

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Venezuela

Grain and Feed Update

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Report Highlights:

Three years of economic contraction, hyperinflation, and diminishing hard currency for imported agricultural inputs and raw materials will negatively impact production, consumption, and trade for all grain and feed products. A diesel shortage in early 2017 complicated the planting season for corn and rice. In May 2017, the Government of the Bolivarian Republic of Venezuela (GBRV) agreed to import 300,000 to 600,000 MT of Russian wheat in MY 2017/18.

Post:
Caracas

Commodities:
Corn
Rice, Milled
Sorghum
Wheat

Executive Summary:

The Venezuelan economy is heavily dependent on oil exports that support approximately 96% of all export revenues and about half of all government funding. Low oil prices have enabled three consecutive years of economic contraction with triple digit inflation that may top 720% in 2017. The GBRV maintains a near monopoly on foreign exchange, imports of critical agricultural inputs and raw materials, and distribution/allocation of those goods. Decreasing foreign exchange cash flows from plummeting oil revenues limits imports of essential agricultural inputs and raw materials, such as seeds, fertilizer, pesticides, equipment and machinery. After years of strict foreign exchange controls, the GBRV is now selling dollars at preferential exchange rates to the food and feed industry; however, the value of dollars distributed is insufficient to meet all the import needs of the private sector.

The GBRV, through the public Corporation for Food and Product Services (Spanish acronym: CUSPAL), procures almost all imports of agricultural inputs and raw materials. Central Bank cash flow shortfalls, nevertheless, have resulted in notably less CUSPAL procurement of imported wheat and corn and, as a result, many feed manufacturers and flour mills produce at less than half of capacity. Manufacturing processing line disruptions have become more frequent and can last for weeks as inventories are stretched to the last grain. Furthermore, product demand is hemorrhaging from hyperinflation that dramatically weakens purchasing power and challenges domestic consumption as prices for most basic foodstuffs increase almost daily.

Author Defined:

Commodities:
Corn

Production:

Corn is Venezuela's main crop by area. Industry contacts indicate a diesel shortage in early 2017 complicated the planting season with hundreds of hectares left idle or switched to other uses, such as livestock production. Diesel issues notwithstanding, an inputs shortage of fertilizer and seed also challenge productivity, in addition to longstanding concerns with aging tractors and other equipment in dire need of upgrades/repairs. As a result, area harvested is revised downward to 360,000 hectares in marketing year (MY) 2017/18 from the USDA official forecast of 380,000 hectares. The forecast for domestic corn production in MY 2017/18 is also revised downward to 850,000 MT from the USDA official forecast of 900,000 MT. Production will continue to be insufficient to fulfill total demand for corn feed and food uses with further reliance on imports.

Consumption:

About 55% of corn produced in Venezuela is white corn destined for human consumption. Yellow corn production is primarily used to manufacture animal feed and, to a lesser extent, human consumption.

Almost all imported yellow corn is for animal feed. The poultry industry is regularly adjusting operations and capacity to accommodate reduced volumes of corn imports and shrinking feed inventories. As a result, the total consumption forecast is revised downward to 2.29 million MT in MY 2017/18 from the USDA official forecast of 2.5 million MT. The feed and residual consumption forecast is revised downward to 1.1 million MT for MY 2017/18 with food, seed, and industrial consumption also down to 1.19 million MT.

Trade:

Decreasing foreign exchange cash flows from plummeting oil revenues limits GBRV imports of essential agricultural raw materials, including corn. The forecast for corn imports in MY 2017/18 is revised down to 1.4 million MT from the USDA official forecast of 1.6 million MT. Insufficient amounts of foreign exchange are distributed to the feed sector for not only corn and soybean imports, but also critically important feed ingredients, such as minerals. The GBRV is the primary importer of critical agricultural raw materials, but deliveries can be unreliable with vessels waiting offshore for weeks, or months, until payment.

Production, Supply and Demand Data Statistics:

Corn Market Begin Year Venezuela	2015/2016		2016/2017		2017/2018	
	Oct 2015		Oct 2016		Oct 2017	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	400	400	400	400	380	360
Beginning Stocks	433	433	221	221	71	71
Production	1150	1150	1000	1000	900	850
MY Imports	1738	1738	1000	1000	1600	1400
TY Imports	1738	1738	1000	1000	1600	1400
TY Imp. from U.S.	1080	1080	0	0	0	0
Total Supply	3321	3321	2221	2221	2571	2321
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Feed and Residual	1600	1600	1000	1000	1200	1100
FSI Consumption	1500	1500	1150	1150	1300	1191
Total Consumption	3100	3100	2150	2150	2500	2291
Ending Stocks	221	221	71	71	71	30
Total Distribution	3321	3321	2221	2221	2571	2321

Area in Thousand Hectares, Quantity in Thousand Metric Tons

Commodities:

Rice, Milled

Production:

According to industry contacts, the diesel shortage in early 2017 complicated the planting season by limiting the use of tractors and water displacement pumps resulting in hundreds of hectares being left idle or switched to other uses. An inputs shortage of fertilizer and seed also challenge productivity, in addition to longstanding concerns with aging tractors and other equipment in dire need of upgrades/repairs. Also, there is minimal market incentive for farmers or millers to increase planted area and production since both farm-gate and retail prices are regulated by the GBRV.

Area harvested is revised downward to 120,000 hectares in marketing year MY 2017/18 from the USDA official forecast of 125,000 hectares. The forecast for milled rice production in MY 2017/18 is also revised downward to 290,000 MT from the USDA official forecast of 310,000 MT. Production

will continue to be insufficient to fulfill total demand with a greater reliance on imports to fill inventory shortfalls during the two growing cycle gaps in January-February and the summer season.

Consumption:

About 90 percent of rice production is for human consumption with the remaining 10 percent for animal feed. Retail product scarcity and hyperinflation are pushing Venezuelan rice consumers to switch to cheaper carbohydrate substitutes, such as plantains. White rice distributed at the GBRV regulated price in the local currency, the Bolivar (Bs.), is Bs. 120/kg and near impossible to find. Rice can be found at black market prices (~Bs. 3,350/kg), but is increasingly unaffordable for a typical Venezuelan family with a minimum wage of Bs. 136,500/month. Wage increases cannot keep pace with hyperinflation creating significant strains in purchasing power. Thus, the consumption forecast is revised downward to 650,000 MT in MY 2017/18 from the USDA official forecast of 670,000 MT.

Trade:

The GBRV is the primary rice importer and decision maker on the allocation of incoming shipments to the public and private sector mills. Foreign exchange limitations are worsening and will negatively impact imports. The import forecast is revised downward to 390,000 MT in MY 2017/2018. The forecast for exports is unchanged at 40,000 MT.

Production, Supply and Demand Data Statistics:

Rice, Milled Market Begin Year Venezuela	2015/2016		2016/2017		2017/2018	
	Apr 2015		Apr 2016		Apr 2017	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	130	130	125	125	125	120
Beginning Stocks	97	97	57	57	32	32
Milled Production	340	340	305	305	310	290
Rough Production	501	501	449	449	457	427
Milling Rate (.9999)	6786	6786	6786	6786	6786	6786
MY Imports	400	400	380	380	400	390
TY Imports	400	400	380	380	400	390
TY Imp. from U.S.	207	207	0	0	0	0
Total Supply	837	837	742	742	742	712
MY Exports	120	120	40	40	40	40
TY Exports	100	100	40	40	40	40
Consumption and Residual	660	660	670	670	670	650
Ending Stocks	57	57	32	32	32	22
Total Distribution	837	837	742	742	742	712

Area in Thousand Hectares, Quantity in Thousand Metric Tons

Commodities:

Sorghum

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 affected by the foreign exchange challenges to importing seeds, fertilizer, pesticides, equipment, and machinery. Sorghum, nevertheless, is an inferior substitute for yellow corn according to feed manufacturers, whose preference is for domestically produced, or imported, yellow corn. Sorghum area harvested and production are unchanged at 70,000 hectares and 70,000 MT, respectively.

Consumption:

Sorghum is used for poultry and swine feed production in Venezuela, and to a lesser degree forage for cattle. Feed manufacturers prefer imported corn over domestic sorghum. The total MY 2017/18 sorghum consumption forecast is revised down to 75,000 MT leaving 5,000 MT for food, seed, and industry uses.

Production, Supply and Demand Data Statistics:

Sorghum Market Begin Year Venezuela	2015/2016		2016/2017		2017/2018	
	Oct 2015		Oct 2016		Oct 2017	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	90	70	90	15	70	70
Beginning Stocks	12	12	12	12	12	12
Production	90	70	90	15	70	70
MY Imports	0	0	5	0	0	0
TY Imports	0	0	5	0	0	0
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	102	82	107	27	82	82
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Feed and Residual	85	65	90	10	82	75
FSI Consumption	5	5	5	5	0	5
Total Consumption	90	70	95	15	82	80
Ending Stocks	12	12	12	12	0	2
Total Distribution	102	82	107	27	82	82

Area in Thousand Hectares, Quantity in Thousand Metric Tons

Commodities:

Wheat

Production:

There is no production of wheat in Venezuela and the market is entirely dependent on imports.

Consumption:

The GBRV is the sole importer of wheat. The economic crisis and limitations on imports are creating a severe shortage of wheat. Currently, wheat imports satisfy less than half of domestic demand. Bread and pasta shortages are becoming more frequent as milling operations sit idle for weeks until shipments arrive and deliveries are distributed to the mills. The consumption forecast is revised downward to 1.06 million MT in MY 2017/18. Industry contacts commented that recently arrived shipments of Black Sea wheat were marginal quality with a low protein content and only apt for milling flour to manufacture crackers, but not bread or pasta. More shipments of 30 ton vessels are arriving, about one per month. A few years ago, a GBRV shipment of substandard quality wheat from Argentina was rejected by the millers and eventually sold for feed. This could occur with the incoming Black Sea wheat, resulting in a revised forecast for wheat feed and residual at 10,000 MT.

Trade:

The wheat forecast for imports is revised downward to 1.05 million MT in MY 2017/18. In 2016, imports were primarily sourced from Canada, Mexico, and the United States. 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 and 600,000 MT are to arrive before the close of MY 2017/18. The agreement is likely to have an impact on market share for other wheat trading

partner countries. A vessel with about 30,000 MT of Black Sea wheat arrived at the end of August with another vessel of comparable volume at the end of September. Industry contacts indicate that the marginal quality wheat is only apt for flour to make crackers, but not bread or pasta. A few years ago, a GBRV shipment of substandard quality wheat from Argentina was rejected by the millers and eventually sold for feed. This could happen for Black Sea wheat as well, thus a revised forecast for total consumption in MY 2017/18 at 1.06 million MT with 10,000 MT for feed and residual.

Production, Supply and Demand Data Statistics:

Wheat Market Begin Year	2015/2016		2016/2017		2017/2018	
	Jul 2015		Jul 2016		Jul 2017	
Venezuela	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	0	0	0	0	0	0
Beginning Stocks	223	223	98	98	87	87
Production	0	0	0	0	0	0
MY Imports	1375	1375	1139	1139	1200	1050
TY Imports	1375	1375	1139	1139	1200	1050
TY Imp. from U.S.	307	307	400	400	0	0
Total Supply	1598	1598	1237	1237	1287	1137
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Feed and Residual	0	0	0	0	0	10
FSI Consumption	1500	1500	1150	1150	1200	1050
Total Consumption	1500	1500	1150	1150	1200	1060
Ending Stocks	98	98	87	87	87	77
Total Distribution	1598	1598	1237	1237	1287	1137

Area in Thousand Hectares, Quantity in Thousand Metric Tons