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Global Agricultural Information Network

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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 to grain production, imports and food and feed manufacturing.

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 2017 economic crisis and foreign exchange limitations saw the total value of agriculture and food imports fall 24 percent from the year before, bottoming to $2.48 billion (Global Trade Atlas). This was the lowest trade value of imports in over a decade. The GBRV monopolizes imports with government corporations that have priority access to foreign exchange from the Venezuela Central Bank. The Central Bank occasionally distributes subsidized foreign exchange to private sector food and feed manufacturers for imports; nevertheless, the small amounts of foreign exchange distributed are insufficient to satisfy the breadth of private sector imported product needs. The GBRV Public Corporation for Food and Services is responsible for all agricultural product imports and allocations to domestic food and feed manufacturers and distributors.

The GBRV's financial challenges importing agricultural raw materials have led to the food and feed manufacturing sectors reducing operations to a fraction of capacity. Depleted inventories cause plants to sit idle for weeks until the next GBRV procured vessel loaded with corn, wheat or soybeans arrives to port. Private sector contacts have shared the frustrating tendency of vessels to float for months in international waters awaiting payment. Moreover, food and feed sector inventories receive little relief from a domestic agricultural sector struggling from shortages of essential inputs, including certified seed, fertilizer, diesel fuel, pesticides, tractor parts, and machinery. Despite the economic crisis and limited foreign exchange, the upcoming May 2018 presidential election appears to have motivated GBRV procurement of imported agricultural commodities and fertilizers, up 40 percent in the first three months of 2018 compared to the last quarter of 2017. To access government procured imported commodities for food manufacturing, the industry must deliver/sell a percent of finished product to the GBRV, ranging from 30-50 percent depending on the product, at government-regulated prices that are typically below costs of production. As the GBRV depletes foreign exchange running up to the election, shortages of food and agricultural inputs afterwards will likely worsen.

A GBRV corporation, Agropatria, supplies about 90 percent of essential agricultural inputs to farmers, but in order to access those inputs, farmers must deliver/sell 20 percent of production to Agropatria at government-regulated prices. The GBRV challenges with foreign exchange have affected imports of all agricultural inputs. Agropatria's inventories of seed, fertilizer, pesticides, machinery and parts, are insufficient to support the agriculture sector's extensive needs. Frequent shortages of diesel fuel disrupt the critical timing of grain planting and harvesting detrimentally impacting yields. A GBRV ban on imports and cultivation of biotechnology-derived seed also prevents farmers from accessing the latest seed technology. Furthermore, nearly obsolete tractors, harvesters and other equipment are in dire need of replacement parts and/or upgrades, leaving farmers no choice but to cannibalize the varied farming equipment to keep up with the machinery needs of the growing cycle. A recent agreement with Russia will bring approximately 180,000 MT in CY 2018. The first 30,000 MT vessel of Russian fertilizer is allegedly at port and offloading with additional vessels pending.

In marketing year (MY) 2018/19, both corn and rice production are forecast to fall with rice production bottoming to a volume not seen since 1972. Foreign exchange limitations will continue to impede trade leading to a decline in wheat imports. A slight bump in sorghum production is the only positive forecast

within a tapestry of decline.

Commodities:
Corn

Production:
Slightly over half the corn produced in Venezuela is white corn for human consumption and the remainder is yellow corn for both human consumption and animal feed. The growing cycle for corn in Venezuela is 120 days with planting starting at the end of April and the harvest towards the end of September.

In MY 2018/2019, the corn production forecast is down to 830,000 MT on 350,000 hectares (ha.) of area harvested. Productivity, however, bumps up slightly from probable good weather and hopes that the government will follow through with promises to import certified seed and fertilizer. Agriculture Minister Castro Soteldo has stated that the GBRV will import 432,000 bags of certified seed and 180,000 MT of fertilizers in 2018. The GBRV promises to the agricultural sector are prone to falling short of expectations, but recent agreements with Russia to bring fertilizer to Venezuela in 2018 are underway.

Consumption:
Imported yellow corn is primarily destined to support poultry and swine feed however, white corn flour is used to make the Venezuelan corn cake "arepa," a critical staple for millions of families across the country. The Venezuelan Agricultural Federation (FEDEAGRO) estimates corn market demand in Venezuela at approximately 4.9 million MT per year, specifically 2.5 million MT of white corn and approximately 2.4 million MT of yellow corn. Three years of economic crises have challenged the GBRV and the private sector to meet that demand.

Total consumption forecast is down to 2.1 million MT in MY 2018/19. The poultry and swine sectors continue to suffer from a lack of feed materials continually adjusting operations and production capacity to accommodate reduced volumes of corn imports and shrinking feed inventories. The feed and residual consumption forecast is down to 1 million MT in MY 2018/19. The corn flour industry also suffers from raw material shortages therefore the forecast for non-feed, food, seed and industrial demand falls to 1.1 million MT in MY 2018/19.

Trade:
The forecast for total corn imports in MY 2018/19 is down to 1.3 million MT because of the prolonged economic crisis and limited foreign exchange for imports. Domestic production falls significantly below market demand placing more dependence on imports challenged by GBRV procurement issues from limited foreign exchange.

Policy:
In January 2018, Agriculture Minister Castro Soteldo announced a new self-sufficiency program with the goal to produce 80-90 percent of the corn seed to support domestic production for the 2018/19 growing season. Minister Soteldo recently met with corn growers to address the government regulated price for white corn that was fixed at Bolivares (Bs.) 208 per kilogram (kg), equivalent to about 1 cent

in U.S. dollars at the parallel/black market exchange rate (March 2018). The new price agreed by the Minister and growers increased to Bs. 2,100/kg, or about 8 cents (U.S. dollar equivalent). The agreement suggested a commitment by the GBRV to review and adjust the price every two months to cope with hyperinflation. The GBRV regulated prices have distorted grower decision-making motivating farmers to cultivate other crops not subject to price regulation, such as sorghum and sesame, placing greater dependence on imported corn to satisfy food and feed demand.

Production, Supply and Demand Data Statistics:

Corn	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 Harvested	400	400	360	350	0	350
Beginning Stocks	221	221	109	71	0	30
Production	1000	1000	850	850	0	830
MY Imports	1238	1238	1600	1400	0	1300
TY Imports	1238	1238	1600	1400	0	1300
TY Imp. from U.S.	384	384	0	0	0	0
Total Supply	2459	2459	2559	2321	0	2160
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Feed and Residual	1200	1200	1200	1100	0	1000
FSI Consumption	1150	1150	1250	1191	0	1160
Total Consumption	2350	2350	2450	2291	0	2160
Ending Stocks	109	109	1093	30	0	0
Total Distribution	2459	2459	2559	2321	0	2160
Yield	2.500	2.500	2.361	2.429	0	2.371
(1000 HA) ,(1000 MT) ,(MT/HA)						

Commodities:

Rice, Milled

Production:

In MY 2018/19, the forecast for milled rice production is significantly down to 140,000 MT, the lowest volume of production since 1972. A devastating panicle blight disease is affecting the major rice growing regions of Venezuela, specifically the States of Portuguesa and Guarico. As a result, harvested area forecast is down to 70,000 ha. in MY2018/19 with yields expected to fall below 3,000 MT/ha. According to FEDEAGRO, it will be difficult to project the exact impact of the disease until the latter half of the rice growing cycle during the grain filling/ripening stage. However, grave results are likely given the lack of chemical inputs to control and/or mitigate the impacts of the disease. The photos below provide some visual context to the challenges growers face with the disease.


Panicle blight infested rice field in the State of Guarico (March 2018)


Panicle blight infested rice field in the State of Portuguesa (March 2018)

Consumption:
Almost all rice production in Venezuela is destined for human consumption. The total domestic consumption forecast is 440,000 MT, down 22 percent in MY 2018/2019 compared to the year before. Product shortages and declining purchasing power from hyperinflation are the key restraints to consumption. Falling production and imports will likely lead to retail product shortages, while prices will continue to rise at pace with hyperinflation. In March 2018, one kilogram of white rice will cost a Venezuelan consumer between Bs. 200,000-300,000, or about a fourth of the monthly minimum wage. Rice sold at the GBRV regulated price, Bs. 120,000/kg, are almost impossible to find in retail stores. Low purchasing power, product scarcity and hyperinflation, are pushing people to switch to cheaper carbohydrate substitutes, such as plantain, yucca, potatoes and others.

Trade:
The rice import forecast is down to 300,000 MT in MY 2018/2019. The economic crisis and foreign exchange limitations will negatively affect imports of all agricultural raw materials and products. Trade

decline notwithstanding, the historically dominant U.S. market share for paddy rice in Venezuela is now competing with Brazil. Four vessels from Brazil arrived to Venezuela in the first quarter of CY 2018 with about 120,000 MT of paddy rice. This volume of paddy rice from Brazil is a new development. According to private sector contacts, the shift to Brazil paddy rice is market driven and price-based. Approximately 60,000 MT of Brazilian paddy rice is in transit on two separate vessels and expected to arrive in the 2nd quarter of 2018.

Policy:

Milled, white rice is a product subject to GBRV regulated price controls providing little market incentive for the growers to consider investing, expanding, or enhancing operations. In September 2017, the regulated price paid to growers was Bs. 4,000/kg, a value significantly below break-even, estimated to be about Bs. 70,000/kg. After many meetings between rice growers, millers and the GRBV to negotiate new prices, the regulated price was increased to Bs. 12,000/kg, still well below break-even. The GRBV is also directly involved in allocating imported paddy rice to the millers. Even though the allocated GBRV paddy rice is significantly subsidized for domestic millers, insufficient volumes of imports leave milling operations frequently idle during the gap time between domestic harvests. Moreover, about 40 percent of milled, white rice production must be sold to the GBRV at the regulated price.

Production, Supply and Demand Data Statistics:

Rice, Milled	2016/2017		2017/2018		2018/2019	
Market Begin Year	Apr 2016		Apr 2017		Apr 2018	
Venezuela	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	125	125	115	135	0	70
Beginning Stocks	57	57	32	32	0	57
Milled Production	305	305	265	275	0	140
Rough Production	449	449	391	405	0	206
Milling Rate (.9999)	6,786	6,786	6,786	6,786	0	6,786
MY Imports	342	342	330	390	0	300
TY Imports	330	330	330	390	0	300
TY Imp. from U.S.	168	168	0	0	0	0
Total Supply	704	704	627	697	0	497
MY Exports	40	40	30	40	0	0
TY Exports	40	40	30	40	0	0
Consumption and Residual	632	632	565	600	0	440
Ending Stocks	32	32	32	57	0	57
Total Distribution	704	704	627	697	0	497
Yield (Rough)	3.592	3.592	3.400	3.000	0	2.943
(1000 HA), (1000 MT), (MT/HA)						

Commodities:

Sorghum

Production:

In MY 2018/19, the sorghum area harvested and production are forecast up to 75,000 ha. and 75,000 MT, respectively. Sorghum grower contacts indicate that access to improved seed technology will motivate an expansion of area in production. Sorghum is an important crop for dry areas in the eastern and southern regions of Venezuela, specifically in the States of Guárico and Cojedes. Sorghum

production, like other grains, has been impacted by shortages of imported diesel fuel, essential inputs, equipment, and machinery.

Is an important crop for dry areas in the east and southern regions of Venezuela, specifically the States of Guárico and Cojedes. Sorghum has two different growing cycles during the marketing year. The principle sorghum planting season when weather conditions are most apt begins in October/November with the harvest occurring from January to March. The second cycle planting begins in June/July with the harvest beginning in September and ending in October.

Consumption:
In MY 2018/19, sorghum consumption is forecast up slightly to 75,000 MT. Sorghum is used for poultry and swine feed production in Venezuela, and to a lesser degree forage for cattle. Sorghum is not subject to government-regulated prices and grower contacts indicate that farmer margins for sorghum, compared to grains subject to regulated prices, are better. Nevertheless, sorghum supplies a smaller, niche market, as the Venezuelan feed industry prefers domestically produced, or imported, yellow corn.

Production, Supply and Demand Data Statistics:

Sorghum	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 Harvested	90	70	70	70	0	75
Beginning Stocks	12	12	9	0	0	0
Production	90	70	70	70	0	75
MY Imports	2	0	0	0	0	0
TY Imports	2	0	0	0	0	0
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	104	82	79	70	0	75
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Feed and Residual	90	82	79	70	0	75
FSI Consumption	5	0	0	0	0	0
Total Consumption	95	82	79	70	0	75
Ending Stocks	9	0	0	0	0	0
Total Distribution	104	82	79	70	0	75
Yield	1	1	1	1	0	1
(1000 HA), (1000 MT), (MT/HA)						

Commodities:
Wheat

Production:
The Venezuelan market for wheat is almost entirely dependent on imports. There are a few thousand hectares of experimental tropical wheat, but contacts in the Venezuelan Wheat Millers Association indicate that the impact on the market is negligible.

Consumption:
Consumption is forecast down to 1.03 million MT in MY 2018/19. The prolonged economic crisis is negatively impacting wheat imports that currently satisfy only a fraction of demand. The total domestic import demand for wheat in Venezuela, under normal economic conditions, is close to 210,000 MT per

month. In CY 2017, only 30 percent of that volume arrived monthly leading to severe shortages of bread and pasta. In the first three months of 2018, monthly imports averaged an insufficient 90,000 MT. Product availability and product affordability will challenge Venezuelan consumers in CY 2018. The GBRV continues to deplete limited foreign exchange for imported goods leading up to the May 2018 presidential election, creating the likelihood of product shortages afterward, and worsened by hyperinflation that will further erode Venezuelan purchasing power.

Trade:

Imports are forecast down to 1.03 million MT in MY 2018/19 because of the economic crisis and limited foreign exchange. The United States and Canada were traditional wheat suppliers to Venezuela; however, growing competition from Mexican durum wheat and an agreement with Russia to export Black Sea wheat to Venezuela will impact the market share distribution.

A new commercial agreement between the GBRV and Russia signed in May 2017 has opened the Venezuelan market to Black Sea wheat. Under the agreement, between 300,000 MT and 600,000 MT are to arrive before the close of MY 2017/18. The delivery terms of the agreement appear to be slipping. From August 2017 to April 2018, only 222,065 MT of Russian wheat arrived to Venezuela. Industry contacts indicate that the marginal quality wheat is sufficient for flour to make crackers, but not bread or pasta, unless blended with higher quality wheat from traditional wheat trading partners.

Production, Supply and Demand Data Statistics:

Wheat	2016/2017		2017/2018		2018/2019	
Market Begin Year	Jul 2016		Jul 2017		Jul 2018	
Venezuela	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	0	0	0	0	0	0
Beginning Stocks	98	98	87	87	0	87
Production	0	0	0	0	0	0
MY Imports	1139	1139	1200	1050	0	1030
TY Imports	1139	1139	1200	1050	0	1030
TY Imp. from U.S.	400	400	0	0	0	0
Total Supply	1237	1237	1287	1137	0	1117
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	1150	1150	1200	1050	0	1030
Total Consumption	1150	1150	1200	1050	0	1030
Ending Stocks	87	87	87	87	0	87
Total Distribution	1237	1237	1287	1137	0	1117
(1000 HA), (1000 MT)						