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# Cuba's Sugar Industry Tries to Recover after Production Falls to Century-old Levels

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By Daniel Vásquez

The Cuban sugar crop is being harvested, and a new management system is being put to the test. This model required the end of the historic Ministerio de Azúcar (MINAZ) last September to reduce bureaucratic organizations, modernize technology, and enhance business administration after production fell to 1.1 million tons in 2010, comparable to 1905.

The industry, which produced more than 8 million tons of sugar in 1990, now faces disruptions because of equipment breakdowns as well as antiquated machinery in sugar mills built before 1959 when Fidel Castro took power on the island. The official target for the 2012 harvest is a 20% increase from last year's crop of 1.2 million tons.

The harvest, which began in December and should end in May, has 46 mills in actual production. The island has 61 mills, 56 of which will be maintained. The restructuring means local sugar companies were reduced from 139 to 26, leaving 45% of workers on the payroll. The former MINAZ, founded in 1964 after the nationalization of the sugar industry by Castro's government, was replaced by the Grupo Empresarial de la Agroindustria Azucarera (AZCUBA).

Under the new scheme, companies will have to procure hard currency to meet their development needs. AZCUBA's creation is in response to President Raúl Castro's mission to enhance an economic model that separates government and business functions and abandons the framework of absolute control patterned on that of the former Soviet Union.

The implementation of a provincial business conglomerate managed through business logic envisions the opportunity for foreign capital to assist in technological renovations and facilitate international marketing options. Otherwise, experts doubt that Cuba has the resources to increase production to achieve the 2015 goal of 2.5 million tons.

Between 2002 and 2004, the industry went through a controversial restructuring. The government ordered the reduction of the 156 sugar mills to the current 61, eliminated more than 100,000 jobs, and reduced crop area from 2 million hectares to about 750,000 ha. At that time, the goal was to increase efficiency while prices declined on the international market.

The sugar market collapsed in the 1990s after the fall of the Soviet Union, which was at that time the largest importer of Cuban sugar and a vital political ally of Havana. Since then, production has remained at just over 1 million tons, and the largest recorded harvest in the last five years was 1.4 million tons in 2008. China buys 400,000 tons of the domestic production and the island consumes between 600,000 and 700,000 tons.

In its final days, the once powerful MINAZ was the target of Castro's anti-corruption crusade, which has jeopardized bureaucrats and foreign investments on the island. In September, Deputy Sugar Minister Nelson Labrada was arrested for apparently receiving money illegally from foreign investors.

### ***"No sugar, no country"***

The decision to dismantle dozens of mills has been the subject of bitter controversy on the island.

Since the 19th century, sugar has dictated the founding of communities, the development of productive forces, and the direction of railways and roads. Sugar is as much a part of the collective imagination as Cuba's condition as an island, racial mixing, or religious syncretism.

The old Cuban saying "no sugar, no country" was publically laid to rest by Fidel Castro in March 2005, when he claimed that sugar was "never going to return to life in this country." For more than two centuries, sugar was the country's economic engine, but that has been offset by income provided by international tourism, remittances, nickel mining, and specialized services for other countries.

The Cuban government has acknowledged errors in its management of the sugar agroindustry. The island dismantled 60% of its sugar industry between 2002 and 2004 because of low prices on the world market. Now, just when market prices are rising again and products such as ethanol are attractive sources of profits, Cuba is dealing with undercapitalized factories.

Sugarcane has become strategic for producing biofuels, but one of biofuels' more radical opponents is former President Fidel Castro. He has been out of power since 2006 because of a sudden health crisis but politically active through private meetings with foreign leaders and his opinion columns, widely distributed by the press.

Cuba proposed a program in 2007 to increase production of ethanol fivefold, but the project was halted in 2008 when Castro criticized biofuel production on the grounds that it raises food prices and encourages famine. However, new perspectives are opening up for the island in view of its relations with Brazil, second-largest producer of ethanol.

Brazilian giant Odebrecht SA, an experienced producer of sugar and ethanol, announced the signing of an agreement between its subsidiary Compañía de Obras en Infraestructura (COI) and AZCUBA in January. The ten-year contract will increase the milling capacity and production of

Central de 5 de Septiembre in Cienfuegos province in the southcentral area of the island. Odebrecht is one of Brazil's largest producers of ethanol through its subsidiary ETH Bioenergy.

This is not its first large joint project in Cuba. The Brazilian company signed a 10-year deal in 2010 with the Cuban Ministerio de la Construcción to participate in the modernization of the Port of Mariel, 45 km east of Havana, which will become the island's main port replacing the Port of Havana. The work includes a container terminal, docks, railways, and storage areas.

Foreign observers based in Havana are of the opinion that the island has the opportunity to be the third-largest producer of ethanol after the US and Brazil. It remains to be seen whether the more economically pragmatic character of Raúl Castro will prevail over his brother's campaign against biofuels.

### ***Ancient cane fields, idle land, and food***

Closing 70 sugar mills in the past decade meant adaptation for small towns (bateyes) whose main activity for the past century or two was sugar production. Sixty percent of the former sugar fields were destined for livestock, fruit production, and forestry. The Cuban people imagined that their daily hardships in obtaining food would end.

Cuba invested US\$1.5 billion in 2011 to import food, which, according to the official press, to a large extent could have been produced locally. Imports, or 80% of national consumption, will rise to US\$1.7 billion in 2012.

To revive agriculture, the government decided in September 2008 to turn over to small farmers more than 1.8 million ha of idle farm plots. As of September 2011, 1.3 million ha were adjudicated, and 79% of those are in operation. The government laments that bureaucracy has prevented an agile distribution of the unused parcels. Meanwhile the marabú, *Dichrostachys nutans*, a thorny, invasive woody shrub, spreads rampantly on abandoned farms.