

**Testimony Prepared For
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On Behalf of the North American Export Grain Association**

**Before the
Committee on Agriculture
United States House of Representatives**

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Good morning – thank you for the opportunity to testify this morning. I am Matt Gibson, Vice President and General Manager of Bunge North America's Grain Unit. It is my honor and pleasure to testify on behalf of the North America Export Grain Association (NAEGA).

NAEGA, a not-for-profit organization chartered in 1912, works to promote and sustain the development of the export trade from the United States of grains, oilseeds and primary products processed therefrom. NAEGA consists of private and publicly owned companies and farmer-owned cooperatives that are involved in and provide services to the bulk grain and oilseed exporting industry. Through a reliance on member action and support, NAEGA acts to accomplish this mission from its office in Arlington, VA, and in markets throughout the world.

Bunge is a leading agribusiness and food company with integrated operations that circle the globe, stretching from the farm field to the retail shelf. Founded in 1818 in Amsterdam, Bunge has been part of the world food security solution for nearly 200 years. We have expanded our operations and capabilities with the development of modern agriculture around the world and today, we have facilities in more than 40 countries on four continents. More than 35,000 employees help farmers produce larger harvests, connect seamlessly with growers, processors, handlers and customers, maintain relationships within and among regions, and produce our own high-quality products ranging from animal feed to consumer foods to renewable fuels. Bunge was a privately-held company for most of its history and in 1999, we moved our headquarters to White Plains, New York in anticipation of going public in 2001.

Trade is the life blood of NAEGA and its member companies, such as Bunge. Bunge, as well as NAEGA understand that an expanding and well-developed global marketplace for food and agriculture products provides for a trading environment that meets the needs of all stakeholders by signaling to farmers what to produce and investors where to deploy their capital so that we can most efficiently and effectively meet the need of a growing world population.

Practically speaking, Bunge serves two sets of customers – the farmers and the end-use customer – which is often a food company that will further process our ingredients and ultimately provide a finished product to the consumer. At times, these two customers have conflicting interests but share several important objectives. Farmers want to sell their crop at the highest price possible to recoup their significant investment in land, labor and input costs. Food companies want to purchase food and food ingredients at a low price in order to develop them into an end product that is profitable yet affordable for the consumer. By the nature of our business, our world is spent striking the appropriate balance between those two sets of constituencies.

When it comes to the opportunity for agriculture trade with Cuba, however, our two sets of customers are very much aligned. Both see economic growth and improved diets as

fundamental to their interests. Both seek access to markets. U.S. farmers would like the freedom to sell their product into a market which appreciates the high quality of products the United States has to offer. Cubans would like to buy high-quality ingredients at a competitive price. The U.S. has both productivity and logistical advantages in meeting Cuba's needs. In this instance when our two sets of customers' views are aligned, we must position ourselves to meet their needs.

As you well know, the Trade Sanctions Reform and Export Enhancement Act of 2000, allowed the United States to export agriculture products and medical supplies to the island. And for several years thereafter, we saw a climbing demand for agriculture products. Over the past eight or so years, however, that demand has deteriorated drastically. In fact, in the past five years, Cuba has imported zero wheat or rice from the United States. Most sources, including USDA's Foreign Agricultural Service or the recently published International Trade Commission report on the subject, cite financing restrictions as the most significant reason for the decline in U.S. ag exports to Cuba.

The Dominican Republic bears many similarities to Cuba in terms of population and per-capita income level. Between 2013 and 2015, the Dominican Republic imported \$1.3 billion worth of agriculture products from the United States. During this same time, Cuba, however, imported only \$262 million from the U.S.¹ That is over \$1 billion dollars to the U.S. agriculture industry left on the table due to the financing restrictions under which we must currently operate. In a low-margin business, such as ours, these numbers have a significant impact on the agriculture supply chain from the farmer to the retailer. It is not that Cuba isn't importing these products. They very much are. According to USDA's Foreign Agricultural Service, Cuba is buying wheat from the EU and Canada; corn from Argentina and Brazil; rice from Vietnam; soybean oil from Brazil; animal feed from Argentina and Mexico; and pulses from China. These are our competitors. These countries are able to compete and win in a market where we should be exceptionally competitive due to quality, proximity and time of delivery. And we expect that Cuba's need for these products will continue to grow. Cuba's GDP is expected to grow significantly over the next five years, and with an expanding middle class, and ease of travel restrictions from the U.S., agricultural imports will become increasingly necessary. While Cuba may never be a trading partner to the scale of Mexico or Canada, tangible effects would benefit the agriculture industry.

For the leading U.S.-based companies who buy grain and oilseeds from farmers, the effect of U.S. sanctions on Cuba reaches beyond the United States to the global supply chain. As mentioned earlier, Cuba is buying grain from countries such as Argentina and Brazil. Many global agribusiness companies have operating companies in these countries as well, but for those which are U.S.-headquartered, current sanctions also prevent these Brazilian and Argentine affiliates from selling to Cuba. This creates an un-level playing field between U.S.-headquartered companies and our other competitors costing us and our farmer customers sales opportunities.

Cuba depends on agriculture imports in order to feed its people. It is estimated that imports account for between 60 and 80% of a Cuban's daily caloric consumption.² With the help of Congress to ensure that Cuba has the ability to finance agriculture exports from the United

¹ Mark A. McMinimy, *Financing U.S. Agricultural Exports to Cuba* (CRS Insight: June, 2016).

² Brian D. Healy, *U.S. Agricultural Exports to Cuba Have Substantial Room for Growth* (Foreign Agricultural Service International Agricultural Trade Report: June 22, 2015), 5.

States, as well as removing any barriers to trade by affiliates of U.S. headquartered companies, we can once again play an important role in Cuba's food security.

Thank you again, and I look forward to any questions that you may have.