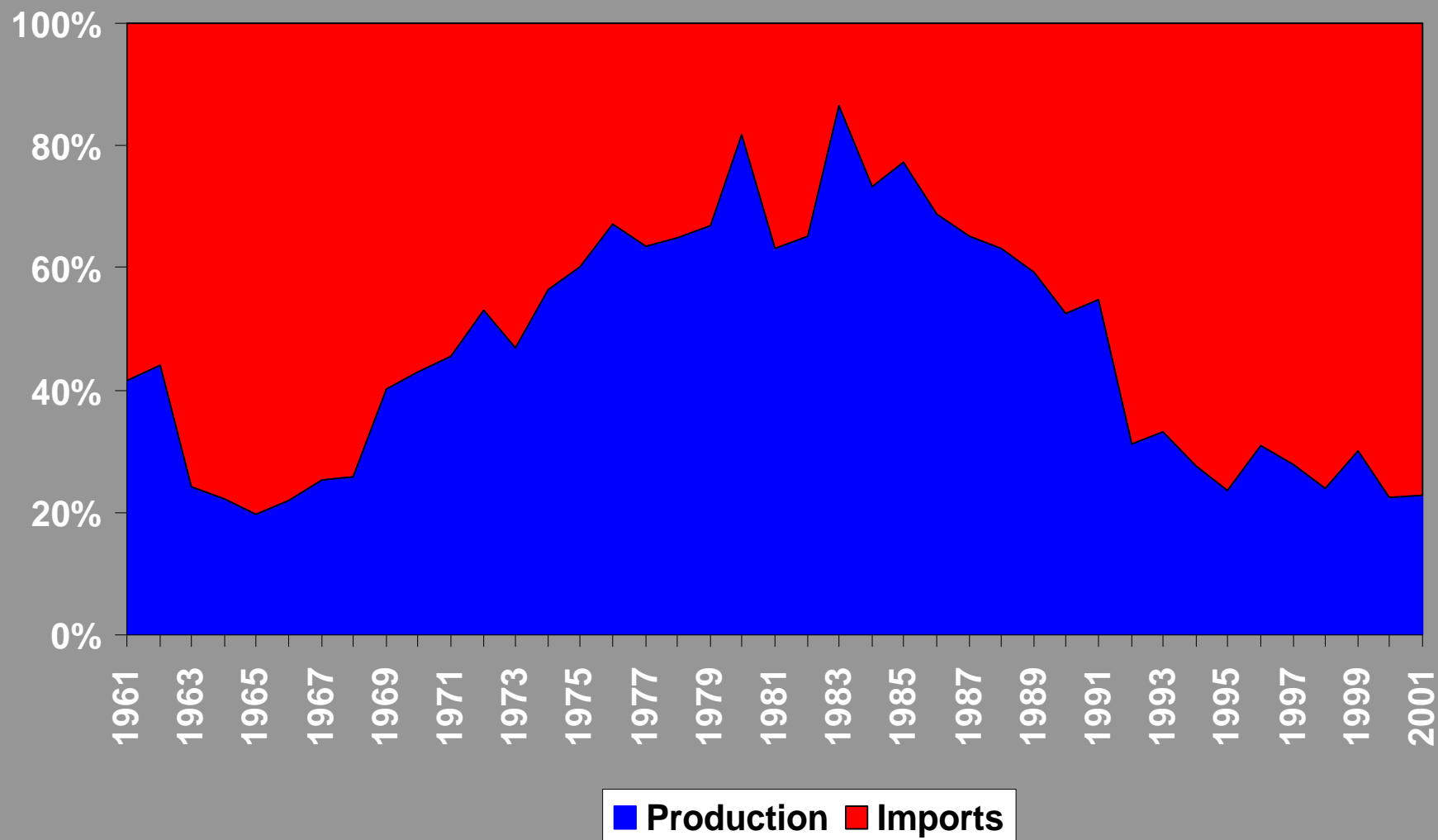
Source of total calories consumed in Cuba



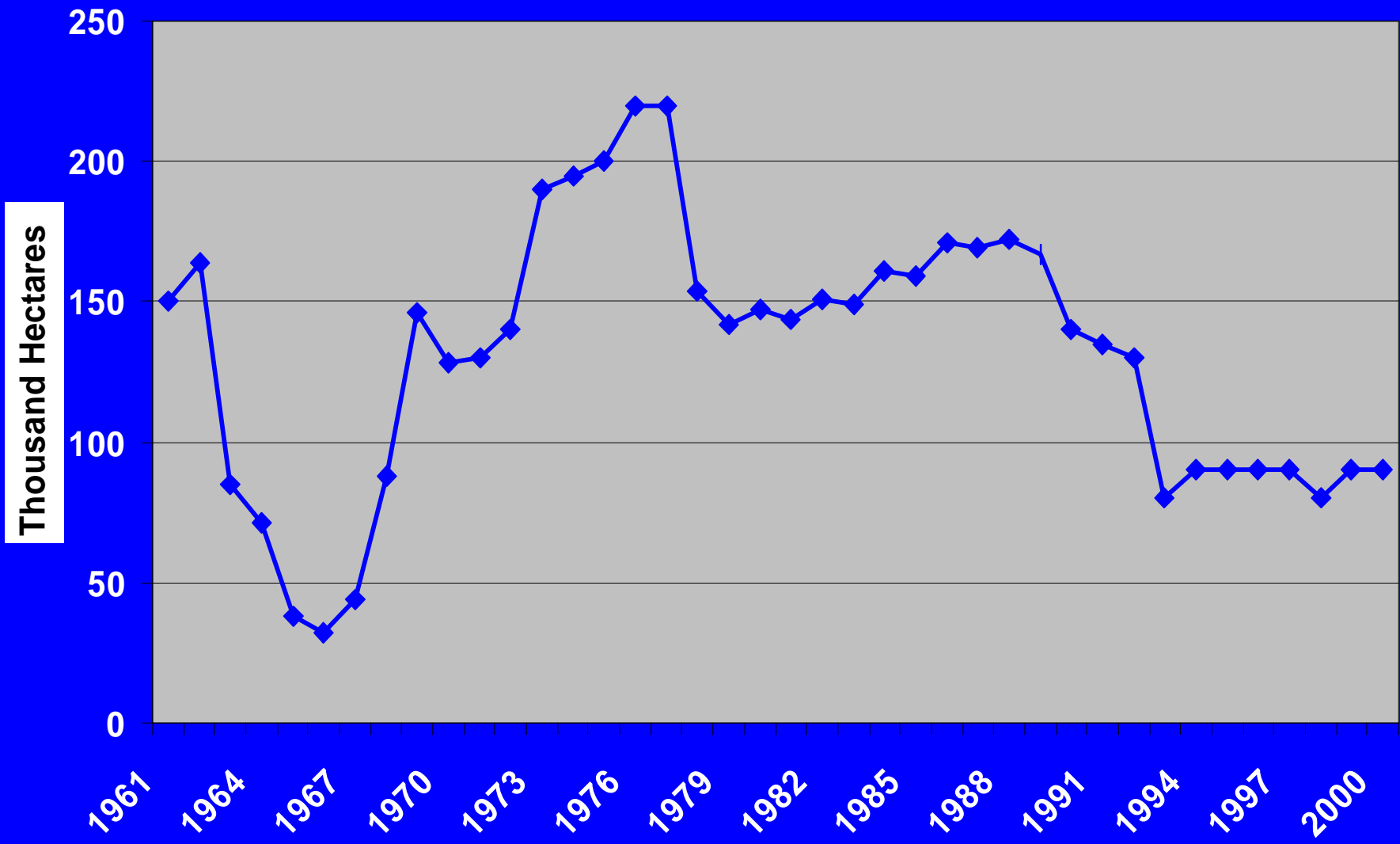
Grain Consumption in Cuba: Average calories



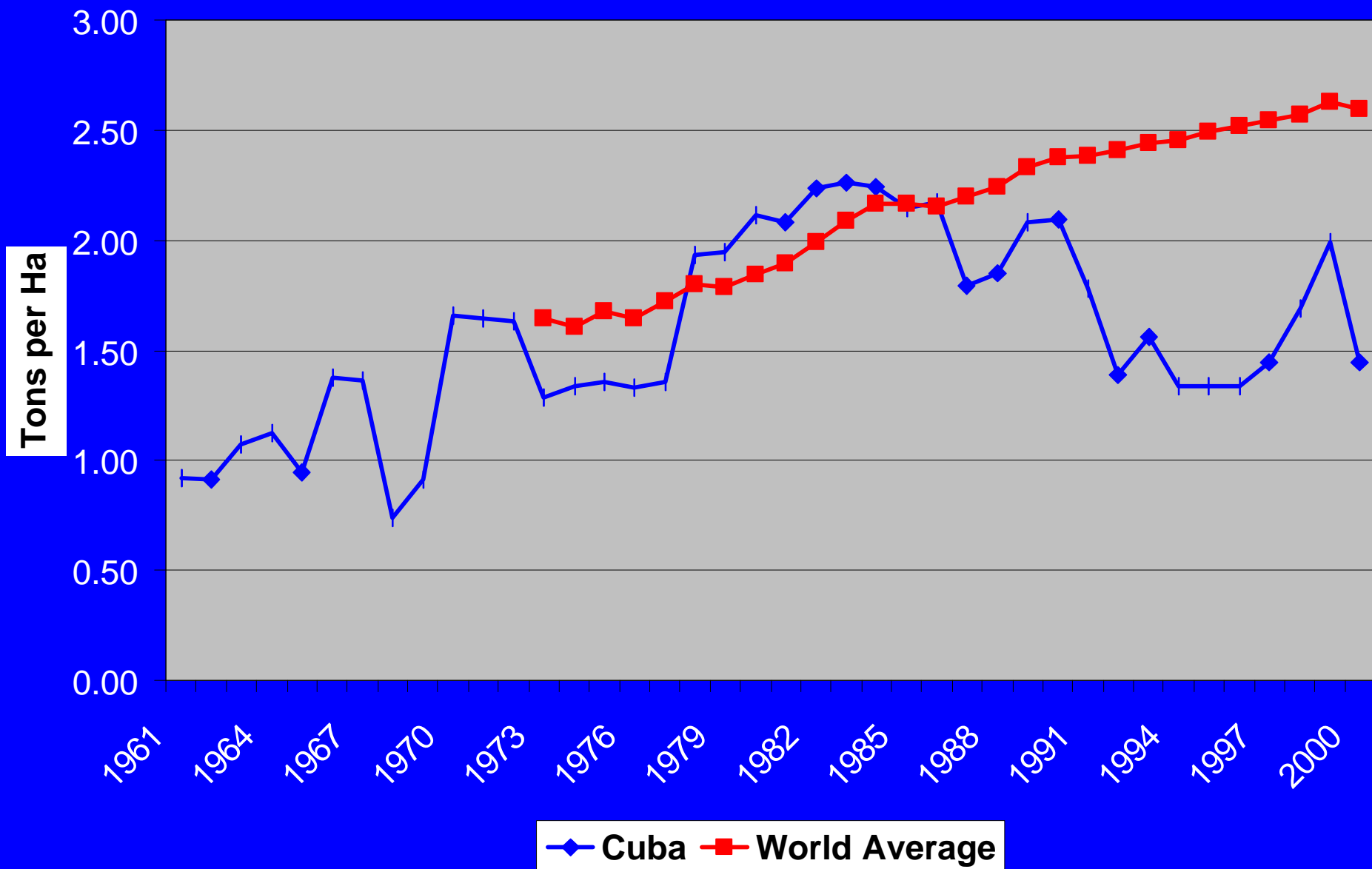
Source of Cuba Rice Supply



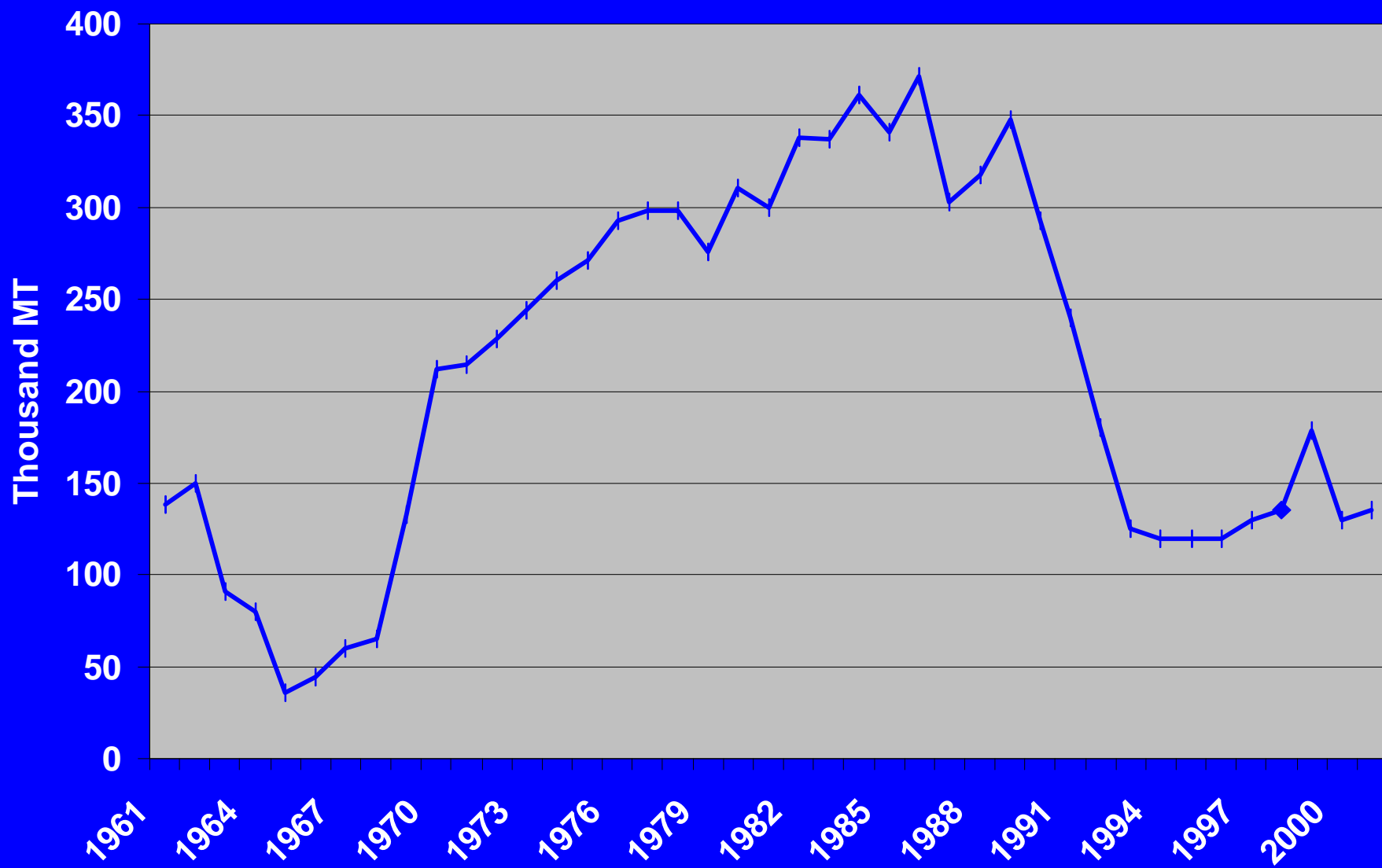
Cuba Rice Area Harvested



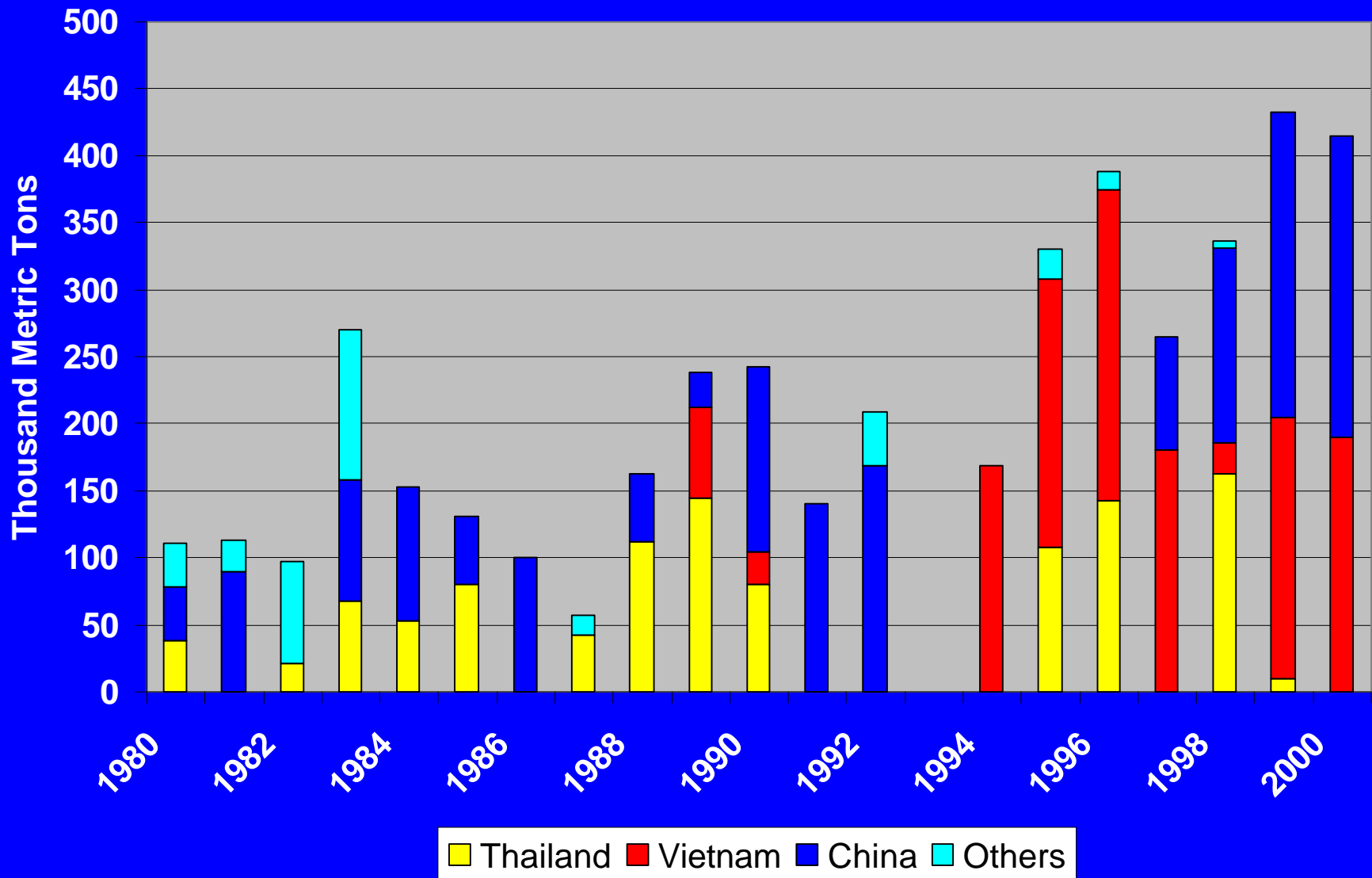
Cuba Rice Yield (milled) Estimates



Cuba Milled Rice Production



Sources of Cuban Rice Imports



Characteristics of Cuban Rice Trade

- Import 80% of their rice supply
- Primary suppliers are China, Vietnam and Thailand
- Low quality milled long grain 25% broken
- G-to-G transactions or deferred payments
- Shipments are bulky - 20-30 thousand MT
- Port limitations, warehouse storage

U.S. Rice Exports

- Declining share of use
40%, down from 60%
- Declining share of world trade
11%, down from 20%
- 4th largest exporter
2.6 MMT per year

Structure of U.S. rice trade

- High quality long grain (40%)
 - milled: Saudi Arabia, S. Africa, Haiti
 - brown: EU
- Average quality medium grain (10%)
 - brown: Japan MA
- High quality rough rice (30%)
 - Mexico and Central America
- Low quality long and medium (20%)
 - Government export programs

U.S. Rice Exports

- Competitive position is declining
 1. Cost structure is being driven by capitalization of government program benefits - more than offsetting productivity gains
 2. Quality of export competitors (Thailand, Vietnam) continues to improve
 3. Trade sanctions have resulted in the loss of three major U.S. export markets, equivalent to current total U.S. exports - Iran, Iraq and Cuba

Constraints for U.S. Exports

- Current policy is inadequate to open markets
 - Trade Sanctions Reform and Export Enhancement Act (TSRA) of 2000
 - Financing
 - Travel
 - Two-way trade

Constraints for U.S. Exports

- Proposed legislation in 107th Congress
 - Free Trade with Cuba Act S. 400
 - Cuba Humanitarian Trade Act S. 402/H.R. 798
 - Bridges to the Cuban Peoples Act S. 1017/H.R. 2138
 - Bipartisan support
 - Over 30 sponsors in the Senate
 - Over 100 sponsors in the House

Constraints for U.S. Exports

- Proposed legislation in 107th Congress
 - Eliminates licenses for food, farm machinery and medicines
 - Allows for U.S. financing
 - Eliminates restrictions on travel, remittances and shipping
 - Scholarships for Cuban students to U.S.
 - Extends authority to waive all of Helms-Burton

Constraints for U.S. Exports

- Proposed legislation is still probably not enough
- Even if the policy constraints are removed, economic constraints exist

U.S. has higher prices

United States	Long rough	\$150/ton
United States	Long milled 25%	\$200/t
Thailand	Long milled 25%	\$148/t
Vietnam	Long milled 25%	\$150/t

But U.S. has better logistics

	Transport Cost	Transit days	Size tons
U.S.	\$15-20/t	3-5	5-7
Asia	\$30-35/t	40-50	20-25

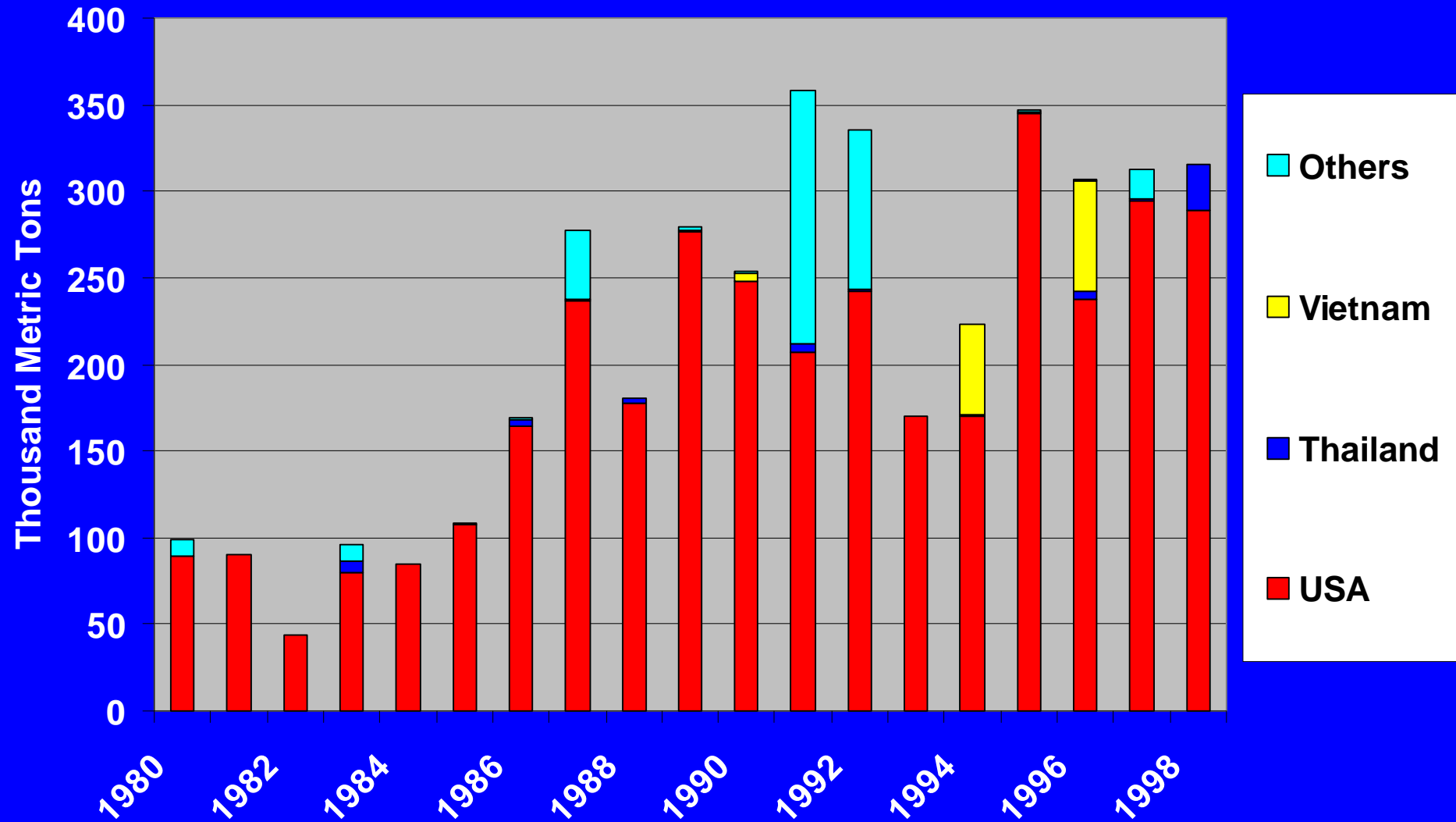
Can logistical advantages offset price differential?

- U.S. supply eases logistical issues for Cuba
 - port capacity constraints
 - warehouse storage and distribution
- U.S. can sell rough rice
 - May attract Cuba to capture mill value-added
 - Milling infrastructure is badly deteriorated, but
 - Cuba has excess capacity for 200 thousand tons

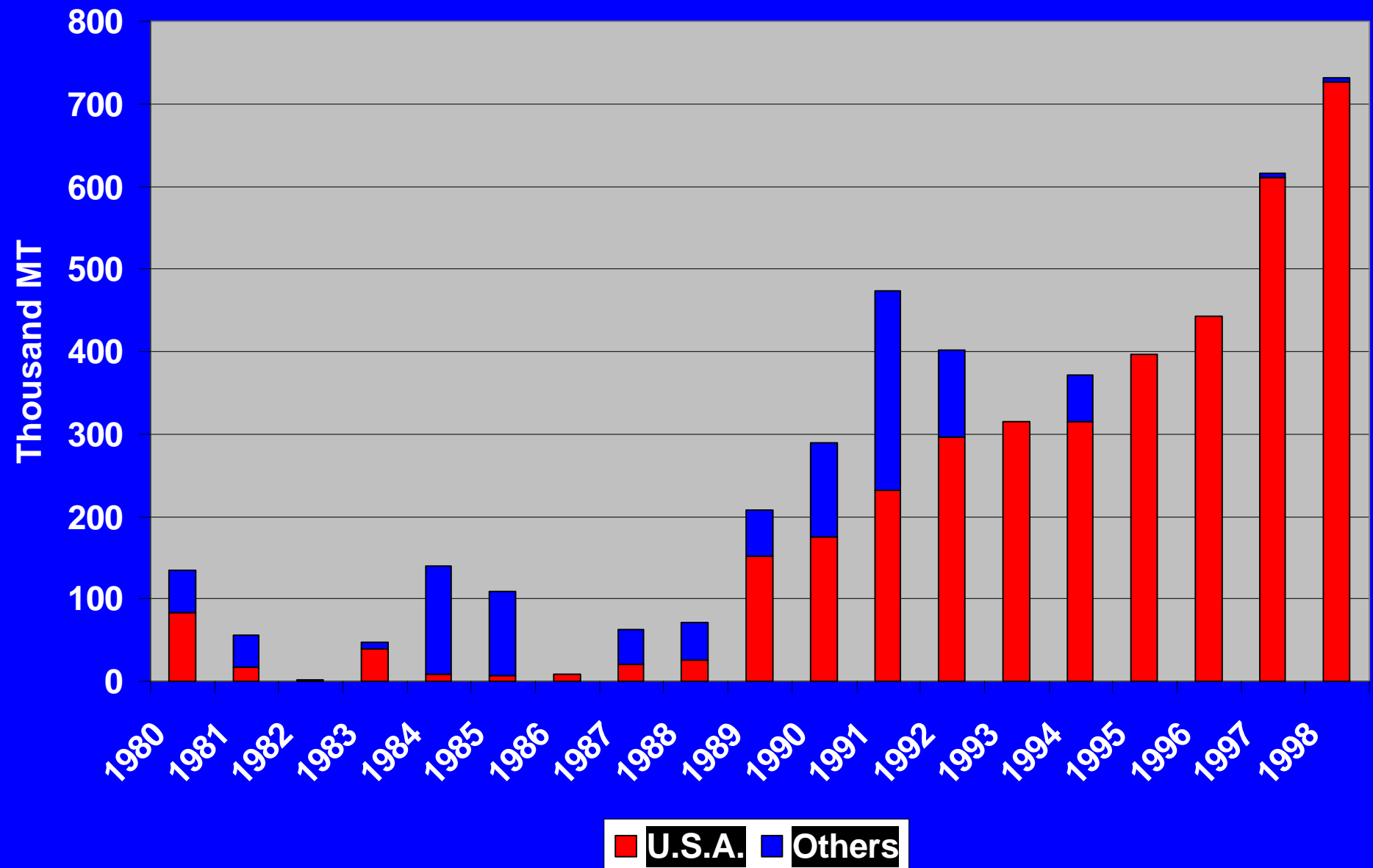
Competitiveness of U.S. in Central America and the Caribbean region?

- Mechanisms by which the U.S. has enhanced its competitive position
 - government export programs
 - regional trade agreements - NAFTA
 - ability to export rough rice

Sources of Carribbean Rice Imports ex Cuba



Source Central American Rice Imports



Conclusions

- U.S. could capture 50% of Cuban market immediately with potential to expand
 - A mix of rough and milled rice
 - Economic impact: \$50-100 million
 - Trade impact: 5-10% increase
 - But export guarantees will be necessary
- Uncertainties
 - Longer-term improvement in Cuba's rice production could limit imports
 - Growth in tourist industry may shift demand for higher quality rice

Conclusions

- U.S. rice industry would be among the first to benefit
- U.S. rice and especially milling industry is in economic distress (50-60% excess capacity)
- Additional trade sanctions reform is necessary to open trade with Cuba
- Trade with the U.S. will not solve many of Cuba's problems and is therefore not compelling from Cuba's perspective