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Oilseeds and Products

Annual

2002

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Report Highlights:

Oilseed production remains limited as government policies have not been effective in increasing area planted. Imports are forecast to remain fairly stable, but with a drop in soybean meal imports in 2001/02 due to problems in obtaining import licenses.

Soybeans and soybean meal are increasing coming from other South American countries, particularly Bolivia, due to trade preferences. Venezuela imposed safeguard duties on crude and refined edible oils entering from Colombia and Peru.

Includes PSD changes: Yes

Includes Trade Matrix: Yes

Annual Report

Caracas [VE1], VE

Executive Summary

Venezuela's domestic oilseed industries rely on imported oilseeds. Soybean, soybean meal and soybean oil are the main oilseeds imported. Traditionally, oilseed imports were supplied by the United States and South American countries, but Bolivia has become the major source of oilseed imports -soybean and soybean meal- since its imports benefit from a zero duty and are not subject to import licenses.

There is a small domestic production of African palm. Production of African palm is not expected to increase in the short term nor to impact the oilseed import trend. Soybean production has also not increased as much as the government had hoped, and growth in the near term is not expected given current policies.

The government is increasingly controlling the issuance of import licenses in order to promote domestic objectives in the agricultural sector such as increased self-sufficiency. Imports of soybean are estimated to grow slightly in order to meet the needs of the main crushing plant, but soybean meal imports are estimated to drop by 10% in 2001/02. Edible oil imports are forecast to remain fairly stable, but more will be entering as crude oil following a safeguard action on refined oils from Colombia and Peru.

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Production

Venezuela is mainly an importer of oilseeds and oilseed products. Domestic production is composed principally of African palm oil and limited quantities of soybeans, sunflowerseed and sesame seeds. The oldest African palm plantations are 12 to 14 years old, with the most recent area planted three years ago, but the majority of the trees are still not at peak production levels and not expected to reach full maturity until 2006. There are 35,000 hectares of area planted to African palm. Palm oil production is roughly 60,000 tons.

The government has been promoting the production of soybeans for the past three years, but has not been able to support its rhetoric with the finances and incentives to get producers to shift out of more profitable corn or sorghum production. Area planted to soybeans is still not expected to exceed 6,000 hectares, with production of only around 10,000 tons. Main planting areas are in Portuguesa and Guarico states.

Sunflowerseed production has been stable at around 15,000 tons for the past six years, and is mainly concentrated in the states of Portuguesa and Anzoategui. Most of the production is used for food and confectionary (breads, pastries, candy) purposes.

Trade

Seeds

To meet its meal and oil needs Venezuela mainly imports soybeans and soybean meal. Due to preferential tariffs and constraints on the issuing of import licenses, imports are increasingly being sourced out of South American countries that have preferential trade agreements with Venezuela. The United States and Brazil are the largest suppliers of soybeans, but Bolivia has become a major source of soybeans since that product is subject to zero duty and does not need an import license. For products from other countries, such as the U.S., issuance of import licenses has slowed significantly since November and virtually halted since January. However, this policy cannot continue without severely damaging the poultry and pork sectors. At this time post estimates soybean imports for 2001/02 up modestly, with a further small increase in 2002/03 in order to meet animal feed demand.

A complicating factor in this system is the prevailing practice of requiring the purchase of domestically produced soybean meal (from mainly imported beans) in order to obtain import licenses for soybeans. There is currently only one major crushing facility in Venezuela, COPOSA. Soybean imports are expected to continue in order to enable that facility to continue to operate.

Note: All trade statistics used in this report are from the Venezuelan National Trade Institute (Instituto Nacional de Estadística-INE)

Meals

Domestic soybean meal production is expected to increase by four percent between 2001 and 2002. This production change results from a modest increase of imported soybeans to be crushed into soybean meal. On the other hand, soybean meal imports are expected to fall by 10 percent during the same period. Reduction in soybean meal imports will be accompanied by a draw-down in accumulated stocks to maintain operations until the import licenses regime becomes more expedite and transparent.

Soybean meal imports supplement the production of meal from imported beans and provide one of the primary feed sources for the pork and poultry industries. Due to the restrictions on import licenses for corn that began in the fall of 2001, and more recently for soybeans and soybean meal, the industry has been depleting its stocks of most major feed ingredients. While imports from the United States are currently difficult, Bolivia has increased its exports of soybean meal to Venezuela during 2000/01 by 140 percent due to its status as a member of the Andean Community which exempts it from duties. However, this tremendous increase in exports has led to greater scrutiny of the Bolivian product and many sources believe that a great amount of "triangulation" occurred with most of the product not actually grown in Bolivia.

Oils

Venezuela's production of vegetable oils is based on soybean oil (crude and refined) mostly imported from South American countries. The local industry uses about 60% soybean oil which it blends with sunflowerseed oil, sesame and palm oil to produce various local brands *such as Vatel, Coposa, Deleite, Ideal, Gold Bell*. Refined corn oil is another important component of the edible oil sector.

Edible oil imports are subject to an import licensing regime. Argentina, Brazil, Bolivia and Paraguay are the mayor suppliers of soybean and sunflowerseed oil to Venezuela. U.S. market shares of imported soybean oil and sunflowerseed oil are small due to the uncompetitive tariff it pays as compared to other South American countries. However, a wider variety of oils like castor, flaxseed, sesame, sunflower seed and tung oil are imported in some small amounts from the U.S.

Edible oil imports are expected to grow modestly in the next two years in order to meet domestic consumer demand, which is not covered by local production of oilseeds. South American countries will continue to rely on the tariff advantages to reinforce their presence in the Venezuelan market.

Policy

Licensing System

The GOV is increasingly controlling the issuance of import licenses in order to promote domestic objectives in the agricultural sector such as increased self-sufficiency. Most of the products in the oilseeds sectors are subject to licenses and tariff rate quotas. The tariff rate quota system (TRQ) for oilseeds and products was opened by the GOV in late 1999 and is renewed on a yearly basis. However, the issuance of licenses is increasingly arbitrary and non-transparent. The Ministry of Production and Commerce (MPC) used to issue licenses but with the recent recreation of a separate Ministry

of Agriculture and Lands (MAT) in December 2001, license issuance is expected to pass to MAT. Venezuela also has unpublished absorption requirements for the issuance of import licenses. According to end users, the current requirements are: a) the purchase of the total domestic crop of palm oil to obtain licenses for oils and b) the purchase of the total domestic production of soybean meal (crushed from imported beans) to obtain import licenses for other oilseed products. An agreement between palm growers and oil processors establishes that domestic production of palm oil will be bought in order to obtain import licenses for crude oil. As palm oil production is stagnant, oil processors are generally willing to buy the entire crop at the prices set by the palm growers. There is no ratio for a certain amount of production in exchange for certain amount of imports through the licensing system.

A similar situation exists with soybean meal which is crushed out of imported soybeans. The proof of purchase issued by the soybean meal manufacturer is sufficient for the government to issue the import license for soybeans. However recently, the government has allegedly informed end-users that until the remaining domestic corn crop is completely bought, no import licenses will be awarded for the oilseed complex. Edible oil imports from Andean Community countries (Bolivia, Colombia, Ecuador and Venezuela) were not subject to duties and licenses until October 2001 when they became subject to a safeguard action (see below).

Tariff Rate Quotas

Venezuela's tariff rate quotas for oilseeds are included in the following table:

Product description	HS Code	Quota Quantity (MT)	In-Quota Duty (%)	Out-of Quota Duty (%)
Soybeans	12.01	168,963	40	CET
Palm Kernel	12.07	2,771	40	CET
Soybean Oil	15.07	130,040	40	CET
Other Oils	15.10	55	40	CET
Palm Oil	15.11	134	40	CET
Sunflowerseed oil	15.12	151,612	40	CET
Coconut oil	15.13	322	40	CET
Other Vegetable Oils and grease	15.15	1,795	40	CET
Other Animal Oils and grease	15.18	50,595	40	CET
Soybean Meal	23.04	696,880	40	CET

* *Common External Tariff (CET) resulting from Andean Community price band system (see VE0011)*

Tariffs

The oilseeds and oilseed products in-quota duty are 40 percent. Once the quota is exceeded, the product is subject to the tariff established by the Andean price band system. Average over-quota tariffs during 2001 were generally around 45 and 100 percent for soybeans and soybean meal, and soybean oil, but tariff rates must be checked frequently as the Andean price band system rates change every two weeks. For the most current tariff rates, check the following web-site at: <http://www.comunidadandina.org>

Trade Preferences

In addition to being a member of the Andean Community, Venezuela has bilateral trade agreements with Argentina, Brazil and Paraguay. These agreements provide preferential tariffs for vegetable oils and oilseeds. Preferential tariffs are applied as discounts to the ad valorem Andean Community Common External Tariffs (CET). Argentina has a discount of 60 percent off the CET. Brazil has a discount of 50 percent off the CET. Paraguay has 95 percent off the CET for crude soybean oil, while refined soybean oil is assessed 92 percent off the CET. Uruguay has a discount of 70 percent off the CET for oilseeds. The following table provides an overview of the tariffs that would be applicable between March 16-21, 2002:

Commodity	Intra-Andean Community Imports	Third Country Imports * (U.S.imports)	Argentina	Brazil	Paraguay	Uruguay
Soybean	No duty	48%	28.8%	24 %	no preference	no preference
Soybean Meal	No duty	48%	31.2%	24 %	12%	no preference
Soybean Oil	No duty	70%	28 %	35%	2.4 % (crude oil) 3.8% (refined oil)	14.4%

** Over Quota Tariff Rates resulting from the Andean Community Price Band System*

Safeguard Action on Andean Community Edible Oils

In order to protect the local vegetable oil refining industry from fewer expensive bottled vegetable oil imports that were flooding the market, the GOV initiated a safeguard action against crude and refined oils of Andean Community origin. This resolution, N° 826, dated 10/23/01, now requires that Andean Community edible oils -obtain an import license, but still enter without duties with the exceptions of Colombia and Peru. Imports of those products coming from either Colombia or Peru are subject to an import tax of 29%. Prior to this action edible oil imports, particularly from Colombia, were entering duty-free and without a license per the Andean Community norms.

Trade representatives from Colombia and Peru have expressed serious concerns regarding Venezuela's restrictions and the action is currently under review by the Andean Community Secretariat (in Spanish, Junta del Acuerdo de Cartagena or JUNAC).

Factors Affecting U. S. Trade exports to Venezuela

The Andean Community Price Band System; the Andean Community free trade area; and preferential tariff agreements with South American countries are the most relevant factors affecting U.S. oilseed exports to Venezuela.

The good quality and better performance of U.S. soybean and soybean meal is fairly well known by the Venezuelan oilseed users. Most end-users prefer soybean and soybean meal of U.S. origin as compared with Bolivian products. In addition, the relative closeness between U.S. ports and Venezuela and frequency of trips reduces shipping costs and enhances the U.S. reputation as a reliable and rapid source of oilseed products.

An importer registry was eliminated during October 2000. This was another time-consuming paperwork prerequisite that went into effect at the end of 1999. All importers of agricultural commodities and by-products had to register at the MPC and they had to demonstrate their importing record (volume, value, country of origin, final sales and final destinations, among other items). Despite the elimination of the importer registry, the list of requirements remains essentially the same in order to pursue an import license.

An import tax exoneration scheme for yellow corn and soybean products that was proposed in November 2000 has never been implemented. Given the current economic situation of the country it is unlikely that a rebate or refund of taxes on imported products will be pursued in the near future.

Marketing

The American Soybean Association (ASA) closed its office in Venezuela back in September 2001. Despite this fact, ASA continues to be active in the Venezuelan market through its regional office in Mexico and a local consultant in Venezuela. ASA has given continuous technical advice to pork and poultry producers, which is highly appreciated and always well received.

Market promotion efforts have emphasized technical assistance to the feed industry and to the poultry and swine sectors. Information on how to improve extraction rates, changes in soybean meal chemical composition and quality standards were provided by ASA to COPOSA. Also, a quality seal program is currently being developed with COPOSA. The program is based on using the ASA quality logo in certain products that are manufactured with U.S. soybeans. Technical assistance to manufacturers of soybean-based infant formulas (such as Isomil and Nursoy) was provided by ASA. A textured vegetable product (TVP) based on soybeans is being used by one of the biggest tuna processing manufacturers based on technical information provided by ASA.

The forecast moderate growth of U.S. soybean imports relies on combined efforts between the poultry and pork industries and ASA. During the next three months, ASA will be conducting comparison trials (based on nutritional values) using soybeans of different origins with selected poultry and pork farms.

Biotechnology *(no change from previous report)*

The GOV has established a resolution that establishes guidelines for the registry of genetically modified organisms (GMO). The resolution went into effect on January 11, 1999. Venezuela's Ministry of Production and Commerce

through SAPI (Servicio Autonomo de Propiedad Intelectual) is in charge of coordinating the research and copyright registry of any biotech agricultural products in Venezuela. The Ministry of Production and Commerce, through SENASEM (National Seed Service) is in charge of doing all tests related to approval of GMO copyrights. Post has no knowledge of GMO's approved for use in Venezuela nor of GMO's being traded.

Prices

As most of the edible oils sold in Venezuela are blended oils, those are the prices presented in this report. At the beginning of 2001 prices increase significantly and continued that trend till midyear. During the second semester of 2001 prices began to decrease as compared with 2000 as less expensive. Bottled vegetable oil imports flooded the domestic market. As mentioned before, the government imposed a safeguard action against Andean Community vegetable oil imports in order to protect the domestic oil processor sector. Oils prices increased significantly in the first trimester of 2001 in response to both the devaluation and tighter supplies.

Retail prices for blended oil

Prices Table			
Country	Venezuela		
Commodity	Oil, Soybean		
Prices in	Bolivars	per uom	liter
Year	2000	2001	% Change
Jan	906.02	974.89	7.60%
Feb	919.18	971.91	5.74%
Mar	926.08	969.69	4.71%
Apr	924.94	957.89	3.56%
May	913.66	949.14	3.88%
Jun	924.1	950.32	2.84%
Jul	947.64	938.4	-0.98%
Aug	955.16	926.24	-3.03%
Sep	967.24	917.45	-5.15%
Oct	970.39	926.1	-4.56%
Nov	971.62	913.21	-6.01%
Dec	971.54	913.69	-5.95%
Exchange Rate	949.5	Local currency/US \$	

PSD TABLES

Soybean PSD Table

PSD Table						
Country	Venezuela					
Commodity	Oilseed, Soybean				(1000 HA)(1000 MT)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		10/2000		10/2001		10/2002
Area Planted	7	4	25	6	0	6
Area Harvested	7	4	25	6	0	6
Beginning Stocks	15	8	5	4	3	4
Production	12	7	35	10	0	10
MY Imports	460	184	190	190	0	200
MY Imp. from U.S.	300	66	160	80	0	80
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	487	199	230	204	3	214
MY Exports	0	1	0	0	0	0
MY Exp. to the EC	0	0	0	0	0	0
Crush Dom. Consumption	470	192	225	198	0	208
Food Use Dom. Consump.	1	1	1	1	0	1
Feed,Seed,Waste Dm.Cn.	1	1	1	1	0	1
TOTAL Dom. Consumption	472	194	227	200	0	210
Ending Stocks	15	4	3	4	0	4
TOTAL DISTRIBUTION	487	199	230	204	0	214
Calendar Year Imports	0	0	0	0	0	0
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	0	0	0	0	0	0
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

Soybean meal PSD Table

PSD Table						
Country	Venezuela					
Commodity	Meal, Soybean				(1000 MT)(PERC ENT)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		10/2000		10/2001		10/2002
Crush	470	192	225	198	0	208
Extr. Rate, 999.9999	0.791489	0.791667	0.8	0.79798	0	0.798077
Beginning Stocks	86	90	90	74	0	35
Production	372	152	180	158	0	166
MY Imports	600	664	800	600	0	660
MY Imp. from U.S.	200	120	310	100	0	110
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	1058	906	1070	832	0	861
MY Exports	130	0	100	0	0	0
MY Exp. to the EC	0	0	0	0	0	0
Industrial Dom. Consum	0	0	0	0	0	0
Food Use Dom. Consump.	2	2	2	2	0	2
Feed Waste Dom. Consum	836	830	878	795	0	824
TOTAL Dom. Consumption	838	832	880	797	0	826
Ending Stocks	90	74	90	35	0	35
TOTAL DISTRIBUTION	1058	906	1070	832	0	861
Calendar Year Imports	0	0	0	0	0	0
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	0	0	0	0	0	0
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

Soybean Oil PSD Table

PSD Table						
Country	Venezuela					
Commodity	Oil, Soybean				(1000 MT)(PERC ENT)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		10/2000		10/2001		10/2002
Crush	470	192	225	198	0	208
Extr. Rate, 999.9999	0.182979	0.182292	0.177778	0.181818	0	0.182692
Beginning Stocks	17	16	16	6	0	7
Production	86	35	40	36	0	38
MY Imports	295	197	273	200	0	205
MY Imp. from U.S.	0	8	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	398	248	329	242	0	250
MY Exports	0	0	0	0	0	0
MY Exp. to the EC	0	0	0	0	0	0
Industrial Dom. Consum	5	5	5	5	0	5
Food Use Dom. Consump.	377	237	308	230	0	238
Feed Waste Dom. Consum	0	0	0	0	0	0
TOTAL Dom. Consumption	382	242	313	235	0	243
Ending Stocks	16	6	16	7	0	7
TOTAL DISTRIBUTION	398	248	329	242	0	250
Calendar Year Imports	0	0	0	0	0	0
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	0	0	0	0	0	0
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

Sunflowerseed PSD Table

PSD Table						
Country	Venezuela					
Commodity	Oilseed, Sunflowerseed				(1000 HA)(1000 MT)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		09/2000		09/2001		09/2002
Area Planted	25	25	25	25	0	25
Area Harvested	25	25	25	25	0	25
Beginning Stocks	0	0	0	0	0	0
Production	15	15	15	15	0	15
MY Imports	20	3	20	3	0	3
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	35	18	35	18	0	18
MY Exports	0	0	0	0	0	0
MY Exp. to the EC	0	0	0	0	0	0
Crush Dom. Consumption	5	6	5	6	0	6
Food Use Dom. Consump.	30	12	30	12	0	12
Feed,Seed,Waste Dm.Cn.	0	0	0	0	0	0
TOTAL Dom. Consumption	35	18	35	18	0	18
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	35	18	35	18	0	18
Calendar Year Imports	0	0	0	0	0	0
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	0	0	0	0	0	0
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

Sunflowerseed Oil PSD Table

PSD Table						
Country	Venezuela					
Commodity	Oil, Sunflowerseed				(1000 MT)(PERCENT)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		09/2001		09/2002		09/2003
Crush	5	6	5	6	0	6
Extr. Rate, 999.9999	0.2	0.333333	0.4	0.333333	0	0.333333
Beginning Stocks	2	2	3	3	0	3
Production	1	2	2	2	0	2
MY Imports	20	28	20	20	0	22
MY Imp. from U.S.	5	1	5	1	0	2
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	23	32	25	25	0	27
MY Exports	0	0	0	0	0	0
MY Exp. to the EC	0	0	0	0	0	0
Industrial Dom. Consum	0	0	0	0	0	0
Food Use Dom. Consump.	20	29	22	22	0	23
Feed Waste Dom. Consum	0	0	0	0	0	0
TOTAL Dom. Consumption	20	29	22	22	0	23
Ending Stocks	3	3	3	3	0	4
TOTAL DISTRIBUTION	23	32	25	25	0	27
Calendar Year Imports	0	0	0	0	0	0
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	0	0	0	0	0	0
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

Trade Matrixes

Soybean Import Matrix for 1999/00

Import Trade Matrix			
Country	Venezuela		
Commodity	Oilseed, Soybean		
Time period	10/99	Units:	1,000 mt
Imports for:	2000		2001
U.S.	95	U.S.	67
Others		Others	
Bolivia	4	Argentina	27
Brasil	13	Bolivia	22
Uruguay	1	Brasil	68
Total for Others	18		117
Others not Listed			
Grand Total	113		184

Soybean Meal Import Matrix for 1999/00

Import Trade Matrix			
Country	Venezuela		
Commodity	Meal, Soybean		
Time period	10/99	Units:	1,000 mt
Imports for:	2000		2001
U.S.	254	U.S.	114
Others		Others	
Argentina	8	Argentina	13
Barbados	4	Bolivia	399
Bolivia	166	Brasil	20
Brasil	18	Chile	6
Paraguay	91	Curacao	1
Peru	15	Panama	4
Uruguay	89	Paraguay	51
		Peru	2
		Uruguay	54
Total for Others	391		550
Others not Listed			
Grand Total	645		664

Soybean Oil Import Matrix for 1999/00

Import Trade Matrix			
Country	Venezuela		
Commodity	Oil, Soybean		
Time period	10/99	Units:	1,000 mt
Imports for:	2000		2001
U.S.	1	U.S.	8
Others		Others	
Argentina	177	Argentina	60
Bolivia	3	Bolivia	85
Chile	1	Paraguay	31
Paraguay	37	Uruguay	11
Uruguay	8		
Total for Others	226		187
Others not Listed			2
Grand Total	227		197

Sunflower seed Import Matrix for 1999/00

Import Trade Matrix			
Country	Venezuela		
Commodity	Oilseed, Sunflowerseed		
Time period	10/99	Units:	1,000 MT
Imports for:	2000		2001
U.S.		U.S.	
Others		Others	
Canada	2	Argentina	1
		Canada	2
Total for Others	2		3
Others not Listed			
Grand Total	2		3

Sunflowerseed Oil Import Matrix for 1999/00

Import Trade Matrix			
Country	Venezuela		
Commodity	Oil, Sunflowerseed		
Time period	10/99	Units:	1,000 MT
Imports for:	2000		2001
U.S.	3	U.S.	1
Others		Others	
Argentina	18	Argentina	20
Bolivia	1	Bolivia	7
Total for Others	19		27
Others not Listed			
Grand Total	22		28