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Global Agricultural Information Network

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Venezuela

Grain and Feed Annual

Severe drought affecting domestic grain harvest

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Report Highlights:

Post expects trade of US yellow corn and wheat to continue, based on domestic food demand, needs for animal feed a the fall in domestic grain production.

Executive Summary:

Agricultural production in Venezuela has been seriously affected by the lack of rainfall in 2009 and the first quarter of 2010, registering the most severe drought of the past 37 years. This significantly affected grain production, especially in the Central states and in the plains (Llanos) where corn, sorghum and rice crops are harvested. Increasing production costs, regulated farm gate prices and retail prices of the finished products have hurt production, too. This situation discourages growth and has impacted results for corn, rice, coffee, and sugar, Venezuela's major crops.

Official agricultural figures from 2008 have not been published yet. Usually they have a delay of about two years or more, which makes it very difficult for producers to estimate the behavior of agriculture in Venezuela.

Private sources report a dramatic decrease of domestic grain production in 2009. A drop of about 700,000 tons of corn is estimated.

Rice production has registered a seven percent fall this year according to the Venezuelan Producers Association as a consequence of the drought, unfavorable market conditions, and price controls. Dry weather and declining reservoir levels in key producing areas are expected to lower Venezuela's rice output in the next year, and imports may well increase as a result.

Domestic producers estimate sorghum production at 150,000 MT for 2009, a decrease of about 39 percent when compared to 2008.

Venezuela is heavily dependent on wheat imports for domestic flour milling. Post expects trade wheat to continue based on domestic food demand.

In general, 2009 was particularly bad for agriculture in Venezuela, the prolonged drought affected the two planting cycles (winter and summer). Despite the poor production results in 2009, the Ministry of Agriculture and Lands re-launched the so called Integrated Plan for Agricultural Development (PIDA) which estimates growth in production of about 126 percent growth in corn, 244 percent in sorghum and 30 percent in rice for 2010. However farmers and the agricultural industry sector think that these goals will be hard to achieve.

Commodities:

Corn

Production:

Corn is the most important cereal in Venezuela, constituting the main source of energy in the Venezuelan diet and an important contribution to the economy. About 450,000 hectares are harvested annually, of which 75 percent are located in the Western Plains, Central Plains, and the Yaracuy River

Valley. These three regions differ markedly in the soil and climate conditions and have significant inter-annual variations in the amount and distribution of rainfall.

As previously reported, about 55 percent of corn produced in Venezuela is white corn for human consumption and the remainder is yellow corn for both human consumption and feed manufacturing. The white corn crop is traditionally purchased by the corn flour industry mainly to produce precooked corn flour for the basic diet. This year the white corn crop is estimated to be significantly lower than last year.

According to preliminary estimates made by the Venezuelan Producers Association last year, total corn production was to be 1,634,000 tons in 2009, but due to severe drought it is now estimated at only 1,350,000 MT. This quantity will not cover the demand of the corn flour industry. As per industry and press sources there is a deficit of about 400,000 tons of white corn this year and rumors are that some imports from Mexico started coming to cover these needs. Production for 2010/11 is estimated to increase only to 1,500,000 MT due to current unfavorable weather conditions, high costs of production, and low farm gate prices.

Consumption:

White corn is milled to produce precooked corn flour mostly for human consumption, while yellow corn is used for animal feed. Total consumption of corn flour has been increasing in response to declining real incomes--its cheaper price relative to other food products--and sufficient availability through the government food networks, Mercal and PDVAL.

Venezuela is a country that consumes between 30 and 33 kilos per capita per year of pre-cooked corn flour transformed into "arepas" (a kind of corn bread) and other corn dishes, and the availability of the raw material for these products is a matter of food sovereignty. The corn flour industry supplies 70,000 tons of corn flour per month produced out of domestic white corn.

Feed consumption for 2009/10 is estimated at 1,350,000 MT and forecast to slightly increase to 1,400,000 MT in 2010/11. This growth in yellow corn consumption will be due to expected increases of poultry and swine production.

Trade:

Traditionally the United States has been the major yellow corn supplier to Venezuela. Despite a slight forecast increase in the domestic yellow corn crop, Venezuela will still need to import a large amount of the grain to cover their needs. For 2010 the government will attempt to protect and reinforce their "food security" policy and avoid food shortages by relaxing import permit procedures, and has been issuing some permits for the import of feed components.

Yellow corn imports will continue to meet the shortfall and to supply the growing feed industry. Based on information from the local industry, total corn imports for 2009/10 are estimated at 1,300,000 MT of which 300,000 MT will be of white corn and the rest yellow corn. Post forecasts total corn imports for 2010/11 to increase to 1,500,000.

Marketing:

Traditionally Venezuelan feed manufacturers have preferred U.S. yellow corn over other origins.

Production, Supply and Demand Data Statistics:

Corn Venezuela	2008	2009	2010
	2008/2009	2009/2010	2010/2011
	Market Year Begin: Oct 2008	Market Year Begin: Oct 2009	Market Year Begin: Oct 2010

	USDA Official Data		New Post	USDA Official Data		New Post	USDA Official Data		New Post	
			Data			Data			Data	
Area Harvested	600	600	540	540		395			450	(1000 HA)
Beginning Stocks	345	143	345	481		245			145	(1000 MT)
Production	2,000	2,000	1,800	1,800		1,350			1,400	(1000 MT)
MY Imports	1,336	550	1,300	1,300		1,300			1,500	(1000 MT)
TY Imports	1,336	550	1,300	1,300		1,300			1,200	(1000 MT)
TY Imp. from U.S.	1,146	0	1,084	0		1,145			0	(1000 MT)
Total Supply	3,681	2,693	3,445	3,581		2,895			3,045	(1000 MT)
MY Exports	0	0	0	0		0			0	(1000 MT)
TY Exports	0	0	0	0		0			0	(1000 MT)
Feed and Residual	1,700	1,200	1,700	1,700		1,350			1,400	(1000 MT)
FSI Consumption	1,500	1,350	1,500	1,500		1,400			1,450	(1000 MT)
Total Consumption	3,200	2,550	3,200	3,200		2,750			2,850	(1000 MT)
Ending Stocks	481	143	245	381		145			195	(1000 MT)
Total Distribution	3,681	2,693	3,445	3,581		2,895			3,045	(1000 MT)
Yield	3.	3.	3.3333	3.		3.4177			3.1111	(MT/HA)
TS=TD			0			0			0	

Author Defined:

Price:

The Government sets both farm gate and consumer prices of corn and corn products, and these reportedly below-cost parameters distort the domestic market. The current farm gate price of white corn is Bs. 820 per ton, and maximum retail price of corn flour was set at Bs. 2.72 per kilo. These prices were last reviewed by the government on April 2009 and took effect in August 2009. According to producers and industry sources, the price increases were not sufficient to meet rising input costs.

Commodities:

Rice, Milled

Production:

Rough rice production in 2009 registered a sharp drop from 766,000 MT in 2008 to 634,000 MT in 2009 as a consequence of a severe drought caused by the “El Niño” phenomenon and uncertain production policies. Growth of production has also been affected by costs and output prices which have been controlled for several years.

According to producers and industry sources key production areas in Venezuela are too dry, and as a result planted area has declined significantly even in regions that use irrigation to supply the crop with water. Also restrictions on irrigation water from public dams have reduced plantings for

the current cycle. Area harvested for rice in 2009 fell to about 140,000 hectares and it is estimated to slightly increase to 145,000 hectares in 2010 if weather conditions improve. The drought not only affected planting but yields which have dropped from five MT per hectare to less than four MT.

Consumption:

There is a rice deficit in the country due to greater consumption. Domestic production does not fulfill the increasing demand.

Rice is a traditional food and an important staple in the Venezuelan diet. Per capita consumption has increased in the last few years due to government policy of low controlled consumer prices. Even though the intervention and expropriation of several rice mills at the beginning of year 2009 created a confusing situation in the industry, consumption in 2009/10 reached 600,000 MT since rice is within the government list of strategic food products. Consumption is estimated to be steady in 2010/11 due to the fall in domestic production and the uncertainties of the milling industry.

Trade:

In the last three years, rice imports have been carried out by the government to alleviate the internal deficit. Imports have been done mainly through government entities, Corporation CASA and by a subsidiary of the Venezuelan state oil company PDVSA called Bariven, mostly from the United States. During 2009/10 the government announced imports from Argentina, Ecuador and Guyana; however the quantities brought were of smaller amounts.

Imports during MY 2009 were officially reported at 55,000 MT. Imports are forecast to increase to about 250,000 MT during 2010/11.

Unofficial cross border trade with Colombia traditionally has occurred. During 2009 about 50,000 MT of unofficial rice exports were estimated. Rice exports to Colombia are estimated to fall to 20,000 MT during 2010/11 since trade with Colombia has been closed down since August 2009 and strong controls in the border have been implemented by the Bolivarian government.

Marketing:

It is expected that the Government will continue importing paddy rice through CASA or PDVSA in order to comply with their food security policy.

Production, Supply and Demand Data Statistics:

Rice, Milled Venezuela	2008			2009			2010			
	2008/2009			2009/2010			2010/2011			
	Market Year Begin: Jan 2008			Market Year Begin: Jan 2009			Market Year Begin: Jan 2010			
	USDA Official Data		New Post	USDA Official Data		New Post	USDA Official Data		Jan	
			Data			Data			Data	
Area Harvested	160	165	160	140		140			145	(1000 HA)
Beginning Stocks	75	93	75	263		234			69	(1000 MT)
Milled Production	540	560	520	428		430			420	(1000 MT)
Rough Production	796	825	766	631		634			619	(1000 MT)
Milling Rate (.9999)	6,786	6,786	6,786	6,786		6,786			6,786	(1000 MT)
MY Imports	314	90	314	190		55			250	(1000 MT)
TY Imports	190	90	314	300		55			250	(1000 MT)

TY Imp. from U.S.	0	0	314	0		44			240	(1000 MT)
Total Supply	929	743	909	881		719			739	(1000 MT)
MY Exports	80	20	80	50		50			15	(1000 MT)
TY Exports	50	20	80	40		50			15	(1000 MT)
Consumption and Residual	586	594	595	570		600			600	(1000 MT)
Ending Stocks	263	129	234	261		69			124	(1000 MT)
Total Distribution	929	743	909	881		719			739	(1000 MT)
Yield (Rough)	5.	5.	4.7875	5.		4.5286			4.269	(MT/HA)

Author Defined:

Prices

As mentioned previously, both farm-gate and retail rice prices have been controlled by the government since 2003, creating a distortion in the domestic market. As a direct effect of the devaluation the cost of some food products were recently reviewed by the government and the retail price for rice was moved up from Bs. 2.82 to Bs. 3.66 per kilo.

Commodities:

Sorghum

Production:

Sorghum is an important crop for certain dry areas in the east and southern part of the country, especially in Guárico, Cojedes and Portuguesa States. For the last four years, the sorghum harvest has been affected by lower product prices, lack of incentives to producers, and poor weather.

The little sorghum planted in the eastern plains. During the winter, the crop of 2009 was almost entirely lost and was only good for pasture for cattle, while in the western plains the low rainfall and severe dryness was an important factor.

According to the Venezuelan Producers Association sorghum production during 2009 was 150,000 MT, which represents a decrease of about 39 percent with respect to production in 2008. The volume of sorghum produced is the lowest recorded production in the last twenty years. Area harvested in 2010/11 is expected to remain steady at 100,000 hectares and production is estimated to slightly increase to 155,000 MT.

Consumption:

Grain sorghum is mainly used for poultry and swine feed production in Venezuela. Sorghum feed consumption in 2008 was 325,000 MT and as a result of the government subsidy it is estimated to drop to 180,000 MT in 2009.

Trade:

Venezuela only imports sorghum seeds for planting mainly from the U.S. and Guatemala. The Venezuelan government has consistently opposed to sorghum imports and that policy is not expected to change in the near future.

Production, Supply and Demand Data Statistics:

Sorghum Venezuela	2008			2009			2010		
	2008/2009			2009/2010			2010/2011		
	Market Year Begin: Oct 2008			Market Year Begin: Oct 2009			Market Year Begin: Oct 2010		
	USDA Official Data		New Post	USDA Official Data		New Post	USDA Official Data		Jan
			Data			Data			Data
Area Harvested	150	150	140	140		100		100	(1000 HA)
Beginning Stocks	36	36	36	41		41		10	(1000 MT)
Production	330	330	330	300		150		155	(1000 MT)
MY Imports	5	0	0	0		5		5	(1000 MT)
TY Imports	5	0	0	0		0		0	(1000 MT)
TY Imp. from U.S.	5	0	0	0		0		0	(1000 MT)
Total Supply	371	366	366	341		191		165	(1000 MT)
MY Exports	0	0	0	0		0		0	(1000 MT)
TY Exports	0	0	0	0		0		0	(1000 MT)
Feed and Residual	325	325	325	325		181		160	(1000 MT)
FSI Consumption	5	0	0	5		0		0	(1000 MT)
Total Consumption	330	325	325	330		181		160	(1000 MT)
Ending Stocks	41	41	41	11		15		10	(1000 MT)
Total Distribution	371	366	366	341		191		165	(1000 MT)
Yield	2.	2.	2.3571	2.		1.5		1.55	(MT/HA)

Commodities:

Wheat

Production:

Wheat production in Venezuela is negligible. Venezuela does not have a climate favorable to produce large amounts of wheat, and thus supplies are imported.

Pasta production has been lately harmed due to the severe electricity shortages that pasta plants and mills have been facing since last year. In December 2009 the government launched a new Resolution establishing the percentage of production and commercialization conditions of regulated food products. In the case of pasta 80 percent of production most now be regulated pasta. The previous percentage of regulated pasta was 70 percent and 30 percent of premium pasta. By selling the premium product, the industry was able to recover from losses resulting in the production of regulated, or below market price, pastas. Now, the situation will be tighter.

Consumption:

Pasta continues to be the main staple for Venezuelans, with yearly per capita consumption of about 14 kilograms. Total wheat consumption has remained steady at about 56 kg per capita per year.

Total wheat consumption in 2008/09 was 1,400,000 MT and it is estimated to increase to 1,490,000 MT since pasta and wheat products continue being preferred foods, low-cost basic staples of the Venezuelan diet, and a good alternate protein source for low income Venezuelans. The government is an important pasta distributor through their Mercal, PDVAL and Bicentenario food networks, representing about 40 percent of the market.

Trade:

Venezuela is dependent on wheat imports for domestic flour milling. Venezuela imports wheat mostly from United States and Canada. Importers had been facing some problems due the limitations on the access to foreign exchange from the Exchange Control Commission, CADIVI.

Delays in obtaining the approval for dollars from CADIVI continue being a problem for importers, at times impeding timely liquidation of payments to suppliers. Sometimes delays with the import procedures and Cadivi have forced millers to borrow raw material from other companies, however the government has promised to expedite imports. Wheat is still imported directly by the private sector.

At the beginning of 2010 the government implemented a new dual exchange rate system that changed the local currency from Bs. 2.15 to Bs. 2.60 and Bs. 4.30 per US dollar. Following that, Cadivi determined that the products to be imported at the lowest exchange rate were those belonging to sensitive areas such as food. Wheat is in the list of those items receiving foreign currency at an exchange rate of 2.60 per dollar.

For 2009/10, Post estimates total wheat imports to increase to 1,500,000 MT since wheat products are important in the country's diet and price controls keep these products within the reach of most citizens. For 2010/11 Post forecast wheat imports to remain steady due to the economic situation of the country.

Production, Supply and Demand Data Statistics:

Wheat Venezuela	2008			2009			2010		
	2008/2009			2009/2010			2010/2011		
	Market Year Begin: Jul 2008			Market Year Begin: Jul 2009			Market Year Begin: Jul 2010		
	USDA Official Data		New Post	USDA Official Data		New Post	USDA Official Data		Jan
			Data			Data			Data
Area Harvested	0	0	0	0		0		0	(1000 HA)
Beginning Stocks	80	75	80	80		65		75	(1000 MT)
Production	0	0	0	0		0		0	(1000 MT)
MY Imports	1,500	1,650	1,385	1,525		1,500		1,500	(1000 MT)
TY Imports	1,500	1,650	1,385	1,525		1,500		1,500	(1000 MT)
TY Imp. from U.S.	561	0	561	0		0		0	(1000 MT)
Total Supply	1,580	1,725	1,465	1,605		1,565		1,575	(1000 MT)
MY Exports	0	0	0	0		0		0	(1000 MT)
TY Exports	0	0	0	0		0		0	(1000 MT)
Feed and Residual	0	0	0	0		0		0	(1000 MT)
FSI Consumption	1,500	1,635	1,400	1,525		1,490		1,500	(1000 MT)

Total Consumption	1,500	1,635	1,400	1,525		1,490			1,500	(1000 MT)
Ending Stocks	80	90	65	80		75			75	(1000 MT)
Total Distribution	1,580	1,725	1,465	1,605		1,565			1,575	(1000 MT)
Yield	0.	0.	0.	0.		0.			0.	(MT/HA)

Author Defined:

Price

The current price of pasta is Bs. 3.26 per kilogram. Since the beginning of this year the industry has requested to the Government to review this price since it has been constant for almost two years. The industry hopes for an increase of at least a 55 percent in the price of pasta due to the high cost of production, increase of the minimum salaries, accumulated inflation, increase of other costs, and electricity problems. The government is evaluating the industry proposal on cost structures, but notes that as the wheat price has decreased at international level, domestic pasta and wheat products prices shouldn't be increased.