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## Venezuela

### COFFEE ANNUAL

#### Annual

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**Report Highlights:**

The Venezuelan coffee sector had a dismal 2008/09, but prospects for 2009/10 are slightly better due to a good production cycle and credits available from the government coffee plan. A combination of bad economic conditions, including inflation, lack of organization within the sector, controlled prices, and unfavorable climatic conditions has led to drops in output. Large amounts of coffee, both green beans and roasted ground coffee, have moved through the border due to better prices in Colombia creating some local shortages. If this trend continues Venezuela could be experiencing severe coffee shortages and start importing coffee in 2010 for the first time since Independence.

**Commodities:**

Coffee, Green

**Production:**

Venezuela produces very high quality Arabica coffee. From colonial days until the discovery of the first oil well more than a century ago, Venezuela's main source of income was coffee and cocoa. Currently, only about 200,000 hectares are under cultivation.

Most coffee is grown at altitudes ranging from 600 meters to 1,500 meters, and is harvested in December and January, with the harvest in the eastern region extending until February. Most coffee producers are small farmers with plantations between one and five hectares. There is fragmentation and dispersion of the coffee growers, of which the small (peasant families) represent 65 percent of the domestic production, and their level of technology is usually very low.

Coffee industry sources indicate that yields in Venezuela are approximately five to 6.5 quintals (one quintal equals 46 kilograms) per hectare, which is very low in comparison with countries like Brazil and Colombia where the yield is between 16 or 27 quintals per hectare. The industry blames this low yield to the lack of organization of the national coffee sector.

During the last 20 years, coffee production in Venezuela has been generally declining, with a good season every few years. Because of poor weather, the 2008/2009 harvest, considered to have been on the downswing in any case, closed with a production of 845,000 bags. This was much lower than the 2007/08 harvest with a production of 996,000 bags. The year 2009/10 is expected to be a good season, and output is estimated to increase to 910,000 bags.

As noted in previous reports, Venezuelan coffee production has not expanded in the last four years, since there has been no price stimulus to keep growers on the land. Production costs have increased significantly, and labor (coffee production in Venezuela is very labor intensive) is difficult to find; plantation workers have instead often migrated to the government social missions. Added to these difficulties are factors such as low productivity growth, hard economic conditions in production zones, the lack of technical and financial support, outbreaks of the "broca" coffee borer worm in certain areas, and deficient transportation infrastructure.

**Consumption:**

Per capita consumption is estimated at about 1.9 kilograms/year. Local coffee consumption is considered high when compared with other producing countries. Total domestic consumption in 2008/09 was 850,000 bags and for 2009/10 is expected to increase to 860,000 bags. This increase in consumption is linked to better access of low-income people to the basic food basket, which includes coffee products, in controlled-price government food chains.

**Trade:**

The Venezuelan coffee market is largely domestic; no significant exports have been registered since 2004, however unofficial shipments through the border do occur, and recently those shipments have reportedly consisted of green beans and an increased quantity of roasted ground coffee, too.

Controlled domestic prices have meant that the traditional pattern of coffee coming in from Colombia has virtually stopped, and much more coffee than usual is being sent out. In that sense, estimates are that about 250,000 bags have moved out in 2008/2009. Exports for 2009/2010 are estimated at 80,000 bags.

Producer's representatives have said that the Government should control unofficial shipments to achieve the goal of full supply of coffee for next year otherwise official imports from Colombia may occur for the first time since Independence. Imports are forecasted at 121,000 bags for 2009/10.

Representatives of the coffee sector consider that if some coffee is shipped to other countries, shortages in the shelves could be noticed because the 2008-2009 harvest closed with a low production of 845,000 bags and total consumption is between 70,000 and 95,000 bags per month.

As per contact information, Colombia buys the quintal of green coffee beans at Bs 1,100 and in Venezuela it is acquired at Bs 470 as per last year regulation published at the Official Gazette. This situation makes the Colombian market more attractive for domestic producers. The Ministry of Agriculture and the Intendancy of Silos have announced the creation of a Commission to monitor the main coffee mills with the objective of controlling coffee contraband.

### Stocks:

Contrary to the Government point of view, information from producers and the industry is that coffee stocks are very low; they estimate inventories for 125 days only, while the government has said that there is coffee stored to cover five months of consumption. Ending stocks for 2008/08 are estimated at 155,000 bags.

### Production, Supply and Demand Data Statistics:

Coffee, Green Venezuela	2008			2009			2010		
	2007/2008			2008/2009			2009/2010		
	Market Year Begin: Oct 2007			Market Year Begin: Oct 2008			Market Year Begin: Oct 2009		
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		Jan
			Data			Data			Data
Area Planted	300	300	300	300	300	290			280
Area Harvested	208	208	208	208	208	200			190
Bearing Trees	560	560	560	560	560	540			540
Non-Bearing Trees	30	30	30	30	30	30			30
Total Tree Population	590	590	590	590	590	570			570
Beginning Stocks	483	483	483	414	414	414			155
Arabica Production	996	996	996	920	920	845			910
Robusta Production	0	0	0	0	0	0			0
Other Production	0	0	0	0	0	0			0
Total Production	996	996	996	920	920	845			910
Bean Imports	0	0	0	0	0	0			0
Roast & Ground Imports	4	4	4	5	5	5			120
Soluble Imports	1	1	1	1	1	1			1
Total Imports	5	5	5	6	6	6			121

Total Supply	1,484	1,484	1,484	1,340	1,340	1,265			1,186
Bean Exports	225	225	200	180	180	200			0
Rst-Grnd Exp.	35	35	40	35	35	50			30
Soluble Exports	0	0	0	0	0	0			0
Total Exports	260	260	240	215	215	250			30
Rst,Ground Dom. Consum	800	800	820	800	800	850			860
Soluble Dom. Cons.	10	10	10	10	10	10			10
Domestic Use	810	810	830	810	810	860			870
Ending Stocks	414	414	414	315	315	155			286
Total Distribution	1,484	1,484	1,484	1,340	1,340	1,265			1,186
Exportable Production	186	186	166	110	110	0			40

**Author Defined:  
Prices**

Coffee, like many other products of the basic food basket, is under a controlled price regime established by Venezuela since 2003. Farm-gate prices for green coffee as well as ground coffee retail prices were last adjusted in November 2008. The Government was forced to review them due to market pressure after almost 40 months without change (GAIN VE8092). Political controls have always been present in the sector, and this also limits any possibility of developing a strong, diversified sector.