



THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY
USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT
POLICY

Required Report - public distribution

Date: 4/2/2014

GAIN Report Number: VE1405

Venezuela

Grain and Feed Annual

Grain and Feed

Approved By:

Todd Drennan

Prepared By:

Clara Nunez

Report Highlights:

Overall grain production continues to be held back due to control policies and insufficient agricultural inputs. This factor, combined with growing internal demand, has led to shortages on the local market, and therefore, trade opportunities. Post expects imports of yellow corn, rice, and wheat to continue strong, based on domestic food demand, requirements of the animal feed industry, and a fall in domestic grain production.

Executive Summary:

Venezuela is a net importer of agricultural products and depends on food imports for about 70 percent of its food supply. Agricultural production continues to stagnate or fall due to government price control policies and lack of inputs. Further reductions in production continue to be offset by promises of government subsidies, which last year made up about 50 percent of total farmers' income. One exception to declining production is the production of corn which is expected to steadily rise due to continued growth in the poultry industry. The agricultural sector is severely suffering from a deteriorating supply of farm equipment, transportation infrastructure, low quality seed and soil conservation.

Grain imports will continue to be strong to make up for the lack of production. Wheat and corn imports are expected to rise to keep pace with rising and pent up consumer demand. Rice imports are significantly higher than previously reported due to new and more reliable information regarding imports from third countries. Contraband grain exports continue to be a major problem for the government with illegal rice exports to Colombia reaching historical levels last year. Ending stocks are difficult to estimate and can be misleading as there is no formal strategic reserve policy and imports are erratic with lengthy delays causing inventory control problems. Rice ending stocks were reduced below normal average stock levels over the past few years reflecting the rise in contraband exports and the reality on the ground.

The Ministry of Food held meetings with Venezuelan wheat millers and requested they import more Argentine wheat in 2014. It is not clear how the imports will be conducted, or how much volume will be imported. The Argentina government closely controls grain supplies making it doubtful Argentina could fulfil Venezuela's total wheat import needs.

Commodities:

WHEAT

Production

Venezuela does not have a favorable climate to produce large amounts of wheat. All wheat needs are imported.

Consumption

Pasta continues being a main staple for Venezuelans, with yearly per capita consumption of about 14 kilograms per capita, and total wheat consumption of about 56 kg per capita. Total wheat consumption in 2013/14 is estimated to increase to 1.58 million tons and remain virtually unchanged in 2014/15 since pasta and wheat product availability will continue to be limited. After the wheat flour crisis of last December, the Venezuelan government assured consumers sufficient supplies of bread throughout the year in 2014. Unfortunately, poor planning, the lack of timely foreign currency availability continues to plague the wheat milling industry. One major pasta producer had to shut down its plant for several weeks due to a lack of durum wheat. Consumers resort to hoarding and consolidating food purchases among extended family members, which in turn contributes to greater shortages and higher prices for products in informal markets. The government is an important pasta distributor through its state run Mercal, PDVAL and Bicentenario supermarkets, representing about 40 percent of the market.

Trade

In 2013/14, Post estimates total wheat imports to increase to 1.62 million tons and forecasts imports to stay strong in 2014/15 to meet demand and to avoid the problems faced from shortages last December. Unfortunately, the lack of planning and continued problems with foreign exchange supplies, deliveries will continue to be erratic and untimely causing severe shortages and temporary surpluses. The government authorized up to 4.7 billion bolivars, approximately \$750 million at the official exchange rate, to purchase grains and other raw materials to build up a reserve to avoid shortages in the future. The plan has yet to be implemented and millers and other food processors do not believe it will be successful given the serious inventory deficits of many millers.

Venezuela imports wheat mostly from the United States and Canada, however, greater imports are expected to come from Argentina in 2014. The Ministry of Food requested that wheat millers import more wheat from Argentina, a friend and ally of Venezuela. Initial reports of the proposal state that the government wants millers to import directly from Argentine producers and cooperatives in exchange for expedited access to U.S. dollars and reduced transportation costs. The wheat milling industry responded with concerns of the quality of Argentine wheat for its needs and Argentina's wheat availability. An initial estimate is the industry could import about 250,000 tons of Argentine wheat between now and the end of the year. This volume, however, was based on an additional request that all current and pending contracts with U.S. wheat exporters be honored. Outstanding U.S. export wheat sales are estimated at about 200,000 tons through July. If these sales were to be rejected, then Venezuela could technically import more wheat from Argentina, assuming sufficient supplies are available. The proposal only applies to bread and pastry wheat, and does not include durum, which is used in making pasta.

The GBRV's proposal is believed to be a political move to honor a recent agreement made between the Ministries of Agriculture in both countries. Argentina owes Venezuela over \$1.6 billion in oil deliveries that the government has yet to pay. It is not clear if the government of Argentina will provide added price incentives to farmers to export wheat to Venezuela to help reduce this debt. The measure is likely not to go into effect for several months and may never gain traction if Argentina's wheat availability is limited.

Importers face continual problems in accessing foreign exchange. Delays in obtaining approval for dollars from the Exchange Control Commission, CADIVI, continue to be a problem for importers, as they impede timely liquidation of payments to suppliers. Dollar shortages over the past year have increased importers' debt with foreign suppliers to a level that future sales are in jeopardy. At the beginning of the year, the GBRV implemented a new exchange rate mechanism, called SICAD II, making it now three different exchange rates. For essential imports such as food and medicines, the Government continues to ensure an exchange rate of 6.3 bolivars/U.S. dollar, and for a select number of eligible importers, these dollars are made available in an expedited manner to facilitate trade, but the industry has complained excessive delays.

With the new exchange mechanism, SICAD II, the government is providing foreign currency to the market through public and private banks, at an exchange rate determined by the market and set by the government the day before. SICAD II has had only a handful offerings so far, so it is too early to tell if SICAD II will succeed in the long term, but economists and previous critics of the government's exchange policy are hopeful and agree it is a step in the right direction. With the announcement and subsequent implementation of SICAD II, the parallel exchange rate has fluctuated from a high of 89 bolivars/U.S. dollar to a low of 57 bolivars/U.S. dollar, and at this writing, was set at 66 bolivars/U.S.

dollar. Ultimately, the government believes this measure will significantly reduce contraband exports to Colombia.

CORN

Production

Total domestic corn production in 2013/14 is estimated to increase to 1.36 million tons, not enough to fulfill total demand for feed and food uses, thus, both white and yellow corn imports will be needed for the coming year. Domestic white corn production for 2012/13 reached 800,000 tons.

Corn is arguably the most important cereal in Venezuela, given it is the main ingredient in the production of Venezuela's most popular food, arepas. In addition, with a still vibrant feed industry corn supplies are becoming more even more critical. Production for 2014/15 is forecast to remain unchanged, in spite of growing demand, due to rising production costs and low farm gate prices. Even though controlled prices are set too low to cover production costs, farmers are able to float loans from banks or vendors of farm inputs and equipment to keep farming. Furthermore, idle land becomes a target for squatters and government expropriation, forcing farmers to plant something. What they plant is largely determined by the level of promised government subsidy and availability of inputs. Although government subsidies have been late, they were paid in 2012 and partially paid last year with the remaining expected to come by May 2014. These payments are only paid upon proof of delivery of product to a mill or food processor.

About 400,000 hectares are harvested annually, from which 75 percent is located in the Western Plains, Central Plains and the Valley of the Yaracuy River. These three regions differ markedly in soil and climate conditions; having marked annual variations in rainfall volume and distribution. About 60 percent of corn produced in Venezuela is white corn for human consumption and the remainder is yellow corn for both, human consumption and feed manufacturing. The white corn crop is purchased by the corn flour industry to produce corn flour for arepas. Corn yields remain low and relatively unchanged. Farmers are applying less fertilizer and pesticides because of the lack of availability.

Area harvested for corn, according to the National Agricultural Producers Association (FedeAgro) in 2012/13 was 414,000 hectares and is estimated to reach 443,000 in 2013/14 since many farmers are temporarily switching from other crops to corn production due to relatively better prices and less production risk. Planting season for corn will start in May and many farmers are already complaining about the availability of seeds and delays in subsidy payments.

Consumption

White corn is milled to produce a precooked corn flour which is used for human consumption, while yellow corn is used for animal feed. Total consumption of corn flour is increasing in response to cheaper relative prices compared to other food products, and availability of products through the government food markets, Mercal and PDVAL. Feed consumption in 2013/14 is estimated at 2.1 million tons and forecast to slightly increase to 2.15 million tons in 2014/15. This growth in yellow corn consumption is due to expected increases in poultry and swine production.

Trade

Traditionally the United States is the primary yellow corn supplier to Venezuela. Despite possible increases in imports from the South American countries due to preferential tariffs and trade agreements with Mercosur countries, Venezuela will have to import a large amount of corn to cover total need and imports from the United States will be favored due to availability and timing of transportation.

Based on Global Trade Atlas export figures for major suppliers to Venezuela, and information from local industry contacts, total corn imports for 2013/14 are estimated at 2.2 million tons, of which 500,000 tons will be white corn and the rest yellow corn. Post forecasts total corn imports for 2014/15 to increase to 2.3 million tons continuing the steady rise to meet demand.

SORGHUM

Production

Sorghum is an important crop for certain dry areas in the east and southern part of the country, especially in Guárico, Cojedes and Portuguesa States. For the last four years, the sorghum crop has been affected by lower product prices, lack of incentives to producers and poor weather.

In the 70s, sorghum production took off, it began to grow rapidly and becoming in regions such as Northeast of the Guárico State as a dual purpose crop, since after sending their grain to the industry, forage became the main food for livestock due to the scarcity of forage during the dry season. In this region farmers used to plant more than 200,000 ha/year, and although Guárico remains the leading producer of sorghum, in recent years the planted area oscillates around the 100 thousand ha/year in the whole country.

Over the past 10 years, domestic production of sorghum has been characterized by many ups and downs, but with a tendency towards a progressive decrease. Area harvested in 2013/14 is expected to remain steady at 100,000 hectares and production is estimated to slightly fall to 110,000 tons due to the lack of basic agricultural inputs such as seeds, with high yield capacity, fertilizers, agrochemicals, spare parts for machinery, etc.

Consumption

Grain sorghum is used for poultry and swine feed production in Venezuela and forage for cattle. Sorghum feed consumption in 2013/14 is estimated at 110,000 tons and forecast to remain steady in 2014/15, unless there is a change in agricultural policy by the Government.

Trade

Venezuela only imports sorghum seed for planting mainly from the United States and Guatemala. Seed imports practically stopped in the last three years after the nationalization of Agroisleña, a Venezuelan company dedicated to the distribution and sale of a complete portfolio of agricultural inputs including seed, agrochemicals, machinery, etc. The Venezuelan government has consistently opposed to sorghum imports and that policy is not expected to change in the near future.

RICE

Production

Rice production in 2013 recovered after two years of poor harvests, but not enough to cover total demand. Rice production was affected by adverse weather conditions in the Guárico area and a lack of availability of inputs and higher production costs. Rice farmers are suffering from rising costs of production that could result in possible contraction of planted area and lower yields.

Milled rice production in 2013/14 is estimated to remain at 385,000 tons since there are no incentives for farmers or millers to raise production since both farm-gate and retail rice prices have been controlled by the government since 2003 creating a distortion in the domestic market and resulting in considerable losses for the industry and shortages of regulated products in the market. In 2014/15 rice production is forecast to increase to 390,000 tons based on a new subsidy offered by the Government to producers along with final payment of last year’s subsidy and a review of market prices.

Consumption

Rice is a traditional food and an important staple in the Venezuelan diet. There is a rice deficit in the country due to the increase in consumption and domestic production does not fulfill the increasing demand. Per capita consumption has steadily increased in the past several years due to a State policy of low controlled prices. Consumption is estimated to rise to 680,000 tons in 2013/14 due to increases in product availability to meet growing shortages and unfulfilled demand. For 2014/15 rice consumption is forecast to increase to 695,000 tons with expectations that production will increase.

Trade

Over the last six years, all rice imports were conducted by the government to alleviate an immediate deficit. Imports are made through the government entity, Corporation CASA, and mainly from the United States, Guyana, Brazil and Argentina.

As a result of bilateral agreements, imports from Guyana have been increasing in the past two years. In February 2014, Guyana and Venezuela signed a Memorandum of Agreement to renew their oil-for-rice deal (PetroCaribe Energy Cooperation Agreement). Based on press information and industry estimates, Post estimates that Guyana exported approximately 200,000 tons of paddy rice or 140,000 tons of milled-rice-equivalent to Venezuela in 2013/14. Imports are estimated to slightly decrease from 528,000 tons in 2012/13 to 520,000 tons in 2013/14 and remain unchanged in 2014/15 based on an increase in production and a decrease in unofficial exports.

Unofficial cross border trade with Colombia has existed forever, however, in the last two years quantities reached record levels. Price controls and exchange rate disparity are the two main reasons fueling unofficial cross border rice trade with Colombia. In 2012/13, about 300,000 tons of unofficial rice exports were shipped to Colombia, according to industry contacts. Rice exports to Colombia are estimated to decrease to 250,000 in 2013/14 and forecast to drop even more to 200,000 tons in 2014/15 as a result of expected higher controlled prices, greater border controls and a closing of the gap between the official and parallel exchange rates. At the same time, the increased illegal trade has reduced ending stocks to what industry contacts report are closer to reality. Inventories are low, but manageable for the next three months.

TABLES

| | | | |
|-----------------|-----------------------------|-----------------------------|-----------------------------|
| Wheat Venezuela | 2012/2013 | 2013/2014 | 2014/2015 |
| | Market Year Begin: Jul 2012 | Market Year Begin: Jul 2013 | Market Year Begin: Jul 2014 |

| | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
|-------------------------|---------------|----------|---------------|----------|---------------|----------|
| Area Harvested | 0 | 0 | 0 | 0 | | 0 |
| Beginning Stocks | 270 | 270 | 332 | 332 | | 367 |
| Production | 0 | 0 | 0 | 0 | | 0 |
| MY Imports | 1,617 | 1,617 | 1,675 | 1,620 | | 1,625 |
| TY Imports | 1,617 | 1,617 | 1,675 | 1,620 | | 1,625 |
| TY Imp. from U.S. | 560 | 560 | 0 | 0 | | 0 |
| Total Supply | 1,887 | 1,887 | 2,007 | 1,952 | | 1,992 |
| MY Exports | 0 | 0 | 0 | 0 | | 0 |
| TY Exports | 0 | 0 | 0 | 0 | | 0 |
| Feed and Residual | 0 | 0 | 0 | 0 | | 0 |
| FSI Consumption | 1,555 | 1,555 | 1,585 | 1,585 | | 1,590 |
| Total Consumption | 1,555 | 1,555 | 1,585 | 1,585 | | 1,590 |
| Ending Stocks | 332 | 332 | 422 | 367 | | 402 |
| Total Distribution | 1,887 | 1,887 | 2,007 | 1,952 | | 1,992 |
| | | | | | | |
| 1000 HA, 1000 MT, MT/HA | | | | | | |

| Corn Venezuela | 2012/2013 | | 2013/2014 | | 2014/2015 | |
|--------------------|-----------------------------|----------|-----------------------------|----------|-----------------------------|----------|
| | Market Year Begin: Oct 2012 | | Market Year Begin: Oct 2013 | | Market Year Begin: Oct 2014 | |
| | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| Area Harvested | 400 | 417 | 400 | 443 | | 443 |
| Beginning Stocks | 360 | 360 | 156 | 106 | | 166 |
| Production | 1,300 | 1,300 | 1,300 | 1,360 | | 1,400 |
| MY Imports | 2,146 | 2,146 | 2,600 | 2,400 | | 2,400 |
| TY Imports | 2,146 | 2,146 | 2,600 | 2,400 | | 2,400 |
| TY Imp. from U.S. | 1,092 | 1,092 | 0 | 0 | | 0 |
| Total Supply | 3,806 | 3,806 | 4,056 | 3,866 | | 3,966 |
| MY Exports | 0 | 0 | 0 | 0 | | 0 |
| TY Exports | 0 | 0 | 0 | 0 | | 0 |
| Feed and Residual | 2,100 | 2,150 | 2,200 | 2,150 | | 2,200 |
| FSI Consumption | 1,550 | 1,550 | 1,600 | 1,550 | | 1,600 |
| Total Consumption | 3,650 | 3,700 | 3,800 | 3,700 | | 3,800 |
| Ending Stocks | 156 | 106 | 256 | 166 | | 166 |
| Total Distribution | 3,806 | 3,806 | 4,056 | 3,866 | | 3,966 |
| | | | | | | |

1000 HA, 1000 MT, MT/HA

| Sorghum Venezuela | 2012/2013 | | 2013/2014 | | 2014/2015 | |
|--------------------|-----------------------------|----------|-----------------------------|----------|-----------------------------|----------|
| | Market Year Begin: Jul 2012 | | Market Year Begin: Jul 2013 | | Market Year Begin: Jul 2014 | |
| | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| Area Harvested | 100 | 100 | 100 | 100 | | 100 |
| Beginning Stocks | 5 | 5 | 10 | 10 | | 10 |
| Production | 110 | 120 | 110 | 110 | | 110 |
| 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 | 115 | 125 | 120 | 120 | | 120 |
| MY Exports | 0 | 0 | 0 | 0 | | 0 |
| TY Exports | 0 | 0 | 0 | 0 | | 0 |
| Feed and Residual | 100 | 110 | 100 | 105 | | 105 |
| FSI Consumption | 5 | 5 | 5 | 5 | | 5 |
| Total Consumption | 105 | 115 | 105 | 110 | | 110 |
| Ending Stocks | 10 | 10 | 15 | 10 | | 10 |
| Total Distribution | 115 | 125 | 120 | 120 | | 120 |
| | | | | | | |

1000 HA, 1000 MT, MT/HA

| Rice, Milled Venezuela | 2012/2013 | | 2013/2014 | | 2014/2015 | |
|-----------------------------|--------------------------------|-------------|--------------------------------|-------------|--------------------------------|-------------|
| | Market Year Begin: Apr 2012 | | Market Year Begin: Apr 2013 | | Market Year Begin: Apr 2014 | |
| | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| Area Harvested | 140 | 140 | 140 | 140 | | 140 |
| Beginning Stocks | 159 | 159 | 149 | 102 | | 102 |
| Milled Production | 385 | 385 | 385 | 385 | | 390 |
| Rough Production | 567 | 567 | 567 | 567 | | 575 |
| Milling Rate (.9999) | 6,786 | 6,786 | 6,786 | 6,786 | | 6,786 |
| MY Imports | 425 | 528 | 400 | 520 | | 520 |
| TY Imports | 400 | 500 | 410 | 480 | | 475 |
| TY Imp. from U.S. | 0 | 0 | 0 | 0 | | 0 |
| Total Supply | 969 | 1,072 | 934 | 1,007 | | 1,012 |
| MY Exports | 150 | 300 | 75 | 225 | | 200 |
| TY Exports | 100 | 250 | 100 | 200 | | 180 |
| Consumption and Residual | 670 | 670 | 680 | 680 | | 695 |
| Ending Stocks | 149 | 102 | 179 | 102 | | 117 |
| Total Distribution | 969 | 1,072 | 934 | 1,007 | | 1,012 |

| | | | | | | |
|-------------------------|--|--|--|--|--|--|
| | | | | | | |
| 1000 HA, 1000 MT, MT/HA | | | | | | |