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Report Highlights:

The Venezuelan economic and political crisis continues to influence all sectors of the economy, including agricultural production and trade. Corn and rice production continue to decline, but at a slower rate than initially forecasted, as farmers find creative solutions to input shortages. Imports of processed wheat products have displaced much domestic processing.

Intro:

The Venezuelan economic and political crisis continues to be the dominate influencer in all sectors of the economy, including agricultural production and trade. Corn and rice production continue to decline, but at a slower rate than initially forecasted, as farmers find creative solutions to input shortages. Imports of processed wheat products have displaced much domestic processing.

The Venezuelan population consistently shrunk from 2015 to 2020 as able-bodied men and women moved abroad to search for work to support family members that remained in the country. This year, as COVID-19 raced across the continent, this migratory flow stopped and reversed. Many Venezuelan expatriates found themselves out of work in neighboring countries and returned home. This rapid growth in population is driving up demand for food products and, where supply allows, increasing consumption across many product categories.

Despite challenges, Venezuelans are surviving and, in some cases, thriving. Venezuelan producers continue to face shortages of agro-inputs and fuel; however, the shortages are not as dire as initially feared. In the 2020 planting season, many agricultural producers began to import inputs directly, bypassing the Maduro regime's inadequate distribution system. Additionally, shipments of Iranian fuel and some mild recovery of domestic refining gave farmers enough gasoline and diesel to continue operation. Post is increasing production forecasts across some product categories in response to this change.

Private importers, once tightly controlled by the Maduro government, quickly expanded imports of food products as restrictions relaxed. Even though they operate with limited capital and virtually no access to credit, the Venezuelan private sector has proven to be exceptionally flexible and industrious. While overall imports are down when compared to those a decade ago, growth in private sector imports in the current year show signs of slowing or stopping that downward trend.

Commodity: Wheat

Production:

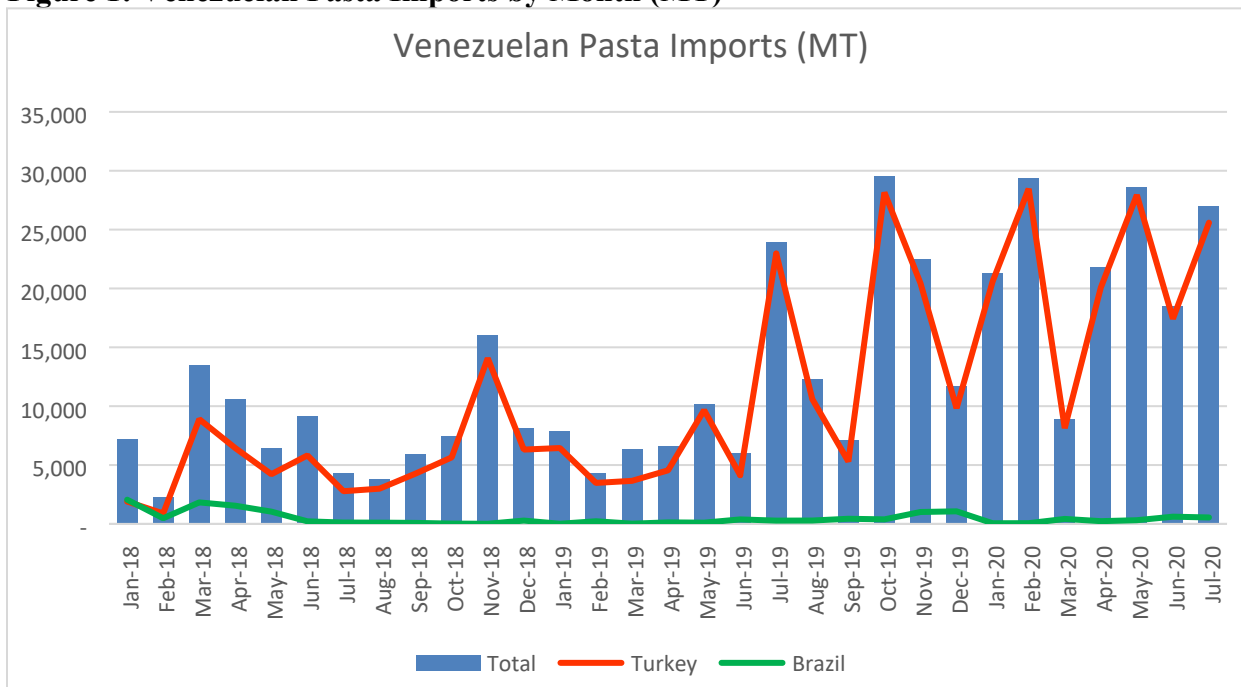
Venezuela is almost entirely dependent on imported wheat for domestic consumption, though there are a few thousand hectares of experimental wheat in the country. Industry sources report that domestic wheat production has only had a marginal impact on the market. Forecast production remains near zero, leaving the country entirely dependent on foreign suppliers.

Consumption:

In MY 2020/21, post expects continued drops in consumption, but at a more moderate rate than initially forecast. Post forecasts MY 2020/21 consumption to fall to 900,000 metric tons, up from earlier estimates of 780,000 tons. The COVID-19 outbreak has created a reversal of the migration trends seen in recent years, with many Venezuelans returning home from neighboring countries. Additionally, flexibilities given to the private sector to import more freely are allowing a recovery in wheat imports, making more product available to consumers. While those factors mitigated drops in consumption some, continued high inflation and shrinking government support continue to limit Venezuelans' access to food and put downward pressure on consumption. In MY 2019/20, post is adjusting consumption numbers upward to 950,000 metric tons, up 100,000 tons from post's initial estimates based on the same trends noted above.

Notably, imported wheat products are appearing in the Maduro regime's food subsidy program, known locally as CLAP (Local Committees for Supply and Production). These monthly food distributions are boxes or bags containing dried or canned food products. The contents have varied over time, but boxes now contain mostly carbohydrates – rice, wheat or corn flour, and pasta. In recent months, contacts reported seeing Turkish flour and pasta among the products delivered. Trade data show an uptick in imports of both flour and pasta, with Turkey shipping the majority of both.

Figure 1: Venezuelan Pasta Imports by Month (MT)

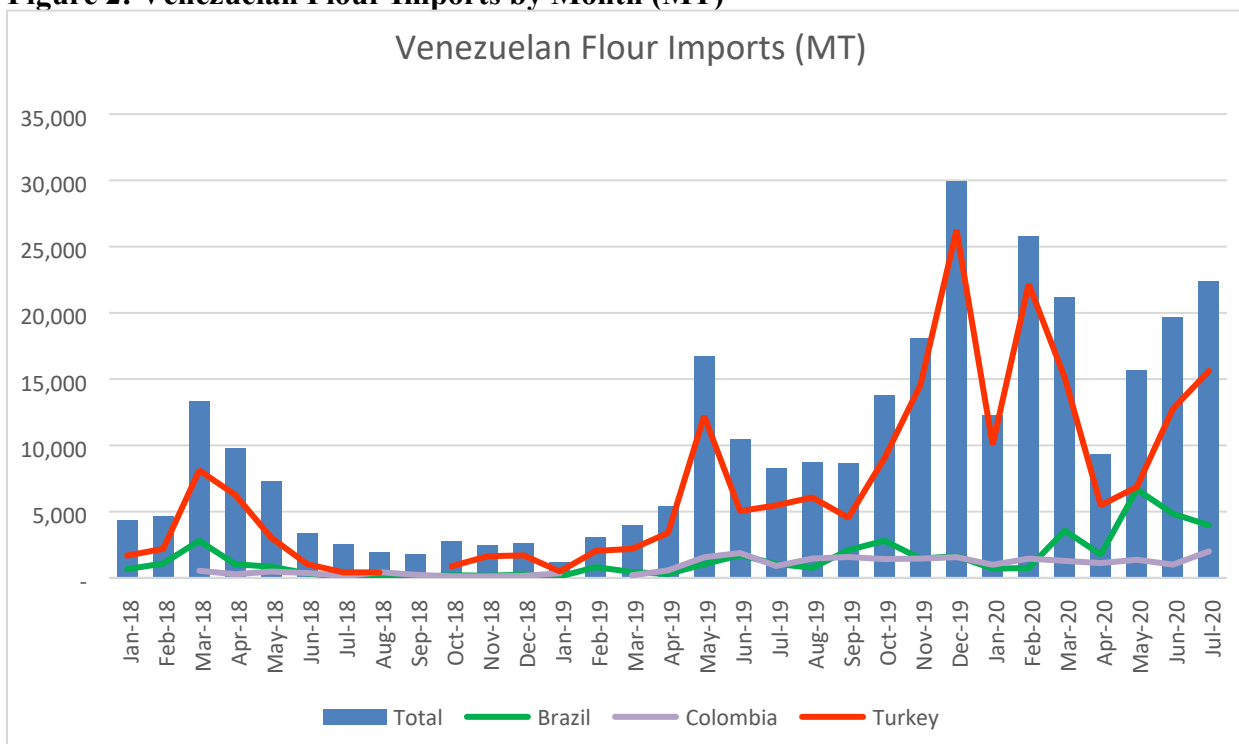


Source: Trade Data Monitor

Trade:

Post forecasts that Venezuela will import one million metric tons of wheat in MY 2020/21. This is an increase of 225,000 metric tons over post’s initial estimate of 775,000. The higher import numbers reflect greater private sector control over imports, as well as a shift in products imported. In recent months, growing volumes of pasta and flour have arrived to Venezuela from Turkey. Contacts note that imported Turkish products are lower in cost than similar domestically produced goods. Of additional note, domestic milling capacity is down, as several mills have closed. Post is adjusting MY 2019/20 imports to 954,000 metric tons on final data. Growth in imports will be dependent on further liberalization of markets.

Figure 2: Venezuelan Flour Imports by Month (MT)



Source: Trade Data Monitor

As Figures 1 and 2 demonstrate, Venezuelan imports of processed wheat products have increased markedly since mid-2019. Turkey is now the largest supplier of both flour and pasta to Venezuela. Post is also tracking increases in flour imports from Brazil and Colombia during CY 2020. Post contacts note that the new Iranian supermarket chain Megasis is now selling Iranian branded flour and pasta in Venezuela.

Policy:

Since the annual report, there have been no major changes to the policy environment. The private sector continues to take a larger role in imports, since Maduro regime relaxed import controls in late 2019. Government price controls have been reinstated on a list of staple products, though enforcement remains inconsistent and impacts are unclear. The regime continues to lean on nontraditional trading partners, such as Iran, Turkey and Russia, for certain staple products.

Wheat: Production Supply and Demand Estimates

Wheat Market Year Begins Venezuela	2018/2019		2019/2020		2020/2021	
	Jul 2018		Jul 2019		Jul 2020	
	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	138	138	142	142
Production (1000 MT)	0	0	0	0	0	0
MY Imports (1000 MT)	845	845	954	954	1000	1000
TY Imports (1000 MT)	845	845	954	954	1000	1000
TY Imp. from U.S. (1000 MT)	252	252	187	187	0	0
Total Supply (1000 MT)	983	983	1092	1092	1142	1142
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)	845	845	950	950	900	900
Total Consumption (1000 MT)	845	845	950	950	900	900
Ending Stocks (1000 MT)	138	138	142	142	242	242
Total Distribution (1000 MT)	983	983	1092	1092	1142	1142
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 2020/2021 = July 2020 - June 2021						

Commodity: Sorghum

Production:

FAS Caracas proposes no changes to the MY 2020/21 sorghum production forecasts. In MY 2020/21, post forecasts sorghum production to fall to 15,000 metric tons, as farmers manage fuel shortages. Industry contacts indicate that sorghum production in MY 2019/20 dropped due to a lack of fuel and other inputs. Post estimates MY 2019/20 sorghum production will reach 25,000 metric tons. Fuel shortages forced farmers to choose between planting sorghum and other crops that could potentially be used for human consumption. Post adjusted area harvested downward in both MY 2019/20 and MY 2020/21 with the associated drops in production.

Sorghum was traditionally an important crop for dry areas in the eastern and southern regions of Venezuela, specifically in the States of Guárico and Cojedes. Sorghum has two different growing cycles during the marketing year. The principle sorghum planting season when weather conditions are most apt begins in October/November with the harvest occurring from January to March. The second cycle planting begins in June/July with the harvest beginning in September and ending in October.

Consumption:

In MY 2020/21, sorghum consumption is forecast down to 15,000 metric tons on low production and tight supplies. Sorghum as a feed source for the poultry and pork industries has declined with overall decreases in animal production. Most sorghum used for animal feed has been replaced by yellow corn. Remaining Venezuelan sorghum production is expected to be used as forage for cattle. Post estimated MY 2019/20 consumption at 25,000 metric tons, on low production.

Trade:

Venezuela does not import or export sorghum. Historically, Venezuela imported sorghum seed for planting from the United States and Guatemala. Following the nationalization of *Agroisleña*, a large Venezuelan agribusiness firm, imports fell to zero. The Venezuelan government has opposed sorghum

seed imports to protect domestic seed production. Reportedly, farmers have recently tried sorghum seeds from Mexico and Argentina, but with limited success due to the climatic differences.

Sorghum: Production Supply and Demand Estimates

Sorghum Market Year Begins Venezuela	2018/2019		2019/2020		2020/2021	
	Oct 2018		Oct 2019		Oct 2020	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	25	25	25	25	15	15
Beginning Stocks (1000 MT)	0	0	0	0	0	0
Production (1000 MT)	35	35	25	25	15	15
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)	35	35	25	25	15	15
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)	35	35	25	25	15	15
FSI Consumption (1000 MT)	0	0	0	0	0	0
Total Consumption (1000 MT)	35	35	25	25	15	15
Ending Stocks (1000 MT)	0	0	0	0	0	0
Total Distribution (1000 MT)	35	35	25	25	15	15
Yield (MT/HA)	1.4	1.4	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 2020/2021 = October 2020 - September 2021

Commodity: Rice Production:

Forecast Year

FAS Caracas did not recommend changes to area planted in MY 2020/21. In line with earlier forecasts, post estimated that area planted would decrease to 55,000 hectares, down eight percent from MY 2019/20 estimates. Continued limited access to agricultural inputs and, more recently, negative margins for farmers is disincentivizing growth in area. Farmers report that the breakeven price is around 35 U.S. cents per kilogram, while they are only paid 25 cents per kilogram. As discussed in earlier reporting, year over year area planted in rice has steadily decreased since 2014.

Despite the decreases in area, FAS Caracas forecasts that milled rice production in MY 2020/21 will increase to 130,000 metric tons. This increase is 25,000 tons above USDA's forecast of 105,000 metric tons. Contacts report increases in yields in the current year, which they expect to continue into the forecast year. Blight that had previously damaged crops seems to be under control and industry is now controlling more of their own inputs, importing fertilizers directly.

Current Year

In MY 2019/20, post estimates milled rice production reached 140,000 metric tons, up 25,000 MT from USDA's official estimate of 115,000 tons. As with production in the forecast year, area planted remained unchanged. The increases in production are the result of improved yields resulting from additional access to fertilizers, ample rain, and better control of blight during the current season.

The main rice producing states in Venezuela are Portuguesa, Guárico, Cojedes, and Barinas. Portuguesa contains about half of productive lands and accounts for much of the production.

2020 Winter Rice Crop at 90-day's Growth



September 2, 2020; Cojedes, Venezuela

Consumption:

For MY 2020/21, post is increasing consumption forecasts 20,000 metric tons to 620,000 tons on improved production and greater supply. Similarly, post is raising MY 2019/20 consumption 15,000 metric tons on increased production. Despite these changes, Venezuelan rice consumption continues to trend downward overall. The macroeconomic situation has not improved; hyperinflation remains, quickly eroding the Venezuelan people's purchasing power and limiting purchases.

The Maduro government is still a large buyer of both imported and domestic rice for subsidized distribution through the CLAP (Local Committees for Supply and Production) system. This public distribution system provides bags or boxes of staple foods monthly. The most recent distributions included 3-4 kilograms of milled rice.

Venezuelan consumers traditionally consumed long grain *indica* rice, which was considered to be the native variety. As domestic production plummeted in recent years, consumers switched to less costly Brazilian imports, sacrificing quality for price. Private sector Venezuelan millers continue to operate in the country, but at reduced capacity. Contacts report that only 35 percent of Venezuelan milling capacity is currently being used, leaving many plants idle.

Trade:

In MY 2020/21, FAS Caracas forecasts Venezuelan rice imports at 450,000 metric tons, which is 10,000 tons or two percent below USDA's official forecast. Post is also lowering MY 2019/20 import estimates by 6,000 metric tons to a total of 500,000 tons on actual shipments. For the 2019/20 marketing year, post tracked around 450,000 metric tons of imports from traditional suppliers, such as Brazil, Uruguay, Argentina, and the United States. Both private and government buyers are also purchasing milled rice,

often bagged, from neighboring Guyana and Colombia. Much of the bagged rice is being distributed by the Maduro regime through the CLAP system. Cross border trade in the current year is estimated at 50,000 metric tons.

Policy:

In late 2019 the Maduro government opened imports to the private sector, relieving financial pressure on government buyers. Thus far, opening to private sector has sustained import levels, though firms are constrained by access to financial markets and credit. This is not specific to rice and has similar implications for other commodities.

Domestic rice producers note that they are unable to compete with lower cost imported rice. Following producer pressure, a 20-percent duty was placed on bagged rice in May 2020. That duty reportedly expired in August 2020. It is unclear what volumes were impacted by the tariff and if shipments are currently facing a tariff.

Rice: Production Supply and Demand Estimates

Rice, Milled Market Year Begins Venezuela	2018/2019		2019/2020		2020/2021	
	Apr 2018		Apr 2019		Apr 2020	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	86	86	60	60	55	55
Beginning Stocks (1000 MT)	57	57	62	62	73	77
Milled Production (1000 MT)	170	170	115	140	105	130
Rough Production (1000 MT)	251	251	169	206	155	192
Milling Rate (.9999) (1000 MT)	6786	6786	6786	6786	6786	6786
MY Imports (1000 MT)	515	515	506	500	460	450
TY Imports (1000 MT)	515	515	450	450	460	450
TY Imp. from U.S. (1000 MT)	38	38	0	0	0	0
Total Supply (1000 MT)	742	742	683	702	638	657
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)	680	680	610	625	600	620
Ending Stocks (1000 MT)	62	62	73	77	38	37
Total Distribution (1000 MT)	742	742	683	702	638	657
Yield (Rough) (MT/HA)	2.9186	2.9186	2.8167	3.4333	2.8182	3.4909
(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 2020/2021 = January 2021 - December 2021						

**Commodity: Corn
Production:**

In MY 2020/21, post is increasing the Venezuelan corn production forecast to 390,000 metric tons, up 110,000 tons from USDA’s official forecast. The increase is explained by an expansion of 30,000 hectares, around 30 percent, in planted area, along with a mild increase in yields. Post is not recommending changes to MY 2019/20 production estimates of 450,000 metric tons.

Like many agricultural sectors in the country, Venezuelan corn producers faced massive shortages of fuel, fertilizer, and agrochemicals in early 2020. Those shortages drove decreases in planted area and yield, which were expected to carry on into the forecast year. Since those initial forecasts, private sector growers began to independently import some agricultural inputs, including fertilizer and agrochemicals. Additionally, the Maduro government was able to extend fuel supplies modestly through a combination of imported Iranian gasoline and domestic diesel refining. Updated production forecasts assume that producers will have some continued access to inputs in the forecast year, though that is far from ensured.

Contacts indicate that more yellow corn was planted than white during the 2020 winter cycle. This conflicts with information provided earlier in the year, which suggested that farmers preferred white corn to yellow due to a domestic price advantage. The reason for this discrepancy is unclear. Yellow corn continues to be traded at the market price, with limited influence from the Maduro government.



Corn Production in Portuguesa State

Consumption:

Post is raising MY 2020/21 total consumption to 1.350 million metric tons. This is an increase of 50,000 tons or four percent above USDA's official forecast. The increase in total consumption is in response to growth in the forecast domestic production. FAS Caracas is lowering the total consumption estimate in MY 2019/20 by 150,000 metric tons, nearly 10 percent, from USDA's official estimate of 1.550 million metric tons. The Venezuelan industry reported actual ending stocks of 350,000 tons, which implies lower than estimated consumption in the current year.

Stocks

In the current year, contacts report larger than average corn inventories. Some large millers reported a drop in sales in April and May, which led to subsequent accumulation of stocks. Industry contacts note that stocks are beginning to normalize; however, companies still report holdings of 100,000 metric tons of yellow corn and nearly 250,000 tons of white corn.

FSI / Feed and Residual

FAS Caracas is making changes to both Feed and Residual and FSI consumption in the current and forecast years. Feed and residual consumption is expected to stay mostly stable as animal production reaches a new equilibrium. Production and consumption of animal protein in Venezuelan is around one-third of its 2010-2015 normal. Despite the massive drop in recent years, animal production seems to have bottomed out and shows signs of stabilizing. As such, FAS Caracas is increasing MY 2020/21 Feed and Residual consumption to 450,000 to better align with historical feed consumption. In MY 2019/20, FAS Caracas is reducing feed and residual consumption due to the drop in total consumption levels; however, that decrease is estimated at only 50,000 metric tons, to 500,000 metric tons.

Post is also proposing minor changes to FSI consumption of corn. In both MY 2019/20 and MY 2020/21, post is reducing FSI consumption from 1.0 million metric tons to 900,000 metric tons. The decrease in the current year was necessary to account for a growth in industry-confirmed ending stocks. In the forecast year, FSI was reduced to account for higher levels of feed consumption.

Trade:

FAS Caracas is revising downward forecast corn imports in MY 2020/21 to 800,000 metric tons. The decrease is 200,000 tons, or 20 percent, below USDA's official forecast. Increases in domestic production and higher than anticipated beginning stocks will more than offset the decreased imports. In MY 2019/20, actual imports reached 1.25 million metric tons, which is 50,000 tons above USDA's estimate of 1.2 million tons. The recovery of imports in the current year is likely linked to the Maduro regime's move to allow the private sector to control imports in late 2019. The United States remains a large supplier of yellow corn to Venezuela, while most of the country's white corn imports come from Mexico.

Policy:

Venezuelan millers remain concerned with price controls on certain domestic staple products. In early 2020, the Maduro regime put in place retail price controls on corn flour for human consumption, along with a list of other staple food products. The controls seem to be loosely enforced, though millers fear some impacts.

Corn: Production Supply and Demand Estimates

Corn Market Year Begins Venezuela	2018/2019		2019/2020		2020/2021	
	Oct 2018		Oct 2019		Oct 2020	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	220	220	150	150	100	130
Beginning Stocks (1000 MT)	96	96	50	50	150	350
Production (1000 MT)	700	700	450	450	280	390
MY Imports (1000 MT)	704	704	1200	1250	1000	800
TY Imports (1000 MT)	704	704	1200	1250	1000	800
TY Imp. from U.S. (1000 MT)	95	0	0	0	0	0
Total Supply (1000 MT)	1500	1500	1700	1750	1430	1540
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)	600	600	550	500	300	450
FSI Consumption (1000 MT)	850	850	1000	900	1000	900
Total Consumption (1000 MT)	1450	1450	1550	1400	1300	1350
Ending Stocks (1000 MT)	50	50	150	350	130	190
Total Distribution (1000 MT)	1500	1500	1700	1750	1430	1540
Yield (MT/HA)	3.1818	3.1818	3	3	2.8	3

(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 2020/2021 = October 2020 - September 2021

Attachments:

No Attachments