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Venezuela

Coffee

Annual

2005

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Report Highlights:
Venezuelan coffee production for the last three years has been falling. A combination of bad economic conditions, poor market prospects and bad weather led to a drop in production in 2003/04. Exports for 2003/04 only accounted for 150,000 bags. For 2004/05 production is expected to decline to 820,000 bags and no official exports of green coffee have been yet registered. Exports for 2005/06 are forecasted to 120,000 bags depending on the implementation of the Government Coffee Plan to boost production and the lifting of the restrictions to export coffee.

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

Production

Venezuela produces coffee of very high quality, almost entirely of Arabica variety. From colonial days until the discovery of the first oil well more than a century ago, Venezuela's main source of income came mostly from coffee and cocoa. Currently, only about 200,000 hectares are under cultivation, which barely covers the huge domestic demand.

As the coffee plantations are distributed throughout different altitudes, coffee can be harvested ten months of the year. In the low zones (600 to 800 m.) the harvest starts in September and ends in November. In the medium level zone (900 to 1,200 m.) the harvest starts in November and lasts until the end of January. Eighty percent of the coffee plantations are in the medium zone; therefore by the month of February about 80 percent of the domestic crop has been harvested. The harvest in the high zones (up to 1,800 m) starts in March and concludes in June. The work in the coffee fields is basically artisan as holdings are small with day laborers hired for harvest.

Venezuelan coffee production has been falling, as there have been no market incentives, including prices, to keep growers on the land. A combination of bad economic conditions and poor market prospects led to a drop in production of the 2003/04 harvest. For 2004/05 production is expected to decline to 820,000 bags due to bad weather conditions. Torrential rains last February caused severe damage in some plantations in the state of Mérida and also affected the transportation logistics for this crop. The floods also disrupted harvesting operations in the neighbor state of Táchira.

Production is forecast to show a slight increase to 825,000 bags in 2005/06 assuming that prices to producers remain at acceptable levels and that a Government plan to boost coffee production as a part of its "endogenous" growth program starts this year (See VE4008 for more details).

Consumption

Per capita coffee consumption is estimated at 1.8 kilograms/year. Coffee consumption in 2003/04 was 700,000 bags and is expected to show a slight increase over the next two years. This increase could be linked to a better access of the low-income people to the food basket products, including coffee, due to the operation of MERCAL, a government company created for the commercialization and marketing of food products at lower prices.

Prices

Coffee and many other basic products have been placed on a price control list since January 2003. Those prices controls immediately forced down the price of domestic coffee, and it has only recently regained its January 2003 level.

Retail coffee prices were reviewed and increased in November 2004 since the shift in the relative exchange rates between Venezuela and Colombia led to a reversal in the traditional flow of coffee between the two countries, with more coffee leaving Venezuela either through official export channels, or unofficially by land to Colombia. The price increase improved the situation for Venezuelan growers and roasters, but many in the sector believe it was not enough to prevent future coffee shortages. A further price increase is under discussion.

While there has been a cap on the retail price of coffee, bean prices have gone through the roof. The coffee sector has been in a crisis for the last two years due to a price battle between the producers and the roasters. The roasting industry, which included 34 coffee processing plants in Venezuela a decade ago has dwindled to seven after the crisis due to

high raw material costs. The high raw material costs gave rise to smuggling of raw materials and led to supply shortages that continued despite later coffee price hikes that lifted the quintal to Bs. 222,000 and managed to keep the remaining processors from going under.

Price disparity has caused some friction in the industry, since only a few large companies have been able to pay the higher prices and acquire coffee supplies. During the 2004/05 harvest, the farm gate price of green coffee reached Bs. 350,000/ quintal, when the official market price for green coffee was between Bs. 162,000 and Bs. 222,000/ quintal.

CONSUMER PRICES/ Ground & Roasted Coffee In Bolivar Terms			
Date	Exchange Rate	Price	
		Bolivars/ Kg	Dollars/ Kg
Dec-02	**1700**	3,865.40	2.28
Jan-03	**1800**	3,916.84	2.16
Feb-03	**1600**	3,904.08	2.44
Mar-03	**1600**	3,192.36	2
Apr-03	**1600**	3,064.32	1.92
May-03	**1600**	3,015.60	1.88
Jun-03	**1600**	2,972.96	1.84
Jul-03	**1600**	2,963.28	1.84
Aug-03	**1600**	2,989.16	1.88
Sep-03	**1600**	2,954.32	1.84
Oct-03	**1600**	2,896.96	1.8
Nov-03	**1600**	2,881.56	1.8
Dec-03	**1600**	2,889.36	1.8
Jan-04	**1600**	2,987.16	1.88
Feb-04	**1920**	3,668.84	1.92
Mar-04	**1920**	3,865.68	2.01
Apr-04	**1920**	4,112.00	2.14
May-04	**1920**	4,099.64	2.13
Jun-04	**1920**	4,512.64	2.35
Jul-04	**1920**	4,950.48	2.57
Aug-04	**1920**	5,153.96	2.68
Sep-04	**1920**	5,258.75	2.73
Oct-04	**1920**	5,618.32	2.92
Nov-04	**1920**	6,066.68	3.15
Dec-04	**1920**	6,755.72	3.51
Jan-05	**1920**	7,008.80	3.65
Feb-05	**1920**	7,097.76	3.69
Mar-05	**2150**	7,252.60	3.37

Source: INE & BCV

Trade

Venezuela's coffee is mainly produced for the domestic market. Exports for 2003/2004 only accounted for 150,000 bags. Since some small local roasters were claiming scarcity, they raised the Venezuelan Government's concerns about domestic availability and coffee exports were banned in February 2004.

For the period 2004/05 no official exports of green coffee have been registered to date, and unofficial exports to Colombia are forecasted to slow down due to high domestic coffee prices. Exports for 2005/06 are forecasted to 120,000 bags depending on the implementation of the Government Coffee Plan and the lifting of the restrictions to export coffee.

Depending on its quality, Venezuelan coffee is classified on a scale ranging from "well-washed type A, B and C" to "natural good and natural regular."

Venezuela Coffee, Green							
	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 Planted	310	310	310	300	0	300	(1000 HA)
Area Harvested	210	210	220	200	0	200	(1000 HA)
Bearing Trees	580	580	580	560	0	560	(MILLION TREES)
Non-Bearing Trees	25	25	25	30	0	30	(MILLION TREES)
TOTAL Tree Population	605	605	605	590	0	590	(MILLION TREES)
Beginning Stocks	528	528	375	475	0	553	(1000 60 KG BAGS)
Arabica Production	825	825	840	820	0	825	(1000 60 KG BAGS)
Robusta Production	0	0	0	0	0	0	(1000 60 KG BAGS)
Other Production	0	0	0	0	0	0	(1000 60 KG BAGS)
TOTAL Production	825	825	840	820	0	825	(1000 60 KG BAGS)
Bean Imports	5	5	10	0	0	10	(1000 60 KG BAGS)
Roast & Ground Imports	2	2	3	3	0	3	(1000 60 KG BAGS)
Soluble Imports	0	0	0	0	0	0	(1000 60 KG BAGS)
TOTAL Imports	7	7	13	3	0	13	(1000 60 KG BAGS)
TOTAL SUPPLY	1360	1360	1228	1298	0	1391	(1000 60 KG BAGS)
Bean Exports	300	150	250	0	0	120	(1000 60 KG BAGS)
Roast & Ground Exports	35	35	35	35	0	35	(1000 60 KG BAGS)
Soluble Exports	0	0	0	0	0	0	(1000 60 KG BAGS)
TOTAL Exports	335	185	285	35	0	155	(1000 60 KG BAGS)
Rst,Ground Dom. Consum	640	690	650	700	0	710	(1000 60 KG BAGS)
Soluble Dom. Consum.	10	10	10	10	0	10	(1000 60 KG BAGS)
TOTAL Dom. Consumption	650	700	660	710	0	720	(1000 60 KG BAGS)
Ending Stocks	375	475	283	553	0	516	(1000 60 KG BAGS)
TOTAL DISTRIBUTION	1360	1360	1228	1298	0	1391	(1000 60 KG BAGS)