

*Press Release No 26 - Food Monitor Program*

## **Cuban Government Establishes "War Economy" and Imposes Price Cap on Basic Foodstuffs**

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This Monday the Cuban government began regulating the prices of basic foodstuffs under Resolution No. 225/2024 (Official Gazette of the Ministry of Finance and Prices) including the suspension of tariff taxes for such products. This decision follows Cuban President Miguel Diaz-Canel's declaration of a "war economy", which would provide for budget cuts, single price policies and readjustments aimed at "correcting distortions". Consequently, after a failed negotiation with representatives of the private sector, the first step of the Cuban administration has been the restriction of maximum prices in the retail trade:

1 kg of chopped chicken=680 cup (5.6 USD according to the current official exchange rate).

1L of vegetable oil=990 cup (8.25 USD)

1 kg of sausage= 1045 cup (8.7 USD)

1 kg of powdered milk= 1675 cup (13.95 USD)

1 kg of pasta= 835 cup (6.95 USD)

This is an attempt by the Cuban government to control the serious inflation present on the island, which official data conservatively put at 30-40% year-on-year. So much so that, even by regulating these basic necessities, they are barely affordable for the majority of the population, whose minimum salaries and pensions are set at 2100 cup and 1500 cup respectively, so that just one of these products (already officially regulated) would cost the monthly income of a person.

This decree does not come as a surprise, but is part of a long tradition of arbitrary control and management by the Cuban government in relation to the private sector. Previous price ceilings, such as those applied to the transportation sector or the agricultural sector (mainly pork), have been unilateral restrictive measures of the Cuban administration, which have affected not only the private entrepreneur, but also the "ordinary" people.

In recent years and in the face of the multi-systemic collapse of services in Cuba, it has been the private sector that has ensured the greatest growth and supply in several areas. Previous experiences show that this type of decree discourages non-state production by creating greater uncertainty in investment (the same products that are now regulated take about three months to be ordered, purchased and transported to the island), amplifying the actions of non-legal contracts and the black market, and in general, increasing shortages. Price adjustment is not an effective remedy against inflation and tends to increase socioeconomic inequality by distinguishing access to food by supply and

payment, without a social protection program. Once again, as with the so-called MLC stores, the result is not only antagonistic to the intent of the official measures but worsens the situation from which they started.

Even more alarming is the declaration of a "war economy", which is more recalcitrant than the "Special Period in Times of Peace" decreed in the 90's and which, according to economists, has turned out to be of lesser magnitude than the current crisis. As we are beginning to see, the war economy is the maximum level of national emergency, where decisions are taken directly by the executive, in an exceptional manner. This state of exception facilitates the acidification of public policies, greater general control and the rationalization of goods and services. For example, in the same official communiqué, the Government announced to postpone and paralyze investments "that are not essential". Considering that the last "necessary" investments have been destined to the tourism sector, in a country that accumulates less than half the number of international travelers it had five years ago, we can foresee a similar negative impact.

Food Monitor Program recalls that the current economic context in Cuba has as one of its main causes the failed Tarea Ordenamiento and the setback of guarantees and social support without palliative measures for a vulnerable population in extension. The collapse of up to 67% of food production in the last five years, the ineffectiveness of the so-called measures to boost agriculture, as well as the inclination to dollarization and patrimonialist contracts within Cuban state capitalism have resulted in more than 90% of Cubans having lost considerable access to food since the Tarea Ordenamiento. Food Monitor Program calls for a willingness and state responsibility that prioritizes a widely vulnerable population, with realistic, consensual provisions, far from excessive state control, as well as an accountability mechanism that allows for greater citizen incidence in terms of food security.