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Report Highlights:

All grain production and imports are challenged by foreign exchange limitations that restrict access to key agricultural inputs and currency for overseas purchases. Corn production is forecast to fall to 1.09 million metric tons (MT) in marketing year (MY) 2016/2017 with imports unchanged at 2.1 million MT. No changes for sorghum production are expected in MY 2016/2017, remaining at 90,000 MT. No changes for wheat imports are forecast in MY 2016/2017, remaining at 1.6 million MT. Rice production and imports are forecast to remain unchanged in MY 2016/2017 at 340,000 MT and 400,000 MT, respectively.

Executive Summary:

Venezuela has an economy with hyperinflation and three different exchange rates, which moreover have depreciated significantly in recent months. The country is also facing a reduction in foreign exchange cash flow due to low oil prices, which has resulted in a reduction in agricultural imports and essential raw materials for food and beverage manufacturing. Venezuela 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 well below capacity with processing line disruptions for days at a time due to running out of basic raw materials.

Government of the Bolivarian Republic of Venezuela (GBRV) policies to regulate the market for agricultural products have contributed to the raw material and food shortages, which are likely to worsen through the 2016 calendar year (CY). Moreover, agriculture production has been challenged as a result of shortages of critical agricultural inputs due to foreign exchange limitations and price controls that have disrupted market signals and discouraged production for the past 17 years. In addition, the *El Niño* weather phenomenon is behind some of the worst drought conditions in the past 60 years. Post expects wheat, corn and rice imports to be tight due to availability of foreign exchange, creating increasing public pressure on already limited food supplies.

Commodities:

Corn

Production:

Corn is Venezuela's main crop by area with about 400,000 hectares harvested during MY 2014/2015. 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 for feed manufacturing.

White corn production is primarily destined for milling into corn flour and is a critical ingredient in basic Venezuelan diet. Industry sources have indicated that there is a deficit of about 550,000 MT of white corn. Sources indicate that domestic white corn production is insufficient to meet the MY 2015/2016 milling demand.

Total domestic corn production in MY 2015/2016 is estimated to remain at 1.15 million MT and is insufficient to fulfill total demand for feed and food uses. Thus, imports of white and yellow corn imports are critical for the coming year. Corn production for MY 2016/2017 is forecast lower at 1.09 million MT as a result of unpredictable weather conditions from the transition period of *El Niño* drought to *La Niña* rain, in addition to excessively high costs of production and lack of agricultural inputs. The current drought from *El Niño* lingers and is one of the worst in the last 60 years.

Consumption:

There are two markets for corn in Venezuela: the white corn market for food and the yellow corn market for primarily feed. Most of the white corn is milled to produce precooked corn flour which is used to make an "arepa," or a thick corn tortilla, which has a significant role in the basic Venezuelan diet. Most

yellow corn is destined for the animal feed industry. Overall, the demand for feed grains in Venezuela is softening as hog and poultry production has declined in response to unfavorable economic conditions.

Animal feed consumption is based mostly on imported yellow corn since domestic production has fallen short of meeting feed industry demand. Feed consumption will remain unchanged at 1.7 million MT in MY 2016/2017.

Trade:

In spite of reduced domestic corn production, total corn imports for MY 2016/2017 are forecast unchanged at 2.1 million tons due to the lack of foreign exchange. Post forecasts MY 2015/2016 total corn imports to be unchanged at 2.1 million tons. There is no indication that the GBRV will change economic policies providing more access to foreign exchange.

Venezuelan imports of yellow corn are mostly from United States and Argentina with smaller volumes from Brazil and Paraguay. Traditionally, the United States has been the primary exporter of yellow corn due to lower prices, ample exportable supplies, and faster delivery times; however, during the last few years Argentina has gradually eroded U.S. market share.

Imports of white corn are necessary to meet up to 40 percent of total domestic demand. White corn imports are estimated to account for about one quarter of total imports, but could increase as production falls and demand grows for white corn-based low cost foods.

Production, Supply and Demand Data Statistics:

Corn Market Begin Year Venezuela	2014/2015		2015/2016		2016/2017	
	Oct 2014		Oct 2015		Oct 2016	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	400	400	400	400	0	400
Beginning Stocks	350	350	433	433	0	383
Production	1150	1150	1150	1150	0	1090
MY Imports	2433	1800	1900	2100	0	2100
TY Imports	2433	1800	1900	2100	0	2100
TY Imp. from U.S.	806	806	0	0	0	0
Total Supply	3933	3933	3683	3683	0	3573
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Feed and Residual	1900	1900	1700	1700	0	1700
FSI Consumption	1600	1600	1600	1600	0	1600
Total Consumption	3500	3500	3300	3300	0	3300
Ending Stocks	433	433	383	383	0	273
Total Distribution	3933	3933	3683	3683	0	3573

(1000 HA) ,(1000 MT)

Commodities:

Sorghum

Production:

Sorghum is an important crop for dry areas in the east and southern regions of Venezuela, specifically in the States of Guárico and Cojedes. For the last three years, the sorghum crop, like other grains, has been affected by critical lack of agricultural inputs, government controlled prices and lack of incentives to producers.

Over the past 10 years, swings in domestic sorghum production were volatile, but general trend over the previous few years is towards decline. Area harvested in MY 2015/2016 is expected to remain steady at 90,000 hectares, but with lower yields.

In MY 2014/2015 sorghum production was 110,000 MT. Sorghum production for MY 2015/2016 is expected to fall to 90,000 MT and will not likely recover in MY 2016/2017, remaining at 90,000 MT. The lack of basic agricultural inputs such as certified seeds, fertilizers, agrochemicals, and spare parts for farm machinery, challenge any increase in production.

Consumption:

Grain sorghum is used for poultry and swine feed production in Venezuela and forage for cattle. Given severe shortages of basic grains throughout the year, any sorghum produced is quickly purchased; however, feed manufacturers prefer imported corn over local sorghum. Sorghum feed consumption in MY 2015/2016 is forecast at 90,000 MT and will remain unchanged in MY 2016/2017. Total distribution, nevertheless, will fall to 97,000 MT in MY 2016/2017 as a result of less ending stocks.

Trade:

Venezuela only imports sorghum seed for planting mainly from the United States and Guatemala. Seed imports have fallen to zero in the last six years after the nationalization of “Agroisleña,” the quasi-monopolistic Venezuelan company dedicated to the distribution and sale of agricultural inputs, such as seed, agrochemicals, machinery, etc. The Venezuelan government has consistently opposed sorghum seed imports to protect local production and to apply scarce foreign exchange for corn imports.

Production, Supply and Demand Data Statistics:

Sorghum	2014/2015		2015/2016		2016/2017	
	Oct 2014		Oct 2015		Oct 2016	
Venezuela	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	100	90	100	90	0	90

Beginning Stocks	17	17	12	12	0	7
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.	0	0	0	0	0	0
Total Supply	127	127	122	102	0	97
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Feed and Residual	110	110	110	90	0	90
FSI Consumption	5	5	5	5	0	5
Total Consumption	115	115	115	95	0	95
Ending Stocks	12	12	7	7	0	2
Total Distribution	127	127	122	102	0	97
(1000 HA) ,(1000 MT)						

Commodities:

Wheat

Production:

Production of wheat in Venezuela is negligible due to climatic conditions. Thus, all wheat supplies are imported.

Wheat manufacturing contacts have reported limited production of pasta and wheat flour during the first two months of 2016 due to the lack of wheat raw material. Industry and labor leaders are becoming more vocal in criticizing the GBRV's inability to manage the food supplies. Foreign exchange reserves continue to decline through MY 2015/2016 and are expected to continue falling, creating more difficult conditions to import agricultural and food products.

Consumption:

Post estimates wheat consumption for MY 2015/2016 will fall to 1.65 million MT. This is a new estimate from the previous forecast and USDA's official number due to the major devaluation of the bolivar during the last two months. Total wheat consumption is forecast to remain unchanged in MY 2016/2017 at 1.65 million MT. Venezuelan incomes are not keeping up with inflation. As long as household budgets continue to be pinched, it is unlikely that consumption, of all but the cheapest sources of calories, will decline.

Trade:

Venezuela is historically a \$500,000 market for U.S. wheat. Venezuela is also the single largest durum wheat market in the region, historically purchasing over 300,000 MT of high quality durum annually.

In MY 2015/2016, Post estimates total wheat imports at 1.6 million MT, based on recent commitments made by the GBRV to approve the appropriate permits and distribute foreign exchange to Venezuelan importers. The GBRV is also purchasing wheat imports to address shortages in the first quarter of 2016.

Imports in MY 2016/2017 are forecast to be steady at 1.6 million MT even though Venezuela is facing severe shortages of foreign exchange as oil prices remain depressed. Bread and pasta are important staples for the Venezuelan diet and it is expected that the government will provide just enough foreign

exchange to maintain wheat milling and manufacturing operations to avoid civil unrest and social upheaval.

Delays in receiving import permits and approvals for foreign exchange impact the flow of wheat shipments creating severely challenging month to month inventory fluctuations. For MY 2015/2016 wheat ending stocks are estimated to fall to their lowest level in over 10 years at 77,000 MT, which will satisfy about two weeks consumption. For MY 2016/2017 ending stocks are forecast to fall further as a result of the aforementioned challenges.

Production, Supply and Demand Data Statistics:

Wheat Market Begin Year Venezuela	2014/2015		2015/2016		2016/2017	
	Jul 2014		Jul 2015		Jul 2016	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	0	0	0	0	0	0
Beginning Stocks	412	412	127	127	0	77
Production	0	0	0	0	0	0
MY Imports	1540	1540	1650	1600	0	1600
TY Imports	1540	1540	1650	1600	0	1600
TY Imp. from U.S.	401	401	0	0	0	0
Total Supply	1952	1952	1777	1727	0	1677
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	1825	1825	1700	1650	0	1650
Total Consumption	1825	1825	1700	1650	0	1650
Ending Stocks	127	127	77	77	0	27
Total Distribution	1952	1952	1777	1727	0	1677

(1000 HA) ,(1000 MT)

Commodities:

Rice, Milled

Production:

Domestic rice production faces the same challenges in production for other grains, including shortages of agricultural inputs, such as planting seeds, agrochemicals, fertilizers, machinery parts, etc. Rice farmers are suffering from rising costs of production that could result in possible contraction of planted area and lower yields. Nevertheless, planted area is forecast to remain unchanged at 130,000 hectares in MY 2016/2017. Rice production has been also affected by adverse weather conditions from *El Niño* drought in the main rice producing States of Guárico and Portuguesa.

Milled rice production in MY 2016/2017 is estimated to remain at 340,000 MT since there are no incentives for farmers or millers to raise production since both farm-gate and retail prices are controlled by the GBRV. Price controls for rice have occurred since 2003 and have created a distortion in the domestic market, resulting in considerable losses for the industry and shortages of regulated products in the market.

Consumption:

Rice is a traditional food and an important staple in the Venezuelan diet. About 90 percent of rice production is for human consumption, the remaining 10 percent is destined for animal

feed. Consumption is forecast to remain unchanged at 680,000 MT in MY 2016/2017, but with the possibility that milled production could increase with any potential imports of paddy/rough rice.

Trade:

Rice miller challenges are identical to other food manufacturers with low inventories of raw materials and the unpredictability of imports as the GBRV is the sole rice importer. Imports for MY 2016/2017 are forecast unchanged from the year before at 400,000 MT due to worsening economic conditions resulting in continued foreign exchange limitations.

Unofficial cross border trade with Colombia continues as Venezuelan price controls and exchange rate disparities motivate contraband trade. While there are no official statistics for contraband trade, estimates vary from 200,000-500,000 MT.

Production, Supply and Demand Data Statistics:

Rice, Milled Market Begin Year Venezuela	2014/2015		2015/2016		2016/2017	
	Apr 2014		Apr 2015		Apr 2016	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	140	140	130	130	0	130
Beginning Stocks	107	107	97	97	0	67
Milled Production	360	360	340	340	0	340
Rough Production	531	531	501	501	0	501
Milling Rate (.9999)	6786	6786	6786	6786	0	6786
MY Imports	500	500	400	400	0	400
TY Imports	500	500	500	400	0	400
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	967	967	837	837	0	807
MY Exports	180	180	120	90	0	80
TY Exports	180	180	140	90	0	80
Consumption and Residual	690	690	660	680	0	680
Ending Stocks	97	97	57	67	0	47
Total Distribution	967	967	837	837	0	807
(1000 HA) ,(1000 MT)						