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## Venezuela

### Grain and Feed

### Annual Report (corrected)

### 2006

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**Report Highlights:**

U.S. market share of wheat imports has been recovering during the last three years, and it is expected to show further modest increases in 2005/06. Rice production is estimated to fall by up to 12 percent in 2006. Sources indicate that some imports may be needed in the second half of this year. Corn trade continues to be stymied by import licenses associated with absorption of domestic white corn. Expectations are that licenses for about 260,000 tons of corn will be issued between June and August, but once the domestic corn crop harvest starts in September, imports will once again be banned. Venezuela is currently self-sufficient in sorghum production. Report has been revised to correct PSD tables.

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

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## Executive Summary

Fueled by increases in oil prices, the Venezuelan economy has been experiencing a period of growth resulting in increased grain consumption. For years, the government of Venezuela (GOV) has been announcing several plans to increase domestic production with limited success, leaving ample space for some imports.

Consistent with the growth in the economy and confirmed by industry sources, wheat consumption in Venezuela has been increasing in the last three years. Per capita consumption is in the order of 52 kilos per year. The US has been recovering its market share during the last two years holding 69 percent of the imports during 2005, a significant increase from last year's market share of 56 percent. U.S. volume has grown even more significantly from up to 50 percent in 2005. The share of high protein and durum wheats remains high to the benefit of US exporters. Post estimates total imports to increase slightly at the rate of demographic growth to 1,410,000 tons in 2006.

Rice is a traditional food and an important staple in the Venezuelan diet, yet per capita consumption is relatively low at an estimated 15.9 kg in 2005. Traditionally, Venezuela has been self-sufficient in rice production and during many years was able to export between 50,000 and 80,000 tons, mostly to Colombia. However, sanitary emergencies combined with large stocks from last year, lead us to predict that Venezuela will actually need to import rice this year. Being conservative, Post estimates Venezuela to import around 60,000 tons of rice in 2006. These imports should take place during the summer months, prior to the local harvest.

As a consequence of the National Sowing Plan, domestic corn production has been increasing during the last years above human consumption, leaving the remaining 25 percent of the 2005 crop, about 400,000 tons, to supply the animal feed industry. According to industry sources, imports of corn may be needed during the months of June, July and August, at the rate of 120,000 tons per month, but no licenses have been granted so far. Post expects about 260,000 tons to be imported this year, as it is expected that licenses will not be granted for the full amount requested.

Domestic sorghum production entirely satisfies demand for this grain. Venezuela has a tariff rate quota for sorghum set at 1,114,290 tons, based on its imports during the 1980's, but has rarely imported any sorghum since 1988. Purchases of the local sorghum crop are a requirement for obtaining import licenses for corn. Sorghum maintains a modest domestic production despite low yields.

**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 proper climatic conditions and suitable land for planting are the main reasons for the limited production.

**Consumption**

Consistent with the growth in the economy and confirmed by industry sources, wheat consumption in Venezuela has been increasing in the last three years. Per capita consumption is in the order of 52 kilos per year. Wheat products constitute important features of the country's diet and price controls keep them within the reach of most citizens.

Pasta still remains a preferred staple in the Venezuelan diet, and pasta consumption continues to be one of the highest in the world with 13.5 kilos per capita. Bread and roll consumption is around 35 kilos per capita per year and sweet goods, cookies and crackers consumption is 5.5 kilos per capita per year. Government plays an important role in the distribution of pasta through the MERCAL chain, which represents about 30 percent of the market. However, it enforces contractual conditions to private suppliers, which are far from optimal, with volume and delivery times subject to frequent changes.

**Pasta Consumption in Venezuela (Tons)**

	2002	2003	2004	2005 (estimated)
Total Consumption	269,220	320,609	338,110	355,015
Consumption per capita Kg	10.7	12.5	12.9	13.5
Production	265,794	317,195	334,333	N/A
Imports	5,140	3,684	4,054	N/A
Exports	1,714	270	277	N/A

Source: Avepastas (Venezuelan Pasta Manufacturers Association)

**Trade**

Venezuela imports almost 100 percent of its wheat requirements, with the traditional suppliers being the United States and Canada. Total imports were in the order of 1,385,000 tons during 2005. An undetermined amount appears to be used for animal feed. Post estimates total imports to increase slightly at the rate of demographic growth to 1,410,000 tons in 2006.

Since 2003 US Desert durum from Arizona and California started to make inroads in the market as millers showed preference for this variety above the Canadian Navigator for pasta and bakery production.

Since there is no domestic production lobby opposed to wheat imports, trade is operating well at this time. No barriers are being imposed to wheat imports and no problems are reported with import permits. Authorization to obtain dollars at the official exchange rate through CADIVI, the government foreign exchange control entity, has also been fairly smooth for wheat importers.

The US has been recovering its market share during the last two years, holding 62 percent of the imports during 2005, a significant increase from last year's market share of 56 percent. U.S. volume has grown even more significantly from up to 50 percent in 2005. The share of high protein and durum wheat remains high to the benefit of US exporters.

**Marketing**

US Wheat Associates has done an excellent work to maintain and improve relations with their clients in Venezuela, providing technical advice and marketing assistance. We believe that the Quality Samples Program could be used again to consolidate US market dominance in the durum segment.

**RICE****Production**

Total area harvested in 2005 has been revised to 157,000 hectares and, according to the industry, it is estimated to fall to 147,000 hectares in 2006 due to the effect of large stocks remaining from last year, which brought down rice prices, and also due to sanitary problems in the Guarico state area.

The Venezuelan Animal and Plant Service, SASA, declared on January 30, 2006 a sanitary emergency in Guarico, a main rice producing area, because of a serious rat invasion in the rice fields (Official gazette No. 38,367). This kind of invasion is not new in this area; however, due to its magnitude, experts estimated that rice yield is going to be very much affected, thus production is estimated to fall up to 12 percent in that area.

Due to these problems, Post forecasts production in 2006 to stay below many local estimates at 391,000 tons milled rice. On the other hand, it expects that in 2007 production will recover again and production is forecast to be in the order of 420,000 tons.

The rice milling industry in Venezuela operates 47 mills but only 35 are currently active. Total installed capacity for paddy rice is estimated to be around 882,028 MT per year and idle capacity in 2005 was 51.87 percent. The milling industry in Venezuela is prepared to work three shifts; however, most facilities operate only two shifts per day.

**Consumption**

Rice is a traditional food and an important staple in the Venezuelan diet, yet per capita consumption is relatively low at an estimated 15.9 kg in 2005. Consumption is expected to remain at similar levels in 2006 and 2007. Roughly 10 percent of rice consumption is for feed use.

**Trade**

Traditionally, Venezuela has been self-sufficient in rice production and during many years was able to export between 50,000 and 80,000 tons, mostly to Colombia. However, in 2003, due to bad weather conditions, rice imports were needed for the first time in seven years. Sources indicate that some imports may be needed again in the second half of this year.

In addition to the sanitary emergency in the Guarico area, the existence of large stocks remaining from last year has led rice prices to fall providing a disincentive to producers. Therefore, further imports will be needed this year. Being conservative, Post estimates Venezuela to import around 60,000 tons in 2006, and assuming that price problems and sanitary conditions in the fields improve, Post forecasts only 20,000 tons of rice imports in 2007.

Colombia, a traditional market for Venezuela placed a safeguard to Andean Community and third country rice imports in July 2005 and rice was allowed to enter into Colombia, only in the case of a domestic rice deficit. A tariff of 15 percent is applied to rice imports from Andean countries. Regarding Colombia's commitments with the WTO, a tariff of 70 percent

is applied to the imports under the TRQ of 75,000 tons. Additionally to the tariff, a tax of 80 percent is applied to all rice imports as well as a phyto-sanitary import permit.

### **Marketing**

Post estimated that Venezuelan rice imports are expected to occur mostly in the summer time, as domestic stocks will be depleted prior to the harvest of the local crop in October. It is expected that the government will import the product through CASA, the GOV's food purchasing agency, as they did back in 2003. Some private sector millers may also be granted access to licenses.

## **CORN**

### **Production**

About 80 percent of the corn produced in Venezuela is white corn for human consumption. Seventy five percent of the white corn crop in 2004/05 was absorbed by the corn flour industry for the production of precooked corn flour, which is an essential part of the Venezuelan diet. As a consequence of the National Sowing Plan, the domestic production of this grain has been increasing during the last years above human consumption, leaving the remaining 25 percent of the 2005 crop, about 400,000 tons, to supply the animal feed industry.

The GOV sets both farm-gate and consumers price of corn and corn products. This issue has brought a series of problems and distortions in the domestic market. In 2004/05 Venezuela produced 1,600,000 tons of corn. It was a record harvest but, because the high domestic prices expected by producers were not set by the government on time, a big part of these large stocks could not be allocated into the market. Additionally, prices of the precooked corn flour were not reviewed in a timely manner, and the processing industry refused to buy the corn until the final retail product price was revised.

Corn flour is part of a list of products with prices regulated by the GOV and which are considered a basic staple belonging to the basic food basket. Food prices have been controlled since 2003 when the GOV set prices for 107 food products of the basic basket. In addition to price fixing, exchange controls were put in place by the government as an attempt to keep food prices low and to control inflation.

The Government yielded to pressures coming from producer associations to implement mechanisms to improve the purchase of white corn, and once again, the animal feed industry was compelled to absorb the remaining stocks at the same price levels of the food industry.

Due to the current marketing problems, the corn area planted is not expected to increase in 2005/2006 and production is estimated to remain steady at 1,600, 000 tons.

### **Consumption**

White corn is milled to produce the precooked corn flour and it is used mostly for human consumption, while yellow corn is used mostly for animal feed. Total consumption of corn flour has been increasing in response to stagnating real incomes and its cheaper price relative to other food products.

In 2004/2005 total corn consumption was 1,775,000 tons. Feed consumption is estimated to slightly increase about 3 percent in response to the pork's industry recovery, whereas poultry production stays at current levels.

**Trade**

Animal feed consumption in this country used to be based on imported yellow corn. Corn imports traditionally go to the feed sector, which has been severely battered by restrictions on imports, associated with domestic absorption policies and Brazilian poultry imports by CASA in recent years.

Although talks are being held between the government and the feed industry, the process of issuance on import licenses remains controversial and uncertain, tied to local purchases. These restrictions are compounded by recent changes in the Ministries of Food and Agriculture. According to industry sources, imports of corn may be needed for the next months of June, July and August, at the rate of 120,000 tons per month, but no licenses have been granted so far. Post expects 260,000 tons to be imported this year, as it is expected that licenses will not be granted for the full amount requested. So far, these uncertainties have led to the creation of a market for corn inventories among the main processors.

Over the past three years, the Venezuelan animal feed industry has had to resort to several ingenious strategies in order to formulate feeds for the poultry and pork sectors. Substitute products, that do not require import licenses, have reportedly included feed wheat, broken rice, cracked corn, corn gluten feed and meal, human-grade corn and soybean oil, cookie meal and other assorted feed ingredients as industrial by-products such as DDG (distiller dried grains with soluble). These assorted products have been able to replace a large part of what would normally have been corn imports.

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, at this point importers cannot get access to import licenses for either in-quota or the out-of-quota quantities.

**Marketing**

Due to licensing restrictions, users have had to experiment with a variety of feed ingredients with mixed success. In this atmosphere of improvisation, continued trade servicing, technical support, and marketing assistance to a smaller market 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. Area harvested figures for sorghum have been adjusted in this report to reflect newly available acreage and yield information. According to the Venezuelan Producers Association, Fedegro, area harvested for sorghum in 2004/2005 was 180,000 hectares and it is estimated to remain the same in 2005/2006. Total production in 2004/2005 was 370,000 tons and it is not estimated to grow since producers have had a lot of problems this year with the allocation of their crops. Slight recoveries in both area and yield are forecast for 2006/07.

**Consumption**

Grain sorghum is used exclusively for feed. With every sorghum harvest, the traditional conflict between producers and the feed industry begins for allocating the domestic sorghum. The reasons for this dispute are because domestically grown sorghum is inferior to the quality of imported grains and it costs about twice as much.

In Venezuela, about 80 percent of the animal feed goes to poultry, 12 percent to pork, and the rest to bovine. About 30 percent of the sorghum goes to poultry rations, where it is not a preferred ingredient, and a slightly higher concentration is used for swine. While the industry would prefer to use less sorghum, they need to prove the purchase of sorghum in order to obtain licenses for importing other feed ingredients.

Currently, almost 80 percent of the sorghum trades are made through the Venezuelan Agricultural Board of Trade (Bolpriaven), and certification issued by Bolpriaven is now mandatory to demonstrate proof of sorghum purchases. FAS/Caracas contacts have said that the use of Bolpriaven as a certification brings more transparency to the local grain marketing system.

**Trade**

Venezuela has a tariff rate quota for sorghum set at 1,114,290 tons, based on its imports during the 1980's, but has rarely imported any sorghum since 1988.

**Marketing**

Venezuela is not a prime target for US sorghum despite the preferences of the feed producers for the US grains. Domestic production supplies entirely the demand for this grain.

<b>Venezuela Wheat</b>							
	<b>2005</b>	<b>Revised</b>	<b>2006</b>	<b>Estimate</b>	<b>2007</b>	<b>Forecast</b>	<b>UOM</b>
	<b>USDA Official [Old]</b>	<b>Post Estimate [New]</b>	<b>USDA Official [Old]</b>	<b>Post Estimate [New]</b>	<b>USDA Official [Old]</b>	<b>Post Estimate [New]</b>	
Market Year Begin		07/2004		07/2005		07/2006	MM/YYYY
Area Harvested	0	0	0	0	0	0	(1000 HA)
Beginning Stocks	75	85	75	80	0	90	(1000 MT)
Production	0	0	0	0	0	0	(1000 MT)
TOTAL Mkt. Yr. Imports	1504	1385	1600	1410	0	1415	(1000 MT)
Jul-Jun Imports	1504	1385	1600	1400	0	1405	(1000 MT)
Jul-Jun Import U.S.	810	810	0	825	0	825	(1000 MT)
TOTAL SUPPLY	1579	1470	1675	1490	0	1505	(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	1494	1380	1590	1390	0	1405	(1000 MT)
Ending Stocks	75	80	75	90	0	90	(1000 MT)
TOTAL DISTRIBUTION	1579	1470	1675	1490	0	1505	(1000 MT)

<b>Venezuela Rice, Milled</b>							
	<b>2004</b>	<b>Revised</b>	<b>2005</b>	<b>Estimate</b>	<b>2006</b>	<b>Forecast</b>	<b>UOM</b>
	<b>USDA Official [Old]</b>	<b>Post Estimate [New]</b>	<b>USDA Official [Old]</b>	<b>Post Estimate [New]</b>	<b>USDA Official [Old]</b>	<b>Post Estimate [New]</b>	
<b>Market Year Begin</b>		<b>01/2004</b>		<b>01/2005</b>		<b>01/2006</b>	<b>MM/YYYY</b>
Area Harvested	125	125	125	157	0	147	(1000 HA)
Beginning Stocks	104	104	169	102	0	106	(1000 MT)
Milled Production	425	385	425	439	0	391	(1000 MT)
Rough Production	626	567	626	647	0	576	(1000 MT)
MILLING RATE (.9999)	6786	6786	6786	6786	0	6786	(1000 MT)
TOTAL Imports	80	4	40	5	0	60	(1000 MT)
Jan-Dec Imports	40	4	40	5	0	60	(1000 MT)
Jan-Dec Import U.S.	0	4	0	1	0	40	(1000 MT)
TOTAL SUPPLY	609	493	634	546	0	557	(1000 MT)
TOTAL Exports	50	5	20	20	0	20	(1000 MT)
Jan-Dec Exports	20	5	60	20	0	20	(1000 MT)
TOTAL Dom. Consumption	390	386	410	420	0	422	(1000 MT)
Ending Stocks	169	102	204	106	0	115	(1000 MT)
TOTAL DISTRIBUTION	609	493	634	546	0	557	(1000 MT)

<b>Venezuela Corn</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
Area Harvested	400	500	420	500	0	500	(1000 HA)
Beginning Stocks	200	120	156	120	0	120	(1000 MT)
Production	1200	1600	1250	1600	0	1600	(1000 MT)
TOTAL Mkt. Yr. Imports	106	175	300	240	0	300	(1000 MT)
Oct-Sep Imports	106	175	300	250	0	300	(1000 MT)
Oct-Sep Import U.S.	93	173	0	250	0	300	(1000 MT)
TOTAL SUPPLY	1506	1895	1706	1960	0	2020	(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	100	575	300	593	0	650	(1000 MT)
TOTAL Dom. Consumption	1350	1775	1550	1840	0	1900	(1000 MT)
Ending Stocks	156	120	156	120	0	120	(1000 MT)
TOTAL DISTRIBUTION	1506	1895	1706	1960	0	2020	(1000 MT)

<b>Venezuela Sorghum</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
Area Harvested	155	180	160	180	0	185	(1000 HA)
Beginning Stocks	30	27	41	32	0	37	(1000 MT)
Production	340	370	350	370	0	375	(1000 MT)
TOTAL Mkt. Yr. Imports	1	0	0	0	0	0	(1000 MT)
Oct-Sep Imports	1	0	0	0	0	0	(1000 MT)
Oct-Sep Import U.S.	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	371	397	391	402	0	412	(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	345	360	0	375	(1000 MT)
TOTAL Dom. Consumption	330	365	350	365	0	370	(1000 MT)
Ending Stocks	41	32	41	37	0	42	(1000 MT)
TOTAL DISTRIBUTION	371	397	391	402	0	412	(1000 MT)