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Report Highlights:

Five years of economic contraction, hyperinflation, and limited investment have negatively impacted Venezuelan poultry production. Production of both chicken and eggs have reached their lowest levels in over two decades. Consumption has similarly suffered, as Venezuelans struggle with limited purchasing power and hyperinflation. Imports have also stagnated as the country manages dwindling currency reserves impacted by limited export earnings. The Venezuelan poultry industry could be an important buyer of U.S. commodities and continues to be a significant supplier of animal protein to the Venezuelan people.

Executive Summary:

The Venezuelan economy is heavily dependent on oil exports that comprise approximately 96 percent of all export revenues and about half of all government funding. Low oil prices, a decrease in petroleum production, economic mismanagement, and anti-market policies have caused five consecutive years of economic contraction. In 2018, hyperinflation topped one million percent, according to the International Monetary Fund (IMF). Since 2013 the Venezuelan economy lost 50 percent of its gross domestic product. The IMF projects an additional 35 percent decrease in 2019. Hyperinflation is expected to surpass a million percent again in 2019, making this recession the longest and deepest experienced by Venezuela in modern times.

Venezuela's per capita agricultural production began to decrease drastically in 2009 and has now fallen to levels below those of 50 years ago. Low production levels have stabilized since 2018 and are unlikely to improve under current political and economic conditions. The economic collapse has generated a food crisis that has driven an emigration wave, now estimated at four million people.

The poultry sector has been impacted by the overall economic challenges in Venezuela and struggles to maintain operations, with production and consumption reaching historic lows. Since being self-sufficient in poultry and egg production in 2014, with one of the highest per capita consumption in South America (45 kg of chicken meat and 188 eggs), the Venezuelan poultry industry has reduced chicken meat production by 78 percent and egg production by 63 percent.

The Government of the Bolivarian Republic of Venezuela (GBRV) maintains strict controls on foreign exchange, imports of food, raw materials, critical agricultural inputs, and the distribution/allocation of those goods. The low availability of foreign currency has limited chicken meat imports, which were 240,697 MT in 2014, representing 17 percent of overall consumption. Imports fell to just 1,000 MT in 2018. In 2019, chicken meat imports are estimated to remain negligible.

Production:

The latest available data from the Venezuelan Poultry Industry Federation (Spanish acronym: FENAVI) reports a Venezuelan broiler flock of about 9.3 million head as of August 2019. The sector has an operating capacity of 58 million birds. In 2018, chicken meat production was 209,181 MT, a 51.3 percent decrease from the 2017 estimate of 429,541 metric tons. The industry numbers are well below official estimates released by Venezuelan authorities.

The Venezuelan poultry industry further estimates that the layer hen population was six million head as of August 2019. That sector has an operating capacity to produce up to 22 million head. In 2018, egg production was 5,295,077 boxes (360 eggs per box), which was a decrease of 37.9 percent below 2017's estimated 8,536,195 boxes.

The Venezuelan poultry sector is composed of around 30 medium to large-scale facilities that produce broiler meat and eggs. Most of these medium and large-scale poultry operations are vertically integrated controlling all phases of production including feed mills, breeder farms, hatcheries, grow-out houses, processing plants, and product distribution.

For broiler production, most companies manage their own grow-out houses and no longer use independent contractors, which was a common practice in the past. For egg production, however, independent contractors remain a larger share of production. Large layer operations supply contractors the various inputs for egg production, such as feed and replacement layer hens. Vertical integration has helped Venezuela's poultry sector to better weather the country's ongoing economic crisis, by investing in technology and adapting production to critically low volumes of feed and other inputs.

Historically, the Venezuelan poultry industry tended to follow the latest management and production trends, such as operational updates to feed mills, enhanced nutrition programs, and the latest genetics. Furthermore, Venezuelan production facilities were on par with international competitors in terms of international standards of efficiency and productivity. Specialized suppliers of raw materials, micro ingredients, veterinary medicine, and professional veterinary and managerial support also serviced the poultry sector. However, the deteriorating economic situation and the availability and quality of these services have decreased. Skilled workers are emigrating from Venezuela and inputs grow ever harder to import or produce.

While broilers are produced throughout the country, the largest broiler producing states are Aragua, Carabobo and Zulia. Production is generally concentrated in the central and western region of Venezuela. The three largest producing states represent about 60 percent of all broiler and egg production in the country.

Almost all large egg production operations are concentrated in the central Venezuelan states of Aragua and Carabobo. Small and medium egg production operations, by both independent owners or private contractors, are present throughout the country.

Historical Perspective

Chicken meat and egg production hit peaks in 2013 and 2012, respectively. The government of Venezuela supported chicken and egg production by providing subsidized inputs. Specifically, public sector firms acquired imported or domestic feed ingredients, including corn and soybeans, which they then sold to poultry producers at below-market values. The subsidized feed allowed the poultry industry to remain profitable while offering finished products at government regulated prices, also well below market value. These below-market prices, together with an increase in real wages, better purchasing power levels and low unemployment rates, helped stimulate a considerable increase in consumption.

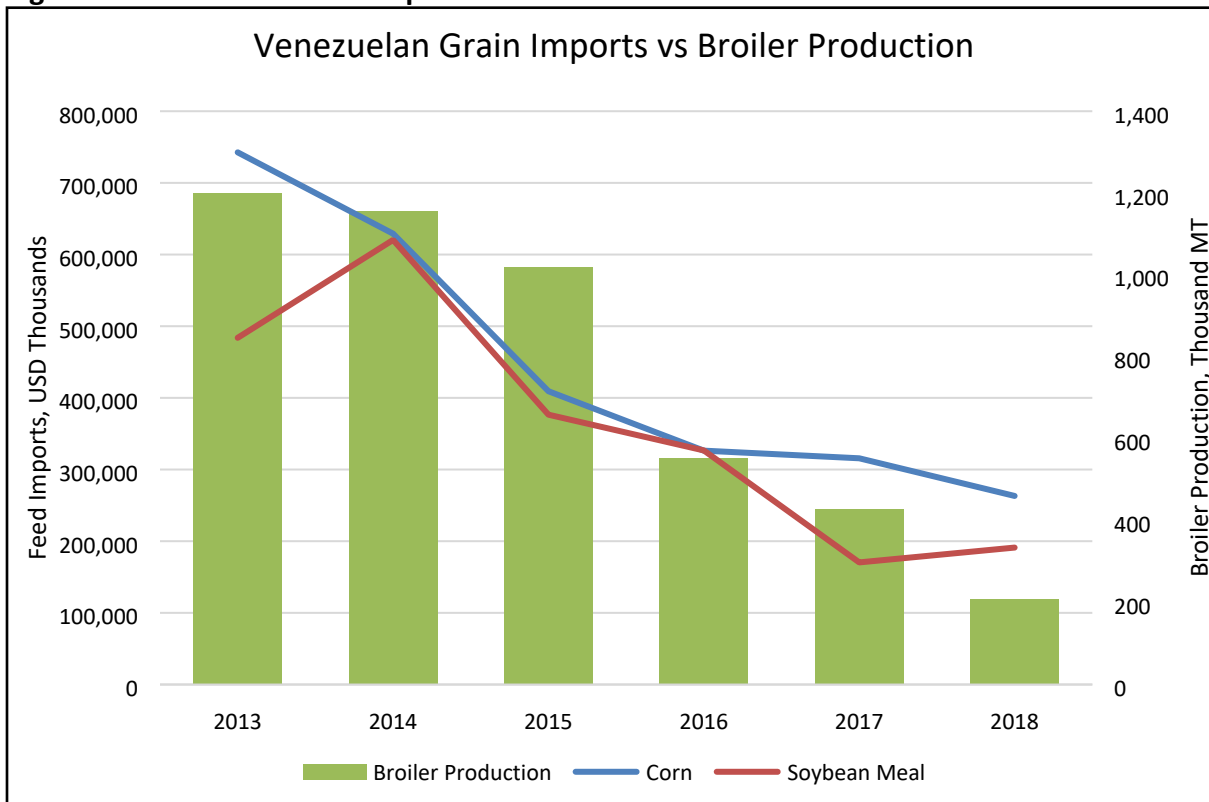
Since those peak years, broiler meat and egg production have fallen dramatically, plummeting 78 percent and 63 percent respectively in 2018. The decline in production was precipitated by a drastic reduction in the import of feed grains, such as corn and soybean, beginning in 2015, as well as a decline in domestically produced coarse grains. More recently, hyperinflation has destroyed purchasing power and left the GBRV incapable of enforcing regulated prices or slowing price increases. Furthermore, the combination of price controls and hyperinflation have diminished the poultry industry's ability to maintain stable profit margins with rising costs of production.

Productivity Challenges.

Historically, broilers were generally slaughtered after a grow-out period of 40-42 days, reaching an average weight of 2.1 kilograms. The average weight gain per day was about 51.4 grams, with a feed conversion ratio of about 1:8. Recently, sporadic shortages of feed have forced some poultry operations to adjust feed mixes, formulas, and volumes for daily rations. These adjustments have decreased productivity, bringing market average weights down to 1.8 kilograms.

Declines in poultry production over time match closely the declines in imports of corn and soybean meal, both important inputs to poultry feed production. In 2017, the Venezuelan poultry industry imported the raw materials needed to maintain production levels; however, given the weak currency values, the price of the resulting product was too high for all but the wealthiest Venezuelans. The following year, the industry matched its level of its production to the availability of feed grains imported by the government and sold at subsidized prices. Beginning in early 2019, the Venezuelan industry again began to directly import feed grains at the international market price, while producing at lower volumes.

Figure 1: Venezuelan Grain Imports vs Broiler Production



Source: Grain and Oilseed Data from UN ComTrade; Broiler Data from FENAVI

Tables 1 and 2 below show FENAVI data for broiler meat and egg production from 2007 to 2018 and estimates for 2019.

Table 1: Broiler Meat Production (Thousand Metric Tons)

Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019*
Total	853	944	937	942	924	1,118	1,201	1,156	1,019	553	429	209	223

Source: FENAVI

* Estimate

Table 2: Broiler Meat Imports (Thousand Metric Tons)

Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019*
Total	101	160	111	75	89	79	83	241	113	74	25	1	0.2

Source: FENAVI

* Estimate

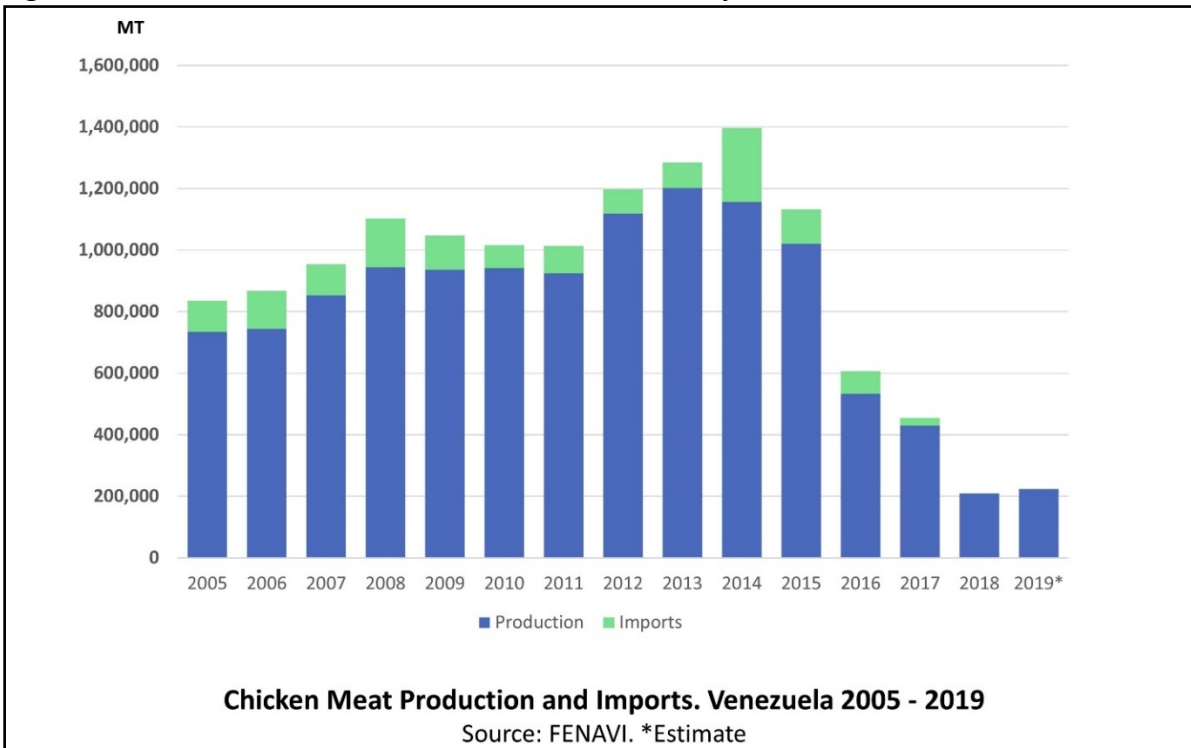
Table 3: Egg Production (Thousand Boxes, 365 units each)

Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019*
Total	10,872	10,290	11,753	15,088	17,067	14,556	15,806	15,706	7,854	8,536	5,295	5,000

Source: FENAVI

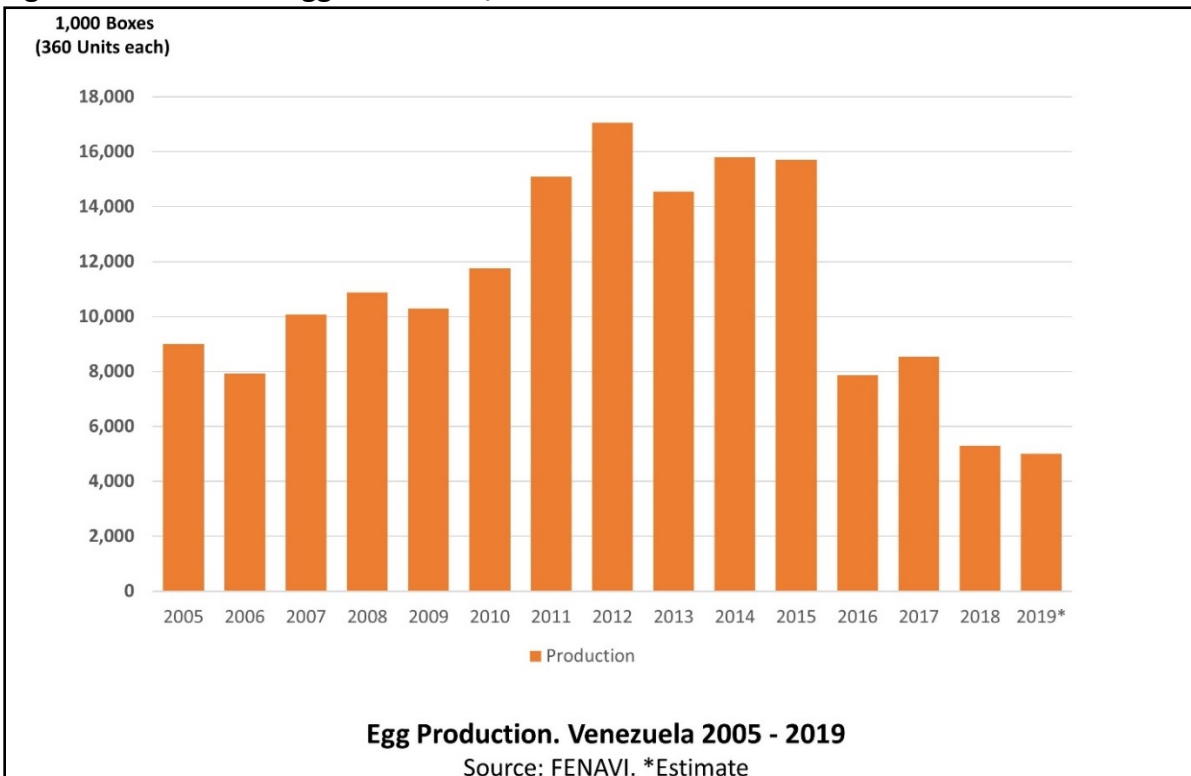
* Estimate

Figure 2: Venezuelan Chicken Meat Production and Imports, 2005-2019



Note: Not official USDA data

Figure 3: Venezuelan Egg Production, 2005-2019



Note: Not official USDA data.

Current Situation

After a 51 percent drop in 2018, chicken meat production is expected to stabilize at about 220,000 MT annually in 2019. Current production levels are only 17 percent of the production level in 2013 of 1.2 million metric tons. The low level of purchasing power driven by hyperinflation is preventing a recovery in consumption. Until inflation rates slow, post expects demand to remain low.

Despite the economic crisis and decreased production, the Venezuelan poultry industry has preserved much of its operational capacity. Feed mills, breeder farms, hatcheries, grow-out houses, processing plants, and distribution networks remain mostly intact, although they are only operating at 20-25 percent of capacity. The components most negatively impacted by the current crisis are the grow-out houses for broiler production and hen houses for egg production, as they have remained inactive for a considerable time. Industry contacts indicate that they plan to recover or invest in new facilities when market conditions improve.

While official price controls on retail poultry and eggs remain in force, they are not currently enforced broadly. The lack of controls is allowing the industry to operate more freely. In September 2019, the production cost of one kilogram of whole chicken was around \$1.05 and the cost of a box of eggs (360 units) was around \$30.00.

Table 4: 2019 Broiler Meat Production, Avg 2013 and 2018 Included (Metric Tons)

	2013 Average	2018 Average	Jan 2019	Feb 2019	Mar 2019	Apr 2019	May 2019	Jun 2019	Jul 2019
Monthly Production	98,705	17,432	18,873	19,728	21,282	22,296	23,404	22,428	23,234

Source: FENAVI

Table 5: 2019 Egg Production, 2013 and 2018 Included (1,000 Boxes, 365 units each)

	2013 Average	2018 Average	Jan 2019	Feb 2019	Mar 2019	Apr 2019	May 2019	Jun 2019	Jul 2019
Monthly Production	1,359	441	398	468	511	489	538	493	544

Source: FENAVI

Consumption:

About 80 to 90 percent of the chicken produced in Venezuela is consumed fresh or marketed frozen. All domestic production is marketed domestically within a short period of time. The remaining meat is destined for processing into deli meats, sausages, paste for nuggets, and other products.

Chicken meat consumption more than doubled from 1998 to 2014, increasing from 21 kilograms per person to a peak of 45 kilograms per capita annually. Since then, however, consumption has plummeted as inflation has eroded purchasing power. Chicken consumption declined 83.5 percent from the peak of 45 kilograms in 2014 to 7.2 kilograms per capita in 2018. Industry estimates that 2019 consumption will recover slightly, reaching nearly eight kilograms per person, a ten percent increase over 2018. Egg consumption has tracked declines in poultry consumption. Egg consumption peaked in 2014 at 188 per capita before dropping to 67 eggs per capita in 2018.

Tables 6 and 7 show FENAVI estimates for chicken meat and egg consumption per capita from 2007 to 2018, as well as estimates for 2019.

Table 6: Chicken Meat Consumption (Kilograms per Capita)

Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019*
Total	34.70	36.50	37.80	38.20	38.80	41.35	43.70	45.40	32.86	17.82	13.50	7.21	7.96

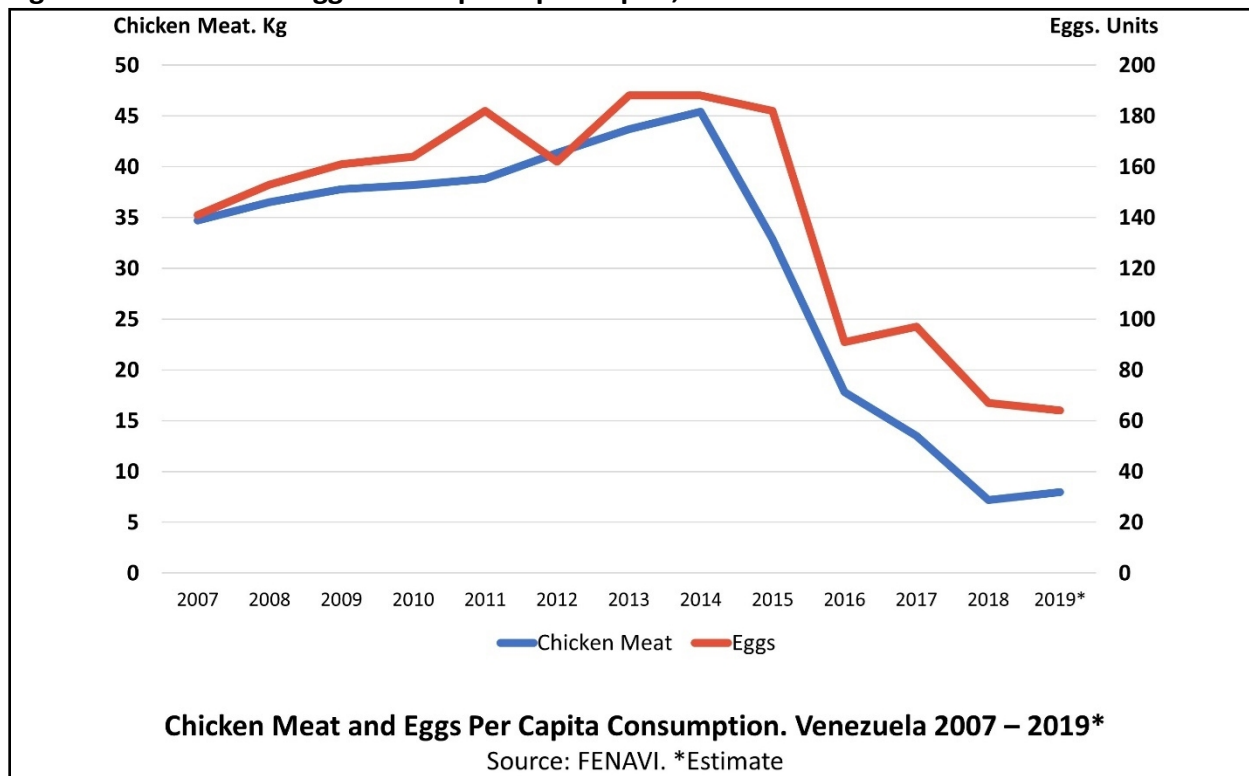
Source: FENAVI. * Estimate

Table 7: Egg Consumption (Units per Capita)

Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019*
Total	141	153	161	164	182	162	188	188	182	91	97	67	64

Source: FENAVI. * Estimate

Figure 4: Chicken and Egg Consumption per Capita, 2007-2019



Note: Not official USDA data

From 2013 to 2018, the total consumption of animal protein in Venezuela has decreased by 67.3 percent. Poultry consumption has fallen the most of animal proteins tracked.

Table 8: Venezuelan Animal Protein Consumption, 2013 vs 2018 (Kg per Capita)

	Poultry	Eggs	Beef	Dairy	Pork	Fish	Total
2013	43.70	9.02	21.12	12.00	6.30	9.70	101.84
2018	7.21	3.21	8.30	6.70	1.30	6.50	33.22
Percent Decrease	83.50	64.43	60.70	44.17	79.37	32.99	67.38

Source: FENAVI, ASOFRIGO, FEPORCINA, ASOPROLE, R. Agudo

The fall in chicken consumption was driven by inflationary pressure and has closely tracked the country's broader economic woes. In May 2019, a worker earning a minimum wage needed less than one hour of work to buy one kilogram of chicken. In September 2019, the same worker needed 19 hours of work to purchase the same product.

Table 9: Work Hours at Minimum Wage Needed to Buy 1 Kg of Whole Chicken - May 2013 vs September 2019

Year	May 2013	Sep 2019
Price per Kg. Whole Chicken. USD	0.65	1.60
Hours to buy 1 Kg	0.82 (49 minutes)	19

Trade:

From 2004-2014 the Venezuelan Central Bank maintained a policy which subsidized foreign currency for the import of goods of national interest, such as agricultural raw materials and food products. Concurrently, Venezuelan regulations prohibited *excessive profits* by the Venezuelan private sector, limiting the sector's ability to expand domestic production. The import subsidies often created a situation where imported frozen or chilled poultry was more affordable, thereby displacing domestic production. The primary suppliers of poultry products to Venezuela were Argentina and Brazil.

As the price for oil plummeted in 2015, Venezuelan government oil revenues dropped sharply limiting foreign exchange for imports. According to FENAVI, the lack of foreign exchange caused a drastic reduction in broiler meat imports from the 2014 peak of 240,697 MT to 74,074 MT in 2016. Imports further plummeted in 2017 to 25,512 MT and to 1,000 MT in 2018.

Adverse economic conditions, business expropriations, and shortages of inputs prevented growth in the poultry industry and limited capabilities to adapt production to address falling imports. The market continues to contract primarily from a sharp decrease in purchasing power and subsequent reduction in consumption. Recovery of consumption to historic levels of 34 kg per capita will require imports, additional food subsidies, and substantial improvements in consumer purchasing power. None of these scenarios is foreseeable in the near term.

Policy:

Since 2003, retail prices for poultry have been subject to government price controls. Specifically, the GBRV fixes prices for whole poultry and poultry cuts with occasional adjustments issued through public announcements. There are no specific agricultural policies influencing poultry and egg production in addition to the previously mentioned subsidized feed inputs. Poultry is considered a priority commodity in Venezuela and the private sector is eligible for subsidized foreign exchange for imports of critical feed materials.

Attachments:

No Attachments