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Venezuela

Grain and Feed Update

Grain & Feed Update

Approved By:

Todd Drennan

Prepared By:

Clara Nuñez

Report Highlights:

Post expects wheat, corn and rice imports to be tight due to the lack of availability of foreign exchange. Production of corn and rice for MY 2015/16 is forecast to fall as a result of delayed planting and lack of agricultural inputs. In 2015, for the first time in at least over the past 10 years, agricultural imports and production are expected to fall in the same year creating increasing pressures on food supplies.

Post:
Caracas

Commodities:
Wheat

Corn

Rice, Milled

Executive Summary:

Venezuela's economy continues to suffer with hyperinflation and three different exchange rates, which continue to be highly controlled by the government. A fourth illegal parallel exchange rate continues to devalue eroding away consumer purchasing power. 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 primary input products for food manufacturing. All of these factors along with poor government planning and failed production policies are contributing to a growing and critical food security situation in Venezuela. While, food shortages are not new in Venezuela, they have become worse over the first half of 2015 and signs of civil unrest over the lack of food are beginning to appear in the interior of the country where food shortages are more profound.

Domestic agriculture production has dropped and will likely to continue to fall as a consequence of government mismanagement, shortages of agricultural inputs and price controls that have hampered production for the past 16 years. Corn and rice plantings were delayed during the April-May season due to adverse weather conditions and a lack of agricultural inputs. Post expects wheat, corn and rice imports to be tight as well due to foreign exchange problems. Venezuela continues to import more than 70 percent of its food needs, but the growing lack of foreign exchange is prohibiting imports at the needed levels. Most feed and flour mills are producing at below full capacity and most have stopped production for weeks at a time on different occasions because they ran out of raw materials. As a result, the food security situation in Venezuela is expected to reach a critical level as early as September 2015 and there is growing concern over long-term nutrition impacts.

WHEAT

Industry contacts report stoppages of pasta and wheat flour production due to the lack of wheat in the market. Union leaders are becoming more vocal and are criticizing the government's inability to manage the food supply. Foreign exchange reserves continued to decline through MY 2014/15 and are expected to continue to fall making it more and more difficult to import agricultural and food products.

In MY 2014/15, Post estimates wheat imports down slightly from the previous report to 1.6 million tons, based on Global Trade Atlas supplier data. Imports in MY 2015/16 are forecast unchanged and not to fall further at this time even though Venezuela is facing a severe shortage of foreign exchange as oil prices remain depressed. There are important general assembly elections in December and it is speculated that the government will provide just enough foreign exchange to keep production plants operating and enough food on the table to avoid further civil unrest. Imports are likely to be stronger leading up to the elections and then fall off throughout the rest of the marketing year into 2016. Delays receiving import permits and approvals for foreign exchange requests impact the flow of wheat shipments causing severe inventory fluctuations from month to month. MY 2014/15 wheat inventories, or ending stocks, fell to their lowest level in over 10 years at 187,000 tons, about two weeks' worth of total demand.

Post estimates wheat consumption slightly above 1.8 million tons in MY 2014/15, but down 25,000 tons from our previous estimate and USDA's official number. While pasta and bread supplies continue to fall, bread products remain affordable and viable alternatives for reduced meat consumption due to rising prices of beef and poultry caused by increased shortages in supplies. MY 2015/16 ending stocks should fall further on average due to falling supplies, but the governments' lack of planning and mismanagement of grain imports will

continue to create significant inventory fluctuations.

CORN

After discussions with various poultry producers, feed millers and farmer groups, Post estimates MY 2014/15 corn production to fall to less than 1.2 million tons in MY 2014/15 as the result of planting delays due to both adverse weather conditions and a lack of agricultural inputs. The April-May planting season did not began until late June, as rain levels fell well below average norms. Shortages of seed and agrochemicals further complicating the situation. Planted area was impacted and declined, which in turn will affect harvested area. Based on planted hectare information provided by the Association of farmers in Portuguesa, the most important growing area, Post reduced harvested area to 400,000 hectares for MY 2014/15. The corn crop is expected to be only 40 percent yellow corn and 60 percent white corn, which represents a shift in recent planting patterns. The government effectively forced farmers to plant more white corn through its purchases of seed. White corn is needed to maintain corn flour production, which is a staple food product and highly sensitive product politically. The shift away from yellow corn will lead to a need to import more yellow corn to meet animal feed demand.

Post forecasts MY 2015/16 corn production unchanged as a result of continued problems for the government to provide farmers adequate supplies of quality seed along with fertilizers and agrichemicals. If the government makes the necessary foreign exchange available, there may still be time to salvage the planting season of the smaller second corn crop conducted in September-October. The continued lack of fertilizer, agrochemicals and spare parts for machinery, however, will continue to negatively impact yields.

Yellow corn imports are expected to fall to 1.8 million tons in spite of reduced corn production due to the lack of foreign exchange. This will affect overall corn consumption leading to expected declines in poultry production as reported by the Federation of Poultry Producers (FENAVI). Post forecasts MY 2015/16 corn imports to be unchanged at 1.8 million tons at this time as there is no indication the government will change its economic policies, or make more foreign exchange available past the December elections. It is more likely corn imports will continue to fall. The United States will remain the primary supplier of yellow corn due to lower prices, ample exportable supplies, and faster delivery times.

RICE

Domestic rice production faces the same production difficulties discussed above with corn, which are related to shortages of agrochemicals, fertilizers and planting seeds resulting in higher production costs, and reduced profitability. Rice planting was also delayed and affected by adverse weather conditions and lack of agricultural inputs. Milled rice production in MY 2014/15 is estimated to fall to 360,000 tons and forecast to fall further to 340,000 tons due to a reduction in area planted to 130,000 hectares, and continued problems with supplies in inputs placing downward pressure on yields.

Rice millers face a similar situation of other processing companies, low inventories of raw material and untimely imports subject to government whims as sole importer of rice. Despite the economic situation, however, rice imports for MY 2014/15 were left unchanged as Guyana continues to export around 180,000 tons of rice to Venezuela as part of the Petro-Caribe Agreement. Rice imports are forecast unchanged in MY 2015/16 based on worsening economic conditions resulting in continued foreign exchange problems. Unofficial cross border trade with Colombia continues as Venezuelan price controls and exchange rate disparities make the illegal trade profitable and viable. While there are no official statistics it is estimated at around 180,000 tons in MY 1014/15, down from the year before and expected to fall further in 2015/16 due to reduced supplies.

PSD's Tables:

Wheat	2013/2014	2014/2015	2015/2016
Market Begin Year	Jul 2013	Jul 2014	July 2015

Venezuela	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	0	0	0	0	0	0
Beginning Stocks	311	311	412	412	262	187
Production	0	0	0	0	0	0
MY Imports	1951	1951	1700	1600	1800	1600
TY Imports	1951	1951	1700	1600	1800	1600
TY Imp. from U.S.	686	686	0	0	0	0
Total Supply	2262	2262	2112	2012	2062	1787
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	1850	1850	1850	1825	1850	1707
Total Consumption	1850	1850	1850	1825	1850	1707
Ending Stocks	412	412	262	187	212	87
Total Distribution	2262	2262	2112	2012	2062	1787

(1000 HA) ,(1000 MT)

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	440	400	440	400
Beginning Stocks	164	164	350	350	350	50
Production	1360	1360	1300	1150	1300	1150
MY Imports	2626	2626	2400	1800	2300	1800
TY Imports	2626	2626	2400	1800	2300	1800
TY Imp. from U.S.	1061	1061	0	0	0	0
Total Supply	4150	4150	4050	3300	3950	3000
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Feed and Residual	2200	2200	2100	1850	2000	1700
FSI Consumption	1600	1600	1600	1400	1600	1250
Total Consumption	3800	3800	3700	3250	3600	2950
Ending Stocks	350	350	350	50	350	50
Total Distribution	4150	4150	4050	3300	3950	3000

(1000 HA) ,(1000 MT)

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	140	130
Beginning Stocks	102	102	107	107	117	97
Milled Production	385	385	380	360	380	340
Rough Production	567	567	560	531	560	501
Milling Rate (.9999)	6786	6786	6786	6786	6786	6786
MY Imports	500	500	500	500	500	450
TY Imports	480	500	500	500	500	450
TY Imp. from U.S.	158	158	0	0	0	0
Total Supply	987	987	987	967	997	887
MY Exports	200	200	180	180	180	140
TY Exports	200	200	180	180	180	140
Consumption and Residual	680	680	690	690	700	680
Ending Stocks	107	107	117	97	117	67
Total Distribution	987	987	987	967	997	887

(1000 HA) ,(1000 MT)