

*Press Release No. 34- Food Monitor Program*

## **New measures for MSMEs aggravate food insecurity in Cuba**

Havana, December 17, 2024

At the beginning of December 2024, Resolution 56 of the Ministry of Domestic Trade (MINCIN) was published in the *Gaceta Oficial*, which, among its main points, restricts the wholesale trade of MSMEs, non-agricultural cooperatives and self-employed workers. Although the provision came into force as of this date, its decree was issued on October 15 of this year.

According to the official website Cubadebate, Resolution 56 “establishes the regulation of wholesale and retail commercialization by non-state economic actors, and the issuance, validity and updating of commercial licenses”. For this purpose, MSMEs, non-agricultural cooperatives and self-employed workers who have wholesale as their main activity will have 90 days to decide whether to continue or not. Those who intend to continue with this activity will have to update their corporate purpose and commercial license. However, those who prefer not to continue will be obliged to liquidate their inventories within a maximum period of 120 working days and may only engage in retail trade if they have declared it in their corporate purpose and have a commercial license that allows them to do so. This applies to imported or domestic products, but not to their own productions.

In other words, licenses issued by the Central Commercial Registry to MSMEs and non-agricultural cooperatives that have wholesale sales as a secondary activity in their corporate purpose will be cancelled. Likewise, self-employed workers will no longer be able to register this activity in the Registry.

As of these updates, non-state economic actors will only be able to engage in wholesale trade through state entities. According to MINCIN, this will supposedly offer them the advantage of having the infrastructure, transportation and commercial experience of state-owned trading companies. However, the types of contracts that may be established are not yet officially known.

The entry into force of Resolution 56 takes place in a very difficult economic context for Cuba, in which economic insecurity has increased even more after the passage through the country of two hurricanes and three national power cuts of more than 72 continuous hours. To this must be added the non-fulfillment of a large part of the national production of food items and the lack of foreign currency for imports of food for the basic family basket.

As a counterpart to the government and state inefficiency to ensure a minimum food supply to the population, MSMEs and non-state food outlets have supplied basic products such as rice, sugar, eggs, milk and chicken meat. However, new limitations on wholesale sales by non-state actors could decrease the supply of food products and increase their final sale price. Thus, the population's purchasing power would decrease proportionally.

The rise in prices will not only be reflected in raw foods. A product such as bread, for example, may experience a rise in its selling price due to the increase in the cost of flour,

its main raw material, as a consequence of Resolution 56. This basic food, therefore, could be less accessible to the population, which is already forced to purchase it in private establishments due to the repeated governmental inefficiency in supplying it in state outlets.

Among the concerns of the non-state actors in Cuba regarding these new measures is mainly the method of payment. Private importers are obliged to pay their suppliers in foreign currency, acquired largely on the black market at almost three times the value of the official exchange rate due to the lack of these currencies in state banks and exchange houses. Therefore, if government authorities have declared that the country barely has enough foreign currency to sustain its main activities and non-state actors are obliged to process their wholesale trade through state entities, in what currency and at what exchange rate will payments to private entrepreneurs be handled?

On the other hand, although MINCIN has tried to convince the non-state sector of the advantages they would have by selling their products through their wholesale trading companies, most MSMEs do not trust such alleged benefits. In this regard, media outlets such as El Toque have reported that, in previous experiences, “the Government itself has recognized that the state trading companies have not always been efficient in their work and have caused not only delays and disorganization in the import and export of goods, but also losses to entrepreneurs and even cases of corruption”.

Most Cuban economists and other scholars agree that Resolution 56 will only contribute negative elements to the Island's economic development. For Juan Triana Cordoví, for example:

[...] it pierces the most important foundation of any economy: confidence, and directly affects a sector that today employs 35% of the employed on which numerous families depend. How much new unemployment will this measure generate? Does the State have an option for those future unemployed? [Does the State business sector have the capacity to make up for this loss, if today we know that the investment rate is barely 10% of the GDP, when it should be at least 25%? [...]] What is the State's substitute when today we know that around 50% of the State business sector is in a really vulnerable state, and 22.5% of these companies are in losses, most of them being the municipal trade companies and those of the agricultural sector? It seems a contradiction that, in view of this reality, a resolution that creates an intermediary with proven inefficiency is approved. [The non-state sector as a whole today represents 44% of retail sales and MSMEs account for 25%. Does state-owned commerce have the capacity to make up for the supply deficit that all these resolutions will generate? Will this state-owned commerce also have sufficient ability and the necessary autonomy, as well as the minimum incentives to find the best suppliers?

From Food Monitor Program we warn once again about the food asphyxia that the Government exerts on the Cuban people through this and other similar measures of control and economic centralization without being able to offer viable alternatives to mitigate the crisis and reduce the existing food insecurity in Cuba.