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Venezuela

Grain and Feed Annual

Annual Report

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Report Highlights:

Venezuela is expected to continue importing significant amounts of yellow corn, rice and wheat to meet domestic food demand and requirements of the animal feed industry and to offset decreasing domestic grain production.

Executive Summary:

During the last ten years, Venezuela has increasingly turned to imports to meet its demand for food. According to the FAO figures, Venezuela imports more than 70 percent of its food supply. For grains, all the yellow corn used by the animal feed industry and almost all the wheat is imported and it is now importing about 40 percent of its rice demand. Two years ago Venezuela began importing white corn (a product that is part of the basic diet of Venezuelans) for the first time since 1997.

Misguided agricultural policies were exacerbated by bad weather conditions (particularly the devastating rains of December 2010) that drastically decreased the country's corn and sorghum production of 2011/2012. Rice production has been recovering after two years of poor harvests but imports will still be needed.

The Bolivarian Government of Venezuela (BGV) publically states that food production is in the national interest and is fundamental to the economic and social development of the Nation. In January 2011, the BGV launched "Mission Agro-Venezuela", which has three main goals: increase production of staple crops, increase the amount of land under production, and promote and stimulate urban agriculture.

The program will provide low-interest loans, machinery, and technical assistance to farmers all over the country. A fund of one billion bolivars (\$232 million) has been assigned. The government aims to cut food and agricultural imports by 30% in the first year of Mission Agro-Venezuela.

Despite these plans to increase domestic production of feed and food, the gap between supply and demand is expected to remain large, and significant imports of basic feed and food grains will be needed to maintain consumption in the coming year and beyond. Post expects imports to continue strong, based on domestic food demand and the need for more feedstuffs by the expanding poultry and pork sectors.

Commodities:

Wheat

Production:

Production of wheat in Venezuela is negligible due to climatic conditions, only a very small amount for local consumption is produced in the western Andean part of the country. Thus, almost all wheat supplies are imported.

According to the Venezuelan Wheat Millers Association, Asotriego, Venezuela's imports of wheat during MY 2011 were around 1,585,000 MT, from which about 40 percent (631,000 MT) went into the bread sector; 24 percent (380,000 MT) to the pasta industry; six percent (95,000 MT) to cookies sector; five percent (83,000 MT) to the packed flour sector; and 25 percent (396,000 MT) to the animal feed industry.

The industry handles four varieties of wheat: high protein (about 800 thousand tons/year) for bread; a mix (about 180 thousand tons/year) for bakeries and flour; soft (about 140 thousand tons/year) for cookies; and durum (about 480 thousand tons/year) for pastas. The total milling capacity in 2011 was 1,800,000 MT, it is estimated that the industry worked with a capacity close to 81 percent.

Importance of the integrated wheat circuit during 2011: According to Asotrigo there are ten milling companies in the country of which six are members of the Chamber and represent 80 percent of the domestic production.

The Venezuelan pasta sector is represented by 18 companies of which ten are members of the Venezuelan Pasta Association, AVEPASTAS and represent 93 percent of the domestic production.

The wheat circuit is also integrated by 17 industrial bakeries; 13 biscuit companies and 8,100 artisan bakeries. The circuit generates 110,000 jobs.

Total Production of Pasta (MT)

Production MT/YEAR	2009	2010	2011
Total Avepastas	304,261	337,663	321,554
% Avepastas	93.8%	93.1%	94.1%
Total of others	20,000 *	25,000 *	20,000 *
Total Production	324,261 *	361,963 *	341,554 *
Total Imports	3,665	3,998	8,600
Total Consumption	327,926	365,961	350,154
Monthly Consumption MT/M	27,327	30,497	29,180

Source: AVEPASTAS, Venezuelan Pasta Association - *Estimated figures

Consumption:

Total wheat consumption in 2011/12 is estimated at 1,450,000MT since pasta and bread constitute preferred foods, low-cost basic staples of the Venezuelan diet, and a good alternate protein source for low income Venezuelans. It is forecasted to slightly increase to 1,500,000MT in 2012/13MT as demand trends upward for the same reasons previously mentioned.

Wheat and wheat products, annual per capita consumption

Total wheat	56 Kg/pc
Total flours	41 Kg/pc
Bread flour	22 Kg/pc
Pasta Flour	13 Kg/pc
Biscuit or cookie flour	3 Kg/pc

Source: ASOTRIGO & AVEPASTAS: Venezuelan Wheat Association & Venezuelan Pasta Association

Pasta remains a preferred staple in the Venezuelan diet, and pasta consumption continues to be one of the highest in the world, with a per capita consumption of about 13 Kg per year. Pasta is the third most consumed food product in Venezuela. The government is an important pasta distributor through their Mercal and PDVAL food networks, which represents about 31 percent of the market.

Trade:

Venezuela imports wheat mostly from Canada and the United States. According to figures of the Venezuelan Wheat Association total wheat imports during MY2011 were about 1,580,000 MT, of that total 52 percent came from Canada; 42 percent came from the US; four percent came from Argentina; one percent from Uruguay; and one percent from Mexico.

Based on figures from the private industry, estimated imports for MY 2011/12 have increased to 1,585,000MT. For 2012/13 imports are forecasted to stay in the same range at 1,585,000MT.

Importers had been facing some problems due to rising international prices and the limitations on the access to foreign exchange. Delays in obtaining approval can be a problem for importers, sometimes impeding timely liquidation of payments to suppliers. However in view of this situation millers try sometimes to buy stocks ahead of their needs to avoid shortages of raw material. Currently inventories are estimated for three months.

Pasta imports, which maintained an average of 3,490 MT per year during the period 2007 to 2010, have increased to about 8,600 MT in 2011, per figures of the Venezuelan Pasta Association. The pasta imports use to come mainly from Italy in previous years but during the last year imports from Brazil and Chile has been done directly by the Bolivarian Government in order to be distributed at the their Mercal and PDVAL food networks. Venezuelan private pasta manufacturers deliver 30 percent of their production to the Government networks.

Marketing:

Despite the problems that face importers and manufacturers in this market two well known millers and two pasta manufacturers are expanding their facilities which will lead in the medium term to a larger wheat imports and subsequently to a higher consumption of wheat products.

Production, Supply and Demand Data Statistics:

Wheat Venezuela	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Jul 2010		Market Year Begin: Jul 2011		Market Year Begin: Jul 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	0	0	0	0		0
Beginning Stocks	81	81	50	56		191
Production	0	0	0	0		0

MY Imports	1,469	1,425	1,550	1,585		1,585
TY Imports	1,469	1,488	1,550	1,600		1,600
TY Imp. from U.S.	605	662	0	671		700
Total Supply	1,550	1,506	1,600	1,641		1,776
MY Exports	0	0	0	0		0
TY Exports	0	0	0	0		0
Feed and Residual	0	0	0	0		0
FSI Consumption	1,500	1,450	1,525	1,450		1,500
Total Consumption	1,500	1,450	1,525	1,450		1,500
Ending Stocks	50	56	75	191		276
Total Distribution	1,550	1,506	1,600	1,641		1,776
1000 HA, 1000 MT, MT/HA						

Commodities:

Rice, Milled

Production:

Rice production in 2011 has been recovering after two years of poor harvests however imports are still needed. Rice production in the last two years has been affected for weather conditions, in 2009 there was a severe drought (“El Niño” Phenomenon) which impacted the rice harvest and in 2010 and 2011 there were years of heavy rainfall (“La Niña Phenomenon) which are still impacting the 2011-2012 summer cycle. The area of Guarico State was also affected during the summer harvest for a rodent invasion, which resulted in crop losses and caused economic losses to producers. This problem is derived from the lack of pesticides that used to be distributed throughout the major input supply firm “Agroisleña,” which was expropriated two years ago.

According to figures from the Venezuelan Producers Association, Fedegro, rough rice production in period 2010/11 was about 528,000 MT and despite the weather problems rough rice production in period 2011/12 is estimated to increase to 560,000 MT. For MY 2012/13 Rice production is forecasted to increase to 567,000 MT as producers have been planning to boost rice planting and try to return to self-sufficiency that the country enjoyed four years ago.

Rice production growth for 2012/13 is subject to the commitments made by the representatives of the Ministry of Agriculture and Lands after several working table meetings to discuss issues between the government and farmers. The Government has offered to supply credits as well as assure the availability of inputs such as fertilizers, seeds, and herbicides, to producers as long as they increase production.

Consumption:

Rice is a traditional food and an important staple in the Venezuelan diet. Per capita consumption has increased in the last years due to the government's policy of low controlled prices. Per capita rice consumption is about 23 kg/year.

Consumption in 2010/11 reached 644,000 MT as rice is on the government's list of strategic food products. Consumption is estimated to be 650,000 MT in 2011/12 supported by continued imports by the government, and grow slightly with population to 655,000 in 2012/13.

Trade:

Rice production in Venezuela will not be enough to satisfy domestic demand and significant imports will again be needed for the MY 2011/12. The Government has announced the arrival of 170,000 MT in the next days and as per press information is negotiating additional 100,000MT as part of the Agreement oil for rice with the Government of Guyana.

The Venezuelan Government continues to be the major rice importer through their food purchasing entity Corporación CASA. Imports origin have changed during the last year and as a result of bilateral agreements some imports from Argentina, Brazil and Ecuador were registered, the United States has lost some market share due to these imports.

Imports of rice during MY 2010/11 were officially reported at 340,000 MT. Imports of rice are estimated to drop to 250,000 MT during 2011/12 and forecast to stay steady at 250,000 MT during MY 2012/13.

Marketing:

It is expected that Venezuela will continue importing paddy rice to meet their food security policy. Some rice will come from the United States and some from other South American countries.

Production, Supply and Demand Data Statistics:

Rice, Milled Venezuela	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Apr 2010		Market Year Begin: Apr 2011		Market Year Begin: Apr 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	140	140	140	140		140
Beginning Stocks	233	233	278	272		237
Milled Production	350	358	380	380		385
Rough Production	516	528	560	560		567
Milling Rate (.9999)	6,786	6,786	6,786	6,786		6,786

MY Imports	355	340	250	250		250
TY Imports	300	300	300	300		300
TY Imp. from U.S.	0	252	0	24		60
Total Supply	938	931	908	902		872
MY Exports	15	15	15	15		15
TY Exports	15	15	15	15		15
Consumption and Residual	645	644	625	650		655
Ending Stocks	278	272	268	237		202
Total Distribution	938	931	908	902		872
1000 HA, 1000 MT, MT/HA						

Commodities:

Sorghum

Production:

According to the Venezuelan Producers Federation, Fedegro, the sorghum production in 2010/11 was 130,000MT and for 2011/12 is estimated to fall 30.7 percent with respect to the previous year, the lowest production recorded in the last twelve years, that is 90,000 MT.

For the last four years, the sorghum harvest has been affected by low product prices, lack of incentives to producers and weather conditions. The complicated agricultural production conditions, international market prices, price controls, government policies, and significant imports have led to a sharp decline in sorghum planting, to the point that last year, statistics showed only about 47,000 hectares in Guárico and about 35,000 in Portuguesa state. Expectations for this coming year are less favorable.

According to some contacts the payoff of sorghum is practically zero, and that is one of the reasons why farmers will not cultivate much sorghum this year. Producers have said that even though when the Government controlled price for sorghum was revised last August 2011 it is not enough. The price for sorghum was fixed at Bs. 1.02 per kg but their costs of production are Bs. 1.70 per kg.

Many sorghum producers have been switching to oilseeds of short cycle which are showing an important growth, as is the case of sunflower and sesame in the region of Western “Llanos.”

Consumption:

Grain sorghum is mainly used for poultry and swine feed production in Venezuela. Sorghum feed consumption in 2010/11 was 125,000 MT and it is estimated to drop to 90,000 MT in 2011/12 due to the production problems above mentioned.

Trade:

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

Production, Supply and Demand Data Statistics:

Sorghum Venezuela	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Oct 2010		Market Year Begin: Oct 2011		Market Year Begin: Oct 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	120	100	120	100		100
Beginning Stocks	10	10	30	10		5
Production	250	130	200	90		100
MY Imports	0	0	0	0		0
TY Imports	0	0	0	0		0
TY Imp. from U.S.	0	0	0	0		0
Total Supply	260	140	230	100		105
MY Exports	0	0	0	0		0
TY Exports	0	0	0	0		0
Feed and Residual	225	125	195	90		90
FSI Consumption	5	5	5	5		5
Total Consumption	230	130	200	95		95
Ending Stocks	30	10	30	5		10
Total Distribution	260	140	230	100		105

1000 HA, 1000 MT, MT/HA

Commodities:

Corn

Production:

Corn is the most important cereal in Venezuela, constituting the main source of energy in the Venezuelan diet. About 65 percent of the corn produced in Venezuela is white corn for human consumption, and the remainder is yellow corn for human consumption and feed manufacturing. The domestic white corn crop is traditionally purchased by the processing industry to produce corn flour for the basic diet. For two consecutive years, 2010 and 2011, the white corn crop has been significantly

lower than previous years. In 2010, for the first time in many years the white corn needs were covered with imports and in 2011 the trend has continued. About 300,000 MT of white corn were imported from Mexico and South Africa. Traditionally, Venezuela only imported yellow corn for animal feed manufacturing.

According to the Venezuelan Producers Association, Fedeagro, 2011 was another negative year for the Venezuelan agriculture, especially for corn. Weather and misguided agricultural policies were the main causes and corn production fell by about 18 percent during 2011.

According to figures of Fedeagro, total corn production for 2010/11 was 1,710,000 MT. Production for the period 2011/12 is estimated to sharply fall to 1,400,000MT and also forecast to increase again in 2012/2013 to 1,780,000 MT, since the Government has announced recently that they will begin supporting corn producers in the winter cycle with the provision of fertilizer and seed inputs through the government agricultural supply stores called “Agropatria” in order to increase food production. The Ministry of Agriculture also announced the creation of an Agricultural Financial Fund with resources of the private banking to stimulate agricultural production.

Consumption:

Animal feed consumption has been based mostly on imported yellow corn since domestic production has not been enough to cover the needs. Feed consumption for 2011/12 is estimated to at 1,900,000 MT and forecast to remain steady in 2012/2013.

White corn is a main staple in the Venezuelan diet. White corn is milled to produce the precooked corn flour and it is used mostly for human consumption. Consumption of corn flour has increased over the past four years in response to declining real incomes. The price of corn flour is subject to controlled price. Government is supplying corn flour at the fixed price, or even below that level, at its distribution food chains, MERCAL, PDVAL and Bicentenario.

Trade:

The United States is the major yellow corn supplier to Venezuela. Despite the exchange control in the country and all the procedures that importers must accomplish, Import licenses procedures have been relaxed and those measures have favored purchases of feed components on the international market.

Imports will continue to meet the shortfall and to supply the growing feed industry. The feed industry estimates that imports of yellow corn could be about 1,300,000 MT in 2011/12 and total imports about 1,600,000 MT. Based on information from the local industry, Post forecast total corn imports for 2012/13 to keep at the same level at 1,600,000 MT.

Marketing:

The United States has natural advantages in this market due to proximity and year-round availability of corn. Traditionally, the United States has dominated the market for imported corn in Venezuela and is expected to continue to be the major supplier. Venezuelan feed manufacturers have preferred U.S. yellow corn over other origins, but during the last two years some Argentine corn was imported directly by the Government as part of a Bilateral Agreement. Despite of the problems in this market, continued trade servicing, technical support, and marketing assistance are important in order to maintain and improve client loyalty and satisfaction.

Production, Supply and Demand Data Statistics:

Corn Venezuela	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Oct 2010		Market Year Begin: Oct 2011		Market Year Begin: Oct 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	430	430	450	420		430
Beginning Stocks	863	863	374	473		73
Production	1,710	1,710	1,800	1,400		1,780
MY Imports	1,251	1,300	1,600	1,600		1,600
TY Imports	1,251	1,250	1,600	1,600		1,600
TY Imp. from U.S.	852	1,055	0	833		1,050
Total Supply	3,824	3,873	3,774	3,473		3,453
MY Exports	0	0	0	0		0
TY Exports	0	0	0	0		0
Feed and Residual	1,900	1,900	1,900	1,900		1,900
FSI Consumption	1,550	1,500	1,600	1,500		1,500
Total Consumption	3,450	3,400	3,500	3,400		3,400
Ending Stocks	374	473	274	73		53
Total Distribution	3,824	3,873	3,774	3,473		3,453
1000 HA, 1000 MT, MT/HA						