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Venezuela

Grain and Feed Annual

Grain Production and Imports Fall

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Report Highlights:

The lack of agricultural inputs, price controls and rising production costs continue to negatively impact agricultural production in Venezuela. Timely imports of agricultural and food products are becoming more critical due to the unavailability of foreign exchange and delays in government import procedures. Food scarcity is on the rise resulting in long lines at supermarkets, higher real prices, and consumer dissatisfaction as the government maneuvers to implement new policies to further control food production and distribution.

Executive Summary:

Venezuela's economy contracted 4% in 2014 with inflation over 68 percent according to the Central Bank (BCV). Food prices rose faster than overall inflation, increasing by 102% in 2014. These severe economic conditions resulted in significant reductions in agricultural production and disruptions in trade. According to the Venezuelan Agricultural Producers Federation (FEDEAGRO), in 2014, of the 12 agricultural sectors making up 80 percent of agriculture value, eight of them experienced declines in production. Causes for the decline were associated with below normal rainfall, a lack of fertilize and agro-chemicals, as well as problems with equipment during harvest – all contributing to lower yields. With the exception of sorghum, planted and harvested area remained relatively stable. The economic situation is expected to worsen in 2015, which in turn will lead to further declines in agricultural production and many producer associations are concerned that farmers will have to reduce planted acreage.

Venezuelan continues to import more than 70 percent of its food needs, but the lack of foreign exchange prohibits importers, feed and food manufacturers from planning shipments and maintaining ample inventories. Most feed and flour mills are producing at below full capacity and most in 2014 stopped production for a few days at a time on different occasions because they ran out of raw material. Competing mills continue to lend and borrow raw materials amongst themselves to keep plants operating, but that practice is becoming more difficult due further delays in obtaining foreign exchange. While the United States remains the number one supplier of corn to Venezuela, market share has decreased along with overall exports in the past two years. This trend is expected to continue in MY 2015 as poultry production is forecast to fall and the GBRV continues to favor MERCOSUR suppliers. Venezuela has publically stated it will honor its PetroCaribe agreements and other bilateral agreements with its regional neighbors. Guyana is expected to increase exports of rice to Venezuela under a renewed agreement for 2015. The biggest wild card for increases and even maintaining import levels in MY 2015 and MY 2016 is the availability of foreign exchange.

Commodities:

Corn

Production:

Corn is the most important cereal in Venezuela, constituting the main source of energy in the diet of the Venezuelan population. About 420,000 hectares are harvested annually, from which 75 percent are located in the Western Plains, Central Plains and the Valley of the Yaracuy River. These three regions differ markedly in the soil and climate conditions; having very marked inter-annual variations in the amount and distribution of rainfall.

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 – with over 80 percent going to feed. White corn is traditionally purchased by the corn flour industry to produce precooked corn flour, an important food staple in Venezuela. The total MY 2015 corn crop is estimated to be slightly lower due to reduced yields and assuming hybrid seed imports arrive in time for planting. It is estimated that only about 20 percent of total seed demand is currently available in the market. If imported seed does not arrive in time, production will decline further. According to the largest food manufacturer the government has already been told to use yellow corn to produce as much as 20 percent of its corn flour.

Corn production for MY 2016 is estimated to be no change compared to this year, as it is too early to know if the government will respond to producer demands to raise controlled prices and to provide needed foreign exchange to purchase inputs, equipment and repair parts. Farm-gate prices for regulated products, as is the case of corn, continue to be set by government agents without fully incorporating rising production costs.

Consumption:

According to industry sources, Venezuela needs about 1.5 million tons of white corn for human consumption and about 2.3 million tons of yellow corn for animal feed. Overall corn consumption is forecast to decline to that level at 3.8 million tons in MY 2016 as poultry and hog sectors contract. According to the Federation of Poultry Producers (FENAVI), poultry production will fall in 2015 by 7 – 10 percent. It is not clear how far hog production will fall in MY 2016 as illegal trade of live hogs into Colombia, while smaller, remains more profitable and still viable.

Trade:

Traditionally the United States is the primary yellow corn supplier to Venezuela. Yellow corn imports are expected to continue to supply the domestic feed industry. Based on information from industry contacts and exporter-export-data, total corn imports for MY 2015 are estimated at 2.6 million tons of which about 500,000 will be white corn and the rest of yellow corn coming mainly from the United States and Argentina. Post forecasts total corn imports for MY 2016 to fall to 2.5 million tons due to continue reduced demand and tighter restrictions on foreign currency for imports. The US will remain the primary supplier due to lower prices, greater availability and timing of transportation.

Production, Supply and Demand Data Statistics:

Corn Market Begin Year Venezuela	2013/2014		2014/2015		2015/2016	
	Oct 2013		Oct 2014		Oct 2015	
	USDA Official	New post	USDA Official	New post	USDA Official	New post
Area Harvested	443	443	420	425	0	425
Beginning Stocks	156	156	342	342	0	342
Production	1,360	1,360	1,300	1,300	0	1,300
MY Imports	2,626	2,626	2,600	2,600	0	2,500
TY Imports	2,626	2,662	2,600	2,600	0	2,500
TY Imp. from U.S.	1,061	0	0	0	0	0
Total Supply	4,142	4,142	4,242	4,242	0	4,142
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Feed and Residual	2,200	2,200	2,300	2,300	0	2,250
FSI Consumption	1,600	1,600	1,650	1,600	0	1,550
Total Consumption	3,800	3,800	3,950	3,900	0	3,800
Ending Stocks	342	342	292	342	0	342
Total Distribution	4,142	3,866	4,242	4,242	0	4,142

1000 HA, 1000 MT, MT/HA

Commodities:

Sorghum

Production:

Sorghum is an important crop for certain dry areas in the southern part of the country, especially in Guárico and Cojedes States. During the last two years, sorghum production, like other grains, has been affected by the critical lack of agricultural inputs and government controlled prices. In addition, in MY 2015, the crop was also affected by fluctuating weather conditions that resulted in lower than normal rainfall in Guárico state and excessive rains in other growing regions at key stages of growth. The result was a loss in harvested area and a reduction in yields.

According to FEDAGRO, sorghum production in MY 2015 fell 19 percent compared to 2013, falling from 110,000 tons to 90,000 tons. This is the lowest level of production in the past five years. Area harvested also fell to 90,000 hectares. Sorghum production is forecast unchanged in MY 2016, but could decline further if government policies do not provide greater incentives to at least maintain production levels.

Consumption:

Grain sorghum is used for poultry feed in Venezuela. Given severe shortages of basic grains throughout the year, any sorghum produced is routinely purchased. In MY 2016, consumption is forecast unchanged at 90,000 tons to match expected production, but will fluctuate according to actual production levels.

Trade:

Venezuela only imports sorghum seeds for planting mainly from the United States and Guatemala. The Venezuelan government has consistently opposed sorghum imports to protect local production and to use foreign exchange for preferred corn imports.

Production, Supply and Demand Data Statistics:

Sorghum Market Begin Year Venezuela	2013/2014		2014/2015		2015/2016	
	Jul 2013		Jul 2014		May 2016	
	USDA Official	New post	USDA Official	New post	USDA Official	New post
Area Harvested	100	100	100	90	0	90
Beginning Stocks	10	10	15	10	0	10
Production	110	110	110	90	0	90
MY Imports	0	0	0	0	0	0
TY Imports	0	0	0	0	0	0
TY Imp. from U.S.	1	0	0	0	0	0
Total Supply	120	120	125	100	0	100
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Feed and Residual	100	105	100	85	0	85
FSI Consumption	5	5	5	5	0	5
Total Consumption	105	110	105	90	0	90
Ending Stocks	15	10	20	10	0	10
Total Distribution	120	120	125	100	0	100
1000 HA, 1000 MT, MT/HA						

Commodities:

Wheat

Production:

Wheat production in Venezuela is negligible. Venezuela does not have a favorable climate to produce large amounts of wheat, thus all wheat requirements must be imported.

Consumption:

Pasta is a main food staple in Venezuela, with yearly per capita consumption at about 14 kilograms per person, with total wheat consumption steady at about 56 kg per capita per year. Total wheat consumption in MY 2015 is estimated at 1.8 million tons and is forecast unchanged in MY 2016 at 1.8 million tons as 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 and bread distributor and retailer, representing about 40 percent of the market.

Trade:

Venezuela imports wheat mostly from United States and Canada and some smaller quantities from Argentina. Importers had been facing problems due to limitations placed on foreign exchange access from the Exchange Commission, CENCOEX. The delays in obtaining the approval for dollars from CENCOEX continue being a problem for importers, sometimes impeding timely liquidation of payments to suppliers. Sometimes delays with the import procedures and CENCOEX have made some millers to borrow raw material from other companies.

Despite the import problems, in MY 2016, Post estimates wheat imports to continue around 1.8 million tons since wheat products are important to consumers and price controls keep these products within the reach of most citizens. Post forecast wheat imports to remain steady due to the economic situation of the country, but could increase if foreign exchange requests are approved.

Production, Supply and Demand Data Statistics:

Wheat Market Begin Year Venezuela	2013/2014		2014/2015		2015/2016	
	Jul 2013		Jul 2014		Jul 2015	
	USDA Official	New post	USDA Official	New post	USDA Official	New post
Area Harvested	0	0	0	0	0	0
Beginning Stocks	332	332	533	433	0	456
Production	0	0	0	0	0	0
MY Imports	1,951	1,951	1,800	1,873	0	1,870
TY Imports	1,951	1,951	1,800	1,873	0	1,870
TY Imp. from U.S.	686	686	0	0	0	0
Total Supply	2,283	2,283	2,333	2,306	0	2,326
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Feed and Residual	0	0	0	0	0	0
FSI Consumption	1,750	1,850	1,800	1,850	0	1,850
Total Consumption	1,750	1,850	1,800	1,850	0	1,850
Ending Stocks	533	433	533	456	0	457
Total Distribution	2,283	2,283	2,333	2,306	0	2,326

1000 HA, 1000 MT, MT/HA

Commodities:

Rice, Milled

Production:

Domestic rice production faces the same production difficulties as other grains, which are related to shortages of agrochemicals, fertilizers and planting seeds resulting in higher production costs, and reduced profitability. The state of Portuguesa is the most important producing region accounting for 58 percent of total rice production, while the state of Guárico produces approximately 34 percent of total production. Rice production in MY 2014 is left unchanged at 385,000 tons. In MY 2015, according to updated information from trade contacts and producer associations, Post is dropping its estimate for rice production to 380,000 MT due to dryer than normal weather conditions contributing to a reduction in overall yields in Guárico State. The trend of falling production will continue in MY 2016 due to the declining economic situation and problems in obtaining needed inputs. At this time, area planted and harvested will not change as farmers have no other alternatives and the government continues to promise increased subsidies and higher farm-gate prices. The reduction in production will continue to come in the form of lower yields due to the lack of fertilizer and other inputs, which could fall further if rain and reservoir water levels are lower than normal.

Consumption:

Rice is a traditional food and an important staple in the Venezuelan diet. Per capita consumption remains strong due to increases in population and the government's ability to maintain low controlled prices for a significant portion of the rice supply. According to rice millers and select producers, only

about 30 percent of rice consumed is purchased at the lower controlled prices. The rest is sold at higher levels by intermediators in informal markets. Consumption in MY 2014 reached 680,000 tons and is expected to continue to rise due to population increases and sporadic shortages of other products. In addition, the government reported making deals to continue to import rice from neighboring Guyana and Suriname. Stock numbers remain residual figures, as there are no government or private sector programs to maintain food reserves.

Trade:

The Government continues to be the sole rice importer through the government agency, CASA. Rice imports are estimated to slightly decrease from 510,000 to 500,000 tons in MY 2015 and forecast unchanged in MY 2016 based on worsening economic conditions. Unofficial cross border trade with Colombia continues to be a problem as Venezuelan price controls and exchange rate disparities make the illegal trade profitable and viable. While there are no official statistics it is estimated that in MY 2014 about 200,000 tons of unofficial rice exports were shipped to Colombia, according to industry's best estimate. This number fell in MY 2015 as border controls were increased making more rice available for domestic consumption. In MY 2016, imports from the United States are expected to decline as agreements with neighboring countries were renewed, especially with Guyana and Suriname.

Production, Supply and Demand Data Statistics:

Rice, Milled Market Begin Year Venezuela	2013/2014		2014/2015		2015/2016	
	Apr 2013		Apr 2014		Apr 2015	
	USDA Official	New post	USDA Official	New post	USDA Official	New post
Area Harvested	140	140	140	140	0	140
Beginning Stocks	102	102	107	102	0	117
Milled Production	385	385	380	380	0	375
Rough Production	567	567	560	560	0	553
Milling Rate (.9999)	6,786	6,786	6,786	6,786	0	6,786
MY Imports	500	510	500	500	0	500
TY Imports	480	480	500	500	0	500
TY Imp. from U.S.	158	0	0	0	0	0
Total Supply	987	997	987	982	0	992
MY Exports	200	215	180	180	0	180
TY Exports	200	200	180	180	0	180
Consumption and Residual	680	680	690	685	0	690
Ending Stocks	107	102	117	117	0	122
Total Distribution	987	997	987	982	0	992

1000 HA, 1000 MT, MT/HA