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# GAIN Report

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## Venezuela

### Grain and Feed Annual

### Annual Report

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**Report Highlights:**

Post forecasts continued significant imports of rice, yellow corn, and wheat as domestic production will continue to be insufficient to meet demand. As world prices for these and other commodities rise, they will directly impact domestic food price inflation. Feed demand will continue to support imports, especially corn, too.

## **Executive Summary:**

In accordance with their "Food Sovereignty Policy," the Bolivarian Republic of Venezuela (BRV) announced plans to increase domestic production of feed and food, but the gap between supply and demand remains large, and significant imports of basic feed and food grains will be needed to maintain consumption in the coming year and beyond. Post expects imports to continue strong, based on domestic food demand and the need for more feedstuffs by the expanding poultry and pork sectors.

Grain producers and the food processing industry face disincentives such as controlled output prices that lag increases in production costs, squeezing or eliminating margins. Expropriation of going agricultural concerns and land seizures makes production and investment less rewarding, too.

Despite limited results from government planning in 2010, the Ministry of Agriculture and Lands re-launched the so-called Integrated Agricultural Development Plan (PIDA) which sets as a goal production growth of about 110 percent for yellow corn, 61 percent for white corn, 244 percent in sorghum, and 49 percent in rice. However these goals are ambitious, given weather, price controls, a lack of sufficient production inputs, and other disincentives.

## **Commodities:**

Rice, Milled

## **Production:**

Rough rice production during marketing year 2009/10 registered an increase to 737,000 MT as a consequence of better weather conditions. But expectations for the rice crop for the period 2010/11 are not positive. A decrease to 516,000 MT is estimated due to lack of major agricultural inputs and credits. Last year expropriation of the major input supply firm "Agroisleña," which often worked with farmers to finance their crop, will reduce yield potential.

Rice production growth for this year is subject to the commitments made by the representatives of the Ministry of Agriculture and Lands after several working table meetings to discuss issues between the government and farmers. The Government has offered to supply credits as well as assure the availability of inputs such as fertilizers, seeds, and herbicides, to producers as long as they increase production.

Production potential has also been affected by rising costs and controlled farm-gate prices that are not changed with any regularity. Controlled rice prices were last reviewed by the government in September 2010 but despite the increase, producers claimed at that time that the new prices still lagged production costs by about nine percent. Because of all these factors, for period 2011/2012 post forecasts only a slight increase to 560,000 MT of rough rice production as early season weather conditions are better. However, price controls need to be reviewed and there must be a timely supply of agricultural inputs to rice producers, something which is not yet certain.

## **Consumption:**

Venezuela is a rice deficit country due to the increase in consumption and domestic production that has declined in recent years and does not fulfill demand.

Rice is a traditional food and an important staple in the Venezuelan diet. Per capita consumption has increased in the last years due to the government's policy of low controlled prices. Even though the intervention and expropriation of several rice mills at the beginning of year 2009 created confusion in the industry, consumption in 2009/10 reached 610,000 MT as rice is on the government's list of strategic food products. Consumption is estimated to be 620,000 MT in 2010/11 supported by continued imports by the government, and grow slightly with population to 630,000 in 2011.

### **Trade:**

Forecast rice production in Venezuela will not be enough to satisfy domestic demand and significant imports will again be needed for 2011.

The Government continues to be the major rice importer through their food purchasing entity Corporación CASA. Most rice has come from the United States. However during 2009/10 as a result of bilateral agreements some imports from Ecuador and Guyana were registered, but in smaller quantities than those coming from the US. More recently in 2010 the government announced more imports from Argentina, Brazil, Ecuador and Guyana.

Imports during MY 2009 were officially reported at 55,000 MT. Imports rice are estimated to increase to 328,000 MT during 2010/11 and forecast to drop to 240,000 MT during MY 2011 if the Government Agricultural Production Plan is developed and production conditions improve.

### **Policy:**

#### **Production Policy:**

Agricultural production goals raised by the Bolivarian Government in the Comprehensive Plan for Agricultural Development 2010-2011 will be reissued for the production cycle 2011/2012. In general, the Ministry of Agriculture and Lands expects to increase agricultural production for the year 2011 by 27.9 percent.

For rice the Government plans to increase national area harvested up to 275,000 hectares and to apply a program with specialized attention to producers with the help of international consultants in the areas of the irrigation systems of Guárico River, Portuguesa y Delta Amacuro.

The objective of the PIDA Plan is to increase paddy rice production by 49 percent up to 1.5 MMT and reducing rice imports to zero. The goal for year 2011 is to increase paddy rice production by 33 percent up to 1.39 MMT, and for 2012 the goal is to increase production 12 percent up to 1.55 MMT.

### **Marketing:**

It is expected that Venezuela will continue importing (primarily) paddy rice to meet their food security policy. Some rice will come from the U.S. and some from other South American countries.

## Production, Supply and Demand Data Statistics:

Rice, Milled Venezuela	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Apr 2009		Market Year Begin: Apr 2010		Market Year Begin: Apr 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	140	140	140	140		140
Beginning Stocks	238	238	93	173		221
Milled Production	320	500	350	350		380
Rough Production	472	737	516	516		560
Milling Rate (.9999)	6,786	6,786	6,786	6,786		6,786
MY Imports	160	60	350	328		240
TY Imports	350	55	300	417		300
TY Imp. from U.S.	0	44	0	357		25
Total Supply	718	798	793	851		841
MY Exports	15	15	10	10		10
TY Exports	20	20	10	10		10
Consumption and Residual	610	610	620	620		630
Ending Stocks	93	173	163	221		201
Total Distribution	718	798	793	851		841
1000 HA, 1000 MT						

### Author Defined:

As mentioned previously 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 losses for the industry and shortages of regulated products in the market. As a direct effect of the devaluation, the cost of some food products were last reviewed by the government in September 2010 and the retail price for rice went up from Bs. 2.82 to Bs. 3.66 per kilogram.

### Commodities:

Corn

### Production:

Corn is the most important cereal in Venezuela, constituting the main source of energy in the Venezuelan diet. About 400,000 hectares are harvested annually, of which 75 percent are located in the Western Plains, Central Plains and the Yaracuy River Valley. These three regions differ markedly in the soil and climate conditions and have significant inter-annual variations in the amount and distribution of rainfall.

As previously reported, about 65 percent of corn produced in Venezuela is white corn for human consumption, and the remainder is yellow corn for human consumption and feed manufacturing. The white corn crop is traditionally purchased to produce corn flour for the basic diet. During 2010 the white corn crop was significantly lower than previous year and for the first time in many years the needs were covered with imports. About 300,000 MT of white corn came from Mexico.

According to estimates made by the Venezuelan Producers Association total corn production for the period 2009/10 was 1,634,000 MT. Production for the period 2010/11 is estimated to increase to 1,710,000 MT and also forecast to increase in 2011/2012 to 1,800,000 MT, since corn is part of the Government Comprehensive Plan for Agricultural Development 2010-2011. In the next two years, the government expects to increase the production of white corn by 61 percent up to 2.52 MMT and 110 percent in the case of yellow corn, or 1.95 MMT, in order to reduce imports.

As in the case of rice, above mentioned, this is an ambitious plan, however the Government plans to inject funds into this sector to increase the area harvested, and has said that it will guarantee that farmers will have the necessary inputs.

**Consumption:**

White corn is milled to produce the precooked corn flour and it is used mostly for human consumption, while yellow corn is used for animal feed. Total consumption of corn flour has been increasing in response to declining real incomes; it is cheaper relative to other food products and there is sufficient availability through the government’s, Mercal and PDVAL food networks.

Animal feed consumption has been based mostly on imported yellow corn since domestic production has not been enough to cover the needs. Feed consumption for 2010/11 is estimated to at 1,900,000 MT and forecast to remain steady in 2011/2012.

**Trade:**

The United States is the major yellow corn supplier to Venezuela. In the past imports were subjected to the prior purchase of the domestic sorghum and/or corn crops, but is not the case now given the need to import. Import licenses procedures have been relaxed and those measures have favored purchases of feed components on the international market.

Shortages and scarcity have occurred in the market as a result of controlled prices, restrictions on imports, issuance of dollars, and other factors. In order to help maintain food availability last year, both, the Government and the feed industry reached an agreement to allow more fluidity in trade. The Government also extended the validity of phytosanitary permits for the importation of yellow corn, products, and sub-products from three months to one year.

Imports will continue to meet the shortfall and to supply the growing feed industry. The feed industry estimates that imports of yellow corn could be about 1,500,000 MT in 2010/11. Based on information from the local industry, Post forecast total corn imports for 2010/12 to slightly increase to 1,550,000 MT since the Government will need to accentuate its food sovereignty policy.

**Marketing:**

Traditionally Venezuelan feed manufacturers have preferred U.S. yellow corn over other origins, but last year some Argentine corn was imported directly by the government. Import licenses for Argentina were issued at the beginning of the year, but world market supply conditions mean that importers will still purchase from the United States.

**Production, Supply and Demand Data Statistics:**

Corn Venezuela	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Oct 2009		Market Year Begin: Oct 2010		Market Year Begin: Oct 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post

<b>Area Harvested</b>	395	400	450	430		450
<b>Beginning Stocks</b>	431	431	681	265		125
<b>Production</b>	1,350	1,634	1,500	1,710		1,800
<b>MY Imports</b>	2,200	1,500	1,400	1,500		1,550
<b>TY Imports</b>	2,200	1,500	1,400	1,500		1,550
<b>TY Imp. from U.S.</b>	1,121	1,054	0	1,200		1,200
<b>Total Supply</b>	3,981	3,565	3,581	3,475		3,475
<b>MY Exports</b>	0	0	0	0		0
<b>TY Exports</b>	0	0	0	0		0
<b>Feed and Residual</b>	1,900	1,900	1,800	1,900		1,920
<b>FSI Consumption</b>	1,400	1,400	1,450	1,450		1,460
<b>Total Consumption</b>	3,300	3,300	3,250	3,350		3,380
<b>Ending Stocks</b>	681	265	331	125		95
<b>Total Distribution</b>	3,981	3,565	3,581	3,475		3,475
1000 HA, 1000 MT						

## **Commodities:**

Sorghum

## **Production:**

For the last four years, the sorghum harvest has been affected by low product prices, lack of incentives to producers and weather conditions. The complicated agricultural production conditions, international market prices, higher protein content of yellow corn, price controls, government policies, and significant imports have led to a sharp decline in sorghum planting, to the point that last year, statistics showed only about 40,000 hectares in Guárico and about 30,000 in Portuguesa state. Expectations for this coming year are less favorable.

According to the Venezuelan Producers Association, sorghum production during MY 2009/10 was 150,000 MT which is the lowest recorded production in the last twenty years. Production for MY 2010/11 is estimated to decrease further to 130,000 MT as for the above reasons. For MY 2011/2012 sorghum production is forecasted to increase to 160,000 MT since sorghum producers could benefit from the agriculture development policies.

## **Consumption:**

Grain sorghum is mainly used for poultry and swine feed production in Venezuela. Sorghum feed consumption in 2009/10 was 175,000 MT and it is estimated to drop to 125,000 MT in 2010/11. Consumption should increase slightly in 2011 with greater supplies.

## **Trade:**

Venezuela only imports sorghum seeds for planting mainly from the U.S. and Guatemala. The Venezuelan government has consistently opposed to sorghum imports and that policy is not expected to change in the near future.

**Production, Supply and Demand Data Statistics:**

Sorghum Venezuela	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Oct 2009		Market Year Begin: Oct 2010		Market Year Begin: Oct 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	100	100	120	100		120
Beginning Stocks	40	40	10	10		10
Production	150	150	250	130		160
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	190	190	260	140		170
MY Exports	0	0	0	0		0
TY Exports	0	0	0	0		0
Feed and Residual	175	175	225	125		155
FSI Consumption	5	5	5	5		5
Total Consumption	180	180	230	130		160
Ending Stocks	10	10	30	10		10
Total Distribution	190	190	260	140		170
1000 HA, 1000 MT						

**Commodities:**

Wheat

**Production:**

Production of wheat in Venezuela is negligible due to climatic conditions. Thus, all wheat supplies are imported.

According to the Venezuelan Wheat Millers Association, Asotrigo, Venezuela imports around 1,500,000 MT of wheat per year, from which last year, 38 percent (569,500 MT) went to the bread sector, 26 percent (379,700 MT) to the pasta industry, five percent (78,150 MT) to cookies sector, six percent (89,300 MT) to the packed flour sector, and 25 percent (372,000 MT) to the feed industry.

The industry handles four varieties of wheat: high protein (about 800 thousand tons/year) for bread, a mix (about 180 thousand tons/year) for bakeries and flour, soft (about 145 thousand tons/year) for cookies, and durum (about 480 thousand tons/year) for pastas. The milling capacity in 2010 was close to 87 percent, or 1,700,000 MT.

The Venezuelan pasta sector is represented by 17 companies with an installed capacity exceeding 430,000 MT per year. According to the Venezuelan Pasta Association, AVEPASTAS, pasta production in 2010 was about 363,000 MT representing an increase of 12 percent with respect to 2009 which was 324,260 MT, this imply that the industry operated almost at 85 percent of their installed capacity.

**Consumption:**

Total wheat consumption in 2009/10 was 1,400,000 MT. Total wheat consumption is estimated to increase in MY 2010/11 to 1,450,000 MT since pasta and bread constitute preferred foods, low-cost basic staples of the Venezuelan diet, and a good alternate protein source for low income Venezuelans.

Pasta remains a preferred staple in the Venezuelan diet, and pasta consumption continues to be one of the highest in the world, with a per capita consumption of about 13 Kg per year. Pasta is the third most consumed food product in Venezuela. The government is an important pasta distributor of through their Mercal and PDVAL food networks, which represents about 31 percent of the market.

**Wheat and wheat products, annual per capita consumption**

Total wheat	52 Kg
Total flours	39 Kg
Bread flour	20 Kg
Pasta Flour	13 Kg
Biscuit or cookie flour	3 Kg

**Source:** ASOTRIGO & AVEPASTAS: Venezuelan Wheat Association & Venezuelan Pasta Association

**Trade:**

Venezuela imports wheat mostly from United States and Canada. For 2010/11, Post estimates total wheat imports to increase to 1,488,000 MT since wheat products are important in the country’s diet and the Government has stated that it will assume imports of wheat for the pasta and bread industry in order to minimize the impact of increasing raw materials cost in the consumer price of these products. For 2011/2012 wheat imports are forecast to slightly increase to 1,490,000 MT as demand trends upward.

Importers had been facing some problems due to rising international prices and the limitations on the access to foreign exchange. Delays in obtaining approval can be a problem for importers, sometimes impeding timely liquidation of payments to suppliers. This situation has resulted in a delay in imports of raw materials, which ultimately affect the availability of wheat products on the shelves.

Last year, these delays affected their scheduling of wheat purchases, which led the industry to draw down inventory reserves, forcing some plants to reduce output.

Pasta imports, which maintained an average of 3,578 MT per year during the period 2003 to 2009, have increased to about 3,998 MT in 2010, per official figures of the National Statistic Institute. These pasta imports come mainly from Italy.

**Production, Supply and Demand Data Statistics:**

Wheat Venezuela	2009/2010	2010/2011	2011/2012
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	Market Year Begin: Jul 2009		Market Year Begin: Jul 2010		Market Year Begin: Jul 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	0	0	0	0		0
Beginning Stocks	81	81	148	52		90
Production	0	0	0	0		0
MY Imports	1,597	1,371	1,500	1,488		1,490
TY Imports	1,597	1,371	1,500	1,488		1,490
TY Imp. from U.S.	718	496	0	662		670
Total Supply	1,678	1,452	1,648	1,540		1,580
MY Exports	0	0	0	0		0
TY Exports	0	0	0	0		0
Feed and Residual	0	0	0	0		0
FSI Consumption	1,530	1,400	1,550	1,450		1,460
Total Consumption	1,530	1,400	1,550	1,450		1,460
Ending Stocks	148	52	98	90		120
Total Distribution	1,678	1,452	1,648	1,540		1,580
1000 HA, 1000 MT						

### Author Defined:

### Price

In the last three years the wheat sector has been affected by the distortion generated by price controls. The current price of pasta is Bs. 3.26 per kilogram. The industry has requested the Government to review this price since it has not been adjusted almost three years. The industry is requesting at least a 55 percent increase in the price of pasta to meet higher costs of production. Technical discussions are being held between the Government and the private sector to evaluate a price increase.