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## Venezuela

### Grain and Feed

## Corn Crop Up, Grain Price Levels Still Not Set

### 2003

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**Report Highlights:**

As the corn, sorghum and rice crops start to be harvested; there is still no agreement within Venezuela on prices to producers. The Venezuelan Minister of Agriculture announced prices on August 28 that producers felt too low, and the Minister was removed three days later, supposedly in part for his arbitrary handling of the price announcement. The farmers, industry and government officials have been negotiating the new price levels, but no agreement has yet been reached. Meanwhile, a large corn crop is expected, and the rice harvest is sufficient for at least the next six months consumption.

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Includes PSD Changes: Yes  
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Unscheduled Report  
Caracas [VE1]  
[VE]

## Overview

As the corn, sorghum and rice crops start to be harvested; there is still no agreement within Venezuela on prices to producers. The Venezuelan Minister of Agriculture announced prices on August 28 that producers felt were too low, and the Minister was removed three days later, supposedly in part for his arbitrary handling of the price announcement. The farmers, industry and government officials have been negotiating the new price levels, but no agreement has yet been reached. Meanwhile, a large corn crop is expected, and the rice harvest is sufficient for at least the next 6 months consumption.

## Price Setting is Complicated

Venezuelan farmers feel that grain prices promised last spring no longer cover production costs since most imported inputs must be purchased with dollars at high black market rates. Meanwhile, consumers have already seen large increases in the cost of the basic food basket and with increasing levels of unemployment they are ill placed to handle further price increases. Food processors are being squeezed as they are now forced to sell products at controlled prices, but if faced with higher priced inputs they will need to raise end-product prices yet again in order to be able to operate.

To deal with these types of conflict in the food sector, the Ministry of Agriculture and Lands (MAT) recently formalized the creation of National Boards (Juntas Nacionales) in eight major food sectors. These Boards are composed of representatives from the producer, processor, retail, consumer and government sectors, and are charged with reviewing the criteria for establishing fair prices for the entire production chain. The Cereals Board had been meeting frequently to discuss prices for corn, sorghum and rice, the three major crops that start to be harvested in September. While producers had hoped for prices as high as Bs. 480/kilo for corn, a general agreement had been reached of a price around Bs. 425-450. Similarly, new prices for rice and sorghum had been tentatively agreed to, but they were significantly higher than the Agriculture Minister's first proposal.

**Various Cereal Price Proposals in Bs. Per Kilo**

	<b>Spring Price</b>	<b>MAT Proposed Price</b>	<b>Producers Requested Price</b>	<b>Juntas Tentative Agreement</b>	<b>Tentative Consumer Product Price</b>
Corn	375	400	450	425	1220
Paddy rice	340	370	447	440	1400
Sorghum	274	320	430	360	n.a.

The most recent news is that the prices will now be set by the Ministers Cabinet, and is expected to be announced during the week of September 29<sup>th</sup>.

Venezuela does not have an official system of farmer price supports or subsidies, but rather depends upon agreements between the producing sector and the limited number of processing plants that purchase the corn and rice. This passes all the costs of providing producer supports to the processing sector, which will inevitably pass those costs on to the consumer. The GOV has not implemented a system of direct subsidies to farmers, nor one of subsidizing the end product to the consumer. However, post has learned that as of this writing various proposals are being reviewed to provide subsidies to producers. No details are yet available.

## Corn Crop Recovers

Producers are talking about a record crop of corn this year, mainly due to improved yields in the state of Guarico. Excellent rains during the summer growing season helped boost yields from their normal levels of around 2 tons/hectare to almost 4 tons/hectare this year. Area planted also increased, even in the face of the uncertainty at planting time about the higher costs for imported inputs such as fertilizer and machinery parts. But total area harvested and yields may be hurt somewhat by September rains, especially in the state of Portuguesa. Post at this time is increasing the corn crop estimate (mainly white corn) to 1.4 million tons.

We anticipate that most of the crop will be absorbed by the food industry this year. The corn flour processing industry usually consumes about 1.2 million tons, and stocks were extremely depleted this year due both to the short crop last year and the fact that the feed industry was pressed to absorb some of the white corn since it could not gain access to yellow corn imports. Post anticipates there will be some restriction on access to import licenses for yellow corn over the next several months as the local crop is placed.

In order to force processors to purchase at the recommended price, the government has taken draconian measures in the past to prohibit imports and force the purchase of certain quantities of domestic production before import permits or licenses are granted. (See VE1028, VE2002, VE2028.)

## Rice Harvest Means End to Imports For Now

As the major rice harvest in Venezuela starts, rice imports will no longer be needed for at least six months. Rice production in 2003 is expected to be slightly higher than our earlier estimate due to good rains during the summer. However, area planted in 2003 was still down due to lack of irrigation water in Guarico. The irrigation district at Calabozo now has sufficient water to begin operating with the fall planting, and therefore we are forecasting 2004 yields higher, but are still being cautious on area. Post believes that producers started this harvest cycle with some shortages of fertilizers and pesticides, which may generate some problems. Finally, if rice consumption levels are to be maintained, post forecasts that Venezuela will need to import an additional 140,000 tons of rice next year, since stocks are extremely low.

## Cereal Guides

The Government recently issued a new rule for the transport of cereals in the country, with the objective of controlling, verifying and registering all plant origin products. The different state units of the Ministry of Agriculture will issue the new permit or "Cereals Mobilization Guides." This means that all product must have the official guides in order to cross state boundaries. Government and military officials will be in charge of checking on product movement. This is similar to the system that is in place for animal movement. The Government stated that the new measures have been put in place in order to prevent smuggling, robbery and unlawful actions taken against producers.

## PSD Table

Country Commodity	Venezuela				(1000 HA)(1000 MT)		UOM
	Revised	2002	Preliminary	2003	Forecast	2004	
	Old	New	Old	New	Old	New	
Market Year Begin		10/2001		10/2002		10/2003	MM/YYYY
Area Harvested	450	450	400	400	430	460	(1000 HA)
Beginning Stocks	225	225	87	87	37	97	(1000 MT)
Production	1150	1150	1050	1100	1150	1400	(1000 MT)
TOTAL Mkt. Yr. Imports	512	512	450	660	550	500	(1000 MT)
Oct-Sep Imports	512	512	450	660	550	500	(1000 MT)
Oct-Sep Import U.S.	506	506	440	650	540	490	(1000 MT)
TOTAL SUPPLY	1887	1887	1587	1847	1700	1997	(1000 MT)
TOTAL Mkt. Yr. Exports	0	0	0	0	0	0	(1000 MT)
Oct-Sep Exports	0	0	0	0	0	0	(1000 MT)
Feed Dom. Consumption	500	500	400	500	500	550	(1000 MT)
TOTAL Dom. Consumption	1800	1800	1550	1750	1680	1850	(1000 MT)
Ending Stocks	87	87	37	97	57	147	(1000 MT)
TOTAL DISTRIBUTION	1887	1887	1587	1847	1737	1997	(1000 MT)

## PSD Table

Country	Venezuela		(1000 HA)(1000 MT)				UOM
	Rice, Milled		Preliminary		Forecast		
Commodity	Revised	2002	Preliminary	2003	Forecast	2004	
	Old	New	Old	New	Old	New	
Market Year Begin		01/2002		01/2003		01/2004	MM/YYYY
Area Harvested	100	100	85	80	90	85	(1000 HA)
Beginning Stocks	125	125	60	41	30	15	(1000 MT)
Milled Production	320	320	260	270	280	305	(1000 MT)
Rough Production	472	472	383	400	413	450	(1000 MT)
MILLING RATE (.9999)	6786	6786	6786	6786	6786	6786	(1000 MT)
TOTAL Imports	0	0	120	74	170	140	(1000 MT)
Jan-Dec Imports	0	0	120	74	170	140	(1000 MT)
Jan-Dec Import U.S.	0	0	120	73	170	140	(1000 MT)
TOTAL SUPPLY	445	445	440	385	480	460	(1000 MT)
TOTAL Exports	8	27	60	10	50	40	(1000 MT)
Jan-Dec Exports	0	0	0	10	0	40	(1000 MT)
TOTAL Dom. Consumption	377	377	350	350	355	355	(1000 MT)
Ending Stocks	60	41	30	25	75	65	(1000 MT)
TOTAL DISTRIBUTION	445	445	440	385	480	460	(1000 MT)