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Venezuela

Coffee Annual

Annual

Approved By:

Prepared By:
Clara Nuñez

Report Highlights:
Venezuela's coffee output has been under significant pressure from low output prices, weather, and economic policy. Production is expected to decline further in 2010, as no reversal in the current environment is seen, and thus imports again will be needed to meet domestic demand. Forecast imports for 2010 will be around 230,000 bags, lower than the current year, but still significant, as some stocks build up from an accelerated import program could be used in the next year.

Executive Summary:

During two consecutives harvests, Venezuelan coffee output declined as a consequence of bad weather and a combination of inflation, low output prices, and devaluation. Lack of producer unity and the expropriations of the two major coffee processors have made marketing the crop to processors more complicated, significantly reducing enthusiasm of many farmers to continue operations.

Coffee production corresponding to the 2009-2010 season fell approximately six percent versus the previous harvest, at about 728,000 bags. In order to cover the deficit, the Government imported approximately 310,500 bags (405,000 quintals) last year. Suppliers were Brazil, Nicaragua and El Salvador.

Coffee millers and producers are requesting that the Government adjust upwards retail and farm-gate controlled prices last changed in November 2008 to meet ever higher input costs. To date, no new adjustments have been made.

Production:

At the beginning of the 2009/10 coffee harvest, growers were expecting some decline in production due mainly to unfavorable weather. Actual results were worse than expected as the factors mentioned above played their role, too. The season starting in October 2009 and ending in March 2010 produced only about 728,000 bags (950,000 quintals). This, compared with the 996,000 bags (1.3 million quintals) harvested in the previous year, means a decreased of about 27 percent according to official figures. Given that the production was insufficient to meet the demand of the industry, for the first time in four years the Government had to rely on imports to cover the deficit.

In 2010/11 yields are not forecast to improve. The crop is estimated at about 900,000 quintals (690,000 bags), or an additional six percent decline. For the second year running, output will be insufficient to meet the requirements of the industry, which are estimated at 152,000 tons of coffee per month.

The industry is currently concerned that delivery of coffee beans to the roasting plants has decreased as a consequence of low production. They believe that if coffee beans are not imported in a timely manner, the market will start experiencing coffee shortages again in the coming months.

Consumption:

Currently, Venezuela consumes all domestically produced coffee and now also imports coffee. Per capita consumption is estimated at about 1.9 kilograms per year. Local coffee consumption is considered high compared with other producing countries.

Total coffee consumption for 2009/10 was 875,000 bags. In 2010/11 consumption is estimated at 878,000 bags due to a better access of low-income people to basic food basket products distributed through government food marketing chains.

Trade:

During 2009-2010, both producers and industry estimated that imports would be about 300,000 bags of coffee beans. However figures show that the Government imported a total of 310,000 bags (405,503 quintals) of coffee, which is an amount equivalent to more than 50 percent of the crop. From that amount, 182,580 bags were brought from Brazil, 121,348 bags from Nicaragua, and 6,957 bags from El Salvador.

One of the Government's plans is to export coffee to Russia, but currently Venezuelan production is not enough to cover domestic consumption. The Venezuelan coffee market is largely domestic; no significant exports have been registered since 2004, however unofficial shipments through the border with Colombia do reportedly occur, not only of green beans but roasted ground coffee, too.

Estimated imports for 2010-2011 are around 230,000 bags sourced mainly from Brazil.

Policy:

The Bolivarian Government has invested a lot of money to support coffee production. Through the "Coffee Plan," the Government envisaged doubling bean production, which in 2004 was 1.5 million quintals (well above today's level), to three million quintals; to accomplish this, an increase 50,000 hectares of the area planted was required. Industry sources report area planted has declined. The Government invested a significant amount of funds in this project.

According to the new "Agricultural Comprehensive Development Plan" (PIDA) the Government estimates an increase of about 17 percent of the area planted for the 2010-2011 harvest. However, farmers say that without a successful pricing policy consonant with the costs of production, and without sustainable agricultural policies, it will be impossible to achieve these production goals.

In November 2009, the Government, through a Decree from the President, decided that it would forcibly acquire two major private coffee processors. This action was taken under the argument that these companies monopolized the market and encouraged smuggling activities. The Government now controls approximately 70 percent of the domestic coffee market.

Production, Supply and Demand Data Statistics:

Coffee, Green Venezuela	2008/2009			2009/2010			2010/2011		
	Market Year Begin: Oct 2008			Market Year Begin: Oct 2009			Market Year Begin: Oct 2010		
	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post
Area Planted	300	200	200	300	200	200		200	200
Area Harvested	208	180	180	208	180	180		180	180
Bearing Trees	560	500	500	560	500	500		500	500
Non-Bearing Trees	30	30	30	30	30	30		30	30
Total Tree Population	590	530	530	590	530	530		530	530
Beginning Stocks	394	394	394	379	323	323		367	367
Arabica Production	845	996	996	800	728	728		690	690
Robusta Production	0	0	0	0	0	0		0	0
Other Production	0	0	0	0	0	0		0	0
Total Production	845	996	996	800	728	728		690	690
Bean Imports	0	0	0	0	310	310		230	230

Roast & Ground Imports	0	4	4	0	5	5		5	5
Soluble Imports	25	1	1	25	1	1		1	1
Total Imports	25	5	5	25	316	316		236	236
Total Supply	1,264	1,395	1,395	1,204	1,367	1,367		1,293	1,293
Bean Exports	10	202	202	10	120	120		100	100
Rst-Grnd Exp.	0	35	35	0	5	5		0	0
Soluble Exports	0	0	0	0	0	0		0	0
Total Exports	10	237	237	10	125	125		100	100
Rst,Ground Dom. Consum	850	825	825	860	865	865		868	868
Soluble Dom. Cons.	25	10	10	25	10	10		10	10
Domestic Use	875	835	835	885	875	875		878	878
Ending Stocks	379	323	323	309	367	367		315	315
Total Distribution	1,264	1,395	1,395	1,204	1,367	1,367		1,293	1,293
Exportable Production	0	161	161	0	0	0		0	0
TS=TD			0			0			0

Author Defined:
Crop Area

Area planted has been revised from 300,000 hectares to 200,000 hectares. Currently, only about 200,000 hectares are under cultivation.

As coffee plantations are distributed over a wide range of altitudes and regions, coffee can be harvested during ten months of the year. Most coffee is grown in the west and northern mountains area (Cordillera de los Andes and Cordillera de la Costa), particularly in the following states: Táchira, Merida, Trujillo, Lara, Portuguesa, Monagas and Sucre.

The coffee harvest is done by hand, and is harvested between October and December. Diminished labor availability has been one of the major problems contributing to the decrease in production and reduction of area harvested, since many producers in this situation has been forced to switch to another crop or economic activity. Fixed prices and fertilizers shortages have also contributed to the reduction of the area planted.

Prices

Coffee, like many other products of the basic food basket products, is under a controlled price regime established by the Venezuelan Government in 2003. Coffee producers think that price controls have affected the performance of the sector. While the costs and the agricultural inputs needed for the coffee production are constantly increasing, farm-gate and retail prices are regulated at prices that do not provide adequate compensation. This lag is exactly what has affected coffee production, because reduced profit margins have negatively impacted investment.

Controlled prices for coffee were last adjusted by the Government on November 2008. At that time a kilogram of coffee (beans or ground) went up from Bs. 11.45 to Bs. 18.85. Farm-gate price for a quintal (46 kilograms) of best quality green coffee is set at Bs. 585. For the harvest that just ended, 2009-2010, producers were hoping for an adjustment in the price of coffee to Bs. 850 in order to get modest profitability, but the Government made no changes.