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Report Highlights:

Venezuelan sugar production is forecast down to 150,000 metric tons in MT 2020/21 due to shortages of fuel and inputs. Post also estimates similar drops in current year production. In both the current and forecast year, Venezuela is expected to import lower volumes of sugar as public sector resources dwindle amid low oil prices and continued international sanctions. Lower-cost refined sugar imports will continue to replace raw sugar imported for domestic processing. Post estimates are significantly below official USDA estimates. FAS Caracas is proposing updates to MY 2017/18 and MY 2018/19 import estimates.

Executive Summary:

Current Venezuelan agricultural production and trade must be viewed through the lens of the country's broader economic and political situation. As FAS Caracas has highlighted in other reports, the economic deterioration Venezuela is currently facing is driving changes in agricultural production and forcing consumers to alter consumption patterns. The global economic contraction associated with the COVID-19 outbreak is further complicating what was already a precarious position for the country.

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, eroding revenue. The 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. Indeed, fuel shortages have become acute in recent weeks.

Venezuelan farmers are no stranger to shortages. Over the last few years, shortages of certified seeds and fertilizer have been common. But in 2020, contacts report that fuel and input shortages have become unmanageable. The fuel shortages are falling heavily on those agricultural sectors most dependent on mechanization. Farmers of traditional row crops need diesel to run tractors and combines, and Venezuelan sugar cane producers rely on gasoline and diesel to run irrigation equipment. Processers of all kinds are limited as their workforces have difficulty arriving to work because of fuel shortages and restrictions associated with the COVID-19 outbreak.

Unless the Venezuelan government undertakes massive economic and political reforms, the outlook remains bleak for agricultural producers and consumers alike.

Production

FAS Caracas forecasts that Venezuelan sugar production in MY 2020/21 will only reach 150,000 metric tons. Post is also decreasing MY 2019/20 estimates to 160,000 metric tons. This estimate is 90,000 MT or 36 percent below USDA's official estimates of 250,000 metric tons. The decreases in the current and forecast years are based on shortages of inputs, most notably fuel to run irrigation equipment.

Like many sectors of Venezuelan agriculture, sugar cane production is facing increasing shortages of fertilizers and agrochemicals, which are negatively impacting production. The Venezuelan sugar cane sector also depends heavily on mechanized irrigation. In recent years, irrigation infrastructure has begun to deteriorate due to a lack of replacement parts and investment. Farmers' ability to irrigate has become even more complicated by widespread fuel shortages in early 2020. These factors are putting downward pressure on production. Venezuelan industry contacts note that yields have fallen from 70 metric tons per hectare to 40 tons in some areas because of input shortages. Areas harvested are also falling as farmers are able to irrigate and fertilize fewer hectares. The Portuguesa state remains the country's largest producer.

There are four private sugar mills currently operating in Venezuela. They have a combined capacity to process 4.5 million metric tons of sugar cane per year. Additionally, there are ten public-owned sugar mills in the country; however, in MY 2019/20 only three were operational. Table 1 lists mills and current production levels.

Table 1: Venezuelan Sugar Mills and Production

Sugar Production 2019/2020				
	Cane	**Yield**	**Sugar**	**Harvest**
Plant	**Tons**	**%**	**Tons**	**Month**
Portuguesa	982,835	8.13	79,904	April
Molipasa	550,000	8.82	48,510	March
El Palmar	178,000	8.24	14,667	March
The Shepherd	140,000	7.25	10,150	August
Public Sector (est)	50,000	7	3,500	April

Source: FESOCA (Federation of Sugarcane Producers)

The production levels listed in Table 1 for the public sector are estimates. Private sector mills are industry reported. Table 2 below lists Venezuelan public sector mills and their current operational status.

Table 2: Venezuelan Public Sector Sugar Mills

Venezuelan Public Sugar Mills	
Industrial Santa Elena	In Operation
Santa Clara	Closed this harvest
Central Cariaco	In Operation
Central Sucre	Closed this harvest
Central Venezuela	Closed this harvest
CAAEZ	Closed
Central Guanare	In Operation
CAZTA	Closed
Puerto Tamayo	Closed
Central Trujillo	Closed

Consumption

In MY 2020/21, FAS Caracas expects continued declines in sugar consumption down to 295,000 metric tons. The decrease is explained by low domestic production and markedly decreased imports of both raw and refined sugar in recent years. Notably, post is also decreasing MY 2019/20 consumption estimates to 310,000 metric tons on unusually low import levels in the current year. More on import decreases in the trade section.

An estimated 80 percent of Venezuelan consumers depend on the Maduro government's food subsidy program, commonly known as Local Committee for Supply and Production (CLAP). The CLAP boxes provide monthly distributions of staple food products and generally include one kilogram of refined sugar. FAS Caracas estimates that 6.1 million Venezuelan families received CLAP boxes in 2019, though some of recipients did not participate in the program throughout the entire year. CLAP distributions accounted for at least 70,000 metric tons of sugar consumption in 2019.

Post does not have updated information on industrial usage versus household consumption. Historically, consumption was roughly half retail and half industrial. However, regulated prices for sugar created perverse incentives for industrial users to obtain sugar supplies. Anecdotally, industries using sugar offered unofficial suppliers as much as four times the regulated price to maintain supplies. FAS Caracas will provide updates as they become available.

A new style of retail shop has appeared in Venezuela in the last year: the *bodegón*. These shops import shelf stable, consumer-oriented products from the United States and Europe. The stores target high-end consumers and products are sold in U.S. dollars or Euros. Among the products offered in these stores are imported sugars, syrups, and alternative sweeteners. Sugar and sweetener exports from the United States to Venezuela have increased from $600,000 in CY 2017 to $1.9 million in CY 2019. These increases are likely driven by the expansion of the *bodegón* model. The gains from this retail expansion will remain minimal, as their target customers represent a small margin of the Venezuelan population.

Trade

Post forecasts that Venezuela will only import 5,000 metric tons of raw sugar and 140,000 tons of refined sugar in MY 2020/21. The decrease is based on low public sector purchases, as the Maduro government confronts low oil revenues, continued sanctions pressure, and a weakening global economy. Forecast imports assume that the Maduro government will continue to prioritize public sector purchases of refined sugar over traditional raw imports for domestic processing. In MY 2019/20, FAS Caracas estimates that raw sugar imports will be minimal, totaling around 5,000 metric tons. Refined sugar imports, which will reach 145,000 MT in the current year, have supplanted traditional raw sugar imports. Current year import estimates are based on Venezuelan industry estimates, which match closely to known port arrivals to date. Post estimates are well below USDA official estimates in the current year.

Venezuela has moved from importing raw sugar to importing refined sugar in the past two years. Historically, Venezuelan state-owned firms imported raw sugar for domestic processing in public mills. The public firms then distributed the domestically produced sugar at a fixed price. As the country's economic situation has deteriorated, the Maduro government has not been able to maintain that system. Public sector processing has fallen into decline and inexpensive, imported refined sugar is now replacing domestic production. Brazil, Mexico, and Colombia are major suppliers of refined sugar to Venezuela. Imported refined sugar is sold for around $0.15 less per kilogram than domestic production, which is currently offered at $0.80 per kilogram.

FAS Caracas proposes revisions to the MY2017/18 and MY2018/19 import data based on Venezuelan industry recommendations. The Venezuelan sugar industry indicates that USDA import numbers have been too high in recent years. This is likely due to the reduction in reporting and post staffing levels associated with the ongoing political and economic crisis. Table 3 lists proposed revisions. The raw import numbers are taken from the Venezuelan industry. The estimates for refined sugar include Trade Data Monitor estimates where industry data were not available.

Table 3: Venezuelan Sugar Imports (1000 MT)

	MY 2017/18	**MY 2018/19**	**MY 2019/20**	**MY 2020/21 (forecast)**
Raw Sugar	500	180	5	5
Refined Sugar	60	70	145	140
Total Imports	560	250	150	145

Source: Post estimates, based on industry contacts, TDM, and maritime reporting

Stocks

Venezuelan stock levels tend to fluctuate widely and, as such, are omitted from post estimates. Contacts indicate that target stock levels are 100,000 metric tons. As of writing, stocks stood at 41,000 metric tons, just below two-month's consumption.

Policy

In September 2019, the Maduro government removed most restrictions on importing sugar. Imports are now allowed duty free and, generally, with minimal restrictions for sanitary or phytosanitary concerns.

Venezuelan sugar producers assert that imported product is unfairly displacing domestic production. They cite low prices for imported refined sugar, which is currently sold for $0.65 per kilogram compared to $0.80 per kilogram for domestic sugar. The Venezuelan federation of sugarcane producers has been demanding that the Maduro government set prices that are consistent with cost of production.

Sugar: Production, Supply, and Demand Estimates

Sugar, Centrifugal	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
Beginning Stocks	0	0	0	0	0	0
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	250	250	250	160	0	150
Total Sugar Production	250	250	250	160	0	150
Raw Imports	800	180	800	5	0	5
Refined Imp.(Raw Val)	200	70	200	145	0	140
Total Imports	1000	250	1000	150	0	145
Total Supply	1250	500	1250	310	0	295
Raw Exports	0	0	0	0	0	0
Refined Exp.(Raw Val)	0	0	0	0	0	0
Total Exports	0	0	0	0	0	0
Human Dom. Consumption	1250	500	1250	310	0	295
Other Disappearance	0	0	0	0	0	0
Total Use	1250	500	1250	310	0	295
Ending Stocks	0	0	0	0	0	0
Total Distribution	1250	500	1250	310	0	295
(1000 MT)						

Attachments:

No Attachments