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Report Name: Grain and Feed Update

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Prepared By: FAS Caracas Staff

Approved By: Adam Klein

Report Highlights:

Grain and feed news is positive this year in Venezuela. The forecast for winter crops is favorable due to sufficient rainfall resulting in above average yields for corn and rice. Trade with the United States will remain stable, led by paddy rice, yellow corn, and wheat in MY 2021/22. Furthermore, the market dollarization and a liberalized market for price setting allowed a recovery in corn and rice production and consumption, especially in urban centers among the middle class.

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Commodity: Wheat

Production
Venezuela does not produce wheat. The country is completely reliant on imports for domestic consumption.

Consumption
Wheat consumption is now forecasted to grow by 16 percent in MY (July-June) 2021/22 to 1,100,000 MT compared to the previous forecast of 950,000 MT due to increased demand from the milling industry.

During CY 2021, the regime announced plans to add 22,000 MT of pasta per month to the CLAP (subsidized food box that includes 4 kg. of pasta, 3 kg. of rice, 1 kg. of sugar, one liter of vegetable oil and 2 kg. of corn meal monthly). But this objective will depend on the government's capability to secure adequate supplies. Cash flow continues to restrict import volumes and plans to fill CLAP boxes. The regime negotiated with the national pasta industry to purchase 20,000 MT of supply for the CLAP box for October of MY 2021/21, but reportedly the industry can only produce 10,000 MT per month due to imported wheat shortages.

The Venezuelan Pasta Association (VEPASTAS) reports they are negotiating wheat import prices that mirror the prices in neighboring countries that import U.S. products. In turn, the regime requested offers of pasta at competitive prices and presented a wheat import plan that starts in October 2021 and runs through March 2022—factors which favor stabilized import levels.

The domestic wheat industry and the regime also agreed on a timetable to progressively increase domestic demand for domestically produced pasta. The goal is to reach a 50 percent domestic, and 50 percent imported pasta equilibrium by lowering prices and making products more readily available.

During MY 2020/21, wheat consumption estimates are unchanged compared to the USDA official estimates of 1,050,000 MT and are driven by steady imports of wheat. The national industry has rebounded slightly in terms of pasta production, leading to a 10 percent drop in imports through the first quarter 2021 when compared to the same period in CY 2020 according to the Trade Data Monitor (TDM).

The annual per capita consumption of wheat, based on a population of 28 million inhabitants, is currently 36 kg. or 3 kg. per month, a slight increase from 2.8 kg. per month last year due to increased consumer spending.

Currently, only 32 percent of Venezuelan families receive the CLAP box, which previously weighed 19 kilograms but has been reduced to less than half that weight. In response, the regime will negotiate prices with the domestic industry and plans to purchase more national pasta for the CLAP program.

In CY 2020, the Venezuelan milling industry worked with an average capacity of only 20 percent (2,540,000 MT /year) and managed to supply 54 percent of the total demand, the rest coming from Turkey via imported wheat products such as pasta and flour. The industry has the capacity to meet total domestic demand with products at competitive prices that are accessible to the consumer.

The domestic industry monthly demand for wheat grain is 130,000 MT broken down as follows:

60,000 MT of wheat for bread
40,000 MT of durum wheat for pasta
20,000 MT of wheat mixture
10,000 MT of wheat for cookies
Total: 130,000 MT per month

Trade

Post estimates that Venezuela will import 1,100,000 MT of wheat in MY 2021/22, a 16 percent increase from last year's forecast of 950,000 MT. The origin of wheat imports for the industry is determined by price and quality. The United States and Canada were the main suppliers in MY 2020/21, though imports from both suppliers will fall in MY 2021/22 as Canadian and U.S. production are down this year, resulting in higher prices.

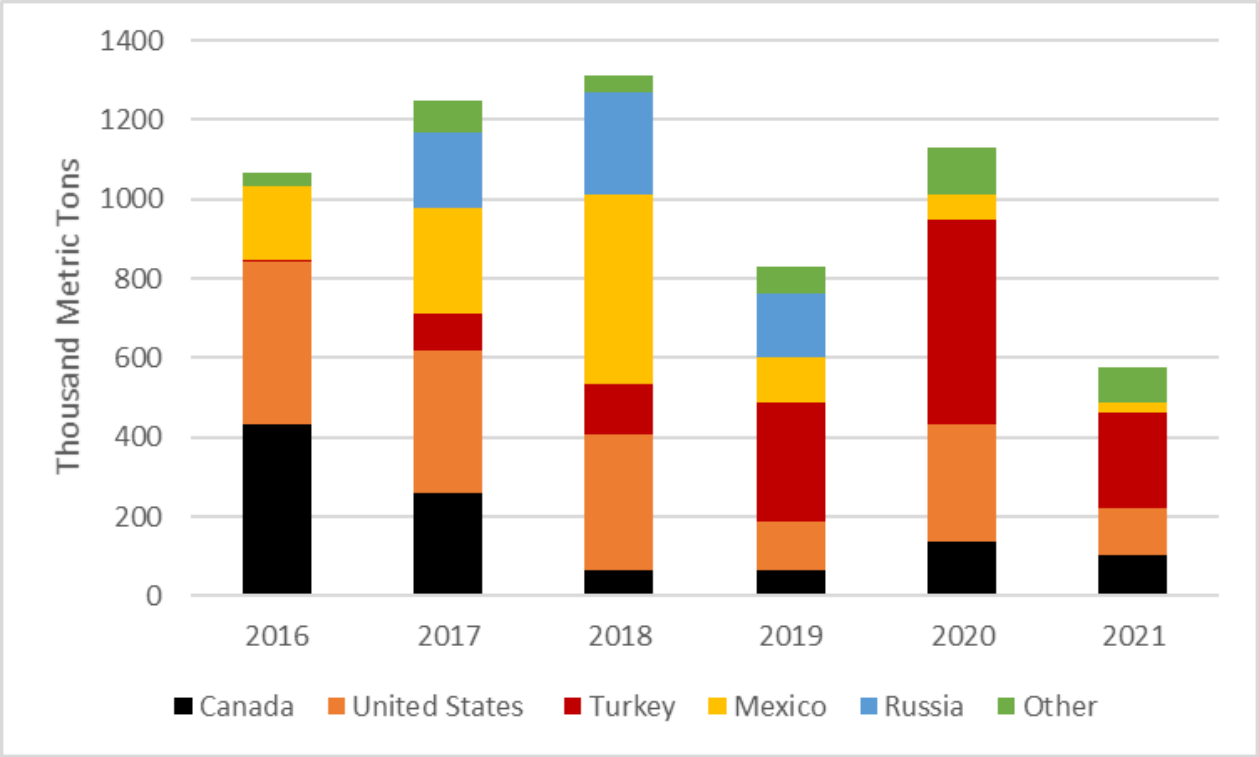
Reduced global wheat supplies this year will impact the availability for Venezuelan importers, as the United States and Canada are the preferred origins for Hard Red Winter or its Canadian equivalent Canada Western Red wheat, for all-purpose flour and bakery flour production. The only viable alternative is American Hard Red Winter upon availability, since Canadian logistics are more complicated and expensive. The same is true with wheat for cookies and crackers, where Soft Red Winter from the United States or Canada has no substitute, and the logistics and proximity allow for lower freight costs. Venezuela will also import Mexican Durum, although this is less preferred due to lower quality and yields. Argentinian Durum is not a cost-effective option.

During MY 2020/21, Venezuelan wheat imports were 1,078,000 MT, a slight decrease of 4 percent from the USDA official estimate. This decrease was due to the lack of financing and the reduced purchasing power of the industry.

Turkey and Brazil are the main suppliers of processed wheat products such as pasta and wheat flours. Price is the key factor determining imports of wheat products to Venezuela. The average monthly exports of Turkish pasta almost double monthly Venezuelan production due to low

prices. The average price for the national pasta is around USD $1.00 per kg., while the price of imported Turkish pasta ranges between USD $0.70-$0.85 per kg.

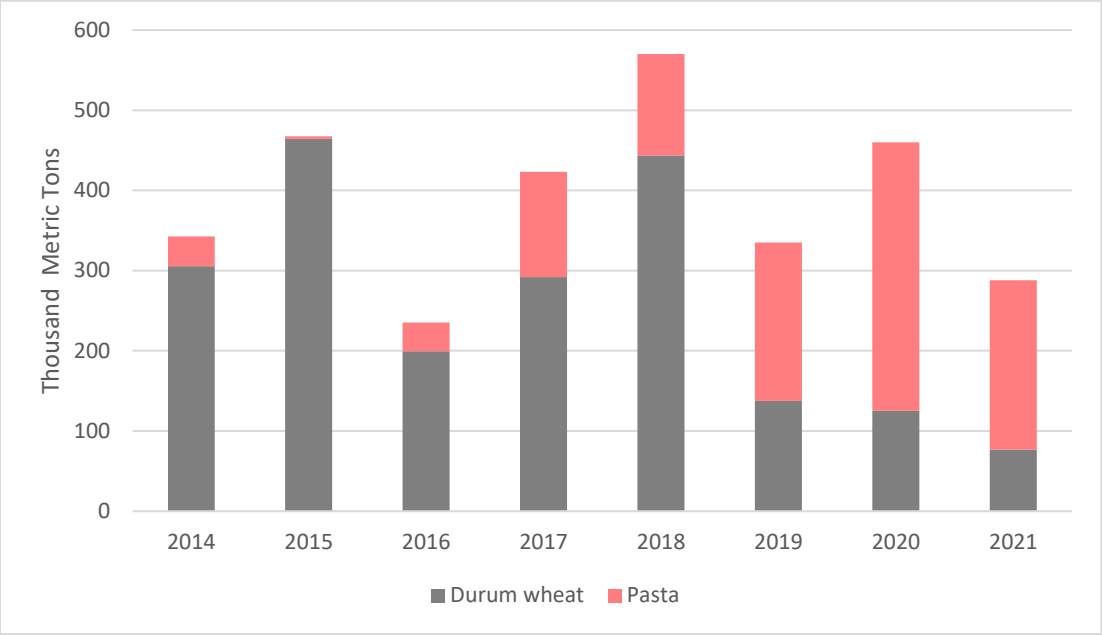
FIGURE 1: IMPORTS OF WHEAT AND WHEAT PRODUCTS BY VENEZUELA BY COUNTRY OF ORIGIN (CY)



Source: Trade Data Monitor. Note: 2021 is year-to-date data (Jan-July)

Figure 1 Turkey is the main origin of wheat products such as pasta and flour.

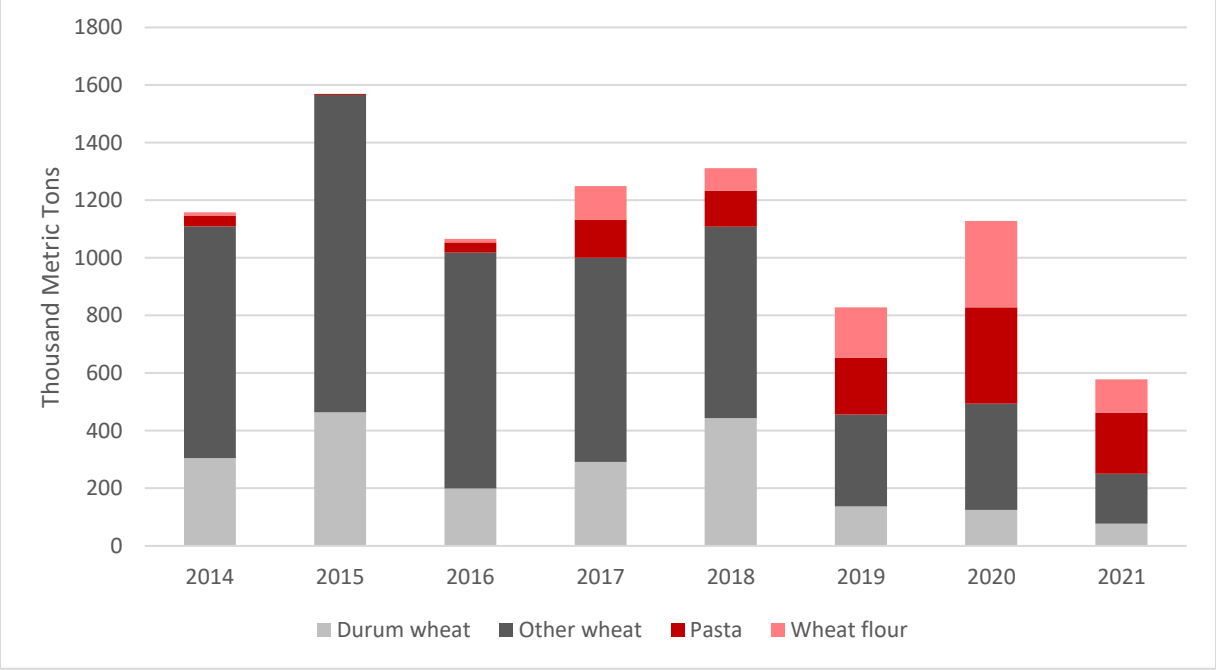
FIGURE 2: VENEZUELAN IMPORTS OF DURUM WHEAT VS. PASTA (CY)



Source: Trade Data Monitor. Note: 2021 is year-to-date data (Jan-July)

Figure 2 Imports of Durum for the milling industry have been replaced by imported pasta.

FIGURE 3: VENEZUELA WHEAT IMPORTS BY TYPE (WHEAT GRAIN EQUIVALENT) (CY)



Source: Trade Data Monitor. Note: 2021 is year-to-date data (Jan-July)

Figure 3 Imports of Durum have decreased through the years in detriment to the domestic industry, which is threatened by processed products such as wheat flour and pasta.

Policy
A new policy, published in Gazette No. 6636 with Decree 4552, took effect on August 6 and continues through November 30, 2021. The policy exempts all types of wheat (i.e., for bread, cookies, and durum) from Custom duties and VAT. Because there is no national production, imported wheat is always tariff exempt; however, a custom service tax remains at a fixed charge of 1 percent.

TABLE 1: TARIFF AND VAT FOR WHEAT AND WHEAT PRODUCTS

Description	HS Code	Ad Valorem (%)		VAT (%)		Custom service (%)
		Previous Policy	Current Policy	Previous Policy	Current Policy	
Wheat Durum	1001.19	0	0	0	0	1
Wheat for Crackers	1001.99	0	0	0	0	1
Wheat for Bread	1001.99	0	0	0	0	1
Pasta	1902.19	0	20	0	0	1
Wheat Flour	1101.00	0	20	0	0	1

Decree 4452 also states that importers of pasta and flour will pay a 20 percent VAT. The importer must also prove that there is insufficient national production to meet domestic demand. The regime then decides which companies will obtain the duty exemption and import certificate. This duty exemption change will give more flexibility to the domestic milling industry and encourage more domestic milling.

The regime continues to import pasta but is no longer authorizing all the exemptions granted prior to this new policy taking effect that are covered by a Venezuela-Turkey bilateral agreement signed in 2018. Industry contacts report it is unclear how the regime will manage this agreement in the near future.

Wheat: Production, Supply and Distribution

Wheat	2019/2020		2020/2021		2021/2022	
Market Year Begins	Jul 2019		Jul 2020		Jul 2021	
Venezuela	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	0	0	0	0	0	0
Beginning Stocks (1000 MT)	138	138	142	142	192	170
Production (1000 MT)	0	0	0	0	0	0
MY Imports (1000 MT)	954	954	1100	1078	900	1100
TY Imports (1000 MT)	954	954	1100	1078	900	1100
TY Imp. from U.S. (1000 MT)	187	187	0	263	0	300
Total Supply (1000 MT)	1092	1092	1242	1220	1092	1270
MY Exports (1000 MT)	0	0	0	0	0	0
TY Exports (1000 MT)	0	0	0	0	0	0
Feed and Residual (1000 MT)	0	0	0	0	0	0
FSI Consumption (1000 MT)	950	950	1050	1050	975	1100
Total Consumption (1000 MT)	950	950	1050	1050	975	1100
Ending Stocks (1000 MT)	142	142	192	170	117	170
Total Distribution (1000 MT)	1092	1092	1242	1220	1092	1270
Yield (MT/HA)	0	0	0	0	0	0

(1000 HA), (1000 MT), (MT/HA)
MY = Marketing Year, begins with the month listed at the top of each column
TY = Trade Year, which for Wheat begins in July for all countries. TY 2021/2022 = July 2021 - June 2022

Commodity: Sorghum

Production
During MY (Oct.-Sept.) 2021/22, Post forecasts an increase in the sorghum area harvested to 12,000 hectares and an increase in production to 12,000 MT compared to USDA's previous estimate of 10,000 MT. The increases reflect grower forecasts that Pequiven (the Venezuelan State-owned Petrochemical Industry) will start producing enough fertilizer to satisfy market demand.

The private sector buying higher quality seeds for October sowing is another factor explaining the increase in sown area and production. The national seed "Maracay" and the Argentine "AR Maloon," along with seeds from Colombia, offer good prospects for Venezuela.

Sorghum in Venezuela has two planting cycles, the northern summer planting in October with harvesting in February-March, and the winter cycle planting in July with harvesting in September. In MY 2020/21, planting was inconsistent in the Central Western and Andean Region of Venezuela, due to the lack of fertilizer, seeds, and other inputs that allowed for the planting of only 10,000 hectares.

Other factors that hindered planting were the lack of services, general inputs, and the almost total lack of diesel. Producers preferred to plant corn since it is generally more profitable. The price of corn at the producer level was 15 percent above the price of sorghum.

In the coming season, fertilizer should be available, where needed, and diesel can now be more easily obtained. Also, Venezuelan sorghum is sown not only as grain, but also as forage sorghum, encouraging higher production levels and improved market opportunity.

Consumption
All sorghum is used as an energy source for direct animal consumption or to produce feed and fodder for animals.

Trade
Venezuela does not import or export sorghum, though seeds are imported from Argentina and Colombia in modest quantities.

Sorghum: Production, Supply and Distribution

Sorghum	2019/2020		2020/2021		2021/2022	
Market Year Begins	Oct 2019		Oct 2020		Oct 2021	
Venezuela	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	25	25	15	10	10	12
Beginning Stocks (1000 MT)	0	0	0	0	0	0
Production (1000 MT)	25	25	15	10	10	12
MY Imports (1000 MT)	0	0	0	0	0	0
TY Imports (1000 MT)	0	0	0	0	0	0
TY Imp. from U.S. (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	25	25	15	10	10	12
MY Exports (1000 MT)	0	0	0	0	0	0
TY Exports (1000 MT)	0	0	0	0	0	0
Feed and Residual (1000 MT)	25	25	15	10	10	12
FSI Consumption (1000 MT)	0	0	0	0	0	0
Total Consumption (1000 MT)	25	25	15	10	10	12
Ending Stocks (1000 MT)	0	0	0	0	0	0
Total Distribution (1000 MT)	25	25	15	10	10	12
Yield (MT/HA)	1	1	1	1	1	1

(1000 HA), (1000 MT), (MT/HA)
MY = Marketing Year, begins with the month listed at the top of each column
TY = Trade Year, which for Sorghum begins in October for all countries. TY 2021/2022 = October 2021 - September 2022

Commodity: Rice

Production

Post forecasts a lower harvested rice area of 60,000 hectares in MY (Apr.-Mar.) 2021/22 than our previous report forecast of 65,000 hectares due to a decrease in producer prices during August 2021 that caused significant uncertainty. Post forecasts MY 2021/22 production of milled rice to decrease by 5 percent or 152,000 MT compared to our last report forecast for MY 2021/22 of 160,000 MT. However, based on favorable climate conditions, better access to inputs and the regime's selective substitution of imports with domestic production, Post forecasts a 15 percent increase in production to 149,000 MT from USDA official of 130,000 MT for MY 2020/21.

During MY 2020/21, the price of wet paddy rice per kilogram changed from USD $0.33 to USD $0.29 as international rice prices fell. The price of imported dry paddy rice is USD $345 per MT or USD $0.29 per kg when converted to national wet paddy price due to the loss of 12 percent in moisture and about 4 percent in impurities.

In MY 2020/21, the planted rice area will reach 60,000 hectares, a 9 percent increase compared to USDA's official estimate of 55,000 hectares. Producers were encouraged to plant more due to higher prices that went from USD $0.30 cents per kg. to USD $0.33 cents per kg. starting with the May 2021 winter plantings. Overall, there was enough water from rainfall and access to better quality inputs.

This year a large volume of water entered the Majaguas Dam in the Portuguesa state, one of the states with the highest rice production, and to the dam located in Guárico state, the second largest producer of rice in the country. As a result, these dams are almost full, which means that next summer producers will have plenty of water for increased planting.

In the state of Guárico, the Guárico River in Calabozo will irrigate 24,000 hectares distributed by gates among the farms, and the Majaguas Dam in Portuguesa state will irrigate 4,000 hectares. The challenge will be to cover the other 36,000 hectares that will have to be irrigated and be vulnerable to electricity failures and fuel shortages.

Productivity improved in MY 2020/21 due to growers having better access to all the necessary inputs. The increase in yield is due to the use of new varieties of rice and better fertilization, including access to potassium chloride that significantly improves productivity and yields. The access to better agrochemicals is due to private sector inputs and financing available for farmers through associations such as Asoportuguesa, Aproscello and the other large companies. However, fuel shortages and the lack of bank financing remain challenges for sustaining production.

PICTURE 1: 4 DAYS AFTER RICE PLANTING

Source: Source: Contacts in the farms of Cojedes State (Flooding 8/21/2021)

PICTURE 2: 18 DAYS AFTER RICE PLANTING (LOT AFFECTED BY FLOODING)

Source: Contacts in the farms of Cojedes State (8/23/2021)

PICTURE 3: 53 DAYS AFTER RICE PLANTING

Source: Contacts in the farms of Cojedes state

PICTURE 4: 77 DAYS AFTER RICE PLANTING

Source: Contacts in the farms of Cojedes state

Consumption
Post forecasts rice consumption to remain unchanged in MY2021/22 at 700,000 MT compared to the prior year. Rice remains cheaper than pasta making if preferable to lower-income consumers. The Venezuelan consumer generally prefers pasta as a staple, but lower prices will continue to favor buying more rice.

TABLE 2: PRICES RICE VS. PASTA IN (USD) (FAS Caracas marketing research)

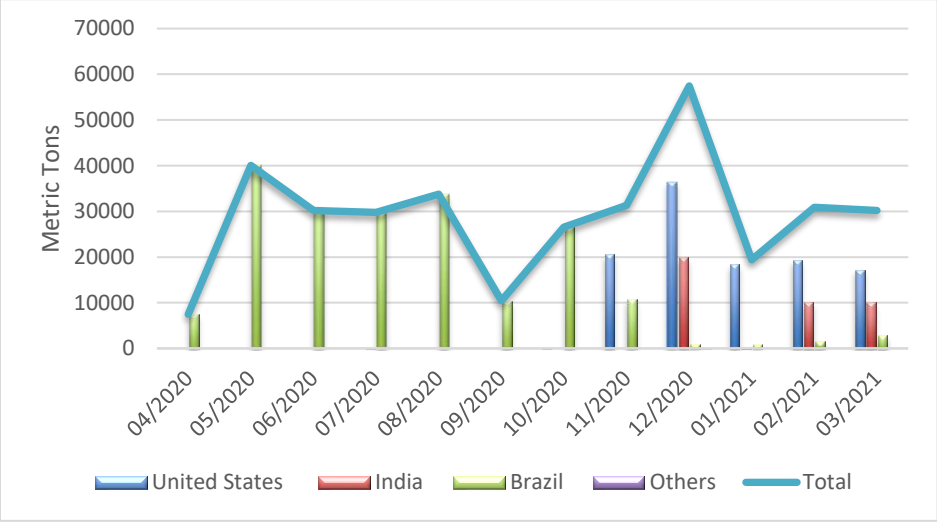
Packages of 1 Kilogram	High	Low
Pasta	1.60	1.20
Rice	1.05	0.92

In addition, the domestic market is flooded with imported packaged milled rice from Guyana with volumes estimated at 2,800 MT/month, (33,000 MT/year) according to "Ciudadania en Accion" (an NGO that tracks statistics for CLAP), and Colombian rice that is cheaper than the domestically produced milled rice. The result is lower sales and high inventories that will make it difficult to buy the local production which only supplies 20 percent of Venezuela's demand.

Trade
Imports remain unchanged in MY 2021/22 compared to USDA previous official estimates. Imports decreased 9 percent in MY 2020/21, to 500,000 MT, based on increased production and high inventories held by the industry, which more than offset the decrease in imports and kept consumption steady.

The United States has been the only origin for paddy rice during January to July 2021. In August 2021, according to the August 27 Venezuelan maritime report, imports from Brazil and Uruguay were received, but importers claim that it is a temporary situation that will not continue. Post forecasts the rice trade flow into Venezuela from Colombia in MY 2021/22 to reach 60,000 MT due to higher Colombian rice inventories.

FIGURE 4: VENEZUELAN RICE IMPORTS MY 2020/21



Source: Trade Data Monitor

Policy

A new policy, under Decree 4452 published in Gazette 6,636, on custom duties and VAT, is in effect from August 6 to November 30, 2021. Importers of milled rice and Paddy rice will pay custom duties and VAT under the condition that there is enough local production to satisfy industry demand.

TABLE 3: TARIFF AND VAT FOR PADDY AND MILLED RICE

Description	HS Code	Ad Valorem (%)		VAT (%)		Custom service (%)
		Previous Policy	Current Policy	Previous Policy	Current Policy	
Paddy rice	1006.10	0	15	0	16	1
Milled rice	1006.00	0	20	0	16	1

Importers must meet certain requirements to obtain an import certificate. Nonetheless, imports are not expected to decrease because of this policy though this is an extra administrative burden to facilitate imports. Currently, all rice imports are by the private sector.

Rice: Production, Supply and Distribution

Rice, Milled	2019/2020		2020/2021		2021/2022	
Market Year Begins	Apr 2019		Apr 2020		Apr 2021	
Venezuela	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	60	60	55	60	60	60
Beginning Stocks (1000 MT)	82	82	101	101	91	50
Milled Production (1000 MT)	140	140	130	149	140	152
Rough Production (1000 MT)	206	206	192	220	206	224
Milling Rate (.9999) (1000 MT)	6786	6786	6786	6786	6786	6786
MY Imports (1000 MT)	549	549	550	500	550	550
TY Imports (1000 MT)	530	530	550	550	550	550
TY Imp. from U.S. (1000 MT)	64	64	0	220	0	230
Total Supply (1000 MT)	771	771	781	750	781	752
MY Exports (1000 MT)	0	0	0	0	0	0
TY Exports (1000 MT)	0	0	0	0	0	0
Consumption and Residual (1000 MT)	670	670	690	700	700	700
Ending Stocks (1000 MT)	101	101	91	50	81	52
Total Distribution (1000 MT)	771	771	781	750	781	752
Yield (Rough) (MT/HA)	3.4333	3.4333	3.4909	3.6667	3.4333	3.7333

(1000 HA), (1000 MT), (MT/HA)
MY = Marketing Year, begins with the month listed at the top of each column
TY = Trade Year, which for Rice, milled begins in January for all countries. TY 2021/2022 = January 2022 - December 2022

Commodity: Corn

Production
Post forecasts further increases in Venezuelan corn production in MY (OCT-SEP) 2021/22, to 810,000 MT, a 60 percent increase from the previous year's forecast of 505,000 MT. Area harvested is expected to increase an additional 25 percent to 197,000 hectares due to a spike in the price of white corn in late CY 2020, that caused farmers to plant 70 percent of their lands with white and 30 percent with yellow corn. Corn producers continue investing and expanding areas to plant thanks to improved access to credit from private financing and the local milling industry.

Conditions in the field have improved, and 95 percent of plantings are now privately-owned and operated, while the public sector is almost absent. At the same time, farmers can now rely on better quality agrochemicals from Colombia and Brazil and fertilizers from Russia.

Post revised production upward for MY 2020/21 to 554,000 MT, 10 percent above the previous year forecast of 500,000 MT. The easier access to agricultural inputs of good quality notably improved yields in MY 2020/21 as well.

A new development is the availability of high-performing genetic materials developed by the Danac Foundation (food giant Polar's Foundation dedicated to corn genetics research and development). A white corn seed production project was set up by Danac to support the national production of corn. During the last two years, they have produced about 532 MT of seed with quality levels up to international standards and enough for the sowing of 22,000 hectares (ha) producing 79,000 MT of grains. This plan aims to produce the seed needed for the sowing of 125,000 ha in the next six years and is the main reason for the increased yields over the last couple of years. Other factors such as favorable climate conditions, credit availability, and access to better quality inputs have helped.

Consumption
Post forecasts an increase in food, seeds, and industrial consumption to 1.1 million MT for MY 2021/22 compared to the previous year's forecast of 900,000 MT due to improved consumer purchasing power. Between the months of October and December, consumers demand more goods for their Christmas preparations, and there is more demand for corn flour used to cook "hallaca," the typical Venezuelan Christmas dish.

Feed and residual consumption remains unchanged from the previous year forecast of 860,000 MT as poultry and egg production stabilize. For MY 2020/21, food, seed, and industrial consumption remains unchanged at 900,000 MT, in line with USDA official estimate.

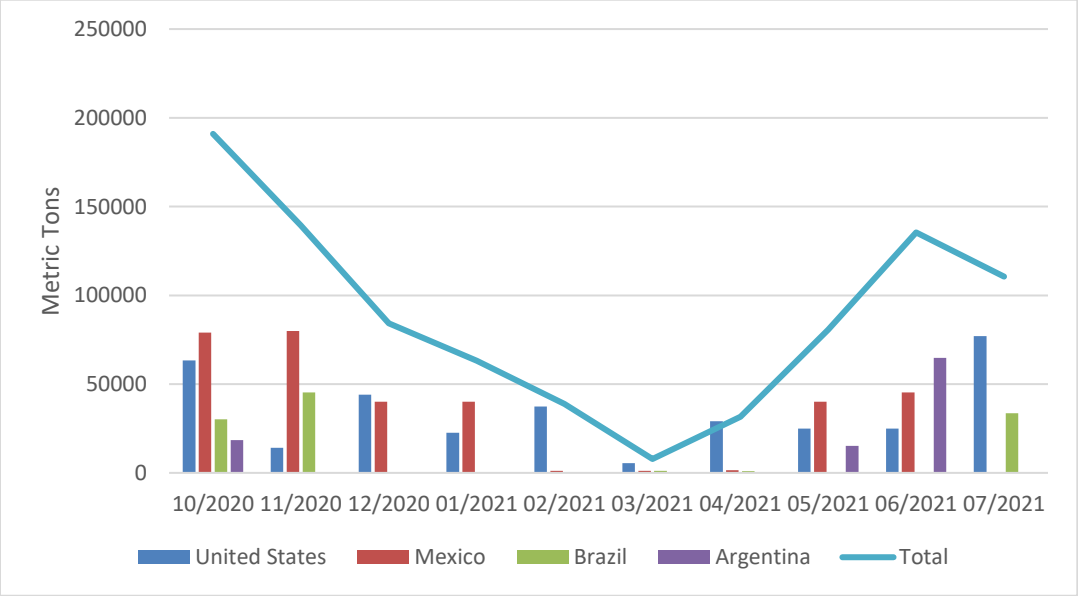
Trade
In MY 2021/22, Post forecasts an increase in imports to 1.2 million MT, 100,000 MT above the previous year's forecast, motivated by an economic recovery and improved demand for white and yellow corn. Despite increasing domestic production and increased tariffs on white and yellow corn (see Policy Section), domestic production remains insufficient to satisfy demand, and Venezuelan importers will likely be able to justify and secure a tariff exemption.

Imports for MY 2020/2021 remain unchanged at 1,100 MT in line with USDA official estimates. The United States is the main origin of yellow corn, and the main origin of white corn is Mexico. However, Brazil and Argentina are spot suppliers of both corns to Venezuela.

The United States was the only source of yellow corn from January to July 2021. Since July 2021, more corn from Brazil and even some shipments from Argentina have taken place. The industry indicated the change is driven by better prices and higher inventories. Brazil has lowered its export levels, as well as its domestic demand for yellow corn, lowering corn prices in the region.

The biofuels industry in Argentina is operating at 60 percent of its capacity since COVID-19, impacting corn and soybean demand for biofuels and allowing Argentina to place its yellow corn in the international market at a better price.

FIGURE 5: GLOBAL CORN EXPORTS TO VENEZUELA



Source: Trade Data Monitor

Policy:

A new policy is in place, published in Gazette 6,636 and in force from August 6 to November 30, 2021. Importers will have to pay custom duties and VAT for white and yellow corn and purchase and consume all the national harvest first, then import the deficit if any, to supply domestic demand.

TABLE 4: TARIFF AND VAT FOR WHITE AND YELLOW CORN

Description	HS Code	Ad Valorem (%)		VAT (%)		Custom service (%)
		Previous Policy	Current Policy	Previous Policy	Current Policy	
Yellow corn	1005.90.10	0	15	0	16	1
White corn	1005.90.10	0	15	0	16	1
Corn flour	1102.20.00	0	20	0	16	1

Corn: Production, Supply and Distribution

Corn	2019/2020		2020/2021		2021/2022	
Market Year Begins	Oct 2019		Oct 2020		Oct 2021	
Venezuela	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	150	150	160	160	160	197
Beginning Stocks (1000 MT)	50	50	158	158	58	52
Production (1000 MT)	450	450	500	554	510	810
MY Imports (1000 MT)	1308	1308	1100	1100	1200	1200
TY Imports (1000 MT)	1308	1308	1100	1100	1200	1200
TY Imp. from U.S. (1000 MT)	469	469		388	0	400
Total Supply (1000 MT)	1808	1808	1758	1812	1768	2062
MY Exports (1000 MT)	0	0	0	0	0	0
TY Exports (1000 MT)	0	0	0	0	0	0
Feed and Residual (1000 MT)	550	550	800	860	800	860
FSI Consumption (1000 MT)	1100	1100	900	900	900	1100
Total Consumption (1000 MT)	1650	1650	1700	1760	1700	1960
Ending Stocks (1000 MT)	158	158	58	52	68	102
Total Distribution (1000 MT)	1808	1808	1758	1812	1768	2062
Yield (MT/HA)	3	3	3.125	3.4625	3.1875	4.1117

(1000 HA), (1000 MT), (MT/HA)
MY = Marketing Year, begins with the month listed at the top of each column
TY = Trade Year, which for Corn begins in October for all countries. TY 2021/2022 = October 2021 - September 2022

Attachments:

No Attachments