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Venezuela

Sugar Annual

Sugar Annual Report

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Report Highlights:

The Venezuelan sugar industry expects domestic production to drop in 2014, constrained by price controls and the absence of government incentives to support cane output. Total imports are expected to be about 850,000 tons. The government currently maintains the regulated consumer price at Bs. 6.11 per kilogram (\$.96 per kilo), an amount that industry claims does not cover production costs.

Executive Summary:

A combination of price controls, decreasing cane planted area, fear of land expropriation, and large amounts of imports continue to negatively impact the domestic sugar industry. Sugar production is estimated to fall in MY 2013/2014 but not as much as USDA estimates. The Government of the Bolivarian Republic of Venezuela (GBRV) regulates the price of sugar for the domestic market. Imports will be also needed to cover the needs of the soft drink and confectionary industries. Post estimates a slight reduction in domestic production for MY 2014/2015.

Commodities:

Sugar, Centrifugal

Production:**Production and Milling:**

VENAZUCAR, Venezuela's sugar milling industry association reported that millers are not increasing investment because of price controls on refined sugar. Estimates for refined sugar production stand at 492,000 tons for 2014.

There are 16 operating sugar mills in the country, 10 of those are managed by the GBRV. Most of them were either occupied or expropriated by the GBRV since 2005. After those expropriations, total domestic sugar production experienced a sustained decline. Some private mills experienced a slight increase in sugar production during 2013/2014, but not big enough to increase total domestic production. VENAZUCAR reports that the GBRV mills only produce 20 percent of total sugar consumed in the country and the six private sector mills supply the other 80 percent.

Even with extensive land and suitable weather, cane producers cannot meet domestic demand. Historically, between 70 to 75 percent of the country's sugar demand was met by domestic production. Today, between 35 to 40 percent of refined sugar demand is met by domestic production and imports of raw sugar are refined to cover the other 55 to 60 percent of total demand.

The first sugar cane harvest takes place from October through April, and the second from June through October. The first harvest is responsible for about 70 percent of the cane cut in Venezuela, and the second harvest the remainder. Three Venezuelan mills, Central Portuguesa (Portuguesa State), Central La Pastora and Central Carora, located in Lara State in the northwest, have plantations on which cane can be harvested all year long.

Area Planted

According to VENAZUCAR, the majority of cane growers are considered to have small or medium size farms. Total area planted to sugar cane is estimated at 100,000 hectares in 2013/2014. Sugar cane growers have little incentive to increase area planted because of controlled prices and the fear of being expropriated.

Consumption:

The sugar industry forecasts that consumption will remain relatively steady in the near future. Demand in 2013/2014 is estimated at 1.3 million tons of refined sugar. Annual per capita consumption fluctuates between 39 and 41 kilograms.

In January 2013, the GBRV published Official Gazette No 40.085 that directs sugar mills to supply 70 percent of production to individual consumers and 30 percent to food and beverage manufactures. The industrial food sector is composed of soft drinks and snacks such as cookies, crackers, and confectionary. The Venezuelan soft drink industry uses 100 percent sugar without any fructose or other sweetener for its non-diet beverages.

The GBRV blames current sugar shortages on product contraband to Colombia by organized groups in border states and some local sugar producers illegally exporting unrefined sugar to Colombian chocolate and candy producers. An unofficial estimate on the quantity of refined sugar illegally going to Colombia is around 50,000 tons. Sugar in the informal market can sell at more than double the regulated price in Venezuela. The GBRV had to increase sugar imports to avoid a national sugar shortage.

All alternative sweeteners such as high fructose corn syrup are imported. According to VENZAUCAR, the consumption of these sweeteners is growing, but they still only represent about 1 percent of total sugar consumption in the country.

Trade:
Imports:

VENZAUCAR estimates imports of raw sugar at 750,000 tons and 98,000 tons of refined sugar nearly all from Brazil and some from Central America. The GBRV is the one responsible for all sugar imports through its food purchasing entity, CASA, (*Corporación de Abastecimiento y Servicios Agrícolas*).

Tariff Changes:

Venezuela joined Mercosur (*Mercado Común del Sur*) on July 31, 2012. Brazil (as the main sugar supplier), Argentina, Uruguay and Paraguay enjoy duty free entry into Venezuela. Bilateral agreements signed with Guatemala, Colombia, Nicaragua and El Salvador also provide duty free entry of sugar from these countries.

The present base tariff on both refined and raw sugar is 16 percent (used by Brazil to export its sugar) ad valorem calculated on a CIF price basis.

Policy:

Current Issues:

Price controls, land expropriations, lack of transportation, security concerns, lack of inputs, fertilizers and even labor force problems all have a negative impact on production. Although the GBRV announced in 2011/2012 and 2012/2013 that production would increase in the government mills, this has not materialized. Given those issues post estimates a slight reduction in domestic production for MY 2014/2015.

Prices:

Refined sugar continues to be subject to retail price control policy established by the government in 2003. In January 2012, the GBRV increased the regulated consumer price to 6.11 Bolivars per kilogram (\$.96 per kilo). 1 US\$ = 6.3 Bolivars.

In February 2013, private sugar producers met with representatives of the Ministry of Agriculture and Lands to request a price rise to 9 Bolivars per kilogram. Producers argued that future production would be in jeopardy if the price is not raised. To date, there has been no official decision by the government. However, some supermarkets are already selling sugar at 18 or even 20 Bolivars per kilogram (\$3.17 per kilo).

Representatives of the National Federation of Associations of Venezuelan Cane Producers (FESOCA) also met with officials from the Ministry of Agriculture and Lands to discuss price and emphasized that costs of production increased since last year and the current sugar price is insufficient to cover production costs.

The list of regulated consumer prices published in the Official Gazette No 39,835 shows:

- A kilogram of refined sugar Bs. 6.11
- 900 grams of refined sugar Bs. 5.59
- A kilogram of brown sugar Bs. 5.88
- 900 grams of brown sugar Bs. 5.29

The GBRV's retail network MERCAL (Mercado de Alimentos C.A.), markets food products at low prices. The price of a kilogram of refined sugar is Bs. 3 (\$.47) in their stores. These price differences are a major reason why contraband exports to Colombia are on the rise.

Marketing:

Both the government and the private sector currently sell refined sugar. Sugar millers continue to offer refined sugar under their brands through Venezuela's traditional retail sector (supermarkets, "mom and pop" stores, convenience stores, etc). As mentioned above, the GBRV directly imports raw and refined sugar and then sells it through its MERCAL, PDVAL and BICENTENARIO food distribution stores at lower, highly subsidized prices.

The Venezuelan consumer prefers refined sugar; but shortages in early 2011 opened the market for different sugar products. Brown sugar and fructose products have multiplied and are now options for consumers. Fructose products are not currently priced controlled.

Author Defined:

Sugar, Centrifugal	Venezuela	2012/2013		2013/2014		2014/2015	
		Market Year Begin: Oct 2012		Market Year Begin: Oct 2013		Market Year Begin: Oct 2014	
		USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks		348	348	373	312		281
Beet Sugar Production		0	0	0	0		0
Cane Sugar Production		490	498	450	492		490
Total Sugar Production		490	498	450	492		490
Raw Imports		750	740	750	750		750
Refined Imp.(Raw Val)		100	100	100	100		95
Total Imports		850	840	850	850		845
Total Supply		1,688	1,686	1,673	1,654		1,616
Raw Exports		0	0	0	0		0
Refined Exp.(Raw Val)		0	49	0	48		48
Total Exports		0	49	0	48		48
Human Dom. Consumption		1,310	1,320	1,330	1,320		1,320
Other Disappearance		5	5	0	5		5
Total Use		1,315	1,325	1,330	1,325		1,325
Ending Stocks		373	312	343	281		243
Total Distribution		1,688	1,686	1,673	1,654		1,616
TS=TD			0		0		0
Comments							