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Venezuela

Coffee Annual

2018

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Report Highlights:
Economic mismanagement and an overdependence on oil exports have led to Venezuela's economy contracting for the fourth year in a row, down an estimated 15 percent in calendar year (CY) 2017. Hyperinflation, estimated at 2,616 percent in CY 2017, continues to beleaguer the economy. The severity of the economic crisis creates profound challenges for the coffee sector.

Executive Summary:

Venezuela's economy is heavily dependent on oil production and exports that account for over 90 percent of foreign exchange. The four-year trend in low oil prices, coupled with extraction inefficiencies dropping Venezuela's crude output, will continue to exacerbate foreign exchange cash flow challenges for the Government of the Bolivarian Republic of Venezuela (GBRV). The GBRV monopolizes imported goods with government corporations that have priority access to foreign exchange from the Venezuela Central Bank. One government corporation, Agropatria, supplies about 90 percent of essential agricultural inputs to farmers. GBRV difficulties accessing foreign exchange challenge Agropatria's capability to maintain inventories of critical fertilizer, pesticides, machinery, parts, and equipment. In particular, the lack of imported inputs, such as fungicides to mitigate the expansion of coffee rust and fertilizers to boost flowering, are having a detrimental impact on coffee growers. A shortage of imported machine oil is also disrupting coffee production.

GBRV regulated coffee prices paid to growers have distorted market conditions leaving little incentive to invest in expanding planted area and other operational enhancements to improve productivity. In marketing year (MY) 2018/19, however, better pricing conditions will encourage more market activity setting the stage for a marginal bump in production and exports. Pricing signal incentives appear to be motivating coffee farmers to expand production even though concerns with the expansion of coffee rust remain. Better prices notwithstanding, market opportunities will be constrained by purchasing power challenges from domestic wages that cannot keep pace with hyperinflation. The consumption forecast, as a result, is down in MY 2018/19. Total coffee imports will also fall in MY 2018/19 as foreign exchange limitations challenge not just trade in coffee, but all agricultural product imports.

Commodities:

Coffee, Green

Production:

The domestic production forecast is slightly up to 585,000 bags (1 bag = 60 kilograms unless otherwise noted) green bean equivalent (GBE) for MY 2018/19. Better prices are motivating farmers to increase plantings of new trees in the production rotation, but the trees will not reach economic viability for harvesting in another 3-4 years. Pricing appears to be following a market dynamic, a welcome change for coffee growers after 15 years of strictly regulated prices by the GBRV.

Coffee production is concentrated in the mountain coastal and the western Andean region of Venezuela. In MY 2018/19, bearing trees remain unchanged at 750 million trees, although area planted is up to 220 million hectares. Coffee rust remains troublesome with a shortage of appropriate agrochemicals to mitigate the impacts of the disease.

Consumption:

There are two classes of coffee consumers in Venezuela: those that are concerned with quantity and availability; and, those consumers that prioritize quality. The latter represents about 40 percent of consumers who are willing to pay market prices, but the economic crisis and hyperinflation, coupled with low wages, beleaguers purchasing power for all segments of the market. The domestic consumption forecast is therefore down to 1.17 million bags GBE in MY 2018/19.

Trade:

In MY 2018/19, the forecast for total imports is down to 603,000 bags GBE due to GBRV constraints with limited foreign exchange. The forecast for total exports is up to 16,000 bags GBE in MY 2018/19. Colombia is the primary export destination for not only green beans, but also roasted ground coffee.

Policy:

The GBRV appears to have relaxed the regulated price of Bolivares (Bs.) 690 per kilogram of roasted, ground coffee. (Note: Bs. 690 is worth a fraction of a U.S. penny at the current unofficial, or parallel, exchange rate.) Coffee prices on the domestic market range from Bs. 2,000,000 – 9,000,000 per kilogram (or currently about $2.60-12.00 per kilogram). Higher prices have resulted in a predictable market-based outcome: more incentives to expand production. Nevertheless, the GBRV is attentive to price increases for all key foodstuffs and the current scenario remains tenuous should the government decide to intervene.

Production, Supply and Demand Data Statistics:

Coffee, Green	2016/2017		2017/2018		2018/2019	
Market Begin Year	Oct 2016		Oct 2017		Oct 2018	
Venezuela	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	186	0	200	0	220
Area Harvested	0	180	0	180	0	180
Bearing Trees	0	700	0	750	0	750
Non-Bearing Trees	0	20	0	100	0	120
Total Tree Population	0	720	0	850	0	870
Beginning Stocks	12	12	3	12	0	12
Arabica Production	530	530	575	575	0	585
Robusta Production	0	0	0	0	0	0
Other Production	0	0	0	0	0	0
Total Production	530	530	575	575	0	585
Bean Imports	600	600	650	650	0	600
Roast & Ground Imports	1	1	1	3	0	2
Soluble Imports	1	28	1	30	0	1
Total Imports	602	629	652	683	0	603
Total Supply	1144	1171	1230	1270	0	1200
Bean Exports	30	8	10	8	0	16
Rst-Grnd Exp.	0	0	0	0	0	0
Soluble Exports	0	0	0	0	0	0
Total Exports	30	8	10	8	0	16
Rst,Ground Dom. Consum	1110	1150	1214	1260	0	1171
Soluble Dom. Cons.	1	1	1	2	0	1
Domestic Consumption	1111	1151	1215	1262	0	1172
Ending Stocks	3	12	5	0	0	12
Total Distribution	1144	1171	1230	1270	0	1200
(1000 HA) ,(MILLION TREES) ,(1000 60 KG BAGS)						