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## Venezuela

### Poultry and Products

#### Annual

#### 2003

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#### **Report Highlights:**

**Venezuela's poultry production is estimated to fall in 2003 due to lower demand and increased cost of feed ingredients. Consumption is also down due to the economic recession that the country is experiencing and falling disposable incomes. The Venezuelan government did import a small quantity of chicken from Brazil to meet short-term needs in its programs, but larger purchases are not expected. US poultry could be attractive in the market if importers are able to obtain SASA import permits.**

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

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**Executive Summary**

Venezuela's poultry production is estimated to fall in 2003 due to lower demand and increased cost of feed ingredients. Consumption is also down due to the economic recession that the country is experiencing and the falling disposable incomes. The Venezuelan government did import a small quantity of chicken from Brazil to meet short-term needs in its programs, but larger purchases are not expected. US poultry could be attractive in the market if importers are able to obtain SASA import permits.

## Production

Poultry production for 2003 is estimated to drop to 300,000 tons, 6 percent below the previous year due both to lower demand in the face of an economic recession, and to higher costs for imported feed ingredients. Post is currently forecasting an increase in production levels for 2004, but that forecast assumes that current government restrictions on imported feed ingredients will be loosened. Venezuela produces chickens, eggs, small quantities of turkeys and other minor poultry species. Production numbers referred to in this report are for chicken production only.

### Production Structure

Venezuela has a fairly well developed, vertically integrated poultry sector. Poultry production is concentrated in a few large operations, and these bigger operations often contract with smaller producers to supply all inputs and to buy all production. The concentration in the poultry sector has increased in recent years as smaller companies facing economic difficulties are acquired by the larger operations. Today, two companies represent about 44 percent of the poultry sector, followed by several small to medium sized companies. The following table provides information on the major poultry companies and some of their activities.

### Venezuela's Major Poultry Companies

Market Share	Company and Brands	Major Activities & products
24%	Avícola La Caridad Alimentos Super S	Poultry production Animal feed production Livestock Swine products
20%	Protinal ProAgro Alimentación Balanceada	Poultry production Animal feed production
6%	Granja Alconca	Poultry production Animal feed production
6%	Avícola La Guásima Proave Probalca	Poultry production Animal feed production
6%	Seravian	Poultry production

Other smaller poultry producers include AVIDOCA, El Tunal, FRAVICA, OROGRAIN, NIVAR, Agropecuario Ojo de Buey, ALFONTANA, APACA, Granjas El Zorrito.

## Inputs

Venezuela's poultry production depends on imported feed ingredients such as yellow corn, soybean meal and yellow grease. Access to most of these products had been restricted in the past as the government tried to ensure the purchase of local production of sorghum and white corn before allowing imports. A tight feed situation became even tighter at the end of the 2 month national strike in February of 2003, when feed importers were no longer able to gain access to dollars due to the imposition of foreign exchange controls.

The Foreign Exchange Control Board (CADIVI) was slow to initiate operations, and without dollars at the official exchange rate of Bs. 1,600 to the dollar, importers were forced to look for dollars on the black market at rates of up to Bs. 3,000 to the dollar. At those levels imported feed ingredients became too costly, and producers began to remix their feed formulations using higher percentages of domestically grown sorghum which resulted in slower weight gains and lower production efficiency. Yellow grease imports surged this year as well since this higher fat content was needed in the sorghum based ration.

The restriction on access to dollars has also contributed to a further consolidation in the industry, since large producers faced with limited access to dollars for feed imports make sure that their birds are fed before reselling feed to the smaller producers. This has led to a backlash from the smaller producers claiming unfair practices. However, the increasingly complicated processes required by the GOV to import feed ingredients are almost inevitably eliminating smaller players from this sector.

## Estimating Production Levels

Estimating levels of poultry production has become increasingly difficult since there are no longer any published data series in the country. The Venezuelan Farmers Association (FEDEAGRO) had the most consistent series, but has not published data since 2000. The Venezuelan Poultry Producers Association (FENAVI) published projections from 1995 to 1999 but also no longer makes any official pronouncements on the levels of poultry production.

Post is calculating levels of poultry production based on past levels, estimates for local demand based on price structure, and a review of availability of feed ingredients in the country. The demand side of the equation will be addressed in the Consumption section of this report. On the input side, the following table presents an overview of the availability of the major feed ingredients in Venezuela since 1990. While the poultry sector is not the sole user of these feed ingredients, it does represent that largest feed use sector. The dramatic decline in feed availability in 2002 and 2003 is reflected in lower levels of poultry production.

**Venezuela's Estimated Feed Availability  
(1,000 Metric Tons)**

	<b>Feed Corn Availability</b>	<b>Soybean Meal Availability</b>	<b>Sorghum Availability</b>	<b>Yellow Grease Imports</b>	<b>Total Feed Availability</b>
1990	480	495	700	66	1,741
1991	520	593	586	72	1,771
1992	750	643	531	81	2,005
1993	767	697	324	83	1,871
1994	1,085	590	179	62	1,916
1995	1,220	616	277	98	2,211
1996	1,590	662	436	58	2,746
1997	1,153	693	352	60	2,258
1998	1,450	669	345	62	2,526
1999	1,500	754	430	68	2,752
2000	1,500	805	365	78	2,748
2001	1,300	838	430	47	2,615
2002	500	669	330	85	1,584
2003/*	400	520	325	35	1,280

Source: FAS/ Caracas data

Notes:

\*/ Estimates, not official figures.

Yellow grease imports from United States only

The following table from FENAVI illustrates the large role played by feed grain prices in the cost of production for poultry in Venezuela.

### Venezuelan Poultry Production Cost

<b>Item</b>	<b>Bolivars per Kilo</b>
Chick and freight cost	156.25
Feed and Freight cost	1,075.00
Valued Added Tax for Feed	80.64
Mortality	51.08
Medicines and vaccines	69.00
Herd (cuadrilla)	9.60
Birds to Farm Freight	22.00
Raising services	150.00
<b><i>Sub Total Cost of Live Bird</i></b>	<b><i>1,610.67</i></b>
Waste of Live Bird	16.10
<b><i>Sub Total Cost at Farm Gate</i></b>	<b><i>1,626.77</i></b>
Waste at Processing Plant	292.81
Process cost	96
Packaging	32
Sales and Administration	150
<b><i>Sub Total Plant Charges</i></b>	<b><i>570.81</i></b>
<b><i>Sub Total Cost at Plant</i></b>	<b><i>2,197.59</i></b>
Waste at distribution and dispatch	11.4
Financial Cost and other taxes	87.90
<b><i>Sub Total Distribution Cost</i></b>	<b><i>2,296.9</i></b>
Producers Margin (10%)	229.69
Delivery Price	2,526.59
Distributors Margin (10%)	252.65
<b>Suggested Price to Consumers</b>	<b>2,779.24</b>

Source: Venezuelan Poultry Producers Association (FENAVI)

## Consumption

Poultry consumption has been dropping due to the economic recession that the country is experiencing and the drop in disposable incomes. In addition, while poultry used to be only 34 percent of the cost of beef, it is now relatively more expensive which has also dampened demand. The following table shows what has been happening with relative meat prices for the last 18 months.

**Price Comparison Between Poultry, Beef and prok Meat  
(Bolivars per kilo)**

Month	Poultry	Ground Beef	Pork Meat
January 02	1,376	4,043	3,755
February 02	1,391	4,030	3,800
March 02	1,526	4,058	3,884
Abril 02	1,548	4,091	3,976
May 02	1,500	4,128	4,028
June 02	1,477	4,082	4,056
July 02	1,609	4,040	4,055
August 02	1,667	4,080	4,024
September 02	1,764	4,087	3,954
October 02	1,905	4,123	4,052
November 02	1,912	4,147	4,042
December 02	2,039	4,179	4,173
January 03	2,214	4,468	4,352
February 03	2,035	4,519	4,311
March 03	1,819	4,428	4,228
April 03	1,851	4,479	4,209
May 03	2,489	4,784	4,334
June 03	2,784	4,954	4,512
July 03	2,659	5,178	4,649

Source: National Statistics Institute (INE)



## Price Controls

Price controls were established for many basic foods in February 2003, including poultry and eggs. Producers alleged that the initial prices were set too low to cover the costs of production and subsequently poultry products and eggs were hard to find in the markets. The producers successfully lobbied for a price increase in June, which eliminated most of the shortages. (See VE3008 for more details) However, with the new price of Bs. 2,000 per kilo for whole chicken (\$ 0.57 per pound) many producers and wholesalers are finding it more profitable to further process the poultry into forms or pieces that do not fall under the price control regime and therefore are able to charge a higher price. In addition, the unregulated sector of street vendors and small shops often sell products at above the controlled price. The following table illustrates the recent changes in poultry price controls and market prices in Caracas.

### Price Comparison: Fixed and Retail prices (Bolivars per Kilo)

Product	02/11/03 Initial Price Control	06/25/03 Revised Price Control	Current Market Price
Chicken, whole	1,800	2,000	2,700-2,800
Chicken, breast	2,700	3,000	3,800
Chicken, leg quarters	2,000	2,200	3,300

Source: Official Gazette No. 37,629, dated 02/11/2003 and No. 37,718, dated 06/25/2003.

## Trade

### Factors Affecting Trade

The Venezuelan government has used sanitary restrictions as a non-tariff trade barrier to protect the domestic poultry sector since 1993. Poultry and poultry product imports were initially prohibited supposedly to protect the domestic poultry industry from Avian Influenza (AI). In 1997 a new resolution was published which allows the Venezuela Animal and Plant Health Service (SASA) more latitude in determining when imported products present risk factors to the domestic production. SASA requires both export sanitary permits and country of origin certificates from the exporting country and it must issue an import permit before product is allowed in Venezuela. Gazette Notice 36,165 from 1997 states that “subproducts of avian origin coming from countries where the presence of AI has been detected will be subject to the authorization given by SASA.” Post’s current assessment is that SASA will be reviewing import requests on a case by case basis, and product from the United States, or other countries that are free of high path AI, could be deemed eligible for export to Venezuela.

### Recent Government Imports

In June 2003, the GOV imported 3,500 tons of whole chicken from Brazil in response to the shortages seen after imposing price controls. The imports were contracted by CASA, a recently reconstituted government state-trading entity that is charged with handling both food imports as well as purchasing some local production. The objective was to bring in product for sale through the government’s developing network of food stores in low-income neighborhoods called “MERCAL”, and through sales by the military in special street markets “Mercado Popular” where sales are handled by independent merchants but under the logistics and supervision of the

military. Both of these systems are operational, but at limited levels so far. For additional information about MERCAL plans refer to Report VE3006.

CASA approached US poultry exporters for price quotations in April and July 2003, and the US would be an attractive supplier for poultry parts if CASA should undertake further imports. The United States and Brazil are the most logical suppliers of poultry to Venezuela due to price competitiveness. The following table provides a price comparison between the United States and Brazil as compared to Venezuelan prices.

**Imported Poultry Retail Price Comparison  
(US\$ per kilo)**

	<b>United States 1/</b>	<b>Brazil 2/</b>	<b>Venezuela 3/</b>
Chicken, fresh, whole	\$1.23	\$0.60	\$1.25
Chicken, legs, bone-in	\$0.47	\$0.51	\$1.37

Source:

1/: USDA, Broiler Market News Report, June 2003

2/: Dr. Paul Aho, Poultry Perspective, June 2003

3/: Fixed price decreed by the Government of Venezuela on 06/25/03

Post has been informed that the CASA imports were allowed in without being assessed duties, were purchased with dollars at the official exchange rate, and received expedited handling for the issuance of SASA import permits. This type of preferential treatment conveys a great advantage to government purchases that the private sector cannot compete with, and that local poultry producers complain provide an unfair advantage to imported product

However, CASA was faced with more complicated distribution problems for the chicken compared to earlier purchases of rice and black beans. Some product has been moved to cold storage facilities owned and administered by the military and located in Venezuela's major military compound (Fuerte Tiuna) and is being distributed in a piece meal fashion. Some companies in the private sector have also collaborated with CASA and allowed the use of their trucks and distribution network to move some of the Brazilian chicken into markets in the interior of the country.

#### Future Trade Expectations

The status of future imports will continue to be based on government decisions rather than market signals. Private sector access to poultry imports remains severely restricted through the permit mechanism. GOV imports will be driven by the objective to ensure consumer access to poultry products within the price control levels. However, post is forecasting only minimal additional amounts of poultry imports for this year, mainly due to the difficulties in handling and distribution that have been encountered.

During 2002, Venezuela exported 385 metric tons of poultry to Hong Kong. No imports were recorded during that year, according to Venezuela's National Statistics Institute. No exports are forecast for 2003 or 2004.

### Tariff Structure

Poultry imports are currently not subject to import tariffs. The GOV published a decree in the Official Gazette No. 37,728, dated July 9, 2003, exonerating basic food products from tariffs and other taxes. Poultry is included in this list. However, since the GOV continues to tightly regulate the import licenses and permits required to import these products, as well as the more recent restrictions on access to foreign exchange, the effect of this decree is mainly to exempt government purchases from the payment of tariffs and taxes.

The established tariff structure for poultry products is quite high. Poultry products from non-Andean community countries would have been subject to a rate of 102 percent during August. Whole poultry and poultry pieces are included under the Andean Community agricultural price band system for imports from non-Andean Community countries. This system raises or lowers the ad valorem duty of groups of related products according to the relationship of the prices of specified “marker” commodities to set floor and ceiling prices. There is a price band for poultry parts. Whole birds, however, are included in the yellow corn group.

### Tariff Rate Quota

Venezuela negotiated a tariff rate quota (TRQ) for whole chicken and poultry meat not cut up imports when it joined the World Trade Organization (WTO). The TRQ for poultry was set at 3,426 metric tons with an in-quota duty of 40 percent. However, to date the GOV has not taken the necessary administrative steps to officially establish the TRQ, and no imports have been allowed in at the in-quota rate.

**PSD table**

PSD Table						
Country	Venezuela					
Commodity	Poultry, Meat, Broiler				(1000 MT)(MIL HEAD)	
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/2002		01/2003		01/2004
Inventory (Reference)	0	0	0	0	0	0
Slaughter (Reference)	0	0	0	0	0	0
Beginning Stocks	0	0	0	0	0	0
Production	320	320	335	300	0	305
Whole, Imports	0	0	0	4	0	5
Parts, Imports	0	0	0	1	0	0
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	0	0	0	5	0	5
TOTAL SUPPLY	320	320	335	305	0	310
Whole, Exports	0	0	0	0	0	0
Parts, Exports	0	0	0	0	0	0
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 Consumption	290	290	320	290	0	295
Other Use, Losses	30	30	15	15	0	15
Total Dom. Consumption	320	320	335	305	0	310
TOTAL Use	320	320	335	305	0	310
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	320	320	335	305	0	310
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0

**Prices Table in Dollars**

Prices Table			
Country	Venezuela		
Commodity	Poultry, Meat, Broiler		
Prices in	Dollars	per uom	kilogram
Year	2002	2003	% Change
Jan	1.81	1.23	-32.04%
Feb	1.57	1.27	-19.11%
Mar	1.61	1.14	-29.19%
Apr	1.77	1.16	-34.46%
May	1.55	1.56	0.65%
Jun	1.23	1.56	26.83%
Jul	1.21	1.56	28.93%
Aug	1.21	na	-100.00%
Sep	1.21	na	-100.00%
Oct	1.31	na	-100.00%
Nov	1.4	na	-100.00%
Dec	1.2	na	-100.00%
Exchange Rate	1600	Local currency/US \$	

**Prices Table in Bolivars**

Prices Table			
Country	Venezuela		
Commodity	Poultry, Meat, Broiler		
Prices in	Bolivars	per uom	kilogram
Year	2002	2003	% Change
Jan	1,376	2,214	60.90%
Feb	1,391	2,035	46.30%
Mar	1,526	1,819	19.20%
Apr	1,548	1,851	19.57%
May	1,500	2,489	65.93%
Jun	1,477	2,784	88.49%
Jul	1,609	2,659	65.26%
Aug	1,667	na	-100.00%
Sep	1,764	na	-100.00%
Oct	1,905	na	-100.00%
Nov	1,912	na	-100.00%
Dec	2,039	na	-100.00%
Exchange Rate	1600	Local currency/US \$	
Date of Quote	08/27/03	MM/DD/YYYY	

## **Annex**

For further information regarding poultry production and trade, please refer to the following websites:

Ministry of Agriculture and Lands: <http://www.mat.gov.ve>

CASA: <http://www.casa.gov.ve>

Venezuela's Poultry Federation: <http://www.fenavi.org.ve>

Venezuela's National Statistics Institute: <http://www.ine.gov.ve>