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Report Name: Venezuelan Dairy Industry Trends and Outlook for 2022

Country: Venezuela

Post: Caracas

Report Category: Agricultural Situation, Dairy and Products

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Report Highlights:

Venezuelan milk production reached 1.5 billion litres in 2021, just a 2 percent increase from 2020. The formal dairy industry processed 12 percent of this output, only working at 20 percent of their capacity, due to the collapse of the market and Venezuelan consumers favoring artisanal cheeses. These products are produced primarily by the informal industry over industrial products and pasteurized milk. During 2022, FAS Caracas forecasts consumption to grow by 5% to 63 liters per capita due to the stabilization of the economy, lower inflation, adequate supply of dairy products, and growth in imports. Brazil remains the top supplier of dairy exports to Venezuela, followed by Colombia, the European Union, and the United States.

Overview of the Venezuelan Dairy Industry

Venezuela’s cattle production includes both single-purpose (i.e., milk or beef) and dual-purpose operations (i.e., milk and beef). Dual-purpose operations represent an estimated 58 percent of the national herd in Venezuela and contribute 95 percent of the milk supply and up to 60 percent of the beef produced in Venezuela. According to official Venezuelan data, the cattle herd reached 15.4 million head in 2021. Private sources estimate the herd size between 9 and 11 million heads, with 95,000 dual-purpose ranches and 5,000 specialized dairy farms. Total area of livestock production is estimated at 13 million hectares (i.e., 32 million acres).

The Venezuelan dairy genetics market is estimated at 120,000 doses per year, with about 70,000 doses of local origin and 50,000 of imported origin. The major suppliers of bovine genetics to Venezuela are Brazil and the United States. The cows are raised for milk production and bull calf offspring are raised for beef production. Most dual-purpose ranches are in lowland zones of western Venezuela. The most progressive and profitable dual-purpose ranches use computerized herd management systems, modern grazing, and animal nutrition techniques, and implement genetic improvement programs through artificial insemination. Animal feeding is primarily foraged pasture and may include supplemental animal feed and minerals.

The formal, Venezuelan government-regulated dairy industry is comprised of about 25 medium to large-scale private companies producing dairy products. The industry’s productivity and sanitary standards are comparable to the rest of South America, processing about 12 percent of Venezuela's milk production in 2021, with the informal industry producing the rest. The formal dairy industry is currently operating at 20 percent of their installed capacity of 960 million liters of milk per year. This is due to the collapse of the market and Venezuelan consumers favoring artisanal cheeses (produced primarily by the informal industry) over industrial products and pasteurized milk.

Table 1: Venezuelan Livestock Production Systems

Production System	Non-specialized Beef	Dual Purpose	Specialized Dairy
Location	Western plains, South of Lake Maracaibo, Andean piedmont, and lowlands	Lowland zones of western Venezuela	Andean mountain zones of western Venezuela
Breeds	Zebu, Nelore, Brahman	Hybrid Cattle: Local Breeds + American Genetics (Holstein, Brown Swiss, Brahman) Buffalo: Mediterranean and Murrah breeds	Holstein, Brown Swiss, Jersey, and Carora
Technology	Applies minimal technology	Applies some technology	Applies advanced technology

Feed	Grass feed	Grass feed, supplemental feed, and minerals	Foraged pasture, silage, mixed rations, and balanced feed
Percentage of National Herd	39%	Hybrid Cattle: 40% Buffalo: 18%	3%
Percentage of National Beef Supply	40%	60%	-
Percentage of National Dairy Supply	Up to 3%	Up to 95%	Up to 5%

Source: FAS Caracas

Production

After a 16 percent drop between 2015 and 2019 due to the economic collapse, falling demand, and low prices, Venezuelan milk production during 2021 stabilized at around 1.52 billion liters per year.

According to industry sources, approximately 4 million cows produced milk in 2021, and 88 percent of this milk was used to produce unpasteurized fresh cheese or artisanal cheese.

In 2022, FAS Caracas forecasts production will be 1.55 billion liters, slightly above last year. Although farm-gate prices have reached historical highs and consumption has recovered slightly, local production systems cannot respond readily to market variations. Among their limitations to increasing production are the cattle herd's usual low growth rate and constraints related to the Venezuelan crisis, such as lack of financing, fuel shortages, power failures, and collapsing public infrastructure.

Table 2: Local Production, Imports, and Availability of Milk in Venezuela, 2015 - 2022

	2015	2016	2017	2018	2019	2020	2021	2022 (Estimate)
Local Production (Million Lt)	1,733	1,646	1,564	1,485	1,456	1,490	1,520	1,550
Imported RTE Dairy Products* (Million Lt Milk Equivalent)	515	463	278	139	133	80	145	160
Total Availability (Million Lt)	2,247	2,109	1,842	1,624	1,589	1,570	1,665	1,710
Availability (Per capita. Lt)	73.4	68.7	60.5	56.2	57.1	56.2	60.4	63.5

*Imported RTE Dairy Products: Dry Milk, Cheese, Fluid Milk, Butter

Source: Venezuelan Dairy and Livestock Industry, FAS Caracas

Table 3: Allocation of Venezuelan milk production in 2021

Product	Million Lt	MT Milk Equivalent*	%
Unpasteurized fresh cheese	1,408	176,000	88.0
Dry Milk	85.0	10,630	5.3
Industrial Cheese	54.8	6,852	3.4
Fluid Milk and Dairy Beverages	51.15	6,394	3.2
Total	1,600	200,000	-

*8 liters of raw milk equal 1 kg of fresh cheese or dry milk.

Source: Venezuelan Dairy and Livestock Industry

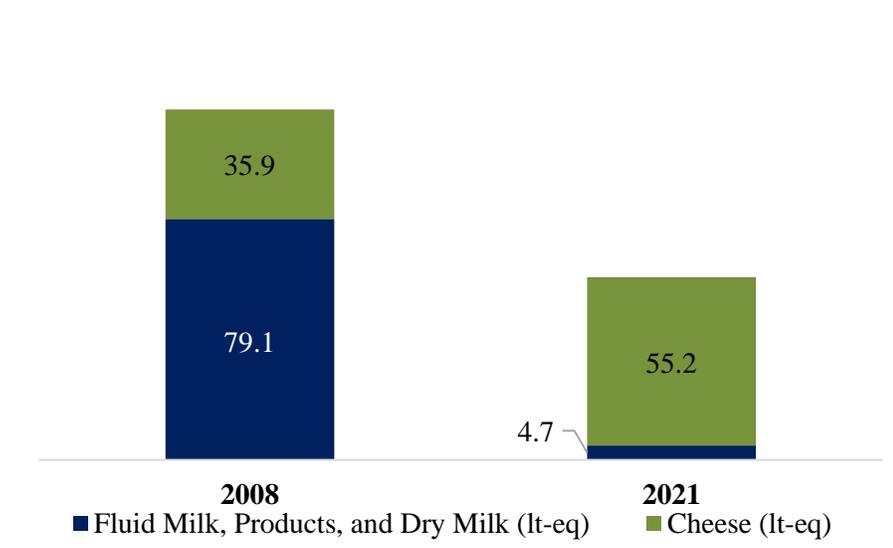
Consumption

Dairy product consumption fell to an all-time low in 2018, reaching 56 liters per capita, a 51 percent decrease compared to the 115 liters reached in 2008, when imports accounted for more than 50 percent of total availability. In 2019, the decline in consumption halted, stabilizing at 57 liters and showed a slight recovery to 60 liters in 2021.

During 2022, FAS Caracas forecasts consumption will grow 5 percent to 63 liters per capita, due to the stabilization of the economy, lower inflation, enough local supply of dairy products, and a slight growth in imports. Over the past 13 years, there was also a profound change in the consumption pattern of dairy products. In 2008, consumption of fluid milk and fluid milk products represented 68.8 percent of total availability. In 2021, 91 percent of consumption is represented by cheeses (88 percent of unpasteurized fresh cheese and 3.4 percent of industrial cheese). See Figure 1 below.

This change in consumption patterns is related to a market disruption caused by government price controls. Fresh cheeses could more easily avoid controls than pasteurized milk and other milk products. Currently, no price controls exist on dairy products because of the economy's liberalization policy.

Figure 1: Per Capita Consumption of Dairy Products in Venezuela, 2008 versus 2021



Source: Red Agroalimentaria de Venezuela, FAS Caracas

Prices

In Venezuela, farm-gate raw milk prices vary seasonally during the year depending on pasture availability. Prices typically peak in the summer and decrease in the winter. Influenced by the tacit liberalization of the economy, the increase in the price of dairy products on the international market, and the stabilization of consumption, the price of milk has continued an upward trend since 2019. Between December 2019 and April 2021, the price increased by 119 percent, from \$0.21 to \$0.46 per liter.

Table 4: Farm-gate raw milk prices in Venezuela (USD), 2019 – 2022

	December 2019	December 2020	December 2021	April 2022
Price per Lt	0.21	0.23	0.37	0.46

Source: FAS Caracas

Table 5: Retail prices of dairy products in Maracaibo (Western Venezuela), April 2022

Product	Origin	Unit	Price in USD
Nestle Evaporated Milk	Imported	354 ml	1.70
Nestle Condensed Milk	Imported	380 gr	2.70
Dry Whole Milk	Local	1 kg	11.44
Dry Whole Milk	Imported	1 kg	14.04
Fluid Whole Milk	Local	1 lt	1.90
Artisanal Fresh Cheese	Local	1 kg	9.00
Gouda Premium Cheese	Local	1 kg	18.00

Source: FAS Caracas

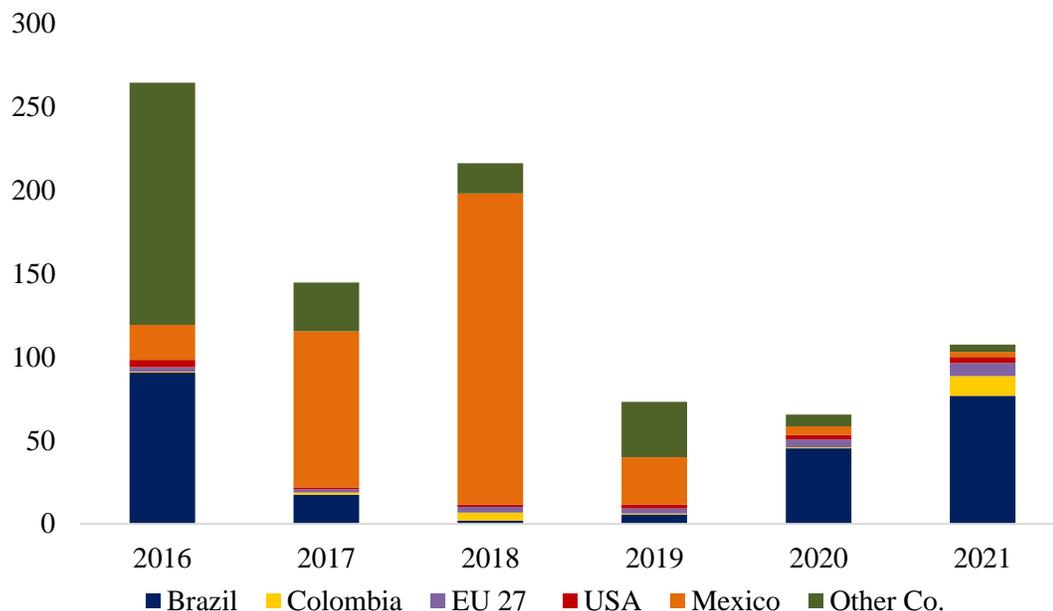
Trade

In 2012, Venezuelan imports of dairy products peaked at \$1.3 billion, but then declined rapidly following the economic collapse of 2015. At their peak, most imports came from New Zealand, Uruguay, and Argentina.

Venezuelan imports of dairy products reached an all-time low in 2020, totaling \$65.5 million, but rebounded 63.9 percent in 2021, reaching \$107.4 million. This was in line with an overall increase in agricultural imports to Venezuela. In 2021, the leading supplier of dairy products was Brazil, with a market share of 71.3 percent by value. U.S. dairy products still maintain a low market share, estimated at 3.4 percent by value in 2021. See Figure 2 below.

During 2022, FAS Caracas forecasts dairy imports will remain stable at about \$110 million, with market shares similar to 2021. The dairy products with the most significant growth potential for U.S. exporters are nonfat dry milk, cheeses, infant formulas, and dairy ingredients for the food industry.

Figure 2: Origin of Venezuelan Dairy Product Imports by Value (USD Million), 2016 - 2021



Source: Trade Data Monitor

Table 6: Top ten dairy products imports in 2021 to Venezuela from top five countries*

Product	Countries						Total	% Market Share by Product
	BRA	COL	EU 27	USA	MEX	Other Co.		
190190	61.81	0.20	1.45	0.08	0.76	1.08	65.37	62.2
40221	0.38	10.53	0.98	0.01	0.00	1.45	13.34	12.7
190110	8.05	0.66	0.40	0.25	1.99	0.10	11.45	10.9
40690	-	0.10	3.02	0.34	-	0.02	3.48	3.3
40490	3.37	-	0.04	0.02	-	0.04	3.47	3.3
40299	2.18	0.00	0.14	0.01	0.08	0.08	2.49	2.4
40410	-	0.12	0.72	0.69	-	0.54	2.07	2.0
40210	0.01	-	-	0.93	0.00	0.44	1.39	1.3
210500	-	-	0.16	0.81	-	0.20	1.16	1.1
40150	0.73	0.17	0.07	0.00	-	-	0.97	0.9
Total	76.53	11.79	6.97	3.13	2.83	3.94	105.18	
% Market Share by Country	72.8	11.2	6.6	3.0	2.7	3.7	-	-

*Represents 98% of all dairy product imports

Source: Trade Data Monitor

HS Code	Description
190190	Malt Extract; Food Products of Flour, Meal, etc. With Cocoa (If Any) Under 40% And Milk or Cream Products with Cocoa (If Any) Under 50%, Nesoi
40221	Milk And Cream, Concentrated, Not Sweetened, In Powder, Granules or Other Solid Forms, Of A Fat Content, By Weight, Exceeding 1.5%
190110	Food Preparations for Infant Use, Put Up for Retail Sale, Nesoi
40690	Cheese, Nesoi, Including Cheddar and Colby
40490	Products Consisting of Natural Milk Constituents, Whether or Not Sweetened, Nesoi
40299	Milk And Cream, Sweetened, whether or Not Concentrated, Nesoi
40410	Whey And Modified Whey, whether or Not Concentrated or Containing Added Sweeteners
40210	Milk And Cream, Concentrated, whether or Not Sweetened, In Powder, Granules or Other Solid Forms, Of A Fat Content, By Weight, Not Exceeding 1.5%
210500	Ice Cream and Other Edible Ice, Whether or Not Containing Cocoa
40150	Milk And Cream of A Fat Content, By Weight, Exceeding 10%, Not Concentrated nor Containing Added Sugar or Other Sweetening Matter

Relevant considerations for exporters of U.S. dairy products and bovine genetics

- Exports of dairy products to Venezuela require an export sanitary certificate issued by the U.S. Department of Agriculture and an import permit from the Venezuelan Ministry of Agriculture.
- U.S. dairy products have gained visibility in Venezuelan supermarkets and high-end delis.
- American bovine genetics have been, and continue to be, a fundamental pillar of dual-purpose and specialized dairy cattle breeding in Venezuela.
- There is a recovery in the availability of powdered milk with local and imported brands.
- The market remains highly price sensitive.
- The dairy ingredients market may represent an interesting opportunity due to the recovery of local processed food production. Among the products most in demand by this industry are whole milk powder, skim milk powder, and whey powder.
- For more information on how to export to Venezuela, please see [FAS Caracas's 2022 Food and Agricultural Import Regulations and Standards \(FAIRS\) Country Report](#), and [FAS Caracas's 2022 Food and Agricultural Import Regulations and Standards \(FAIRS\) Certificate Report](#).

Attachments:

No Attachments.