PROSPECTS FOR CUBAN AGRICULTURE *AFTER* THE 7TH PARTY CONGRESS

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Outline

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I. The importance of agriculture in the cuban economy (Nova Gonzalez, 2013)

- An estimated 20% of Gross Domestic (GDP) is directly or indirectly dependent on agriculture.
- GDP at 1997 constant prices(2014): 62,342 million Cuban Pesos (CUP)
  - ***20% of GDP = 12,468 million CUP = approximate contribution of agricultural sector.***
- The domestic agricultural sector provides close to 40% of the country's daily caloric intake and 37% of the proteins consumed by the Cuban population.
- Close to 20% of the economically-active population(EAP) is directly or indirectly employed by the agricultural sector.
  - ***EAP(2014): 5,105,500 x 20%=1,021,100 = direct and indirect employment in agriculture sector.***
- Close to 4,000,000 individuals, or 35.8% of the population(11,167,325 in 2012) depends on the agricultural sector for their economic livelihood (Annuario Demográfico de Cuba (ADC), 2014.

iii. Agricultural reforms: 2007-present

1) Moderate price reforms:

-Increases in the prices paid by acopio(to agricultural producers) for selected agricultural products

-"Liberalization" of some agricultural prices

2) Structural reforms; administrative decentralization; fusion of administrative units and ministries:

-Replacement of MINAZ with AZCUBA in 2011

-MINAGRI, consolidation in 2011, 2012

- Ministry of Finance and Prices (MFP) authorized to set prices for selected agricultural inputs and products (2011-present)

3) Transfers of idle State-owned lands to Non-state producers(i.e., cooperatives and private farmers) in usufruct:

-Decree-Law 259(2008)

-Decree-Law 282(2008)

-Decree-Law 300(20012)

At the present time, 962,100 ha (8.8% of the total agricultural surface) remains idle!

4) Gradual/limited "liberalization" (or relaxation of regulations) for the commercialization of agricultural products:

-direct sales to the population

-direct sales of selected agricultural products to tourism enterprises

5) "Price reforms" (2015) to stimulate higher output by Non-State producers

iv. Non sugar agriculture: performance indicators: 2007-present

Table 1. Cuba: Land distribution based on tenure form, 2007 and 2014

2007		State	Non-State			
Thousand Hectares	Total	Total	Total	UBPC	CPA	CCS and Private
Total Land Surface	10,988.6	6,088.9	4,899.7	2,804.8	692.8	1,402.1
Agricultural Land	4,415.5	2,371.2	2,044.3	244.2	585.8	1,214.3
Cultivated Land	2,988.5	694.2	2,294.3	1,189.9	305.3	799.1
Non-Cultivated Land	3,631.0	1,677.0	1,954.0	1,258.3	280.5	415.2
Idle Land	1,232.8	627.2	605.6	465.4	73.4	66.8
2014		**State**	**Non-State**			
Thousand Hectares	Total	Total	Total	UBPC	CPA	CCS and Private
Total Land Surface	10,988.4	6,152.8	4,835.6	1,849.1	601.2	2,385.3
Agricultural Land	6,278.9	1,942.6	4,336.3	1,598.8	509.6	2,227.9
Cultivated Land	2,668.7	496.5	2,172.2	823.0	269.6	1,079.6
Non-Cultivated Land	3,610.2	1,446.1	2,164.1	775.8	240.0	1,148.3
Idle Land	n.a	n.a	n.a	n.a	n.a.	n.a

Source: ONEI, 2015; author's calculations

2 MAJOR TRENDS:

1) Land redistribution from the State To the Non-State sector:

2007:
Share of Agricultural Land:
-State Sector: 2,371, 200 ha. (53.7% of total)
-Non-State Sector: 2,044,300 ha. (46.3% of total)

2014:
Share of Agricultural Land:
-State Sector: 1,942,600 ha. (30.9% of total)
-Non-State Sector: 4,336,300 ha. (69.1% of total)

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2) More land dedicated to Agriculture!

Thousand Hectares (ha)

	2007	2014	Chg.	% Chg.
Total Surface	10,988.6	10,988.6	-	-
Agricultural Land	4,415.5	6,278.9	+1,863.4	+ 42.2%
Ag. Land % Total	40.2%	57.1%		

Table 2. Cuba: Physical Output, Selected Non-Sugar Crops, Tons

CROPS	2008	2009	2010	2011	2012	2013	% Chg.
Viandas[(a)]	2,150,700	2,236,000	2,250,000	2,280,000	2,337,000	2,239,000	4.1%
Roots and tubers	1,392,500	1,565,600	1,515,000	1,445,000	1,452,000	1,580,500	13.5%
Plantains	**758,200**	**670,400**	**735,000**	**835,000**	**885,000**	**658,500**	**-13.1%**
Vegetables	**2,439,300**	**2,548,800**	**2,141,035**	**2,200,000**	**2,112,000**	**2,406,500**	**-1.3%**
Rice	436,000	563,600	454,400	566,400	641,600	672,600	54.3%
Corn	325,700	304,800	324,463	354,000	360,400	426,200	30.9%
Beans	97,200	110,800	80,439	133,000	127,100	129,800	33.5%
Tobacco	21,500	25,200	20,500	19,900	19,500	24,000	11.6%
Citrus Fruits	**391,800**	**418,000**	**345,000**	**264,500**	**203,700**	**166,900**	**-57.4%**
Oranges	**200,400**	**261,000**	**178,263**	**122,900**	**93,837**	**85,110**	**-57.5%**
Grapefruit	**166,100**	**121,500**	**137,660**	**112,000**	**84,741**	**63,979**	**-61.5%**
Lemon	**5,400**	**8,300**	**6,060**	**6,600**	**6,475**	**5,025**	**-7.0%**
Other Fruits	738,500	748,000	762,045	817,000	964,900	925,000	25.3%
Cocoa	1,100	1,387	1,709	1,510	2,027	1,425	29.5%

Source: ONEI, 2015; author's calculations

IV. Recent Agricultural Policy Changes since the 7th Party Congress

- **1) Closing of "El Trigal" – <u>wholesale agricultural cooperative</u> created after the approval of Decree 318 in 2013 to "reduce wholesale agricultural prices."**
  - Direct sale of agricultural products from nearby Artemisa and Mayabeque provinces
  - Consists of10 members spanning an area of 16,000 square meters, divided into 292 spaces where producers could sell their output after meeting their obligations with the State.
  - Characterized by the presence of "intermediaries" and highly volatile wholesale and retail prices.
  - *These prices were apparently driven by insufficient production and growing demand.*

<u>Rationale for closing "El Trigal" (announced on May 3, 2016):</u>

- *- It no longer served its original purpose*
- *The State has the obligation to prevent "speculators" from charging excessively high prices*
- *It also has the duty to protect the population by establishing fixed prices ("precios topados") for (selected agricultural products)*

- **2) Fixed Prices, "Precios Topados" for agricultural products: Decree 152 c and Decree 167 (May, 2016) in the City of Havana.**
- 1. Fixed, maximum wholesale and retail prices for selected agricultural products
- 2. Fixed price levels are related to quality. Second-tier products are discounted 20% and third –tier products are discounted 40%.
- 3. Fixed prices take seasonality and agricultural yields into account.
- 4. Fixed prices are applied in ALL types of agricultural markets, except Supply and Demand ("Oferta y Demanda" – MOD) and self-employed workers in the City of Havana.
- 5. Prices for selected agricultural products can be increased (or raised), in exceptional cases, in some cases where product quality includes value added.
- 6. For other agricultural products, collected through State enterprises, with unregulated prices, profit margins below 40% are established to prevent exessive or high retail prices (for the population).

IV. Recent Agricultural Policy Changes since the 7th Party Congress

<u>Decree 152 c and Decree 167 (May 13, 2016):</u>

- Regulate agricultural commercialization in the City of Havana (from Mayabaque and Artemisa Provinces.
- <u>Scope of these regulations: RECENTRALIZATION?</u>
- *Acopio* will increase its collections from 49% to 70% or 80% in some products.
- Regulated entities include 734 agricultural markets and "puntos de ventas" – which represent 70% of all agricultural commercialization in the City of Havana.
- 28 important agricultural products are subject to the new "precios topados" regulation.
- State-run agricultural markets have increased from 52 in Jan. 2016 to 108 by May 13, 2016.

v. Prospects for Cuban agriculture after the 7th communist party congress

DOMESTIC ECONOMY:

- **1) The development and expansion of wholesale input markets** where agricultural producers can obtain essential inputs at prices that correspond to their real purchasing power???
- **2) Increased diversification of "productive forms"(** or types of agricultural producers) with a greater role for non-state producers, such as: cooperatives and private farmers
- **3) Diversification of the "forms of agricultural commercialization"**
- -second degree cooperatives
- -direct sales of agricultural products to the population
- -diversified intermediation; expansion of non-state intermediaries
- -expansion of retail outlets, network
- **5) Labor market:**
- Allowing producers to freely hire labor based on output decisions, relative factor prices, factor productivity and anticipated demand.
- **6) Credit/financing:** Provide agricultural producers with expanded sources of credit, and financing? Microfinance?
- **7) Monetary unification?** When? How? Impact on agriculture?

EXTERNAL SECTOR:

1) Foreign investment:

- Allow private sector investment from abroad?
- Private agricultural finance?
- Joint ventures between non-state Cuban agricultural enterprises?

2) US-Cuba relations:

- Increased US agricultural exports to Cuba?
- Impact on Cuban agriculture?
  - .output/production .employment .prices .consumption
- Trade balance/ external sector dependency ?