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Cuba: Foreign Agribusiness Financing and Investment[1]

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Abstract

This paper contains information on the climate for foreign investment in Cuba, as well as the laws, policies, and regulations affecting foreign agribusiness investment. Information is also provided on specific foreign financing and investments in citrus, tobacco, sugar, non-export crops, livestock and poultry, processed foods, and beverages. The final section considers factors that will affect foreign financing and investment following normalization of U.S. and Cuban relations.

Information and data most recently available on foreign financing and investment in Cuba's agricultural, sugar, and food industries are summarized. To a large extent, it is a revision of "Cuba: Overview of Foreign Agribusiness Investment" (IW97-10). Readers may wish to refer to IW97-10 for additional detail. It should be noted that some data have been changed, and information presented in this paper should supersede that contained in IW97-10.

Preface

Cuba has entered into a process of economic reform which, combined with other factors, may lead to the restoration of diplomatic and commercial relations with the United States. Given the striking similarity between historical agricultural production patterns in Cuba and Florida, and the extensive volume of agricultural trade between the United States and Cuba prior to 1960, agricultural producers and processors in Cuba, Florida, and throughout the United States are likely to face both challenges and opportunities if, and when, the U.S. economic sanctions against Cuba are lifted.

Available information and data on foreign financing and investment in Cuba's agricultural, sugar, and food industries are summarized. To a large extent, it is a revision of "Cuba: Overview of Foreign Agribusiness Investment" (IW97-10). Readers may wish to refer to IW97-10 for additional detail. It should be noted that some data have been changed, and information presented in this paper should supersede that contained in IW97-10.

With the support of the John D. and Catherine T. MacArthur Foundation, this research is being conducted via a program of active collaboration between the University of Florida's International Trade and Development Center (IATDC) and the University of Havana's Center for Research on the International Economy [Centro de Investigaciones de Economía Internacional (CIEI)]. The MacArthur Foundation support has been a pivotal element of this

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research project and is hereby very gratefully acknowledged.

A preliminary and important part of this research was the identification of potential commodities, or groups of commodities, that would become likely candidates for trade or investment once commercial relations between the two countries are resumed. Five groups are identified:

- sugar;
- citrus—grapefruit, lemon, *lima*, orange and tangerine;
- vegetables—cabbage, *calabaza* (pumpkin), cucumber, garlic, lettuce, onion, pepper, plantain and tomato; roots and tubers—*boniato* (sweet potato), *malanga* (taro), potato and *yucca* (cassava);
- tropical fruits—avocado, coconut, guava, mango, papaya and pineapple; and
- fisheries and aquaculture.

The next step consisted of conducting a thorough diagnostic of each of these commodity sectors in Florida and Cuba. These diagnostic studies provide the bases for the third part of the research: a series of publications that assess the potential competition and complementarity between Cuba and Florida that could occur if economic sanctions against Cuba were lifted.

Summary data and information from this paper were presented by the authors at a conference held at the Cosmos Club in Washington, DC, March 31, 1998, entitled "Role of the Agricultural Sector in Cuba's Integration into the Global Economy and its Future Economic Structures: Implications for Florida and U.S. Agriculture." The conference presented the results of research conducted jointly by IATDC (Florida) and the CIEI (Cuba). The National Center for Food and Agricultural Policy co-sponsored the conference.

Work on the project, which was conducted jointly by the University of Florida and the University of Havana, recognizes that U.S. policy presently precludes U.S. financing and investment in Cuba. U.S. policy also discourages other countries from investing in Cuba; however, significant agribusiness investment by U.S. allies has taken place.

This study provides data on agribusiness financing and investment in Cuba by U.S. trading partners. Information is presented on the climate for all investments currently being made in Cuba. In addition, the paper covers laws, policies and regulations affecting foreign investment, especially those designed to encourage foreign financing and investment in agribusiness.

Introduction

At the end of the 19th century, U.S. investment in Cuba amounted to $50 million out of a total foreign investment of $700 million. Beginning around 1914, investments from the United States began to penetrate the island with renewed force. While diversified, U.S. investments were principally in agriculture, especially the sugar industry.

By 1950 the bulk of direct U.S. investments in Cuba were in agriculture and amounted to $263 million (40% of the total foreign investment in Cuba). An additional $54 million was invested by U.S. firms in manufacturing. By 1958 the total direct U.S. investment in Cuba had risen to more than $1 billion.

U.S. direct investment in Cuba had become more diversified by the late 1950s. In the sugar sector, approximately 40 percent of Cuba's sugar production was due to U.S. investment capital, as compared to over 60 percent in 1925. These data illustrate the close investment ties that Cuba and the United States maintained for more than 50 years.[3]

In general, U.S. investments in Cuba before the 1959 revolution were diversified and present in most economic areas of the country. In the agricultural sector, in addition to the sugar and tobacco industries, there were numerous small agribusiness investors, including those from Cuba as well as the United States. Small investors were involved with production of rice, oilseeds, tomatoes, swine, poultry, and cattle—both beef and dairy.

Foreign Investment Climate

After the Castro administration took over in 1959 and until the end of the 1980s, no foreign investment of any kind (only credit and favorable trade agreements) was made in Cuba. This was due to the country's commercial and industrial economic maintenance via the former USSR and the former socialist countries of Eastern Europe. These relations were based on the exchange of special conditions for credit for development as well as preferential trade in certain export products.

After a change in the trade conditions with these countries, Cuba confronted, for the first time in three decades, the challenges of the rules of an unfamiliar market. Until that time, only 15 percent of the capital was free flow cash, and 85 percent was produced with the Consejo Ayuda Mutual Economica (COMECON) under the conditions mentioned above.

In the period 1925 through 1958, 68 percent of Cuba's trade had been with the United States. This trade situation was similarly repeated in the 1960s, but this time with the former USSR and former socialist countries instead of with the United States.

Decree Law No. 55 - Regulation of Joint International Ventures

It was not until the end of the 1980s, after 30 years during which foreign investment in Cuba was virtually null, that the government began to actively promote the development of enterprises, in conjunction with national and foreign entities, as well as extending its commercial relations towards other parts of the world.

On February 15, 1982, Decree Law No. 50 was submitted as the document to specifically regulate joint international ventures. It allowed for the establishment of business associations and other forms of economic associations within the country, using Cuban and foreign capital. It further guaranteed full endorsement per the modifications introduced in July of 1992 in the republic's constitution.

Modifications in the constitution and former economic reforms realized in the country demonstrated that Decree Law No. 50 did not guarantee an adequate flow of capital to the island since, due to the nonexistence of a favorable attitude towards foreign investment in Cuba in the years after 1959, potential investors were hesitant to finance projects in Cuba. It was therefore necessary to create a more flexible law that would provide more attractive financial and fiscal incentives.

In the beginning, the surge towards mixed economic associations was primarily motivated by the necessity to access resources, markets, and technologies. The former evolution of this process was also associated with changes in yet to be developed economic mechanisms. Mixed businesses in Cuba represented the transformation of the economy from a highly centralized design into an economy that now combines two models for its function—national or state and mixed.

Law No. 77 - Law of Foreign Investment

On September 5, 1995, the National Assembly of Popular Power in the Republic of Cuba unanimously approved Law No. 77 – The Law of Foreign Investment.[4] This legislation replaced the provisions of Decree Law No. 50. The express objectives of Law No. 77 is to promote and provide incentives to foreign investors; bring greater security and guarantees to investors; improve fundamental development of the country; and allow for national economic recovery, financial resources, technologies, and new markets in various productive areas to include those providing services, with the exception of health, public education, and the armed forces.

Law No. 77, with its 58 articles grouped within 17 chapters, provides guarantees to foreign investors. It specifies the areas to which investments may be destined and defines the manifestations and forms of foreign investments. It addresses investment in real estate, and stipulates the process of negotiation and authorization of foreign investment in banking, labor, export, import, taxes, and duties, as well as duty free zones and industrial parks, protection of the environment, etc.

The guarantees to investors are considered by Cuban officials to provide ample protection and security. In the extreme case of an expropriation for reason of public utilities or social interest, there is a defined, previously agreed upon indemnity in cash for the value of the established business. If there is a discrepancy, the established cost will be determined by an established international organization dealing in the value of businesses.

One of the guarantees provided is protection against third party claims, which must conform to the duties, laws, and tribunals of the Cuban judicial system. In addition, any and all net dividends and interests gained from these investments may be freely transferred in cash outside the country. As of April 1998, Agreements of Promotion and Protection of Investments had been signed by Cuba and 24 countries—Argentina, Barbados, Bolivia, Chile, China, Colombia, Czechoslovakia, Ecuador, France, Germany, Great Britain, Greece, Italy, Laos, Lebanon, Romania, Russia, South Africa, Switzerland, Spain, Ukraine, Venezuela, and Vietnam.[5]

Forms of Investment. Investments may be direct or indirect, as long as the foreign investor participates in an effective form or through stocks or other values. The investments may take the following forms:

- *Mixed Enterprise.* A Cuban mercantile business that adopts incorporation with shares of stock in which one or more participating stockholders is a foreign investor.

- *Contract for International Economic Association.* An agreement or pact between one or more national investors and one or more foreign investors to realize, in conjunction with each other, appropriate acts of an international economic association, without allocating judicial specifics.

- *Enterprise Composed Exclusively of Foreign Capital.* A business enterprise composed of foreign monies, without the participation of a national investor.

Authorization. The levels of investment authorization delegated to the Executive Committee of the Council of Ministers include: when the investments are equivalent to $10 million, or completely foreign, or deal with public services such as transportation or communications, or pertain to a foreign enterprise with capital from a foreign state, or deal with the exploitation of a natural resource, or implicate the transfer of the country's property, or deal with the enterprising aspects of the armed forces. All other investment authorizations are delegated to governmental committees designated by the Executive Committee.

Negotiations. Negotiations begin with a meeting between the potential investor and the appropriate national investor. Both parties' proposals must be presented to the Ministry of Investments and Economic Collaboration for proper transaction. In the case of totally foreign investments, proposals are directed to the Ministry for identifying the proper Cuban entities responsible for analyzing and approving the proposal. Totally foreign investments have a 60-day waiting period from the date of presentation (the waiting period is the same whether decisions are positive or negative), and all decisions must be substantiated.

Banking. With regard to the banking regime, mixed enterprises, foreign investors, and national investors participating in contractual international economic agreements (be it individually or in conjunction with others), as well as enterprises whose sole capital is foreign, must have accounts (in totally exchangeable funds) within a bank in the national banking system. All payments and charges are handled by the national banking system.

Export and Import. Mixed enterprises, national and foreign investors in contractual international economic agreements, and enterprises whose sole capital is foreign have the right, within the agreements established, to export their products directly and to import directly all items necessary for the production of their end product.

Labor. Foreign investors must comply with labor and social security laws in effect in Cuba and all the implications of these laws. Laborers who perform services pertaining to foreign investors will

be, as a general rule, Cubans or foreign permanent residents of Cuba. Nevertheless, the directors and administrators of mixed enterprises, or enterprises whose sole capital is foreign, or enterprises in contractual international economic agreements may decide that certain administrative or technical positions may be assumed by persons who are non-permanent residents of the country. Non-permanent Cuban residents who may be hired are subject to the laws of immigration and alien residency. Payment to Cuban citizens and foreign permanent residents of Cuba will be made in national currency, which has been previously obtained from convertible dividends, with the exception as cited in Article 27 of this law. The employing entity will individually contract with the workers and foreign permanent residents providing the labor. The employing entity will pay these workers the monies owed for such labor.

Ownership of Intangibles. Any resulting technological innovations or intangible estates obtained, within the framework of an international economic association or through Cuban laborers in an enterprise whose sole capital is foreign, are regulated by the legislation under which they fall.

Taxes and Duties. With regard to special taxes and duties, mixed enterprises, foreign investors, and national investors in contractual agreement with an international economic association will be subject to the payment of the following fiscal obligations:

- taxes on utilities,
- taxes on labor and social security,
- duties and other costs with regard to Customs,
- taxes on vehicles that cause damage or burden property or possession of motorized land vehicles, and
- taxes on documents that deal with rates and rights of solicitation, securing or changing said documents.

Law No. 77 provides that the payment of taxes by the aforementioned persons and entities will have the following benefits:

- the tax on utilities will be 30 percent of the net total. In cases where it is in the country's best interest, the Executive Committee of the Council of Ministers may waive part or all of this tax if they are to be reinvested in the country;
- the tax may be raised to 50 percent by the Executive Committee if the exploitation of natural resources are involved, whether the resources are renewable or not; and
- with regard to labor taxes and social security contributions, the following is established—11 percent labor tax and 14 percent social security contribution (rates based on total salaries and other incomes incured by employees with the exception of monies paid to employees as an economic bonus).

Registration. All foreign investors, once authorized and before beginning operations, must register with the Chamber of Commerce of the Republic of Cuba.

Additional Provisions. Three novel points are inserted within Law No. 77. The first point refers to the possibility of investments in and the acquisition of property or real estate (apartments, buildings, offices, etc) and the development of tourism. The second point refers to the inclusion of any new and stimulating export or international business entity (duty free zones). And the third point refers to participation in the development of industrial parks.

The last two points must comply with all the provisions contained in Decree Law No. 165 of 1997.

Elements of Foreign Agribusiness Investment

This section contains general information pertaining to elements of law, policies, and practices of foreign investment in Cuba's agricultural, food, sugar, and seafood industries.

Comments are based on a hypothetical scenario concerning business opportunities and foreign investments that could be undertaken with enterprises in Florida and other interested regions of

the United States, under the provisions of Law No. 77, assuming a situation in which there is a partial or total lifting of U.S. economic sanctions on agribusiness investment in Cuba.

The scenario is based also on the following points:

- The legal framework of the Law of Foreign Investment in Cuba does not discriminate against investors, including those of the United States.
- Products included in the scenario are those being studied by the cooperative project between the University of Florida and the University of Havana such as citrus, tropical fruits, vegetables, tubers and roots, fisheries, etc.
- Some enterprises in Florida and other U.S. states have indicated an interest to begin negotiations with Cuba in the agricultural, sugar, food, and seafood sectors.
- Agribusiness firms in Florida and other U.S. states have the capacity to execute steps needed to revitalize the areas under study (agricultural production, commodity processing and marketing, and fisheries).
- Cuban enterprises have experience with firms in other countries, especially Central American and Caribbean countries, in developing contracts directed at improving Cuban agriculture. This experience could be useful in the production and marketing of export items that would meet the product quality required by Florida and other U.S. markets.
- Geographic proximity between the United States and Cuba could result in lower agricultural production and marketing costs.
- Production in Cuba has the potential to fill "market windows" in foreign markets that cannot be met by U.S. agribusiness.

Current Situation

As with other low income countries, Cuba's basic objective in providing foreign investment opportunities is to introduce new technology, markets, and capital into its economy. Cuban officials believe it is unnecessary for all international economic associations to be large. They may be small- or medium-sized, as long as they satisfy one of the basic objectives of foreign investment stated above. Seventy-five percent of the mixed enterprises registered in Cuba have a capital investment of less than $5 million.[8] To bring more investments into their country, Cuban officials have stated that they will analyze all proposals from foreign investors.

As of April 1998, nearly 10 years after its enactment, Law No. 77 has permitted the approval and activation of 317 international economic associations. This number does not include the associations established under Decree Law No. 165, which provide for duty free zones and industrial parks—190 total, with 140 in commercial undertakings.

The bulk of foreign capital for financing and direct investment is from Spain, Canada, Italy, Mexico, Holland, and the United Kingdom. Nearly 74 percent of the associations have been established through firms in those countries. In accordance with U.S. policy, no associations have been established with U.S. investors. Of the 317 international economic associations that have been established, 63 associations have been dissolved.

According to the Cuban government, the basic economic activities requiring capital are petroleum/oil drilling, nickel and other mining, tourism, basic industries, transportation, and communications. Investments in the agricultural and fisheries sectors are considered insufficient, but are no less important for development. Imports of high-quality food should decrease as domestic production increases in Cuba.

Long-Term Considerations

Cuba's long-term strategy has been to reduce its dependency on importation of food items. It is a goal that has not been achieved. In 1989 more than 50

percent of the calories and 55 percent of the proteins consumed were imported (directly or indirectly). Food imports as a percentage of total imports in 1989 were 11 percent, compared to 21 percent in 1995.[9]

At the present time, the dependency on importation of food items has increased even more than the overall percentage change. Approximately 46 percent of the energy and 63 percent[10] of the proteins provided from food come from imported products. To revitalize areas with the capability of supplying adequate levels of food, it will be necessary to have a cash flow, to train producers in advanced technologies, and to market agricultural commodities and their processed products.

Cuba has proposed that Floridian enterprises could become the direct or indirect administrators of Cuban farming, agricultural industries, and fishing through financial or economic associations (joint ventures or international economic associations). The flow of agribusiness products could increase significantly in future endeavors between both countries.

Any commercial endeavor with countries in the Caribbean and Central America is privileged. There are financial arrangements between these countries and Cuba to incorporate within this investment modality such products as sugar, tobacco, rice, and tomatoes. Such is the case for 17 mixed enterprises, contracts for economic association, collaborations, and programs in vegetables, citrus, grains, flowers, and ornamental plants.

According to Cuban officials, Cuba's foreign investment policy favors small- and medium-sized businesses. Currently, however, most of Cuba's agriculture is administered or operated by large enterprises—state farms, agricultural cooperatives, Basic Units of Cooperative Production (UBPCs), Credit and Service Cooperatives (CCS), and the Working Youth Army (EJT). Private peasant farming accounts for only a small percentage of Cuba's agricultural production.

To effectively substitute the imported food items, Cuban officials plan to use whatever investments are offered in this venue to revitalize local production. They will import only those products that truly cannot be guaranteed as part of the local production, subject to natural conditions or unusual costs.

Geographic and Climatic Elements

Primarily because of Cuba's geographic location, tourism has become a principal source of foreign exchange for Cuba. For the Caribbean, tourism represents 26 percent of the fiscal holdings and 60 percent of the region's Gross Domestic Product (GDP), which is its principal economic sector, generating 22 percent of the employment and 76 percent of the investments. In 1996 the Caribbean tourist industry generated $13.3 billion.[15]

Foreign capital needed for the development of tourism in Cuba is estimated at more than $500 million. Construction of additional tourist accommodations will provide growth in tourism of around one billion dollars in the coming years.[16] This increase in tourism signifies a wealth of opportunities for new enterprises created through associations with foreign capital. Of special interest to Cuba, are food items generated from farming, processed foods, beverages, and fish products.

In addition, there are other opportunities generated by the development of tourism in Cuba such as linens, hotels, furniture, household goods, accessories, etc. According to the Cuban government, investors in these ventures will find in Cuba a secure demand, combined with the island's favorable geographical location. Cuba provides easy access to Caribbean markets, a region frequented by more than 15 million tourists per year.

A basic premise for foreign agribusiness investors to consider is that the climate in Cuba fosters agricultural production throughout the year. This allows for the planting and harvesting of vegetables, fruit, tubers and roots, grains, and other fresh and processed agricultural products, with the goal of placing them on national and international markets at the most favorable times.

Elements Particular to the Agricultural Sector

In the area of agribusiness, in particular, foreign investors must keep in mind some basic points in order to evaluate the worthiness of a joint venture. Considerations include working capital for the acquisition of administrative resources and payroll, as well as accounts payable pertaining to production, distribution of production on the international market, and access to adequate technology and/or technological knowledge for agribusiness undertakings.

Modalities, under which an international economic association can be created in Cuban agriculture, are varied. According to Cuban officials, there exists a great flexibility in possible business partnerships. Some typical variations are as follows:

- **Commercial Association.** The foreign counterpart advances funds to the "Association" for the acquisition of administrative and material resources needed by Cuban agribusiness enterprises. Marketing end products is realized through distribution channels that are also funded by the foreign counterpart.

- **Production and Commercialization Association.** The foreign counterpart is involved in the complete production and marketing process. That is, it participates in the effort, administration, and implementation of the project in areas defined and linked directly to the "Association" along with all of its risks. The Association can rent areas to benefit the whole of agriculture, and conducts the necessary investments for this end. the commercialization of end products will be via distribution channels established by the foreign counterpart. The national Cuban market will also have access in whatever capacity is feasible.

Agribusiness investment economic associations can be established with distinct Cuban entities that fit the criteria. One option is the Ministry of Agriculture's Union Nacional de Acopio (Acopio). Acopio is the entity in charge of the collection, distribution, and commercialization of Cuba's agricultural products on all levels. It has 14 offices (one in each province) and 164 establishments for the acquisition, distribution, and sale of agricultural products.

Elements Particular to the Food Industry

Like the agricultural sector, the food industry has its own policies for foreign investment. There are 16 enterprises associated with Coralsa, S.A. (an agency of the Ministry of Food Industry and similar to Acopio). Coralsa's enterprises have stockholding provisions. Stockholder shares generate 40-50 percent of the assets.

Coralsa's entities are the result of an organizational restructuring in 1995. The goal is to fortify sales, the economy, and the finances of the companies with which they are associated. The companies associated with Coralsa produce and distribute candies, confectioneries, wheat-derived products, instant beverages, wines, beers, refreshments, and mineral waters, as well as technical and refrigeration equipment necessary to the food industry.

The basic foreign investment policies for the Food Industry are in accordance with the legislation established by Law No. 77, although its implementation presents some unique aspects particularly inherent to the interests of food industries. Foreign investment in the food industry is to prohibit complete foreign investment; to allow for mainly Cuban participation; to give preference to foreign investments, which amounts to more than $1 million; to permit investors to recuperate their investments and make reasonable profits; and to support investors who provide connections with outside markets.

An important consideration is the fact that the food industry depends to a large extent on domestic agricultural production, and that the agricultural sector has been unable to meet the raw material supply needs of the country's food industry. This is the current situation for every agricultural product for which Cuba has food processing capabilities.

Elements Particular to the Sugar Sector

The Cuban sugar industry has existed for over four centuries. In the 1960s and 1970s, important investments were undertaken to produce an annual average of 7.5 and 8 millon metric tons of sugar during 1981-1985 and 1986-1990, respectively.[17] The sugar industry has 156 sugar mills, with more than 1.5 million acres dedicated to sugarcane cultivation (4,200 mechanical harvesters and 930 sugarcane cleaning stations), and employs nearly 400,000 workers (16,000 are mid- and high-level technicians).

The sugar sector is in need of administration, technology, and equipment that can be produced in Cuba through combined business efforts. According to Cuban officials, the sugarcane industry in the Province of Las Tunas represents an excellent business opportunity for enterprises from Florida.

Elements Particular to the Fisheries Sector

Reorganization of the fisheries sector in Cuba provides the opportunity to develop new world markets. Important investments have increased the exports of fisheries products. Reinvestment has reached all levels of production, with refrigeration and international health standards being required for packing and shipment.

Basic policies of investment and specified modalities for other sectors also apply to the fisheries industry. In addition to Caribx, S.A., which is the traditional exporter of fisheries products, two other businesses have become major participants in the fisheries sector—Pesca Caribe and Pescatlan, S.A.

General Considerations

An export tradition has been maintained throughout the years in the production of sugar, citrus, fish, and other agricultural products. In the period through 1990, important export volumes were achieved. With strong national and foreign investment support, regional and national markets could be expanded.

Cuban officials believe it would benefit both parties for Cuba to maintain the administration of deficit areas, be it through commerce or the establishment of associations with local producers, to activate agricultural production and to export products to markets in Florida, etc.

Livestock industry growth, in general, depends on adequate provisions of feed. Products such as corn, wheat, oats, and rye constitute the area with the greatest deficiency, but with good investment potential.

Previously, many food and feed items were acquired from markets of the former USSR and the Eastern European countries. Trade was affected when the conditions of commerce in these markets changed. Imports of grain for animal consumption and protein feed of vegetable and animal origin were especially important during the 1981-1989 period. Important quantities of onions, potatoes, beans, corn, and rice have been imported. However, climate, soil, and experience favor local cultivation.

Imports declined between 1991 and 1993. For the majority of the products discussed above, imports were 50-75 percent less and in some cases disappeared. These former levels have not been regained and total imports are now only about 30 percent of those in 1989.[18]

Because the necessary feed is not being produced in Cuba, recuperation of the livestock industry can only be achieved through the incorporation of foreign participation. Although there are some national substitutes, they are insufficient nor do they provide the required nutrients for the production of milk or meat. Therefore, in a period following the lifting of economic sanctions, there should be some excellent business opportunities for enterprises experienced in the production of pork, fowl, beef, etc.[19]

Fertilizers and pesticides constitute the pillars that greatly affect the production of all agricultural products. As mentioned in the food section, the production of meats, fruits, and vegetables is greatly affected by the deficit of raw materials and equipment. Currently, an investment opportunity, in conjunction with the Fertilizer Factory of Cienfuegos, is being promoted for the production of fertilizers in Cuba .

Another product of great importance is rice, which is a principal component in the Cuban diet. Production could be supported through contractual associations with businesses in Florida and/or other U.S. states. Economic associations and financial arrangements are being conducted with other countries such as China and the United Kingdom. The level of rice imports during the 1981-1989 period was 230,000 tons.[20]

Although Cuba plans to produce 550,000 tons of rice in the near future, this amount would only guarantee the minimum standard for the populace. Production in 1997 was between 300,000 and 340,000 tons. The difference between what Cuba produces and consumes is imported. Rice is one of the few products for which a viable local market is being offered, and is a favorable element for investors.

Other deficit products, which have been imported, are wheat flour, yeast, cans, cartons, and cardboard. All of these products play a part, directly or indirectly, in nutrition and their deficits affect the Cuban agricultural industry.

Current Foreign Agribusiness Financing and Investment

There is over $5 billion in foreign financing and investment in all sectors of Cuba's economy. More than 90 percent of these foreign investments come from Spain, Canada, Italy, France, Mexico, the Netherlands, and the United Kingdom—seven of the 55 countries with registered "international associations."

According to Cuban officials, international economic associations have been constituted in 34 different branches and sectors of Cuba's economy. Over 90 percent of these "associations" have been established since 1992. Tourism, mining, telecommunications, and "basic industry" are the major areas of investment.

Foreign financing and investment in agriculture and related businesses are relatively small. However, available information indicates a continuing and significant interest in Cuba among international agribusiness investors. About 10 percent of Cuba's recorded foreign "international economic associations" involves agribusiness.

Companies from Israel and Chile have substantial financing and investment arrangements with the Cuban government for the production, processing, and marketing of citrus. Firms from Spain, France, and the United Kingdom have significant credit and investment agreements for tobacco production, manufacturing, and marketing, while investors from Canada, Italy, France, Holland, and Russia have provided considerable credit or made notable investments in sugarcane, vegetables, rice, African palm, processed foods, beer, rum, and mineral water.

Citrus

One of the first projects in agriculture using foreign capital and expertise was an agreement between an Israeli corporation and the Cuban National Citrus Corporation (Corporacion Nacional de Citricos). The Israeli investment was made in 1990 through the BM Corporation, which is registered in Panama. It is an international economic association contract, not a joint venture, located 140 kilometers east of Havana in Jaguey Grande (Table 1).

The objective of the project was to increase productivity and improve the quality of citrus being produced on 38,750 hectares—considered the largest contiguous citrus grove in the world. While the agreement was made in 1990, the project was initiated in the 1960s. When Cuba broke diplomatic relations with Israel, the project ended. It was re-initiated after more than two decades. The Israeli investment reportedly is $22 million. Fruit is marketed under the brand name "Cubanita."

In 1997 the mixed Cuban-Israeli enterprise reportedly produced 36 percent of the country's total citrus production—303,685 tons of the total 843,700 tons. An additional 58 percent (490,000 tons) was produced by two enterprises administered by the military (Ejercito Juvenil del Trabajo) in the Jaguey Grande area and on the Isle of Youth. Thus, the three operations accounted for nearly all (96%) of the country's commercial citrus production.

A second international economic association of the National Citrus Corporation involves citrus processing. It is a contract agreement, not a joint venture, with the INGELCO Company of Chile. The project, also located in Jaguey Grande, processes citrus and non-citrus products for the domestic dollar market, tourism, and nearby export markets. Thirty million liters of citrus juice are processed annually under the brand name "Tropical Island."

The project, which began operations in 1992, uses packaging technology from the Swedish firm Tetrapack. Processing equipment was purchased through external credit and is being paid back by income from the project. Also, a percentage of sales revenue is being paid to the BM Group because of its exclusive right to operate in Jaguey Grande. Any surplus belonging to the Cuban partner is paid directly to the National Citrus Corporation.

In addition to the international economic associations formed with the BM and INGELCO groups, the National Citrus Corporation in 1991 established an economic association with POLE, a Chilean firm. Citrus, mainly grapefruit, was produced on 11,000 hectares on the Isle of Youth (Isla de la Juventud) until the agreement was terminated in 1996 (Table 2).

A second citrus project that has been terminated was a joint venture between the National Citrus Corporation and Lola Fruit S.A. Lola Fruit was created in May 1993 by Lomar Shipping Ltd. (U.K.) and the Lavina Shipping Corporation (Greece). Lola Fruit leased 31,000 hectares of oranges, grapefruit, and limes in Ciego de Avila from the Cuban National Citrus Corporation. A juice factory, producing frozen concentrate and oil extract, controlled an additional 14,000 hectares in the central area of Cuba.

When all foreign economic associations were in operation, the citrus area covered by international economic associations totaled an estimated 80,000 hectares. This was more than one-half of the country's total production area in citrus. Currently, the Cuban-Israeli international economic association involves more than one-fourth of the citrus area, and accounts for more than one-third of total production.

Tobacco

Tobacco production and manufacturing is also an important area in terms of foreign financing and investment. Economic associations in tobacco involve production, manufacturing, and marketing. Pre-financing agreements were signed in 1994 with two state tobacco monopolies, Tabacalera of Spain and Seita of France. These two agreements bind a large part of Cuba's tobacco exports (Table 3).

Tabacalera reportedly agreed to pre-finance one-half of the Cuban tobacco harvest. One source reported that Tabacalera had agreed to provide $25 million per year to finance inputs and market tobacco from 21,875 hectares in Pinar del Rio. Another source said the agreement was worth $30 million and included a supply of 25,000 tons of fertilizer, fuel and lubricants and parts for 350 tractors.

Seita of France is reported to be providing a $3.5 to $4 million line of credit to finance inputs and market tobacco in France. Holland's Lipoelif is also reported to be a provider of credit for harvest of Cuba's tobacco crop.

Another international economic association involving tobacco is a joint venture. It was formed in 1996 between the Cuban Tobacco Union and Souza Crus, a Brazilian subsidiary of the British-American Tobacco Company. The joint venture factory in Havana, BrasCuba, has six production lines producing 15,000 cigarettes per minute. Plans are to expand production to five billion units per year. Cigarettes are being exported under the Brazilian brand name "Continental." The Cuban brand, "Popular," is being produced for the domestic market. An initial investment, reportedly $10 million, was expected to be recovered in three years.

Production of tobacco in 1997 enabled Cuba's export-oriented cigar industry to produce approximately 250 million units. For the harvest ending in May 1996, tobacco production permitted the industry to produce 193 million cigars. Data for 1995 indicate only 60 million cigars were manufactured. Thus, according to data available, the manufacture of cigars quadrupled during the past two years—1996 and 1997.

The financing of production inputs by foreign sources has helped Cuba to increase tobacco output from 25,000 metric tons in 1995 to 33,100 in 1996 and 50,000 in 1997. Consequently, sales of manufactured tobacco products abroad have increased significantly. Tobacco leaves and tobacco products now account for nearly six percent of Cuba's total exports.

Sugar

Cuba's sugar industry is a relatively new agribusiness area to be opened to foreign investment. In 1994, because of the scarcity of resources and the difficult situation facing the industry, foreign investment in the sugar sector was opened to arrangements for international economic associations. Cuban efforts to encourage foreign investment in sugar have focused on financing production and marketing of sugarcane derivatives—not on the acquisition of assets such as sugar mills and refineries.

Eight "territorial financing programs" were established for sugarcane production with international sugar producers and financial institutions. Beginning with the 1995-96 sugarcane crop, an estimated $200 million was secured from European sources for the pre-financing of essential inputs such as petroleum products and fertilizers. Credits were provided by the Netherlands' ING Bank; Britain's ED&F Man Sugar, and the Anglo-Dutch company, VITOL, as well as French financial institutions (Table 4).

The terms of financing reportedly reflected the risk involved—three years at 15 percent. The principal was to be repaid from sugar proceeds in the first year, while one-half of the interest payment was to be paid in the second year and the remainder in the third year.

It was estimated that production of sugar would need to increase one million tons to cover the pre-financing cost. With sugar production in 1995-96 at 4.45 million metric tons, the estimated increase was achieved. Production the year before was 3.3 million metric tons.

For the 1996-97 sugarcane crop, the Ministry of Sugar reportedly sought $60 million in additional financing. Investors, in addition to repayment of principal and interest payments, were to receive 25 percent of the profits from increased production over the average of the previous two harvests. They also were to be given the first option to sell inputs to the industry at competitive prices. Sugar production for the 1996-97 season however did not increase. Output was estimated at 4.2 million metric tons. A delay in completing sugarcane plantings and the extended 1995-96 harvest were the main reasons for the lower output.

November 25, 1997, was the official starting date for the 1997-98 crop. Plans were to increase yields through a program to replace low-yielding rootstocks. Reportedly, the program was hampered by lack of fuel, deterioration of machinery, and absenteeism among the workforce. Recent estimates place the 1997-98 sugar production at less than 4 million tons.

Cuba's sugar production represents only a small percentage of the world's total output, currently less than four percent of the total 114 million metric tons. However, in terms of trade, it accounts for a much larger percentage and has a significant impact on world prices. That is because, unlike larger producers such as Europe and Australia, Cuba retains only about 200,000 metric tons of its crop for domestic use.

Sales overseas of the remaining output of Cuba's sugar production exceeds 13 percent of the total world sugar exports—more than three times Cuba's share of total world sugar production. Even with lower production of sugar in recent years, Cuba remains one of the world's largest sugar exporters—after the European Union, Australia, and Thailand.

Due to lack of sugarcane production, outdated equipment, and lack of repairs, a number of Cuba's 156 sugar mills are not in operation. Unless sugarcane production recovers and sugar mills are updated, it may be difficult for Cuba to repay the acquired foreign loans from foreign exchange earned through sugar exports. However, in spite of the tight credit situation, official guarantees have been

obtained recently from South Africa. A South African company is to provide diesel engines valued at $80 million for the sugar industry.

The only joint venture in sugar and derivatives is a project, announced in 1997, to produce alcohol from sugar molasses. The Cuban-Spanish project reportedly is valued at $65 million. Production began at the end of 1998, with capacity at 150,000 hectoliters of alcohol a year. The plant to refine sugar molasses is located at the Antonio Sanchez sugar mill in the province of Cienfuegos.

Other Agricultural Crops

As a result of efforts to reduce agricultural imports and to supply the tourist hotels, Cuba has opened investments in agriculture for non-export crops such as rice and beans (Table 5). Negotiations to form economic associations in the production of rice and beans, as well as animal feed, dairy products, and other non-export items, are said to be well advanced. Reportedly, more than 200 foreign firms have discussed new non-export agricultural investment opportunities with Cuban officials.

A British company was reported in 1995 to have signed an agreement to fund rice production in the provinces of Pinar de Rio and Sancti Spiritus. Rice production in recent years is estimated at approximately one-half of the record harvests recorded in the late 1980s.

China's Xintian Corporation for International Cooperation is working with Cuba's Fernando Echenique Agroindustrial Complex in the province of Granma to increase rice yields. The "experimental farm" is to operate for three years—six harvests—on 200 hectares. Four Cuban and three Chinese specialists direct operations. Also, a letter of intent has been signed for the creation of a Chinese-Cuban joint venture to produce rice on 5,000 hectares, pending results of the experimental farm.

Sherritt International, a Canadian company that mines nickel-cobalt in a joint venture near the eastern tip of Cuba, has also established an experimental farm. Horticulturists from Canada are assisting with farm operations. The objective of the 80-hectare farm, located near Cardenas, is to demonstrate how strawberries, green peppers, and other vegetables can be grown for the export market and for sale to the tourist industry in Cuba. The agricultural company formed by Sherrit International is known as Sherrit Green. Strawberries and other products from the farm, according to secondary sources, are being served in the tourist hotels at Varadero.

Production of cotton and tomatoes in Pinar del Rio is being supported by Spain, primarily through the Spanish Agency for International Cooperation. The project is known as the "Project for Development of Rural Integration." Among the resources reported to be valued at $3,976,000, will be high quality seeds, tractors, harvesting machinery and systems for leveling land, with laser beams. The project also includes a cotton gin and a tomato processing plant.

Another international economic association involves the production of African palm on 20,000 hectares. FACUSSE Foods of Honduras reportedly is providing $100 million over seven years to finance inputs and manufacture soap using the palm oil.

Recently, the Union de Acopio, which is attached to the Ministry of Agriculture, has announced its interest in finding foreign partners for the production of fresh tomatoes and the marketing abroad of tomato concentrate. The foreign investment required is $3 million, preferably through a joint venture. The Union de Acopio is also seeking a foreign partner for the production and marketing abroad of fresh potatoes, to be produced on 500 hectares. The foreign investment required is $1.5 million, preferably through a joint venture.

Also, Cuba has recently opened its forestry sector to foreign investment. A chronic deficit of industrial lumber has caused the Cuban government to study numerous projects for increasing output and modernizing the forestry sector.

Livestock and Poultry

A Cuban-Vietnamese joint venture in cattle and swine was inaugurated in Ninh Binh in June 1997. The Vietnamese enterprises, Phung Thuong and Don Giad, are contributing two-thirds of the $8.6 million initial investment. Bacuranao, a Cuban cattle

enterprise, is contributing the remainder (Table 6). The joint venture was created for the production of livestock and processing pork and beef, primarily for the tourist trade. High-quality semen is also to be produced for herd improvement.

Foreign investment is being encouraged for poultry production. Cuba's Union de Empresas Combinado Avicola Nacional is seeking foreign partners to increase poultry production in the provinces of Matanzas, Villa Clara, and Granma. Foreign capital will be used for the improvement of facilities and the purchase of poultry feed, pharmaceuticals, and other supplies. The requested investment is to be negotiated directly, and could be either a joint venture, an economic association contract or a cooperative production agreement.

Processed Foods and Beverages

In addition to the international economic associations involving agricultural production, there are a number of other economic associations involving the processing of agricultural products. The products include processed foods, bottled water, rum, and beer (Tables 7 and 8).

Food processing companies include Metzler of Canada. This joint venture, established in 1994, produces instant drinks, pasta, hot chocolate, crackers, soda biscuits, etc. in Havana. Other food processing companies include Confitel S.A., a joint venture with Russia. The firm produces cookies and candies. CONAICA, a Cuban-Spanish operation, produces caramelos of all types. Empresa Confitera Gamby is a Cuban-Italian operation started in 1995. The company produces a line of pastas for the dollar trade at tourist hotels.

Beverage manufacturing companies include Ciego Montero, a joint venture with Spain selling bottled mineral water. Labatt International of Canada has an agreement to produce Hatuey beer in Cuba. Also, the Succex Admiral group of Canada has agreed with the state-owned Cuban brewer Hatuey to bottle the beer bearing the Caribbean Ice label. The Pernod Ricard Group of France has an economic association to market Cuban rum worldwide and Pernod Ricard products in Cuba. Italy's San Pellegrino Group has a joint venture with Cuba's Union de Bebidas y Licores to produce bottled water for the domestic market.

Considerations for Potential Agribusiness Investment

While there currently is significant foreign investment in Cuba's agriculture, prospects for substantial agribusiness investment are directly linked to U.S.-Cuban relations. The vast size of the U.S. market, its high per-capita consumer income and past experience by U.S. firms in Cuba, will likely affect agribusiness investments in Cuba when relations are normalized between the two countries.

Bilateral Relations

Bilateral relations between the two countries deteriorated sharply following Fidel Castro's assumption of power in 1959. In 1961 the United States broke diplomatic relations and imposed sanctions on trade and financial relations in 1962. U.S. economic sanctions—the Cuban Assets Control Regulations issued by the U.S. Government on 8 July 1963 under the Trading With The Enemy Act—are still in force.

Provisions of the sanctions have been amended several times. Recent amendments include the Cuban Democracy Act, legislated in 1992. The Act tightened trade sanctions by limiting trade by third-country subsidiaries of U.S. companies and permitted the President to impose sanctions on allies who trade with Cuba. Legislation passed in 1996, the Cuban Liberty and Democratic Solidarity Act, strengthened sanctions on the Cuban government. As a result of the legislation, also known as the Helms-Burton legislation, there is no prospect of U.S. agribusiness investment in Cuba until there is a major change in U.S.-Cuban relations.

Agribusiness Investment Consideration

Cuba's ability to take advantage of its unique offerings to foreign agribusiness investors has been hampered, not only by lack of access to the U.S. market, but also by inadequate foreign investment incentives, poor management of the agricultural sector, and infrastructure development needs, among other factors.

In a period without U.S. economic sanctions, Cuba will have the potential to offer unique opportunities to foreign agribusiness investors such as geographic proximity to the U.S. market, a growing tourist industry that requires high-quality products, proximity to markets for tourist hotels and restaurants in the Caribbean, a highly educated and under-employed work force, fertile soils with the largest area for agricultural production of any island in the Caribbean, and a population of 11 million with a pent-up demand for better quality foods and diversity in their diets.

Agribusiness opportunities will depend largely on three principal factors: the degree of Cuba's openness to agribusiness trade and investment, effective domestic demand and competition within Cuba, and international markets.

Openness to Agribusiness Trade and Investment. The first factor is perhaps the most important and least predictable of the three. Cuba's decision to open its borders to foreign investment under Law No. 77 was born of economic necessity. It was not an enthusiastic political decision. Cuban policies reflecting the degree of openness to trade and investment in a period without U.S. sanctions are likely to be affected equally by politics and economics. The Cuban government, in an effort to stimulate foreign investor interest, may consider removing policy barriers that now inhibit foreign investment. It may earnestly invite foreign agribusiness investment in an attempt to regain and increase former production and export levels.

Effective Domestic Demand. The second factor, effective domestic demand, is more predictable. It seems foreseeable that, in a situation without U.S. sanctions, there will be pent-up demand in Cuba for diversified and higher quality foods—the products of agribusiness. The decline of the agricultural sector in Cuba since 1959 is well known. Production on a per-capita basis of many food items has fallen from the 1959 production level, e.g. milk, pork, beef, poultry meat and eggs, corn, beans, rice, and sugar. At the same time, Cuba's population has grown from 6.7 million in 1959 to over 11 million. Consequently, there has been an increase in the need for food supplies of more than 60 percent, merely to maintain the same food consumption level as sustained 39 years ago.

For some agricultural products, output has fallen by as large a percentage as the population has increased. Corn production, for example, has not only failed to keep pace with population growth, it has fallen to about one-fourth the per-capita level existing before the revolution. In addition, the elimination of Soviet assistance and lack of foreign exchange to import has resulted in less feed for animals. As a result, there has been a decreased production of animal proteins, especially beef and veal. These are food products that are consumed in larger quantities as incomes rise. Also, because of lower sugarcane production, there has been less foreign exchange earned from agricultural exports to import food products. Based on data for 1951-55, Cuba was the number one country in the world for sugar production, accounting for 15 percent of the world's supply. Some 40 years later, Cuba ranks eighth among all countries and accounts for less than four percent.

With lower per-capita production levels and less foreign exchange to import food, there is bound to be a pent-up demand in Cuba for higher quality foods and greater choice of food products. The real question is not whether there will be an increase in demand for food, but rather will there be an increase in effective demand.

Will the Cuban consumers have money to buy the products generated by foreign agribusiness investment? It is widely believed that following the lifting of U.S. economic sanctions there will be a substantial capital inflow combined with the introduction of new technologies. An infusion of capital and technology will provide the basis for increased productivity. Under normalized trade and economic relations and expanded foreign investment, there will be a favorable setting for increased employment opportunities, higher wages, and a significant and steady rise in personal real income. These factors should combine to give Cuban consumers more money to buy agricultural products, including more processed and higher value foods.

Domestic and Foreign Competition. The third factor, competition, also appears predictable. There

will be substantial competition in Cuba from current foreign agribusiness traders and investors and from foreign firms with products in the markets abroad where Cuban products might be sold. Foreign agribusiness companies already established in Cuba, such as those from Europe and Canada, will have an advantage over U.S. companies new to the market. But, it is also likely that they will increase their investments in a period when the U.S. market is open to Cuban products. The mixed-capital companies that have had substantial experience in the Cuban market will be strong competition for new agribusiness investors. However, companies with proven records of efficiency and substantial capital backing will have an opportunity to become competitive. Companies that can produce for both the Cuban domestic market and the export market will be especially competitive.

Conclusion

It is the conclusion of these authors that re-opening U.S.-Cuban trade could be very beneficial to both U.S. and Cuban agricultural markets, but does not appear likely to occur any time soon. For Cuba to revitalize its economy, it will be necessary for it to change its current policies and to increase its participation in world markets.

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Table 1. Cuba: Foreign financing and investment in citrus production and processing.

No.	Cuban Agency	Foreign Firm	Year Started	Investment	Major Activity (Brand Name)
1	Corporacion Nacional de Citricos	BM Group Israel	1960s and renewed 1990	Economic Association $22M	37,750 ha. Jaguey Grande (Cubanita)
2	Corporation Nacional de Citricos	INGELCO Chile	1992	Economic Association	Processing 30 million liters Jaguey Grande (Tropical Island)

Table 2. Cuba: Citrus foreign financing and investment projects terminated in 1996.

No.	Cuban Agency	Foreign Firm	Year Started	Investment	Major Activity
1	Corporacion Nacional de Citricos	Pole S.A. Chile	1991	Economic Association	Produce and market grapefruit 11,000 ha. Isla de la Juventud
2	Corporacion Nacional de Citricos	Lola Fruit, S.A. Greece	1993	Joint Venture	Produce, market and process 31,000 Ha. 9 Plantations, Ciego de Avila

Table 3. Cuba: Foreign financing and investment in tobacco production and manufacturing.

No.	Cuban Agency	Foreign Firm	Year Started	Investment	Major Activity
1	Cuba Tobacco	Tabacalera, S.A. Spain	1993	$25M per year	Finance inputs and market 21,875 ha. Pinar del Rio
2	Cuba Tobacco	Seita France	1994	$3.5M - $4M Line of Credit	Finance inputs and market Tobacco products
3	Cuban Tobacco Union	Souza Cruz Brazil	1996	$10M	Joint Venture 15,000 cigarettes per minute

Table 4. Cuba: Foreign financing and investments in sugarcane production, processing and derivatives.

No.	Cuban Agency	Foreign Firm	Year Started	Investment	Major Activity
1	Ministry of Sugar Industry	European banks and trade houses	1995-96 1996-97 1997-98	$100M + Short-term line of credit	Pre-finance, inputs, petroleum, fertilizers and spare parts
2	Ministry of Sugar Industry	South African Company	1997	$80M Credit guarantee	Diesel Engines for the sugar industry
3	Ministry of Sugar Industry	Alfisca Spain	1997	$65M Project	Production of alcohol from molasses 150,000 hectoliters/year

Table 5. Cuba: Foreign financing investment in agricultural commodities other than citrus, tobacco and sugar.

No.	Commodity	Foreign Firm	Year Started	Investment	Major Activity
1	African palm	Facusse Foods Honduras	1995	$100M over 7 years	20,000 ha. African palm, vegetable oil and soap manufacturing
2	Rice	Corporation for International Cooperation China	1996	Experimental farm	Production 200 ha. Granma
3	Rice	United Kingdom	1995	Pre-financing inputs	Production Pinar del Rio Sancti Spiritus
4	Strawberries and vegetables	Sherritt Green Canada	1995	Experimental farm	80 ha. produce for tourist hotels
5	Tomatoes and corn	Agency for International Cooperation Spain	1996	$4M	Seeds, tomato plants, cotton and gin Pina del Rio

Table 6. Cuba: Foreign financing and investment in livestock and poultry.

No.	Cuban Agency	Foreign Firm	Year Started	Investment	Major Activity
1	Bacuranao	Phung Thuong and Don Giad Vietnam	1997	2/3 of $8.6M project	Production and processing pork and beef; semen
2	Union de Empresas Combinado Avicola Nacional	Seeking foreign partners	Future	Foreign capital for feed supplies, etc.	Poultry production

Table 7. Cuba: Selected foreign financing and investment in processed foods.

Foreign Firm	Year Started	Type of Investment	Major Activity
Metzler Canada	1994	Joint Venture	Instant drinks, crackers, hot chocolate, pasta, soda biscuits, etc.
Confitel Russia	1993	Joint Venture	Cookies and candies
Conaica Spain	1994	Joint Venture	Caramelos of all types
Confitera-Gamby Italy	1995	Joint Venture	Pastas for dollar stores and tourist hotels

Table 8. Cuba: Selected foreign financing and investment in beer, rum and mineral water.

No.	Cuban Agency	Foreign Firm	Major Activity
1	Hatuey and Cristal	Labatt International Canada	Producuce Hatuey Beer in Cuba
2	Cuba's "Ron and Licores"	Pernod Ricard Group France	Market Cuban rum worldwide and Pernod Ricard products in Cuba
3	Union de Bebidas y Licores	Sam Pellegrino Group Italy	Bottled water for domestic market

Table 9. Cuba: Foreign investment opportunities in agribusiness promoted by the Cuban government.

Major Activity
Production of water irrigation systems. Commercialization of technical projects and services. Production renewal of motors in tractors and transportation equipment. Development of equipment for the protection of plants. Technology in the advancement of cultivation.
Opportunities in the area of forestry. Production and marketing different varieties of guava. Production and commercialization of seed potatos, ecological fruits and vegetables.
Exportation of papaya seeds of the Red Maradol variety, tomatoes, cucumbers and pimentos. Financing for rice. Production for tourism.
Production and commercialization of fresh papayas. Production of cheese through the cheese factory in the Sibanicu municipality.
Porcine and fowl production. Production of Bird meat. Processing of duck and goose.
Production of tomato concentrate. Exportation and importation of selected fruits (contracted via an Economic Association). Production of fruit nectars through the La Conchita Factory. Production of citrus fruits for export, fresh as well as canned.
Production of citrus fruits for export, fresh as well as canned (represents excellent opportunity for establishment of business with Cuban producers). Potential in this area has been studied and is based on the fresh produce of the last few years supported by capital om other sources. The crop of 1996, compared to that of 1995, grew by more than 98,000 tons.

Table 10. Cuba: Company proposals for food processing.

Company	Product
Dona Delicias Commercial Group	Jams
Vita Nova	Tomato pastes and sauces
Tropical	Fruit jams
Taoro	Mango juice and jams
La Matilde	Mayonnaise
Don Felo	Oil
Hola	Coffee

Table 13. Cuba: Imports of selected cereals and livestock products.*

Product	**1981-1989 (annual average)**
Corn, not for human consumption	some 450,000 tons
Wheat, not for human consumption	some 500,000 tons
Barley, not for human consumption	some 40,000 tons
Oats, not for human consumption	some 15,000 tons
Lard	some 75,000 tons
Condensed milk	some 20,000 tons
Powdered milk	some 35,000 tons

* Products imported to meet domestic demand—cheeses, butter, cereals requiring milk, cereals not requiring milk, meats hermetically sealed, other preserved meats and fresh fowl.