

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY
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POLICY

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GAIN Report Number:

Venezuela

Sugar Annual

2017

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Report Highlights:

Domestic sugar production is forecast up to 300,000 metric tons (MT) in marketing year (MY) 2017/18. Total imports are forecast slightly lower to 1 million MT. Total domestic consumption remains unchanged at 1.3 million MT in MY 2017/18. The growth in production is mainly due to the Government of the Bolivarian Republic of Venezuela (GBRV) bringing back online the expropriated Santa Elena mill.

Commodities:

Sugar, Centrifugal

Production:

Production of domestic sugar is forecast slightly up to 300,000 MT. The Federation of Cane Sugar Producers (Spanish acronym: FESOCA) reports that the Santa Elena state-owned mill located in the state of Portuguesa is back online. The Santa Elena mill was expropriated by the government about ten years ago and sat mostly idle. The president of the governmental Venezuelan Sugar Corporation (Spanish acronym: CVA) is managing a public investment of Bs. 900 million to renovate the mill with new equipment and other machinery. CVA plans for Santa Elena to have the milling capacity of about 1.2 million MT of cane sugar, or 90,000 MT of centrifugal sugar for domestic consumption.

Santa Elena is currently the only mill, public or private, that is seeing any investment for enhanced production. Private sector mills have delayed any additional investment because of worsening economic conditions. Like all agricultural industries and food processors, the sugar industry desperately needs foreign exchange to import new equipment and repair parts for aging machinery.

There are a few private sugar mills that have maintained, even increased, milling operations, but not enough to offset losses from the 10 government-owned mills. The Venezuelan Sugar Association (VENAZUCAR) reports that the government mills only account for approximately 20% of total sugar production, but precise data is lacking.

Consumption:

In MY 2017/18, sugar consumption is forecast to remain unchanged at 1.3 million MT. VENAZUCAR reports that consumption has steadily increased over the past several years with population growth; however, imports only cover part of the demand shortfall due to limited foreign exchange. There continues to be sporadic shortages of sugar for household consumption. Controlled retail prices and inflation for basic food items have created black market incentives where purchases are hoarded at the government price, then sold at two and three times that price to consumers in informal market settings.

The sugar industry estimates that the actual sugar usage between industry and households are almost even as some food manufacturers are able, and willing, to pay more than four times the regulated price, currently Bs. 460/kg. This distorts market mechanisms leaving little sugar for household consumption or stocks.

All alternative sweeteners, such as high fructose corn syrup, are imported, which are subject to the same limited foreign exchange problem. According to VENAZUCAR, the consumption of these sweeteners is growing, but they still only represent about 1 percent of total sugar consumption in the country.

Trade:

Total sugar imports for MY 2017/18 are forecast slightly lower from the previous year to 1 million MT. Food purchases are carried out directly by the government intermediary Food and Agricultural Services Corporation (in Spanish: *Corporación de Abastecimiento y Servicios Agrícolas* or *CASA*), created in August 1989. CASA is responsible for purchasing domestic and imported food and agricultural products. Domestic purchases are made through several local suppliers, including private companies. Limited foreign exchange is the primary factor determining volumes of sugar imports, which must be prioritized against other commodities, such as corn, soybeans and wheat.

Brazil is the primary supplier of raw sugar to Venezuela. Nicaragua is the second largest supplier of raw sugar to Venezuela and growing in importance due to a bilateral agreement which allows duty free access of Nicaraguan sugar. The current tendency by CASA is to increase imports of refined sugar. Industry sources indicate there may be some, limited trade from Venezuela to Colombia, a marginal 5 million MT in MY 2017/18.

Policy:

Price controls, lack of foreign exchange, security concerns, lack of spare parts for agricultural inputs, machinery and packaging materials, and even labor problems, are all major issues negatively impacting the market for sugar production and consumption. It is evident to the private sector that the GBRV may rather import refined sugar than invest in areas to increase local production; however, the recent investments in Santa Elena, and additional investments to bring back online the Santa Clara mill, are part of a new GBRV economic agenda for agriculture and may positively impact centrifugal sugar production in MY 2017/18.

Marketing:

Both the government and the private sector currently sell refined sugar. Sugar millers continue to offer refined sugar under public brands through Venezuela’s traditional retail sector. The GBRV has a network of public distribution supermarkets where the government provides food products at fixed, subsidized prices. The Venezuelan consumer prefers refined cane sugar, but continued shortages force consumers to find other alternatives. Availability of brown sugar and fructose products have increased over the past year, but supply of these alternatives accounts for no more than one percent.

Production, Supply and Demand Data Statistics:

| | | | | |
|--|--------------------|-----------|-----------|-----------|
| | Sugar, Centrifugal | 2015/2016 | 2016/2017 | 2017/2018 |
|--|--------------------|-----------|-----------|-----------|

| Market Begin Year | Oct 2015 | | Oct 2016 | | Oct 2017 | |
|---------------------------|------------------|-------------|------------------|-------------|------------------|-------------|
| Venezuela | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| | | | | | | |
| Beginning Stocks | 256 | 256 | 141 | 100 | 0 | 0 |
| Beet Sugar Production | 0 | 0 | 0 | 0 | 0 | 0 |
| Cane Sugar Production | 450 | 253 | 430 | 260 | 0 | 300 |
| Total Sugar Production | 450 | 253 | 430 | 260 | 0 | 300 |
| Raw Imports | 750 | 750 | 750 | 869 | 0 | 830 |
| Refined Imp.(Raw Val) | 100 | 316 | 100 | 201 | 0 | 200 |
| Total Imports | 850 | 1066 | 850 | 1070 | 0 | 1030 |
| Total Supply | 1556 | 1575 | 1421 | 1430 | 0 | 1330 |
| Raw Exports | 0 | 0 | 0 | 0 | 0 | 0 |
| Refined Exp.(Raw Val) | 80 | 140 | 80 | 100 | 0 | 0 |
| Total Exports | 80 | 140 | 80 | 100 | 0 | 0 |
| Human Dom. Consumption | 1330 | 1330 | 1330 | 1330 | 0 | 1330 |
| Other Disappearance | 5 | 5 | 5 | 0 | 0 | 0 |
| Total Use | 1335 | 1335 | 1335 | 1330 | 0 | 1330 |
| Ending Stocks | 141 | 100 | 6 | 0 | 0 | 0 |
| Total Distribution | 1556 | 1575 | 1421 | 1430 | 0 | 1330 |
| (1000 MT) | | | | | | |