

Written Testimony of Doug Keesling
Kansas Wheat
Before the Senate Committee on Agriculture, Nutrition, and Forestry
Opportunities and Challenges for Agriculture Trade with Cuba
April 21, 2015

Good morning, Chairman Roberts, Ranking Member Stabenow, and Members of the Committee. Thank you for the opportunity to testify today regarding the opportunities for agricultural trade with Cuba. In particular, I would like to thank Chairman Roberts for his kind invitation and for his decades of service to Kansas and her farmers.

My name is Doug Keesling. I am a 5th generation farmer from Chase, Kansas, where I grow wheat, corn, soybeans, and a few other crops. I have also been a Kansas Wheat commissioner for the past ten years.

U.S. Agriculture Coalition for Cuba

I recently returned from Cuba, where I was part of a delegation organized by the U.S. Agriculture Coalition for Cuba (USACC). The primary purpose of USACC is to re-establish Cuba as a market for U.S. food and agriculture exports, and the wheat industry fully endorses that goal. USACC consists of over 90 agriculture organizations and companies located across the country. The coalition strongly supports a bipartisan bill introduced by Senator Klobuchar that would repeal trade sanctions on Cuba and will support all legislative efforts that move us closer towards that goal.

Cuba Learning Journey

There were nearly a hundred participants on the USACC-organized trip representing a range of agricultural organizations and companies dealing with wheat, rice, dairy, corn, soybeans, pork, poultry, and more. We had the opportunity to hear from Cuban government officials and speak with Cuban farmers. We are certainly interested in selling our products to Cuba, but we were also there to learn and to help break down the wall that has separated the people in our two countries for too long.

From what I could see, there is a lot of potential in Cuba: potential in its own agriculture sector and potential as a market for U.S. agricultural exports. As a Kansas wheat farmer, that potential was obvious every time a meal included bread. Cubans eat a lot of it, and they're the largest wheat importer in the Caribbean, to the tune of nearly 30 million bushels per year. That would be over 10 percent of all the wheat grown in Kansas, going to this one island just a couple days sail from U.S. ports.

Cuban Wheat Market

Cuba is the largest country in the Caribbean by area and population. Wheat and rice are both staples of the Cuban diet, though only rice is produced domestically. With a population of 11 million people, future opportunities for increased wheat consumption will accelerate as both the economy improves and the tourism sector boosts consumption.

Today, wheat imports from the United States have an upward potential of the whole 30 million bushels currently imported by Cuba. That's because presently Cubans buy no wheat from the United States. The state-owned grain buyer, Alimport, buys almost all their wheat from Canada and Europe, even though Cuban ports are much closer to U.S. ports. That's a \$200 million opportunity that passes us by every year. Based on USDA Economic Research Service models, those additional exports could support nearly 2,000 jobs. And that's just for wheat.

Now that Cuba is allowing increased investment by the private sector from every country but the US, we can expect the sophistication of the Cuban flour milling, processing and retail segments to improve, which could lead to even more import demand in the future. But if current policies continue, those imports will not be products raised by American farmers.

Hope & Disappointment

When some of the restrictions on U.S. agriculture exports were lifted early in the last decade, we were excited that there would be an opportunity to reestablish Cuba as a consistent wheat market for American farmers. For a while, it looked like that might happen, as wheat exports slowly grew through the decade until they peaked at 18 million bushels in 2008. During that time, almost all the imported wheat was Hard Red Winter, just like the wheat I grow on my farm in central Kansas. Forty percent of Hard Red Winter production is in Kansas, so Kansas farmers stand to benefit from trade with Cuba as much as anyone.

But it was not to be, exports tanked over the next couple years, and we haven't exported anything since 2010. There are a number of reasons for this but economics is not one of them. In the rest of the Caribbean region the market share for U.S. wheat is over 80 percent. Cuban ports are literally the closest non-Mexican ports to wheat export terminals in the Gulf. There is no domestic production of wheat in Cuba that could compete with ours, and there are no tariffs in place on imported wheat.

Challenges of Exporting

But it is practically very difficult for Cubans to import wheat grown in Kansas, and apparently much easier to import wheat grown in Canada or France. I can put my wheat in an elevator in Kansas, send it by rail down to the Gulf of Mexico, and put it on a ship that's just a couple days away from the Havana Harbor. But my wheat is still going to lose out to wheat that has to be on a boat for a week from Canada or two weeks from France.

The problem is rules and laws that just make it too expensive to compete in that market. The law requires that exporters receive cash before they're allowed to unload in a Cuban port. If a company wants to take the risk of providing a loan to a Cuban buyer they're out of luck because selling on credit isn't even an option for them. There are also shipping restrictions that prohibit docking in the United States without specific permission from Washington if a ship has been in a Cuban port within the last six months. Recent

regulatory changes don't seem to have made any impact on making U.S. products more competitive.

All of this adds up to make it very expensive to do business with Cuba. As a farmer, I have to evaluate all the costs that go into planting wheat, including seed, fertilizer, fuel, maintenance, compliance, and financing. If it's too expensive, I'll just have to give up on wheat and plant a competing crop. Well, that's what the Cubans face when they're trying to purchase my wheat. It's just too expensive. But they're not going hungry – they're just buying wheat from other countries that may be more expensive than mine in a free market, but is now a much better value because there aren't massive compliance costs accompanying every purchase.

It doesn't make any sense to me that if somebody wants to buy the wheat I grow, they have to jump through all sorts of regulatory hoops. No matter what kind of government a country has, everyone should have access to affordable food and we should do everything we can with our policies to facilitate access to American food products. Even the Soviet Union was generally allowed to import grain from the United States.

I would suggest that Congress carefully consider whether there is a compelling, practical reason to restrict the freedom of Americans to engage in commerce, especially for those who are just trying to sell wholesome, American-grown food. I sure don't see one.

Normalizing Trade Relations

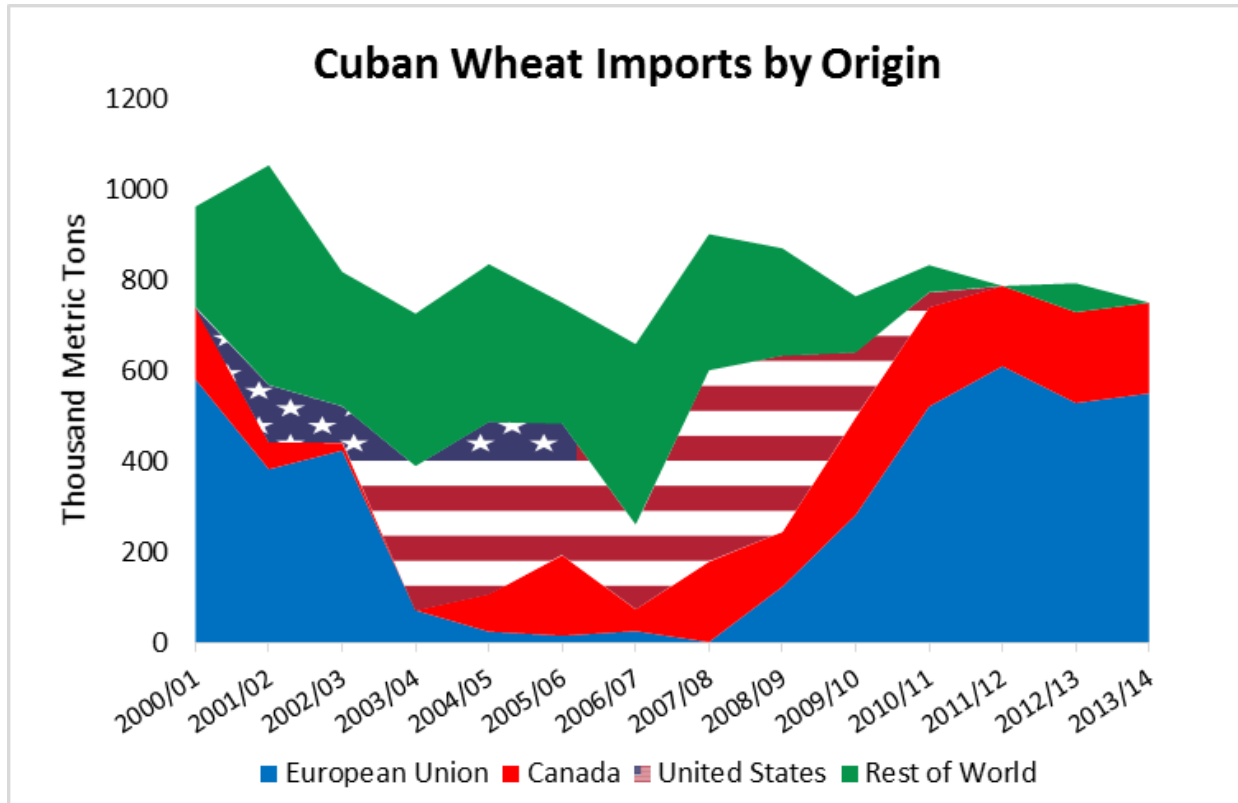
If Cuba is to become a successful export market for U.S. farmers, these regulatory obstacles need to be repealed. But more than that, we need to see the trade sanctions in their entirety lifted. Cuba has enormous economic potential, and while it certainly remains a communist country, that hardly justifies the scale of the sanctions, especially when trade relations with other communist countries are growing deeper all the time.

Cubans want to sell us their products, just like we want to sell them our products. Trade is a two-way street. U.S. agriculture is never going to realize its full potential in Cuba as long as the trade sanctions are in place – even if the legal and regulatory burdens on our agriculture exports were completely eliminated. If they can't sell us their tourism services, cigars, rum, fruit, and other products where they have a comparative advantage, we'll always face an uphill battle in selling the products of American soil. It's time for us to eliminate these trade barriers and see how far this trade relationship can go.

Conclusion

In conclusion, I would like to reiterate the support of Kansas Wheat for normalizing trade relations with Cuba. Beyond wheat, the Kansas agriculture community at large is united behind the effort to correct this long standing dispute. Agriculture and the subsidiary industries that support it will all stand to benefit if we can open unfettered trade with Cuba. Such a move is long past due, and will have major benefits for American farmers and businesses, and I believe for the Cuban people as well. Thank you again for the invitation to testify this morning and thank you for your attention.

Wheat Trade with Cuba (2001-2014)



Source: Global Trade Information System and USDA Production, Supply and Distribution (PSD) Online