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## Venezuela

### Dairy and Products

#### Annual

#### 2000

Approved by:

**Martin Patterson**

**U.S. Embassy, Caracas**

Prepared by:

Clara Nuñez

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#### Report Highlights:

**Total demand for dry milk (non-fat and whole) is projected at 107,000 MT. Dry milk imports are vital to Venezuela and numerous world suppliers compete for the Venezuelan market. Whole dry milk imports for 2000 are estimated to remain flat at 67,000 MT. Dry milk powder output in Venezuela is estimated at 41,000 MT in 2000. Production of non-fat dry milk has been steady for the last four years and it is not expected to increase in 2000.**

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Includes PSD changes: Yes  
Includes Trade Matrix: Yes  
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**Table of Contents**

**Executive Summary ..... 2**

**Production ..... 3**

**Consumption ..... 3**

**Trade ..... 4**

**A. Imports ..... 4**

**B. Exports ..... 4**

**C. Trade Policy ..... 4**

**Marketing ..... 5**

**A. General ..... 5**

**B. Import requirements ..... 5**

**Tables ..... 6**

**Dairy, Dry Whole Milk Powder - PSD, 1999-2000 ..... 6**

**Dairy, Milk Non-fat Dry - PSD, 1999-2000 ..... 7**

**Dairy, Dry Whole Milk- Imports, 1999 ..... 8**

**Dairy, Dry Whole Milk - Retail Prices, 1999-00 ..... 9**

## **Executive Summary**

Venezuela's 1999 total powdered milk production was 38,000 MT which consisted of 35,000 tons of whole milk powder and 3,000 ton of non fat dry milk. The industry generally devotes itself to producing whole milk powder because consumers prefer full-fat dry milk. Also, the recovery cost for any butterfat produced from defatting the milk would make it prohibitively expensive for the local consumer if sold as butter or used to enhance ice cream ( Imported butter dominates that market segment and domestic ice cream is not high in butterfat). Production of whole dry milk during 2000 is estimated at 38,000 MT while, production of non-fat dry milk for the last four years has been steady and it is not expected to increase in 2000, staying around 3,000 MT. Total consumption of dry whole milk in 1999 was 96,000 MT and is forecast to increase slightly in 2001 as economic conditions improve. Total demand for non-fat dry milk in 1999 was 6,000 MT, and it is expected to increase to 7,000 MT in 2000. The expected increase in demand for both whole and non-fat dry milk will be covered by imports, because of currency overvaluation (which should keep prices of imported milk at low levels), and a slight improvement of economic conditions (based on the increase in oil exports). Post contends that there is an interesting opportunity for non-fat milk and dry whey products in Venezuela that should be considered by U.S. exporters.

## Production

Venezuela has a milk deficit of more than 800,000 MT per year which has traditionally been covered by imports. Ninety percent of the milk produced in Venezuela is by dual purpose, grass fed cattle, which are less productive than pure-bred dairy animals. About 75 percent of domestic milk production is concentrated in the Maracaibo Lake basin of western Venezuela.

In general terms, the dual purpose cattle system is inefficient with a productivity level of less than 5.0 liters per cow daily. The causes of this low productivity are subject to debate, among them is the lack of genetic enhancement within domestic herds, that limits their milk producing capacity. Other factors such as high cost of production, low quality of the raw milk and deficient sanitation during the milking process contributes to the gap in the production of good quality and low priced dairy products. There is also less production during the dry season (November-May), and higher production during the rain season (June-October). Raw milk is taken from the farms to collection centers and then to a processing plant. Generally 23 percent of raw milk production is used for home made or farm cheese and the other 77 percent goes to collection centers.

According to official statistics, total domestic milk production was 1,312,000 MT in 1999. About 21 percent of the total domestic milk production was converted into powdered milk. Venezuela's powdered milk production (both whole and non-fat) in 1999 was 38,000 MT which consist of 35,000 tons of whole milk powder and 3,000 tons of non fat dry milk. The industry generally devotes itself to producing whole milk powder because consumers prefer full-fat dry milk. Production of dry whole milk over the next two years is projected to grow at an average rate of approximately 2 percent. Production of non-fat dry milk has been steady and it is not expected to increase in 2001.

In 1944, Nestle-Borden company initiated the first dry milk processing plant in Venezuela. Today, the main processing dry milk plants are Parmalat (Italy), Cadipro Milk Products (New Zealand), and other small domestic companies.

## Consumption

Consumption of all dairy products reached 1,947,000 MT during 1999, from which 67 percent corresponded to domestic origin milk (equivalent to 1,311,000 MT) and 33 percent to imported origin (equivalent to 636,000 MT).

According to official data, total consumption of dry whole milk was 95,729 MT in 1999. This figure represents 40 percent of the domestic dairy consumption, the equivalent of 32 liters per capita per year.

Demand for non-fat dry milk is a small fraction of the total amount of milk consumed. Most Venezuelan consumers do not view non-fat milk favorably because there is a general perception that full-fat milk is more nutritious. Total demand for non-fat dry milk in 1999 was 6,000 MT, and it is expected to increase to 7,000 MT in 2000. Non-fat milk demand has improved slightly because some consumers (mostly higher-income) have expressed greater concern about reducing fat intake. The expected increase in non-fat milk demand will be covered by imports, with the United States being the most important source of imports.

## Trade

## **A. Imports**

Dry milk accounts for 87 percent of Venezuelan dairy imports. Cheese and derivatives accounts for the remainder. Regarding Venezuelan dry milk imports, 91 percent correspond to whole dry milk, and 9 percent correspond to non-fat dry milk

Dry milk imports are vital to Venezuela. Numerous world suppliers compete for the Venezuelan market. Competition is strong and diverse. Of the 66,923 MT imported, nearly half (48%) comes from New Zealand. The European Union provides another 25 percent share, with the United Kingdom and Ireland being the primary sources. The Southern Cone accounts for an 18 percent share of the Venezuelan import market. That market is spread somewhat evenly among Uruguay (43%), Argentina (36%) and Chile (21%). The Andean Community captures 4 percent of Venezuela's market and it is practically all coming from Colombia (92%). North America accounts for 3 percent with the U.S. share maintaining 86 percent and Canada handling the rest.

Whole dry milk imports for 2000 are estimated to remain about the same at 67,000 MT. Imports for 2001 are forecast to be up to 70,000 MT as a recovery in the economy is expected to bump up consumption.

## **B. Exports**

Given that Venezuela is unable to produce sufficient quantities to cover domestic demand and is a relatively high cost producer, milk exports are minimal and will likely remain trans-border trade with Colombia.

## **C. Trade Policy**

Lobbying for the protection of domestic agricultural products remains strong, and, in the case of dairy products, awkward restrictions to imports continue. The system of non-automatic, non-transparent import licensing for dairy products continues, and these licenses are subject to the Ministry of Production and Commerce's approval. The system of non-transparent quota administration seems to support domestic absorption. While the government restrict imports, an increase in domestic prices, both in raw milk and processed milk, has been observed.

The criteria used by the government for the distribution of the dairy quota, as well as the criteria for the adjudication of the licenses when demand exceeds the negotiated WTO quota is unknown. No regulations for who can or will get licenses have been published by the government. However, it is common knowledge that for whole dry milk (0402.21 - 74,000 MT), the licenses were split into four tranches (not equally) and within each tranche 10 percent was for new importers and 90 percent to the traditional importers. Furthermore, within 90 percent that goes to traditional importers, there is another split with 80 percent of that going to those who buy local milk and 20 percent for the others. The Venezuelan government has openly denied the 80/20 split favoring users of domestic milk -which happens to be WTO inconsistent.

## **Marketing**

## A. General

In Venezuela there are two factors determining milk import levels, one is a shortage in production, and the other is the elevated price of domestic milk in relation to the cost of imported powdered milk.

Numerous world suppliers compete for the Venezuelan dry milk market. More than 90 percent of annual imports take place between November and May, coinciding with the dry season when domestic milk production is lower. The dominant export partners are New Zealand and the European Union, who have established very close links with the Venezuelan dairy industry for decades. In 1994 the New Zealand Dairy Board established an strategic union with the Venezuelan group ILAPECA, giving origin to CADIPRO Milk Products, who not only commercialize domestic traditional brands, but international brands such as Anchor and Anlene. The other company with a strong presence in the dairy market is the Italian corporation, Parmalat.

Although consumption of non-fat products is not comparable to that of full-fat dry milk, it continues to be a niche market that U.S. exporters can pursue. Marketing strategies for penetrating this market should be implemented.

According to Post contacts, a large amount of dry-whey is used by the Venezuelan ice cream, desserts and confectionary industries. Post believes that this is a fast growing sector which can be targeted by U.S. whey suppliers. In fact, the U.S. Dairy Export Council (USDEC) has already started a good strategy of disseminating information about the uses of whey in the food industry. A USDEC Seminar was held in Caracas on November 14, 2000, with more than 50 potential importers participating.

## B. Import requirements

Milk imports from countries outside TRQ's of the Andean Community are subject to a 20 percent duty, plus an additional import tax under the Andean Community's price band and reference system (Sistema de Bandas de Precios). The bands are the parameters which determine whether additional import taxes are applied to imported products. The price band for dry whole or non-fat milk consists of ceiling and floor prices, which are calculated on the basis of a five-year average of New Zealand dry whole milk without added sugar, adjusted to CIF basis. Floor and ceiling prices are revised every April. The Andean Community also issues a reference price which is adjusted every two weeks. If the reference price falls within the floor and ceiling bands, only 20 percent duty is applied. If the reference price is above the ceiling band, a negative charge is applied to the 20 percent duty. Duties can be accessed at [www.comunidadandina.org](http://www.comunidadandina.org) (Under *Franjas de Precios* -"Price Bands").

**Tables**

PSD Table						
Country	Venezuela					
Commodity	Dairy, Dry Whole Milk Powder				(1000 MT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Beginning Stocks	35	35	41	39	34	42
Production	38	35	40	38	0	40
Intra EC Imports	0	0	0	0	0	0
Other Imports	60	67	65	67	0	70
TOTAL Imports	60	67	65	67	0	70
TOTAL SUPPLY	133	137	146	144	34	152
Intra EC Exports	0	0	0	0	0	0
Other Exports	2	2	2	2	0	2
TOTAL Exports	2	2	2	2	0	2
Human Dom. Consumption	90	96	110	100	0	110
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	90	96	110	100	0	110
TOTAL Use	92	98	112	102	0	112
Ending Stocks	41	39	34	42	0	40
TOTAL DISTRIBUTION	133	137	146	144	0	152
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

PSD Table						
Country	Venezuela					
Commodity	Dairy, Milk, Nonfat Dry				(1000 MT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Beginning Stocks	0	0	0	3	0	5
Production	3	3	3	3	0	3
Intra EC Imports	0	0	0	0	0	0
Other Imports	2	6	3	6	0	6
TOTAL Imports	2	6	3	6	0	6
TOTAL SUPPLY	5	9	6	12	0	14
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	0	0	0	0	0	0
Human Dom. Consumption	5	6	6	7	0	8
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	5	6	6	7	0	8
TOTAL Use	5	6	6	7	0	8
Ending Stocks	0	3	0	5	0	6
TOTAL DISTRIBUTION	5	9	6	12	0	14
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Import Trade Matrix			
Country	Venezuela		
Commodity	Dairy, Dry Whole Milk Powder		
Time period		Units:	MMT
Imports for:	1998		1999
U.S.	2	U.S.	3
Others		Others	
New Zealand	49	New Zealand	54
Total for Others	49		54
Others not Listed	10		10
Grand Total	61		67

Prices Table			
Country	Venezuela		
Commodity	Dairy, Dry Whole Milk Powder		
Prices in	Bolivars	per uom	Kg.
Year	1999	2000	% Change
Jan	3300	3630	10.00%
Feb	3477	3650	4.98%
Mar	3333	3695	10.86%
Apr	3333	3695	10.86%
May	3467	3630	4.70%
Jun	3500	3695	5.57%
Jul	3500	3600	2.86%
Aug	3525	3897	10.55%
Sep	3525	3970	12.62%
Oct	3600	4130	14.72%
Nov	3600		
Dec	3600		
Exchange Rate	691	Local currency/US \$	