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Report Highlights:

During market year 2020/21, a decrease in production is forecast across most commodities in Venezuela. Farmers are dealing with acute shortages of agricultural inputs such as seeds, fuel and fertilizers. Traditional grain and feed crop acreage is being replaced by pulses, tubers, and other staples. The ineffective economic policies of the Maduro government have led it to cede control of imports to the private sector. Nonetheless, the private sector also faces constraints because of limited access to capital and credit. With dwindling production and limited imports, FAS Caracas forecasts declining grain and feed availability to further squeeze the diet of Venezuelan consumers.

Executive Summary:
Current Venezuelan agricultural production and trade must be viewed through the lens of the country's broader economic and political situation. The economic deterioration Venezuela is currently facing is driving changes in agricultural production, adjustments to consumption patterns, and unprecedented demographic shifts. At the same time, the geopolitical environment is creating a situation where new trading partners are replacing traditional suppliers.

The Venezuelan state has long depended on oil revenues to sustain government spending. As U.S. sanctions limited potential buyers for Venezuelan oil, the Maduro government was forced to sell oil at an increasing discount, further eroding revenue. The more recent oil price war between Saudi Arabia and Russia has greatly exacerbated the situation and pushed Venezuelan crude to untenably low prices. The Maduro government now finds itself unable to import fuel, purchase basic commodities, or maintain long-standing social programs at existing levels.

Venezuelan farmers are no stranger to shortages. In recent years, shortages of certified seeds and fertilizer have been common. But in 2020, contacts report that fuel and input shortages are unmanageable. Producers are decreasing planted area across many traditional row crops because there is no fuel to run tractors. In making planting decisions, some farmers are selecting more productive acres for cultivation, which could increase yields per hectare if the gains are not offset by shortages of seed and fertilizer. Farmers are choosing to plant higher-value crops when able; for example, white corn for human consumption is now favored over yellow corn for feed. Additionally, many are planting staple pulses and tubers on unused acreage previously dedicated to grains.

Venezuelan consumption patterns are continuing to change. People are eating noticeably fewer corn and wheat products. Consumption of animal proteins has also dropped markedly, from an average of 5.93 kilograms (13 lbs.) per month from 1999-2014 to 0.795 kilograms (1.75 lbs.) per month in 2019. This consumption change illustrates the stark decreases in grain consumption for animal feed producers. The Venezuelan population is declining as limited access to food drives many Venezuelans to migrate to neighboring countries (see Figure 1).

Amid this crisis, trading patterns are evolving. Venezuelans walk across the border to shop for cheaper rice in neighboring Colombia. Russia, Turkey, and China have all emerged as important suppliers of commodities and processed food products to Venezuela. Mexican firms are trading corn for crude oil in a swap that avoids U.S. sanctions, while clearly impacting traditional corn exporters like Brazil, Argentina, and the United States.

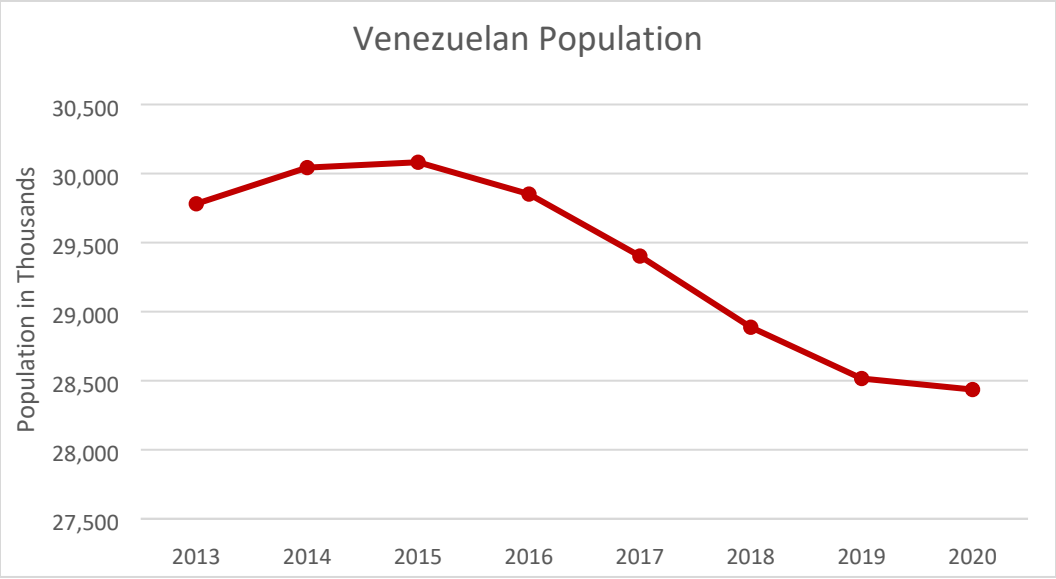
Unless the Venezuelan government undertakes massive economic and political reforms, production and consumption of traditional grain and feed crops will drop again in MY 2020/21. Some of the decrease may be offset by increased imports, depending on private sector's continued ability to import and the Maduro government's fiscal constraints.

Commodity: Wheat
Production:
Venezuela is almost entirely dependent on imported wheat for domestic consumption. There may be a few thousand hectares of experimental wheat grown in the country. The Venezuelan Millers Association indicates that the domestic wheat supply has a very marginal impact on the market. Furthermore, the dearth of agricultural inputs in the current year will further challenge any domestic production. Without broad political and economic reform to allow for import of inputs, production in the forecast year will be near zero.

Consumption:
In MY 2020/21, FAS Caracas expects continued declines in wheat consumption, reaching only 775,000 metric tons. The decrease is explained by a shrinking population, deteriorating government revenues, and continued high inflation. Post is also decreasing consumption estimates for MY 2019/20 to reflect low import levels and tight supplies in the current year. Consumption in MY 2019/20 is expected to only reach 780,000 metric tons.

With the global economic downturn associated with the novel corona virus and the ongoing oil price wars, government revenue for public sector purchases will be limited in the coming year. Additionally, total consumption will drop as refugees continue to flee the country. UN estimates put the 2020 Venezuelan population at 28.4 million, the lowest level in a decade (Figure 1). Some of the decreases in Venezuelan consumption will likely reappear as increased consumption in neighboring Colombia, Peru, and Ecuador.

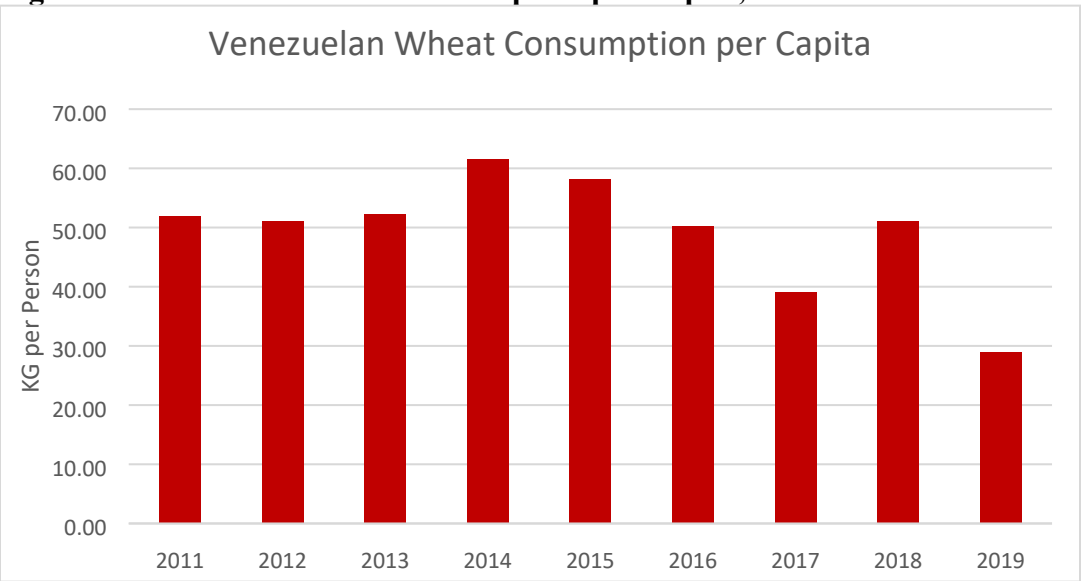
Figure 1: Venezuelan Population Estimates, 2013-2020



Source: UN World Population Prospects 2019

Since Venezuelan per capita consumption of wheat peaked in 2014, it has been on a steadily decline. In 2014, post estimates that Venezuelans consumed 61.6 kilograms of wheat per year. Per capita consumption currently stands at 28.9 kilograms per year, as high inflation eroded purchasing power and dwindling government revenues limited public-sector imports.

Figure 2: Venezuelan Wheat Consumption per Capita, 2011-2019



Source: FAS analysis, USDA and UN World Population Prospects 2019

Trade:

Post estimates that Venezuela will import 775,000 metric tons of wheat in MY 2020/21. This is a decrease of 225,000 metric tons, or 22.5 percent, from USDA's official estimate of one million metric tons in MY 2019/20. The forecast estimates reflect limited public sector imports due to fiscal constraints associated with low oil revenues. Private sector imports from traditional Western Hemisphere sources are expected to continue, though at a moderate rate.

Post is also decreasing MY 2019/20 wheat imports 22 percent to 780,000 metric tons. The decrease is based on slower than expected shipments in the current year. As of mid-March, reports indicate that Venezuela had only imported around 445,000 MT, about 52,000 MT per month throughout MY 2019/20. This monthly rate of import is only marginally below the 56,000 metric tons per month imported during the first half of CY 2019. The slow arrivals correspond with longer offshore waits before discharge, which are generally associated with delays in payment.

In September 2019, Russia signed an agreement with the Maduro administration to supply 600,000 metric tons of wheat to the Venezuela over the next year. The media reported that this agreement was an increase over the 254,000 tons supplied in 2018. As of March 2020, only 99,000 tons of Russian wheat had arrived at port in Venezuela since the agreement was signed. Contacts indicate that private millers have rejected the opportunity to purchase Russian wheat from the Maduro government due to concerns with quality.

Policy:

In 2019 the Maduro government opened imports to the private sector, thereby relieving financial pressure on government purchases. The Maduro government continues to import, but private companies are now controlling the bulk of shipments. In the first half of CY 2019, the Maduro government imported 306,000 MT of wheat, accounting for around 90.5 percent of total imports. During the second half of CY 2019, government purchases were down to 113,000 MT, or 35.7 percent of total shipments. Private sector imports were primarily from the United States, Canada, and Mexico. This policy shift

represents an opportunity for US wheat exporters to work directly with private sector Venezuelan millers.

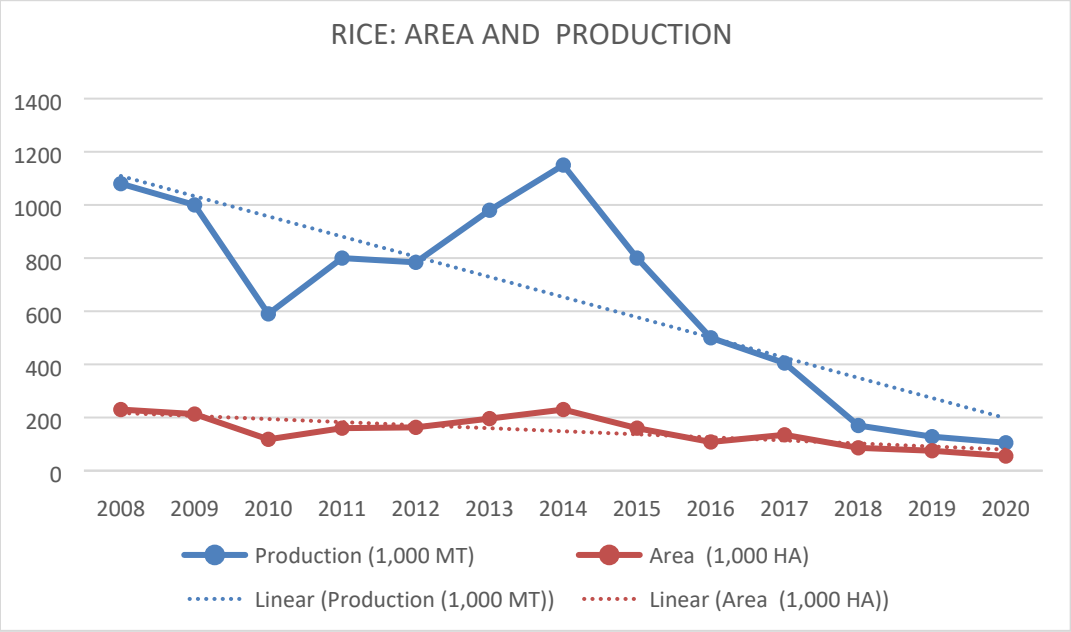
Wheat: Production Supply and Demand Estimates

Wheat	2018/2019		2019/2020		2020/2021	
Market Begin Year	Jul 2018		Jul 2019		Jul 2020	
Venezuela	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	0	0	0	0	0	0
Beginning Stocks	138	138	130	130	0	60
Production	0	0	0	0	0	0
MY Imports	817	817	1000	780	0	775
TY Imports	817	817	1000	780	0	775
TY Imp. from U.S.	250	250	0	0	0	0
Total Supply	955	955	1130	910	0	835
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Feed and Residual	0	0	0	0	0	0
FSI Consumption	825	825	1000	850	0	780
Total Consumption	825	825	1000	850	0	780
Ending Stocks	130	130	130	60	0	55
Total Distribution	955	955	1130	910	0	835
Yield	0	0	0	0	0	0
(1000 HA) ,(1000 MT) ,(MT/HA)						

Commodity: Rice
Production:
Post forecasts harvested rice area in MY 2020/21 to drop to 55,000 hectares on resource limitations. With the decreased area, FAS Caracas estimates that production will reach only 105 MT, down 18 percent from USDA's official MY 2019/20 estimate. A severe lack of fuel, seeds, fertilizers, and access to credit is limiting the amount of land that farmers can put into rice cultivation. Marginal lands are being excluded from grain production, some of which will be moved to low-cost staples such as tubers and legumes. Low oil prices and resource strain from the ongoing COVID-19 outbreak are expected to exacerbate the drops in production in the forecast year.

Post is revising downward USDA's official MY 2019/20 estimate ten percent to 115 metric tons on decreased area. Post estimates that area harvested reached only 60,000 hectares. In the current year, production outcomes are mixed. The blight that negatively impacted crops in previous years is under control due to improved climactic conditions. However, in both growing cycles, producers complained of a lack of pesticides, herbicides, and fungicides. During the winter cycle, contacts noted fertilizer inputs were scarce, specifically NPK, Urea and KCl, further limiting production gains.

Figure 3: Venezuelan Rice Area and Production, 2008-2020



Source: FAS Research

Consumption
In MY 2020/21, post forecasts that consumption will drop 10,000 metric tons to 590,000 tons. The marginal drops reflect continued emigration and low per capita consumption. NGOs operating in Venezuela estimate per capita rice consumption between 20 and 23 kilograms per person per year, in line with post's forecast. As Venezuelans continue to move to Colombia and other countries in the region, decreasing Venezuela's total consumption, post expects to see increases in receiving countries' consumption levels.

In MY 2019/20, post estimates that consumption will reach 600,000 metric tons, in line with USDA's official estimates of 598,000 tons.

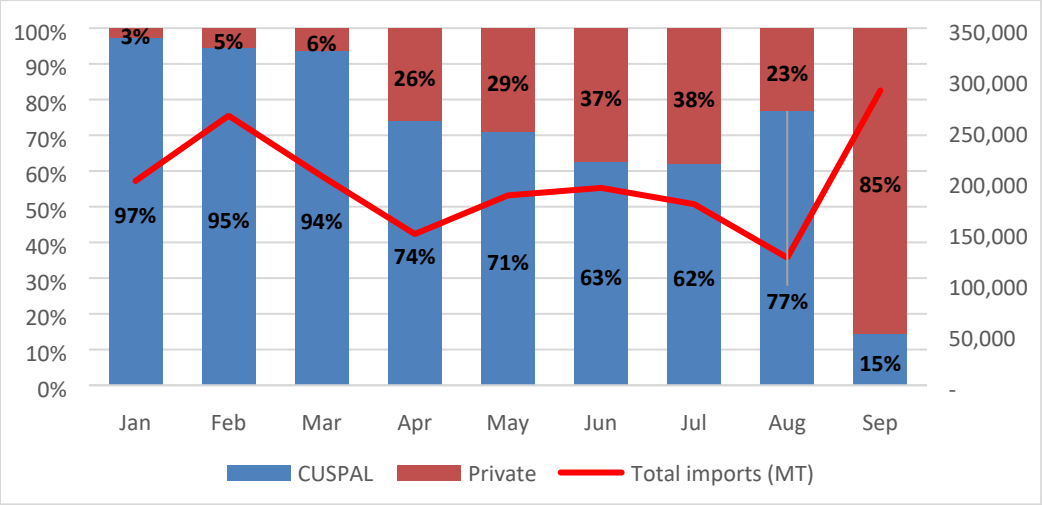
Trade:
In MY 2020/21, post forecasts Venezuela import 450,000 metric tons of rice, 30,000 metric tons below USDA's official estimate in MY 2019/20. The opening of imports to the private sector discussed above has allowed rice imports to remain mostly stable. There is some cross-border trade with Colombia, which is mostly unreported and may account for as much as 50,000 MT of rice imports. Post estimates that MY 2019/20 rice imports will reach 460,000 metric tons based on actual port arrivals to date and additional volumes arriving by land from Colombia.

Brazil dominated rough rice shipments to Venezuela due to price; however, levels have decreased since 2018. As public sector imports have fallen with Venezuelan government revenues, so have purchases from private exporters in Brazil. Increasing private sector shipments from Uruguay and the United States are replacing those volumes.

A new development in the Venezuelan rice trade is bagged rice arriving from Suriname and Guyana. Contacts reported shipments in February 2020 arriving by land, imported by the Maduro government. These bags of rice have appeared as subsidized food in the government-run CLAP food assistance program. Similarly, recent CLAP boxes also contained bagged rice from Brazil and Uruguay. Rice producer contacts assert that imported white rice is negatively affecting domestic production.

Policy:
The same opening to private importers discussed surrounding wheat also applies to rice. Figure 4 shows how private sector imports have replaced direct government purchases in 2019. This trend is expected to continue.

Figure 4: 2019 Venezuelan Imports, Private vs. Public Sector



Prices:
The price paid to producers for the winter harvest was US 20 cents per kilogram. During the summer cycle the price reached US 30 cents per kilogram. Winter prices were lower than the production costs

and payments to the producers were delayed as long as 60 days. Delays in payment are not unusual, though they normally do not extend more than 30 days. Farmer organizations blame the low prices on growing imports of white rice.

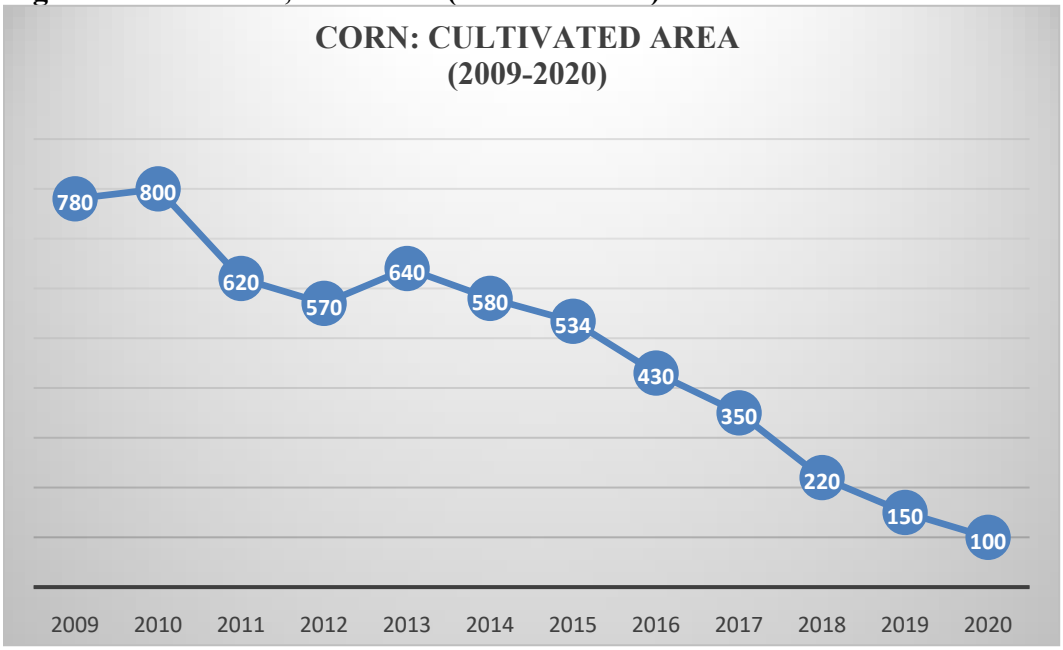
Rice: Production Supply and Demand Estimates

Rice, Milled	2018/2019		2019/2020		2020/2021	
Market Begin Year	Apr 2018		Apr 2019		Apr 2020	
Venezuela	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	86	86	75	60	0	55
Beginning Stocks	57	57	62	62	0	37
Milled Production	170	170	128	115	0	105
Rough Production	251	251	189	169	0	155
Milling Rate (.9999)	6786	6786	6786	6786	0	6786
MY Imports	515	515	480	460	0	450
TY Imports	515	515	450	460	0	450
TY Imp. from U.S.	38	0	0	0	0	0
Total Supply	742	742	670	637	0	592
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Consumption and Residual	680	680	598	600	0	590
Ending Stocks	62	62	72	37	0	2
Total Distribution	742	742	670	637	0	592
Yield (Rough)	2.9186	2.9186	2.52	2.8167	0	2.8182
(1000 HA) ,(1000 MT) ,(MT/HA)						

Commodity: Corn
Production:
Post forecasts further decreases in Venezuelan corn production in MY 2020/21. Area planted is expected to fall an additional 33 percent to 100,000 hectares, while yields drop modestly. With decreasing area, post estimates that total production will fall to 280 metric tons, 44 percent below USDA's MY 2019/20 estimates. Like other field crops, the massive drop in production is explained by fuel and fertilizer shortages, as well as a dearth of quality seeds. Industry contacts report that farmers are moving from producing yellow corn for animal feed to white corn for human consumption. White corn tends to command a higher price.

Post is also decreasing MY 2019/20 production 10 percent to 450,000 metric tons on fuel shortages expected to negatively impact harvest. That is only slightly below USDA's official estimate of 500,000 MT, but 36 percent below the previous year.

Figure 5: Corn Area, 2009-2020 (Thousand HA)

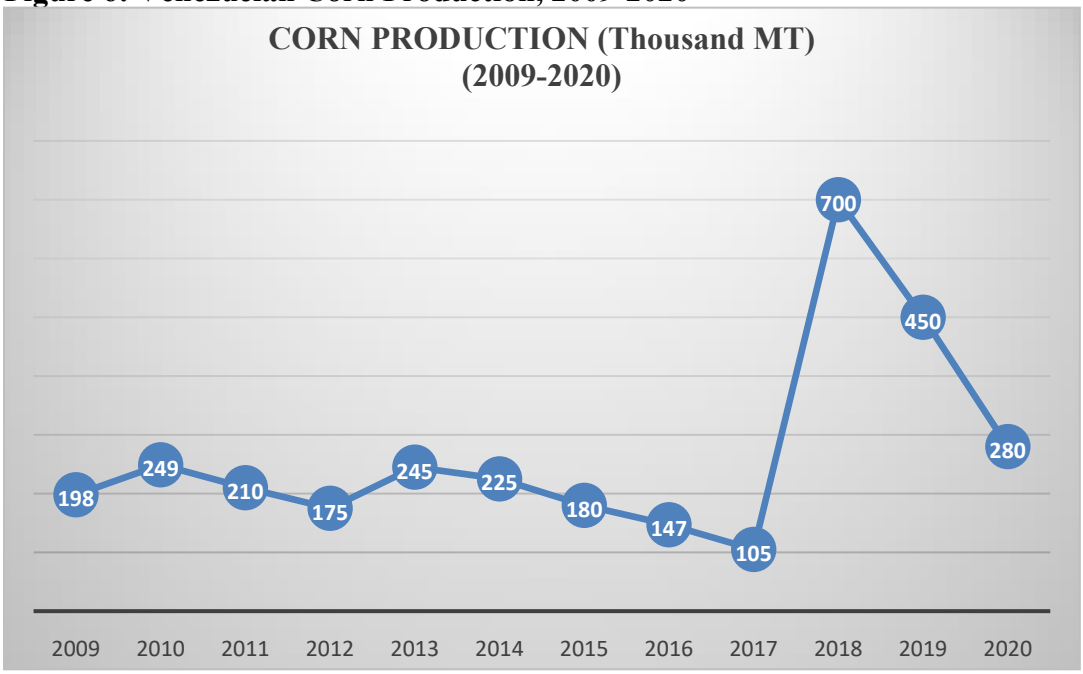


Source: Fedeagro

Corn production has a higher dependence on mechanization and tends to require more inputs than other crops. In MY 2019/2020, the available agricultural inputs for corn production were mostly distributed to allies of the Maduro administration, limiting overall production. Farmers do not have access credit to purchase inputs, leaving those unaffiliated with the regime in a difficult position.

Despite this difficult situation, stocks remain high. Contacts assert that corn inventories are made up of domestic production that could not be sold. Industrial corn consumers favor purchasing low-cost imported product, leaving domestic corn in storage. Producers argue that imports are leaving them paying production costs, only to have unsold product after harvest. This trend is especially notable with white corn imports from Mexico.

Figure 6: Venezuelan Corn Production, 2009-2020



Source: Fedeagro

In 2019, white corn for human consumption brought a higher price than yellow corn for animal feed. As a result, farmers preferred to sow white corn, pushing the production distribution to 70 percent white corn and 30 percent yellow corn. This is different from the last eight years, when yellow corn made up 70 percent of Venezuelan production. As with other grains, farmers who chose not to plant corn are dedicating unused land to subsistence crops such as beans, vegetables, or livestock.

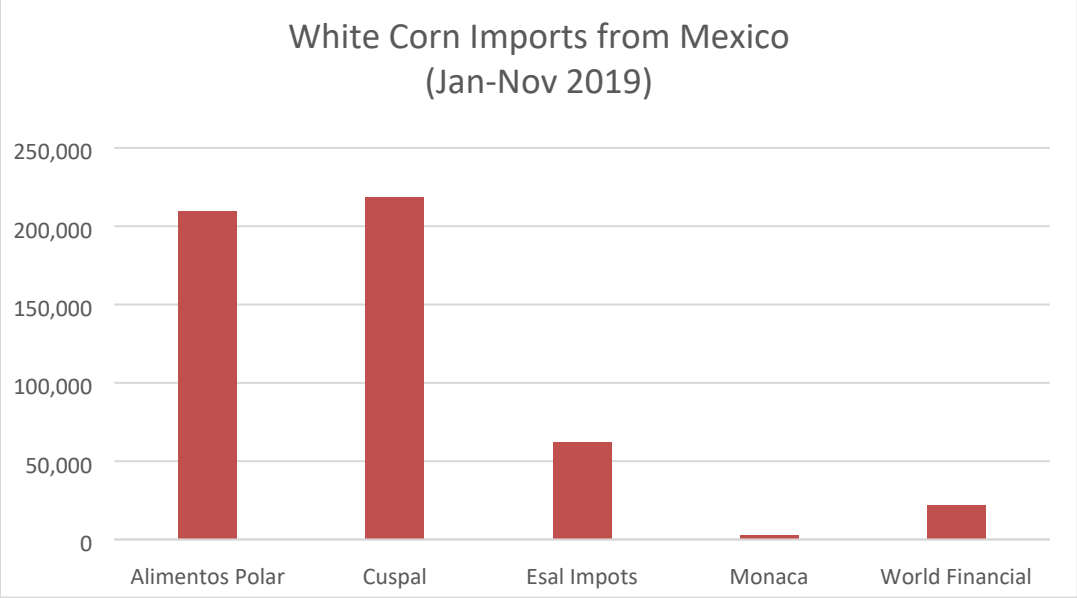
Consumption:
Forecasts for MY 2020/21 illustrate drops in consumption consistent with decreases in production. Post forecasts total consumption in MY 2020/21 to reach 800,000 metric tons, 300,000 metric tons below USDA's MY 2019/20 estimate. Post estimates that consumption in MY 2019/20 will only reach 950,000 metric tons, 150,000 tons below official estimates. The current year downward revisions are necessary as imports have not made up for anticipated production drops.

The ratio of feed to food is expected to remain mostly unchanged in the forecast year, with corn for human consumption demanding around 60 percent of total corn. Imported yellow corn is primarily destined to support poultry and swine production. Animal production spiked in late 2019, as the Maduro administration increased imports of feed corn before the holidays. Industry contacts suggest that the additional imports were politically motivated and not indicative of actual market conditions. These contacts assert that the poultry and pork sectors will continue to suffer from a lack of feed, and continually adjust operations and production capacity to accommodate reduced volumes of corn imports and shrinking feed inventories.

Notably, forecast consumption levels are critically low. With FSI consumption reaching only 500,000 metric tons in MY 2020/21, Venezuelan daily caloric intake will reach a new low. At the forecast level, the average Venezuelan will have only 350 grams of corn flour per week if all FSI consumption is used as food. That is equivalent to around one arepa (corn cake) per day, or around 180 calories.

Trade:
FAS Caracas forecasts that total corn imports in MY 2020/2021 will fall to 440,000 metric tons. Private importers are currently limited by access to hard currency and cash flow, as many are unable to access credit for imports. The decrease assumes that the Maduro government will continue to allow the private sector to control imports. An increase in food-for-oil deals or similar future government arrangements could drive up imports. Almost all yellow corn is imported from the United States and white corn from Mexico. Post is decreasing MY 2019/20 imports 50,000 on actual shipments to date.

Figure: 7: Venezuelan White Corn Imports



Policy:
The Maduro regime requires that industries give part of their production to the government for use in the subsidized food program. Contacts at a large corn flour producer reported that during the first two months of 2019, one of every four kilograms of flour was sent to the public network. In the months that followed, the regime cut that in half, requiring only 0.5 kilograms for every four produced.

Production Supply and Demand Estimates

Corn	2018/2019		2019/2020		2020/2021	
Market Begin Year	Oct 2018		Oct 2019		Oct 2020	
Venezuela	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	220	220	200	150	0	100
Beginning Stocks	96	96	50	50	0	101
Production	700	700	500	450	0	280
MY Imports	704	704	600	550	0	440
TY Imports	704	704	600	550	0	440
TY Imp. from U.S.	95	0	0	0	0	0
Total Supply	1500	1500	1150	1050	0	821
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Feed and Residual	600	600	400	349	0	300
FSI Consumption	850	850	700	600	0	500
Total Consumption	1450	1450	1100	949	0	800
Ending Stocks	50	50	50	101	0	21
Total Distribution	1500	1500	1150	1050	0	821
Yield	3.1818	3.1818	2.5	3	0	2.8
(1000 HA) ,(1000 MT) ,(MT/HA)						

Commodity: Sorghum

Production:

In MY 2020/21, post forecasts sorghum production to fall to 15,000 metric tons, as farmers manage fuel shortages. Industry contacts indicate that sorghum production in MY 2019/20 has also dropped precipitously due to a lack of fuel and other inputs. Post estimates MY 2019/20 production will reach only 25,000 metric tons. Fuel shortages forced farmers to choose between planting sorghum and other crops that could potentially be used for human consumption. Post is decreasing area harvested in both MY 2019/20 and MY 2020/21 with the associated drops in production.

Sorghum was traditionally an important crop for dry areas in the eastern and southern regions of Venezuela, specifically in the States of Guárico and Cojedes. Sorghum has two different growing cycles during the marketing year. The principle sorghum planting season when weather conditions are most apt begins in October/November with the harvest occurring from January to March. The second cycle planting begins in June/July with the harvest beginning in September and ending in October.

Consumption:

In MY 2020/21, sorghum consumption is forecast down to 15,000 metric tons on low production and tight supplies. Sorghum was used for poultry and swine feed production in Venezuela. As these industries have declined so has the market for sorghum, mostly replaced with imported yellow corn in recent years. Remaining Venezuelan sorghum production is expected to be used as forage for cattle. Post is bringing MY 2019/20 consumption down to 25,000 metric tons, on low production.

Trade:

Venezuela does not import or export sorghum. Historically, Venezuela imported sorghum seed for planting from the United States and Guatemala. Following the nationalization of *Agroisleña*, a large Venezuelan agribusiness firm, imports fell to zero. The Venezuelan government has opposed sorghum seed imports as a means to protect domestic seed production. Reportedly, farmers have recently tried sorghum seeds from Mexico and Argentina, but with limited success due to the climatic differences.

Sorghum: Production Supply and Demand Estimates

Sorghum	2018/2019		2019/2020		2020/2021	
Market Begin Year	Oct 2018		Oct 2019		Oct 2020	
Venezuela	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	25	25	30	25	0	15
Beginning Stocks	0	0	0	0	0	0
Production	35	35	30	25	0	15
MY Imports	0	0	0	0	0	0
TY Imports	0	0	0	0	0	0
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	35	35	30	25	0	15
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Feed and Residual	35	35	30	25	0	15
FSI Consumption	0	0	0	0	0	0
Total Consumption	35	35	30	25	0	15
Ending Stocks	0	0	0	0	0	0
Total Distribution	35	35	30	25	0	15
Yield	1.4	1.4	1	1	0	1
(1000 HA) ,(1000 MT) ,(MT/HA)						

Attachments:

No Attachments