

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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POLICY

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Venezuela

Coffee Annual

Coffee Report

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Report Highlights:

Production for MY 2012/13 is estimated to be a good crop at about 843,000 bags, compared to the 613,000 bags of MY 2011/12. Imports of coffee are expected to continue. Estimated imports for 2012/13 are 604,000 bags.

Executive Summary:

The implementation of price controls in 2003 hastened the decline of the coffee sector in Venezuela, which had already been under pressure from low output prices, difficult weather and challenging government economic policies. Recent increases in prices and the new ability to have 30 percent of production for non-price controlled products should help remaining producers fare better. Production for MY 2012/13 is estimated to be a good crop at 843,000 bags, compared to the 613,000 bags last MY 2011/12 (due to excessive rains in the coffee areas). Venezuela began importing large amounts of coffee in 2009 and it now imports more than half of the coffee that it consumes. Estimated imports for MY 2012/13 are 604,000 bags. The government raised prices in November 2011 to encourage producers to increase production.

Commodities:

Coffee, Green

Production:**Crop Area**

Most of the coffee is grown in the west and northern mountains area (Andean range and Cost range), particularly in the states of Táchira, Merida, Trujillo, Lara, Portuguesa, Monagas and Sucre. Planted area remains at about 200,000 hectares but productivity has been decreasing. Coffee plantations are distributed over a wide range of altitudes and regions and so coffee can be harvested during ten months of the year.

Production

Coffee harvests are done by hand between October and late March. The lack of labor availability is a major problem and contributes directly to decreases in production and yields. Many producers without labor switch to another crop if possible or try raising animals.

Other factors that constrain production are the farm-gate and retail price controls, lack of access to fertilizers, lack of investment due to inability to make profits and a fear of government takeovers.

According to the National Producers Federation (Fedeagro), heavy and excessive rains in certain coffee areas reduced the October 2010-March 2011 harvest to a record low 613,000 bags (800,000 quintals). Fedeagro projects that the MY 2011/12 crop could reach about 843,000 bags (1,100,000 quintals) if rain does not damage the flowering. This crop year also corresponds to the high productivity year in Venezuela's biennial cycle. Production for MY 012/13 is forecasted at 881,000 bags (1,150,000 quintals) assuming timely and appropriate public financing, fair price reviews, and good weather conditions.

The expropriation of the company Café Fama de América in 2009 and the acquisition of a 50 percent of the stakes in Marcelo & Rivero (Café Madrid) in 2010 put the Venezuelan Government in control of 80

percent of the coffee processing industry, with the remaining 20 percent in the hands of small private companies.

Consumption:

Total domestic coffee consumption for 2010/11 was 1,280,000 bags. Fedegro estimates MY 2011/12 consumption to slightly increase to 1,285,000 bags and then again increase to 1,290,000 bags in MY 2012/13. This increase in consumption is linked to better access of the low-income people to the basic food basket products through the government food commercial chains, which commercialize food products at lower prices. Coffee is included in the basic food basket.

Since 2009, production has failed to meet demand and the Government has had to import large amounts of coffee. There is also a shortage of soluble and decaffeinated coffee in the grocery stores, most of which has always been imported. This is only a small niche market because Venezuelans prefer roasted coffee.

Trade:

The Bolivarian Government is the sole importer of coffee. Since 2009, Venezuela has had to import large quantities of green coffee to supply both coffee roasters and the domestic market.

Fedegro believes the price controls on coffee continue to undermine the sector's viability. They estimate that during MY 2010/11, over 622,000 bags (811,000 quintals) were imported (mainly from Brazil and Nicaragua). They report that the imported coffee is of poor quality with small and uneven grain size and low in aroma.

Coffee imports are expected to continue and should start in June after the domestic crop is fully collected. Imports in MY 2011/12 may decrease to 604,000 bags (787,000 quintals). The Government recently announced a "Socialist Coffee Plan" designed to expand production capacity and lower imports. If successful implemented, imports for MY 2012/2013 could further drop to 398,000 bags.

The Venezuelan coffee market is now largely domestic and no significant exports have been recorded since 2009. There are unofficial shipments to Colombia because of higher prices available there and we understand that shipments of both green coffee beans and roasted ground coffee have increased. Estimates are that about 100,000 bags moved out in MY 2010/2011 and another 100,000 bags are expected to leave the country in MY 2011/2012.

Policy:

Prices

Coffee, like many other food products in Venezuela, is under a controlled price regime established in 2003. Farm-gate prices for green coffee and the retail prices for ground coffee were raised in November 2011 (the first time in almost 2 years). According to the Official Gazette N° 39.058, the price of both coffee beans and ground coffee is now fixed at 18.45 bolivars per kilo (compared to the former price of 11.85 bolivars per kilo).

The price of the Good Washed “A” went from to 1,200 bolivars (from 747 bolivars) per quintal. The price of green coffee Good Washed “B” rose to 1,080 bolivars (from 691 bolivars) and Good Washed “C” increased to 980 bolivars (from 623 bolivars).

Many small farmers and processors still claim that the prices set by the government are not high enough to cover production costs or provide an adequate return. A new regulation recently published at the Official Gazette allows the coffee industry to have up to 30 percent of their production in non-regulated products. This could represent a better return for the industry members that want to make gourmet or flavored coffees that are not price controlled.

Production, Supply and Demand Data Statistics:

Coffee, Green Venezuela	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Oct 2010		Market Year Begin: Oct 2011		Market Year Begin: Oct 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	200	0	200		200
Area Harvested	0	180	0	180		180
Bearing Trees	0	500	0	500		500
Non-Bearing Trees	0	30	0	30		30
Total Tree Population	0	530	0	530		530
Beginning Stocks	380	380	315	210		242
Arabica Production	690	613	800	843		881
Robusta Production	0	0	0	0		0
Other Production	0	0	0	0		0
Total Production	690	613	800	843		881
Bean Imports	390	620	250	598		383
Roast & Ground Imports	0	1	0	1		5
Soluble Imports	75	1	100	5		10
Total Imports	465	622	350	604		398
Total Supply	1,535	1,615	1,465	1,657		1,521
Bean Exports	0	100	0	100		80
Rst-Grnd Exp.	0	0	0	0		0
Soluble Exports	0	0	0	0		0
Total Exports	0	100	0	100		80
Rst,Ground Dom. Consum	1,120	1,280	1,000	1,285		1,290
Soluble Dom. Cons.	100	25	125	30		30
Domestic Use	1,220	1,305	1,125	1,315		1,320
Ending Stocks	315	210	340	242		121
Total Distribution	1,535	1,615	1,465	1,657		1,521

1000 HA, MILLION TREES, 1000 60 KG BAGS

