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## Venezuela

### Grain and Feed

# Abundant Corn Harvest Leads to Trade Restrictions 2001

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#### Report Highlights:

**An abundant white corn harvest has caused Venezuelan farmers to press for an increase in the domestic purchase price of corn. The government has already announced how it wants the industry to assist in the purchase of the crop. In addition, the announcement stated that the issuance of import licenses for yellow corn will be suspended until the domestic production of corn and sorghum is purchased.**

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Includes PSD changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Caracas [VE1], VE

The domestic white corn crop is starting to be harvested and it appears to be larger than anticipated. Current estimates place the crop as high as 1.6 million tons, about 300,000 tons higher than last year but on only a slightly larger area. Farmers state that President Chavez asked them to plant more corn, guaranteeing that it would be purchased. They feel like they have complied with their part of the deal and are now requesting a 21 percent increase in the corn purchase price, from Bs. 145 per kilo to Bs. 175 per kilo, or about \$230 per ton. The inflation rate last year was around 14 percent according to the Central Bank, however food prices in general have gone up 20 percent.

Most of the white corn is used to make pre-cooked corn flour, a basic part of the Venezuelan diet. The pre-cooked flour industry has been asked to acquire the corn surplus with the promise that the government would later buy the resulting flour for its Strategic Food Program, PROAL, as it did last year. The product would be distributed among the lower income population.

The government has also asked the feed industry to purchase white corn for use in animal feed to help take some of the surplus off the market. To date, the food industry has received 767,000 tons of white corn, but that leaves over 800,000 tons without a buyer. Farmers protested at the Ministry of Production and Commerce this week, and the Ministry has been meeting with all parts of the industry to try and reach an agreement.

In addition, the government decided to restrict imports and on September 18 announced that "The issuance of import licenses for yellow corn will be suspended until the domestic production of corn and sorghum is purchased, as agreed with the feed producers in June 2001." This statement was printed as an official announcement on the commercialization of grains in the major newspapers. So far this policy change has not been published in the Gaceta Oficial, as required by Venezuelan law, but it appears to be the current government position. However, the national feed industry (AFACA - Asociacion de Fabricantes de Alimentos Concentrados para Animales) has publicly denied, also in the newspapers, that they had any agreement on corn acquisition with the government.

It appears that, the Minister of Production and Commerce has brokered an agreement with the pre-cooked corn flour industry, the feed industry and the Strategic Food Program, PROAL, to absorb the total surplus harvest. However, the local feed industry is still trying to negotiate a lower price for corn purchased for feed. There has been no announcement on how long the ban on imports will remain in effect.