



“Agricultural Global Value Chains: Implications for Cuba”.

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June 1, 2015



The Global Economic Model and the insertion in the Global Value Chains.

Answering two questions:

1) Which are the main features of the Global Economic Model?

We will point out three features.

2) What do they mean to the insertion of the Cuban economy in the international economy?





The Global Economic Model and the impact of Global Value Chains (GVC)



- 1) The GVC is the underlying socio-economic structure (production + generation and distribution of value) of the Global Economic Model.
- The global chain of production and services (GCPS) is the competitive form of organization of the production and circulation processes in the GVC.
- That implies the production, the international trade and the international finances become functions of the GVC.
- The viability of any competitive strategy that could be assumed by the country substantially depends on the coherence with the structures and dynamics of international trade and international financial markets.
- Both issues, at the present are functional processes of the GCPS and of the GVC.



- **II)** The referred issues about the value creation process and its distribution, in the context of the Global Economic Model, cannot only be explained based on the GCPS.
- The notion that the grade of elaboration of a product or service determines, for itself, the distribution of the revenues generated in the GVC, is very insufficient.

This means that external insertion strategies should be flexible and comprehensive.

These strategies should assure the largest possible external revenues to the country, taking advantage of all the domestic competitive potentialities.

External insertion strategies should be fundamental components or elements of the national development strategy.

The Global Economic Model and the insertion in the Global Value Chains.

III) The governance of the GVC is particularly restrictive about the possibilities of any firm, included or excluded in the chain, to directly access their target (final) markets. The GVC has many protection mechanisms that obstruct the access to the links of the chain where larger revenues could be captured.



As a result, the control of relatively high-level technologies alone, doesn't assure the required access to the markets; neither a dynamics of external revenues in a long-run.

Private Agro-food Standards: Supply Chains and the Governance of Standards

- **Buyer-driven chains:** have emerged in various sectors of the agro- food industry.
- Exporters and wholesalers play a key intermediation role in the collection of the output produced by small, medium, and large producers.
- Producers' purchasing decisions are highly-centralized by supermarkets. This type of supply chains can be found in products such as fresh fruits, vegetables, and other fresh produce.

General types of agro-industrial Global Value Chains (GVCs):

- **Bilateral oligopolies:** These are characterized by the presence of large producers and retailers in value chains that are closely controlled and coordinated by firms or hegemonic brands.
- This type of supply chain allows members to benefit from highly-complex private and public standards systems. Competition is based on security and product quality by brands that enjoy a competitive advantage by protecting consumers against risk(s).
- The leading firms in these type of supply chains are very powerful (or influential) and have the resources required to establish and enforce private and collective product quality standards. In general, these standards are applied to “high-risk products,” such as livestock.
- This type of supply chain are the principal type of organization and regulatory framework for products for which consumers are willing to pay a premium – due to product differentiation in terms of quality (e.g., organic products, non-GMO products, Fair Trade products, etc.)

General types of agro-industrial Global Value Chains (GVCs):

- **Producer-driven chains:** This type of supply chain is common in agro-industrial sectors in which food manufacturers play a leading role in the organization of the supply chain and exert a great deal of control over market access.
- This type of value chain can be found in products such as: coffee, cocoa, basic ingredients for a wide range of processed food products, processed tomatoes, fruit and vegetable juices, etc.
- Food manufacturers are also able to extend their control over agricultural producers, allowing them to directly influence the production process to control quality control, etc.
- This type of value chain also controls international trade in processed food products and the main outlet for their final distribution: supermarkets.

General types of agro-industrial Global Value Chains (GVCs):

- The classifications of Global Value Chains (GVCs) discussed earlier do not include all the organization forms in the global agro-industry.
- There are also different value chains under the umbrella of multinational corporations (MNCs) that operate in different markets, but interact on a regular basis.
- It is important to highlight:
 - a) No single supply (or value) chain has total control of a given product or category of agricultural product(s).
 - b) The presence of producers that are not embedded in the GVCs is found in all categories of agricultural products; however, the presence of such producers in global markets (for final products) is very limited.



Las 10 compañías de semillas más grandes del mundo, 2011

Rango	Compañía	Venta de semillas, 2011 (mdd)	Porcentaje del mercado
1.	Monsanto	8,953	26.0
2.	DuPont Pioneer (EUA)	6,261	18.2
3.	Syngenta (Suiza)	3,185	9.2
4.	Vilmorin (Francia) (Groupe Limagrain)	1,670	4.8
5.	WinField (EUA) (Land O Lakes)	1,346 (est.)	3.9
6.	KWS (Alemania)	1,226	3.6
7.	Bayer Cropscience (Alemania)	1,140	3.3
8.	Dow AgroSciences (EUA)	1,074	3.1
9.	Sakata (Japón)	548	1.6
10.	Takii & Company (Japón)	548	1.6
Total de las diez		25,951	75.3

Fuente: ETC Group, Phillips McDougall

The Cuban economy's potential for external (or international) insertion

- In this competitive-regulatory context, we would like to point out the potential of the Cuban economy for external (or international) insertion.
- It is important to note that Cuba's agro-industry already has experience in terms of its external supply chain insertion , such as the case of ***Altadis S.A.*** - which is a subsidiary of ***Imperial Tobacco*** , which classifies as a “bilateral oligopoly.”



Cuban Premium Cigars (Tobacco), the most important type of World-famous Cuban cigars, due to their superior quality, often command premium prices.



The joint venture Internacional Cubana de Tabaco (ICT), S.A. specializes in the machine-manufactured tobacco for export markets. The foreign partners are: ITI (currently a subsidiary of Imperial Tobacco, S.A.). On the Cuban side, the partners include the Cuban merchant association TABAGEST, S.A., which is part of Grupo Empresarial TABACUBA

Role of the agricultural sector in Cuba's integration into the global economy and its future economic structures (CIEI-UH and University of Florida, 1998)

- 1. Citrus and citrus industry.
Buyer-driven chains.
Producer-driven chains.
- 2. Vegetables and tropical fruits.
 - **Buyer-driven chains.**
 - **Producer-driven chains.**
- 3. Commercial fishing industry and seafood industry.
 - **Producer-driven chains**
- 4. Sugar cane industry.
Buyer-driven chains.
Producer-driven chains.
Bilateral oligopolies.

The potential of the Cuban agro-industry for external (or international) insertion

- 5. High value-added input.
 - Examples: In-vitro crops, biotechnological products.
- 6. High value-added services.
 - Examples: Biological control of plagues, and diseases, soil management.



- At the present time, Cuba's external insertion strategy is centered on exporting to the overall international (global) market, rather than to specific Global Value Chains (GVCs).
- Preference is given to exports classified as final products and services, even though many of them are intermediate goods and services, and to the Foreign Direct Investment (FDI) that supports (or ensures) these types of exports.

Conclusions:

- The viability of the external insertion of Cuba's agro-industry requires the implementation of a strategy that takes into account the competitive possibilities of this sector AND the so-called **"Private Agro-food Governance of Standards"**.
- Such strategy, at the same time, should be coherent with the country's overall development strategy.
- This represents an enormous challenge for Cuban academics at the present time.