

James E. Ross

In terms of food security, it was the worst of times. It was the early years of the 1990s and a “Periodo Especial,” a Special Period in Time of Peace.¹ Cuba had lost Soviet and Eastern Bloc trade preferences and per capita caloric consumption had fallen 18 percent, from 3,050 (1985-89) to 2,513 (1990-94).² Rationed foods were not adequate to meet the population’s nutritional needs and many Cubans were surviving through the informal market and/or were suffering malnutrition.³

Background

To alleviate the problem of lower food production following the revolution and to improve the welfare of the population, Cuba had entered into preferential trade arrangements with the Soviet Union. Eastern Bloc trade preferences and Soviet economic assistance, which peaked at nearly \$6 billion annually in the 1980s, largely offset any adverse effects of U.S. sanctions and enabled the Cuban economy to grow.⁴ Human nutrition on a national scale was not a major problem from 1961 through 1989.

With the loss of Soviet economic support, food security became one of the most serious problems facing the Castro administration. Per capita caloric intake in the early years of the Special Period fell below the level maintained for the previous thirty years. Annual per capita caloric consumption during

1. Officially declared by President Fidel Castro in September 1990.

2. Food and Agriculture Organization of the United Nations, FAO Statistics, Food Balances, Cuba, (2001) available at <http://apps.fao.org/page/collections?subset=agriculture>

3. Based on various sources, including a 1998 U.S. Senate Committee Report and the author’s visit to Cuba in 1994.

4. Jonathan R. Coleman, “The Economic Impact of U.S. Sanctions with Respect to Cuba,” *Cuba in Transition*, Association for the Study of the Cuban Economy, 87 (2001).

the years following the Castro Revolution averaged 2,763 (1961-1989), with 653 calories from animal products.

Prior to the Special Period (1988-1990), Cubans were consuming 674 calories from animal products. But a decade later (1999-2001), per capita caloric consumption of animal products had fallen to 372, a drop of 45 percent. Calories per capita from vegetable products decreased only slightly.⁵

While Cuba's economy showed economic recovery in the mid-1990s, largely as a result of implementation of several economic reforms, food production did not increase at the same pace. Food consumption from the level of 1993-94, on the other hand, increased with growth of the economy. Food production, caloric consumption, and the economy all declined sharply from 1990 to 1994.

Food Supply at the National Level

Cuba's government supplies food for its people, as do almost all other countries, from national production and imported foods. The Cuban government's policy is to give priority to purchasing food from national sources, first from state and non-state entities and then from mixed-enterprises (companies with foreign investments in Cuba). If these sources are not adequate, Cuba will then purchase food on the foreign market.

Food from National Production

Agricultural production in the early years of the new century (2000-2002) is estimated at about 90 percent of the annual level of some ten years earlier (1988-1991).⁶ Climatic conditions, according to the Cuban government, are largely responsible for lower production. It is true that Cuba endured three hurricanes from November 2001 to October 2002; however, the lack of foreign exchange to import production inputs, such as fertilizer and pesticides, has had an important detrimental impact on output. In addition to extraordinary climatic conditions and lack of production inputs, it can be argued that state-control of agricultural production and marketing is also responsible for the decline.

Two-thirds of the agricultural land, totaling 6.6 million hectares in the year 2000, was classified as land in the non-state sector.⁷ Agricultural land in the non-state sector refers to land utilized by the Basic Units of Cooperative Production (Unidades Basicas de Produccion Cooperativa – UBPC), Cooperatives of Agricultural Production (Cooperativas de Produccion Agropecuaria

5. *Id. at 3.*

6. *Id. at 3.*

7. Oficina Nacional de Estadísticas, Anuario Estadístico de Cuba 2002, Capítulo IX Sector Agropecuario.

– CPA), Cooperatives of Credit and Services (Cooperativas de Credito y Servicios – CCS), and private farmers. Sixty percent of the non-state sector land is farmed by the UBPCs.⁸

UBPCs, formed from state farms, were authorized in September 1993. Reportedly, when many State Farms were formed the more fertile agricultural land remained with the State Farms and the less productive agricultural areas were transferred to UBPCs.

At the beginning of the Special Period, 1990/91, the non-state sector accounted for less than 20 percent of the country's agricultural output. By 2001/2002, production by the non-state sector had increased to more than 90 percent. Yield per hectare for the non-state sector, however, fell 47 percent, from 63.7 metric tons to 33.5 metric tons per hectare. The yield for State Farms, on the other hand, had fallen less, 39 percent, from 54.9 tons to 33.3 tons.⁹

UBPC members are not given full title to the land, only the right to farm the land. In addition, they must buy all inputs from state-controlled agencies. Also, only the output over quota to be delivered to the state buying agencies can be sold in the state-controlled agricultural markets at market prices. Therefore, although classified as the non-state sector, the UBPCs and the cooperatives are under significant state control.

At the national level, UBPCs and State Farms are the main suppliers of food. Cooperatives and private producers (Campesino Disperso and Otros Privados) also are important food suppliers, but account for less than one-third of the total cultivated area.¹⁰ They operate under authority of the Ministry of Agriculture (Ministerio de Agricultura – MINAGRI), as do the State Farms and UBPCs.

Several companies, also under the jurisdiction of the Ministry of Agriculture, supply food and agricultural products for sale through the complex of the country's food markets. Companies include: Frutas Selectas, Citricos Ceiba, Citricos Ciego de Avila, Citricos Caribe, CAN, La Cuba, Apicultura, Labiofam, Empresas Porcino, Empresa de Tabacos y Cigarros, Horticolas, OROCA, CAI Arrocerero, Acopio, Empresas Pecuarias, Cuba Café and Suministros Agropecuarios.

Processed products of national origin are provided by manufacturers operating under the jurisdiction of the Ministry of Food Industries (Ministerio de la Industria Alimenticia – MINAL). MINAL oversees industries manufacturing milk and meat products, cereals, confections, bread, biscuits and crackers, pastries, fruit and vegetable products, alcoholic beverages, water,

8. *Id.*

9. *Id.*

10. *Id.*

soft drinks, beer and other products. Industries milling bulk commodities, such as wheat, soybeans and rice, also are under the jurisdiction of MINAL.

International assistance for research and development in Cuba's food industry, prior to the Special Period, had led to substantial growth in food manufacturing. Production increases were especially important for canned meats, canned fruits and vegetables, cheeses, and wheat flour. The number of production lines had grown from 57 in 1975 to more than one thousand by the time of the announcement of the Special Period.¹¹

With the loss of Soviet and Eastern Block trade preferences in 1989 and 1990, there was a progressive decline in Cuban production in general until the mid-1990s. Food industry executives were forced to introduce products that made it possible to raise production volumes through increased use of extenders and substitutes in products destined for the domestic market. The imperative was to maintain nutritional values despite a reduction in agricultural production, especially of meat products.

Between 1990 and 1994, the worst period for the Cuban economy, the food processing industry registered a dramatic decline of 42 percent in the value of its output, along with a reduction of 74 percent in national raw-material supplies from the agricultural sector, and a 34 percent drop in imported raw materials.¹²

In 1994, Cuba's production of manufactured food products was 45 percent of the output in 1989. The output of beverages was 56 percent. By 2001, beverage production had increased to 83 percent of the 1989 level. Food manufacturing increased more slowly, reaching only 52 percent. While the food industry has had significant growth since 1994, production remains substantially less than the output level of more than a decade earlier.¹³

Production lines that are growing the most include: beer, soft drinks, mineral water, alcoholic beverages for export, powdered milk, pastas, flour, soft cheese, ice cream, and yogurt. Wheat flour production also showed some increase, while milled rice production decreased substantially.

Food from Foreign Sources

Historically, before and after the revolution, and now during the Special Period, imported food has been an important factor in feeding Cuba's population. During the years of favored trade with the Soviet Union and the Eastern Bloc countries, Cuba had the financial means to continue importing many of the bulk and U.S. branded food items that its consumers preferred. With the

11. Business Tips on Cuba, Oficina Nacional Tips-Cuba, Ciudad de la Habana, Cuba, 20 (Aug. 1996)

12. Oficina Nacional de Estadísticas, Anuario Estadístico de Cuba 2001, Capítulo VIII Sector Industria.

13. *Id.*

loss of Soviet aid beginning in the 1990s, food imports declined significantly in dollar value but increased dramatically as a percent of total imports.

In 1990 food and beverage imports were 11 percent of total imports. In the early 1990s those imports increased to 20 percent or more and did not recede as a percentage of total imports until economic reforms were initiated in the middle 1990s. During the past three years (2000-2002), a decade after the loss of Soviet support, food imports have averaged 16 percent of total imports. The higher percentage at the beginning of the 1990s was a result of a reduction in total imports and a continuing need for Cuba to import food to feed its people. The lower percentage at the beginning of this century is a result of an increase in value of total imports (relative to 1992-1994), the government's efforts to increase food production and to feed its population with lower-value imported food products.

Food and beverage imports in 2002 totaled \$754 million.¹⁴ Data for 2002 compared to 1998 show substantial increases in imports of meat and dairy products, compared to decreased imports of cereal and animal feed. Prior to 1998 imports of rice and beans increased, while there were substantial reductions in imports of other food items. Reduced imports included high protein foods, such as poultry meat. Imports of dairy products, corn, wheat, wheat flour, feed grains and barley also declined in the mid-1990s.

Importation of grains, oilseeds, and other bulk commodities, as well as intermediate products such as wheat flour and vegetable oils, are regulated by Cuba's Ministry of Agriculture. Meat, poultry, dairy and other consumer-oriented products are imported under the jurisdiction of the Cuban Ministry of Public Health (Ministerio de Salud Publica – MINSAP).¹⁵

While meat and other consumer-oriented foods may be imported through several different agencies and companies, most intermediate products and bulk commodities are imported through Alimport (Empresa Cubana Importadora de Alimentos, under the auspices of the Ministerio del Comercio Exterior – MINCEX). Consumer-oriented foods may also be imported by Alimport to supply the peso market, such as ration stores, school lunch programs, hospitals and other institutions. Alimport also imports food ingredients for the food industry sector. In addition, other government-owned companies receive food products imported by Alimport.

Alimport accounts for about one-fourth of Cuba's food imports.¹⁶ Other official importing agencies of food include government-owned holding com-

14. Oficina Nacional de Estadísticas, Anuario de Estadístico de Cuba 2002, Capítulo VI Sector Externo.

15. Caribbean Basin Agricultural Trade Office of the U.S. Department of Agriculture/Foreign Agricultural Service. GAIN Reports #CU2001, 2002, and 2003.

16. Presentation, Pedro Alvarez Borrego, President of Alimport, Agricultural Sales Conference, Cancun, Mexico, Jan. 30-Feb. 2, 2002.

panies that supply retail stores and government-owned companies and mixed enterprises that own or operate tourist facilities. Alimport, however, is the only agency authorized by the Cuban government to import food from the United States.

In terms of import value, food and beverage products are approximately at the level of the beginning of the Special Period. Food imports in 1991 and 1992 averaged \$663 million and beverage imports averaged \$4 million. In 2001 and 2002 food imports averaged \$762 million and beverage imports \$16 million. While the value of food imports increased 15 percent, the import value of beverages quadrupled.

Wine at \$7 million in 2002 accounted for 44 percent of the beverage imports. From 1991 to 1995, wine imports were negligible. Increased wine imports during the Special Period reflect the government's emphasis on tourism, which has become the driving force of the economy. Tourism also requires importation of higher value foods than is required for the national population.

At the beginning of the Special Period, 1990, Cuba exported food and beverage products valued at \$4.8 billion. In 1991 agricultural exports fell to \$2.6 billion and in the following decade hovered around \$1 billion. In 2001 and 2002 food and beverage exports totaled \$943 million and \$746 million, respectively. Food and beverage imports were less than one-fifth the value of food and beverage exports in 1990. By 2002 the value of food and beverage imports exceeded the value of food and beverage exports, \$794 million compared to \$746 million.

Agricultural exports as a percentage of total exports during the 1990s were around 80 percent. Sugar accounted for about 90 percent of the value of agricultural exports. With the significant loss of foreign exchange from sugar exports, Cuba has had to find other means of generating hard currency to import food and other essential products. Opening retail stores to sell food and other consumer goods for hard currency and promotion of tourism have been the main approach.

Food Availability at the Consumer Level

Cuban consumers purchase food from two sources, the peso food market and the dollar food market.¹⁷ Peso food markets are not meant to compete with food being sold in dollar stores; however, the same or similar products may be available in both markets.

There are two principal marketing outlets for food sold for dollars in Cuba. They are the dollar stores and the tourist trade. Other entities involved in the dollar food chain include in-home family restaurants (restaurantes par-

ticulares), known generally as paladares and the underground or black market. The importance of the black market, which deals in both pesos and dollars, has fluctuated with the availability of food through official channels and economic reforms and regulations imposed by the government.

In-home restaurants are limited to family employment and may serve only 12 customers at one time. They may charge their customers in either pesos or dollars; however, most paladares request dollars for payment. Paladares do not import food products, but purchase those products through the retail dollar stores, state-operated agricultural markets, semi-private agromercados, and from other sources using both pesos and dollars.

In addition to purchasing food for dollars at retail stores, Paladares owners may exchange dollars for pesos at government-operated CADECAs (Cajas de Cambio S.A.) in order to purchase food in the peso agricultural markets.

Purchasing Food with Pesos

Peso food markets include: ration stores (Mercado de Alimentos Racionados); free agricultural markets (Mercado Libre Agropecuario – MLA); Ministry of Agriculture markets selling food at fixed prices (Mercados Agropecuarios Estateles previously referred to as Mercados Agrícolas a Precios Topados); agricultural “fairs” held on the last Sunday of each month (Las Ferias Agropecuarias); urban garden markets (ventas en los huertos y organoponicos); places of sale direct to the consumer by the Cooperatives of Agricultural Production (Cooperativas de Producción Agropecuaria – CPA) and the EJT (Youth Work Army); and the Cadena de Tiendas Imágenes – stores selling processed foods under the jurisdiction of the Ministry of Internal Trade (Ministerio de Comercio Interior – MINCIN). Other food outlets include fish shops, bread stores, and the unofficial “mercado subterráneo” or the black market.¹⁸

The peso food market is supplied, primarily, through domestic production and direct food imports, such as rice and pulses. The dollar food market is

17. As used in this paper, the term “dollar food market” refers to the buying and selling in Cuba of food and beverage products, whether imported or produced domestically, for dollars and/or convertible pesos. On November 14, 2004 the Cuban government implemented a requirement that dollars must be exchanged for convertible pesos before use in retail stores authorized to recover foreign exchange. The impact of this policy change is not addressed in this paper; however, it is anticipated the “real” cost of dollar foods to the consumer will increase. A 10-percent fee was imposed by the Cuban government to exchange dollars for convertible pesos.

18. For detailed information on the internal markets, including price comparisons and an explanation of why consumers buy at dollar stores when the same product can be purchased for less at other markets, see Jose Alvarez, *Rationed Products and Something Else: Food Availability and Distribution in 2000 Cuba*, Cuba in Transition, Volume 11, Association for Study of the Cuban Economy, 305 (2001) and Armando Nova Gonzalez, *El Mercado Interno de los Alimentos*, Reflexiones Sobre Su Economía, Universidad de La Habana, 193 (2002).

supplied, largely, by importation of consumer-oriented food products and food products processed by mixed enterprises in Cuba using imported bulk and intermediate agricultural products.

Buying Food with Foreign Exchange

Of Cuba's official food markets, only the dollar stores (TRDs—tiendas de recuperacion de divisas, also referred to as tiendas en divisas and “la chopin”) trade in dollars. Retail stores selling food and beverage products for dollars are scattered throughout the country. No foreign investment in the stores has been permitted. In all of these retail stores, food products that have been imported or produced domestically are sold for dollars.

Cuban consumers obtain dollars to purchase food in the dollar market, largely, through remittances, tourism and foreign businesses. Remittances, funds sent to Cuban nationals by family members living abroad, are the primary source. While the flow of remittances to Cuba is less than to many other Latin American or Caribbean countries, the amount is growing. Data from the Inter-American Bank show more than a twenty-percent increase in 2002 from the year before. Dollars sent to family members by the one million Cubans residing in the United States, and the thousands living in other countries, totaled more than one billion dollars in 2002.¹⁹

In addition to remittances, Cubans providing services for tourists may receive tips in dollars. Cubans working for foreign businesses operating in Cuba sometimes receive bonuses in dollars. Some mixed enterprises supplement workers' income with dollars, either through negotiated arrangements with the Cuban government or through other means. Private enterprises, such as in-home restaurants and home room-rentals, also earn dollars for Cuban families.

In Havana there are approximately 300 dollar stores, and in the entire country roughly 1,000. Most of the dollar stores outside Havana are located in the tourist areas of Varadero (140 kilometers east of Havana) and Jardines del Rey (500 kilometers east of Havana), Norte de Camagüey, Norte de Holguín, Santiago de Cuba, Costa Sur and Archipiélago de los Canarraeos.

Companies servicing the dollar stores are government-owned, but operate as semi-autonomous private companies. The companies are incorporated and have the Sociedad Anónima (S.A.) designation. Generally, the companies control their own hard-currency revenues and can make purchases on their own account. Sociedad Anonima companies must remit a monthly payment to the government. The amount is negotiated between the government and the company directors.²⁰

19. Paolo Spadoni, *The Role of the United States in the Cuban Economy*, Cuba in Transition, Association for the Study of the Cuban Economy, Thirteenth Annual Meeting, (2003).

Names of the major dollar store chains and the government corporations owning them include: 1) Tiendas Panamericanas (CIMEX, S.A.), (2) Tiendas Universo (Cubanacán, S.A.), (3) Tiendas Caracol (Caracol S.A.), (4) Tiendas Meridiano (CUBALSE, S.A.), (5) Tiendas TRD Caribe (GAE S.A.), and (6) Tiendas Habaguanex (Habaguanex S.A.).

Prices of products sold in the dollar stores are normally higher than those offered in other internal food markets. The consumer may pay a price that is 200 percent or more above the imported price or the price in one of the internal food markets.²¹ Products similar to those available in the dollar stores may be found at lower prices in other internal markets. Dollar stores, reportedly, sell imported products at 240 percent of cost, and products of national origin at 170 percent.

Sources of Food for Foreign Consumers

Foreign consumers in Cuba consist of business entrepreneurs and tourists. Both groups have the option of buying food in the peso market, except not in ration stores, or in the dollar market. While the number of foreign business representatives visiting or living in Cuba is significant, it is the number of tourists that has the largest impact on the country's food needs for foreign consumers.

Annual growth in tourism in the 1990s was more than 15 percent, but in 2001 the number of tourists was only slightly more than the year before, approximately 1.8 million. A slow start for tourism in 2002 resulted in even fewer tourists, 1.7 million. In 2003 tourism rebounded to 1.9 million.

In the early 1990s, when tourists numbered some 300,000, only 12 percent of the products and services required for the tourist industry were provided through national production. Almost all food products needed for tourist hotels and restaurants were imported. All of the beer and bottled water served to tourists was imported. As a result of economic reforms in the mid-1990s, pursuit of a policy of import substitution, and international assistance to the food industry, the supply situation was reversed and Cuba now supports, according to a Cuban study, some 65 percent of the tourist hotel and restaurant needs through national production. One national brewery, a joint venture, supplies about 95 percent of the tourist market for beer and another joint venture supplies almost all of the bottled water.²²

20. Department of Foreign Affairs and International Trade. The Canadian Trade Commissioner Service, *Cuba: A Guide for Canadian Businesses*, (June 1999).

21. Armando Nova González, "El Mercado Interno de los Alimentos," in *Cuba--Reflexiones Sobre Su Economía*, La Habana, 194 (2002).

22. Miguel Alejandro Figueras Pérez, "El turismo internacional y la formación de clusters productivos en la economía cubana," in *Cuba--Reflexiones sobre su Economía*, La Habana, 111 (2002). Note. Cuban data on national supply may consider a food product manufactured with imported food ingredients, or a repackaged foreign product, as national origin.

Coping With Food Security

While food production in Cuba has not regained the level of the Pre-Special Period, it has rebounded from the depths of 1993 and 1994. The Cuban government has taken various measures to deal with the food gap. Re-instituting agricultural markets, where food produced beyond quota can be sold for market prices, has been one of the most successful policy changes in increasing the country's food supply. A program to developing gardens in urban areas has been important in increasing supplies of fresh produce. Forming UBPCs from State Farms, based on official yield data, has had limited success.

Permitting Cubans to hold dollars along with the expansion of stores designed to recover hard currencies has had a major impact on food security. This measure has been an important factor in the government's efforts to gain foreign exchange needed to import food.

Foreign financing, investment and technical assistance in food and agriculture have played an important role in increasing agricultural exports and the supply of processed foods and beverages for export and for domestic consumption. Research and development in the food industries, with substantial international assistance, before the Special Period was instrumental in attracting foreign capital for food manufacturing. There was little growth in food processing until the Food and Agriculture Organization of the United Nations and the governments of Sweden and the Netherlands provided financing for applied food research. Until a few years before the Special Period, most of the processed food consumed in the country and most of the primary material used by the existing national food manufacturing industry was imported.

Bilateral humanitarian assistance also has been important. As a result of the economic crisis, particularly in the earlier years of the Special Period, food availability decreased substantially. Drought in the eastern provinces of Las Tunas, Holguin, Granma, Santiago de Cuba and Guantanamo placed vulnerable population groups at risk of nutritional deficiencies. Hurricanes Isidore and Lili in 2003 and Michelle in 2004 added to the concerns of food security throughout the country.

Fortified foods containing micronutrients and vitamins have been provided to the people of the eastern region by the World Food Program. In addition, bilateral humanitarian assistance has been provided by several countries. The United States has been the largest donor of humanitarian assistance to Cuba. Donation of humanitarian goods to the people of Cuba was encouraged in the U.S. Cuban Democracy Act of 1992. Between 1992 and 2000, gift parcels and other humanitarian donations valued at more than \$4.3 billion had been sent to Cuba.

Food security in Cuba for the foreseeable future will depend on food produced by other countries. Cuba must import food to feed its population and to provide food for tourists. Since tourism has become the engine of economic growth for Cuba, it is apparent that increased amounts of food will need to be imported. Foreign exchange is needed to pay for the imported food, and that places pressure on selling food in Cuba for foreign currency. That pressure could place the population that does not have access to dollars, and/or other foreign currencies, at danger. Proteins and fat, generally higher in the dollar foods, are essential for maintaining an acceptable level of nutrition.

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