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Required Report - public distribution

Date: 7/25/2014

GAIN Report Number: VE1409

Venezuela

Grain and Feed Update

Grain and Feed Update

Approved By:

Todd Drennan

Prepared By:

Clara Nuñez

Report Highlights:

Post expects imports of yellow corn, rice, and wheat to continue strong based on rising domestic food demand, continued strong requirements of the animal feed industry, and further reductions in domestic grain production.

Post:
Caracas

Commodities:
Wheat

Corn

Sorghum

Rice, Milled

Executive Summary:

According to trade and industry contacts, the lack of foreign exchange to import necessary inputs is reaching critical levels. Most grain-derived staples are included in the list of controlled items, and are on the priority list to receive foreign exchange when it becomes available. Wheat, corn and rice sectors are all adversely impacted and inventories as of June 2014 are at all-time lows.

Added to this, agricultural production has been seriously affected by the lack of rainfall in the first quarter of 2014, which threatens to affect the yields of important crops. Venezuela is facing extreme drought conditions, especially in Eastern states and in the Central plains (Llanos) where corn, sorghum and rice crops are harvested, mostly in Guárico State. In Portuguesa State, the drought and lack of inputs have caused a delay in the planting of corn. Portuguesa produces about 40 percent of total Venezuelan white corn for food and 50 percent of yellow corn production for feed.

The Venezuelan Farmers Association (Fedeaagro) has requested that the Government declare a "State of contingency" in the States affected by the drought, and has called for financial mechanisms that can revive the sector and restructure farmer credit and debt.

A reduction in corn production is forecast for MY 2014/15 as a consequence of the adverse weather conditions. Post is also dropping its estimate for rice production for 2015 due to dramatically reduced water supplies of the Guárico irrigation system. Post expects trade of wheat to continue strong based on steady demand and growing political pressure to stabilize food supplies. Wheat inventories will be erratic due to insufficient foreign exchange.

Author Defined:

Wheat

There are no changes in Wheat PSD numbers from the last Annual report. Despite the unfavorable economic climate in Venezuela, Post does not estimate changes in wheat imports. On the contrary, imports are forecast to remain strong reaching 1.62 million tons in MY 2014/15. As previously reported, Venezuela imports all of its wheat needs from Canada, the United States and Argentina, but imports are tied to currency availability controlled by the government which sometimes has left the millers in a situation where they don't have the dollars needed to import wheat when they need them. The Venezuelan wheat industry reported excessive delays in the issuance of import permits and approvals of foreign currency requests. These inconsistencies cause problems for the private sector in it cannot plan or develop a schedule for its imports resulting in sporadic inventory levels and distortions in the market. In turn, severe inventory shortages of wheat resulted in sudden stoppages of several flour

mills and pasta processing plants.

As previously reported, Post estimates an increase in consumption in wheat needs at 1.59 million tons for MY 2014/15 due to increases in bread-product consumption from protein products as a consequence of growing shortage of meat products in the country. Pasta and wheat-based products continue being preferred foods, and a low-cost basic staple of the Venezuelan diet.

According to estimates of the Venezuelan Pasta Manufacturing Association, pasta production in 2013 reached about 329,540 tons representing a decrease of 11.5 percent over the previous year. The pasta manufacturing sector is represented by 19 companies with a total operational capacity of around 500,000 tons per year.

The Association also reported that between the years 2003-2007 average pasta imports were 3,578 tons/year, but due to critical shortages, grew to an average of approximately 19,750 tons/year during the period 2008-2013. Imports were carried out in large part by the government to be marketed through its official distribution network (CASA, MERCAL, PDVAL, BICENTENARIO) at subsidized prices, even lower than the official controlled price of domestically produced pasta. Currently, almost one-third of monthly domestic pasta production is marketed through state owned supermarkets.

The majority of wheat and yellow corn are still being imported directly by the private sector, however, the government, through its food purchasing agency CASA, has been importing greater volumes of wheat, basically from Canada, but more recently from Argentina.

Corn:

Corn plantings will be less than previously planned for this year as a result of adverse weather conditions due to “El Niño”, which has caused severe drought conditions in several States of the country.

According to officials from the Ministry of Agriculture and Lands, the planting of white and yellow corn for the winter cycle, has advanced by 87 percent in Portuguesa State. Through June 2014, that accounted for about 200,000 hectares out of a total of 240,000 hectares. In Guárico, the situation is so bad; farmers are calling it the worst drought in the last 38 years. Only 70,000 hectares of corn had been planted by June compared to 140,000hectares planted by June 2013. At the beginning of the crop planting season there were 20 days of severe water shortage that decreased germination and development of plants, which in turn will impact overall production and yields.

Due to severe drought conditions, Post estimates a decrease in corn production for MY 2014/15 to 1.36 million tons. In spite of this downward adjustment, consumption is expected to remain unchanged for MY 2014/15 and covered with increased imports.

Sorghum:

There are no updates for sorghum to report.

Some farmers proposed to the Government a plan to increase the area planted of sorghum due to problems with delays planting corn. Areas that are not sown with corn could be cultivated with sorghum, which is more resistant to dry weather. The Ministry of Agriculture is studying the proposal which includes taking measures to import sorghum seed, which is not readily available in the country. In the past, Venezuela imported sorghum seed from the United States.

Rice:

The drought that a large part of the country is suffering has especially affected the production of rice in the area of Guárico State. Sources indicate that much of the rice crop planted in April, was lost due to the lack of water in that area. Given the situation, which is being made worse due to the lack of

MY Imports	389	528	312	520	425	530
TY Imports	359	500	410	480	425	475
TY Imp. from U.S.	209	0	0	0	0	0
Total Supply	933	1,072	820	1,007	885	1,010
MY Exports	150	300	100	225	150	200
TY Exports	150	250	125	200	150	180
Consumption and Residual	660	670	650	680	650	695
Ending Stocks	123	102	70	102	85	115
Total Distribution	933	1,072	820	1,007	885	1,010
1000 HA, 1000 MT, MT/HA						