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Venezuela

Oilseeds and Products

Annual

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Report Highlights:

The Venezuelan market depends on oilseed imports and this trend is likely to continue for the foreseeable future because Venezuela's production is small and not capable of meeting domestic demand. Imports of soybean meal and soybean oil are expected to grow 5 to 6 percent due to higher demand from the food, feed and vegetable oil sectors and improving disposable incomes of consumers based on a projected increase in minimum wage. In addition, the government's expenditures on social food programs continue to favor official imports of processed oilseed products (blended oils and margarine).

Oilseed imports from the United States are subject to higher import tariffs, a restrictive import licensing scheme and foreign exchange controls. South American countries benefit from preferential tariffs and a mechanism to import without requesting foreign exchange.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
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Executive Summary

Post anticipates that imports of oilseeds (soybeans, soybean meal and oil) will grow during 2004/05 and 2005/06 because of lack of domestic production, a raising demand from the food-processing sector and the government's rising expenditures on social food programs. Processed oilseed product imports carried by the government are not subject to import tariffs, foreign exchange controls or import licenses.

A higher tariff as compared to other South American oilseed suppliers (Argentina, Brazil, Paraguay and Uruguay) is the major factor restricting U.S. oilseed exports to Venezuela. In addition, access to better financing terms from other South American countries through the Latin American Integration Association (ALADI) has led to increased imports from the south because it provides a mechanism to import within member countries without requesting foreign exchange. Oilseed imports from the U.S. are subject to the restrictive import-licensing regime and foreign exchange control.

Imports within Andean Community members are assessed zero duty and do not require import licenses. Currently, Bolivia is the sole Andean exporter of soybean meal, to Venezuela.

I. SITUATION AND OUTLOOK

Venezuela is a net oilseed importer due to its minimal oilseed production and a relatively small crushing capacity (the 50,000 MT crusher reported last year is still not fully operational). The food industry, animal feed processor sectors and soap and detergent industries heavily depend on soybean oil and soybean meal imports. Palm oil production averaged 52,000 metric tons in the last four years and soybean production for 2004 was less than 4,000 metric tons. In February 2005 floods caused severe damage to palm plantations located in Zulia state (northwestern region of the country) that will limit further palm production for the rest of 2005 and 2006.

Despite the Government of Venezuela's (GOV) plans to increase agricultural production, the oilseed sector shows neither significant growth nor major developments. During the last five years, the oilseed production policy consisted of announcing projects that never materialized. The latest GOV announcement referred to planting 20,000 hectares of soybean by 2005 in the northeastern regions of the country (Anzoategui and Bolivar states).

Foreign exchange and food price control policies were implemented back in February 2003 and remain in place. Products under retail price controls include poultry and poultry products—feed sourced out of imported soybean meal- - blended oil, corn and sunflower seed oil, and margarine. A year ago, (Feb 9, 2004) the GOV increased the price of blended vegetable oil from 2,300 to 2,600 Bolivars per liter. In dollar terms, and considering foreign exchange devaluations, the price went from \$1.41 to \$1.35 per liter. Further increases in domestic prices are not expected in the next few months.

Demand for food is forecast to increase because of a stronger consumer' purchasing power based on a projected increase in minimum wage. Also, the GOV's rising expenditures on social food programs (price controlled foods are sold at lower prices in government-owned stores called MERCAL) will have an impact on food demand. In particular, demand for price controlled foods will likely increase and push for more oilseed imports. Therefore, soybean oil and soybean meal imports in 2005/06 are expected to increase between 5 and 7 percent respectively, because of higher demand of the vegetable oil and animal feed processing industries. Given the changing dynamic of the food import and distribution system in Venezuela, hard data on projected increases are difficult to estimate. Still, given the government commitment to provide cheap, subsidized food for the poor, it is felt that demand will grow, at least nominally.

II. TRADE

South American countries like Argentina, Brazil, Paraguay, Uruguay, and Bolivia are Venezuela's mayor oilseed suppliers because of tariff preferences given by Venezuela. In addition, imports of oilseeds from countries members of the ALADI agreement (Latin American Integration Association) are exempt of the foreign exchange restriction.

Since 2003, the GOV has imported processed oilseed products from South American countries. This trend continued during 2004 as the GOV has sponsored buying missions to Argentina and Brazil. Consequently, the GOV continues to import processed oilseed products such as blended oil, soybean and sunflower seed oil and margarine. Imports are carried through the GOV's procurement entity, CASA. These imports are neither subject to foreign exchange control nor to the import license scheme. The GOV imports of processed oilseed products are estimated between 30,000 to 35,000 metric tons. The GOV's expenditures on social food programs will determine further import growth of processed products.

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 and linked to import licenses. Imports from Andean Community countries (Bolivia, Colombia, Ecuador and Peru) are subject to a zero tariff and do not require import licenses.

Oilseed Import Tariffs			
	Soybean	Soybean Meal	Soybean Oil
Intra Andean Community Imports	0%	0%	0%
Third Country Imports (U.S. Imports)*	15%+/- DAV	15%+/- DAV	20%+/-DAV

* / DAV is the Variable tariff resulting from the Andean Community Price Band System
Resulting tariffs from the Andean Community can be located in the following web page:
http://www.comunidadandina.org/politicas/franja_circular.htm.

Tariff Preferences

The Andean Community and Mercosur Free trade agreement should be enforced sometime during 2005, but the effective date of implementation by Venezuela is not yet available. The oilseed sector is considered sensitive and tariffs will be phased out over a period between seven to fifteen years and immediate tariff preferences may vary from 7% to 45%. Additional information can be found at: <http://www.comunidadandina.org/exterio/can-mercosur.htm>. Until the agreement is effective, imports from South American countries are assessed only a percentage of the Third Country rate, as result of tariff preferences. The prevailing levels are described in the table below.

Tariff Preferences with South American Countries*			
	Soybean	Soybean Meal	Soybean Oil
Argentina	40%	35%	60%
Brazil	40%	35%	50%
Paraguay	15%+/- DAV	75%	95%
Uruguay	15%+/- DAV	15%+/- DAV	70%

* /Preferential tariff rate is the listed percentage of the Third Country tariff

Tariff Rate Quota

The GOV administers tariff rate quotas (TRQ) for the oilseed complex (soybeans, soybean meal and soybean oil) through an import license regime or *Legal Regime 2*. However, the GOV has a history of arbitrary and inconsistent management of its licensing regime. Import licenses are valid for three months, and can only be renewed if, on expiry, they have not been used for reasons outside the importer's control. Procedures and requirements to apply for an import license at the Ministry of Agriculture and Lands are published in the official gazette, but the actual issuance of licenses has been non-transparent and allocations are discretionary.

Oilseeds Tariff Rate Quotas				
Product	HS Code	Quota Quantity (MT)	In-Quota Tariff (%)	Out-Of Quota Tariff (%)
Soybeans	12.01	168,963	40	DAV
Pal Kernel	12.07	130,040	40	DAV
Soybean Oil	15.07	2,771	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

* DAV is the Variable tariff resulting from the Andean Price Band System

III. STATISTICAL TABLES

Production, Supply and Demand

Venezuela Oilseed, Soybean							
	2004	Revised	2005	Estimate	2006	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		10/2003		10/2004		10/2005	MM/YYYY
Area Planted	0	3	0	3	0	10	(1000 HA)
Area Harvested	3	3	3	3	0	10	(1000 HA)
Beginning Stocks	1	0	0	0	0	0	(1000 MT)
Production	3	3	3	3	0	15	(1000 MT)
MY Imports	30	19	50	17	0	15	(1000 MT)
MY Imp. from U.S.	25	8	30	8	0	0	(1000 MT)
MY Imp. from the EC	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	34	22	53	20	0	30	(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. Consumption	32	20	51	18	0	28	(1000 MT)
Food Use Dom. Consump.	1	1	1	1	0	1	(1000 MT)
Feed,Seed,Waste Dm.Cn.	1	1	1	1	0	1	(1000 MT)
TOTAL Dom. Consumption	34	22	53	20	0	30	(1000 MT)
Ending Stocks	0	0	0	0	0	0	(1000 MT)
TOTAL DISTRIBUTION	34	22	53	20	0	30	(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)

Venezuela Meal, Soybean							
	2004	Revised	2005	Estimate	2006	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		10/2003		10/2004		10/2005	MM/YYYY
Crush	32	20	51	18	0	28	(1000 MT)
Extr. Rate, 999.9999	0.78125	0.75	0.784314	0.777778	0	0.714286	(PERCENT)
Beginning Stocks	27	20	27	30	0	25	(1000 MT)
Production	25	15	40	14	0	20	(1000 MT)
MY Imports	700	700	730	731	0	765	(1000 MT)
MY Imp. from U.S.	220	110	0	120	0	120	(1000 MT)
MY Imp. from the EC	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	752	735	797	775	0	810	(1000 MT)
MY Exports	1	0	1	0	0	0	(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. Consump.	2	2	2	2	0	2	(1000 MT)
Feed Waste Dom. Consum	722	703	767	748	0	783	(1000 MT)
TOTAL Dom. Consumption	724	705	769	750	0	785	(1000 MT)
Ending Stocks	27	30	27	25	0	25	(1000 MT)
TOTAL DISTRIBUTION	752	735	797	775	0	810	(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)

Venezuela Oil, Soybean							
	2004	Revised	2005	Estimate	2006	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		10/2003		10/2004		10/2005	MM/YYYY
Crush	32	20	51	18	0	28	(1000 MT)
Extr. Rate, 999.9999	0.1875	0.15	0.176471	0.166667	0	0.178571	(PERCENT)
Beginning Stocks	2	2	2	5	0	5	(1000 MT)
Production	6	3	9	3	0	5	(1000 MT)
MY Imports	221	302	230	322	0	340	(1000 MT)
MY Imp. from U.S.	0	1	0	0	0	0	(1000 MT)
MY Imp. from the EC	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	229	307	241	330	0	350	(1000 MT)
MY Exports	5	0	5	0	0	0	(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. Consump.	218	297	230	320	0	340	(1000 MT)
Feed Waste Dom. Consum	0	0	0	0	0	0	(1000 MT)
TOTAL Dom. Consumption	222	302	234	325	0	345	(1000 MT)
Ending Stocks	2	5	2	5	0	5	(1000 MT)
TOTAL DISTRIBUTION	229	307	241	330	0	350	(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)

Import Trade Matrices

Venezuela Oilseed, Soybean			
Time Period	Oct/Sep	Units:	1,000 MT
Imports for:	2003/04		
U.S.	8	U.S.	
Others		Others	
Brazil	11		
Total for Others	11		0
Others not Listed	0		0
Grand Total	19		0

Venezuela Meal, Soybean			
Time Period	Oct/Sep	Units:	1,000 MT
Imports for:	2003/04		
U.S.	110	U.S.	
Others		Others	
Argentina	15		
Bolivia	497		
Brazil	60		
Paraguay	18		
Total for Others	590		0
Others not Listed	0		0
Grand Total	700		0

Venezuela Oil, Soybean			
Time Period	Oct/Sep	Units:	1,000 MT
Imports for:	2003/04		
U.S.	1	U.S.	
Others		Others	
Argentina	78		
Bolivia	83		
Brazil	11		
Paraguay	129		
Total for Others	301		0
Others not Listed			
Grand Total	302		0