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Venezuela

Poultry and Products

Annual

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Report Highlights:

FAS/Caracas forecast a slight growth in Venezuela's poultry production based on the higher consumer demand resulting from lower prices of poultry as compared to other sources of animal protein. While the controlled prices of poultry at the retail level remain unchanged since April 2004, the expansion of the Government of Venezuela's (GOV) food distribution system has served to increase consumer demand by offering low-cost poultry to the poor.

Soaring imports are forecast for 2006, with poultry imports reaching 95,000 MT or even more according to industry sources. The state-owned purchasing entity called CASA is the sole poultry importer. The government imports only from Brazil, but some private importers have shown interest in U.S. poultry.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Annual Report
Caracas [VE1]
[VE]

Table of Contents

Executive Summary 3
Production 3
Production Problems 3
Prices 4
Consumption..... 4
Marketing 5
Trade..... 5
Tariff 5
PSD TABLE..... 6

Executive Summary

Poultry production is expected to improve in 2005 and 2006, due to growing consumer demand resulting from the low price of poultry as compared to beef and pork. Retail poultry prices continue to be under price controls.

Government poultry imports are forecast to increase as the Government of Venezuela (GOV) continues to expand its food distribution programs and develop cold-storage facilities. Official trade data affirm that 25,000 tons of poultry were imported in 2004, although the local industry believes that government imports have reached more than 75,000 tons (the figure used in the PSD table). The forecast for 2006 is 95,000 tons of imported poultry. Currently, Brazil is the only poultry supplier to the GOV, but some private importers have shown interest in U.S. poultry.

The poultry sector has repeatedly requested a price increase at the retail level. The industry states that costs of production are rising, while the retail price of poultry remains unchanged. Yet, no significant change in economic policies, including the current food price controls and foreign exchange control, are expected in the near future.

Production

The forecast for 2005 and 2006 calls for moderate production increases of five percent, resulting from a growth in demand due to the relative price attractiveness of poultry as compared to other meats. Major growth in poultry production is subject to the elimination of price controls and the increased use of imported feed ingredients, which are cheaper than local ingredients. Production figures used in this report are based on feed imports and use.

Poultry meat production in Venezuela is both intensive and highly mechanized. In larger farms, the level of technology is relatively high. The industry is vertically integrated, characterized by company ownership of breeding farms, hatcheries, feed mills, growing farms, poultry meat processing plants, transportation and distribution chains. The sector works very close together in order to control poultry diseases and keeps informed of updates in this area.

Representatives from the Venezuelan poultry industry are regular attendees to the "Poultry Show" held in Atlanta, which exposes them to state-of-the-art technology and developments in health issues, among others.

Production Problems

Price controls and the increasing cost of ingredients are the major issues affecting the industry. The retail price of poultry (whole, breast and leg quarters) and eggs are under the GOV's controlled price policy. The GOV has not authorized price increases for poultry since April 2004.

Venezuela's feed manufacturers and poultry producers are forced to purchase the surplus of domestically produced white corn before having access to imported feed ingredients. Corn production in Venezuela mainly consists of white corn for human consumption. Venezuela's food processing industry uses almost the entire white corn crop to make corn flour for "arepas", a corn bread considered staple food by Venezuelans. Once the food processing industry fills its demand for white corn, the surplus is sold to the animal feed manufacturers.

Currently, the price of domestic white corn is 272\$/MT and prices for imported yellow corn are around 100\$/MT. This price difference not only increases the cost of production for poultry, but also raises concerns because white corn is not the feed of preference. There are also constant disagreements between the industry and the GOV as to the amount of domestic white corn available, with GOV estimates normally far higher than those of the industry. In addition, soybean meal and yellow grease must be imported because there is no domestic production of it.

The animal feed manufacturers and the poultry industry prefer imported commodities such as yellow corn, soybean meal and yellow grease, due to better quality and lower prices. But access to inexpensive imported feed ingredients is limited because of major government control over the issuance of import licenses for these products.

Additionally, the industry stresses that imports from Brazil are adversely affecting local poultry prices and producer profitability. Brazilian poultry imports are exempt from custom charges and import tariffs, and do not require import permits because the government is the sole importer.

Prices

The GOV imposed price controls on poultry and eggs in February 2003. Since then, increases in the price of poultry have been authorized only twice. The latest price increase occurred in April 15, 2004. Offering market prices above the official controlled price is an illegal practice. Current prices of meat are shown in the following table:

**Price Comparison Between Poultry, Beef and Pork Meat
(Bolivars per Kilo)**

Product	Free Market Price/ 1	Controlled Price/ 2
Poultry	3,500	3,130
Beef	10,800	5,000
Pork	8,800	4,000

Source:

1/ Wet market quotes.

2/Official Gazette N° 37,918, dated 04/15/04 and N°37,629, dated 02/11/03

Exchange rate Bs. 2,150 per 1 US\$

Consumption

Venezuela's annual per capita consumption of poultry is 28 to 30 kilos. Changes in retail practices have contributed to the increase in poultry meat consumption in the last year and a half. These practices may include, but are not limited, to offering boneless, skinless poultry, and adding various spices to different fresh cut poultry pieces. Any small value-added practice that can be included or offered at the retail level is an opportunity to sell at prices higher than the established price controls for poultry, as only whole poultry, breast and leg quarters, fresh or frozen are under price controls. In addition, the GOV food distribution system (MERCAL) has served to increase consumer demand by offering low-cost chicken to the poor.

Marketing

In order to compensate for declining profit margins that result from selling poultry meat at the controlled price, the industry is looking for alternative ways of profitability. Basically, the poultry industry has started to pay more attention to the marketing of processed poultry products. Growth in processed poultry products has been moderate, but the industry foresees strong potential in this segment.

Specialized processed products such as frozen and precooked chicken nuggets; chicken pieces; marinated chicken; and other varieties of valued-added poultry products will continue to grow rapidly in the next year or two. Again, these types of products are not subject to price controls.

Trade

Imports of cheaper poultry imports are expected to continue. During 2004, official imports reached 25,000 MT (unofficially; 75,000 MT), a 400% increase as compared with 2003, when imports barely reached 5,000 MT. The forecast for 2006 is that imports could reach 95,000 MT, or more. Corroboration of these imports through official numbers will be difficult since imports are currently being carried out directly by the government and do not pass through regular custom channels. Brazil remains the only supplier of imported poultry due to its price competitiveness and its relationship with the GOV.

All poultry imports are carried out by CASA, the state-owned purchasing entity. Brazilian poultry is sold in government-owned stores, called MERCAL, at prices that are lower than the controlled price. The local industry has lost market share for fresh and frozen poultry, particularly in the lower class sectors of the population.

Tariff

As a member of the Andean Community, poultry and poultry product imports from non-Andean countries are in theory subject to the Andean Community Price Band System. The Andean price band duty for the first two weeks of September 2005 is 41 percent. The GOV does not pay this duty on its poultry imports.

PSD TABLE

Venezuela							
Poultry, Meat, Total							
	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
Inventory (Reference)	0	0	0	0	0	0	(MIL HEAD)
Slaughter (Reference)	0	0	0	0	0	0	(MIL HEAD)
Beginning Stocks	0	0	0	0	0	0	(1000 MT)
Production	305	315	305	330	0	345	(1000 MT)
Whole, Imports	15	25	10	75	0	95	(1000 MT)
Parts, Imports	0	0	0	0	0	0	(1000 MT)
Intra EC Imports	0	0	0	0	0	0	(1000 MT)
Other Imports	0	0	0	0	0	0	(1000 MT)
TOTAL Imports	15	25	10	75	0	95	(1000 MT)
TOTAL SUPPLY	320	340	315	405	0	440	(1000 MT)
Whole, Exports	0	0	0	0	0	0	(1000 MT)
Parts, Exports	0	0	0	0	0	0	(1000 MT)
Intra EC Exports	0	0	0	0	0	0	(1000 MT)
Other Exports	0	0	0	0	0	0	(1000 MT)
TOTAL Exports	0	0	0	0	0	0	(1000 MT)
Human Consumption	320	340	315	365	0	400	(1000 MT)
Other Use, Losses	0	0	0	40	0	40	(1000 MT)
Total Dom. Consumption	320	340	315	405	0	440	(1000 MT)
TOTAL Use	320	340	315	405	0	440	(1000 MT)
Ending Stocks	0	0	0	0	0	0	(1000 MT)
TOTAL DISTRIBUTION	320	340	315	405	0	440	(1000 MT)
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0	(1000 MT)