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Venezuela

Post: Caracas

Venezuela Sugar Industry Outlook 2011

Report Categories:

Sugar

Approved By:

Randall Hager

Prepared By:

Luis Mulet

Report Highlights:

The Venezuelan sugar industry foresees declining domestic production in MY 2011 due to the industry’s marginal profitability and policy considerations such as fixed farm gate prices. Imports are expected to increase up to about 800,000 metric tons. Difficulties in finding sufficient sugar on the international market, decreasing cane planted area, and government price controls could lead to a greater scarcity by the end of 2011.

Executive Summary:

A combination of price controls, decreasing cane planted area, and increased competition from imports will negatively impact the domestic sugary industry in the coming year. Market year cane production forecasts are for a decrease to 650,000 tons, while estimates for refined sugar production fall to 500,000 metric tons. Imports will still be needed to cover the needs of the soft drink and confectionary industries.

General Information:

Venezuelan sugar millers will not increase investment during 2011 because price controls on refined sugar limit profitability. Post forecasts that refined sugar production will fall to 500,000 metric tons. With lower raw material availability, sugar mills will function at 60 percent of their total milling capacity. It is expected that by 2011, less than 50 percent of sugar demand will be met by domestic production and imports will cover the remainder.

The 2011 harvest will reach only 650,000 metric tons (MT), approximately 100,000 MT less than in 2010. Industry forecasts are for a 20 percent reduction in area planted in the next three years due to land expropriations and controlled prices reducing production incentives.

The Ministry of Agriculture and Lands has not transferred subsidy payments granted last year to farmers, and this delay has created enough uncertainty to lead some producers to consider not planting for the next season. The government will have to invest USD 700 million in imports to cover the expected gap between local production and consumption. In the last four years, the cost of production per hectare has increased by 295 percent.

The sugar industry forecasts that consumption will not increase in the short term. Demand for 2011 is estimated at 1.2 million tons of refined sugar. At present the industrial sector receives 60 percent of sugar production while 40 percent is destined for domestic/home consumption.

The sugar industry forecasts imports of raw sugar at 800,000 metric tons during 2011, nearly all from Brazil. The industry is well aware that given higher international prices and controlled domestic prices, it will be difficult to source imports because availability on the world market and profitability of product imported and sold on the domestic market.

Sugar, Centrifugal Venezuela	2008/2009			2009/2010			2010/2011			
	Market Year Begin: Sep 2008			Market Year Begin: Sep 2009			Market Year Begin: Sep 2010			
	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	
Beginning Stocks	227		107	193		73			173	(1000 MT)
Beet Sugar Production	0		0	0		0			0	(1000 MT)
Cane Sugar Production	621		621	540		600			500	(1000 MT)
Total Sugar Production	621		621	540		600			500	(1000 MT)
Raw Imports	300		300	300		500			550	(1000 MT)
Refined Imp.(Raw Val)	150		150	150		200			250	(1000 MT)
Total Imports	450		450	450		700			800	(1000 MT)
Total Supply	1,298		1,178	1,183		1,373			1,300	(1000 MT)
Raw Exports	0		0	0		0			0	(1000 MT)
Refined Exp.(Raw Val)	0		0	0		0			0	(1000 MT)
Total Exports	0		0	0		0			0	(1000 MT)
Human Dom. Consumption	1,100		1,100	1,078		1,195			1,200	(1000 MT)
Other Disappearance	5		5	5		5			5	(1000 MT)
Total Use	1,105		1,105	1,083		1,200			1,205	(1000 MT)
Ending Stocks	193		73	100		173			95	(1000 MT)
Total Distribution	1,298		1,178	1,183		1,373			1,300	(1000 MT)