



**MONTANA  
FARM BUREAU  
FEDERATION**

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**STATEMENT OF THE  
MONTANA FARM BUREAU FEDERATION  
TO THE  
SENATE FINANCE COMMITTEE  
REGARDING PROMOTING AMERICAN AGRICULTURE AND MEDICAL EXPORTS TO CUBA**

**DECEMBER 11, 2007**

Presented by:  
David McClure  
President, Montana Farm Bureau Federation

Chairman Baucus and Distinguished Members of the Senate Finance Committee;

It is my pleasure to offer testimony supporting S. 1673, the Promoting American Agriculture and Medical Exports to Cuba Act of 2007. My name is David McClure. I am President of the Montana Farm Bureau Federation and a wheat farmer from Lewistown, Montana.

The last week of November, I had the opportunity to travel to Cuba with Senator Baucus' Finance Committee Staff and see firsthand the importance of promoting agriculture relations with Cuba and the vast potential for expanding U.S. agriculture exports to Cuba. Both goals will directly help American agriculture producers as well as the Cuban people.

Farm Bureau policy toward Cuba and unilateral sanctions is clear: We support immediate resumption of normal trading relations with Cuba. We believe all agricultural products should be exempt from all embargoes and unilateral sanctions except in case of armed conflict. In short, food should not be used as a weapon.

More than forty years of isolationist U.S. trade policy toward Cuba has failed to produce democratic reform. The most effective means for bringing about democratic reform is engagement. We support engagement with Cuba. Engaging Cuba through export sales of U.S. food and medicine, are necessary for humanitarian, foreign policy and economic reasons.

- From the humanitarian perspective, nothing could be more important than providing the Cuban people with access to affordable, abundant, high quality food.

- From a foreign policy perspective; trade fosters engagement and engagement fosters democratic reform. Face-to-face contact between American farmers and the Cuban people will yield positive results. When we export food to a nation, we also export our values. Allowing trade and unrestricted travel to Cuba will further our nation's foreign policy goals. Enabling Americans to visit freely with their Cuban counterparts promotes the American way of life and the freedoms that we cherish.
- Economically speaking, American farmers should have the same equal access to the Cuban market as our foreign competitors. In today's global economy numerous countries compete for foreign agricultural export sales. Shutting off Cuban markets to our exports simply means our competitors step in and supply that market. We were told directly by Cuban buying officials that many agriculture products are currently supplied by Canada. With our proximity to Cuba, this seems to be a perfect trading opportunity we are missing out on.

As you all know, until passage of the Trade Sanctions Reform and Export Enhancement Act (TSREEA) in 2000, the Cuban market had been closed to U.S. agricultural exports since 1963. Since passage of TSREEA, U.S. agriculture has seen its sales to Cuba grow. According to USDA/FAS our sales have gone from nearly zero in 2000 to almost \$367 million in 2007. Our sales have included a variety of U.S. agriculture products including but not limited to wheat, rice, corn, soybeans, chicken, pork, eggs, dairy products, apples and live animals. Our Montana trip alone may produce sales for Montana producers for seed potatoes, powdered milk, malt barley, high end pork cuts, beef genetics and peas and lentils.

We were told that currently Cuba's tourism industry entertains two million people per year. As this expands, Cuba's demand for high end food products for their hotel industry needs to service its customers will expand. This is a great opportunity for US producers.

#### Reform of Restrictions

Reforming current finance restrictions for U.S. agricultural exports to Cuba is a good starting point toward better trade relations. U.S. law currently prohibits U.S. agricultural exporters to Cuba from using U.S. banks or financial institutions to execute the sale. This prohibition affects the overall export transaction by 1) adding additional banking fees; 2) increasing the difficulty of completing sales; 3) giving an edge to competing foreign suppliers; 4) taking business away from the U.S. economy; and 5) disproportionately disadvantaging smaller exporters who may not have international banking relationships.

Third country financing restrictions on agricultural export sales prevent U.S. agricultural exporters from developing normal commercial relations with Cuba and are contrary to the spirit of the Trade Sanctions Reform and Export Enhancement Act of 2000 (TSREEA). We support repeal of this provision of U.S. law.

On February 22, 2005, OFAC announced that it was redefining "payment of cash in advance." Under the new definition, cash payments from Cuba for U.S. agricultural sales would have to be received by U.S. banks before the product could be shipped from U.S. ports. This new definition is significant in that "payment of cash in advance" is the most commonly used means for

receiving payment from Cuba. The new definition reverses the original interpretation and established method for sales to Cuba.

Most contracts made with the Cuban government for the purchase of U.S. agricultural products have used “payment of cash in advance” as the method of payment. Under its original interpretation, U.S. agricultural products could be shipped to Cuba but all certificates, title and ownership of the goods would only be transferred once payment was received from Cuba. OFAC’s new regulation ignores the original intent of Congress on “payment of cash in advance” under TSREEA. This has resulted in the loss of sales putting U.S. agriculture in the position of being viewed as an unreliable supplier.

#### Licensing of Export Sales to Cuba and other Previously Sanctioned Nations

Delays have been experienced with the issuance of licenses authorizing agricultural export sales to Cuba under the implementing regulations for TSREEA. In some cases, up to 45 days elapsed before the requested license was issued. Such delays significantly impact our ability to transact commercial sales with these countries. In many cases, the export sale is lost to our competitors.

In addition, the procedures under which these licenses are issued lack transparency and an approved systematic process. Short term efforts should be undertaken to streamline the process to 24 hours or less in cases where licenses have previously been issued for sales to the same end users. Shortening the process to just one day, where possible, is necessary in order for U.S. exporters to compete with their foreign counterparts. Long term legislation should be passed to repeal the licensing provisions now mandated under TSREEA.

#### Denial of visas

Visa requests authorizing planned meetings between U.S. agricultural representatives and Cuban officials to review U.S. standards and procedures in conjunction with contracted and potential agricultural sales to Cuba have been subsequently denied without just cause.

The purpose of this denied Cuban visit included important meetings for Cuban officials to confer with U.S. suppliers, inspect facilities, discuss sanitary and phytosanitary issues and verify U.S. procedures and standards associated with the sale of U.S. food and agricultural exports to Cuba. Visits of this type are routinely conducted by officials and importers that sell to the United States. It is a customary practice for foreign purchasing agents and government technical teams to travel to the U.S. to meet with U.S. suppliers and tour facilities. Denial of the visas associated with these commercial visits from Cuban officials was contrary to how we do business with any other country.

#### Farm Bill Amendment

We are aware of a possible amendment to the current Farm Bill debate in the Senate addressing the above issues sponsored by Chairman Baucus. This amendment is important for opening the Cuban market to U.S. agriculture further. If brought to the floor we would encourage all members of the Senate to support its inclusion in the Senate Farm Bill.

## Conclusion

The Cuban market must remain open for export sales of U.S. food and agricultural commodities. Maintaining our current trade with Cuba and taking steps to lift the restrictions to trade that remain, are needed in order to improve our bilateral relationship with Cuba and foster democratic reform. Agriculture trade is a great first step. I appreciate your time, and look forward to answering any questions you may have.