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Venezuela

Sugar Annual

Sugar Annual Report

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Report Highlights:

The Venezuelan sugar industry foresees continued essentially flat domestic production in 2011, due to the sector’s marginal profitability and application of policies that do not effectively support cane output. Total imports are expected to thus remain strong at 800,000 metric tons. The government maintains the regulated consumer price at Bs. 3.73 per kilogram, an amount that domestic producers consider insufficient to cover rising production costs.

Executive Summary:

A combination of price controls, decreasing cane planted area, and increased competition from imports have impacted the domestic sugary industry. Estimates for domestic refined sugar production stand at 490,000 metric tons, essentially flat from the previous year, and significantly lower than years past. The Venezuelan government has regulated the price of sugar for the domestic market at Bs. 3.73 per kilogram. With production steady, significant imports will again be required to cover table sugar needs, as well as those of the soft drink and confectionary industries, in 2011.

Commodities:

Sugar, Centrifugal

Production:

Production and Milling:

VENAZUCAR, Venezuela's sugar milling industry association, has reported that millers are not increasing investment because price controls on refined sugar limit profitability. Forecasts for refined sugar production stand at 490,000 metric tons for 2011. There are 15 operating sugar mills in the country, but at least that many more are idle. Sugar processing capacity is 5,430 tons per day, and packaging capacity is 850 tons per day.

Even with extensive land resources and suitable weather, cane producers cannot meet domestic demand as the incentives to do so are just not there. Further, the mills now operating might have difficulty processing a significant increase in cane. In years past, between 70 to 75 percent of the country's sugar demand is met by domestic production, while imports account for the rest. Now, imports cover up to 70 percent of total demand. Previously, growth in cane and refined sugar production was due mainly to the combined effort of cane growers and millers to achieve better yields and a higher sugar content of cane. The climate for new investments in technology and production methods is unfavorable.

The first sugar cane harvest takes place from November through April, and the second from June through November. The first harvest is responsible for about 70 percent of the cane cut in Venezuela, and the second harvest for the remainder. Two Venezuelan mills, Central La Pastora and Central Carora, located in Lara State in the northwest, have plantations on which cane can be harvested year around.

Consumption:

The sugar industry forecasts that consumption will not increase significantly in the short term. Use in 2011 is forecast at 1.3 million tons of refined sugar. According to industry data, annual per capita consumption fluctuates between 39 and 41 kilograms. The soft drink processing industry has been receiving less sugar than in past years as the government directed a greater share of product to domestic/home consumption, and then increased sugar imports to avoid a national sugar shortage. The industrial food sector is composed of soft drinks and snacks such as cookies, crackers, and confectionary. The Venezuelan soft drink industry uses 100 percent sugar without any fructose or other sweetener for its non-diet beverages.

Trade:

Imports:

VENAZUCAR estimates imports of raw sugar at 750,000 metric tons and about 100,000 metric tons of refined sugar, nearly all from Brazil for 2010, with a slightly lower amount in 2011 as high prices and the logistics of shipping large amounts of sugar might reduce trade slightly. The industry is well aware that given the gap between higher international prices and the lower controlled domestic prices, it will be difficult to complete import deals due to lack of profitability.

Tariff Changes

Raw and refined sugar coming from the Andean Community enters Venezuela duty free. Bilateral agreements signed between Venezuela and Guatemala, Nicaragua and El Salvador also give sugar from these countries duty free entry.

The present base tariff on sugar is 20 percent ad valorem calculated on a cif basis. Sugar is included in the Andean Community price-band variable-levy system. This tariff system was implemented by Venezuela for sugar and several other agricultural products in September 1995. The base tariff is raised if the cif price is below a floor price, and lowered if prices surpass a ceiling price. White and refined sugars have different prices within the price band system.

Policy:

Land Expropriation and Current Issues:

During 2009 and 2010 a significant amount of land appropriate for sugar production was taken over by the government because officials claimed that it was not being used productively. More land expropriations might happen during 2011.

Press articles from March 2011 show that 700 workers from Central Portuguesa, the biggest sugar mill in the country, threatened the owners to go on strike if a new contract with more benefits is not signed in the near future. There have been several meetings with the union leaders, but not agreement has been reached yet. Some workers mentioned that they will keep protesting and will contact the Ministry of Labor and the National Assembly.

During 2010 and 2011, several additional small sugar mills were expropriated.

Prices:

Refined sugar continues to be under the retail price control policy established by the government in 2003. The government maintains the regulated consumer price at Bs. 3.73 per kilogram, an amount that domestic producers consider insufficient to cover rising production costs. Recently, representatives of the National Federation of Associations of Venezuelan Cane Producers (FESOCA) have requested that the price of sugar be moved up to Bs. 6.40 per kilogram. Producers claim that they can no longer survive in the current economic environment.

Sugar cane growers at present receive 1.9 bolivars (US$ 0.45) per kilogram. Representatives of FESOCA and a group of growers are demanding an increase on producer prices. They request that for every kilogram of refined sugar sold to the consumer they should receive three bolivars (US$ 0.70).

Producers have recently requested that the Minister of Agriculture approve a compensatory payment of 55 bolivars (US$ 12.80) per metric ton of cane processed from November 2010 when they began the crop that finished in March. Producers are also concerned that the government pays 29 percent more for imported sugar than domestic.

Marketing:

Currently, both the government and the private sector sell refined sugar. Sugar millers continue to offer refined sugar under their brands through Venezuela's traditional retail sector (supermarkets, "mom and pop" stores, convenience stores, etc). On the other hand, the government directly purchases refined sugar from the millers through its food purchasing entity, CASA, (Corporación de Abastecimiento y Servicios Agricolas) and then sells it through its Mercal food distribution stores at lower retail prices.

While the Venezuelan consumer prefers refined sugar, its shortage opened the market for different sugar products. Brown sugar and fruit lactose products are now options taken into consideration by consumers and their markets have expanded. These products are not under the controlled price regime.

Table 1. Sugar PSD

Sugar, Centrifugal Venezuela	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Sep 2009		Market Year Begin: Sep 2010		Market Year Begin: Sep 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	296	296	396	316		351
Beet Sugar Production	0	0	0	0		0
Cane Sugar Production	600	485	600	490		490
Total Sugar Production	600	485	600	490		490
Raw Imports	600	700	600	750		700
Refined Imp.(Raw Val)	100	100	100	100		100
Total Imports	700	800	700	850		800
Total Supply	1,596	1,581	1,696	1,656		1,641
Raw Exports	0	0	0	0		0
Refined Exp.(Raw Val)	0	0	0	0		0
Total Exports	0	0	0	0		0
Human Dom. Consumption	1,195	1,260	1,195	1,300		1,300
Other Disappearance	5	5	0	5		5
Total Use	1,200	1,265	1,195	1,305		1,305
Ending Stocks	396	316	501	351		336
Total Distribution	1,596	1,581	1,696	1,656		1,641
1000 MT						

Note: post has updated past year production and trade figures based on industry consultations. No official statistics exist.