

# **Cuban Cooperatives: Current Situation and Prospects**

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# Current situation of coops in Cuba

## Existing types

- **Credit and Services Cooperative (CCS)** since 1960
  - consumption coop of private farmers
  - members work their land independently
- **Agricultural Production Cooperative (CPA)** since 1975
  - production/workers coop
  - members sell their land to the coop, if they have any
  - members work collectively; can hire wage workers permanently
- **Basic Unit of Cooperative Production (UBPC)** since 1993
  - hybrid between state enterprise and coop
  - collective production units made from subdivision of state enterprises
  - free usufruct of land; purchase equipment from state

# Current situation of coops in Cuba

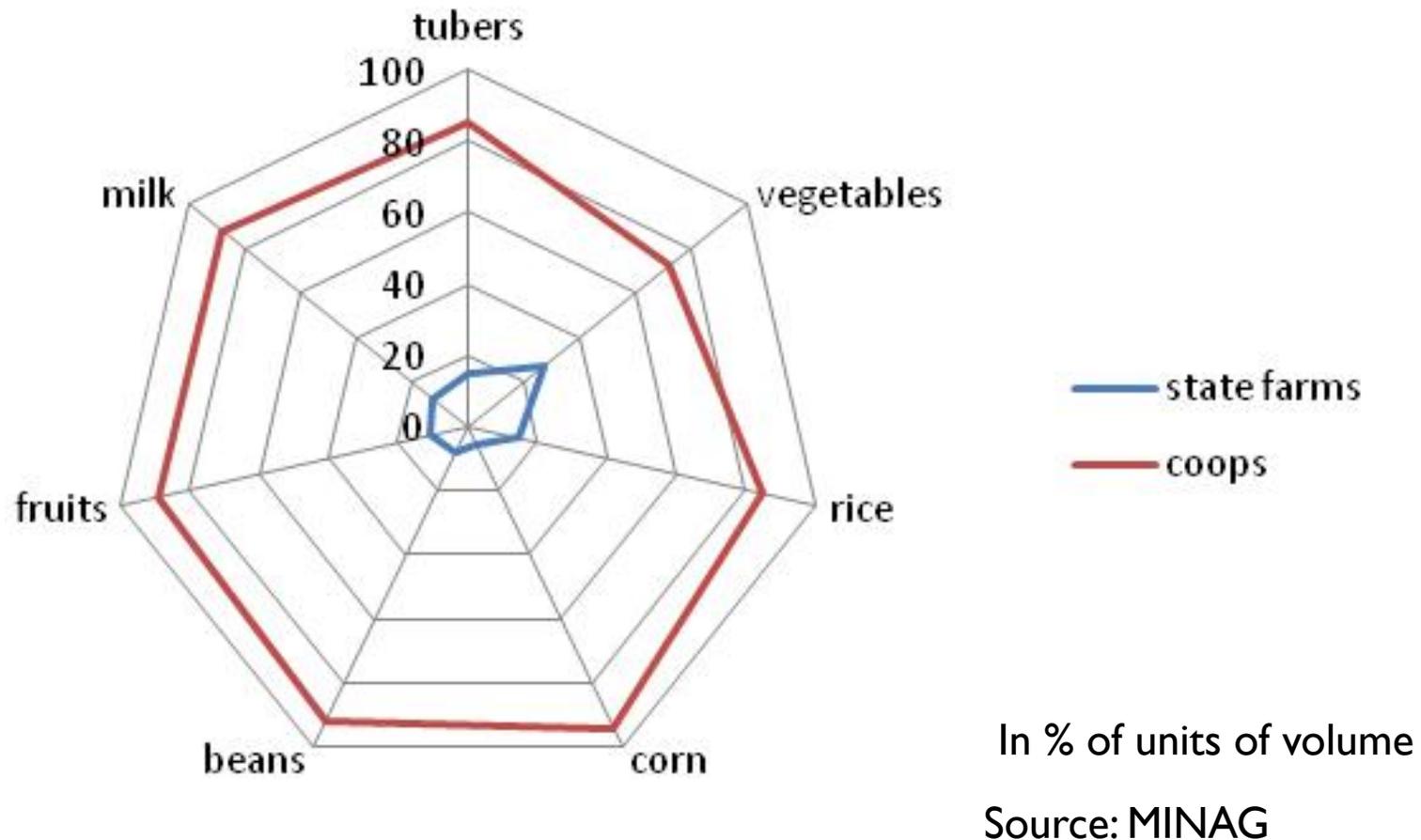
## Overview (March 2013)

	<b># of coops</b>	<b>total members</b>	<b>% of Cuban workforce</b>	<b>% of Cuban agricultural land</b>
<b>CCS</b>	2,526	352,565	7.04%	18.76%
<b>CPA</b>	943	53,916	1.08%	8.91%
<b>UBPC</b>	1,869	160,000	3.19%	28%
<b>Total</b>	5,338	566,481	11.31%	55.67%

Sources: ONEI, ANAP, MINAG

# Current situation of coops in Cuba

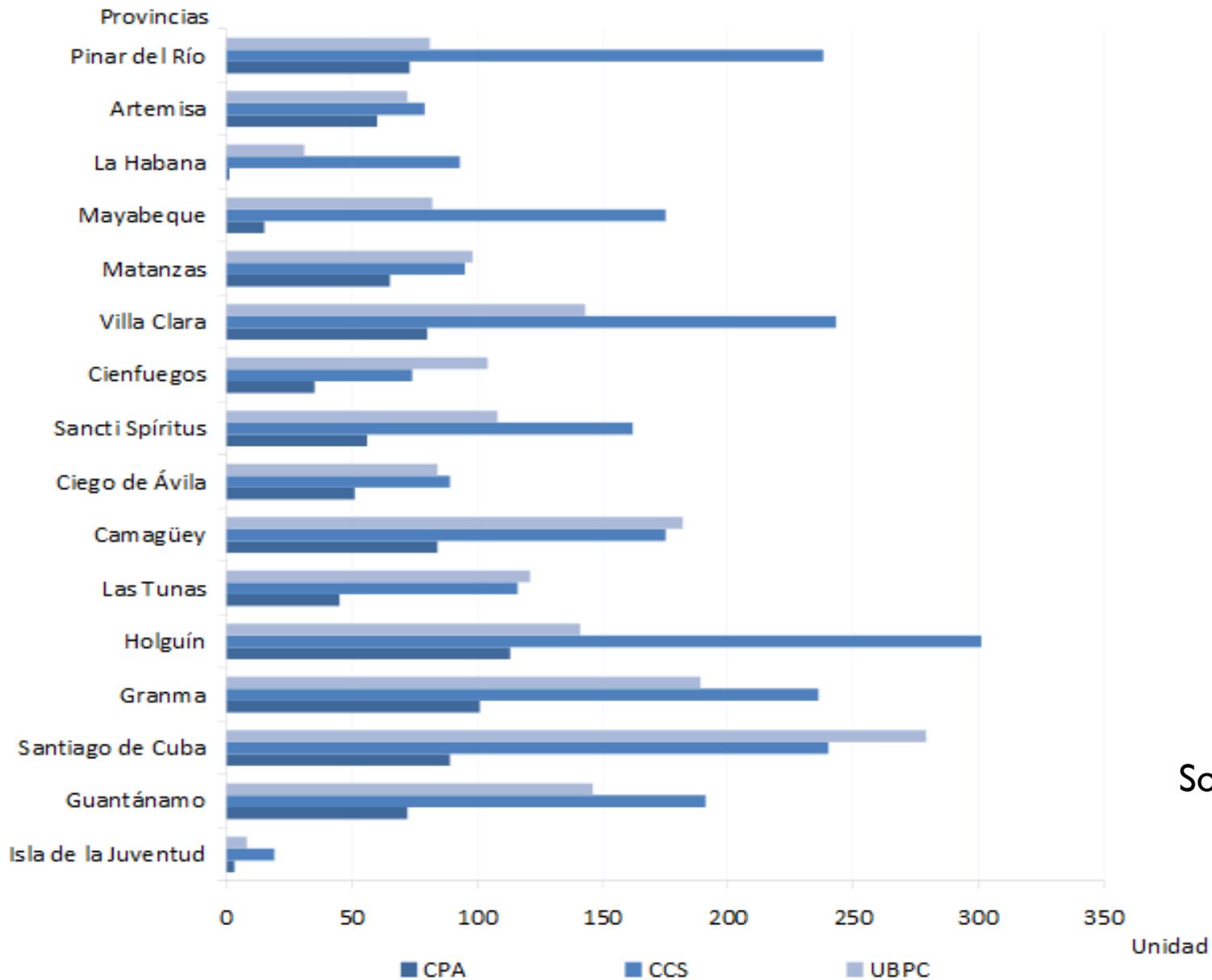
## Production vs. state farms (2012)



- ✓ Portion of these crops produced by coops: 87%.
- ✓ In 2010, they contributed 77% of overall agricultural production.

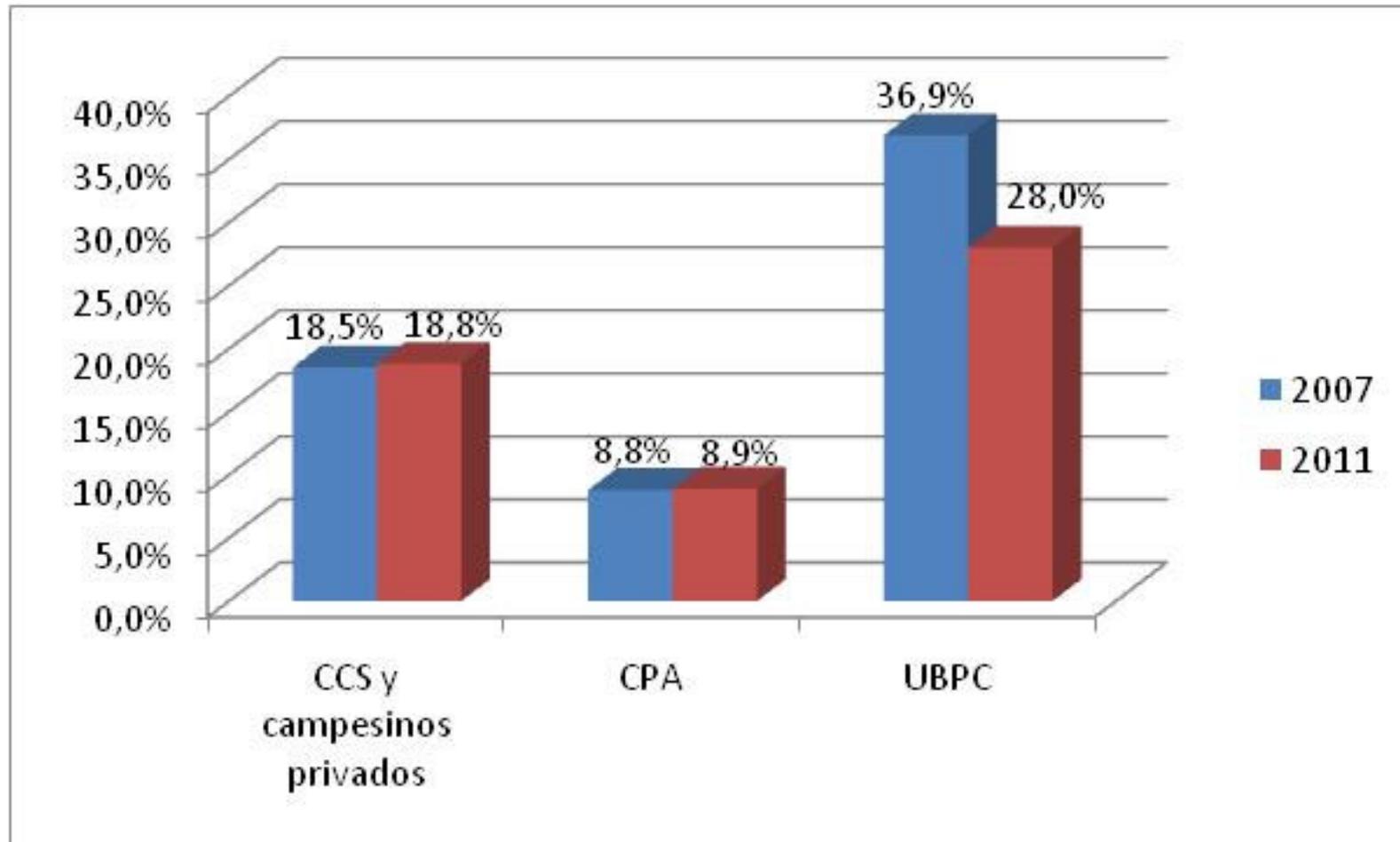
# Current situation of coops in Cuba

## Geographical distribution (March 2013)



Source: ONEI

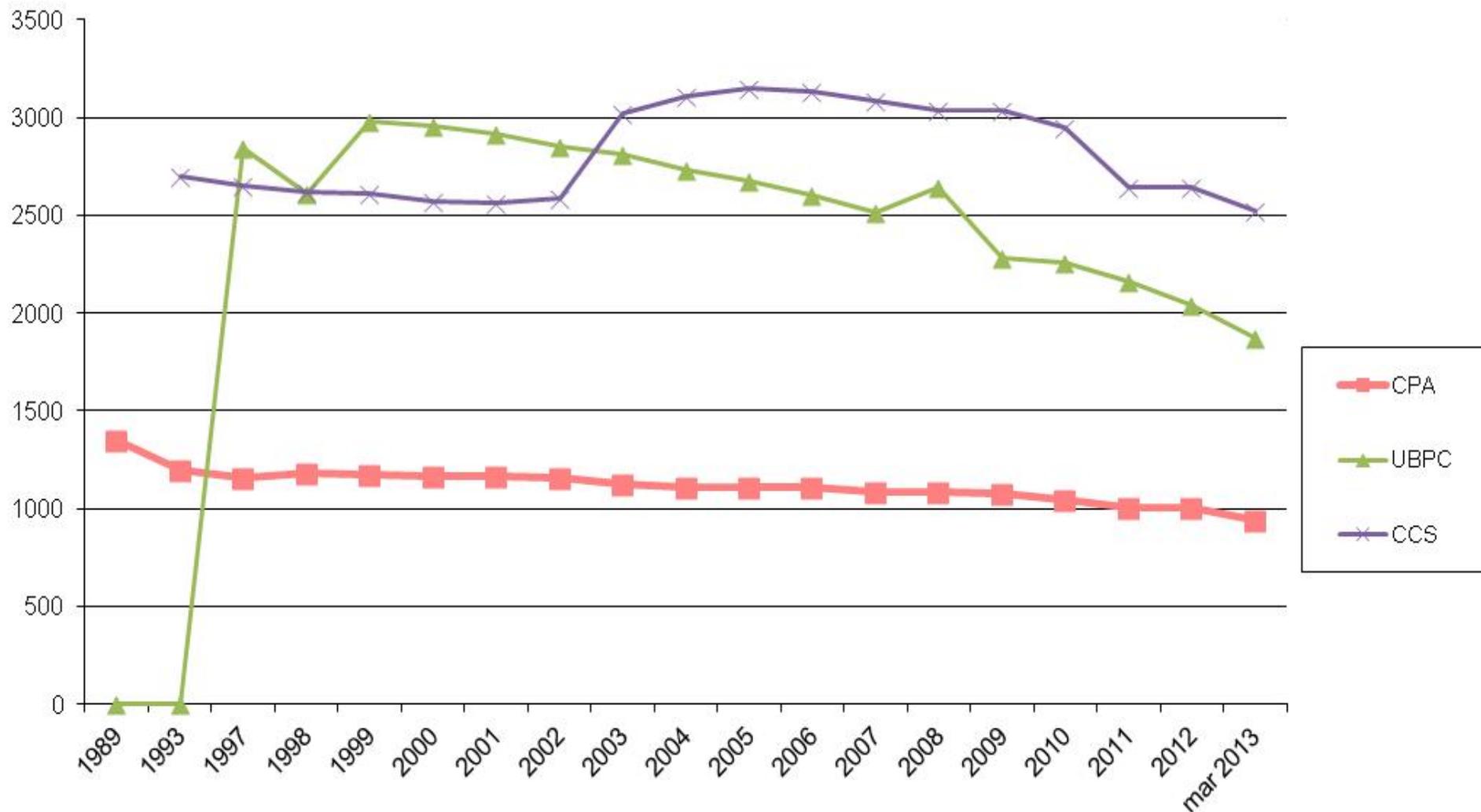
# Evolution of Cuban agricultural cooperatives Land tenure (2007,2011)



Sources: Nova (2011) and MINAG

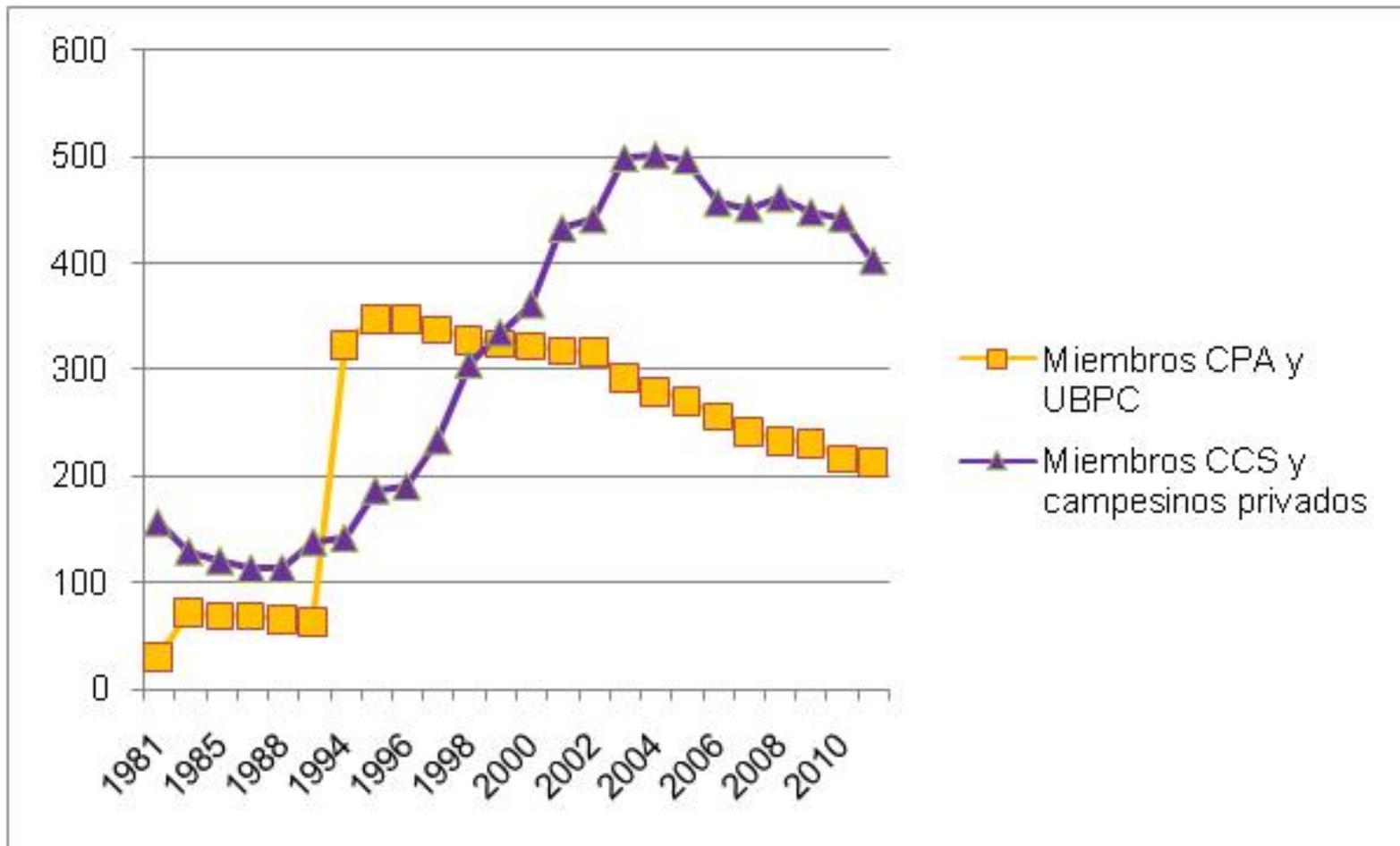
# Evolution of Cuban agricultural cooperatives

## Number of coops (1989-March 2013)



Sources: ONEI, ANAP, Valdes Paz (2006)

# Evolution of Cuban agricultural cooperatives Members (1981-2011)



Sources: ONEI, MINAG

# Prospects for coops in Cuba

## Official declarations

- Murillo, July 2012: they are the **6th of 20 main objectives** of CIDEL
- Raúl Castro and Murillo, July and Dec 2012: based on the experiments with non-agric. coops, a **General Law of Cooperatives will be passed**
- Murillo and Pedraza, 2010; Murillo 2012: coops are more “socialized” than TPC, and **will receive preferential treatment**
- PCC Guidelines: coops mentioned 15 times, and 5 guidelines about them (25-29): coops not restricted to agriculture; 2nd degree coops

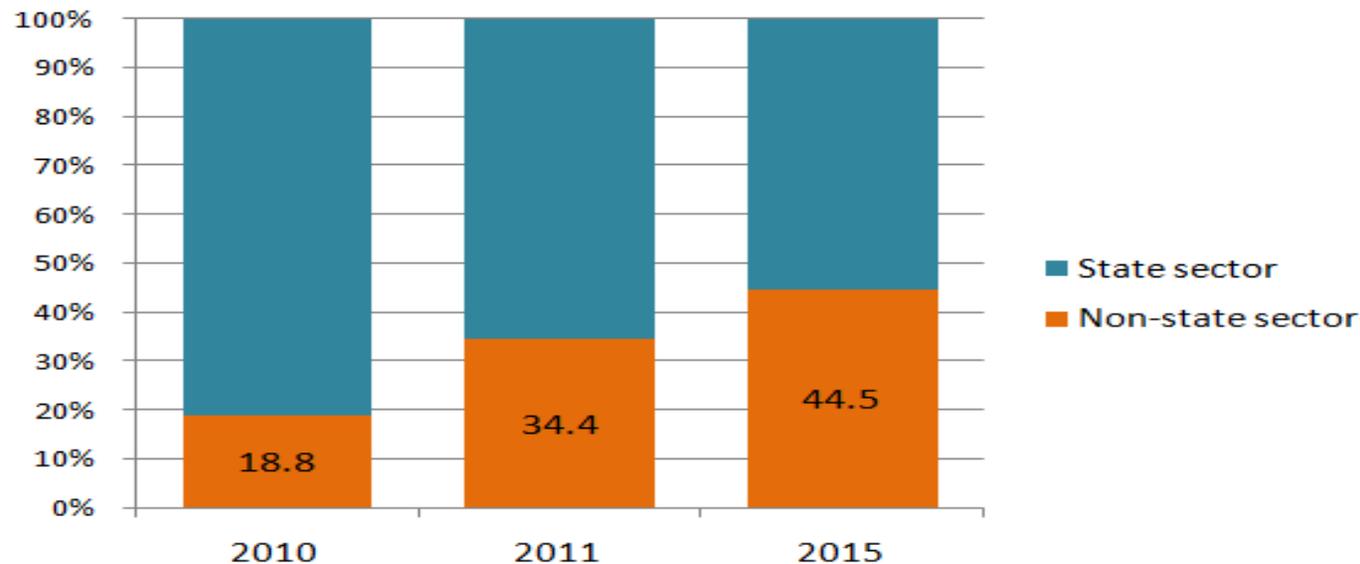
**Considered “key” to the success of economic reform**

# Prospects for coops in Cuba

## The non-state sector in employment and GDP



Estimate based on projected 1.8 million new workers in the non-state sector (MFP) and a 5% increase in labor force by 2015 due to new Social Security Law .



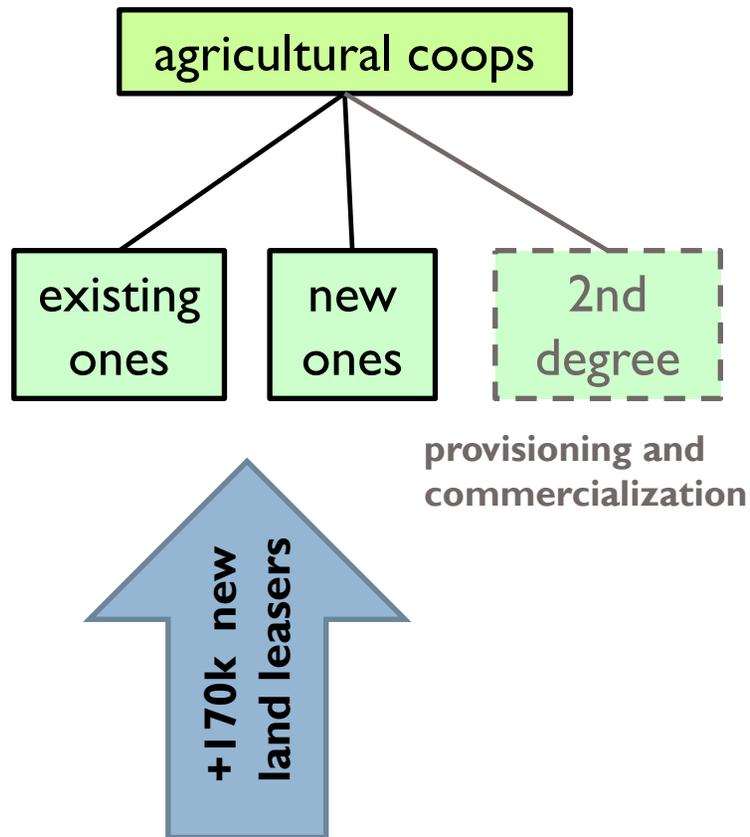
Estimate given by Ministry of Economic and Planning, Alfredo Jam, February 2011.

# Prospects for coops in Cuba

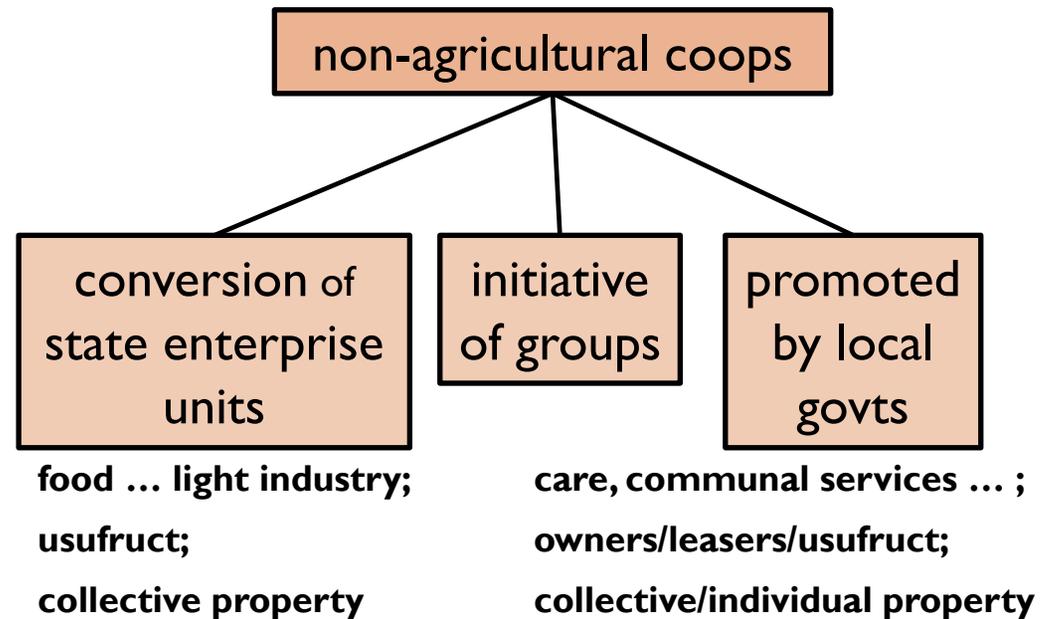
## Objectives of their promotion

- Generate employment
- Trim excess and redundant workers from state enterprises
- Allow state enterprises to concentrate on core activities and contract support and other services
- Free the state from “non-fundamental” activities
- A more socialized way of transferring economic activities away from the State
- Increase and diversify consumer goods and services

# Prospects for coops in Cuba



**GO no. 37 (Res. 574, ...)**



**126 approved out of +280 proposals**

**GO no. 53 12/11/2012 (DL 305, D309, ...)**

# Prospects for coops in Cuba

## Agricultural cooperatives

- New land leasers can become members of any type of coop, not just CCS (DL 300)
- A package of 17 measures was passed on Sept. 2012 to improve the functioning of UBPC (GO no. 37) changing its Rules and the way state institutions relate to them:
  - will be able to buy inputs and sell output directly
  - will propose and coordinate their production commitments and thus contribution to nation's economic plan
- CPA and CCS (and state farms) will benefit from the same measures
- Legislation will be passed for all agricultural coops
- MINAG transformed an agency that “attends to” (atención) to “promoting” (fomento) all agricultural cooperatives

# Prospects for coops in Cuba

## Non-agricultural cooperatives

- Murillo, 3/31/2012: policy for the creation of non-agricultural coops had been approved, and new legislation soon to be approved
- 12/11/2012 an “experimental” legal package was passed in GO no. 53
- an initial list of 222 has grown to more than 280 proposals
- 126 of the 280 start July 1<sup>st</sup>
  - \* Proposals originate from state enterprises or groups of people who gain the support of their ministries and local governments, respectively
- approval process will allow for creation of new ones, but will be slow
- no explicit limitations for economic activities
- 100 million USD fund for startup capital, and bank credits
- training of state functionaries has started and should continue

# Prospects for coops in Cuba

## Recently approved non-ag coops

Activity	
agricultural markets	111
construction	12
services to transport providers	6
transportation of persons	5
recycling	2
Total	136

Distributed in all municipalities, but concentrated in La Habana, Mayabeque and Artemisa provinces.

# Prospects for coops in Cuba

## Initial proposals of non-ag coops

Mercados agropecuarios	104	Pailería	1
Gastronomía	18	Servicios informáticos	1
Servicios personales y domésticos	8	Producción de vitrales	1
Ornitología (aves)	17	Producción de herrería	1
Pesca y camaronicultura	21	Producción de calzado	1
Construcción y reparación	9	Producción de confecciones	1
Transporte de carga	1	Reparación de equipos	2
Transporte de pasajeros	7	Producción de madera	1
Servicios Transporte	7	Reparación de muebles	3
Materiales de Construcción	7	Artesanía	2
Recuperación de materias primas	4	Alojamiento	2
Forja de metales	1	Carpintería	1
Reparación de básculas	1	<b>Total</b>	<b>222</b>

Supervised by 9 ministries.

# Prospects for coops in Cuba

## New laws governing non-ag cooperatives

- only workers' coops and producers' coops (of TCP) allowed
- hiring of workers only temporarily
- profits to be distributed according to work; only 1 mandatory fund
- can set prices, except for those products of "social impact"
- ability to buy inputs from state enterprises and import through state agencies; some will be assigned by the state
- won't be subordinated to any state institution, but "methodologically" supervised by corresponding ministry
- once in the Mercantile Registry, they acquire legal status as an enterprise, with property and other rights
- priority for 10-year leases of state property; "cooperatives in formation" can apply for them
- training in cooperative principles and management required in order to become members

# Prospects for coops in Cuba

## Preferential treatment for non-ag cooperatives

- Priority in leasing of state property
- Can carry out more economic activities than private biz (TCP)
- Tax breaks:
  - grace period of first 3 months for all taxes
  - less for Social Security (5% less than TCP)
  - lower brackets for revenue tax (10-45% rather than 15-50% for TCP)
  - can deduct all expenses (TCP up to 50%)
  - can deduct average provincial wage x number of members
- Access to inputs sold by state at 20% discount
- Can receive “soft” credits from state banks

# Prospects for coops in Cuba

## Expected roles

- **traditional cooperatives** (full autonomy)
  - production coops (services, industrial, agricultural = new gen CPA, ...)
  - cuentapropistas' consumption coops
  - consumers' consumption coops (housing, food, savings)
- **promoted by local govts** (autonomy limited by type of leasing or contract)
  - production coops that provide transportation, communal services ...
  - consumption coops that manage community stores/markets
- **production coops promoted by state enterprises** (idem.)
  - service units that support enterprises' main activities (maintenance, safety)
  - production units that are key to enterprises but more effective as coop
- **2<sup>nd</sup> degree production coops** (autonomy ... state control or social coord.?)
  - created by traditional coops
  - created from non-strategic state enterprises subdivided into coops

# Prospects for coops in Cuba

## Challenges

- Approval process for new coops, both ag and non-ag
- Wholesale markets and import-export through state agencies
- Absence of specialized support institution
- Lack of a representation organization that brings together all coops
- Balancing coops' autonomy with being part of a planned economy
- State promotion that respects the need for groups' interest, cohesion and education
- Avoiding fake coops and the corruption of honest ones

# Thanks

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