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Venezuela

Grain and Feed Update

Grain and Feed Update Report

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Report Highlights:

No significant changes in Venezuelan trade and production of basic grains, but current government policies are resulting in reduced agricultural production and low inventories of raw materials for millers and food producers.

Post:

Caracas

Executive Summary:

According to trade and industry contacts, the lack of foreign exchange to import necessary inputs is reaching critical levels. Wheat, corn and rice sectors are all adversely impacted and inventories as of October 2013 are at all-time lows.

Wheat: The primary problem facing the Venezuelan wheat milling industry is the import process, which increasingly has more controls and a lack of transparency. Delays in the issuance of import permits and approval of foreign currency requests can take up to 200 days or more, which makes importing complicated and risky. The government has promised to expedite the issuance of foreign exchange for grain importers, which would reduce the import process by several months.

Due to worsening economic and trade environments, Post estimates a slight decrease in imports of wheat to 1.62 million tons in MY 2013/2014 compared to the last report. In spite of this downward adjustment, consumption is expected to increase to 1.56 million tons in MY 2013/14 as consumers increase pasta and bread consumption due to shortages of basic food products in the country. Pasta and wheat products are preferred low-cost food staples in the Venezuelan diet, and the only viable alternative for low income Venezuelans. The government remains an important distributor of pasta products through its State-owned network of markets, representing about 40 percent of total sales. In addition, while wheat is primarily imported by the private sector, the government recently imported wheat from Canada for pasta production, and wheat flour from Colombia.

According to the Venezuelan Wheat Millers Association (Asotrigo), of all the wheat imported into Venezuela during the period January/July 2013, 55 percent came from Canada, 43 percent from the United States and 2 percent from Mexico. Wheat imports by type were as follows: 45 percent HRW for bread, 25 percent durum wheat for pasta, 5 percent SRW wheat for cookies, and 25 percent mixed varieties.

In addition to shortages of foreign exchange, there are also growing problems with vessel congestion at ports, excessive demurrage costs, and delays clearing customs. The government is also importing pastas from Italy, Dominican Republic and Ecuador which is sold in retail stores above the regulated price of pasta produced in the country. If this trend becomes a common practice it will likely result in a reduction in durum wheat imports. At the same time, pasta manufacturers claim they have the production capacity to produce all the pasta Venezuelan consumers need if they were able to import the necessary wheat in a timely manner.

Corn: Corn production in MY 2012/2013 is unchanged at 1.3 million tons even though area harvested was reduced to 400,000 hectares, compared to Post's last report. Fedeaagro, Venezuela's agricultural

producer association, reports higher yields due to better-than-expected growing conditions. Corn production in MY 2013/14 is left unchanged from this year although farmers and economic experts do not see the economic situation improving in 2014. Harvest of the summer corn crop was delayed due to a lack of harvesting and transportation equipment resulting in higher than expected losses. Total production is estimated at 1,300 tons -- 600,000 tons of yellow corn and 700,000 tons of white corn.

The increasing lack of production materials such as seeds, fertilizers, chemicals, and machinery parts is forcing producers to purchase these products in parallel markets at prices much higher than government controlled and/or subsidized prices. Thus, to compensate for the higher real costs of production, the government has raised subsidies for corn producers to where 50 percent of their income comes from direct government payments. As long as farmers believe they will receive these payments, they will continue to produce corn. For this reason, Post is reluctant to reduce corn production for MY 2013/2014 at this time and forecasts production unchanged from this year's estimate of 1.3 million tons.

Venezuelan corn imports are estimated at 2.5 million tons in MY 2012/13, no change from Post's previous report. In MY 2013/14, Post forecast imports to increase to 2.6 million tons to account for an expected continuation of imports of white corn to meet consumer demand and potential increases in yellow corn for feed to support poultry production. Ultimately, changes in food and agricultural pricing policies and availability of foreign exchange in 2014 will determine production and import levels.

Sorghum: There are no changes for sorghum production in MY 2012/13 to report.

Rice: According to producers, overall paddy production in MY 2013/2014 is estimated to be slightly higher compared to Post's last report, reaching 567,000 tons as weather conditions were favorable during both planting and harvesting in Portuguesa and Guárico, the two most important rice producing States in Venezuela. Representatives from Fedegro reported no change in area harvested in MY 2013/2014, resulting in greater than expected yields. Rice farmers are also suffering from high costs of production due to a serious lack of basic inputs. The situation is likely to get worse before it gets better, resulting in possible contractions of planted area and a drop in production. Production continues to be insufficient to cover the country's consumption needs and more imports are expected.

Rice consumption in MY 2013/2014 remains unchanged from Post's last report, which is slightly up from last year due to a lack of other food products in the market. In MY 2013/2014, Post raised expected imports to 400,000 tons from 370,000 tons, as previously reported, to cover increased consumption needs as the better-than-expected production won't be sufficient to cover total demand. Rice millers report that inventories in October 2013 are uncomfortably low. They are milling the last of the domestic summer harvest and are waiting for imports purchased by the government. Two government shipments from Guyana of 5,000 MT each and one from Uruguay of about 23,000 MT are

currently unloading rough rice at Puerto Cabello.

Wheat Venezuela	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Jul 2011		Market Year Begin: Jul 2012		Market Year Begin: Jul 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	0	0	0	0	0	0
Beginning Stocks	84	84	270	252	345	325
Production	0	0	0	0	0	0
MY Imports	1,686	1,668	1,625	1,623	1,700	1,623
TY Imports	1,686	1,668	1,625	1,623	1,700	1,623
TY Imp. from U.S.	693	671	560	743	0	0
Total Supply	1,770	1,752	1,895	1,875	2,045	1,948
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	1,500	1,500	1,550	1,550	1,555	1,555
Total Consumption	1,500	1,500	1,550	1,550	1,555	1,555
Ending Stocks	270	252	345	325	490	393
Total Distribution	1,770	1,752	1,895	1,875	2,045	1,948
1000 HA, 1000 MT, MT/HA						

Corn Venezuela	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Oct 2011		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	430	400	400	380	400
Beginning Stocks	314	314	360	260	285	210
Production	1,300	1,300	1,275	1,300	1,250	1,300
MY Imports	2,596	2,596	2,300	2,500	2,600	2,600
TY Imports	2,596	2,596	2,300	2,500	2,600	2,600
TY Imp. from U.S.	1,398	1,390	0	0	0	0
Total Supply	4,210	4,210	3,935	4,060	4,135	4,110
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Feed and Residual	2,300	2,400	2,100	2,300	2,200	2,400
FSI Consumption	1,550	1,550	1,550	1,550	1,600	1,600
Total Consumption	3,850	3,950	3,650	3,850	3,800	4,000
Ending Stocks	360	260	285	210	335	110
Total Distribution	4,210	4,210	3,935	4,060	4,135	4,110
1000 HA, 1000 MT, MT/HA						

Rice, Milled Venezuela	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Apr 2011		Market Year Begin: Apr 2012		Market Year Begin: Apr 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	140	140	140	140	140	140
Beginning Stocks	251	251	159	169	129	118

