

Cuba's Rationing System: Issues and Prospects

Kate Eppinger
The University of Pittsburgh
School of Social Work

Cuban Social Policy Issues

Dr. Larry Davis

Dr. Ralph Bangs

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A pillar of Cuban daily life is the ration booklet. "We believe we are what we are due to our traditions", says Dr. Alberto Prieto, a professor at the University of Havana (A. Prieto, personal communication, March 10th, 2014). One could also argue that Cubans are who they are due to their reforms. One of Cuba's long standing social and economic "traditions" or reforms, is the food rationing system, which was established 52 years ago under Fidel Castro's Revolution. In general, rations are a basic social assistance measure to prevent starvation in harsh economic times. They have never been meant to supply a population's entire sustenance need. Beyond its nutritional aspect, this system has had major effects on the Cuban people, the country's economic position, and its future sustainability. Of course, Cubans are more than their imposed policies, however, some have become dependent and weary of the outdated reform, which was originally meant as a short term relief tool. Beginning in 1962, rationing was a response to the country's immense increase in purchasing power that far exceeded domestic production and imports. Left alone, the large amount of poor and low-income citizens would have suffered. The government then fixed prices and secured minimum quotas for all Cubans by subsidizing prices, many times significantly lower than the production costs. (Mesa-Lago, 2006). Andrea Carter (2013) says that rationing came about due to the higher costs of imports attributable from the results of the U.S. Embargo, coupled with Cuba's "post-revolutionary agrarian reforms" which meant to target production shortages and a failing agricultural system.

Rations, known in Cuba as the 'Libreta de Amastecimiento' or 'La Libreta', translating into "supplies booklet", is a system of food distribution that grants each person an allotted amount of sustenance on a monthly basis for free (Benjamin, Collins, 1985). Each family has their own booklet and if applicable, specific members' ages and health conditions qualify them for different types and amounts of food (Carter, 2013). Children, elderly and the sick are given higher quantities of certain foods. Subsidized commodities are received at local stores called "bodegas" where the libreta acts as a record

of the amount of allocated goods purchased for the monthly allowance. Up until 2009, Cubans were rationed many non-food items such as detergent, cigarettes, house supplies, toys, and even rum, but these have since been removed by current president, Raul Castro, in order to decrease Cuba's significant fiscal debt (Carter, 2013).

Cuban rations today include 5 eggs, 4 pounds of sugar, 5 pounds of broken rice, ½ pound of beans, half a bottle of cooking oil, 4 ounces of coffee, 1 lb. of spaghetti, 1 kilogram of whole milk powder, 1 liter of soy yogurt, and cooking gas (Carter, 2013, Tamanyo, 2013, See Appendix 1). Seven to thirteen years olds get additional items such as 1 kilogram of salt every three months, 1 lb. of chicken, 5 additional eggs, a phosphorous supplement, and 1 piece of bread daily (Carter, 2013). The "adequate" nourishment that these items provide is minimal, and also fairly bland and monotonous. This significantly increases the need for supplemental goods to flavor meals and suffice appetites. Goods are many times taken off the ration list when supply is unable to meet demand, however, these items are sometimes ten times more expensive outside of the rationing system. (Benjamin and Collins, 1985). Items such as fresh milk and meats are usually the first to disappear when agricultural production decreases (Carter, 2013). Sometimes there are additions, and just this week, Cubans are being offered special foods such as Mortadella cheese, beef hash, and fish, however, this is only offered in Havana's municipalities and not to the millions of urban poor (Havana Times, 2014).

The Cuban government admits that the rations are not adequate for full caloric requirements, similarly as to how food stamps in the United States are supplemental. It is common knowledge that rations only last for an average of 7-10 days out of the month (Carter). Anicia Garcia, a professor at the University of Havana, states that the rations only account for "half of our monthly needs" (A. Garcia, personal communication, March 13th, 2014) and so Cubans must supplement and enhance their diet through using outside markets (Rios, 2014). The creation of these alternative markets was only established after the collapse of the Soviet Union when the Cuban government became unable to

finance the full caloric requirements anymore (Carter, 2013). Three other factors contributed to the growth of outside markets: legalization of self-employment, allowance of remittances from abroad, and ability to hold U.S. currency and Cuban convertible pesos (CUC) (Carter, 2013). Six markets in Cuba exist today, each selling goods at different prices, in both the Cuban peso (CUP) and CUC, which affects who can buy from which market. These include rationing bodegas, parallel markets (free sale of the same items, subjected to rationing by the state at much higher prices), non-state agricultural markets, state agricultural markets (prices capped), foreign currency stores (TRDs), and the black market, which makes up a large percentage of consumption (Mesa-Lago, 2006). Dr. Ralph Bangs, a professor at the University of Pittsburgh, says that at least 50% of food items in Cuba are purchased from a black market (Dr. Bangs, personal communication, March 15th, 2014), a stark statistic that reinforces the systemic failings of rationing and the scarcity of internal revenue.

Systemic Issues

The current ration system is a problematic one for many reasons. Firstly, rations are expensive. A major concern is the financial burden. Rations cost the Cuban government around US\$1.5 billion dollars annually (Carter, 2013). This number is high, not only because it is supporting Cuba's entire population of 11 million people with daily free food, but because of the costs of *importing* the rationed food that they are unable to produce domestically. Today, Cuba imports a striking 80 percent of their domestic foodstuffs, including 60 percent of their main staple, rice (Carter, 2013). Many of these imports are for rations. Even native, Caribbean crops, such as coffee and sugar, are imported, forcing the government to spend a shocking \$40 million dollars a year on imported coffee beans (Miroff, 2010). Sugar and rice are now imported from China, which from a historically, lucrative, sugar producing country such as Cuba, is a stark, almost unfathomable reality (Miroff, 2010). The continuation of this reform, 52 years later, is currently providing tremendous economic stress due to dwindling or sheer lack of domestic products, heightened international market prices, and an immense agricultural stagnancy.

The government intends to distribute rations in the future based on need, not on citizenship. That leads into the second problem which is how rationing benefits all, instead of only those in need.

Rations don't discriminate. They are allocated for the entire Cuban population, ranging from those who are strictly dependent on it to those who are less or not dependent (service sector employees, state workers, and remittance recipients). Price subsidies for rationed goods should remain only for the "most vulnerable populations", (Codina, 2010) with all other consumers relying on markets and market prices for their needs (Mesa-Lago, 2010, p 178). The problem is there is no system that could monitor a family's income or eligibility in order to discern those who qualify from those who do not. With 62% of Cubans receiving remittances from abroad (Mesa-Lago, 2006), some argue that certain groups of people should not receive rations or the new wave of social assistance programs to come because they have enough resources. Choosing to replace rationing with social assistance programs is not unproblematic either. Although they would cost much less than rationing, they would place a great deal of stress on the Cuban citizens. In 1980, the government estimated that social assistance programs would cost only 22 million pesos, whereas the ration system costs over 3 billion pesos. (Benjamin, Collins, 1985). Moreover, how does a government taper aid with no eligibility criteria and a population reliant on it?

Thirdly, diet and nutrition continue to be a problem under the current rationing system. The ration once provided 1,900-2,400 calories before the fall of the USSR (Benjamin, Collins, 1985). During the subsequent economic crisis, the caloric intake dropped to 1,450 calories or lower and malnutrition climbed sharply (Benjamin and Collins). By 2000, Cuba reached a healthier level of calorie consumption, averaging 2,578 calories a day (WHO, 2012, Carter, 2013). However, because rations only provide 7-10 days' worth of food, it is estimated that they make up only 34 percent of the population's daily caloric intake, 32 percent of total proteins, and 34 percent of fat (Carter, 2013), which is obvious when assessing the specific food items. Rations guarantee about half of the daily consumption of calories,

although, unfortunately, it actually only covers “one third at best” (Mesa-Lago, 2006). Thereby, Cubans must supplement their diet with foods from the aforementioned markets, many of which provide imported, nutrition deficient, snack foods. Street carts, black markets, TRD's with processed foods, and ‘paladares’ (restaurants in the home) selling fried foods, sodas, and high fat content items, are starkly contrasted against the fairly simple, non-processed options provided for by rations and agricultural goods. Rations exclude vegetables, fruits, nuts, and lean meats. A well-rounded diet costs money, and it might be easier and cheaper to buy processed foods, just as in the United States. If rations were to include domestically grown produce, rising health concerns regarding obesity and diabetes might decrease. Due to fluctuating quotas and availability of products, it is difficult to determine how much food is available to Cubans at one given time (Frank, 2013).

Fourthly, the ration system and lack of adequate domestic production perpetuates the government's dependency on foreign trade, unstable market prices, and allies whom might not be stable in the future. The money spent on imports could be used for agricultural developments that would supplement the rations (or even end them), provide jobs, and relieve debt through increasing exports. With 80% of the rationed foods being imported, the government is spending money in a market outside of its own, while their domestic agriculture production struggles to gain financial backing (Carter, 2013). Even local farmers are contributing to the disproportionate attention towards importing. Cuba's 97 agricultural municipalities spent \$280 million out of the total \$860 million spent abroad in 2010 on the importation of rice, beans, meat, and oil, all of which could have been locally sourced (Frank, 2013).

Agricultural decline hit rock bottom during the Special Period, when Cuba lost 50 percent of its fertilizer and herbicide imports from the USSR, along with many agricultural means of production (Carter, 2013). This severely stunted farming and Orlando Lugo, the then president of the National Association of Small Private Farmers (ANAP) said that around 51% of land in the state was idle or poorly utilized (Mesa-Lago, 2013). “Agriculture is stagnant because there is no farming equipment”, says Professor Garcia

(personal communication, 2014), showcasing the government's slow recovery from the Special Period and the poor utilization of resources. Cuba has the potential to grow enough food for residents and tourists, profit from exports, and end the costly burden of rationing if it was a priority. Urban farms are sweeping the cities, however, Cuba's 6 million hectares of land will need an unbelievable amount of investments if they are to make farming a serious economic rescuing strategy (Altieri, Funes-Monzote, 2012). Cuba's modernization is currently devoting many resources to importing goods or encouraging urban agriculture (where the money is) instead of motivating production by peasants, where most of the land lies (Altieri, Funes-Monzote, 2012).

Fifthly, it has been argued that a ration economy can constitute a disincentive to work (Carter, 2013). Beneficiaries of the rationing system could become completely reliant on a system that maintains a certain level of security. Raul in 2010 said, "Cuba is the only country where you can live and not have to work" (Carter, 2013). Rationing has been a social aid for so long that some Cubans do not look at it as an emergency relief, but as a "perpetual right" to buy goods that have nothing to do with the real market costs, holding onto Fidel's revolutionary ideal of social justice (Benjamin, Collins, 1985). Policy makers against rationing claim it has a cyclical nature of perpetuation that I see as putting more blame on the individual rather than the inadequate systems that lack structural tools for its people: low prices of goods reduces the desire to work, which reduces production as a whole, which preserves the ration system (Benjamin, Collins, 1985). On the other hand, downsizing eligibility for rationing could have adverse effects not only because people are accustomed to free food, but also because there are limited job opportunities with salaries that enable the purchase of non-rationed foods. The state is actually cutting jobs to save money and in 2010, half a million state workers were let go (Carter, 2013).

Sixthly, rationing incentivizes a large underground market to meet demand. However, the black market does not create revenue for the state, which could be used for higher salaries, debt reduction, restructuring of the agricultural system, and much needed general economic reform. Many farmers are

inclined to sell their produce to the state because of the higher prices they would receive in the underground markets. A farmer states, "Why should I sell my onions to the state for 52 centavos per pound when I can make about five times as much on the private market?" (Perez-Lopez, 2013).

Confronted with this reality, Raul wants to bring some of this underground economy to the surface by increasing the taxable private economy up to 50 percent (A. Garcia, personal communication, March 13th, 2014).

Conclusions

In response to the aforementioned problems, Raul Castro wants to implement significant changes. "I am convinced", Raul said, "that several problems that we face today have their roots in this distribution measure (which had a reason at the beginning of the Revolution, but not now) that represents an egalitarianism that benefits those who work and those that do not work or do not need such benefits, and enables barter and resale in underground markets" (Raul Castro, 2010, quoted in Mesa-Lago, Lopez, p 131).

I think that in spite of the desire for change, the speed of the reforms will be hampered by a variety of factors. The embargo imposed by the U.S. is still prohibiting a mutually beneficial trade for Cuba, which prevents them from creating revenue that could be used for social assistance problems, economic restructuring, and agricultural development. Then, there is the lack of clear criteria to distinguish between those who need social assistance programs and those who do not due to untraceable sources of income in the black market, which also do not contribute to internal revenue. Ending the rationing would be very costly in the short term and requires willingness at the governmental and individual consumer level to go through such a monumental and painful restructuring process. Presuming that Castro's privatization efforts are successful, a significant section of the population will be empowered, at least financially, and the question is if a historically repressive regime is willing to give

away financial and political power to its people. Finally, I suspect that a lot of corrupted officials have an interest in preserving a nation-wide market for foreign business, which provides the goods for rations.

As Cuba transitions from a 52 year old paternalistic state into a more merit-based system, Cubans will have to face radical lifestyle shifts, learn how to navigate a partially privatized market, and adapt to unforeseen challenges brought about by a hybrid political and economic system.

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Appendix 1

Table 1: Per Capita Allocation and Prices of Rationed Products, Havana, August 2012

| Product | Quantity | Price (pesos/unit) |
|----------------------------|-------------------|-----------------------|
| Rice (broken) | 5 pounds | 0.25 |
| Rice | 2 pounds | 0.90 |
| Beans | 0.6 pound | 1.80 |
| Sugar | 4 pounds | 0.15 |
| Coffee | 4 ounces | 4.00 |
| Cooking oil | 1 pound | 0.40 |
| Pasta | 1 pound | 1.80 |
| Whole milk powder | 1 kilogram | 2.50 |
| Soy yogurt (7–13 years) | 1 liter | 1.00 |
| Chicken | 1 pound | 0.70 |
| Eggs | 5 eggs | 0.90 |
| Salt (every 3 months) | 1 kilogram | 0.35 |
| Phosphorus supplement | 1 box | 0.40 |
| Bread (daily) | 1 bun-sized piece | 0.05 |

Source: Data from rationed retail market Calle 31, Havana Municipality Beach.

Note: The exchange rate for one Cuban peso (CUP) is US\$0.04 (US\$1 is worth 25 CUP). The average nominal salary at the end of 2011 was 455.0 CUP per month. Although this converts to US\$19, it is not necessarily a realistic conversion because wages are supplemented with subsidized goods and services including education, housing, food, transportation, and electricity (Nova-González 2012).