

The Cooperative Movement in the Cuban Economy

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Background

- The cooperative movement in the Cuban economy is a relatively new phenomenon.
- In the 1930s, cooperatives were recognized as an alternative form of social production by the followers of Antonio Guiteras and the “Joven Cuba” organization.
- The Constitution of 1940 indicates that the Cuban State would support the formation (or creation of cooperatives).
- Some specific references include:
 - 1.- Pinar del Rio (1954): **Asociación de Crédito Rural (ACR)**, tobacco production cooperatives.
 2. The **Sociedad Cooperativa por Acciones” (ADASCA)**, created in 1955 in Havana for commercial activities. Mercados Únicos C. Habana.
 - 3.- The **Comisión Ejecutiva Nacional de Cooperativas Agrícolas y Mineras (1954)** – cooperative that leased equipment to small-scale farmers and construction firms (or contractors).

Background

- The development of agricultural cooperatives in the Cuban economy dates back to the First and Second Agrarian Reforms in May 1959 and 1963.
- In early 1959, the embryonic form of the early agricultural cooperatives were known as the **Asociaciones Campesinas** (Farmers' Associations), which later became the **Cooperativas de Créditos y Servicios (CCS)**.
- Initially, the ANAP (**Asociación Nacional de Agricultores Pequeños**) offered the necessary credit financing for agricultural cooperatives.
- The cooperative movement began in Pinar del Rio Province.
- “Cane cooperatives” (**cooperativas cañeras**), which only existed until 1962, were created in the nationalized sugarcane lands. These cooperatives were later converted into State Farms (**Granjas Estatales**).
- After the 1st Congress of the Communist Party of Cuba (PCC) in 1975, the State decides to support and develop the cooperative movement by moving towards a superior form of (agricultural) production by creating the **Cooperativas de Producción Agropecuaria (CPA)**.

Cooperatives and the State

Despite the process of resurgence, deactivation, and at the same time, creation of agricultural cooperatives, the dominant trend until 1993 was towards a State-centric agricultural model.

	1989		1996					
	Total		Total		Agricultural area		Area harvested	
	Area	%	Area	%	Area	%	Area	%
TOTAL	11016	100	11014,3	100	6772,0	100	4410,4	100
State	9065	82	59976,3	54,3	2312,1	34,1	1342,0	30,4
Non-State	1951	18	5038,0	45,7	4459,9	65,8	3068,4	69,6
UBPC			3143,6	28,5	2844,2	42,0	2099,4	47,6
Sugarcane			1614,3					
Non-sugarcane			1529,3					
CPA	868	8	728,3	6,6	646,0	9,5	449,7	10,2
Sugarcane	235		354,2					
Non-sugar cane	633		374,1					
CCS	833	7	905,4	8,2	739,1	10,9	373,4	8,4
Small-scale private	250	3	260,7	2,4	230,6	3,4	145,9	3,4

The Economic Crisis of the 1990s

- In October 1993, beginning with the sugarcane agricultural sector, a **process of structural changes** is initiated with **the creation of the UBPC (Unidades Básicas de Producción Cooperativa)**. Agricultural lands were also transferred to individual farmers in usufruct (1.8 hectares on average, benefiting some 100,000 producers).
- The positive experience and results of the CPA, created 18 years earlier in 1975, served as the model for the projections and creation of the UBPC.
- The economic crisis of the 1990s demonstrated that the types of cooperatives in existence until then (**CPA y CCS**) were better prepared than State enterprises to operate and function under difficult circumstances with limited resources.
- The existence of the CPA and CCS, and the creation of the UBPC, paved the way for defining Cuba's agricultural model as one based on cooperatives.

Advantages of a more flexible cooperative system

- **Material (economic), moral, and social incentives are used to increase production and productivity. They favor the development of values:**
 - Greater sense of belonging, motivation and self-capacity of collective decision-making. **Realization of property.**
 - Distribution of net income, based on the productive results of each cooperative member, establishment of investment fund, and collective funds for social improvement projects for the cooperative.
 - Greater equity in the possession and distribution of wealth.
 - Greater (social) commitment with the (local) community and the (local) territory.
- **Cooperatives take advantage of economies of scale based on their specific functions, simplified organizational structures, defining and assigning individual and collective tasks, in the interest of their members and based on their systematic relationship with the territorial socioeconomic environment.**
- **Cooperatives tend to have lower failure rates compared with other types of productive and economic entities.**
- **They are more transparent.**

New Scenario

- **Changes in land-holding structures:** The approval of Decree-Law 259 (2008) and Decree-Law 300 (2012) facilitated the transfer of idle lands in usufruct.
- **Creation of Second Degree Cooperatives:** The “Lineamientos de la Política Económico Social” created second degree cooperatives for commercialization, services, packaging, and the processing industry.

Land Transfers (Distribution) 2013-2014

	Total Quantity Ha.	Natural Persons Quantity Ha.	Legal Entities Quantity Ha.
Until 31/12/2013	173,869 1,529,927	171,235 1,367,570	2,634 162,357
Decree 300/ As of March 2014	16,194 133,434	1,076 129,274	118 4,160
Total	190,063 1,663,361	187,311 1,496,844	2,752 166,517

Land Holdings , December 2013

Entity	%
CCS	35.0
CPA	8.0
UBPC	25.0
Small-scale farmers (not associated)	2.0
Non-State Sector	70.0
State Sector	30.0
TOTAL	100.0

Different cooperative and usufruct Agriculture Sector 2013-2014

Cooperativa y campesinos	Cantidad de cooperativas (uno)	Superficie Agrícola m ha	Miembros (uno)	Escala Productiva ha	Ha/Hombres
UBPC	1703	2,314,1*	140,903	1358,8	16,4
CPA	891	603,8**	54633***	677,7	11,05
CCS	2,470	1,483,3****	188929*****	600,5	7,85
Nuevos Usufructuarios Decreto ley (259,282), actual 300		1,496,8*****	187311 *****	-	7,99
Campesinos dispersos		115,2	26,000	-	4,4

- *No incluye el área de los usufructuarios beneficiados por Decreto Ley 300
- **Incluye el área de usufructo de 53,048.2 ha, que pertenece a las CPA y no incluye unas 7430 ha, de 743 usufructuarios vinculados a las CPA por el Decreto ley 300.
- ***No incluye los 743 usufructuarios; si incluye los asalariados permanentes y eventuales.
- ****Incluye el área por usufructo que pertenece a la CCS 10,249 ha. No incluye el área vinculada por usufructo 1281,748.5 ha, de los 146,858 usufructuarios beneficiados por Decreto Ley 300.
- *****Sí incluye los asalariados
- Nota: Si se unen las áreas de los usufructuarios con las de los miembros de la CCS resulta un total de 2765,029 ha y un total de asociados de 335,787 asociados. La cantidad de beneficiados y sus respectivas áreas por el Decreto Ley 300 están consideradas en los Nuevos Usufructuarios.
- ***** Hasta marzo 2014,

New Scenario : Forms of land possession (%)

- The agricultural sector is composed of five (5) production entities: (1) UBPC, (2) CPA, (3) CCS, (4) Private farmers, and (5) State farms.
- The **cooperative sector produces more than 84.1%** of the total output of vegetable-origin foods in the country.
- The most efficient producers are the **CCS and Private Farmers**.
- **These two (2) economic entities** produce **70%** of the total vegetable-origin foods in the country.
- With only **24.4%** of the arable land, they produce:
 - **66 % of the milk** (the State produces **12 %**),
 - have more than **64% of the milk cows** and
 - more than **64% and 61 %** of the cattle and pork livestock , respectively.
- The new scenario in Cuban agriculture is characterized by diversity and the **predominance of cooperative forms of production, including associated individual producers (in usufruct)**.
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Agricultural production by type of producer, 2012

Productos (MT)	Total	Estatal	Total Cooperat.	UBPC	CPA	CCS y Privado
Tubérculos y raíces	1108,8	109,7	99,1	119,5	97,6	782,0
De ello: papa	130,9	47,8	83,1	46,3	28,8	7,9
Plátano	708,4	98,1	610,3	93,1	43,9	473,2
Hortalizas	1444,1	316,0	1128,0	62,1	55,4	1010,5
tomate	338,1	35,0	303,1	14,3	15,8	273,0
Ajo	17,5	1,2	16,3	0,2	0,2	15,9
Cebolla	17,5	4,5	63,0	1,3	1,5	60,2
Pimiento	42,5	6,3	36,2	1,4	1,7	33,1
Pepino	69,4	17,5	51,9	3,3	2,8	45,8
Arroz	514,2	52,7	461,5	74,9	10,8	375,7
Maíz	253,4	10,1	243,3	16,0	9,5	217,8
Frijol	69,7	4,4	65,2	6,1	5,5	53,6
Caco	45,5	0,8	44,7	14,3	5,9	24,5
Cítricos	182,8	124,9	57,9	19,3	4,0	34,6
Frutales	501,3	48,6	452,7	73,4	21,0	394,4
TOTAL	4827,9	765,3	4062,6	442,7	253,6	3366,3
%	100,0	15,9	84,1	9,1	5,3	69,7

Livestock	Total Cooperatives (CCS, CPA y UBPC)	CCS and Independent Farmers
Cattle (% of total existing livestock)	82%	64%
Pork (% of total existing livestock)	64%	61%
Production		
Milk	88%	66%
Beef (cattle)	31%	20%
Pork	23%	21%
Sheep	74%	61%
Goats	82%	73%

Cooperatives: Economic Results, 2013

Cooperatives	Total	Profitable (%)	Not Profitable (%)
Agricultural			
UBPC	1,177	81%	19%
CPA	656	90%	10%
CCS	2,313	95%	5%
Sugar Cane			
UBPC	526	85%	15%
CPA	232	95%	5%
CCS	157	92%	8%

Principal limitations confronted by Agricultural Cooperatives

Insufficient Autonomy:

- Excessive regulatory mechanisms; intermediation.
- Centralized resource allocation.
- Required to deliver a high percentage of output to the State at fixed prices.
- Relatively low prices paid by the State for agricultural products.
- Need to find complementarities between the Plan and the Market.

New Decree Law 300 (2012)

- Aspects that limit producers' autonomy, make the development of the new model of economic management difficult, while at the same time hinder the development of the new agricultural model and the realization of property:
 - 1.- **Retains** on a modular form, the 10 year limitation of usufruct for natural persons, and do not take natural biological laws into account.
 - 2.- Allows natural persons associated with State Farms, UBPC, CPA, and CCS could obtain essential inputs, obtain services and commercialize their output through such entities. **Limits producers' autonomy. Does not favor the realization of property.**
 - 3.- **Retains** and does not address the limitations of Decrees 259 and 282 with regards to the failure to comply with the commitments to commercialize agricultural products on the elimination of usufruct rights.
 - 4.- Eliminates references to the collection of taxes on the use of land (which is included in Decrees 259 and 282). This provision provided the basis for the collection of rents leading to the legal definition of **economic property** in search for the **realization of property**. **It is considered a step backwards, although it appears in the Tax Law.**
 - 5.- **Lease agreements** and **differential rent** (charges) are important elements that need to be incorporated into the agrarian theme in Cuba in search of the realization of property.

New Regulations regarding UBPC: Aspects that limit autonomy

- 1.- They are not recognized as enterprises “..la UBPC es una organización económica y social cooperativa, ...” Article 1
- 2.- Regarding the creation of UBPC,
 - a) The creation of a UBPC will be based on a feasibility analysis (Article 4)
“..Se acompañará del dictamen sobre factibilidad económica y legal de la solicitud, elaborado por la empresa a partir de la cual surge la UBPC..”, articulo 4
 - b) The Ministry of Agriculture authorizes the constitution of the UBPC, notifies the Provincial Agriculture Delegate (at the province and in the corresponding municipality), as well as the Director of the enterprise from which the UBPC will be constituted (Article 6)
“ El Ministro de la agricultura autoriza la constitución de la UBPC y notifica al Delegado de la Agricultura en la provincia y municipio .. , así como el Director de la empresa a partir de la cual la UBPC se constituye..” articulo 6
- 3.- Sobre el objeto social propuesto” .. Se evalúa por el Delegado o Director de la agricultura en el Municipio. Oído el parecer de la EMPRESA A CUYO SISTEMA DE PRODUCCIÓN LA UBPC SE VINCULA Y LO AUTORIZA..” Articulo 8.1

New UBPC's Regulations and insufficient autonomy

4.- Regarding the operations of the UBPC:

- a) “La empresa a cuyo sistema de producción se vincula la UPBC controla el cumplimiento de las normas técnicas que rigen el proceso productivo y la contratación ..” **Articulo 17**
- b) “ .. La UBPC con la participación de la empresa a cuyo sistema de producción se vincula elabora la propuesta de programa de desarrollo..” **Articulo 19**
- c) “ Los abastecimientos y servicios que requieran las UBPC.. Se obtendrán directamente de las persona naturales o jurídicas legalmente facultadas mediante contrato escrito,..” **Articulo 21.1** ; ¿cómo y quien establece el carácter de las facultadas?
- d) “ Las UBPC luego de cumplir los contratos que subscriban para la venta de la producciones directivas, podrán vender .. a las personas naturales o jurídicas **Articulo 21.2** ; Surge la interrogante ¿por qué no dice al **mercado libre**?

5.- Sobre el proceso de revocación

- a) “El proceso de revocación pueden promoverlo excepcionalmente el Delegado o Director de la agricultura en el municipio, el Secretario del **Sindicato** a esta instancia, quienes podrán incluso convocar a la Junta de administración y a la Asamblea General..”**Articulo 29** .

Síntesis del Proceso de constitución de cooperativas no agropecuarias Decreto Ley 305 y Reglamento 309 (elaborado por: Armando Nova)

Incisos:

- a) A partir del patrimonio
De aporte de dinero
de personas naturales
- b) Persona naturales que
deciden voluntariamente
asociarse para compra de
insumos, servicios, comer-
cialización.

- c) Los órganos del Poder Popular (PP),
organismos o entidades nacionales
que administran los bienes de la
futura cooperativa

Órganos locales del PP, organismos,
Entidades Nacionales

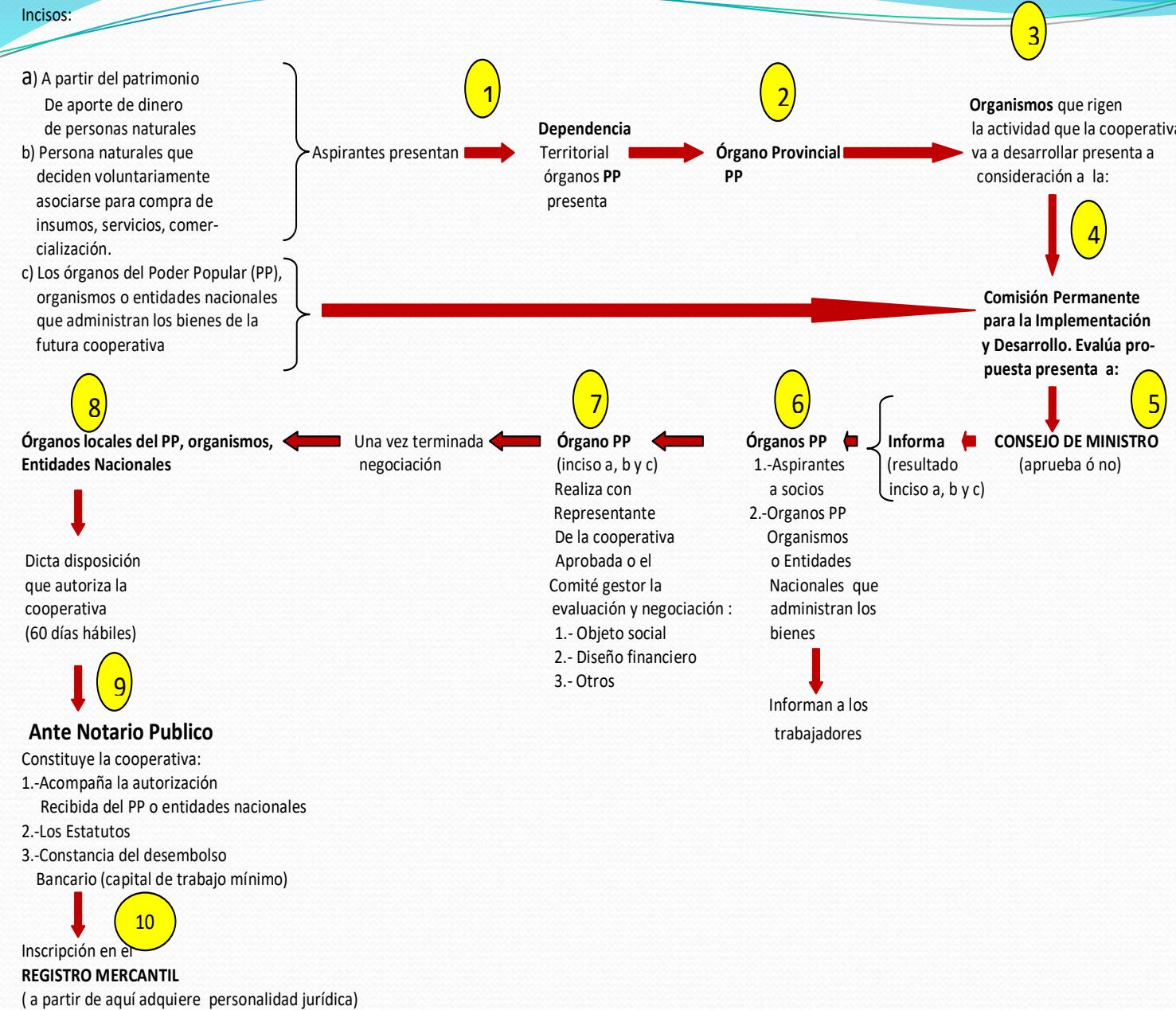
Dicta disposición
que autoriza la
cooperativa
(60 días hábiles)

Ante Notario Publico

Constituye la cooperativa:

- 1.-Acompaña la autorización
Recibida del PP o entidades nacionales
- 2.-Los Estatutos
- 3.-Constancia del desembolso
Bancario (capital de trabajo mínimo)

Inscripción en el
REGISTRO MERCANTIL
(a partir de aquí adquiere personalidad jurídica)



Non-Agricultural Cooperatives, May 20-14

Type of Cooperatives	Number
1st Approval	270
Breakdown:	
Agricultural commercialization	120
Transportation	11
Recycling	2
Construction	12
Food Services	110
2nd Approval (Starts on July 2014)	228
Food Services	103
Total aprobadas	498
MENOS: (posterior a su aprobación los socios decidieron no constituir las)	6
De ella: Funcionando	230

Cooperative movement in different economic sector

Experience 2013-2014

Approved Groups	Total	De Origen Estatal	De origen No Estatal
I	126	114	12
II	71	33	38
III	73	41	32
IV	228	196	32
Total	498	384	114

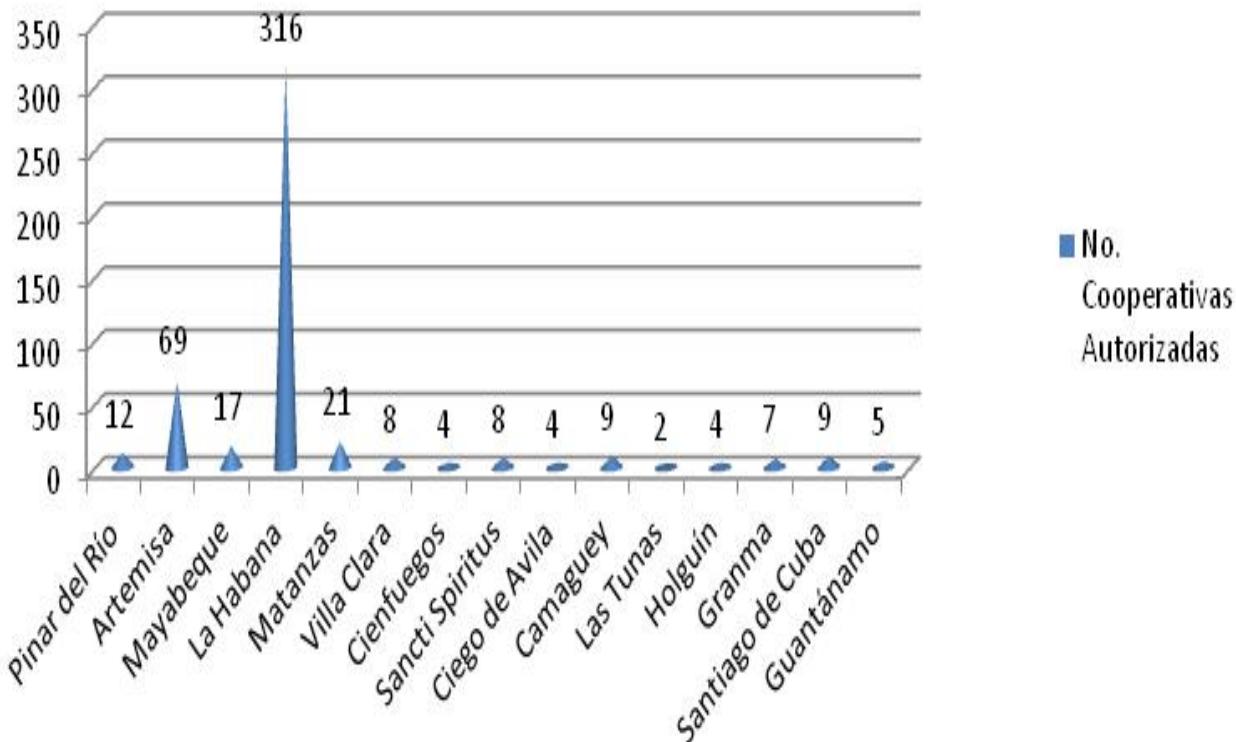
- Grupos obedece al momento de la aprobación (4 aprobaciones)
- De las autorizadas, 6 no serán constituidas ya que posterior a su aprobación los potenciales socios decidieron no crear la cooperativa
- quedando 492 cooperativas posibles de constituirse. De ellas, 244 ya han sido constituidas (de ellas 230 están funcionando) y quedan 248 en proceso de constitución
(Fuente elaborado Piñeiro C. 2014)

Cooperatives in Selected Activities: 2013-2014

	Actividad	No. de coops	%
1	Gastronomía	213	42.9
2	Comercio minorista de productos agropecuarios.Trigal (1 mayorista)	102	20.5
3	Construcción y producción de materiales de construcción	68	13.7
4	Servicios personales y técnicos	32	6.4
5	Comercialización de aves	17	3.4
6	Recuperación de desechos	15	3.0
7	Transporte de carga y servicios al transporte	11	2.2
8	Producción y reparación de muebles, cerámica, confecciones textiles, clavos de herrería, calzado, talabartería y plásticos	11	2.2
9	Transporte de pasajeros	6	1.2
10	Servicios contables	6	1.2
11	Producción y servicios decorativos	5	1.0
12	Servicios de energía	5	1.0
13	Producción de alimentos y bebidas	3	0.6
14	Servicios técnicos de mantenimiento y reparación de equipos	3	0.6
15	Impresiones gráficas, decoración e interiorismo	1	0.2

Authorized Cooperatives by Province, 2014

No. Cooperativas Autorizadas



**Thank you very
much**