

Biehl International Research Fellowship Report

Shifting Commodity Chains Underlying the Urban Food Market in Havana, Cuba

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Section I: Introduction

Havana is a city where food access dictates that daily life revolves around food. Finding food items can be quite like a scavenger hunt, where following clues given by friends and passersby, one tries to determine where to procure food products. Items that are on the market one day might be largely absent the next, and can occasionally disappear altogether. One might have to visit five or six different locations before their shopping list is completed, and the lack of reliable public transportation can cause these wanderings to last a couple of hours. For years the government was solely in charge of food distribution,

as it collected all of the production from producers and determined where, to whom, and at what prices the food would be distributed. However, under the presidential direction of Raul Castro in recent years, the Cuban government has begun to pass measures permitting increased distribution opportunities for producers. New markets have been opened, regulations have been relaxed, and more power is being put in the hands of the producer to determine where to distribute.

This summer, I received the Biehl Fellowship to live for eight weeks in Havana, Cuba. I visited with farm owners, restaurateurs, local professors, members of agricultural organizations in Havana, one *cartillero* (a cart-bearing, licensed agricultural intermediary), and several private individuals. An unforeseen difficulty that kept me from interviewing with intermediaries, market workers, and distributors was the current political and business climate in Cuba. Being a researcher, and an American researcher at that, made people hesitant and frequently unwilling to interview with me, as they were mistrustful of my motives for discussing recent Cuban policy changes. This was compounded by the need for them to read and sign an informed consent document before I could conduct a formal interview with them. Because I was a stranger and we were in a public setting, all but one of these individuals declined to interview with me. However, while I was only able to formally interview one *cartillero* in my intermediary category, I was able to use local experts such as Cuban professors and researchers to gain information on the these new markets and participants. In more private settings, such as on a farm or in a restaurant, people were more receptive to hearing about my project. Due to the more private location and frequent referrals from their friends and contacts, farm workers, restaurant owners,

and members of agricultural organizations were more comfortable with agreeing to participate in my project. Over the course of the project, I became increasingly focused on the producer aspects of the changing food market. In this paper, I try to cover as many features of the urban food market as my interviews allowed, while giving special focus to the opportunities that are being afforded to producers in Havana.

Section II: Methodology

My methodology for this project was built around primary interviews, observation, and a detailed literature review. I went into the project with a few initial contacts in Cuba. However, these contacts proved to be less helpful than I originally envisioned, and I had to largely build my own contact network. I interviewed restaurateurs, farm owners and workers, individuals, and an intermediary, all at their establishments. I was also able to interview a number of regional experts, including professors at the University of Havana, employees of various agricultural organizations in Havana, and a self-titled “food entrepreneur.” I found these contacts through Internet research, being introduced by other contacts, and by walking around the city and meeting people. My interview questions revolved around their relative experiences with food distribution in the city and their perceptions of and responses to recent shifts public policy regarding food in Havana. These questions sought to gain insights into the business and public responses to the new opportunities afforded by these changes in policy. The questions were styled towards each individual’s unique experience and knowledge regarding their occupation in Havana.

Section III: Recent Policy Changes

In this section, I have largely referenced an article by Dr. Nova González and Dr. Corzo entitled “Cuba’s Agricultural Transformations” (2015). The reason for this is because this article is a synthesis of many recent policy changes to affect the agricultural market, compiled by two of the leading researchers on Cuban agriculture.

The changes in government policy affecting the urban food market began in 2007. Several of these early changes did not directly pertain to the agricultural market, but instead served to empower private individuals. These changes include permitting private citizens to purchase cell phones, negotiate limited real estate transactions, and buy and sell used vehicles (Sanguinety, 2013). These changes permitted the flow of information and inputs that would be key to private individuals looking to take advantage of future changes regarding self-employment. They were also the first changes geared at empowering the private sector in the Cuban economy. The State also agreed to pay higher prices to producers of milk, rice, potatoes, beef, and more, as well as increase the proportion of this payment occurring in Cuban convertible pesos (CUC) in 2007 (Nova Gonzalez and Corzo, 2015). These higher prices provided an incentive for producers to increase production. The increase in producer income associated with this rise in prices, as well as the increase of the proportion paid in CUC, led to an increase in the purchasing power of producers in Cuba, enabling them to purchase agricultural inputs at newly-formed hard currency (CUC) stores, earn necessary money to reinvest in the productive unit, and earn profits to be utilized in future investments (Nova Gonzalez and Corzo, 2015).

In 2008, one of the more consequential policy changes took place. Decree Law #259 permitted the redistribution of land previously owned by the state to agricultural cooperatives and private producers (Nova Gonzalez and Corzo, 2015). This land was previously idle or underutilized by the State, and by redistributing it to private producers, the State hoped to improve productivity and production rates (Nova Gonzalez and Corzo, 2015). By putting this land under private control, the State provided the means for new producers to enter the market and for old producers to increase the amount of land under cultivation, thereby improving their production capacities. This allowed private producers to be ready for later changes, when the government allowed distribution under new channels. By allowing new producers to enter the market and old producers to increase their land under cultivation and production rates, the State put more power in the hands of the private producer and gave them the capacity to produce enough to distribute it to new channels in later years.

In 2010, Agreement #6853 authorized the sale of agricultural products by agricultural cooperatives and State enterprises at roadside kiosks (Nova Gonzalez and Corzo, 2015). Surplus production could be sold at this "*punto de venta*" after required quotas to the State were met. Whereas the quotas to the State are made at prices and quantities determined by the government, prices and quantities at the *punto de venta* can be determined by the farm (Nova Gonzalez and Corzo, 2015). Furthermore, sales at the *punto de venta* occur at the farm, thereby enabling them to sell directly to the surrounding community. This was the first policy change enabling farmers to sell directly to the people, as well as the first policy change enabling them to determine their prices and quantities to

sell. Previously to this, farmers would only produce the quantities that the State had determined in the quotas and food for family and worker consumption. This often led to an underutilization of farmland, as there was neither reason nor incentive to produce more. However, Agreement #6853 began the shift of allowing producers greater market autonomy and increasing food access by consumers.

Resolutions 90, 122, 369, and 121 permitted non-state producers to supply a part of their production directly to enterprises related to tourism, such as restaurants and hotels, in 2011 (Nova Gonzalez and Corzo, 2015). These resolutions were all passed by different government organizations. Decree-law 289 removed the limit of 100 CUC on payments to contracts between government enterprises and self-employed workers (Nova Gonzalez and Corzo, 2015). It also permitted the issuance of agricultural credits from state banks to non-state agricultural producers (Nova Gonzalez and Corzo, 2015). By enabling non-state producers to supply tourism enterprises, the state allowed them to gain access to a new market where they could seek higher prices for their goods and also distribute excess production. The removal of the 100 CUC limit provided producers with the means to improve their abilities to purchase inputs for their farm and reinvest in their farms.

With the passage of Decree-Law 300 in 2012, the Cuban government expanded the maximum amount of hectares that can be given in usufruct to non-state producers to 67.1 (Nova Gonzalez and Corzo, 2015). It also allowed private farmers to join a CPA (Agricultural Production Cooperative) or UPBC (Basic Unit of Cooperative Production), thereby enabling private farmers to associate themselves with a cooperative other than a CCS (Credit and Services Cooperative) (Nova Gonzalez and Corzo, 2015). Perhaps most

importantly, this law authorized private farmers to utilize alternative channels to distribute excess production and obtain agricultural inputs (Nova Gonzalez and Corzo, 2015). These laws helped farmers gain land for increased production, improved producers' access to inputs and services, and enabled producers to improve their distribution networks.

In 2013, the government passed Resolutions 9, 37, 58, and 352, which expanded the commercialization of agricultural products by private producers without government intermediation to tourism organizations (Nova Gonzalez and Corzo, 2015). It increased the amount of authorized products and services that could be offered to the tourism enterprises, and dictated that prices could be determined between both parties (Nova Gonzalez and Corzo, 2015). Decree-Law 318 and Resolution 673 created the intermediary category of the *cartillero*, provided new policies regarding direct sales by producers to social enterprises (such as schools, hospitals, and centers for the elderly), created and defined new regulations regarding the new Mercados Arrendados (Leased Markets), the Mercados de Oferta y Demanda (Markets of Supply and Demand), and the puntos de venta, and detailed new policies permitting greater price autonomy by retailers (Nova Gonzalez and Corzo, 2015).

In 2016, the Cuban government passed a series of resolutions seeking to limit the prices of agricultural products in markets, citing a need to regulate the prices that intermediaries were charging. Resolutions 157-C and 162 established a series of pricing tiers relating to first, second, and third quality products, new maximum selling prices for certain agricultural products, and a commercial margin of no more than 40% for items that do not have non-centralized prices (Ministry of Finances and Prices, 2016). These were

passed with the acknowledgement that rising prices are often due to production not meeting demand, but said that this temporary fix was necessary until the larger problem could be fixed (Ministry of Finances and Prices, 2016).

Section IV: New Market Relationships

Following these changes in government policy, a number of new markets, players, and market relationships have arisen in Havana. These relationships tend to spurn the government and instead favor new relationships between non-state entities (cooperatives and private entities). The reason for this is the higher price that producers are paid in these relationships, the better price and / or quality that consumers receive, and a more stable and assured supply for both parties due to regular contact, communication, and accessibility. Additionally, many producers informed me that they disliked supplying the government since the government would frequently pay less than originally agreed or sometimes not pay at all, the government paid prices that were barely above input and labor costs, and the government often sent vehicles to collect a harvest before the harvest was ready, or too late after the food had been harvested, resulting in a post-harvest loss for which they were not compensated. Many producers have used the changes in government policy to renegotiate and reduce the amount that they are contractually obliged to provide to the government, and now supply this directly to businesses or private citizens through new forms of market relationships.

Farm to Paladar

One of the more attractive new relationships for both producer and consumer is the farm to paladar relationship. In this, private farms or cooperatives make a handshake agreement with a paladar (private restaurant) to directly supply them with excess food products after quotas to the government have been reached. As paladares have no legal status in Cuba, they are not able to make a formal contract with the producer. The prices paid by the restaurant to the producer are always higher than the prices that the government pays, and they are below, at, or above the market price, depending on the price agreed upon by both parties. Prices normally follow the pattern of supply and demand, as availability is dependent on the seasonality of local produce, but some entities have developed agreements to sell and purchase at constant prices regardless of the season. These agreements normally develop between the producers that have figured out how to produce a stable supply of high quality produce and effectively market it to the paladares. Only a few paladares in the city have set up long-term agreements with farms to supply them, as they normally have difficulties with producers maintaining a steady supply of high quality produce. Those that do not purchase directly from farms instead purchase from the agropecuarios (agricultural markets) around the city or from supermarkets. Many producers experience difficulties with obtaining the inputs and resources to develop production capacities for maintaining steady supplies of high quality produce, or do not know how to effectively market themselves to restaurants in Havana. Producers distinguish themselves from others by adding specialty products, such as rabbit, goat dairy products, specialty herbs and vegetables, and other products that are not normally found in the Havana food market. These products can be extremely profitable for farms, since

paladares in Havana do not have access to imported food products (outside of those found sparsely in supermarkets), so the paladares are willing to pay very high prices for access to high quality, specialty food products. The food is sold directly to paladares from the farm, and paladares will send cars or trucks to the farm to purchase and transport products.

Punto de Venta

A farm's *punto de venta* (point of sale) is another key method for it to distribute excess production. These kiosks or stands normally occur on-site at the farm, and produce is sold directly to the community. Due to the low cost and ease of building and maintaining a punto de venta, nearly every producer with whom I met operated one. Producers can also receive permission from the government to build a punto de venta within one of the central districts of Havana. Producers that are further out in the countryside occasionally take advantage of this option. However, due to transportation costs, these prices are higher than the produce sold on-site at productive units. Producers pride themselves on their ability to market directly to the surrounding community, normally at lower prices than can be found in the markets of Havana (although still higher than what they sell to the government). The produce sold at the punto de venta is harvested that day, and the producers are able to determine the prices and quantities to be sold. Although most producers only offer fruits and vegetables in at their punto de venta, some entrepreneurial producers are investing in refrigerated facilities to extend the shelf life of produce and permit them to offer meat and dairy products. They are also investing in food preparation materials and supplies to make ready-made meals and juices to incentivize consumers to shop there. However, for every producer I talked to, the social value created by connecting

the surrounding community with a steady supply of fairly-priced, organically-grown, fresh, nutritious produce was the priority for the punto de venta, rather than increasing farm income.

Cartilleros

Cartilleros are the most noticeable intermediaries in the city of Havana. Wheeling massive carts filled with a variety of produce around the districts of Havana, they shout out prices and products at the top of their lungs. The cartilleros purchase their products directly from farmers. The farmers either bring a truck with produce into the city and the cartilleros purchase directly off of the truck, or the cartilleros band together to purchase large quantities of produce at farms, bring it into the city, and split it up to be distributed. The cartilleros pay a few pesos below the market price for the products, and can determine the price at which to sell it. The price that cartilleros pay to producers is normally roughly double what the government pays to producers. They normally sell products at or slightly above current market prices, according to supply and demand. They will occasionally offer damaged or lower quality produce for a reduced rate. This flexibility of pricing allows them to market to more customers, because while many consumers in Havana consider them to have high quality products, many times the produce is priced too high for the average Cuban to purchase. People value the cartilleros for the quality products that they offer and for the accessibility to food that they provide. In a country where someone often needs to visit five or six supermarkets before they can find all of the groceries that they need to purchase, this can be extremely valuable. As one respondent told me, "Cartilleros are expensive, but if you go walking around all day to try to find food that is only 1 or 2

pesos less, then it is not worth it.” However, others might consider this a privileged viewpoint. Another respondent called them “abusadores” (abusers), saying that “their prices are too high. 95% of Cubans cannot afford their products. The cartilleros want to earn more, so they raise the price without caring about the people.” While this respondent acknowledged that cartilleros provided improved access to the community, they also believed that this access was not legitimate, since many people could not afford to purchase regularly from the cartilleros.

New Markets

In a country where a lawyer makes \$17 a month, a doctor makes between \$40 and \$90, and most state employed workers earn less, the average state-employed citizen cannot afford to purchase a mango costing \$0.40. On the contrary, successful self-employed taxi drivers, bed and breakfast owners, and others earn hundreds to thousands of dollars a month, allowing them greater access and purchasing power in the urban food market. Previously the government operated agricultural markets that were supplied by the state with centralized prices that were determined by the state. To match the rise in demand that has come about with these changes in incomes, the government has recently permitted new types of markets for producers and intermediaries to sell products.

Non-Agricultural Cooperative Markets are markets that are run by independent cooperatives. The state supplies them with some “social” items, such as potatoes, that the markets are supposed to sell to Cubans at prices and quantities corresponding to their libreta (ration card). In addition, they sell the produce that people do not use a libreta to purchase at an extremely low sum. The rest of the produce they purchase from producers

in the countryside. They are able to set up legal contracts with producers and determine the prices at which they purchase the food. However, the state sets “topados” (price limits) regulating the maximum price that can be charged in the market. The cooperative consists of a collection of private individuals who come together to supply and operate the market. This operates as a social enterprise as well as a money-making enterprise. In this market, the independent cooperatives are able to set up contracts to directly supply fresh produce from farmers in the countryside to individuals living in the central districts of Havana.

Mercados de Oferta y Demanda (Markets of Supply and Demand – or the “Millionaire’s Markets,” as one of my respondents called them), are markets where the prices are determined by supply and demand. The spaces in the market are rented to the vendors by the government, and the vendors are allowed to create their own prices free of government control. Prices are based off of quality and availability, and a greater variety of produce can be found here than any other markets in the city. The vendors are either producers (or representatives of producers) or self-employed workers that serve as intermediaries. The produce is of the highest quality in any market and specialty products that cannot be found elsewhere in the city can normally be found here. The reason for this is that the vendors purchase the produce from farmers at very high prices, thereby creating incentives for the farmers to supply first to them before they sell to other people. The prices vary at each stall, with producers trying to distinguish themselves with the highest quality produce to attract more customers. Additionally, many producers will have a range of prices based off of the quality of their offerings. For example, the price of an avocado might range between 8 and 13 CUP at one stall, depending on its quality. This price

flexibility enables vendors to sell a larger amount of produce, as it allows them to market to a wider range of consumers with different price tastes. By allowing the producers to determine their own prices, the government has allowed the creation of a new market with produce quality and variety that is unrivaled in the city. More incentives lie for producers to supply to this market, and so they directly sell top quality produce into the city for individuals to purchase. However, the prices at which this produce is sold are astronomical for the average citizen. Therefore, most people shopping at these markets are restaurant workers, foreigners, or the wealthy Cubans.

Mercados Arrendados (Leased Markets) are markets leased by the government to a range of leasers. These can be private farms, agricultural cooperatives, or self-employed workers. The sellers decide whether to market their products at either centralized prices or at prices determined by supply and demand. As opposed to renting a space at a market, like a Market of Supply and Demand, these retailers operate the whole market and incur all of the expenses pertaining to it. In the case of the producers, they bring the produce into the city to sell directly to consumers. The self-employed workers purchase from the countryside and resell it in the city. Product quality, price, and variety varies at each market.

Informal Import Market

Individuals also obtain food items through what I am terming the “informal import market.” Following a law passed in 2014, individuals obtained the ability to import set quantities of certain luxury food items. Private individuals have taken advantage of this opportunity to bring food items that are difficult or impossible to find in the Cuban food

market back from their travels abroad, enlist friends or family to bring these food items back with them, or ask guests traveling from abroad to bring something with them. This is most present with high-end restaurants in Cuba. Restaurateurs that have the ability to travel abroad will bring products back with them, such as truffle oil, mushrooms, spices, and other luxury items, to use in their restaurants. Since they do not have direct access to imported food items, such as government restaurants do, owners of paladares take advantage of this opportunity to obtain luxury items that they normally would not be able to utilize on their menus.

Section V: Case Studies

The following case studies detail examples of producers and organizations taking advantage of the new opportunities afforded to them by the changes in government policies to develop new market relationships. To protect the identities of the organizations and individuals with whom I spoke, each organization has been assigned the name of a Cuban revolutionary.

Cienfuegos' Farm

Cienfuegos' Farm is a small private farm in a district to the southwest of the main urban municipality of Havana. The farm consists of a two adjoining plots of land, each around 30 by 50 meters. One contains high-yield, raised beds for vegetable production, while the other is an orchard with vegetables planted throughout the understory. The farm has three methods of distribution: its *punto de venta*, a children's hospital, and a non-agricultural cooperative (NCA) restaurant. The *punto de venta* was the highest quality

that I had seen, with packaged vegetables being offered in one of the two air-conditioned shops, and meat and fresh juice being offered in the other. The meat and some of the vegetables come from other farms further out in the countryside, which Cienfuegos' Farm purchases and resells. The partnership with the non-agricultural cooperative began in 2015, when the cooperative approached the farm to set up a contract. Since non-agricultural cooperatives are considered legal entities, they have the ability to set up legal contracts with farms. Cienfuegos' Farm sends a truck loaded with vegetables and meat each day into the city. Prices and quantities are agreed upon between the two groups according to current market prices, and the NCA normally pays at or a little bit under market price. This "market price" is higher than what the government used to pay them for their products. The constant rate of supply guaranteed by the contract has helped improve the profitability of Cienfuegos' Farm, which it has used to reinvest in its infrastructure and equipment, most notably with the punto de venta. They also use this profitability to subsidize their "social" ventures. They have a contract with the children's hospital to provide them with a steady rate of fresh produce at a below-market price. Additionally, although "prices at the punto de venta are not economical for the people right now...some things, like sweet potatoes, [they] always supply at low prices, because they are very healthy and the people need them." Their prices are normally determined by the market, but as the market prices are very high right now, they subsidize certain products to make them more available to the people. Before the government policy changes, Cienfuegos' Farm supplied the children's hospital and sent the rest to the government. They received lower prices and had a higher post-harvest loss, and consequently, they experienced lower

profitability. However, with their contract with the restaurant, they receive higher prices and a consumer that takes the product the day that it has been harvested. They have also been able to reinvest profits in constructing a *punto de venta* that has refrigeration and packaging capabilities. With these, and the contract with the children's hospital, they now experience "very little post-harvest loss," as well as improved profitability. In respect to the NCA restaurant, the contract with the farm gives them a steady stream of fresh, seasonal produce at a fair price. It allows them to save money and resources by having a direct link to the producer, as they do not need to spend these resources driving around the city to find these products. Furthermore, by having direct, daily communication with the producer, they know which products will be available and in what quantities, and can better focus their efforts for obtaining the food products that they need.

Che's Farm

Che's Farm is another small private farm located in a district to the southeast of the central districts of Havana. Che's farm is operated as a private farm, but it is also a part of a cooperative, a relationship established to share resources and combine production for selling to the government. The farm consists of six fields containing a variety of vegetables and fruits, as well as two rabbit cultivation buildings and spaces for chickens and turkeys. The farm was begun with land given in usufruct in 2008. The farm has three main channels of distribution: its *punto de venta*, selling to the government, and selling to numerous paladares around the city. When it sells to the government, it sells two separate groups of products: those destined for "social enterprises," such as hospitals and schools, and those destined for government hotels. At their farm, 13% of sales occur at their *punto de venta*.

These direct sales to the surrounding community occur on site, and are the second lowest prices that the farm offers. The produce offered here is always harvested the same day that it is sold. 80% of the sales are “commercial sales” to the government and paladares. Of the commercial sales, 86% goes to the state (68.8% of the total) and 14% is sold to paladares (11.2% of the total). The remaining 7% of production is consumed by the family that runs the farm and their workers. The “social” commercial sales constitute the lowest prices for the farm. The next lowest prices are those at the punto de venta. The sales to the social enterprises are normally 60% lower than those at the punto de venta. For example, a bunch of lettuce that costs 5 CUP at the punto de venta (\$0.20) costs 2 CUP for a social enterprise (\$0.08). These prices are artificially kept below market price by the farm in order to create “social value” for the surrounding community. As one of the owners told me, “the purpose of the farm is to provide fresh, healthy food for everyone.” By eschewing gains in profitability by offering below-market prices, they are able to make gains in social benefits, by making their food a viable option for the community directly surrounding them, as well as those organizations that serve the people. Furthermore, as the farm employs strictly organic / ecological practices on their farm, they create ecological value on what used to be a neglected plot of urban wasteland. The next highest prices are to the paladares. They sell fruit, vegetables, and rabbit meat to the paladares, at prices agreed upon by both parties. The farm added their rabbit production last year, and this product has experienced high demand by paladares and government restaurants seeking to add a steady supply of fresh, local meat in a market that normally experiences abrupt shortages of imported and domestically produced meat. This product is also a boon for paladares

looking to set themselves out with unique local offerings in the rapidly swelling restaurant market of Havana. The farm charges the paladares either market or slightly-below market prices. This is because the paladar takes care of all transportation and storage of the products, which are harvested that day, thereby externalizing the cost for the farm and improving the farm's profitability. The farm sells to the government at the highest prices, due to the ability of government hotels to pay higher prices and the need by the government to have extra qualifications of quality and a "certification of health" that needs to be done by an outside observer. Here the cooperative helps out, as together the farms are able to hire a veterinarian to conduct quality and health inspections on all animals, thereby permitting their sale to the government. Together, the profitability gained from sales to private restaurants and government commercial enterprises allows the farm to maintain a sustainable income, reinvest in their workers (whom they pay around 1000 CUP a month, or the average salary of a doctor in Cuba), and subsidize the lower prices of food for their social endeavors. By being able to supply paladares and the community at their punto de venta, determine their own prices, and add new products as they see fit, all new opportunities afforded by the change in government policies, the farm is able to create financial, social, and environmental value, providing fresh, local food to individuals and organizations around the city of Havana.

Productor Bosque

Productor (Producer) Bosque is a small dairy producer in a district to the southwest of Central Havana. Bosque produces dairy products using goat and cow milk, which he provides to over 70 families each day. Bosque received a license and special permission

from the Cuban government in 2012 to form this productive unit. This license permits them to run a small operation of 51 goats to produce milk, cheese, and other products. It also gives them special permission to purchase cow milk from various producers in the countryside and to turn this product into cow dairy products. As cow milk is normally highly controlled (and solely distributed) by the government, and it is typically illegal to purchase cow milk and resell it in some form, this is a rare deviation from routine government policy. However, Bosque received special permission from the government to produce and sell these products because it is a social endeavor. In Cuba, the *libreta* (government ration card) guarantees powdered milk to individuals, but only up to seven years of age. This, coupled with the high price and scarcity of dairy products in regular markets in Havana, has led to a very low amount of people consuming dairy products on a regular basis. Bosque is one of the only producers in the country with this license, and they received it because they demonstrated their ability to successfully produce and distribute significant quantities of dairy products at below market prices. The government is encouraging this because of the nutritional value that it brings people in a market that is outside of the regular distribution bounds of the municipality of Havana. Bosque produces yogurt, cheese, butter, whey, cottage cheese, and honey, all at low prices and all to be distributed to individuals in their village. They produce all of the dairy products on their back porch and in one room in their house. They sell these to individuals at their *punto de venta* on their back porch, to a nearby orphanage, and once a week at a shop in the village that the government has provided for them. At this shop, they do not pay rent nor do they pay taxes on the product they sell. This is because this is a social project that is improving

food access and the nutrition of the people, and the government wants to keep the prices as low as possible for them. This change in traditional government policy has benefited the local people by improving their access to dairy products at an affordable price. By being able to produce, market, and sell directly to the local people, Bosque is able to offer the lowest price possible, as they do not need to incorporate storage, transportation, and intermediary costs to the final product. With the licenses granted to them, Bosque has been able to earn a decent salary, hire workers and pay them a fair wage, and pay a good price to the producers that provide them with inputs for their goats and cow's milk. By granting greater autonomy to Bosque, the government has enabled an improvement of local nutrition rates and investment in the local economy. However, there are still government regulations that affect Bosque. They are frequently unable to purchase the inputs that they need for their productive unit, due to high prices, scarcity, or the prices being in CUC ("Cuban Convertible Pesos"). As most of their sales are made in CUP ("National Money"), they often do not have the means to shop at stores that only accept CUC. If a wholesale market were to be made available to them that offered goods in CUP as well as CUC, they believe that they would be able to obtain the products they need with greater ease at a lower price. Additionally, they want to expand the scope of their operations to include areas outside of their current district. Plans for this include opening regular shops to sell their products at similarly low prices, as well as forming new productive units to continue supporting this low pricing structure. However, their license only gives them permission to operate within the confines of their current district and they have had no successes with changing this. When asked why they could not obtain

permission to expand their reach, seeing as how successful their current operation is, one worker responded, “No one knows. They have no real answers for us.” So while there has been a small local change with these dairy commodities, the extent of this change is currently confined to this lone district in Havana.

Paladar Castro

Paladar Castro is a self-titled “farm-to-table” private restaurant in the city of Havana. Most paladares in Cuba meet their daily food requirements from the various agricultural markets and supermarkets surrounding the city. They buy according to the produce prices and varieties that are available on the market each day, and spend large amounts of resources locating and purchasing produce and supplies at multiple places each day. One paladar told me that they send two vehicles out each day, each traveling over 100 kilometers daily around the city of Havana to locate that which they need to fulfill their menu. Most paladares have no market power, and consequently have to purchase what is on the market at the price at which it is listed. During the off-season for items, when there is greater scarcity for them and the prices are correspondingly higher, this eats into the profits of restaurants, as they are unable to change the prices of their menus to accommodate this. When an item, such as tomatoes, is completely unavailable, these restaurants have to replace them with other available items, or remove offerings from the menu fully, as changing menus based on seasons is often cost-prohibitive to restaurants. While setting up legal contracts with producers is illegal in Cuba for private restaurants, setting up handshake agreements to purchase the surplus production (surplus left over after contracted production levels to the government have been fulfilled) from farms is

legal. Paladar Castro has circumvented the issues of market availability and price fluctuation by setting up agreements with two farms around Havana to supply them with set quantities of food at constant prices year-round. They have partnered with these farms to set up facilities to grow specialty vegetable products year-round, such as herbs, tomatoes, spinach, lettuce, arugula, and more. Therefore, in addition to the seasonal produce that is available at the farms, they have greenhouses producing needed items year-round. They maintain close relationships and regular communication with these farms to stay informed about production, transportation, and more. They have also worked with one of the farms to construct facilities to make specialty cheeses and meats. Using goat milk produced on site at this farm, they produce goat cheeses and cured meats using Italian production methods. These methods were taught to the farm workers by the chef and another employee of the restaurant, both originally from Italy. As Italian cheeses and meats are normally impossible to find on the regular Cuban market, this investment has ensured that the restaurant will have a regular supply of high quality, specialty meats and cheeses to use in their recipes. Although the farm has to sell a percentage of these products to the government, they are able to supply the rest directly to the farm, in addition to regular meat and goat milk products. The farm also took advantage of the policy changes permitting non-state agricultural producers to manage up to 67 hectares of land, and they now manage this much land. This expansion of land managed has given them the space to construct the new facilities, increase land under production for biomass, vegetables, and fruit, and increase the land available for livestock production. This increase has enabled them to increase production to meet their state quotas, meet the demand of

the social enterprises that they supply. Paladar Castro has also set up an operation on the south coast of Cuba to supply themselves with fresh fish each day. Family members of the owner have purchased a boat and send a vehicle with the fish that is caught each day up to the paladar. Normally, restaurants are only able to purchase what is available on the market each day, and for fish in Havana, this market provides very low qualities of very low varieties of fish. By investing in this fishing operation and circumventing the usual market for fish, Paladar Castro has ensured a steady supply of extremely high quality, fresh fish. Additionally, since the paladar instigated the fishing operation, they are guaranteed the same price year-round and do not need to deal with fluctuating market prices. This is considerable for their profit margin, considering that one paladar owner told me that he frequently pays twice the regular market price for high quality fish in the tourist high season of winter, since market demand for fish to feed the tourists is so high. By taking advantages of the opportunities afforded by the changes in government policy and making mutually beneficial agreements with producers around Cuba, Paladar Castro has ensured themselves a steady supply of constant-priced, high quality produce, meat, dairy products, and fish. Additionally, through innovation and investments permitted by these policy changes, they have ensured themselves a selection of high quality specialty food items, such as goat cheese and cured meats, which are not normally found in the urban food market in Cuba. This has given them a competitive advantage over many their competitors in the Havana paladar market by allowing them to offer menu items that many of their competitors cannot match. Furthermore, the restaurant is able to offer each of their

producers higher prices than what the government offers, thereby helping out each of the producers earn more money for salary and infrastructure improvements.

Section VI: Conclusions

Following new opportunities afforded to them by recent changes in government policies, Cuban producers are using new channels to distribute food for social and economic profit. They are taking advantage of new markets, intermediaries, and market relationships to increase the amount of money they earn and the number of people they can reach with their produce. Financial opportunities are proving powerful incentives for producers to increase production, seek new market relationships, and develop specialty products to market. While government regulations, especially regarding inputs, put limits on many producers, and economic and relational difficulties limit what many producers can accomplish, some producers are moving rapidly to take advantage of the new opportunities and distinguish themselves as producers in the urban food market.

Section VII: Reflections

After a summer of talking to producers and consumers alike about food, I have much to reflect about. Nearly everyone, from producer, to consumer, to Cuban researcher, claims and complains that the government's lingering control is still limiting the market far too much. Numerous members of agricultural organizations in Havana confided in me that food access is worsening, but changes in supply chain length have had a positive effect. As one individual bluntly put it, "Farmers cannot produce and supply as they want due to

stifling government control. The future depends on the government letting go and letting the farmers work things out.” As the private market tries to exert more market influence, increase production, and distribute to more people, it will be interesting to see how the government responds.

I did not include a serious discussion of input markets in Cuba in this paper because very little change has occurred here over the past few years. Today, input markets are extremely limited in what they offer producers. They also often have prices in CUC, when most producers receive payments in CUP, thereby limiting what they can purchase. Nearly everyone I talked to has expressed the need for wholesale markets in Cuba, both to purchase inputs and to sell agricultural products. While there is ongoing political discussion regarding this, not much has come of it thus far. It has been frustrating at times this summer to talk to producers who seem to have figured out how to appropriately navigate the convoluted political atmosphere, and then to hear of the limitations and difficulties that ongoing government regulations is still putting on them. The government talks frequently about the need to decentralize the agricultural market, but in reality shows regular unwillingness to do this.

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