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Venezuela

Oilseeds and Products

Tariff Schedule for Soybean Complex

1999

Approved by:
Rodrick McSherry
U.S. Embassy, Caracas
Drafted by:
Mora Paiva

Report Highlights:
Venezuela's demand for imported soybean complex is subject to the Andean Community price band system and additional bilateral trade agreements that benefit other south American countries. Imports from the United States are subject to the price band system, which currently imposes more than 50 percent of additional tariff to the soybean complex. This reports covers the latest tariff schedule for the products mentioned.

Includes PSD changes: Yes
Includes Trade Matrix: No
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Executive Summary

Venezuela’s consumption of oilseed and products depends heavily on imported supplies. Almost 80 percent of Venezuela’s oilseed needs are supplied by imports. Oilseed imports are primarily from the United States and Argentina. Soybeans are the principal oilseed consumed in Venezuela and they are virtually all imported.

The current tariff structure has limited the demand for U.S. vegetable oil imports while leaving the door open for the import of soybean oil from other South American countries.

SITUATION AND OUTLOOK

General

Venezuela oilseed production consists of African Palm, cottonseed, sunflower, and palm kernel. Domestic production is stagnant and the local harvest cannot meet domestic needs. In order of importance, Venezuela produces African palm, cottonseed, sesame, sunflower, palm kernel and soybeans. The scope of this report covers the tariff schedule for beans/seeds, meals and oils from soybeans.

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African palm, while not covered in this annual report, is the primary source of domestic oilseed production accounting for more than 60 percent of total domestic oilseed production. Nonetheless, the domestic oilseed industry is not very significant since it meets only 15 percent of total consumption requirements.

TOTAL OILS

About 80 percent of all vegetable oil consumed in Venezuela is imported, and about 60 percent of that oil is soybean oil. Soybean oil imports come from Argentina, Brazil and Paraguay. Less than 1 percent of imported vegetable oil comes from the United States.

Soybean oil imports are forecast to increase because as the amount of imported whole soybeans for vegetable oil is expected to decline. The current tariff structure that exists has limited the demand for U.S. soybean oil imports, while leaving the door open for the South American market.

TOTAL OIL MEALS

More than 75 percent of meal consumed in Venezuela is imported and most of it is soybean meal. Imports of soybean meal have increased steadily over the last two years. This situation may change as less soybean meal will be created from a lower crush of imported whole beans.

The domestic animal feed industry relies on yellow corn, sorghum and soybean meal to manufacture its feed rations. However, consumption of pork, poultry and beef has been declining sharply due to the recession which has lead to less demand for animal feed and this behavior is likely to continue in the coming years.

Venezuela exports soybean meal to northern Colombia basically because that country lacks adequate port facilities for handling soybean meal shipments. It is expected that this exporting trend will continue in the near future**.**

TRADE PREFERENCES

Background

The Andean Pact agricultural price band system was established by Decision 371 of the Cartagena Agreement Commission (JUNAC) in November 1994. On May 17, 1995, the Government of Venezuela (GOV) officially adopted the Andean Pact variable levy price band system, one month after it was published in the GOV's "Gaceta Oficial." Decision 371 establishes the products that are included in the system: feed grains, oilseeds, oilseed products, sugar, rice, wheat, milk, and pork and poultry meat. It identifies marker commodities to represent broad categories of products. It then describes the methodology for determining ceiling prices, floor prices, and reference prices for these marker commodities. The ad valorem Andean Pact Common External Tariffs (CET) are adjusted according to the relationship between the marker commodity reference prices and the floor and ceiling prices.

Readers should note that this is not a simple price band system, under which a variable duty surcharge is levied on products entering at less than the floor price, thus raising the landed price to the floor. Rather, the mechanism is an adjustment in the ad valorem tariff, which is applied to all products entering, regardless of the individual landed price of the shipment.

The agricultural price band system is intended to be a mechanism for stabilizing prices for imported commodities by lowering tariffs when world market prices are higher than usual, and by raising tariffs when prices are lower than usual. Theoretically, this protects both consumers and producers from price distortions in the world market.

Oilseeds and oilseed products are included in the price band system. The current tariff for soybeans is 59 percent and 82 percent for vegetable oils. It is important to note that for the most current tariff rates, it is necessary for the exporter to check the following web-site at: www.comunidadandina.org

Reference Prices

Reference prices are average prices of marker commodities calculated every 15 days using prices from the pre-established reference market (Table 1). Reference prices are converted to a CIF basis by adding fixed insurance and freight costs from the reference markets to the Andean Community.

Fifteen day average reference prices are published biweekly by the JUNAC. The official reference price for all imports that arrive at port between the first day and the fifteenth day of the month will be the average reference price derived from prices collected during the first fifteen days of the previous month. The official reference price for all imports that arrive at port during the second half of the month will be the average reference price derived from prices collected during the second fifteen days of the previous month. (See Table 1 for reference prices for the first half of September 1999.)

Calculating the Variable Tariff

The variable levy for all products covered by a given marker commodity is determined twice a month by comparing the current reference price of the marker commodity with the ceiling and floor prices for the marker commodity. If the reference price falls below the floor price the CET is adjusted up by a certain number of percentage points according to a mathematical procedure. The opposite happens when the reference price is above the ceiling price. The larger the gap between the reference price and the floor/ceiling prices, the greater the number of percentage points added to or subtracted from the CET.

Table 1
Marker Products and Reference Markets

Customs Code	Product	Marker	Reference Market	Source
1201.00.90	Soybean	U.S. No. 2 yellow soybeans	FOB Gulf, daily closing quotes, nearby position, CBOT.	Reuter
1507.10.00	Crude Soybean Oil	Crude soybean oil	FOB Argentina, weekly quotes	Oil World.

Table 2
Derived and Substitute Products Related to Marker Products

Customs Code	Products Related to the Soybean Band
1201.00.90	Soybeans, not for planting, including broken
1202.10.90	Raw peanuts, in shell, not for planting
1202.20.00	Peanuts, shelled, including broken
1205.00.90	Rape seed, not for planting, including broken
1206.00.90	Sunflower seed, not for planting, including broken
1207.40.90	Sesame seed, not for planting, including broken
1207.99.90	Other oilseeds, not for planting, including broken
1208.10.00	Soy flour
1208.90.00	Other oil meals (except mustard seed)
2301.20.10	Fish meal (not for human consumption)
2304.00.00	Soybean meal, cake, pellets
2306.10.00	Cotton seed meal, cake, pellets
2306.30.00	Sunflower seed meal, cake, pellets
2306.90.00	Other oil meals, cakes, pellets

Table 3
Derived and Substitute Products Related to Marker Products (continued)

Customs Code	Products Related to Crude Soybean Oil Band
1507.10.00	Crude soybean oil, including degummed
1507.90.00	Soybean oil, including refined, others
1508.10.00	Crude peanut oil
1508.90.00	Peanut oil, including refined, others
1512.11.00	Crude sunflower or saffron oil
1512.19.00	Sunflower or saffron oil, including refined, others
1512.21.00	Crude cottonseed oil, whether or not gossypol (PBSY) has been removed
1512.29.00	Cottonseed oil, including refined, others
1514.10.00	Crude rapeseed, colza or mustard oil
1514.90.00	Refined rapeseed, colza or mustard oil, others
1515.21.00	Crude corn oil
1515.29.00	Refined corn oil, others
1515.50.00	Sesame oil and its fractions
1515.90.00	Other fixed vegetable fats and oils and their fractions, including refined, but not chemically modified

Table 4
Current Floor/Ceiling Prices for Marker Products
(from April 1, 1999-March 31, 2000)

Customs Code	Marker Commodity	CIF Floor Price US$/MT	CIF Ceiling Price US$/MT
1201.00.90	Soybeans	282	315
1507.10.00	Crude soybean oil	611	671

Table 5
Reference Prices for September 1-15, 1999

Customs Code	Reference Marker Commodity	Prices US$/MT	Adjustment to CET (%)
1201.00.90	Soybeans	204	44
1507.10.00	Crude soybean oil	403	62

Note: Variable duty is added to the CET for each marker commodity listed. Derived and substitute products that have the same CET as the marker commodity will have the same variable duty added. If the related product's CET is different, the variable duty may differ from that shown above.

Soybean Complex and Trade Agreements with Argentina, Brazil and Paraguay

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 trade tariffs are applied over the ad valorem Andean Community Common External Tariffs (CET).

Argentina has a preference of 60 % off the CET. Brazil benefits from a 50% off the CET. Paraguay has 95% off the CET fro crude soybean oil, while refined soybean oil is assessed 92% off the CET. Uruguay has preferential tariff for other oilseeds, not included in the soybean complex of 70% off for flaxseed and 40% off for flax.

Traditionally, these agreements are valid for a six-month period and are published in the Official Gazette, and are continuously renewed. The latest date of publication of the agreements was 11/20/98 and were valid only until 03/31/99. Since then, Venezuela has renewed trade preferences only with Uruguay until December 31, 1999. The rest of the trade agreements are not in effect because they have not been renewed. Major reason for the delay of renewal is that the Andean Community is having trade conversations with MERCOSUR and the mentioned agreements are part of the discussions.

If an importer brings in any product from the soybean complex with an Argentina, Brazil or Paraguay origin, the importer is supposedly paying the total CET calculated over the latest biweekly reference prices published by the JUNAC without applying any of the preferential tariffs. But, the importer is paying a returnable deposit or guarantee to Customs that results from the difference between the total CET and the preferential tariffs. When the trade agreements with Argentina, Brazil and Paraguay are finally renewed, the importer will use the returnable deposit or guarantee.

The most current tariff schedule for soybean complex exports to Venezuela from Argentina, Brazil, Paraguay and Uruguay are described in table No. 6:

Table No. 6
Tariff Schedule for Imports from Argentina, Brazil, Paraguay and Uruguay

Customs Code	Description	Common External Tariff	Argentina	Brazil	Paraguay	Uruguay
12.08.10.00	soybean	59 %	**	**	**	**
15.07.10.00	soybean crude oil	82 %	32.8 %	41 %	4.1 %	**
15.17.90.00	artificial mixtures containing 5 percent or more by weight of soybean oil or any fraction thereof	82%	32.8 %	41%	**	**
15.18.00.00	inedible mixtures or preparations of animal or vegetable fats or oils	82%	32.8%	41%	**	**
15.07.90.00	soybean refined oil	82%	**	**	6.5%	**

** no agreement established

Factors Affecting the U.S. Soybean Complex Exports to Venezuela

There can be a shift in favor of certain U.S. products in the oilseeds complex due to the network of tariff concessions made to third country suppliers. U.S. competition in the Venezuelan market for oilseeds, oil meals, and vegetable oil comes mainly from Andean Community countries and from Argentina, Brazil and Paraguay. (Andean Community products enter duty free. Selected products from Argentina, Brazil and Paraguay benefit from preferential tariffs.) The supplier of oilseeds and products most affected by the price band system is the United States. The price band system will tend to work in the favor of U.S. vegetable oil exports when world prices of the marker commodity, i.e., soybean oil, are higher than normal, driving the variable levy down. However, the preferential tariff treatment weights heavily in favor of our competitors.

Current Tariff Schedule for U.S. Soybean Complex

The most current tariff schedule for U.S. soybean complex exports to Venezuela are described in table No. 7:

Table No.7
Tariff Schedule for U.S. Exports to Venezuela
(arriving at port between September 1- 15, 1999)

Customs Code	Description	Rates of Duty
1208	Flours and meals of oil seeds and oleaginous fruits, other than those of mustard	
1208.10.00	Of soybeans	59%
1208.90.00	Of others	59%
1507	Soybean oil and its fractions, whether or not refined, but not chemically modified:	82%
1507.10.00	Crude Oil, whether or not degummed	82%
1507.90	Other:	82%
1507.90.20	Pharmaceutical Grade meeting FDA requirements for use in intravenous fat emulsions, valued over $5/Kg	82%
1507.90.40	Other	82%
1507.90.40.20	Once-refined (subject to alkalai or caustic wash, but not bleached or deodorized)	82%
1507.90.40.40	Other (fully refined, washed, bleached or deodorized)	82%
2304.00.00.00	Oilcake and other solid residues, whether or not ground or in the form of pellets, resulting from the extraction of soybean oil	59%