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GLOBAL REPORT

Sugar Industry Overhaul Leaves a Void in Cuba

By Marc Frank
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HAVANA — In Cuba's rust belt, mounds of scrap iron, rusting railway cars and cannibalized machinery lie scattered beneath palm trees and giant smokestacks that once proudly announced dozens of picturesque rural sugar towns.

Until 2001 the sugar industry employed 400,000 workers and 20% of Cuba's 11 million inhabitants depended on it, while cane plantations covered more than 70% of the arable land.

Then in 2002 the government shut 71 of 156 state-run mills and relegated 60% of the 5 million acres of sugar cane plantations to other uses, in a restructuring that left the countryside in limbo and failed to halt the industry's decline.

"Sugar is central to Cuban culture, but for decades it has been a protected, propped-up industry," said Phil Peters, vice president of the Lexington Institute in Washington. "Its downsizing makes sense on the balance sheet, but each dismantled mill leaves a void in the countryside and in many Cubans' hearts."

Said one family doctor in Jobabo, in eastern Las Tunas province: "Alcoholism and suicide are up even though the government is paying everyone their salary to study or do agricultural work."

Maria, with five years in the sugar industry in Jobabo, a town of 50,000, said crime had increased and people were moving out since the local Peru sugar mill closed three years ago. "There is no focus anymore, no harvest plan to move the people or morning whistle to get everybody up," she said.

Former mechanic Ernesto Eduardo Reina got off his bicycle to pick his way through the rubble and old railway tracks under Peru's smokestacks. "I decided to stay put. I'm getting

full pay to become an agricultural engineer," he said. "I think there is a future. Fidel leaves no one behind."

But new industries have yet to replace the mills, and plans to put land to forestry, livestock and new crops have barely got off the ground. President Fidel Castro this year lambasted what was the country's lifeblood for now being its "ruin."

The Sugar Ministry blamed a two-year drought for this year's output of 1.3 million tons of raw sugar, well below the government's post-restructuring target of 4 million tons. It was the lowest harvest since 1908 and compares with 8 million tons when Cuba still received Soviet subsidies in 1990.

"This country will never again live off sugar," Castro said. "The industry belongs to the epoch of slavery and when our people were semiliterate and 30% illiterate and unemployed and thus ready to do the work of animals."

G.B. Hagelberg, a sugar industry analyst, said Castro's words were an excuse for not restructuring the industry decades ago. "That bit about slavery is pure demagoguery to hide ... a failed policy, long neglect, underinvestment, bad management and poor organization," he said.

Many diplomats agree, but they applaud Cuba's move away from a one-crop economy and wonder whether anybody but Castro could pull it off without serious social unrest. This year, tourism, family remittances, medical services, nickel, pharmaceuticals and tobacco products will produce more than \$5 billion in hard currency revenue compared with less than \$300 million from sugar.

The government plans to do away with the once all-powerful Sugar Ministry and close 43 of the 85 remaining mills, according to people who have seen the plan.

But resistance within the industry and the Communist party has forced a temporary compromise.

Industry insiders say many experts and local party leaders believe it is a strategic error to close so many mills. "They are going too far and closing some of our more efficient mills because they can't grow sugar and refuse foreign offers to invest in mills and plantations," one local expert said.

The Communist party daily, Granma, said mills would be replaced by "more than 100 factories to produce pastas, chocolate, candy, process soy beans and corn."

But at the First of January sugar town in central Ciego de Avila province, the local mill will not operate in the coming harvest for the first time since it opened in 1918.

"They told us we operated at a loss and would not mill until there was enough cane, perhaps in 2007," said Arnaldo, an automation specialist. "I do not think the mill will ever

reopen."

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