

Special session of parliament: Cuba's agriculture in free fall



Special session of the Cuban Parliament on May 25 at the Palacio de las Convenciones in Havana (Source: [Cubadebate](#)).

Cuba's National Assembly has met [for the first special session of the new legislature](#). The first topic on the agenda this morning was the state of the economy. Economy Minister Alejandro Gil delivered to the deputies a gloomy but realistic view of the of the Cuban economy after the end of the first quarter of 2023, which according to government plans should actually become the first better year after years of crisis. "Cuba Today" has an overview of the most important points:

- **Foreign trade:** The good news first: Cuba's export revenues are three percent above plan at \$728 million by the end of April. Tourism is also picking up, albeit slowly, but steadily. By the beginning of May, one million people had visited the island. An increase over the same period last year, but still only 51% compared to the same period in 2019, significantly lower than other destinations in the region. The main countries of origin are Canada and Russia. With the latter, a few days ago, a series of new economic agreements were made, which also affect tourism.
- **Inflation:** Between January and April, the price increase (excluding the informal sector) was 11.39 percent. Since last April, the inflation rate has increased by 45.4 percent. One focus of this year's budget is to reactivate industry, which has stalled since Covid, "while social programs are the top priority." But funding is severely limited. Gil warned against expanding subsidies, which would mean "a bigger budget deficit and subsequently more inflation." In addition, he said, there is already an unmet need for banknotes, which will be addressed by expanding digital payment channels. Transactions in the foreign exchange market introduced in August 2022, with a fixed rate of 110:1 to the U.S. dollar, remain at a low level, but have increased compared to the past. Foreign exchange sales (capped at \$100 per person per day

and with waiting lists) remain inadequate, he said. Probably this is also because parts of the foreign currencies skimmed off are invested directly in industry. In the informal market, the U.S. dollar is currently near its all-time high of 195 pesos, and the euro is at 200 pesos.

- **Agriculture:** "All major production sectors are systematically declining. In 2023, production is even lower than the previous year," Gil said. The biggest drops were in root and tuber vegetables, eggs, milk, rice and beans. Pork production virtually collapsed. "In 2017, almost 200,000 tons of pork were supplied to the industry, and in 2022, that number dropped to 8,100 tons," Gil elaborated. The reason, he said, was a lack of animal feed imports due to higher world prices for soybeans and cornmeal. However, the red pencil was far more drastic in fertilizer and animal feed than in other areas. Cuba imports about two billion dollars worth of food each year. Maintaining basic supplies through the state-run Libreta procurement system alone requires about \$1.5 to \$1.6 billion. Meanwhile, "practically everything in this area is done through imports," Gil said. He urged increased food production at the local level. A scientist involved in the latest 2020 agricultural reform, who wishes to remain anonymous, told "Cuba Today" he was pessimistic about implementation, saying the relevant body had not met for several months and that major changes to agricultural policy were off the table for now. "The root of the problem lies in the failure to make structural changes. We would need a completely new agricultural system, but that is not politically desired at the moment," the agricultural expert said. Several members of parliament took the floor on the subject, criticizing, among other things, the lack of fertilizers and implements, as well as the lack of contractual structures. A good 18 percent of the workforce in Cuba works in agriculture, and its share of the total domestic product is less than three percent.
- **Energy:** referring to the ongoing fuel crisis, as a result of which the dispensing of gasoline and diesel at gas stations has been rationed since mid-April, Gil explained that diesel consumption in particular has been out of control in recent months: "We should have consumed 87,000 tons and have reached 162,000 tons." Because diesel is also used for power generation, allocations to the transportation sector had to be curtailed accordingly. He did not name causes for the deviations from the plan. Currently, 40 percent of Cuba's electricity is generated by the large Soviet-designed heavy oil power plants. Twenty-five percent is provided by seven floating power ships operated by Turkish supplier Karadeniz, which have been under contract since 2019 and feed power into the grid through several ports. Most of the rest will be managed by smaller diesel generator units. The minister did not provide any information on the pressing question of when the situation in public transport and at filling stations will ease. The large "Antonio Guiteras" power plant in Matanzas is expected to be back on the grid soon after the end of maintenance and to supply its full 240 megawatts, which will save diesel and could contribute to a significant improvement in the fuel situation. Then, much is likely to depend on whether the "Guiteras" remains stable in the long term.
- **State-owned enterprises:** The removal of price caps and more autonomy increased the number of state-owned enterprises in the black to 84 percent. 285 enterprises continue to make losses, 126 fewer than last April. Some of these enterprises "should" continue to make losses because they produce strategic goods. Non-strategic operations with a "lack of innovation, strategic thinking and management flexibility" are being restructured. In preparation for the upcoming Enterprise Law

(Ley de Empresas), the state sector is currently being cataloged and divided into different areas that will in the future be placed under specially tailored forms of management (e.g., spun-off branch companies, of which there are only 159 so far) with varying degrees of autonomy. "The national electric utility, for example, is not the same as a locally producing company, which can have more autonomy and more decentralized prices," Gil explained. The average monthly wage in the state-owned enterprise sector is currently 4856 pesos, equivalent to about 38 euros according to the official exchange rate. 573 companies, about one-third, are now allowed to define their own wage scales and operate with greater autonomy.

- **Private sector:** One of the most dynamic developments in the Cuban economy is currently taking place in the private sector. Since the laws on small and medium-sized enterprises (SMEs) came into force in September 2021, 8012 SMEs with 212,400 employees have been created so far. Since December alone, around 2000 new economic actors have been added, while the number of employees has doubled. 105 SMEs are state-owned, while 65 are cooperatives. Access to foreign trade is also picking up speed: This year alone, SMEs and other private actors imported \$270 million worth of goods, while exports were \$4.8 million. "In recent years, we have seen imports from non-state actors increase month after month, exceeding 80 million in the last two months alone. At this rate, we will see private imports of more than \$1 billion during the year," Gil said. One problem, however, he said, is that most imports are limited to manufactured goods. In recent months, the first private supermarkets have sprung up in Havana and elsewhere, selling goods otherwise available only in foreign exchange stores and on the black market at similarly high prices. Gil cited profit margins of 500 percent as an example and called for these "distortions to be corrected."
- **Investments:** "Despite the difficult economic situation, the country will not give up on its development," explained Gil. Investments are currently flowing into pasta, beer, chocolate and detergent factories, as well as the recently completed deepening of Mariel Bay. According to the ONE statistics agency, 17.6 percent of investment in the first quarter of the year went to the manufacturing industry, roughly the same figure as last year. The share that benefited transportation and logistics rose from 15.9 to 20.8 percent, while funding for hotels and real estate fell from 32.3 to 23.3 percent. Agriculture remains one of the laggards with a 2.9 percent share. Overall, capital spending (not adjusted for inflation) increased by 41 percent compared with the same period last year, but measured against the rate of inflation there is unlikely to have been much growth.
- **Housing and transportation:** bad news in other important areas as well. Gil stated that there was "no progress in housing construction for the population." The transportation sector is expected to recover slowly on the basis of a closed financing system, but tangible effects would not materialize in the foreseeable future, the minister acknowledged. "We are looking for new sources of funding," Gil said.
- **Stabilization of the economy:** Gil announced the core elements of a new "macroeconomic coordination mechanism" aimed at eliminating the major distortions of the Cuban economy in the medium term: "Gradual reduction of the budget deficit, adjustment of foreign exchange balances, increase in national production, ordering of the monetary and budgetary spheres, stabilization of electricity and fuel supplies, and slowing of inflation."

- **Impact of the U.S. blockade:** In light of the ongoing U.S. blockade, Gil urged "creative resistance, the search for alternative and innovative solutions." Foreign Minister Bruno Rodríguez referred in a presentation to the impact of current restrictions such as the Toricelli Act and the Helms-Burton Act, under which foreign investors may also be affected by sanctions. After Donald Trump took office, he said, 240 new measures were added, including Cuba's renewed inclusion on the "terror supporter list" in January 2021, making the island a pariah state in financial markets. According to recent calculations by the Cuban Foreign Ministry, accumulated damages as a result of U.S. sanctions now total \$154 billion. ([Cubaheute](#))