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DIRECTORATE OF
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Intelligence Memorandum

*Cuba: The 1970 Sugar Harvest
And Its Economic Implications*

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CENTRAL INTELLIGENCE AGENCY
Directorate of Intelligence
September 1970

INTELLIGENCE MEMORANDUM

Cuba: The 1970 Sugar Harvest
And Its Economic Implications

Introduction

The 1970 sugar harvest, completed on 24 July, yielded a record 8.5 million metric tons. Although production fell 1.5 million tons short of Castro's highly publicized goal, it was nearly twice the 1969 crop and far surpassed the previous 7.2 million ton record achieved in 1952. The sugar production drive disrupted the economy, however, and the people's morale has dropped with the growing realization that the record harvest does not pre-empt improved living conditions. This memorandum outlines the factors determining the harvest's final outcome and assesses the impact on economic growth and policy. It also considers the outlook for sugar production during the next few years.

Determinants of the 1970 Sugar Crop

1. Cuba obtained its record output by sharply expanding the sugar cane area, mobilizing an unusually large work force, and greatly extending the harvest period. During the fall of 1968 and spring of 1969, about 1.2 million acres of cane were planted -- some 750,000 acres consisting of new land brought into cane production and the rest

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old cane stand plowed under and replanted. By harvest time, Cuba had about 3.7 million acres of cane -- close to the 1959 record of 4.0 million acres.

2. Cane yields were the highest in the country's history, averaging 22 metric tons per acre, compared with 20 tons in the best recent years and 18 tons in the best pre-revolution year. Yields were high because one-third of the cane stand was being harvested for the first time, whereas normally only about 15% is new. Moreover, much cane had been left uncut in 1969 to give it two years' growth. The crop also benefited from abundant rainfall in 1969. Fertilizer applications were not stepped up, however, and may have been somewhat smaller than the previous year.

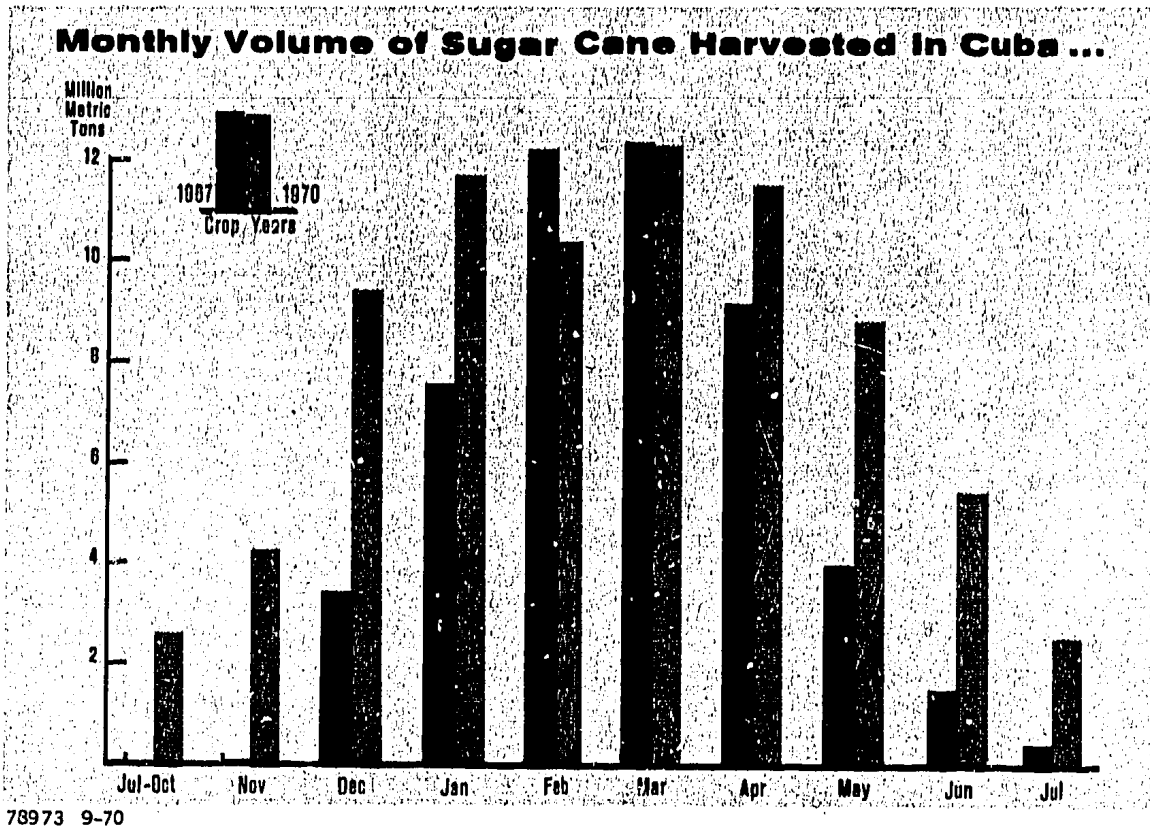
3. Expanded acreage and high yields provided a cane stand of about 83 million tons, and almost all of it was cut. By comparison, the largest volume harvested previously was 60 million tons in 1952 and the post-revolution record was 54 million tons in 1961. To achieve the record harvest, the regime increased the field labor force from the usual 250,000-300,000 people at the peak level of the harvest* to an estimated 350,000-400,000. While labor recruiting from other sectors, the armed forces, and schools has been common since 1961, this year's draft was the largest ever undertaken. Moreover, the 1970 harvest was by far the longest in Cuban history. Cutting began on a small scale in July 1969 and continued until late July 1970, whereas harvests traditionally have extended only from December or January through May. Also, the harvest continued in full force during the usual two-week Christmas holiday. Cane cutting during the first and last several months of the long 1970 season contributed greatly to the record harvest, as a comparison with 1967 -- the next best recent year -- shows (see the chart).

4. Lengthening the harvest was crucial in reaching an output of 8.5 million tons because, despite this year's bold campaign, peak monthly cane cutting did not surpass earlier levels. Increased labor was largely offset by a further deterioration in productivity even though mechanization

* *Mid-January through mid-April.*

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has been advancing.* The average field worker apparently cut little more than 2,900 pounds of cane per day during the 1970 harvest, compared with 4,000 pounds in 1967. In part, productivity fell because more inexperienced workers were employed and mobilization and management of the unusually large labor force was difficult. Probably even more important was the continuing transportation shortage. Although substantial amounts of transport equipment were bought in preparation for the harvest, cane cutters apparently were often forced to slow or stop their work because of delays in transporting cane to the mills.

5. Average milling yields were lower than usual because the harvest was exceptionally long and the best yields are not obtained until late in the dry season (normally late February through

* Cane collection centers (centros de acopio) numbered about 180 in 1970, compared with only 67 in 1967, and about 4,500 cane lifting machines were employed, compared with 3,500 in recent years. Cane combines were not more numerous, however, and probably contributed little to the harvest.

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early April). If milling yields had averaged 12.5% (as in 1967) instead of the 10.7% achieved, sugar output would have reached the goal of 10 million tons. Extending the harvest into the rainy season, however -- when the cane's sucrose content is low -- unavoidably reduced the average yield. Even during the peak harvesting season, yields were somewhat low, probably because of unseasonable winter rainfall. Problems experienced by 20 of Cuba's 152 mills in grinding cane while completing renovation and expansion projects also held down yields.

Economic Impact of the Harvest

6. The sugar harvest created problems elsewhere in the economy as labor and transportation were diverted on an unprecedented scale. Throughout the main harvest period, the full-time cane cutting force numbered some 100,000 more people than usual. Its efforts were supplemented by an extraordinarily large recruitment of help for week ends and other short periods. The additional labor deployed full-time, equaling about 4% of Cuba's civilian labor force, was drawn partly from the armed forces and schools. Many industries compensated to some extent for their reduced work force by requiring additional effort.

7. Diversion of transportation to the harvest probably caused greater problems than reduced employment. According to Fidel Castro's 26 July speech, manufacturing and construction were frequently disrupted because of material shortages resulting from transportation bottlenecks. Congestion developed in Cuba's ports, delaying deliveries of imported raw materials. Transportation shortages also hampered the movement of manufactures and forced several plants to close when storage capacity was exhausted.

8. Recent production data for Cuba's non-sugar sectors are sparse, but there clearly was a sharper and more prolonged dip in manufacturing and construction activity than is usual during the harvest. Stagnant in 1968-69 because of capacity and raw material limitations, these sectors' combined output is expected to drop about 5% in 1970. Castro's 26 July speech also cited various production shortfalls for agricultural items other than sugar and worsening problems in the services sector.

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9. The record-breaking sugar crop nevertheless will raise total output to a new high. With an increase of about two-fifths in the sugar sector's output, gross national product (GNP) is expected to grow by about 7% in 1970 despite setbacks in other sectors (see the table). Although GNP will be an estimated 18% higher than in 1957, the best pre-revolution year, per capita output will remain somewhat lower. The per capita supply of goods and services probably will decline in 1970, intensifying the already severe shortages of consumer goods. Virtually all of the additional sugar output probably will be exported to the USSR, boosting total exports to roughly \$1.0 billion, compared with \$630 million in 1969. But imports probably will not rise much above their 1969 level of \$1.1 billion, because Cuba (with Soviet encouragement) wants to reduce its trade deficit substantially.

Cuba: Gross National Product
by Sector of Origin

Million 1957 Pesos

	Estimated				Projected 1970
	1957	1967	1968	1969	
Sugar	700	755	635	665	950
Non-sugar agriculture	340	285	280	285	270
Non-sugar manufacturing	475	600	610	610	580
Construction	120	175	175	175	165
Transportation and communications	165	210	215	220	235
Services	1,000	1,150	1,120	1,130	1,100
<i>Gross national product</i>	<i>2,800</i>	<i>3,175</i>	<i>3,035</i>	<i>3,085</i>	<i>3,300</i>

Outlook for Economic Policy

10. Failure to achieve the goal of 10 million tons for sugar output and Castro's extended listing of Cuban economic woes in the 26 July speech have triggered speculation that policy changes may be in the offing. There have been a few signs that economic policy is under review, and several ministers have been replaced. But no major policy

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shifts are indicated so far. Castro's references to decentralization of management and other possible organizational changes have been extremely vague. At the same time, he continues to call for hard work and sacrifice in the cause of economic progress.

11. In resource allocation, too, prospects are for continuity rather than change. The Soviet claim to most of the gain in sugar output gives Cuba little ability this year to raise imports of either consumer goods or capital equipment and industrial materials. Castro could improve living conditions by shifting investment toward residential housing and other projects with low import content, which would allow substantially increased imports of foodstuffs and other consumer items. He almost certainly regards such a change as short-sighted and not urgently necessary, however, because he still seems confident that he has widespread support, despite signs of some erosion of his popularity.

Outlook for Sugar Production
During the Next Few Years

12. Sugar production appears certain to decline next year, probably to between 7 million and 8 million tons. Although the area devoted to cane is unlikely to change, the stand probably will amount to only 65 million to 75 million tons, compared with 93 million for the 1970 crop. There will be only a limited amount of high-yield cane because labor demands of the 1970 harvest interfered with this year's spring planting and virtually no cane was left standing to benefit from a second year's growth. Moreover, dry weather early in the growing season probably retarded the cane's development.

13. Harvest capacity may limit the 1971 crop more than cane supply because less labor and transportation will be provided, lighter cane yields will reduce cutters' productivity, and the harvest will be shorter. Thus far, no harvesting has been reported, whereas small-scale cutting for the 1970 crop started in July 1969. Although less cane will be harvested during the 1971 crop year, milling yields probably will be higher in view of the shorter season and completion of expansion and renovation efforts.

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14. Although the program to increase sugar output will continue during the next several years, it is likely to be given a reduced priority. Harvest mechanization will move ahead, and construction of many more cane collection centers already is scheduled. A new cane combine designed to serve these centers probably will be introduced on a large scale during the next few years. This machine already has been field tested and appears to have considerable promise. Continued efforts to break the transportation bottleneck also are expected. Although the sugar cane area is not expected to be expanded much, irrigated area probably will continue to increase and help to raise yields. Even so, progress in most respects is likely to be slow because of the meager resources available. It probably will be a few years before Cuba again produces a sugar crop of 8.5 million tons, and fulfillment of Castro's goal of regularly obtaining 10 million ton outputs is still many years in the future.

Conclusions

15. Cuba achieved a record sugar output of 8.5 million tons in 1970 -- 1.5 million tons less than planned -- only at the expense of the 1969 and 1971 sugar harvests and disruptions in other sectors. Although impressive compared with recent production, the 1970 accomplishment probably strikes many Cubans as a hollow victory, without benefit to the population. The huge increase in the sugar sector's output will raise gross national product by an estimated 7%, the best gain since 1967. But with most additional sugar earmarked for export to the USSR to reduce Cuba's chronically large trade deficits, consumer supplies are expected to be at least as tight as before. In a speech on 26 July, Castro dwelt at length on Cuba's economic problems but gave few signs that he is disposed to alter the system or sacrifice the building of socialism to immediate consumer needs. Despite the people's disappointment, Castro still seems committed to policies that have not worked well and give no promise of working better in the future. The brisk increase in production this year thus is likely to be followed by another period of sluggish growth or by stagnation.

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