

CUBA EXPECTED TO IMPORT MORE U.S. DRY BEANS

Cuba has already made the beginning with small purchases of U.S. dry beans. So far, U.S. sales of edible beans to Cuba in 2002 have been small in comparison to those of corn, wheat, rice, and soybeans. Cuba made small purchases of many items which may have a great potential for future sales. That includes fresh apples and various processed foods.

The total value for U.S. agricultural exports to Cuba may reach \$250 million in calendar 2002, compared with less than \$1 million in 2001. Cuba was the leading customer for U.S. rice awaiting export shipments in late October 2002. There may be a chance that Cuba could emerge as the leading export market at certain times for specified types of U.S. edible beans.

Trade policy debates seem to have scattered at the elaborate trade show for agricultural commodities was held in Havana recently. The idea that Cuba could not become much of a market for U.S. farm products because credit was not available may be partly drowned out by upcoming events. Cuba may have so many tourists flocking to enjoy its winter climate that the foreign exchange shortage of the past will ease.

Tourists from North America and Europe can provide far more foreign exchange for Cuba than sugar exports. Problems with low world sugar prices may cause some difficulty for the special trade agreement Cuba has with China. The arrangements to import from 60,000 to 100,000 tons of kidney beans from China each year into Cuba provide part of the demand. Since Cuban production of beans is usually less than 30,000 tons annually, there is not a large domestic industry to advocate barriers for greater bean imports.

With improved banking and more U.S. dollars coming from tourists and business travelers, Cuba should emerge as a much larger market for U.S. edible beans. In some years, Cuba might be a market with purchases of about the same quantity

of beans as top export customer - Mexico. That would mean that Cuba's bean imports could cause farm prices for beans to get a lift. The problems caused in the past when Mexico did not buy as expected could be to some extent lessened with the opportunity to make greater exports to Cuba.

During January-August 2002, U.S. exports of 20 tons of dry beans to Cuba for \$6,000 was just the beginning of significant U.S. sales to this new market. The trade show managed by Peter Nathan had exhibits from many U.S. export firms and organizations.

A shortage of meat and dairy products has exacerbated Cuba's demand for imported pulses. Total imports of pulses into Cuba may rise to a range of 300,000 tons in 2002/03. This may include about 125,000 tons of dry beans. During 2001, Cuba imported about 108,000 tons of dry beans. China was the dominant supplier of Cuba's dry bean imports in 2001, providing 79,398 tons.

The spike in world prices for dry beans in late 2001 and early 2002 may have caused China to have more eager customers for its dry beans from other countries than it could satisfy. The special trade arrangement between Cuba and China contributed to relatively large Chinese deliveries of beans to Cuba during most of the recent decade, except for 1998 and 1999. As world sugar prices declined, China was able to find less costly suppliers than Cuba. China resumed large shipments of beans to Cuba in 2000 when officials in Havana arranged payments which were acceptable to China's exporters.

Even if China is again a significant supplier of dry beans for Cuba in 2002, much larger imports are needed. Imports of dry beans and peas at reasonable prices have been welcomed by Cuban consumers, who rely on this inexpensive source of food high in protein.

Canada Is The Top Supplier Of Dry Peas

Canada's exports of pulses to Cuba reached a peak in 1999, when deliveries of dry peas accounted for most of the value. Canada's pulse exports to Cuba declined in 2000 and remained at a low level in 2001. It is apparent that Canada's large pulse shipments to Cuba in 1999 helped to offset the lack of Chinese deliveries of dry beans. China exported only 970 tons of dry beans to Cuba in 1999, compared with an average of over 80,000 tons annually during 1995-97.

Canada's exports of pulses to Cuba from \$7.3 million in 1995 to \$55.3 million during calendar 1999. In 1999, Canada exported 182,975 tons of dry peas to Cuba, valued at \$38.2 million, compared with 106,320 tons for \$24.7 million in 1998. Canada's dry bean exports to Cuba doubled in 1999, reaching 27,709 tons, compared with 12,389 tons in 1998, and a token 298 tons in 1997. The average export price for Canada's dry bean shipments to Cuba rose from \$480 per metric ton in 1998 to \$500 per ton in 1999.

China's Dry Bean Shipments To Cuba Increased In 2001

China's dry bean exports To Cuba increased to 79,309 metric tons in 2001. The rise helped Cuba to cope with strong demand for dry beans, despite inadequate domestic production of about 27,000 tons and problems in obtaining beans from other suppliers.

China's exports of dry beans to Cuba peaked at 99,000 tons in 1997, stopped in 1998, and were only 987 tons in 1999. As Cuba found it difficult to obtain dry beans from other sources, a return to China for kidney beans occurred in 2000. Shipments of kidney beans by China to Cuba during 2000 had rebounded to 68,483 tons. China was an important customer for Cuban sugar and nickel during 1990-97. Recently, China's expanding merchant marine fleet has been able to make use of Cuban ports. Managers of Chinese merchant ships are able to obtain a wide range of fresh fruits and some specialty items when stopping in Cuba.

Barriers For U.S. Bean Sales Are Fading

Now that U.S. restrictions on exports of food to Cuba have been lifted, financing remains a major concern. While Cuba has large cash inflows from remittances sent back home by Cubans living in the United States, a shortage of foreign exchange hampered commercial sales of U.S. beans in the past. However, as income from tourism advances, more cash will be coming in for purchases of essential items like beans.

Teams from various states and trade associations have been busy in Cuba in the recent year. Governor Ventura went with a group from Minnesota to the recent trade show in Havana. Senator Conrad from North Dakota showed great interest in sales of U.S. edible beans to Cuba even before the big trade show. A team lead by North Carolina's Farm Bureau President visited Cuba in 2001, and had interviews with a number of important Cuban officials.

Cuba Uses Other Pulses To Cover Part Of The Bean Demand Gap

Cuban consumers would apparently like to have about 200,000 metric tons of imported beans, including a considerable volume of Great Northern and pinto beans. Since prices of U.S. beans have increased in recent months, Cuban planners may be thinking that they will encourage greater imports of other pulses until plans to import more beans can be arranged. The rise in Cuba's imports of dry beans from China in 2001 indicates that there is considerable unmet demand for imported beans. The decline for imported dry beans was partly offset by rising imports of less costly peas in 1998 and 1999.

Finding New Sources of Dry Bean Imports Has Been Difficult

One reason why Cuba is likely to be interested in buying more U.S. beans is the way problems with trade agreements caused China to deliver few beans in some years of the late 1990's. Total Cuban imports of dry beans were down in 1998

because of problems in obtaining the traditional types of kidney beans from China. Apparently, there were few potential dry bean suppliers seeking to replace China in 1998, or 1999. Argentina was one country to emerge as a partial replacement for China's lacking deliveries in 1999. Because of the hurdles in getting appropriate bank payments in the late 1990's, exporters tended to arrange sales of relatively high quality beans to Cuba. Argentina may again seek greater sales of Alubia white beans and some black beans to Cuba. This is because Argentine bean exports to Brazil declined sharply in the recent year. Brazil's bumper bean harvest allowed it to make some exports to Europe in 2002.

Chile's bean output rebounded recently, partly in response to higher prices. Chile exported 147 tons of beans to Cuba for \$98,000 in 1997, but the price for 20 tons shipped in 1998 was \$1,000 per ton. Brazil exported 296 tons to Cuba in 1997 for \$124,000, but the price for 66 tons provided in 1998 was up to \$510 per ton.

Mexico may export more chickpeas to Cuba in 2003. Mexico's exports of dry beans to Cuba declined from 758 tons in 1996 to 109 tons in 1997. Mexico sold out its old stocks of beans mostly to Brazil which was able to pay cash. In 1998, Cuba lost out in chances to buy beans at low prices in various places because of banking and foreign exchange complications. This means that Cuba has been a customer of secondary importance for exporters of dry beans in Argentina, Chile, and Central America.

Hurricane Mitch left countries in Central America with a need for greater dry bean imports. This meant that their small exports to Cuba during 1996-98, temporarily ended in 1999. Honduras exported a token 21 tons of beans to Cuba in 1998. Costa Rica had exported 80 tons of beans to Cuba in 1996, but none in other years of the late 1990's. Nicaragua exported 1013 tons of beans to Cuba in 1995, but made no significant deliveries during 1996-99.

Argentina's shipments of dry beans to Cuba soared from 191 tons in 1998 to 27,688 tons in 1999. Spain's exports of dry beans to Cuba dropped from 611

tons in 1998 to 301 tons in 1998. Dutch transit traders shipped 611,000 tons of dry beans to Cuba in 1998, but only half that quantity in 1999.

Kidney Beans From China Became Part Of The Cuban Diet

For about a decade through 1997, kidney beans from China became an important part of the Cuban diet. The lack of deliveries from China was not filled by other suppliers in 1998 and 1999. This appears to explain the strong rebound for China's deliveries in 2000.

Cuba was a leading customer for China's exports of kidney beans during 1991-97. China's exports of kidney beans to Cuba rose from 41,984 tons in 1992 to a peak of 77,878 tons in 1993, and were steady at 72,558 tons in 1996, before climbing to the 1997 peak of 99,750 tons. The value for China's exports of kidney beans to Cuba increased to about \$28 million in 1996, or double the 1992-94 average. The peak value for China's dry bean deliveries was in 1997 at \$40.4 million. This was when the average export price for deliveries to Cuba reached \$405 per ton. The price for China's bean deliveries to Cuba increased in 2002 as world edible bean prices rose.

China eliminated the 13 percent export bonus for dry beans and some other commodities on July 1, 1995. This caused the export price for kidney beans to rise. Cuba did not have much success in finding suppliers of beans in 1998 and 1999 for less than \$430 per ton to take the place of China. Recently, China tended to seek foreign customers who pay cash as a first priority. The high prices paid by Japan and other countries in 1998, limited supplies of China's dry beans available for export to Cuba. China's total exports of kidney beans plummeted from 491,398 tons in 1994 to 269,683 tons in 1996. The share of China's kidney bean exports going to Cuba rose from 14 percent in 1994 to 27 percent in 1996, as sales to Cuba rose while exports to Africa declined.

Cuba's Bean Crop Provides Less Than A Fourth Of Demand

Cuba produces only about 28,000 to 30,000 tons of dry beans annually. Many foods in Cuba include dry beans, ranging from chili to bean soup. A shift to more pea soup and stews apparently occurred in 1998 and 1999. Cuba may import about 350,000 tons of pulses by 2003. The lower price for imported dry peas may be an attractive, but many Cuban consumers would prefer beans.