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## Venezuela

### Oilseeds and Products

#### Annual

#### 2004

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**Report Highlights:**

Soybean imports are forecast to increase for 2003/04 as the main crusher in Venezuela resumes operation and some full-fat soybean trials starts, but are not expected to exceed 50,000 tons. Soybean meal imports from the United States showed tremendous growth in 2002/03 due to financing and delivery advantages following the end of the national strike. Imports from the U.S. are expected to decrease in 2003/04 mainly due to high prices and tight availabilities. However, the high prices have effectively brought the Andean Price Band duties to zero which help third country exporters. Soybean oil has been mainly sourced from South American countries due to the tariff preferences and more recently to financing options available through ALADI. The Venezuelan government started to import edible oils last year through its state-trading entity, CASA.

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**Table of Contents**

**Executive Summary..... 3**  
**SOYBEANS..... 4**  
**SOYBEAN MEAL ..... 4**  
**SOYBEAN OIL ..... 6**  
**POLICY..... 7**  
    Tariff Structure .....7  
    Andean Community Price Band .....7  
    Trade Financing .....7  
    Tariff Rate Quota .....8  
**PSD TABLES..... 9**  
**TRADE MATRIXES .....12**

## Executive Summary

Venezuela's soybean production is minimal and not expected to increase significantly. Import levels of soybeans, soybean meal and soybean oil have been affected in recent years by foreign exchange control and restrictions on licenses as much as by traditional price and demand issues. Soybean imports are forecast to increase for 2003/04 as the main crusher in Venezuela resumes operation and some full-fat soybean trials start, but are not expected to exceed 50,000 tons.

Soybean meal imports from the United States showed tremendous growth in 2002/03 due to financing and delivery advantages following the end of the national strike. Imports from the U.S. are expected to decrease in 2003/04 mainly due to the high prices and tight availabilities. In addition, demand from the poultry sector has dropped due to both the economic recession and price controls on basic poultry cuts. However, the high prices have effectively brought the Andean Price Band duties to zero which will help third country exporters. The forecast for 2004/05 is for moderate growth in imports assuming a recovery in the economy.

Soybean oil has been mainly sourced from South American countries due to the tariff preferences and more recently to financing options available through ALADI. Import levels are expected to remain fairly stable at around 200,000 tons since this is a vital element in the basic food basket. Import levels could increase if significant quantities of edible oil start moving across the border to Colombia due to price and exchange rate distortions. The Venezuelan government started to import edible oils last year through its state-trading entity, CASA.

## SOYBEANS

### Production

Soybean production in Venezuela is minimal, even though the Ministry of Agriculture and Lands (MAT) has talked about increasing production levels for years. In 2004, MAT has presented a plan for 14,000 hectares of soybean production and 5,000 hectares of sunflowerseed production. However, in recent years only around 2,000 hectares of soybeans have been harvested, mainly in the states of states of Guarico and Anzoategui. In the past, soybeans were also planted in the states of Cojedes, Monagas, Portuguesa and Yaracuy. Post forecasts production to increase only slightly since the price incentives and technical assistance are not in place at this time to motivate larger plantings for soybeans or sunflowerseed.

### Consumption and Trade

Venezuela depends on imported soybeans for its consumption, and in the past soybeans were imported mainly for edible oil production. Total soybean imports fell dramatically in 2002/03 since the major oilseed crusher in Venezuela, COPOSA, had both financial difficulties and difficulties in obtaining the required import licenses. In addition, the devaluation of the Bolivar and the foreign exchange controls put in place in February hurt trade in beans. Oilseed imports are forecast to increase in 2003/04 as crushing resumes at COPOSA. In addition, some quantities of beans are being brought in for a full fat soybean extrusion plant at Puerto Cabello. The U.S. was the sole supplier of soybeans during 2002/03, but Bolivian and Brazilian soybeans are forecast to take over half the market in 2003/04 due to tariff preferences between those countries and Venezuela.

## SOYBEAN MEAL

### Production and Consumption

Crush has been minimal due to the low level of domestic soybean production and imports in recent years. In addition, soybean meal demand by the poultry sector has been falling as demand for poultry is down due to the economic recession. The recent sharp increase in soybean meal prices will make it even more difficult for poultry producers to compete as imported feed ingredients are purchased at market prices, but basic poultry cuts must be sold at controlled prices. Venezuelan feed millers will be searching for alternative feed ingredients, and this will be a very price sensitive market for the foreseeable future. The following table provides an indication from post estimates as to total feed availability at this time.

<b>Venezuela's Feed Availability</b> (1,000 MT)
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	Feed Corn	Soybean Meal	Sorghum	Grease	Total Feed
Year/*	Availability	Availability	Availability	Imports/1	Availability
1990/91	480	495	700	66	1,741
1991/92	520	593	586	72	1,771
1992/93	750	643	531	81	2,005
1993/94	767	697	324	83	1,871
1994/95	1,085	590	179	62	1,916
1995/96	1,220	614	277	98	2,209
1996/97	1,590	660	436	58	2,744
1997/98	1,153	691	352	60	2,256
1998/99	1,450	667	345	62	2,524
1999/00	1,500	752	430	68	2,750
2000/01	1,500	822	365	78	2,765
2001/02	1,300	591	430	49	2,370
2002/03	650	524	316	95	1,585
2003/04	650	458	330	100	1,538
2004/05	700	488	340	100	1,628

Source: FAS/Caracas

Notes:

\* Generally the October/September Marketing Year

1/ Includes lard, yellow grease and other fats

The bright sector for feed demand is aquaculture. Venezuela's aquaculture industry has been growing rapidly in recent years, and shrimp exports to the United States alone have reached over \$100 million. Increasingly this is pond-raised shrimp as Venezuela currently does not have its TEDs certification to ship ocean shrimp to the United States. The American Soybean Association is working on feeding trials with the shrimp sector to examine the optimum levels of soybean meal incorporation into the diet.

#### Trade

Bolivia is traditionally the largest supplier of soybean meal followed by the United States and then Argentina and Peru. Bolivian product has both the advantage of not being subject to tariffs, but also as a member of the Andean Community there is no requirement to obtain import licenses. U.S. imports were hampered in past years by restrictions on the issuance of import licenses. But in 2002/03 exports of U.S. soybean meal to Venezuela increased dramatically due to better financing options and quicker delivery time following the end of the national strike. Post forecasts that imports in 2003/04 will be more modest due to the problems in the poultry sector and to the high price of meal on the international market at this time.

**SOYBEAN OIL**

## Production and Consumption

Venezuela's edible oil production comes from limited quantities of soybeans and sunflowerseed, and some domestic palm oil production. Approximately 85 percent of the soybean oil goes to liquid edible oil and the remainder is used to produce mayonnaise and margarines. In the consumer market, over 70 percent is composed of blended oils, followed by corn oil, sunflower oil, and soy oil. Blended oil, corn oil and sunflower seed oil are under price controls, while soybean oil is not, which makes it a less preferred option for low income consumers. For additional information on price controls see VE3008. However, soybean oil demand overall is expected to remain steady since it is the most reasonably priced imported oil.

## Trade

The soybean oil picture in Venezuela could become very complicated this year due to relative prices of oil between Venezuela and Colombia. At the official exchange rate Venezuela's currency, and edible oil price, are stronger and more expensive than the Colombia peso and edible oil prices there. But with a parallel exchange rate now running at almost double the official rate, blended oil prices are significantly lower in Venezuela and product could be expected to move across the border. See the following table for a depiction of what has happened with relative prices over the past year in dollar terms. If significant quantities of oil start to move across the border, the edible oil import forecast will need to be increased.

<b>Comparison of Retail Blended Oil Prices (U.S./liter)</b>				
		January-03	July-03	January-04
<b>Colombia</b>	<b>official</b>	1.19	1.30	1.45
<b>Venezuela</b>	<b>official</b>	1.31	1.68	1.41
<b>Venezuela</b>	<b>parallel</b>	1.31	1.35	0.85

		January-03	July-03	January-04
<b>Colombia</b>	<b>official</b>	1.19	1.30	1.45
<b>Venezuela</b>	<b>official</b>	1.31	1.68	1.41
<b>Venezuela</b>	<b>parallel</b>	1.31	1.35	0.85

Source: Venezuela's Central Bank (BCV), National Statistics Institute (INE), data from AgCaracas and data received from AgBogota

The GOV also started importing edible oil in 2003 through its revitalized state-trading entity CASA (Corporación de Abastecimiento y Servicios Agrícolas) and these imports are usual exempt from import duties, and have no problems in obtaining the requirement import documents or access to foreign exchange unlike the challenges faced by the private sector. Imports have come in the form of bottled edible oil and soybean oil and while actual government imports have not been published, sources estimate that government imports totaled 24,000 to 30,000 metric tons in 2003, mainly from Brazil and Mexico.

The government imports are destined for its new network of food stores in low-income neighborhoods called Mercal. The number of Mercal stores has been increasing, see VE3006, but the total market penetration is still limited. CASA is now marketing three brands of refined soybean oil, *Bunge*, *Olio* and *Casa*, the latter being bottled by Cargill of Venezuela. In addition CASA handles two brands of blended oil, *La Cocinera* and *Hysa*, and four brands of margarine, *Casa*, *Sadia*, *Sadilar* and *Campi*.

## POLICY

### Tariff Structure

Imports of soybean, soybean meal and soybean oil from the U.S. and third countries are subject to a variable tariff structure under the Andean Community Price Band system. Imports from Andean Community countries (Bolivia, Colombia, Ecuador and Peru) are subject to a zero tariff. Other South American countries benefit from tariff preferences with Venezuela as they are assessed only a percentage of the Third Country rate. The prevailing levels are described in the table below. A new trade agreement between the Andean Community and Mercosur is in the process of being finalized. Post understands that in the oilseeds sector, basic products such as beans and meal would immediately go to zero duty, but duties on soybean oil would be phased out over seven years.

Comparison of Oilseeds Import Tariff						
Commodity	Intra-Andean Community Imports	Third Country Imports* (U.S. Imports)	Tariff Preferences /**			
			Paraguay	Uruguay	Argentina	Brazil
Soybean	No duty	15% +/- DAV	15% +/-	15% +/- DAV	40%	40%
Soybean Meal	No duty	15% +/- DAV	75%	15% +/- DAV	35%	35%
Soybean Oil	No duty	20% +/- DAV	95%	70%	60%	50%

/\* DAV is a variable tariff resulting from Andean Community Price Band System

/\*\* Preferential tariff rate is the listed percentage of the Third-Country or WTO rate.

### Andean Community Price Band

Under the Andean Community Price Band System, Venezuela can apply duties that vary with agricultural market prices. Basically, if the price of the marker product goes up the tariff goes down. Currently, because the reference soybean price is higher than the ceiling price, soybean and product imports from third countries are subject to zero duties. This has been the case since approximately November 2003, and due to high world soybean complex prices, imports from the United States and other countries will probably not be assessed duties for the rest of this crop year.

### Trade Financing

Venezuelan soybean, soybean meal and soybean oil importers may move to increase their purchases from other member countries of ALADI (Asociación Latinoamericana de Integración or Latin American Integration Association) due to the ability to purchase product without obtaining foreign exchange. The ALADI agreement on payments and credits is negotiated by the central banks, and is a mechanism whereby the central banks reciprocally grant one another lines of credit for use in covering the goods and services transactions within the Association. Every four months the bilateral balances are settled. This mechanism has become very useful due to the foreign exchange controls and the difficulty in obtaining foreign currency in Venezuela. Importers can pay for product in local currency to locally commercial banks, and the importers and exporters banks via the central banks handle the settling of accounts in the respective local currencies.

The U.S. program for export financing, GSM 102, is still valid for sales to Venezuela but the only bank on the approved list is Corporacion Andina de Fomento (CAF) since it is a supranational bank and not subject to currency controls. Local banks are no longer eligible due to the foreign currency exchange restrictions.

### Tariff Rate Quota

The GOV administers tariff rate quotas (TRQ) for the oilseed complex through an import license regime. Procedures and requirements to apply for an import license at the Ministry of Agriculture and Lands are published, but actual license issuance has been non-transparent and allocations are discretionary. Imports from Andean Community countries are not subject to the import license regime and therefore have easier entry. The following table provides information about Venezuela's TRQ commitments before the World Trade Organization. Note that currently the out-of-quota tariff would be zero.

**Venezuela's Tariff Rate Quota for Oilseeds**

Product	HS Code	Quota Quantity (MT)	In-Quota Tariff (%)	Out-of Quota Tariff (%) <sup>*</sup>
Soybeans	12.01	168,963	40	DAV
Palm Kernel	12.07	2,771	40	DAV
Soybean oil	15.07	130,040	40	DAV
Other oils	15.10	55	40	DAV
Palm Oil	15.11	134	40	DAV
Sunflower seed oil	15.12	151,612	40	DAV
Coconut oil	15.13	322	40	DAV
Other Vegetable oils and grease	15.15	1,795	40	DAV
Other Animal oils and grease	15.18	50,595	40	DAV
Soybean Meal	23.04	696,880	40	DAV

<sup>\*</sup> DAV- variable tariff resulting from Andean Community Price Band System

## PSD TABLES

**PSD Table****Country****Venezuela****Commodity****Oilseed, Soybean**

(1000 HA)(1000 MT)

Market Year Begin	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official [	Estimate [D]	DA Official [	Estimate [D]	DA Official [	Estimate [New]	
	10/2002		10/2003		10/2004	MM/YYYY	
Area Planted	6	2	6	3	0	3	(1000 HA)
Area Harvested	6	2	6	3	0	3	(1000 HA)
Beginning Stocks	7	0	1	0	0	0	(1000 MT)
Production	10	2	6	3	0	3	(1000 MT)
MY Imports	10	4	50	50	0	50	(1000 MT)
MY Imp. from U.S.	4	4	25	20	0	20	(1000 MT)
MY Imp. from the EC	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	27	6	57	53	0	53	(1000 MT)
MY Exports	0	0	0	0	0	0	(1000 MT)
MY Exp. to the EC	0	0	0	0	0	0	(1000 MT)
Crush Dom. Consumptior	24	4	53	51	0	51	(1000 MT)
Food Use Dom. Consump	1	1	1	1	0	1	(1000 MT)
Feed,Seed,Waste Dm.Cr	1	1	1	1	0	1	(1000 MT)
TOTAL Dom. Consumptic	26	6	55	53	0	53	(1000 MT)
Ending Stocks	1	0	2	0	0	0	(1000 MT)
TOTAL DISTRIBUTION	27	6	57	53	0	53	(1000 MT)
Calendar Year Imports	0	0	0	0	0	0	(1000 MT)
Calendar Yr Imp. U.S.	0	0	0	0	0	0	(1000 MT)
Calendar Year Exports	0	0	0	0	0	0	(1000 MT)
Calndr Yr Exp. to U.S.	0	0	0	0	0	0	(1000 MT)

## PSD Table

Country

Venezuela

Commodity

Meal, Soybean

(1000 MT)(PERCENT)

Market Year Begin	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official [	Estimate [D]	DA Official [	Estimate [D]	DA Official [	Estimate [New]	
	10/2002		10/2003		10/2004	MM/YYYY	
Crush	24	10	53	51	0	51	(1000 MT)
Extr. Rate, 999.9999	0.8	0.8	0.8	0.80	0	0.80	(PERCENT)
Beginning Stocks	27	27	27	20	0	20	(1000 MT)
Production	19	8	42	41	0	41	(1000 MT)
MY Imports	490	512	490	420	0	450	(1000 MT)
MY Imp. from U.S.	219	157	220	100	0	200	(1000 MT)
MY Imp. from the EC	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	536	547	559	481	0	511	(1000 MT)
MY Exports	1	1	1	1	0	1	(1000 MT)
MY Exp. to the EC	0	0	0	0	0	0	(1000 MT)
Industrial Dom. Consum	0	0	0	0	0	0	(1000 MT)
Food Use Dom. Consum	2	2	2	2	0	2	(1000 MT)
Feed Waste Dom. Consu	506	524	529	458	0	488	(1000 MT)
TOTAL Dom. Consumptic	508	526	531	460	0	490	(1000 MT)
Ending Stocks	27	20	27	20	0	20	(1000 MT)
TOTAL DISTRIBUTION	536	547	559	481	0	511	(1000 MT)
Calendar Year Imports	0	0	0	0	0	0	(1000 MT)
Calendar Yr Imp. U.S.	0	0	0	0	0	0	(1000 MT)
Calendar Year Exports	0	0	0	0	0	0	(1000 MT)
Calndr Yr Exp. to U.S.	0	0	0	0	0	0	(1000 MT)

## PSD Table

Country

Venezuela

Commodity

Oil, Soybean

(1000 MT)(PERCENT)

Market Year Begin	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official [	Estimate [D]	USDA Official [	Estimate [D]	USDA Official [	Estimate [New]	
	10/2002		10/2003		10/2004	MM/YYYY	
Crush	24	10	53	51	0	51	(1000 MT)
Extr. Rate, 999.9999	0.17	0.18000	0.189	0.18	0	0.18	(PERCENT)
Beginning Stocks	5	17	2	6	0	7	(1000 MT)
Production	4	2	10	9	0	9	(1000 MT)
MY Imports	191	201	221	205	0	210	(1000 MT)
MY Imp. from U.S.	0	0	0	0	0	0	(1000 MT)
MY Imp. from the EC	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	200	220	233	220	0	226	(1000 MT)
MY Exports	5	6	5	5	0	5	(1000 MT)
MY Exp. to the EC	0	0	0	0	0	0	(1000 MT)
Industrial Dom. Consum	4	5	4	5	0	5	(1000 MT)
Food Use Dom. Consum	189	203	222	203	0	210	(1000 MT)
Feed Waste Dom. Consu	0	0	0	0	0	0	(1000 MT)
TOTAL Dom. Consumptic	193	208	226	208	0	215	(1000 MT)
Ending Stocks	2	6	2	7	0	6	(1000 MT)
TOTAL DISTRIBUTION	200	220	233	220	0	226	(1000 MT)
Calendar Year Imports	0	0	0	0	0	0	(1000 MT)
Calendar Yr Imp. U.S.	0	0	0	0	0	0	(1000 MT)
Calendar Year Exports	0	0	0	0	0	0	(1000 MT)
Calndr Yr Exp. to U.S.	0	0	0	0	0	0	(1000 MT)

TRADE MATRIXES

# Import Trade Matrix

Country Venezuela

Commodity Oilseed, Soybean

Time Period  Units:

Imports for:

U.S.  U.S.

Others Others

Brazil	19		
Bolivia	9		

Total for Others 28 0

Others not Listed

Grand Total 70 4

# Import Trade Matrix

Country Venezuela

Commodity Meal, Soybean

Time Period  Units:   
 Imports for:  **2002**  
 U.S.  U.S.   
 Others Others

Argentina	31	Argentina	19
Bolivia	415	Bolivia	309
Canada	5	Brazil	3
Paraguay	4	Peru	22
Uruguay	7	Uruguay	2

Total for Others 462 355  
 Others not Listed    
 Grand Total 481 512

# Import Trade Matrix

Country Venezuela

Commodity Oil, Soybean

Time Period  Units:

Imports for:  **2002**

U.S.  U.S.

Others Others

Argentina	32	Argentina	50
Bolivia	109	Bolivia	52
Paraguay	51	Brazil	2
Uruguay	18	Paraguay	95
		Uruguay	1

Total for Others 210 200

Others not Listed

Grand Total 215 201