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Annual

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Report Highlights:

Cattle inventories in Venezuela are projected to be steady in 2002 due to tight domestic credits and to dry weather conditions. Despite the worsening economic situation of the country, beef consumption is expected to remain steady at 357 MT in 2002. Export opportunities do exist for U.S. animal genetics, breeding animals and for U.S. meat in certain niche markets.

Includes PSD changes: Yes

Includes Trade Matrix: Yes

Annual Report

Caracas [VE1], VE

Table of Contents

PRODUCTION Page 5 of 10

Production Policy Page 5 of 10

CONSUMPTION Page 7 of 10

TRADE Page 8 of 10

POLICY Page 9 of 10

MARKETING Page 10 of 10

Executive Summary

Cattle inventories are projected to be steady in 2002 due to tight domestic credit and to dry weather conditions. The Venezuelan national herd has been between 13.1 and 13.4 million head over the last three years. Investments to expand cattle numbers have been hampered by restrictive interest rates on loans and reduced producer profits. Most of the domestically produced beef continues to be from grass-fed cattle.

Total bovine slaughter in Venezuela during 2000 was 1.65 million head. Slaughter for 2001 is estimated to increase to 1.71 million head as a result of untimely rains and the financial needs of producers. Cattle producers in Venezuela also tend to time the slaughter and wait until the prices are more favorable.

Overall animal protein intake in Venezuela has dropped in the last decade due to declining disposable income and inflation. Total domestic beef consumption is projected to remain steady at 357 TMT in 2002.

Post has noticed that local restaurants and hotel chains appear to be a niche where U.S. meat is finding a market, as well as the growing fast food industry that, even with the recession, imports a considerable amount of industrial grade beef.

PSD Table						
Country	Venezuela					
Commodity	Animal Numbers, Cattle				(1000 HEAD)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Total Cattle Beg. Stks	13100	13100	13400	13400	13575	13500
Dairy Cows Beg. Stocks	1060	1060	1050	1050	0	1050
Beef Cows Beg. Stocks	3730	3730	3750	3725	0	3725
Production (Calf Crop)	2335	2335	2340	2150	0	2150
Intra EC Imports	0	0	0	0	0	0
Other Imports	25	25	30	50	0	25
TOTAL Imports	25	25	30	50	0	25
TOTAL SUPPLY	15460	15460	15770	15600		15675
Intra EC Exports	0	0	0	0	0	0
Other Exports	40	40	50	20	0	30
TOTAL Exports	40	40	50	20	0	30
Cow Slaughter	680	680	680	600	0	600
Calf Slaughter	0	0	0	0	0	0
Other Slaughter	970	970	1100	1110	0	1100
Total Slaughter	1650	1650	1780	1710	0	1700
Loss	370	370	365	370	0	385
Ending Inventories	13400	13400	13575	13500	0	13560
TOTAL DISTRIBUTION	15460	15460	15770	15600	0	15675
Calendar Yr. Imp. from U.S.	40	4	50	3	0	4
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

PSD Table						
Country	Venezuela					
Commodity	Meat, Beef and Veal				(1000 MT CWE)(1000 HEAD)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Slaughter (Reference)	1650	1650	1780	1710	0	1700
Beginning Stocks	8	8	8	8	9	9
Production	350	350	355	355	0	357
Intra EC Imports	0	0	0	0	0	0
Other Imports	8	8	10	10	0	8
TOTAL Imports	8	8	10	10	0	8
TOTAL SUPPLY	366	366	373	373	9	374
Intra EC Exports	0	0	0	0	0	0
Other Exports	6	6	7	7	0	7
TOTAL Exports	6	6	7	7	0	7
Human Dom. Consumption	350	350	355	355	0	355
Other Use, Losses	2	2	2	2	0	2
TOTAL Dom. Consumption	352	352	357	357	0	357
Ending Stocks	8	8	9	9	0	10
TOTAL DISTRIBUTION	366	366	373	373	0	374
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

PRODUCTION

In analyzing the Venezuelan livestock sector, it is important to keep in mind the absence of official data. The figures presented in the PS&D tables should not be viewed as precise figures, but rather as indicators of probable trends.

The Venezuelan national herd at the beginning of the year 2001 is now estimated at 13.4 million heads. Around 85 percent of the national herd is dual purpose cattle and the remaining 15 percent is specialized cattle for dairy or beef production. Ninety percent of the cattle are grass fed. When pasture conditions are favorable, cattle production is one of the most efficient agricultural businesses in Venezuela.

The changes occurred in the economic structure of Venezuela have brought modifications in the location of the cattle industry, mainly in what is referred to as the traditional fattening zones. The total cattle stocks are distributed in 110,000 cattle ranches. Approximately 57 percent of the domestic cattle herd is concentrated in four states: Zulia (22 percent), Apure (15 percent), Guárico (11 percent) and Barinas (8.6 percent). Zulia and Apure states are the areas more dedicated to the rearing, and Guárico is more dedicated to raising and fattening.

In examining the different cattle producing areas, 41 percent of the Venezuelan domestic herd is located in the west side of the country and produces 87 percent of the milk and 50 percent of the meat. This situation is tied to the fact that the west side has 61 percent of the cultivated grass. The west side is also the area with most of the unofficial meat exports to Colombia. Currently a relatively larger number of cows and calves are unofficially imported from and to Colombia. It is well known that this trade with Colombia, helps maintain high prices in the border zone and increases the profitability of the business for some producers.

The calf crop has declined from 2.3 million heads in 2000 to 2.1 million heads in 2001 due mainly to weather variations. Venezuela has suffered a severe dry summer season (February-April) this year, and as a consequence the grass is dry, the animals are stressed and have lost weight. The contraction of the beef supply does not improve immediately with the rains since the bovine cattle requires some time for stabilizing and gaining weight. Much of the fattening occurs under range conditions and many of them do not have irrigation systems which permit good pasture during a dry season.

Total bovine slaughter in Venezuela during 2000 was 1.65 million head. Slaughter for 2001 is estimated to increase to 1.71 million head. Lack of rains and poor financial conditions of the producers caused many producers to slaughter their animals in order to pay their debts. The slaughter level is expected to decrease to about 1.70 million head in 2002 as a result of a slight reduction in demand for beef. Slaughter rates can vary considerably from year to year since Venezuelan ranchers can afford to delay slaughter until prices are favorable due to low operating expenses.

Production Policy

The Government of Venezuela has been working since 1995 on the eradication of Foot and Mouth Disease (FMD). The goal is to rid the country of the disease by 2005, so that Venezuela can export to FMD free markets.

The Government through its "Servicio Autonomo de Sanidad Agropecuaria" (Autonomous Service of Agricultural Health or SASA) has been working closely with the Venezuelan Cattle Federation, (Federación de Ganaderos de

Venezuela, FEDENAGA) over the last 15 years in a control and vaccination program of this disease. The program mainly consists of vaccination and control of cattle through both SASA and FEDENAGA, sharing resources and technical expertise. Eighty seven percent of the national herd was vaccinated during 2000.

Even with these controls, an outbreak of the disease in a border location with Colombia was confirmed by government officials in June 2001. The animal and plant health authorities announced that 240 cattle were contaminated with the disease and immediate actions were taken to proceed with vaccination of the surrounding ranches.

The Animal and Plant Health Inspection Office (APHIS) located in Bogota covers Colombia, Ecuador and Venezuela, and has worked extensively with SASA in the control of FMD.

The Government of Venezuela has implemented sanitary measures at all port of entries to prevent the spread of FMD. Also, the Government banned the imports of all animals or bovine-based products from Argentina, Brazil and the European Union in March of the current year.

CONSUMPTION

Recently beef consumption has been fluctuating but a declining consumption tendency has been observed. Overall animal protein intake in Venezuela has dropped in the last decade due to inflation and declining disposable income. Total domestic beef consumption is projected to remain steady at 357 TMT in 2002. Consumption of beef in Venezuela in 2000 was 350 TMT or 19.5 kg. per capita. Per capita consumption is likely to continue at similar levels in 2002 due to beef's relatively low price compared to other forms of proteins. Beef consumption in Venezuela closely tracks the behavior of prices.

Prices Table			
Country	Venezuela		
Commodity	Meat, Beef and Veal		
Prices in	Bolivars	per uom	Kilo
Year	2000	2001	% Change
Jan	1,360	1,640	20.59%
Feb	1,360	1,650	21.32%
Mar	1,400	1,670	19.29%
Apr	1,450	2,020	39.31%
May	1,500	2,100	40.00%
Jun	1,580	2,300	45.57%
Jul	1,580		
Aug	1,580		
Sep	1,620		
Oct	1,620		
Nov	1,610		
Dec	1,610		
Exchange Rate	728	Local currency/US \$	

Source: Venezuelan Cattle Ranchers Federation, FEDENAGA

TRADE

Traditionally, Colombia has been Venezuela's major trading partner for cattle. Currently, a relatively large number of cows and calves are unofficially imported from or exported to Colombia; however, no official figures are available.

One of the reasons that this unreported trade between Colombia and Venezuela takes place is in order to avoid the cost of export/import animal health permits. Post estimates that for 2001 Venezuelan cattle exports to Colombia will be about 20,000 heads, a decrease in comparison to the previous year that can be attributed to the recent outbreaks of FMD. Exports are expected to recover slightly in 2002 if the FMD control program is successful.

Most cattle imported from Colombia are for slaughter; cattle from other sources, especially the United States, are for breeding purposes.

For beef exports, since Venezuela is not FMD free, there are only a limited number of countries willing to accept its beef. Beef exports range between 6,000 to 7,000 MT all going to Colombia and some Caribbean islands.

From 1997 to 1999 U.S. beef imports had a rapid rise. The increase in demand for U.S. beef can be linked to market promotion efforts started by FAS/Caracas and supported by the U.S. Meat Export Federation. Importers continue bringing in containers of U.S. high quality beef cuts on a monthly basis for the local restaurant/hotel and processing industry, however no major change in beef imports is forecast mainly because the poor economic situation.

POLICY

Purebred dairy and beef cattle are assessed an import duty of five percent; cattle imported for bullfights and slaughter are assessed an import duty of ten percent. In general, all raw meats are assessed a five percent customs duty. Livestock products move duty free when traded between Andean Community countries.

Imports of chilled and frozen beef carcasses, cuts, offal and processed products from non Andean Community countries are subject to 20 percent ad valorem duty assessed on the CIF price. Imports of these products from Andean Community countries and from other Central American countries with bilateral agreements are duty free. For the most current tariff rates, importers should check the following web-site: www.comunidadandina.org

U.S. beef exports have become the latest in a series of food products to be injured by Venezuelan government trade practices. FAS/Caracas has received complaints from U.S. exporters and Venezuelan importers whose business is being negatively impacted by sanitary requirements by the Government. The U.S. Embassy in Caracas has made multiple requests to the Venezuelan authorities to handle imports in a more scientifically based and transparent manner.

MARKETING

Post has noticed a growing interest in importing breeding stocks and genetics from the United States, mostly Brahman cattle, semen and even embryos. FAS/Caracas has worked closely with the Texas and Florida Department of Agriculture in the promotion of U.S. shows, giving support to different groups, guiding them and organizing visits to different ranches, and organizing trade missions to the United States and Venezuela.

More than 500 Venezuelan ranchers attended the Houston Livestock Show and Rodeo Show 2001. This is a very popular Show among Venezuelans and every year interest in attending this show and others like it increases.

Another show of great interest to Venezuelans every year, is the World Dairy Expo in Madison, Wisconsin. A big group is planning to attend this year.

Recently, a livestock trade mission from the State of Florida came to Venezuela to attend the Machiques Livestock Show, in Zulia State. The Florida State Department of Agriculture has reported that the mission was very successful and as a result a group of Venezuelan cattle ranchers will travel soon to Florida on a buying mission.

In order to promote U.S. products, FAS/Caracas organized the Great American Barbecue III with the support of the U.S. Meat Export Federation (USMEF). USMEF has proven to be a major catalyst in recent years in generating interest for U.S. beef in the Venezuelan hotel and restaurant industry sector. The expected results from this show for new meat products will be approximately \$ 3.2 million sales.

Post has noticed that local restaurants and hotel chains appear to be a niche where U.S. meat is finding a market, as well as the growing fast food industry, that even with the recession, imports a considerable amount of industrial grade beef.

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