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Grain and Feed

Annual Report

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Report Highlights:

In 2004/05 Post estimates a slight increase in wheat imports to 1.56 million tons. Market share for the U.S. has been recovering in the past two years, and it is expected to show further modest increases in 2005/06. Post estimates a decline in corn imports for 2004/05 due to licensing restrictions and Brazilian poultry imports. The United States is expected to be the major yellow corn supplier, but to a smaller market. Sorghum production is expected to increase slightly in 2004/05 to 340,000 MT due to better weather conditions. Venezuela is currently self-sufficient in sorghum production. No significant rice imports are forecast for 2005, due to the recovery of the rice harvest.

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Executive Summary

Venezuela is heavily dependent on imports of wheat for domestic flour milling activities. For 2004/05 Post estimates that total wheat imports will increase slightly to 1,565 MT as demand for pasta and bread still remains a preferred staple in the Venezuelan diet. An increase in U.S. durum exports contributed to a major recovery of U.S. market share last year and the same trend is expected this year.

Total yellow corn imports were slightly above Venezuela's TRQ at 692,000 MT in 2003/04. Post estimates a decline in 2004/05 due to licensing restrictions and Brazilian poultry imports. Given the success of the GOV's new food distribution system, Mercal, local poultry and pork producers are anxious to penetrate this market. Currently, the local industry is negotiating with the government to achieve this goal. Imports are forecast to increase slightly in 2005/06. However, if these negotiations are successful, there will be a substantial increase in demand for domestic poultry and pork in 2005/06.

Sorghum production is expected to increase slightly in 2004/05 to 340,000 tons due to better weather conditions. Post is also forecasting a continued increase in area and yield for 2005/06. Due to the corn licensing restrictions and the same known battle to absorb the domestic sorghum and corn crops, processors have had to resort to higher inclusions of industrial by-products as DDGS (distiller dried grains with solubles) which do not require import licenses.

Traditionally Venezuela has been self-sufficient in rice production. In the past two years production has been down due mainly to lack of rain in the main irrigation district, reduced plantings and yields. However, stronger rice prices and better weather conditions have led to an increase in the area harvested. Therefore, the milled rice production for 2004/05 period is expected to increase to 425,000 MT from 335,000 MT. No significant rice imports are forecast for 2005 and 2006, due to the recovery of the rice harvest and because the traditional exports to Colombia have been tightly controlled by the government.

WHEAT

Production

Wheat production in Venezuela is negligible. The little wheat produced in the Venezuelan Andean region is milled and consumed close to where it is harvested. The lack of climatic conditions and suitable land for planting are the main reasons for the limited production.

Consumption

Despite the current economic recession, wheat consumption has not been affected as much as other products since pasta and bread constitute low-cost basic staples of the Venezuelan diet and constitute much of the diet of poorer Venezuelans. Open market prices for pasta and bread have managed to remain under the price control levels, which is a major accomplishment due to the devaluations in Venezuela during the past year.

Pasta still remains a preferred staple in the diet, and Venezuelans' pasta consumption remains one of the highest in the world at 14 kg per person per year, holding second place after Italy. The consumption of pasta, which has begun to substitute meat in many low-income households due to falling disposable incomes, has grown in the past five years. Currently wheat food consumption in Venezuela is estimated to be 47 kg per capita per year.

Total wheat consumption showed some growth in 2003/04 at 1,540 MT and it is expected to make some gains in 2004/2005 to 1,555 MT due to the fact that some millers have increased their production and have agreed to distribute and sell it through the government's Mercal stores below commercial market prices. Consumption for 2005/ 2006 is forecast to remain at the same levels, and as long as household budgets continue to be pinched, it is unlikely that consumption of anything but the cheapest sources of calories will increase.

Trade

Venezuela imports almost 100 percent of its wheat requirements, with the traditional suppliers being the United States and Canada. In 2003/2004, 55 percent of total wheat imports came from the United States and the remaining were imported from Canada. Venezuela imported 860,000 MT of U.S. wheat, representing an increase of 30 percent in comparison with previous year imports. U.S. durum imports have contributed to a major recovery of U.S. market share: they were up by 71 percent over the previous period.

Post estimates that total wheat imports will increase slightly to 1,565 MT in 2004/2005, and that US market share will experience an increase also. In the current marketing year to date Venezuelan imports of U.S. wheat fall below last year's levels. However, according to some sources, U.S. wheat imports are expected to increase in the second half of this marketing year because of limited supplies of Canadian CWRS and durum wheat for this marketing year. Total imports for 2005/06 are forecast to remain steady.

Marketing

Trade servicing, technical support and marketing assistance are important in order to maintain and improve the relations with clients. U.S. Wheat Associates (USW) has strengthened its presence in Venezuela in the last two years, and contacts appreciate their attention. USW has also been involved with the operations of the wheat milling school, ESLAMO, and they continue supporting the school's plans for expanding operations. USW plans to hold a seminar at ESLAMO on durum milling in April this year, and several visits from

their representatives demonstrating U.S. wheat quality have been completed recently. This type of trade service is critically important in Venezuela if U.S. exports are to be maintained.

In recent years, the greatest competition for market share has come from Canada. Some contacts have said that buyers purchase Canadian wheat because of better prices, better service and lower dockage and foreign material. In order to continue increasing or maintaining market share, U.S. exporters must continue emphasizing the high quality of U.S. wheat, the freight advantage, quick delivery and year-round availability. Miller's visits to U.S. facilities are also recommended.

RICE

Production

In 2004, area harvested was revised to 105,000 hectares. Total area harvested in 2005 should be slightly higher at around 125,000 hectares.

Traditionally Venezuela has been self-sufficient in rice production and during many years was able to export 50,000 to 100,000 tons, mostly to Colombia. Rice is grown mainly in the Venezuelan states of Portuguesa and Guárico. There are generally two rice crops each year, summer crop planted in June/July and harvested in September/October, and the winter crop planted in October/November and harvested in April/May. In the past two years production has been down due mainly to lack of rain in the main irrigation district, as well as reduced plantings and yields. However, stronger rice prices and better weather conditions have led to an increase in the area harvested and milled rice production for the 2004/05 period is expected to increase to 425,000 MT. Production in 2006 is forecast to remain steady at 425,000 tons of milled rice due to the lack of agricultural policies from the government and the uncertainty in the sector.

Consumption

About 90 percent of rice is used for human consumption, whereas the remaining 10 percent goes into animal feed. Per capita consumption was 15.2 kg in 2004 and is expected to increase slightly in 2005 as the government continues to control prices of the main products of the basic basket.

Despite the economic situation, there is an increase of the monetary liquidity due to high oil prices, which contributes positively to consumption, as well as the government programs for supplying food to the lower income people. Rice consumption is estimated to go from 386,000 MT in 2004 to 390,000 MT in 2005.

Figures from the Venezuelan Millers Association point out that the Government, through the MERCAL chain, a government company created for the commercialization and marketing of food products at lower prices, distributes 45 percent of the table rice in the country, and nine of the main mills supply rice to this government entity.

Trade

No significant rice imports are forecast for 2005 and 2006, due to the recovery of the major rice harvest from last year bad climatic conditions.

Traditionally, Venezuela has exported between 50,000 to 100,000 MT of rice to Colombia, but since last year the government has controlled rice exports. Domestic producers and millers

have not been allowed to export, and exports are estimated to fall to 20,000 MT in 2005. However, some sources indicate that despite the tight controls some rice is being smuggled across the border. The control is done through special transportation permits called "Guias de Mobilization," which are carefully issued by the sanitary authorities of the Ministry of Agriculture.

The fact that rice is sold at the government stores at a controlled price of Bs. 990/kg (US \$ 0.51) naturally leads to informal sales to Colombia. It is also important to notice that rice purchases from the government food stores in the states close to the border are considerably higher than those in other states.

CORN

Production

Corn production in Venezuela is focused on white corn for human consumption. Very little yellow corn is produced domestically. The major corn producing states are Portuguesa and Guárico, other areas are Barinas, Bolívar, Cojedes, Guárico and Yaracuy. Yields in Portuguesa are typically around 3.5 /hectare, and are lower at around 3.0 /hectare in Guárico. Venezuela generally harvests between 350,000 and 450,000 hectares of corn, though projections on plantings vary dramatically at the beginning of the season due to the lack of a crop statistics collection mechanism.

There were intentions to heavily increase white and yellow corn production last year via an extraordinary government financing program, however the plan has not been successful and production figures have not shown significant changes. As a result of heavy rains during the planting season, corn production in 2004/2005 is estimated at 1.2 million MT in 400,000 hectares. Post does not forecast a significant increase in production for 2005/06, as there has been no significant price stimulus to shift out of other crops into corn production.

Consumption

There are two different markets for corn in Venezuela, the white corn market is for food and the yellow market is mostly for feed. Total consumption of corn flour has increased over the past four years in response to declining real incomes since corn flour is cheaper relative to other food products. In addition, the corn flour price is now controlled, and the government is supplying corn flour at or below that price at its chain of food stores, MERCAL.

Demand for yellow corn in Venezuela has been softening as hog and poultry production has declined due to unfavorable economic and political conditions. The local poultry industry has been facing competition from Brazil. Food products for the basic food basket have been imported duty-free through the government food purchasing entity called CASA. The industry reports that about 17,000 MT of Brazilian poultry were imported in 2004 and then distributed at a substantial discount to the controlled price for poultry through MERCAL stores. Poultry production is heavily dependent on imported animal feed ingredients. In that sense, demand for grains could face a decrease if the imported poultry, which competes with domestic output, continues. However, the local poultry industry is currently negotiating to supply the product to the government.

Trade

The United States is the major corn supplier to Venezuela, previously shipping over a million tons annually. However, in recent years imports have been restricted generally starting each

September when the GOV announces that it will not allow imports until all the domestic production has been purchased.

Total yellow corn imports were only 692,000 MT in 2003/04 or just slightly above Venezuela's TRQ. Post estimates a decline to 610,000 MT in 2004/05 due to licensing restrictions and Brazilian poultry imports. Given the success of the government new food distribution system, Mercal, local poultry and pork producers are anxious to penetrate this market. Currently, the local industry is negotiating with the government to achieve this goal. If these negotiations are successful there will be a substantial increase in demand for domestic poultry and pork in 2005/06, and therefore, a substantial increase in demand for imported corn. If the status quo remains, however, imports will increase only slightly to 650,000 MT in 2005/06, which is the conservative figure, used in the attached tables.

Due to the corn licensing restrictions and the same known battle to absorb the domestic sorghum and corn crops, processors have had to resort to higher inclusions of industrial by-products such as DDGS (distiller dried grains with solubles) which do not require import licenses. As per industry sources, the volume of corn imports licenses issued by the Ministry of Agriculture and Lands in 2004 amounts to about 509,000, and no additional licenses have been granted since January 2005 to date.

Venezuela has a tariff rate quota for corn set at 583,459 tons with an in-quota rate of 20 percent. The out-of-quota rate is based on the Andean price band and due to recent price movements has fallen to only 3 percent. However, numerous importers have stated that they cannot get access to import licenses for either in-quota or the out-of-quota quantities.

Marketing

The United States has natural advantages in this market due to proximity and year-round availability of corn. The United States has dominated the market for imported corn in Venezuela and is expected to continue to be the major supplier, but to a smaller market. Due to license restrictions, users have had to experiment with a variety of feed ingredients, some successfully and some not so successfully. In this atmosphere of improvisation, continued trade servicing, technical support, and marketing assistance are important in order to maintain and improve client loyalty and satisfaction.

SORGHUM

Production

Venezuelan farmers generally obtain low sorghum yields, but it is an important crop for certain dryer areas. In addition, the government-set guaranteed prices encourage continued planting, even with low yields, as less efficient producers can still make a profit. In 2003/04 sorghum production was estimated at 330,000 tons since many producer shifted to other crops due to the government soft loans that were available for corn and rice. Sorghum production is expected to increase slightly in 2004/05 to 340,000 tons due to better weather conditions. Post is also forecasting a continued increase in area and yield for 2005/06.

Consumption

Grain sorghum mainly goes to poultry feed in Venezuela, and with every harvest there is a traditional conflict between sorghum producers that want an assured market for their crop and the local feed industry that states that it does not need as much sorghum as is produced in the country. Every year, the feed industry is forced to purchase the local crop. This is

often achieved by denying importers access to import licenses for other feed ingredients, such as corn or soybean meal until all domestically produced sorghum has been absorbed. This situation is complicated by the fact that crop statistics in Venezuela are either unavailable or unreliable, so it is difficult to determine when the entire sorghum crop has been purchased.

Trade

Venezuela was a major importer of sorghum in the 1980's but has not imported in recent years. Venezuela has an import Tariff Rate Quota for sorghum set at 1,114,290 tons based on those historic imports. Venezuela used to export a small quantity, about 10,000 tons to Colombia; however it is not expected to do it in the next year due to high prices and the pressure of farmers to consume the product domestically.

The Venezuelan government has consistently opposed to sorghum imports in recent years and we do not expect that policy been to change. Small amounts of sorghum seed for planting may be imported.

Marketing

Given the high preference for imported yellow corn over domestically produced sorghum, Venezuela would not be a prime target for US grain sorghum, especially as long as the Ministry of Agriculture artificially promotes and sustains domestic sorghum production.

PSD TABLE – WHEAT

Country	Venezuela						
Commodity	Wheat						(1000 HA)(1000 MT)
	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		07/2003		07/2004		07/2005	MM/YYYY
Area Harvested	0	0	0	0	0	0	(1000 HA)
Beginning Stocks	75	75	75	85	0	85	(1000 MT)
Production	0	0	0	0	0	0	(1000 MT)
TOTAL Mkt. Yr. Imports	1538	1560	1500	1565	0	1565	(1000 MT)
Jul-Jun Imports	1538	1560	1500	1565	0	1560	(1000 MT)
Jul-Jun Import U.S.	792	860	0	900	0	900	(1000 MT)
TOTAL SUPPLY	1613	1635	1575	1650	0	1650	(1000 MT)
TOTAL Mkt. Yr. Exports	10	10	10	10	0	10	(1000 MT)
Jul-Jun Exports	10	10	10	10	0	10	(1000 MT)
Feed Dom. Consumption	0	0	0	0	0	0	(1000 MT)
TOTAL Dom. Consumption	1528	1540	1490	1555	0	1560	(1000 MT)
Ending Stocks	75	85	75	85	0	80	(1000 MT)
TOTAL DISTRIBUTION	1613	1635	1575	1650	0	1650	(1000 MT)

PSD TABLE – RICE

Country	Venezuela						
Commodity	Rice, Milled						(1000 HA)(1000 MT)
	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		01/2004		01/2005		01/2006	MM/YYYY
Area Harvested	105	105	90	125	0	125	(1000 HA)
Beginning Stocks	113	104	104	120	0	145	(1000 MT)
Milled Production	355	355	300	425	0	425	(1000 MT)
Rough Production	523	523	442	627	0	627	(1000 MT)
MILLING RATE (.9999)	6786	6786	6786	6786	0	6786	(1000 MT)
TOTAL Imports	76	97	80	10	0	30	(1000 MT)
Jan-Dec Imports	80	94	80	10	0	30	(1000 MT)
Jan-Dec Import U.S.	0	94	0	10	0	30	(1000 MT)
TOTAL SUPPLY	544	556	484	555	0	600	(1000 MT)
TOTAL Exports	60	50	60	20	0	60	(1000 MT)
Jan-Dec Exports	60	50	30	20	0	60	(1000 MT)
TOTAL Dom. Consumption	380	386	330	390	0	410	(1000 MT)
Ending Stocks	104	120	94	145	0	130	(1000 MT)
TOTAL DISTRIBUTION	544	556	484	555	0	600	(1000 MT)

PSD TABLE – CORN

Country	Venezuela						
Commodity	Corn				(1000 HA)(1000 MT)		
	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 Harvested	410	390	350	400	0	420	(1000 HA)
Beginning Stocks	193	103	223	120	0	80	(1000 MT)
Production	1200	1170	1000	1200	0	1230	(1000 MT)
TOTAL Mkt. Yr. Imports	680	692	800	610	0	650	(1000 MT)
Oct-Sep Imports	680	692	800	600	0	650	(1000 MT)
Oct-Sep Import U.S.	670	681	790	590	0	640	(1000 MT)
TOTAL SUPPLY	2073	1965	2023	1930	0	1960	(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	600	681	600	600	0	650	(1000 MT)
TOTAL Dom. Consumption	1850	1845	1850	1850	0	1860	(1000 MT)
Ending Stocks	223	120	173	80	0	100	(1000 MT)
TOTAL DISTRIBUTION	2073	1965	2023	1930	0	1960	(1000 MT)

PSD TABLE – SORGHUM

Country	Venezuela						
Commodity	Sorghum				(1000 HA)(1000 MT)		
	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		10/2005		10/2005	MM/YYYY
Area Harvested	140	135	140	155	0	160	(1000 HA)
Beginning Stocks	30	27	40	27	0	27	(1000 MT)
Production	340	330	340	340	0	352	(1000 MT)
TOTAL Mkt. Yr. Imports	0	0	0	0	0	0	(1000 MT)
Oct-Sep Imports	0	0	0	0	0	0	(1000 MT)
Oct-Sep Import U.S.	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	370	357	380	367	0	379	(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	325	330	340	340	0	0	(1000 MT)
TOTAL Dom. Consumption	330	330	340	340	0	350	(1000 MT)
Ending Stocks	40	27	40	27	0	29	(1000 MT)
TOTAL DISTRIBUTION	370	357	380	367	0	379	(1000 MT)