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Venezuela

Coffee

Annual

2000

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Report Highlights:

As expected, Venezuelan coffee production declined to 1.25 million bags last year, and it is estimated to fall even more in 1999/00 to 970 million bags. Domestic consumption dropped as well due to the ongoing recession. The short-term outlook for 1999/00 will be disappointing on the export side, while the prospects for next year are only slightly better. The Government plans to invest \$ 22 million in the recovery of the coffee sector, but no action has been taken to date.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Annual Report
Caracas [VE1], VE

Executive Summary

Venezuela has a strong coffee tradition. Most coffee produced in Venezuela is Arabica. Coffee is harvested in 14 of the 24 Venezuelan states. After corn, coffee is the second most cultivated crop in area. However, coffee production has been declining during the last two seasons. Production in 1998/99 was 1.25 million bags and is estimated to be 970 million bags in 1999/00. The harvested area and the number of bearing trees in 1999/00 is unchanged from the previous season at 300,000 hectares and 610 million trees, respectively.

Coffee has been identified as a "Bandera" or product of national interest in the recently launched Venezuelan Agricultural Development Plan. The Venezuelan Government (GOV) will invest Bs. 150 billion (more than US \$ 22 million) in the recovery of the coffee sector. The investment has not been implemented yet. For the moment, plans are for maintenance and consolidation of existing coffee areas. Long run plans are to double the area planted. The GOV has also offered an export bonus to coffee producers that consists of a 10 percent incentive over the amount exported.

Domestic coffee consumption has declined as a result of the recession. Total domestic consumption in 1998/99 was 830,000 bags and it is estimated to be even lower in 1999/00 at 680,000 bags.

Exports in 1998/99 were 550,000 bags. Venezuela's total exports of coffee for 1999/00 are expected to decline to 335,000 bags due primarily to the decline in production. The main destination of the Venezuelan green coffee exports is the United States (around 80 percent). Venezuela's coffee trade also includes some cross-border illegal movements to and from Colombia. During 1998/99 illegal imports were estimated at 100,000 bags. Estimates are that in 1999/00, Venezuelan coffee will flow the other way to supply the domestic Colombian market, as a shortage in Colombia's coffee supply is forecast for next year.

Venezuelan coffee producers have complained that overvaluation of the currency is affecting producers. They claim that it makes them less competitive compared to coffee producers in other countries.

PSD Table						
Country	Venezuela					
Commodity	Coffee, Green				(1000 HA)(MILLION TREES)(1000 60 KG BAGS)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		10/1998		10/1999		10/2000
Area Planted	315	310	320	310	0	315
Area Harvested	305	300	305	300	0	310
Bearing Trees	615	610	620	610	0	610
Non-Bearing Trees	10	10	10	10	0	10
TOTAL Tree Population	625	620	630	620	0	620
Beginning Stocks	145	145	110	110	70	125
Arabica Production	1300	1250	1250	970	0	1050
Robusta Production	0	0	0	0	0	0
Other Production	0	0	0	0	0	0
TOTAL Production	1300	1250	1250	970	0	1050
Bean Imports	80	80	80	60	0	60
Roast & Ground Imports	0	0	0	0	0	0
Soluble Imports	0	0	0	0	0	0
TOTAL Imports	80	80	80	60	0	60
TOTAL SUPPLY	1525	1475	1440	1140	70	1235
Bean Exports	470	515	475	300	0	380
Roast & Ground Exports	30	30	30	30	0	30
Soluble Exports	5	5	5	5	0	5
TOTAL Exports	505	550	510	335	0	415
Rst,Ground Dom. Consum	900	805	850	670	0	700
Soluble Dom. Consum.	10	10	10	10	0	10
TOTAL Dom. Consumption	910	815	860	680	0	710
Ending Stocks	110	110	70	125	0	110
TOTAL DISTRIBUTION	1525	1475	1440	1140	0	1235

Production

Most coffee produced in Venezuela is Arabica. The coffee is classified into three categories: fine-washed, good-washed and natural coffee.

According to official figures, coffee production during the 1998/99 season was 1.25 million bags. The fall in production was to be expected after the big 1997/98 harvest. Historical data shows that this phenomenon usually affects the next two crops. Post contacts suggest that production for 1999/2000 will be even less than last year, falling to 970 million bags. Despite efforts made by government authorities to promote coffee as a "Bandera" or product of national interest, coffee production will decline.

The coffee borer worm (Broca) has been reported in several producing areas that were free of this infestation. Yields have been affected, but there has been no significant damage to coffee plants. The quality of Venezuela's 1999/00 crop is considered fair despite the problems of excessive rainfall at the end of the harvest season, especially in the coffee zones of the Andean states of Venezuela where some coffee flowers were destroyed. Weather in the dominant coffee producing states of Lara and Portuguesa has been favorable.

The harvested area and the number of bearing trees in 1999/00 is unchanged from the previous season at 300,000 hectares and 610 million trees, respectively. The number of non-bearing trees is around 5 to 10 percent of total trees. Post contacts claim that 20 percent of harvested area produces 80 percent of the nation's coffee. The program of rejuvenating the ancient and non-productive coffee plantations followed by the National Coffee Fund (FONCAFE) during the past four years has been discontinued. The Venezuelan Ministry of Production and Commerce (MPC) eliminated FONCAFE in November 1999 due to alleged poor administration of funds.

Approximately 50 percent of the total area planted is at least 25 years old. The age of the Venezuelan trees was the driving force behind the rejuvenation and rehabilitation campaign of coffee plantations. However, the Government of Venezuela's (GOV) coffee production policy for the moment is one of maintenance of the coffee trees. Officials have decided to consolidate existing areas first rather than encouraging expansion of planted area in 1999/00.

According to the Venezuelan Agricultural Development Plan, the GOV will invest Bs. 150 billion (more than US \$ 22 million) in coffee production because coffee has been identified as one of the "bandera" or products of national interest. Government officials hope that this investment will contribute to the recovery of the sector, but no investment has been implemented yet. In the long run, the GOV hopes to generate export earnings up to \$ 1.2 billion per year. (Note: Post finds this highly ambitious given that current export earnings from the coffee sector are only \$72.8 million)

Consumption

Domestic coffee consumption is forecast to drop again in 1999/00 as a result of the recession that has hung over Venezuela the last three years. Retail price increases are forecast for the domestic market. Overall food consumption decreased in Venezuela during 1999. A fall in overall food consumption of 3.5 percent and a 26 percent fall in roast and ground coffee consumption has been reported by the Venezuelan Food Chamber, CAVIDEA, during the first quarter of 2000.

Despite efforts of local roasters to promote coffee in the domestic market and increase the number of coffee shops in the big cities, coffee consumption has declined in comparison to the previous year as a result of weak consumer purchasing power. Per capita consumption in 1998/99 was 1.60 kg. Per capita consumption in 1999/00 is 1.50 kg and is forecast to rebound slightly to 1.56 kg in 2000/01.

Retail Prices for Ground Coffee (kg)

mm/yy	Bs.	US\$	Bs./\$1
06/95	1,110*	6.52	170.00
12/95	1,230*	4.24	290.00
05/96	1,230*	2.61**	470.00
07/96	2,480*	5.27	470.00
03/97	3,460*	7.23	478.00
05/98	3,800*	7.10	535.00
08/98	3,440*	6.31	545.00
11/98	3,400*	6.20	548.00
02/99	3,280*	5.65	580.00
05/99	3,440*	5.79	594.00
12/99	3,500*	5.46	640.00
04/00	3,900*	5.80	672.00

* Maximum price

**There was a major devaluation in April 1996

Source: Field observation and newspapers

Retail Prices for Brewed Coffee

mm/yy	Size	Bs.	US \$	Bs./\$1
03/96	2 oz.	30	0.06	470
03/96	4 oz.	54	0.11	470
03/97	2 oz.	90	0.18	478
03/97	4 oz.	130	0.27	478
03/98	2 oz.	140	0.27	525
03/98	4 oz.	160	0.30	525
03/99	2 oz.	170	0.28	590
03/99	4 oz.	280	0.47	590
12/99	2 oz.	180	0.28	640
12/99	4 oz.	280	0.43	640
04/00	2 oz.	180	0.26	672
04/00	4 oz.	280	0.41	672

Source: Field observation and newspapers

Stocks

End of year stocks in 1998/99 were 110,000 bags. Stocks for 1999/00 are estimated to 125,000 bags. Even though production has been declining for two consecutive years, the projected increase in stock levels is due to lower exports and a noticeable decline in consumption. Higher yields are forecast for 2000/01 which could result in higher exports and higher domestic consumption as a slight recovery of the economy is expected for the second half of 2000.

Export Trade Matrix			
Country	Venezuela		
Commodity	Coffee, Green		
Time period		Units:	60 kg bags
Exports for:	1998		1999
U.S.	300,000	U.S.	441,700
Others		Others	
Germany	64,400	Germany	16,900
Spain	43,800	Spain	8,600
Belgium	40,600	Belgium	20,900
Canada	20,600	Canada	8,600
France	15,600	France	32,600
Others	35,000	Others	20,600
Total for Others	220,000		108,200
Others not Listed			
Grand Total	520,000		549,900

Source: Post estimates. (The trade data shown on this table has been derived by analyzing and comparing government and private sector sources of information. Official data shows no imports)

Trade

Total coffee exports in 1998/99 were 550,000 bags. Venezuela's total exports of coffee for 1999/00 are expected to decline to 335,000 bags due primarily to the decline in production. Green coffee exports make up about 90 percent of

exports. In order to reactivate coffee production and to increase exports, the GOV has offered an export bonus to coffee producers that consists of a 10 percent incentive over the amount exported.

Venezuela exports a large part of its total coffee production to the United States, approximately 80 percent, and the rest goes to the European Union. Many Venezuelan producers have established direct marketing arrangements with foreign buyers. Among the most important international purchasers are:

Name of the Company	% participation
Rothfos Corp.	56.20
Coex Coffee Int.	18.57
Red Isle produce	3.27
N.V. Supremo	3.19
Coffee Link Int.	2.96
Mocha Corp.	2.63
Holven H.	1.98
Agroexport P.	1.60
Anapolis Inv.	1.54
Sunfresh Mark	1.11
Others	6.95
	100.0

Source: Venezuelan Chamber of Coffee and Cocoa Exporters (Cámara Venezolana de Productores y Exportadores de Café y Cacao, CAPEC)

Venezuelans are trying to maintain a presence in international markets by consolidating Venezuelan coffee according to quality standards. Venezuela exports its best quality of coffee and there are foreign markets for all the categories produced. Venezuelan exporters have received pre-clearance by consistently meeting quality standards. The following table shows the quality percentage of the exported coffee during 1998/99.

Exports for 1998/99

Quality of Coffee	% of export
Fine washed	57.33
Good washed C	21.84
Good washed A	14.75
Good washed B	3.55
Lyophilized	1.05
Natural	0.88
Roast	0.60

100.0

Source: Venezuelan Chamber of Coffee and Cocoa Exporters (Cámara Venezolana de Productores y Exportadores de Café y Cacao, CAPEC)

Venezuela's coffee trade includes some cross-border illegal movements from or to Colombia, depending on the given country's situation. The exact amount of these "cross-border" movements is unknown. However, according to some Post contacts, during 1998/99, these cross-border movements were estimated at 100,000 bags. Due to the high domestic price, cheaper Colombian coffee entered Venezuela in 1998/99. Estimates are that in 1999/00, some Venezuelan coffee could go to supply the domestic Colombian market, as a shortage in coffee supply for next year is forecast for Colombia.

Tariff changes

Green and roast coffee coming from the Andean Community country members enter Venezuela duty free.

Tariff Schedule

Harmonized Code	Description	Ad Valorem (percent)	Andean Community Duty
0901.11.00	Green Coffee	10	free
0901.12.00	Decaffeinated	15	free
0901.21	Roasted		
0901.21.10	Whole coffee bean	15	free
0901.21.20	Ground coffee	20	free
0901.22.00	Decaffeinated	20	free
0901.90.00	Other	20	free

Regime Notes:

Note 5. All require a sanitary certificate from the country of origin.

Note 6. All require a sanitary permit from the Ministry of Production and Commerce.

A - None of the above pay luxury tax.

B - All of the above are exempted from the "Preferencia Arancelaria Regional" (Regional Tariff Preference)

C - All of the above, coming from Peru must pay 10% duty.

D - Products from codes 0901.21.20 and 0901.22.00 must be registered at the Venezuelan Ministry of Health.

