USUFRUCT FARMING IN CUBA: RECENT DEVELOPMENTS AND FUTURE PROSPECTS

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Since 2007, the Cuban government has implemented a series of transformations to "update" Cuba's socialist economic model. According to Mesa-Lago (2014), the economic reforms implemented by Raúl Castro since 2007 are classified into three categories: (1) administrative measures; (2) gradual reforms to transform selected sectors of the economy; and (3) structural reforms. The first category (i.e., administrative reforms) includes policy measures designed to improve the efficiency of the State administrative apparatus and reduce State expenditures. The most significant among these include the merger of several ministries with overlapping functions and responsibilities (e.g., the combination of the Ministry of Agriculture (MINAGRI) and the Ministry of the Food Industry (MINAL) in 2011), measures to decentralize the functions of the Central Administration of the State, and public campaigns to combat corruption and "misappropriation" of State resources.

The second category of reforms introduced by Castro since 2007 include gradual measures to transform and improve efficiency in selected sectors of the economy, without radically altering the structure of the economic system (Mesa-Lago, 2014). The most significant include: the elimination of legal restrictions that prohibited Cuban citizens from staying in hotels and resorts, payment by the State of arrears to agricultural producers, the authorization of the sale of appliances and other consumer goods to the population, the legalization of private transportation services (i.e., private taxis, trucks, and horse-drawn carriages), wage increases in the State sector, increases in pensions and payments to disabled persons, the reduction of State subsidies, and elimination from the rationing system established in 1961 of some consumer staples that were previously available (for sale to the population at subsidized prices) through such system.

The third category of economic reforms introduced by Castro since 2007 can be classified as structural reforms (Mesa-Lago, 2014). These economic reforms represent a break with the classical socialist model, and have contributed to the expansion of Cuba's emerging non-State sector (Mesa-Lago, 2014; 2016). The most notable reforms in this category include policy measures with more profound socio-economic effects such as transfers of idle, State-owned agricultural land in usufruct to cooperatives and individual usufruct farmers, the legalization of more than 200 forms of self-employment, and the (limited) expansion of property rights through the legalization of sales and purchases of cars and homes.

The expansion of self-employment and the reduction of inflated payrolls in the State sector constitutes one of the most significant structural reforms implemented by the Cuban government in recent years. This process began in 2010 when the Cuban government announced significant reductions in State sector employment. The initial plan called for the dismissal of an estimated 500,000 State workers between October 2010 and March 2011. An additional 1,000,000 State workers would be dismissed by December 2011, and close to 1,800,000 would be dismissed by the end of 2015 (Mesa-Lago, 2016). State workers who were dismissed from their posts would be absorbed by the growing non-State sector and the vast majority would seek alternative employment on their own by joining the ranks of the emerging non-State sector (Mesa-Lago, 2016).

Another fundamental structural reform has been the transfer (in usufruct[1]) of idle State-owned agricultural lands to individual farmers and cooperatives after the approval of Decree-Law 259 in 2008 and Decree-Law 300 in 2012. The approval of Decree-Law 300 in 2012, in particular, contributed to the expansion of usufruct farming and to the redistribution of land from the State to the emerging Non-State sector. Combined with other agricultural reforms, this measure marked the transition towards a new agricultural model in which non-State economic actors (e.g., independent farmers, agricultural cooperatives, and usufruct farmers) have emerged as key players in Cuban agriculture, despite facing a long list of institutional, economic, and operational constraints.

Cuba's economic reform process accelerated with the approval of the "Guidelines for the Economic and Social Policies of the Party and the Revolution" (*Lineamientos de la Política Económica y Social del Partido y la Revolución*) during the Sixth Congress of the Communist Party of Cuba (PCC) in April 2011. Following the Sixth Party Congress, the number of self-employment activities was expanded from 181 to 201. The Guidelines introduced new policy measures to regulate the non-State sector, define relations between the State and the non-State, and outline new allowed property forms. The Seventh Congress of the CCP, where two documents of great importance for the Cuban economy and the process of "updating" the economic model were unveiled, was held in April 2016. The first document describes the conceptualization of the Cuban economic model, and the second document contains the economic development plan until 2030.

The "economic conceptualization" document establishes and defines property relations in the Cuban economy, and recognizes the coexistence of various property forms, such as cooperatives and private property. It also recognizes their complementary roles in the economy vis-à-vis the State. The "economic conceptualization" document indicates that, despite the official recognition of other complementary forms of ownership, State ownership will continue to play a fundamental role in the Cuban economy, and the State will focus on management and regulation of the economy.

The "economic conceptualization" document also specifies the forms of private property (or ownership of the means of production) that will be permitted in the Cuban economy. These include: small businesses operated by self-employed persons (registered as natural persons); cooperatives, including urban cooperatives (known in Cuba as non-agricultural cooperatives); usufruct farmers; and small-scale private farmers. Although the official recognition of self-employed workers, privately-owned micro-enterprises, urban cooperatives, and usufruct farmers has undoubtedly contributed to the expansion of the emerging non-State sector, State prohibitions against the concentration of property and wealth still remain in effect.

This paper explores recent developments and future prospects for Cuba's usufruct farmers in the context of the country's efforts to "update" its economic model. The paper is divided into two sections. The first section presents a brief overview of Cuba's principal agricultural reforms from 2007 to the present. The second section examines the evolution of usufruct farming in Cuba, particularly after the approval of Decree-Law 300 in 2013, and its principal challenges and future prospects.

AGRICULTURAL REFORMS SINCE 2007

As part of its efforts to "update" its economic model, incentivize agricultural output and reduce its dependency on agricultural and food exports, Cuba has implemented a series of economic reforms since 2007. The most significant include: increases in the prices

1. Usufruct farming represents a form or non-State property under which the State retains ownership of agricultural land, which is leased to individual farmers for a set period of time. Farmers are required to sell an agreed portion of their output to the State at fixed prices, and can sell any excess production in the agricultural markets.

paid by the State for selected agricultural products, transfers of idle State land to non-State producers (e.g., cooperatives and individual farmers) in usufruct, gradual decentralization in the commercialization of selected agricultural products, and the provision of micro-loans by State-owned banks to non-State agricultural producers (Nova González & González-Corzo, 2015).

Beginning in 2007, the State increased the prices paid by *Acopio* to producers of selected agricultural products such as rice, potatoes, milk, and meat. These price increases have resulted in increased deliveries to *Acopio*, and improvements in the distribution of agricultural products to the State-operated retail store network, which offers essential food products at subsidized prices (Nova González, 2010). The approval of Resolutions 237, 238, and 239 of the Ministry of Finance and Prices in 2015 increased the prices paid by *Acopio* for a selected group of "fundamental" agricultural products in an effort to incentivize production, improve quality, reduce retail and wholesale prices, and eventually diminish Cuba's dependency on imported food products (*Gaceta Oficial de Cuba*, *No. 18*, 2015).

The gradual decentralization in the commercialization of selected agricultural products has been another important agricultural reform implemented since 2007. Agreement 6853 (2010) of the Council of Ministers was one of the most important policy measures to facilitate the limited decentralization of the commercialization of a selected group of agricultural products (*Gaceta Oficial de Cuba, No. 34*, 2010; González-Corzo, 2013). This measure authorizes the sale of agricultural products in roadside kiosks (or "points of sale") operated by agricultural cooperatives or State enterprises. Producers or their representatives are allowed to sell their excess output at these kiosks after their contractual quotas to the State have been delivered (*Gaceta Oficial de Cuba, No. 34*, 2010; González-Corzo, 2013). They are required to pay a 5% sales tax to the State based on gross sales, and self-employed workers employed in these kiosks are required to contribute a percentage of their gross income to the national social security system (*Gaceta Oficial de Cuba, No. 34*, 2010; González-Corzo, 2013).

Resolutions 90 of the Central Bank of Cuba, Resolution 122 of the Ministry of Agriculture, and Resolution 369 of the Ministry of Tourism, approved in 2011, are also part of the legal framework to gradually decentralize the commercialization of selected agricultural products in Cuba (*Gaceta Oficial de Cuba*, *No. 38*, 2011). These resolutions authorize the direct sale of selected agricultural products to State tourism enterprises. They also allow non-State producers to sell a portion of their output directly to such enterprises. Resolution 90 (2011) of the Central Bank of Cuba created a new entity, FINTOUR, S.A., which offers credit financing to tourism enterprises engaged in direct commercial agreements with participating agricultural producers (González-Corzo, 2013; Nova Gonzalez & González-Corzo, 2015).

The approval of Decree-Law 289 of the Central Bank of Cuba and Resolution 99 of the Central Bank of Cuba in 2011 authorized micro-credits by State banks to non-State agricultural producers (*Gaceta Oficial de Cuba*, *No.40*, 2011). Decree-Law 289 eliminated the ceiling of 3,000 Cuban pesos (CUP) on bank loans to natural persons, as well as the 100 convertible peso (CUC) limits on payments by State-Owned Enterprises (SOEs) to self-employed workers, who provided goods and services to SOEs, on a contractual basis (González-Corzo, 2013). Resolution 99 authorized the extension of bank-based credit financing up to 500 CUP to non-State agricultural producers (e.g. cooperatives and private farmers). Non-State agricultural producers can obtain credit financing to purchase and repair equipment, procure inventory, and obtain other essential inputs, including the costs of replanting and reconditioning previously planted fields (González-Corzo, 2013).

So far, the most important agricultural reform implemented in Cuba has been the transfer of idle State-owned land (in usufruct) to non-State producers, after the approval of Decree-Law 259 in July 2008 and Decree-Law 300 in October 2012. Decree-Law 259 extended the duration of transfers to natural persons (ten years, renewable leases, regardless of the type of crop harvested), and allowed the transfers of land to legal entities such as cooperatives. Decree-Law 300 (2012) expanded the transfer of idle State-owned lands to non-State producers (e.g., cooperatives and private farmers) in usufruct to 67.1 hectares (ha). It also allowed usufruct farmers to become affiliated with cooperatives other than the Credit and Services Cooperatives (CCS). Usufruct farmers are also permitted to use alternative channels to procure essential inputs and distribute their output, once delivery quotas with the State have been fulfilled.

According to Decree-Law 300 (2012), usufruct farmers can build permanent structures (e.g., stables, storage facilities, and residential structures, among others) on the land granted in usufruct by the State, and establishes that usufruct farmers can be compensated for these investments upon the termination of their contacts (Nova González, 2013; 2015). In the case of death of the usufruct farmer, Decree-Law 300 (2012) indicates that relatives authorized to work on the land (granted by the State in usufruct) can inherit the usufruct contract and any structures built on the land (Nova González, 2013; 2015; Mesa-Lago, 2016)

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While the origins of usufruct farming date back to 1995, as Cuba was experiencing the economic hardships of the Special Period, this form of non-State agricultural property gained momentum after the approval of Decree-Law 259 in 2008 and Decree-Law 300 in 2012. Usufruct farming is a form of non-State property under which the State retains ownership of the land, while usufruct farmers have the right to use it for productive purposes (for limited amounts of time established by renewable usufruct contracts). Usufruct farmers are required to sell a portion of their output to the State at fixed prices, and may sell the surplus in agricultural markets after their "obligations" with the State are met. At the present time, the State grants land usufruct rights for a period of 10 years in the case of natural persons and 25 years in the case of legal entities (i.e., enterprises) (Nova González, 2015).

As Mesa-Lago (2016) indicates, the number of usufruct farmers increased 3.8%, from 300,810 in 2012 to 312,296 in 2014. The expansion of usufruct farming since 2007 has been accompanied with changes in the distribution of agricultural land. At the onset of Cuba's most recent agrarian reforms in 2007, an estimated 18.3% of agricultural land was held by the Credit and Services Cooperatives (CCS), which are the most autonomous agricultural cooperatives in Cuba, and by private farmers (a category that includes both independent farmers and usufruct farmers) (Mesa-Lago, 2016). By the end of 2015, the CCS and the private producers had 35.5% of the country's agricultural area (Mesa-Lago, 2016). The expansion of usufruct farming since the approval of Decree-Law 259 in 2007 and of Decree-Law 300 in 2012 has contributed to the reduction of idle (or fallow) land. In 2007, 18.6% of Cuba's agricultural land was idle (or fallow); this figure was reduced to 15.3% at the end of 2014 (Mesa-Lago, 2016; Nova González & González-Corzo, 2015).

Compared to the Special Period, the rules and regulations governing usufruct farming in Cuba have evolved since the agricultural reforms introduced in 2007, particularly after the approval of Decree-Law 300 in 2012. The latter statute extended the legally-permissible size of plots granted to usufruct farmers from 13.4 ha, as stipulated in Decree-Law 259 (2008), to 67.1 ha, provided that usufruct farmers are associated with a cooperative or a State-owned agricultural enterprise. Under the provisions of Decree-Law 300 (2012), usufruct farmers are permitted to build homes and other permanent or semi-permanent structures (e.g., barns, feeding stations, irrigation systems, stables, storage facilities, etc.) in the land granted in usufruct (Nova González, 2015; Nova González & González-Corzo, 2015). Decree-Law 300 (2012) also stipulated that if usufruct contracts are not renewed (by the State), the State will compensate usufruct farmers for the assessed value of their investment.

To attract potential usufruct farmers, the State granted several benefits and tax preferences in 2015 (Mesa-Lago, 2016). Farmers who cleared their lands from *marabú* were given a two-year grace period to begin their tax payments to the State. Usufruct farmers were also exempted from the 5% sales tax in the provinces of Artemisa, Havana, and Mayabeque, and the approval of Decree-Law 113 in 2012 suspended the tax levied on cultivated lands granted in usufruct (Mesa-Lago, 2016). To provide credit financing, starting in 2011, the State began to offer micro-loans to qualified usufruct farmers; these loans are offered at a preferential interest rate for a period of 2 years. After the approval of Decree Law 318 in 2013, the State reformed its agricultural procurement system (*Acopio*), and decentralized the commercialization of selected agricultural products in Artemisa, Havana, and Mayabeque provinces.

While these policy measures have resulted in some (limited) benefits, Cuba's usufruct farmers face a wide range institutional, economic, and structural limitations and challenges that limit their potential economic contributions (in terms of output and employment) and opportunities for growth (Mesa-Lago, 2015; Spadoni, 2014).

- Usufruct contracts are granted for relatively-short periods of time (10 years for natural persons and 25 years for legal entities). They can be terminated at any time by the State for reasons such as non-compliance, hiring unauthorized labor, illicit leasing or sale of the land, or failure to meet "social welfare" requirements.
- Usufruct farmers are only permitted to hire seasonal workers, who are limited to members of cooperatives or self-employed workers, or family members (Mesa-Lago, 2016; Spadoni, 2014).
- There are limitations in the size and area of the buildings and other permanent or semi-permanent structures that usufruct farmers are allowed to build in relation to the size of the plots.
- The prices paid by the State for the output delivered by usufruct farmers is set at levels below market prices; usufruct farmers face cumbersome procedures and excessive bureaucracy; and there are prohibitions on the sale of products such as beef, some dairy by-products, coffee, cocoa and honey (Mesa-Lago, 2016;Nova González, 2015).

Like other non-State agricultural producers in Cuba, usufruct farmers also have to contend with the country's deteriorated physical infrastructure, limited sources of financing, and the absence of foreign capital. They are also confronted with strict (State-imposed) limitations on property rights and the accumulation of wealth (inherent in existing usufruct contracts), the lack of international competitiveness, and the inexistence of direct linkages with global agricultural supply chains.

Given the excessively restrictive, and economically-contradictory nature of usufruct farming in Cuba, and the wide range of challenges and limitations that it presently faces, its long-term prospects remain highly questionable, particularly after the transition (gradual or not) to a market-oriented agricultural model.

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