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## Venezuela

## Sugar

## Annual

## 2002

Approved by:

**Leanne E. Hogie**

**U.S. Embassy**

Prepared by:

Ms. Mora Paiva

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### Report Highlights:

**The Venezuela sugar cane sector shows no signs of significant growth as past government programs have not had the full effect anticipated on increasing yields and area planted. Spending on future support to the sugar sector will be hampered by limited government funds and a looming recession. Most sugar in Venezuela is used for soft drinks, and for the first time this year soft drink manufacturers had direct access to import licenses for sugar. Previously only sugar mills could obtain licenses, and they still account for 97 percent of the licenses issued. In 2001/02 imports of centrifugal sugar soared due to greater demand from the soft drink manufacturers. Over 80 percent of the imported product came from Colombia, which has duty free access to the Venezuelan market. Imports are expected to fall back significantly in 2002/03 as the market is still burdened with large levels of stocks.**

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

## **Table of Contents**

Production .....	2
Consumption .....	2
Retail Prices for Refined Sugar .....	3
Trade .....	3
Stocks .....	3
Policy .....	4
Marketing .....	5
Sugar Cane PSD Table .....	6
Centrifugal Sugar PSD Table .....	7
Sugar Cane Import Matrix .....	8
Centrifugal Sugar Import Matrix .....	9

## **Executive Summary**

The Venezuelan sugar cane sector shows no signs of significant growth as past government programs have not had the full effect anticipated on increasing yields and area planted. Spending on future support to the sugar sector will be hampered by limited government funds and a looming recession. Most sugar in Venezuela is used for soft drinks, and for the first time this year soft drink manufacturers had direct access to import licenses for sugar. Previously only sugar mills could obtain licenses, and they still account for over 97 percent of the licenses issued. In 2001/02 imports of centrifugal sugar soared due to greater demand from the soft drink manufacturers. Over 80 percent of the imported product came from Colombia, which has duty-free access to the Venezuelan market. Imports are expected to fall back significantly in 2002/03 as the market is still burdened with large levels of stocks.

## **Production**

Venezuela's major sugar cane harvest season runs from November through May. Sugar cane production was reported at 7.8 million tons for 2000/01, but is expected to drop significantly in 2001/02 due to lower area planted. However, the lack of systematic crop survey and widely divergent estimates from government and nonofficial sources make it difficult to accurately estimate production.

The large crop in 2000/01 was due to favorable weather conditions, as well as increased financing from the government that encouraged small growers to plant more area. Growers received preferential financing for both the purchase of sugar cane seed stock (ratoon) as well as for land preparation from the Government of Venezuela (GOV). The GOV provided \$15.8 million to sugar cane grower cooperatives. Estimates for 2001/02 is for declined sugar cane production since it has been difficult for the GOV to maintain these preferential programs. This will mean that small growers will have to struggle to obtain financing from sources other than the GOV. Forecast for 2002/03 is for a minimum growth in sugar cane production as area planted with new varieties reach harvest stage.

Centrifugal sugar production is expected to show continued small increases, mainly as past investments by sugar mills to upgrade infrastructure are resulting in increased efficiency in milling sugar cane.

Early in 2002, the GOV announced the creation of a state-owned sugar mill in one of Venezuela's central states (Barinas). The GOV's intention is to increase sugar domestic production, provide employment and to diminish the gap between production and demand. However, at this time it appears that it will be difficult for the GOV to carry out this project due to competing demands on government funds. Government expenditures are expected to be down for 2002 due to low to negative GDP growth.

## **Yields**

Currently, average yields stand at 56.6 tons per hectare while some of the biggest sugar cane growers record higher yields of around 80 tons per hectare.

## **Consumption**

Sugar consumption is driven by the domestic soft drink industry. Almost 75 percent of domestic sugar is used by the soft drink industry, which does not use alternative sweeteners such as high fructose syrup as a major ingredient. Other smaller sugar consumers are the confectionary and animal feed industries. For home use Venezuelans generally prefer refined sugar over brown sugar.

Sugar consumption is forecast up slightly for 2002/03 due to demographic growth, but if price increases continue to outpace the inflation rate this could dampen demand for soft drinks and refined sugar, which will reduce overall sugar consumption. As you'll see in the prices table, average retail prices for sugar (1 kilo) increased 30 percent between 2000 and 2001, significantly above the inflation rate for 2001 of 12.5 percent. Average retail prices for refined sugar continue to rise in 2002, and the devaluation of its currency that Venezuela experienced in February will make imported sugar even more expensive.

**Table N°1**  
**Retail Prices for Refined Sugar**

Prices Table			
Country	Venezuela		
Commodity	Centrifugal Sugar		
Prices in	Bolivars	per uom	1 kilo
Year	2000	2001	% Change
Jan	368.82	490.63	33.03%
Feb	373.91	503.8	34.74%
Mar	374.47	509.66	36.10%
Apr	382.91	508.56	32.81%
May	390.32	509.3	30.48%
Jun	396	531.52	34.22%
Jul	402.62	532.09	32.16%
Aug	412.77	541.36	31.15%
Sep	426.81	545.34	27.77%
Oct	438.64	549.17	25.20%
Nov	453.87	560.49	23.49%
Dec	473.22	564.49	19.29%
Exchange Rate	910	Local currency/US \$	

## Trade

Sugar imports increased by 54 percent between 2000/01 and 2001/02 responding to an increased demand from soft drink manufacturers who want to import more sugar for further processing. Colombia is the major source of imported sugar to Venezuela, followed by Central American countries such as Guatemala and Nicaragua. Colombian sugar imports are assessed a zero duty due to Andean Community free trade. Preferential tariff benefits are granted to sugar imports from Guatemala and Nicaragua. These countries will likely continue to be sugar suppliers in the next years as bilateral agreements are still in place. Spain and France also shipped small quantities to the Venezuelan sugar market during the past year.

## Stocks

Sugar stock levels have fluctuated significantly during recent years, and remain at surprisingly high levels. The ownership and location of the stocks is shared between sugar millers and soft drink manufacturers.

## **Policy**

The GOV considers the sugar sector to be an important agricultural sector because it represents a source of employment and, therefore, the government sees a need to provide production incentives. These efforts include expanding the availability of credit, developing more productive and disease resistant varieties of sugar cane, and providing extension services aimed at improving cultivation practices.

The GOV signed a trade agreement with the Government of Cuba on October 30, 2000. Under this agreement, Venezuela will provide petroleum and Cuba will provide technical assistance to the agricultural, tourism and recreation sectors of the Venezuelan economy. (For more information refer to Gain Report # VE0045). Extension services (improving cultivation practices, developing more productive and disease resistant varieties of sugar cane) have been provided and continue to be provided by Cuban sugar technical experts.

While there is no price support program for sugar cane, the other major support to domestic production has been the implementation of the import licensing scheme which restricts imports. Up to 132,013 tons of sugar may be imported through the Tariff Rate Quota (TRQ's) regime. Imports are authorized to sugar millers in proportion to the sugar cane milled. Recently, other end-user sectors, such as soft drink manufacturers, have been able to obtain licenses if they can present proof of purchase of domestic sugar. The table on the following page provides detailed information of import licenses granted during 2001.

**Table N° 2**  
**Sugar Import Licenses Awarded**  
**During 2001**

<b>SUGAR MILL</b>	<b>METRIC TONS</b>
AZUCARERA CUMANACOA, C.A.	11,835
AZUCARERA GUANARE, C.A.	11,744
AZUCARERA PIO TAMAYO, C.A.	4,950
AZUCARERA RIO TURBIO, C.A.	26,147
C.A. CENTRAL LA PASTORA	29,750
C.A. CENTRAL VENEZUELA	5,723
CAZTA, C.A.	24,081
CENTRAL AZUCARERO PORTUGUESA, C.A.	55,014
CENTRAL CARORA	25,906
CENTRAL EL PALMAR	75,943
CENTRAL VENEZUELA	19,214
CENTRAL VEROES, C.A.	3,000
CORSERAGRO, S.A.	10,707
INDUSTRIA A-A-OS DE VENEZUELA, C.A.	2,640
INDUSTRIA AZUCARERA SANTA CLARA, C.A.	18,729
INDUSTRIA AZUCARERA SANTA ELENA, C.A.	31,548
MOLIENDAS PAPELON, S.A.	26,578
NESTLE VENEZUELA	2,000
PANAMCO DE VENEZUELA, S.A.	7,261
PEPSI-COLA VENEZUELA, C.A.	4,620
<b>GRAND TOTAL</b>	<b>397,390</b>

Note: imports are under HS code 1701.11.90.90

Source: Ministry of Production and Commerce (MPC)

## Marketing

Market share of soft drinks is split equally between preferences for dark colas and other flavored soft drinks. This is unlike other Latin American markets where colas predominate. Other sources of non-alcoholic beverages such as fresh fruit juices, imported powdered fruit juices and iced-tea preparations, which in some cases can be cheaper, have good market potential here.

**Sugar Cane PSD Table**

PSD Table						
Country	Venezuela					
Commodity	Sugar Cane for Centrifugal				(1000 HA)(1000 MT)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		09/2000		09/2001		09/2002
Area Planted	117	130	117	120	0	123
Area Harvested	117	130	117	120	0	123
Production	6950	7800	6950	6800	0	7000
TOTAL SUPPLY	6950	7800	6950	6800	0	7000
Utilization for Sugar	6950	7800	6950	6800	0	7000
Utilizatn for Alcohol	0	0	0	0	0	0
TOTAL UTILIZATION	6950	7800	6950	6800	0	7000

**Centrifugal Sugar PSD Table**

PSD Table						
Country	Venezuela					
Commodity	Centrifugal Sugar				(1000 MT)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		09/2000		09/2001		09/2002
Beginning Stocks	287	287	251	206	203	236
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	680	582	710	590	0	605
TOTAL Sugar Production	680	582	710	590	0	605
Raw Imports	132	191	120	294	0	198
Refined Imp.(Raw Val)	2	1	2	1	0	2
TOTAL Imports	134	192	122	295	0	200
TOTAL SUPPLY	1101	1061	1083	1091	203	1041
Raw Exports	10	10	15	10	0	0
Refined Exp.(Raw Val)	10	10	15	10	0	0
TOTAL EXPORTS	20	20	30	20	0	0
Human Dom. Consumption	829	834	849	834	0	849
Feed Dom. Consumption	1	1	1	1	0	1
TOTAL Dom. Consumption	830	835	850	835	0	850
Ending Stocks	251	206	203	236	0	191
TOTAL DISTRIBUTION	1101	1061	1083	1091	0	1041

**Sugar Cane Import Matrix**

Import Trade Matrix			
Country	Venezuela		
Commodity	Sugar Cane for Centrifugal		
Time period	09/1999	Units:	1,000 MT
Imports for:	2000		2001
U.S.		U.S.	
Others		Others	
Colombia	1	Colombia	1
Total for Others	1		1
Others not Listed			
Grand Total	1		1

## Centrifugal Sugar Import Matrix

Import Trade Matrix			
Country	Venezuela		
Commodity	Centrifugal Sugar		
Time period	10/99	Units:	1,000 MT
Imports for:	2000		2001
U.S.		U.S.	7
Others		Others	
Colombia	142	Colombia	240
Guatemala	49	Spain	15
		France	2
		Guatemala	28
		Nicaragua	2
Total for Others	191		287
Others not Listed			
Grand Total	191		294