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## Venezuela

### Oilseeds and Products

#### Annual

#### 2006

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**Report Highlights:**

Post anticipates that imports of oilseeds (soybean meal and oil) will grow slightly during 2005/06 and 2006/07 because of demand from the food and industrial sectors. Further growth in oilseed imports will be subject to the importers' ability to procure import licenses.

Government imports of processed oilseed products (vegetable oil and margarine) are expected to continue. Processed oilseed product imports carried out by the government are exempt from import tariffs, foreign exchange controls and import licenses.

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## Executive Summary

Venezuela depends on oilseeds and oilseed product imports to meet its industrial and vegetable oil needs, as there is no sufficient domestic production. It is the intention of the government to reduce or eliminate dependency on external sources in the oilseed complex. Government plans are to increase total area planted to oilseeds (palm, sesame, sunflower seed and soybean) from 10,000 hectares in 2004/05 to around 50,000 hectares in 2005/06 and 2006/07. However, soybean production reached between 3,000 to 4,000 tons during 2004/05. Sources from the oilseed sector remain skeptical of the real possibilities of boosting oilseed production in the short term. Fears are based on the experience of the past seven years of different projects announced for the oilseed complex that have not materialized.

Post anticipates that imports of oilseeds (soybean meal and oil) will slightly grow during 2005/06 and 2006/07 because of demand from the food and industrial sectors. Further growth in oilseed imports will be subject to the importers' ability to procure import licenses. Government imports of processed oilseed products (vegetable oil and margarine) are expected to continue. Processed oilseed product imports carried out by the government are not subject to import tariffs, foreign exchange controls or import licenses.

South American countries like Bolivia, Paraguay, Argentina, Brazil, and Uruguay, 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 restrictions. 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. Foreign exchange controls, current tariff structure, restrictive import-licensing schemes as well as trade preferences with South American countries continue to severely limit the importation of U.S. oilseeds, including vegetable oil imports and soybean meal.

## I. SITUATION AND OUTLOOK

Venezuela depends on oilseeds and oilseed products imports to meet its industrial and vegetable oil needs, as there is no sufficient domestic production. At this time, domestic production refers to palm, sesame (for confectionary purposes) sunflower seed and limited amounts of soybeans. Last year only 30,000 tons of imported U.S. soybeans were crushed by one facility, to obtain vegetable oil for domestic consumption and soybean meal for the animal feed industry. Currently, crushing capacity is limited to approximately 1,750 tons per day.

Between 2004 and 2005, palm oil production declined from 60,637 tons to 45,593 tons. Soybean production reached between 3,000 to 4,000 metric tons during 2004/05, despite last year's announcement by the government of its intention to plant 20,000 hectares in Venezuela's northern states of Anzoategui and Bolivar. Sunflower seed was planted late in 2005.

During the past seven years, the Government of Venezuela (GOV) has considered oilseed production as a strategic commodity, meaning that there is a need to reduce or eliminate imports of oilseeds. With that in mind, it has announced its intention to boost oilseed production through palm, soybean and sunflower seed plantings. Although the GOV has stated that soybeans can be grown efficiently in Venezuela, the area planted to soybeans has not exceeded 5,000 hectares in the last seven years. Currently, there are no signs of significant developments or major improvements in the oilseed complex. The experience shows that the country lacks a soybean planting expertise and farmers tend to prefer developing more profitable crops such as white corn and sorghum.

Currently, the GOV approached members of the domestic oilseed processors association (in Spanish: Asociación de Industriales de Aceites y Grasas, or ASOGRASAS) requesting its cooperation towards developing oilseed plantings in the country, basically soybean and sunflower seed. ASOGRASAS commented that some of its members agreed to plant 40,000 hectares to soybean in the next seven to ten years. ASOGRASAS also mentioned that while it is willing to support the domestic agricultural production, it remains skeptical of the success of new plantings. This is because of the past experience with oilseed crops that have resulted in projects that never materialized, but most significant is the fact that any additional oilseed production must be subject to increasing current crushing capacity and the construction of new crushing facilities.

Additionally, the GOV imported 64,000 metric tons of sunflower seeds for planting from Argentina. The seed was to be planted in the central states of Barinas, Cojedes and Portuguesa, covering an area of approximately 40,000 hectares. Less than 20,000 hectares were actually planted due to the following reasons: a) cumbersome paperwork to obtain seed certificates and permission from the government's national seed institute and b) an extended period of rains, which limited the time for planting. The initial statement made by the GOV regarding the sunflower seed planting was that it estimated to crush 55,000 metric tons of sunflower seed, to obtain 17,000 tons of vegetable oil.

Basic consumer products, including vegetable oils and margarine continue to be under the retail price control policy established by the GOV back in 2003. Today the GOV is even more involved in providing cheap food products to consumers through direct imports. The role of the government as a reliable and secure food supplier is currently subject to its ability to develop and increase its food distribution systems and to continue imports of food products. Imports are carried out through the GOV's procurement entity, CASA. The GOV is not only

the major importer of processed oilseed products, such as refined and blended vegetable oils, margarine and mayonnaise but it has also become the sole importer of poultry.

Due to increased petroleum revenues received by the GOV, it is expected that the government will continue to import processed food products during 2006 and 2007, in order to support its role as food supplier to the poor. Processed oilseed product imports carried out by the GOV are neither subject to foreign exchange control nor to the import license scheme established for oilseeds.

The forecast for 2006 and 2007 is for a moderate increase in imports, no greater than 5% for imported oils and meals (mainly soybean oil and soybean meal) to satisfy the needs of the food industry and animal feed processor sectors. Further growth in soybean meal imports will be based on the demand of animal feed by the poultry sector and its ability to procure import licenses.

The American Soybean Association (ASA) is very active in the Venezuelan market and conducts promotional activities with a mix of seminars and technical assistance visits. Seminars conducted include topics such as animal feed mixes, swine and poultry production as well as livestock and shrimp-farming management.

### **Total Oilseeds**

Total area planted to oilseeds (palm, sesame, sunflower seed and soybeans) is unlikely to show any significant growth in 2005/06 and 2006/07. Soybean production reached approximately 3,000 to 4,000 tons in 2004/05. Palm oil production declined from 60,637 tons to 45,593 tons in the same period.

According to Venezuelan farmers further increases in oilseed production are not likely to happen in the short term. However, the GOV announced its plans to increase area planted to oilseeds. The area planted is projected by the GOV to increase from 10,000 hectares in 2004/05 to around 50,000 hectares in 2005/06 and 2006/07. Farmers and industry remain skeptical.

Despite the GOV's intention to boost oilseed production, farmers are not interested in planting soybeans and sunflower seed. This is because in the past these crops have not been profitable. Farmer's preference is for more profitable crops like white corn and sorghum.

During the last four years, Venezuela has been exporting confectionary sesame seed. Venezuela is still a minor exporter, but farmers expressed to FAS/Caracas their plans to increase quantities exported and requested assistance in contacting U.S. buyers of confectionary sesame seed. Farm-gate prices for sesame seed dropped 50% during 2005 (From \$1 to 52 cents per kilo). According to Venezuelan farmers, the falling farm-gate price resulted from a larger international supply. Farmers have commented that the GOV agreed to pay the price difference between 2004 and 2005 (about 52 US cents per kilo). However, no official notice has been published by the GOV informing of details of this direct subsidy.

### **Total Oils**

Venezuela's production of vegetable oil consists mainly of palm oil. There may be a small production of sunflower seed oil, as result of the plantings done during the end of 2005. Domestic palm oil production is used solely for the soap and detergent industries. Venezuela is heavily dependent on imports of edible oils to supply domestic demand for cooking oils. According ASOGRASAS production of palm oil meets about 20% of the domestic vegetable oil needs and the rest of the vegetable oil market is met with imports of crude oils.

Although cooking oils are sold as blends, Venezuelan consumers generally prefer domestically produced corn oil, as opposed to blended vegetable oils. The retail price of vegetable oil, pure and blended, is currently under government control.

The edible fat and oil market in Venezuela is characterized by direct links between producers, processors, and distributors. Cargill, the market leader, is the most important producer of vegetable oil. Cargill processes a wide variety of products for both home and industrial use. Cargill is followed by Coposa and Polar, domestically-owned oil processors.

**Total Meals**

The Venezuelan market for oilseed meals is driven by the demand for animal feed from the pork and poultry sectors. However, because the domestic production of oilseed meals is almost insignificant, the market heavily relies on imports. From August through October 2005, Coposa crushed 30,000 tons of U.S. soybeans. The meal produced was sold to the animal feed industry.

Soybean meal continues to be the meal of choice in Venezuela. Bolivia is the major supplier of soybean meal, followed by the United States and Paraguay. Further growth in soybean meal imports will be based on the demand of animal feed by the poultry sector and, its ability to obtain import licenses and/or the availability of soybean meal from Bolivia.

## II. TRADE

Over the last ten years between 80 and 90 percent of Venezuela's oilseed needs have been supplied by imports. The import trend will continue for several years to come until domestic oilseed production is capable of meeting domestic demand. In the meantime, oilseed imports will, as usual, be supplied primarily by Bolivia, Paraguay, Argentina, Brazil, and Uruguay, and to a lesser degree by the United States. These South American countries 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.

The oilseed complex is one of many in the agricultural sector in which the GOV has imposed an import-licensing regime. The GOV claims that the import licensing regime, put in place at the end of 1999, has provided a certain degree of stability for both the importers and the food processing sectors, although the animal feed industry, in particular, has expressed that it has had the opposite effect.

The foreign exchange controls, current tariff structure, as well as trade preferences with South American countries continue to severely limit the importation of U.S. oilseeds, including vegetable oil imports and soybean meal.

### 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
<b>Intra Andean Community Imports</b>	0%	0%	0%
<b>Third Country Imports (U.S. Imports)*</b>	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](http://www.comunidadandina.org/politicas/franja_circular.htm).*

### Tariff Preferences

Venezuela is member of the Andean Community and is also an associate member of Mercosur. The implementation of the Andean Community-Mercosur agreements by Venezuela is based on the "Economic Agreement N° 59" (in Spanish: Acuerdo de Complementación Económica N°59, or ACE N°59). 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>.

The effective dates of implementation of the Andean Community-Mercosur agreements, in particular between Venezuela and South American countries are represented in following table. Venezuela and Paraguay have yet to define a date for the implementation of the agreement because the Government of Paraguay has not incorporated the agreement in its legislation.

Venezuela Bilateral Agreements with Mercosur	Implementation Date
Argentina	01/05/2005
Uruguay	01/05/2005
Brazil	02/01/2005
Paraguay* <i>Not yet approved by Paraguay</i>	04/19/2005

The prevailing tariff preferences 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. The inconsistent management of the licensing regime was seen throughout 2005. Import licenses are valid for four 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 and in MINAL's web page: <http://www.minal.gob.ve/view/docs/licemport.pdf>. The TRQ's for oilseeds are shown below:

Oilseeds Tariff Rate Quotas				
Product	HS Code	Quota Quantity (MT)	In-Quota Tariff (%)	Out-Of Quota Tariff (%)
Soybeans	12.01	168,963	40	DAV
Palm 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							
	2005	Revised	2006	Estimate	2007	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		10/2004		10/2005		10/2006	MM/YYYY
Area Planted	0	3	0	3	0	10	(1000 HA)
Area Harvested	3	3	10	3	0	10	(1000 HA)
Beginning Stocks	0	0	0	0	0	0	(1000 MT)
Production	3	3	15	3	0	15	(1000 MT)
MY Imports	50	11	60	20	0	20	(1000 MT)
MY Imp. from U.S.	30	9	30	10	0	0	(1000 MT)
MY Imp. from the EC	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	53	14	75	23	0	35	(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	51	12	73	21	0	33	(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	53	14	75	23	0	35	(1000 MT)
Ending Stocks	0	0	0	0	0	0	(1000 MT)
TOTAL DISTRIBUTION	53	14	75	23	0	35	(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)

<b>Venezuela Meal, Soybean</b>							
	2005	Revised	2006	Estimate	2007	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		10/2004		10/2005		10/2006	MM/YYYY
Crush	51	12	73	21	0	33	(1000 MT)
Extr. Rate, 999.9999	0.784314	0.75	0.780822	0.761905	0	0.787879	(PERCENT)
Beginning Stocks	27	20	27	20	27	20	(1000 MT)
Production	40	9	57	16	0	26	(1000 MT)
MY Imports	750	756	800	800	0	840	(1000 MT)
MY Imp. from U.S.	0	151	0	170	0	180	(1000 MT)
MY Imp. from the EC	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	817	785	884	836	27	886	(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	787	763	854	814	0	864	(1000 MT)
TOTAL Dom. Consumption	789	765	856	816	0	866	(1000 MT)
Ending Stocks	27	20	27	20	0	20	(1000 MT)
TOTAL DISTRIBUTION	817	785	884	836	0	886	(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							
	2005	Revised	2006	Estimate	2007	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		10/2004		10/2005		10/2006	MM/YYYY
Crush	51	12	73	21	0	33	(1000 MT)
Extr. Rate, 999.9999	0.176471	0.175	0.178082	0.190476	0	0.181818	(PERCENT)
Beginning Stocks	2	2	2	2	0	2	(1000 MT)
Production	9	2	13	4	0	6	(1000 MT)
MY Imports	302	250	315	270	0	285	(1000 MT)
MY Imp. from U.S.	0	16	0	20	0	20	(1000 MT)
MY Imp. from the EC	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	313	254	330	276	0	293	(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	4	4	4	0	4	(1000 MT)
Food Use Dom. Consump.	302	248	319	270	0	287	(1000 MT)
Feed Waste Dom. Consum	0	0	0	0	0	0	(1000 MT)
TOTAL Dom. Consumption	306	252	323	274	0	291	(1000 MT)
Ending Stocks	2	2	2	2	0	2	(1000 MT)
TOTAL DISTRIBUTION	313	254	330	276	0	293	(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)