

## *Cuban agriculture and the current economic transformation process.*

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The Cuban economy has begun an interesting and important process of economic transformation, which has been identified as: the “Updating of the economic model.” It covers all economic sectors, with important implications for economic, social and political sectors of the nation. These changes have been reflected in the Guidelines of the Economic and Social Policy of the Party and the Revolution, adopted during the Sixth Congress of the Communist Party Congress held in April 2011 and ratified at the recent Conference of the CPC held in February of this year.

We must keep in mind that the Guidelines are only a guide and that the implementation process itself will lead to updates, enhancements and introduction of new issues and measures, which will be recommended by practice itself.

One may note that the most profound and important transformations have been initiated in a sector that is economically vital and strategic for the Cuban economy, as is the agricultural sector (AS). At the same time, it implies recognition and restitution of the important role of this sector in the economic-social-political development.

The insufficient domestic food production (see Nova 2010), is an issue that has been prevalent during the last fifty years in the national economy, increasing the country’s dependence on foreign food, making it more vulnerable and resulting in high expenditure of foreign currency for food imports (see Table 1), when most of these could be produced domestically under competitive conditions.

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**TABLE 1 Dynamics of Imports 2002-2010 Estimated 2011 (MUSD)**

|               | 2002      | 2003      | 2004      | 2005      | 2006      | 2007       | 2008       | 2009      | 2010      | ESTIMATED<br>2011 |
|---------------|-----------|-----------|-----------|-----------|-----------|------------|------------|-----------|-----------|-------------------|
| Total imports | 4,140.767 | 4,612.598 | 5,615.198 | 7,604.259 | 9,497.890 | 10,082.557 | 14,249.234 | 8,909.541 | 8,000.000 | 8,100.000         |
| <i>Where:</i> |           |           |           |           |           |            |            |           |           |                   |
| Food          | 827.236   | 998.120   | 1,183.273 | 1,494.204 | 1,391.928 | 1,746.402  | 2,544.822  | 1,755.604 | 1,600.000 | 1,700.000         |
| For: Human    | 762.385   | 912.296   | 1,073.422 | 1,357.313 | 1,261.697 | 1,570.706  | 2,280.401  | 1,524.645 | 1,400.000 | 1,500.000         |
| Animal        | 64.851    | 85.824    | 109.851   | 136.891   | 130.231   | 175.696    | 264.421    | 230.959   | 200.000   | 200.000           |
| Food I        | 20.0      | 21.6      | 21.1      | 19.6      | 14.7      | 17.3       | 17.8       | 19.7      | 20.0      | 21.0              |

Source: Prepared by the author with data from the Office of National Statistics, ONE1 2002-2010

The Current Issue of the agricultural sector could be summarized as follows: agricultural and livestock production is down, there are records of significant quantities of idle agricultural land, and food imports continue to grow, to cover the shortfall in domestic production. This leads to obvious signs that the productive forces are still frozen and the need to transform systemically production relationships, and to the need to analyze how to solve the issue of ownership of the land and the changes needed to achieve it<sup>2</sup>.

The current situation of dependency in the area of food products is paradoxical, given the fact that the agricultural sector (AS) shows a significant number of unused areas (more than 2.0 million of idle Has). Results obtained from various scientific and technical institutions, indicate that there is a material basis (although undercapitalized largely by years of economic crisis, but it exists and can be improved and used) and has a significant human capital. All this suggests that agriculture holds an important productive potential, which must be put to use.

From 2007 to date a series of measures aimed at finding solutions to the revitalization of this important sector have been implemented, searching for solutions to increase production, the substitution of food imports and the generation of surpluses to increase the exports of goods.

These measures could include: an increase in the price of milk, beef and agricultural products, decentralization of functions by identifying the municipality as the key space for the execution and decision making in agricultural activities, and simplification of the structures and functions of ministries that generate primary

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<sup>1</sup> Oficina Nacional de Estadísticas(ONE)

<sup>2</sup> The right of the producer to be able to decide what to produce, how to sell it and at what price, and to be able to participate in a open market to purchase the necessary means and at the appropriate time, in order to reach the successful closing of the productive cycle.

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production and food processing<sup>3</sup>. Recent steps have been taken with regard to the hiring of labor force, agricultural expansion of micro loans and the gradual decentralization of the marketing of agricultural products.

But the most important decision has been the delivery to individuals of idle<sup>4</sup> (uncultivated) farmland, under conditions of usufruct. These deliveries are made currently under the conditions of lease, for a renewable period of 10 years. The Decree Law of the distribution of land in usufruct (259), has been an important and decisive step, although, from its inception it included a number of restrictions and limitations that caused a significant degree of uncertainty<sup>5</sup> for the beneficiaries. Currently, although Decree Law 259 has not been officially changed official statements have been made to increase the delivery time period of the usufruct contract, increase the amount of area to deliver, as long as there is the possibility of exploitation and recognizing the right to build housing.

The current distribution of idle land also leads to a new stage and agricultural model that establishes and reinforces the predominance of non-government producers, particularly the CCS and the private sector, which could increase from 18.5 to 51.0% in land ownership (see table 2). If these producers are often the best (according to the results<sup>6</sup>) and the measures to be analyzed below are implemented under a systematic approach, along production-distribution-cycle change-consumption, and interrelation, with macro-and micro economics, we should expect significant increases in food production.

Actually there is a trend towards the predominance of small and medium non –government companies, both in the possession, as well as in the ownership of the land, in a spiral movement that involves qualitative changes. This does not represent a return to the situation observed in the late nineteenth century<sup>7</sup> (Nova

TABLE 2 **Forms of Land Ownership (%)**

| Agricultural Area | Total | Government | Non government | UBPC | CPA | CCS y Private** |
|-------------------|-------|------------|----------------|------|-----|-----------------|
| 2007              | 100   | 35,8       | 64,2           | 36,9 | 8,8 | 18,5            |
| 2011*             | 100   | 17,0       | 83,0           | 23,0 | 9,0 | 51,0            |

\*Estimated

\*\*Includes those benefited by law 259

UBPC: Unidades Básicas de Producción Cooperativas (Basic Units of Cooperative Production)

CPA: Cooperativas de Producción Agrícola (Agricultural Production Cooperatives)

CCS: Cooperativas de Créditos y Servicios (Credit and Service Cooperatives)

Source: Prepared by the author from the *Anuario Estadístico de Cuba* ONE 2007-2010

3 Nova A. "La agricultura cubana medidas implementadas: para lograr incrementos en la producción de alimentos. Análisis y valoración," Seminario Científico del Centro de Estudio de la Economía Cubana (CEEC) Universidad de La Habana, CD junio 2010.

4 Tierras aptas para el cultivo agrícola sin cultivar en un inicio 1868210,84 ha, recientemente se han detectado unas 500,0 mil há más.

5 Nova A. "50 años de la agricultura en Cuba, Línea de desarrollo, Resultados y Transformaciones 50". Seminario Científico Anual CEEC mayo 2009

6 The agricultural and livestock sectors are integrated by five productive entities: UBPC, CPA, CCS, Private and government. The most efficient are: CCS and Private. These two economic entities produce 57% of the total production of food in the country from only 24.4% of land. They also produce 163 % of milk (the government produces 13 %), has more than 64% of milking cows and more than 57 and 60 % of the cattle and pigs.

7 The Cuban agrarian situation in 1899 recorded the primacy of the small and medium size companies with regards to larger size enterprises.

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2011), but to a form that although rooted in the predominant forms of that time, is strengthened by the collective forms of production (cooperatives), the farmer's knowledge transferred through the years, from generation to generation, and enriched by the scientific and technical development.

The more that wealth is distributed, the less inequality these shall be and a more fair model of agriculture and social-economic model shall be created. This is consistent with the thoughts of José Martí "A rich country is a country that has many small owners"<sup>8</sup>

### HOW IS THE AGRICULTURAL SECTOR BEHAVING?

Regardless of the measures taken since 2007 to date, the results obtained have not been the results expected.. During 2009 and 2010 the agricultural production descended, or in the best case it remained stable.

**2009**—The total agricultural and livestock production closed at 100.5%, a stable level when compared to 2008, while the production of vegetable foods grew by 5.6%, and production of livestock fell by 4, 6%

**2010**—The agricultural sector reported a decrease of 2.8%. There was a decrease in agricultural and livestock production in twelve basic items such as rice, pork production, eggs, vegetables, beans, root vegetables (potato, "malanga"), citrus fruits, and poultry, among others.

**2011**—At the end of 2011 there was an increase in total production (agricultural and livestock), however, the levels of food supply to the population decreased with a corresponding increase in prices. According to reports from the ONE (National Office of Statistics), agricultural production grew 8.7% (11.5% agriculture and livestock 6.0%).

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### AGRICULTURAL PRODUCTION

1. In agricultural production the highest growth recorded was 17.2% for bananas, wet paddy 43.7% (139.8 thousand tons increase in terms of rice consumption represents about 70.0 thousand additional tons ) and beans 66.1% (an increase of 29.0 thousand tons). These growth levels are considered significant in relation to previous years.
2. The production of root vegetables decreased by 2.5%, which is equivalent to 28.6 thousand tons), and the production of potatoes decreased by 14.3%, 18.9% sweet potato, malanga decreased 3.9%, while all other roots decreased by 8.6%.
3. The production of plantains grew by 98.0 thousand tons, holding the weight of the total growth in the food and compensating the weight of the decrease in the production of bananas (2.2%) and roots.
4. The production of vegetables grew 5.2%. Recorded growth: 16.2% tomato (equivalent to 50.0 thousand tons), onion production grew by 28.4% in terms of tons, representing a growth of 18.2 MTM. The production of pepper grew 8.1 thousand tons. Garlic production suffered a decreased of 13.0% (6.1 thousand tons), as well as squash and other vegetables.
5. Corn production grew 9.1%
6. Citrus production decreased 24.0%.
7. Fruit production grew 7.4%, but mango, papaya and coconut decreased.

<sup>8</sup> Almanza R.; "En torno al pensamiento económico de José Martí" Editorial Ciencias Sociales, La Habana, page 261.

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## LIVESTOCK PRODUCTION

1. The production of beef increased (4.4%), due to an increased in delivery of animals to slaughterhouse (3.8%) and a slight increase in the average weight on foot (1.8 kg) with an increase of about 600 tons
2. There is a decrease in milk production of 51 million liters, as well as in the relationship liters / cow of 0.2 liters, with 12.4 less milking cows. Direct deliveries to the population are reduced (21.3 million liters less) and to the industry (27.3 million liters less). The decrease in milk production may have represented the Cuban economy additional foreign exchange expenditures of about 21.9 million USD (4296.00 USD9 per ton of milk powder).
3. The production of pork meat increased, mainly on the basis of a greater supply of cattle to slaughter and a slight increase in the average weight, up from 2.1 kg resulting in an increase of 4.9 thousand tons. The population has a declining trend since 2009, while the average weight during the period 2009-2011 has oscillated between 81.0-82.0 kg (in 2008 the average weight was 89.4 kg). This cautions that the increase in pork production has been supported mainly by the numbers of animals and not by a sustained increase in average weight.
4. Egg production increased, resulting from an improvement in the efficiency of laying hens with an increase of 3 eggs each. The production of poultry and the average weight decreased by 0.3 kg

## DECREASE IN THE OFFER OF FOOD PRODUCTS TO THE POPULATION

During 2011 there was a significant reduction in the offers and sales (see Table 3), which in turn led to an overall increase in the average price of agricultural products and meat of 19.8%. There is an increase in the price of agricultural products averaging 24.1% and 8.7% for meat.

The decrease in supply and sales, and thus the consequent rise in food prices, is paradoxical, given the increase reported by the ONE (National Office of Statistics) of the total agricultural and livestock production, in 2011.

TABLE 3 Sales of Agricultural and Livestock Products (Miles Ton) <sup>10</sup>

| Products     | 2010  | 2011 | 2011/10 (%) | Products         | 2010 | 2011 | 2011/10 (%) |
|--------------|-------|------|-------------|------------------|------|------|-------------|
| Sweet Potato | 62,4  | 61,6 | 98,7        | Rice             | 10,4 | 11,9 | 114,4       |
| Yucca        | 100,0 | 40,0 | 40,0        | Grains           | 27,6 | 25,8 | 93,5        |
| Plantain     | 44,7  | 35,6 | 79,6        | Orange           | 11,9 | 9,6  | 80,7        |
| Tomato       | 105,4 | 97,1 | 92,1        | Papaya           | 8,4  | 6,7  | 79,8        |
| Garlic       | 28,3  | 27,7 | 97,9        | Pork in sections | 14,2 | 8,3  | 58,5        |
| Onion        | 3,0   | 1,4  | 46,7        | Lamb/goat        | 6,2  | 4,4  | 71,0        |
| Squash       | 10,8  | 9,4  | 87,0        | Live chickens    | 0,3  | 0,3  | 100,0       |
| Cabbage      | 33,4  | 21,4 | 64,1        |                  |      |      |             |

Source: Sales in the agricultural and livestock market. Indicators from ONE January-Dec 2011

<sup>9</sup> Banco Central de Cuba Información Económica” February 7, 2012, year 6, number 171,

<sup>10</sup> Selección de productos los cuales representan cerca del 68,8 % del valor de las ventas totales registradas en el año 2011. Más detalles en la publicación “Ventas en el mercado agropecuario indicadores seleccionados” ONE enero-dic 2011

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The complex internal economic situation (in a scenario of global economic crisis), that affects the Cuban economy and in particular the insufficient domestic food production by the agricultural sector, although the production potential already noted, requires urgently the use of these potential and also requires a thorough analysis regarding the search for the causes of the insufficient domestic food production

### WHAT ARE THE FACTORS THAT HAVE A NEGATIVE INFLUENCE?

Sometimes the reduction in agricultural and livestock production is attributed to the effects caused by drought, and to some extent this is a contributing factor, but this is a variable that must always be kept in mind instead of waiting for this to happen. It is necessary to prepare early for this effect and reduce the current vulnerability

This requires creating the necessary food reserves during the spring or rain period. This retranslates in the production of grains (corn, soybean, sunflower), in dry periods and throughout the year, and in the rescue of sugar cane production, not only destined for the production of sugar, but to the production of a number of side products such as molasses, yeast, bagasse, etc. used as animal feed. There is a need to rescue the necessary integration of the agro-industry and sugar cane production for food destined for cattle and pigs feed. Should also include the production of sugar cane used for livestock feed and forage base.

*The decrease in supply and sales, and thus the consequent rise in food prices, is paradoxical, given the increase reported by the ONE...*

However, the most important aspect is the delay in implementing reforms in the agricultural sector, formalized in the Economic and Social Guidelines adopted at the Sixth Congress of the Communist Party of Cuba (CPC) and the systematic failure to apply them.

1. Delay in delivery of land to farmers under the framework of Decree Law 259 and its regulations (primarily bureaucratic aspects).
2. An insufficient offer of supplies, insufficient means of labor and production, with high prices (recent measures have been taken recently aimed at reducing prices) and not adjusted to the demands, requirements, quality and specifications of producers and regions, usually modular. Not taking into account the actual existence of the market objective and role.
3. Need to amend Decree Law 259, to eliminate the uncertainties that it contains and which do not favor the permanence of the producer.
4. The failure to implement comprehensive measures for the decentralization of the marketing and elimination of the Government inventory system.
5. The issue of prices paid to producers that are not satisfactory (despite the price increases in some categories), particularly those products that replace imports, while willing to pay high prices for imported products and not to the local producer.
6. Late delivery of loans and technical assistance.

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In summary reaffirmed by the results achieved at the end of 2011, there are still three aspects that have not been settled:

- Limited rights of the owner of the property: the producers should be allowed to make their own decisions throughout the cycle production-distribution-consumption-change.
- Failure to recognize the real and objective existence of the market and its complementary role with planning.
- Lack of systemic approach in the design and implementation of measures.

*... that the productive forces of the agricultural sector are still detained and required to remove the obstacles that still hinder its development...*

Given this repeated situation it is evident that the productive forces of the agricultural sector are still detained and required to remove the obstacles that still hinder its development, which implies continuing fast as possible the transformation of production relations, which is a strategic economic sector for the Cuban economy.

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