

## **A path for U.S. and Cuba agricultural political and economic reform**

Economic reforms “*con paso seguro, sin prisas, pero sin pausas*” (with steady step, without haste, but without pauses) initiated by former President Raul Castro are moving Cuba away from complete monopolistic state control towards a more participatory and less centralized economy. Increased autonomy for farm cooperatives, local development projects and the growing private sector creates opportunities for U.S. policy to support Cuban citizens and Cuba’s agricultural economy.

### **Agriculture land management today**

There are many challenges facing Cuban agriculture, but the structure of Cuban farming has shifted since the 1990’s when the state controlled more than 80 percent of agricultural land. With the collapse of the Soviet Union, Cuba looked to lessen dependence on state farms. Modes of production such as urban farming, agroecology, cooperative production, leasing of land in usufruct, and permaculture were given more support.

In 2007, President Raul Castro initiated reforms to further decentralize the state-dominated economy. He declared that egalitarianism had no place under socialism, except in the area of opportunity, and that more resources should flow to those who produce and less to those who do not. The government found a way to grow its private sector within the dogma of Marxism by using its greatest resource – the Cuban people – so that a private sector could exist alongside its state sector.

By 2017, agricultural cooperatives, *usufructuarios* and small private farmers managed 70 percent of agricultural acreage, a near reversal from the 1990’s. Of the agricultural land managed by cooperatives, 45 percent is owned by farmers or cooperatives and not the state.

In 2021, Cuba amended its Constitution to secure legal standing of its private sector. Small and Medium Sized Enterprises (SME), or Micro, Small and Medium Enterprises (MiPYME) as they are termed in Cuba, were permitted to seek foreign direct investment, import goods, and hire up to 100 employees. Further provisions were created in 2022 which began the expansion for production, procurement, and distribution of food goods to include the private sector and agriculture cooperatives. As of December 2022, the principal economic activity of the 5,424 SMEs (20 percent) is the production or service of food goods. Alimport, Cuba’s main food purchasing company, is no longer the only buyer of food goods from the United States as SMEs begin to import food, feed and farm equipment.

Also in 2021, Cuba implemented a plan of action intended to “dynamize agricultural production” through 63 measures. The measures and actions were divided into seven categories: structure, finance, productive programs, cooperative system, training, and community empowerment. The aim was to create new models of state and agricultural

business management at the municipal and provincial levels in order to decentralize power and strengthen the territorial agricultural production base.

### **Problems still exist**

The reforms to date have not improved Cuba's agriculture outlook and production has declined in many areas since at least 2016. Policy reforms alone cannot replace the fundamental needs of irrigation, fertilizer, technology, animal feed, fuel and investment. Further hindering agricultural production growth are poor extension services, late payment to farmers, lack of transportation equipment, a shortage of agricultural loans, and a lack of farm equipment. Supply stores are empty and farmers have to purchase what little materials are available with Moneda Libremente Convertible (MLC), a sort of debit card that can be used for purchases in hard currency stores. However, in practice the MLC is not freely convertible to hard currency, and farmers are paid in Cuban pesos not MLC leaving them with little options to purchase needed materials.

Policies endorsing further autonomy of non-state agricultural entities have been slow to implement. Most notably, the 2011 "Guidelines for the Economic and Social Policy of the Party and the Revolution" proposed the idea of second-degree cooperatives, where cooperatives could partner to process, market, purchase, and transport goods without having to rely on a state enterprise that traditionally carried out those tasks.

In addition, while producers can sell directly to agricultural markets and hotels, the state food collection agency Acopio continues to play an outsized role. While it can fix pricing paid to producers for crops prior to production, farmers complain about Acopio's chronic practice of paying for crops many months after taking delivery.

The breadth of market reforms is limited by the government over concerns of the expansion of capitalism, as well as the state's fundamental need to ensure employment and a livable wage for the state sector. However, the new role of non-state actors is no longer viewed as contrary to socialist principals but rather as a key to the economic growth of the country. Viewing Cuban agriculture as entirely dominated by the state obscures the shifting empowerment from Havana towards the provinces and municipalities, farm cooperatives and the private sector. These reforms have created new needs and opportunities for the U.S. to engage with Cuban agriculture.

### **Agricultural Partnership**

Current U.S. policy towards Cuba is a two-pronged approach. The first is aimed at improving human rights and the second is to support the Cuban people. Cuba's shift towards a more participatory and less centralized economy provides new opportunity for the U.S. to support agricultural reform as a means to support the Cuban people.

U.S. and Cuba's agricultural sectors, both government and commercial, should engage to establish a set of goals of mutual interest and create an agricultural partnership. An agricultural partnership would address concerns of both governments, while directly supporting the Cuban people.

For example, food security is national security both for Cuba and the United States. Food shortages, underproduction, and increasing food costs are part of the reason that two percent of Cuba's population emigrated in the past twelve months, a concern for both the future economy of Cuba and the national security of the United States. An agricultural partnership could also define joint efforts to combat climate change, protect our shared natural resources, and ensure plant and animal pests and diseases do not spread.

If U.S. policy is to support the Cuban people, then there is no larger impact than the agricultural sector. Agriculture affects everyone on the island. Nearly 20 percent of Cuba's workforce is employed in agriculture, making it the largest sector in Cuba's economy.

### **US and Cuba agriculture relations today**

U.S. agriculture policy towards Cuba is dated and hamstrung. Even the thawing of relations advanced under President Obama had limited impact on improving our agricultural relations. Today, policies implemented under President Trump remain largely intact under President Biden. Restrictive travel measures, Cuba's status as a state sponsor of terror, no direct banking relationships, and regulatory investment barriers decrease opportunities to build a constructive agricultural relation.

The Trade Sanctions Reform and Export Enhancement Act (TSRA), enacted in 2000, is not affected by changes in policy from one Administration to the next. But TSRA restricts U.S. export potential by banning even private financing of export sales and requiring cash-in-advance terms. This is a competitive disadvantage for U.S. exporters vis-à-vis all foreign competitors.

The 2018 Farm Bill included a provision allowing USDA marketing funds to be used in Cuba. That was an important legislative victory for U.S. agriculture, but it is underused because of overall restrictions on trade and an onerous funding approval process which is applied to no other country. What has been consistent is the support from farmers, agriculture trade groups, and state departments of agriculture across the United States to end our current policy and open up trade and investment. All U.S. regions and both political parties support an improved agriculture relation.

### **U.S. steps to help form an agricultural partnership**

#### ***1-Amend the Trade Sanctions Reform and Export Enhancement Act***

The law needs to be updated to allow the U.S. to be more competitive. Currently, the U.S. exports 15 percent of what Cuba purchases from global agriculture suppliers. Leveling the

playing field by allowing U.S. exporters to use private financing would increase the U.S. share of agriculture exports to an estimated 60 percent.

## ***2-Support balanced and two-way trade***

U.S. farmers, ranchers, and export companies would benefit by opening up the Cuban market. Current agriculture exports are approximately \$300 million, which could easily increase to \$1 billion under normal trading conditions given the U.S. proximity to Cuba. But trade needs to go both ways. For example, the U.S. could supply greater amounts of rice, wheat, corn, soy and goods catered to tourism. The import cost to Cuba for these goods is less given the proximity between the two countries compared to current suppliers in Asia or South America. Furthermore, Cuba doesn't grow wheat and only produces about half of the national consumption of rice. Animal feed such as soy and corn are abundantly grown in the U.S. more economically than in Cuba. Cuba could focus its agricultural production on organic fruits and vegetables and increasing animal production through less expensive feed. Exports to the U.S. could focus on winter vegetables, organics, tropical fruit, and even aquaculture - goods that the U.S. currently imports from other countries in abundance. It could also target non-edible agricultural goods such as tobacco.

## ***3-Engage the private sector and agriculture cooperatives with investment and trade***

The emerging private sector in Cuba and agriculture cooperatives are increasingly playing a larger role in Cuba's economy. Informal investment and trade channels between Cubans on the island and Cuban Americans have always existed. It is estimated that \$3-4 billion in remittances flow from the U.S. to Cuba annually. Cuba's new private sector regulations formalize this process, bringing trade and investment out of legal ambiguity and legitimizing it.

Permitting trade and investment will create new opportunities for U.S. commercial interests who want to sell to the Cuban public and the tourism sector. It would also directly grow Cuba's private sector and agricultural cooperatives who are in desperate need of inputs that will increase local agricultural production.

## ***4-USDA engagement***

The USDA should pursue areas of engagement identified in the Memorandum of Understanding signed with the Ministry of Agriculture in 2016. These include sanitary and phytosanitary issues, organic production, climate-smart research, irrigation, and soil and forest conservation. The MOU does not expire but has not been used as a tool for engagement for the past six years.

USDA should appoint an agriculture attaché responsible for understanding the complexities of Cuban agriculture, building trust within the agriculture community, outlining mutual goals, and encouraging Cuba's cooperative and private sector reforms.

Increased USDA interaction with Cuba helps to improve our understanding of Cuba's agriculture structure and its participants throughout the island. As it stands, the U.S. government has a difficult time in distinguishing the difference between a farmer a scientist and a government employee. We also need to better understand Cuba's cooperative system. Agriculture cooperatives are not state enterprises as they have defined legal standing within Cuban law. They can contract with hotels and restaurants and export to other countries using a state enterprise intermediary responsible for the transactional service. Cooperatives also determine their own management and compensation policies.

Ideally, a USDA foreign agricultural service and an animal and plant health inspection service officer stationed in Cuba would help improve and identify trade, investment and research opportunities. Negotiating plant and animal health protocols is a key step in building confidence and facilitating future trade. These officers encourage exchanges between farmers, ranchers, scientists, researchers, and agriculture corporations. These exchanges should include improving extension services in Cuba through workshops and joint research to support local production. Additionally, they could support two-way trade by researching pests and diseases that limit trade, and help expand the list of permitted Cuban products that can be exported to the U.S.

## **Conclusion**

Cuba's economic shift is not complete nor perfect, but it is significant. The U.S. should join Cuba on this transformative process. Both as a means to support the Cuban people and to protect our national interests. An agricultural partnership would help resolve years of distrust and permit greater exchanges between both governments and commercial sectors. The benefits to a partnership focused on agriculture would provide additional trade and investment opportunities for U.S. citizens, while helping to increase local agricultural production and private sector growth within Cuba.

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