

WHO ARE CUBA'S INDEPENDENT FARMERS?

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On January 16, 2015, the U.S. government published amended rules to the U.S. Treasury Department's Office of Foreign Assets Control (OFAC) Cuban Assets Control Regulations which read as follows:

Persons subject to U.S. jurisdiction are authorized to engage in all transactions, including payments, necessary to import [into the United States] certain goods and services produced by independent Cuban entrepreneurs as determined by the State Department as set forth on the State Department's Section 515.582 List (Federal Register, p. 2301).

Subsequently, the U.S. State Department published a document that states:

Cuba's nascent private sector includes self-employed individuals, private small businesses, and private cooperatives that are independent of Cuba's state sector. Those importing goods or services authorized by § 515.582 must obtain documentary evidence that demonstrates the entrepreneur's independent status, such as a copy of a license to be self-employed issued by the Cuban government or, in the case of an entity, evidence that demonstrates that the entrepreneur is a private entity that is not owned or controlled in whole or in part by the Cuban government (U.S. Department of State, p. 2).

Under these new regulations, in January of 2017, Cuba exported its first shipment of goods to the United States in over 50 years, a shipment of charcoal made from the pernicious weed *marabú* (botanical name *Dichrostachys cinerea*, also known as sickle bush) which has taken over many thousands of acres

of idle land in Cuba¹. The *marabú* was harvested and processed into charcoal by Cuban cooperatives. Cuban coffee produced by cooperatives also has been exported to the United States under these regulations. But Cuba has a number of different forms of agricultural cooperatives, and questions arise regarding what constitutes "independence" from the state sector for these agricultural producers in the Cuban context?

The structure of Cuba's agricultural production systems is clearly very different than farming in the United States, so direct comparisons are difficult. Nevertheless, this article proposes that an examination of some of the structural characteristics of farming systems and practices in the United States and Cuba can be helpful in addressing the issue of independence from the state sector in Cuba.

U.S. FARMERS AND INDEPENDENCE

U.S. government agricultural policies establish the framework within which U.S. agriculture operates in a number of important ways, including regulations, commodity programs, etc. Nevertheless, it is generally agreed that U.S. farmers are independent of U.S. government control. This raises the issue of what criteria might be used to measure the "independence" of U.S. producers? Some of the characteristics that might be considered as determinants of this independence could include land ownership, the ability/freedom to grow whatever crops or produce any products that they want, and the ability to sell to whatever market they choose. Yet a careful examination of the

1. Much of this land had been taken out of sugarcane production following the loss of sugar subsidies after the dissolution of the former Soviet Union.

structure and function of U.S. agriculture yields some rather surprising results with respect to these characteristics.

Land Ownership

Clearly land ownership is not the key factor in determining the independence of U.S. farmers because USDA reports that, in 2014, 39% of the 911 million acres of farmland in the continental United States was rented or leased (Bigelow et al. 2016). Such arrangements take many forms, including short term rentals, long term leases and even “crop-share” or share contract arrangements under which the land owners agree to accept a share or percentage of the crop produced on their land as compensation for its use².

Even the U.S. government is involved in leasing federal land for agricultural purposes; the U.S. Bureau of Land Management (BLM, part of the U.S. Department of the Interior) manages nearly 18,000 leases for approximately 155 million acres of land owned by the federal government for agricultural use, mostly in 16 western states³. These leases stipulate that they are for grazing of livestock (mostly cattle and sheep), with the lease rates determined by the U.S. government on an annual basis. Similarly, the U.S. Forest Service (part of United States Department of Agriculture, USDA) administers about 6,500 grazing permits (Bureau of Land Management 2016).

Freedom to Produce Any Crops or Products

U.S. farmers who own their land have considerable flexibility in terms of what to produce on their farms. However, the situation may be different for those who rent or lease land. This is particularly true in the case of some crop-share leases or share contracts, where the crops to be grown may be specified by the land owner in the contractual agreement. Also, BLM leases include terms and conditions that specify what the land can be used for. Even though these farmers

and ranchers may not have complete control over the decisions on what they produce on the rented/leased land, they are still considered independent producers/farmers/growers.

Ability to Sell in Any Market

Some U.S. farmers are locked into the markets where they have to sell their output based on the terms of their rental or lease agreements, their crop-share contracts, or by membership in a marketing cooperative. So freedom to sell in any market is not a factor that specifically identifies farmers in the United States as being independent.

FARMING IN THE CUBAN CONTEXT

Cuba currently has six basic organizational forms of agricultural production:

- Individual farmers who hold title to their land and farm on their own, without any affiliation with other farms or cooperatives.
- Cooperatives of Credit and Services (*Cooperativas de Créditos y Servicios*, CCSs), where individual farmers who hold title to their land voluntarily join with other individual farmers in a cooperative to obtain inputs and/or plan their production, share their equipment, market their output, receive technical assistance, etc.
- Agricultural Production Cooperatives (*Cooperativas de Producción Agropecuaria*, CPAs), initially formed in the 1970s and 1980s by individual farmers who pooled their land to work it collectively. Over time, these individual land title holders sold their land to the cooperative, so the CPA now holds title to the land and the other means of production. The former land title holders are members of the cooperative, along with their descendants and others who are admitted to the group, and they collectively manage the farming operation.
- Basic Units of Cooperative Production (*Unidades Básicas de Producción Cooperativa*,

2. Not unlike the old share-cropping arrangements that came into wide use in the southern United States following the Civil War, except that share-contracts today typically include features and provisions to help protect the interests of both land owners and tenant farmers.

3. The states are Arizona, California, Colorado, Idaho, Kansas, Montana, Nebraska, Nevada, New Mexico, North Dakota, Oklahoma, Oregon, South Dakota, Utah, Washington, and Wyoming.

UBPCs), which were formed beginning in 1993 as the Cuban government started to break up its huge state farms. The state still holds the land title although each UBPC purchased equipment from the state. The former state farm workers are the cooperative members.

- “*Usufructuarios*” are a relatively new category of farmers, where the Cuban government authorizes individuals to farm specific plots of idle land in usufruct, rent-free, for specific periods of time. Most, but not all of these farmers are linked to or affiliated with one of the cooperative types listed above. But in all cases the state maintains title to the land.
- State farms, where the state holds the land title and manages the farm.

Because the Cuban government manages the state farms, they clearly cannot be considered independent. But what about the other farms?

Land Ownership

Land ownership is clear for Cuban farmers with distinct land titles, whether they farm individually or participate in a CCS. CPA members do not hold title to their land individually, but the CPA itself has title to the land they farm, and CPAs are recognized legal entities in Cuba. Thus, Cuban CPAs can be considered to be very similar, in terms of land ownership, to U.S. farmers who hold title to their land within a corporate structure, or to a farm business partnership. However, Cuban individual farmers, CCSs and CPAs are different from U.S. farmers, farm corporations or partnerships who own their land in that they do not pay property taxes on their land as do U.S. landowners.

UBPCs and *usufructuarios* do not own their land but, since they use government-owned land, they essentially are similar to U.S. farmers/ranchers who rent or lease land from the U.S. BLM or the U.S. Forest Service. But neither of these farming entities make lease payments to the Cuban government so how do these essentially tenant farmers compensate the Cuban government for the use of the land?

All farms in Cuba have a production quota that they are obligated to produce and sell to the Cuban government’s food collection agency, *Acopio*. The Cu-

ban government specifies what crops or products will be included in the quota for each farm, the quota volumes of each crop or product for each farm, and the prices that they will pay the farmer. Farmers have some (limited) input into these decisions presently. Food supplies gathered by *Acopio* are distributed to the Cuban people in special ration stores at extremely low, subsidized prices, or sold in state agricultural markets.

At first blush, these quotas would appear to be a significant level of control over the farms by the Cuban government. However, as discussed previously, individual farmers, CCSs and CPAs do not pay taxes on their land, so these quotas can be considered as a form of land tax that these farmers and cooperatives pay to the Cuban government.

Similarly, the quotas for UBPCs and *usufructuarios* can be considered as an implicit form of rent or lease payment to the government for the use of the land in the same sense that, under crop-share contracts, U.S. tenant farmers pledge a portion of their output to compensate the land owner for use of their land. Or the quota can be considered as a payment to the Cuban government for the use of the land as in the case of U.S. ranchers paying the U.S. government for use of federal lands for grazing.

Finally, Cuban farms and cooperatives that meet their quotas receive subsidized inputs. Granted, access to inputs is limited, but these subsidized inputs could be considered as a form of partial payment by the Cuban government for the quotas that farmers have to sell to *Acopio*, or simply be a quid pro quo for the *Acopio* contract.

Freedom to Produce Any Crops or Products and Ability to Sell in Any Markets

While the quota itself would seem to be constraining farmers and cooperatives from making production decisions, there is some latitude in the Cuban system to make production decisions for sales of “surplus” commodities. These surpluses come from two sources:

1. Over-quota production volumes—if farmers and cooperatives produce more than their quota of a particular crop or commodity, *Acopio* will pay them a premium for over-quota production;

Table 1. Comparison between Cuban Individual Farmers, CCSs and CPAs and U.S. farmers who own their land

Cuba (individual farmers, CCSs, CPAs)	U.S. farmers who own their land
Hold land title.	Hold land title.
Pay no tax on land.	Pay taxes on land.
Government determines quota by crop, and the price it will pay. (<i>Acopio</i> quota can be considered as a form of a land tax.)	Government determines tax rate that land owners pay on their land.
Receive subsidized inputs.	Do not receive subsidized inputs.
Can produce any crops on self-provisioning plots.	Can produce any crops or products on the farm.
Can sell "surplus" production in any market they choose.	Can sell output in any market.

Table 2. Comparison between Cuban UBPCs and *Usufructuarios* and U.S. farmers who rent or lease their land

Cuba (UBPCs and <i>usufructuarios</i>)	U.S. farmers who rent, lease or crop-share
No land title.	No land title.
Pay no rental or lease payment.	Pay rent/lease payment, or provide share of the crop to land owner.
Government determines quota by crop, and the price it will pay. (<i>Acopio</i> quota can be considered as a form of land rental or lease payment, or crop-share payment.)	Government determines tax rate land owners pay, which is embedded in rental or lease rate or crop-share contract.
Receive subsidized inputs.	On federal leases, the U.S. government sets lease rate.
Can produce whatever they want on self-provisioning plots.	Inputs may be provided as part of rental, lease, or share contract.
Can sell "surplus" production in any market they choose.	May or may not be able to choose crops or products to produce.
	Most can sell in any market.

or the farmers are free to sell these products (except for milk and by-products, beef, and a few other selected commodities) in a range of different local or urban agricultural markets. Farmers and cooperatives monitor prices closely in the various markets so they can decide whether they can sell their over-quota volumes in the markets for more than the premium that *Acopio* is willing to pay (after considering the cost of transporting the goods to the market and the cost of selling them). In some instances, for certain commodities (e.g., bananas and plantains), *Acopio* premiums and prices in the agricultural markets may be so low that there is little or no incentive for farmers to produce over their quota; so in this case the goal for farms and cooperatives is to just meet their quota for these products, and allocate resources and efforts to production of other crops that will sell for higher prices.

2. Production from self-provisioning plots—all farms are permitted to dedicate a portion of their

land to production of whatever crops they choose, for the consumption of the farm cooperative members and their families. Farmers invariably produce more on these plots than they need to feed their families, and they are free to sell these extra products in agricultural markets.

Table 1 summarizes the comparisons between Cuban individual farmers, CCSs and CPAs, and U.S. farmers who own their land. While governmental agencies in the United States are less pervasive in the system than the Cuban government, they do have a direct influence by determining tax rates on land as well as other relevant policies and programs. Conversely, Cuban growers do not pay taxes on their land, but instead provide quotas of crops to the Cuban government at government-established volumes and prices.

Table 2 summarizes the comparisons between Cuban UBPCs and *usufructuarios*, and U.S. farmers who rent or lease land, or who enter into crop-share contracts. In both the Cuban and U.S. cases the farmers

do not have land title. U.S. farmers indirectly pay government-established land taxes, as they are implicitly included in the land owners' rental, lease or crop-share contract rates. Cuban growers do not make rental or lease payments to the Cuban government for the use of the land so they don't pay implicit land taxes. Instead, they provide quotas of crops to the Cuban government at government-established volumes and prices, which is similar to the case of U.S. farmers using crop-share contracts.

CONCLUSION

Cuba's agricultural production system is by no means a free market system, and bureaucratic controls and limited access to inputs make the system relatively inefficient in terms of production and

yields. Nevertheless, some incentives are available to Cuban farmers through the ability to sell "surplus" production in whatever markets they choose. Moreover, this analysis suggests that Cuban individual farmers and farming cooperatives share more similarities with U.S. farmers than might be expected.

The author is not an attorney so this article should not be construed to represent a legal argument or position. Rather, it is an assessment based on economic and policy considerations. But it certainly suggests that if one considers the *Acopio* quotas as a form of land tax, or rent, lease, or crop-share payment to the Cuban government, there is a strong case to be made for all of the farm types, except for state farms, to be considered "independent" in the Cuban context.

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