

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Required Report - public distribution

Date: 4/29/2013

GAIN Report Number: VE1301

Venezuela

Sugar Annual

Sugar Annual Report

Approved By:

David W. Cottrell

Prepared By:

Jonathan Martinez

Report Highlights:

The Venezuelan sugar industry expects domestic production to drop in 2013, constrained by price controls and the absence of government incentives to support cane output. Total imports are expected to be about 850,000 metric tons. The government currently maintains the regulated consumer price at Bs. 6.11 per kilogram, an amount that industry claims does not cover production costs.

Executive Summary:

A combination of price controls, decreasing cane planted area, fear of expropriation, and large amounts of imports continue to negatively impact the domestic sugar industry. Refined sugar production is estimated to drop to 495,000 metric tons. The Bolivarian Government of Venezuela (BGV) regulates the price of sugar for the domestic market, which is currently at Bs. 6.11 per kilogram. Imports will be needed to cover the needs of the soft drink and confectionary industries.

Commodities:

Sugar, Centrifugal

Production:

VENAZUCAR, Venezuela's sugar milling industry association, has reported that millers are not increasing investment because of price controls on refined sugar. Estimates for refined sugar production stand at 495,000 metric tons for 2013.

There are 16 operating sugar mills in the country, 10 of those are managed by the BGV. Most of them were either occupied or expropriated by the BGV since 2005. The *Corporacion Venezolana de Alimentos* reports that the BGV mills only produce 20 percent of the sugar that is consumed in the country and the private sector mills supplies 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. Now, between 35 to 40 percent of sugar demand is met by domestic production and imports cover around 55 to 60 percent of total demand.

The first sugar cane harvest takes place from November through April, and the second from June through November. The first harvest is responsible for about 70 percent of the cane cut in Venezuela, and the second harvest for the remainder. Two Venezuelan mills, 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 plantings. Total area planted to sugar cane is estimated at 100,000 hectares for 2013. Sugar cane growers have little incentive to increase area planted because of the controlled prices and they also fear being expropriated.

Consumption:

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

In January 2013, the BGV published Official Gazette No 40.085 that directs sugar mills to supply 70 percent of their production to domestic consumption and 30 percent for industrial use. 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 BGV blamed recent sugar shortages to some sugar producers illegally exporting unrefined sugar to Colombian producers of chocolate products and other sweets. Sugar on the informal market can sell at more than double the regulated price. The BGV had to increase sugar imports to avoid a national sugar shortage.

All alternative sweeteners are imported. According to Venazucar, the consumption of these sweeteners has been growing but they still only represent about 1 percent of the total sugar consumption in the country.

Trade:

Imports:

VENAZUCAR estimates imports of raw sugar at 750,000 metric tons and 100,000 metric tons of refined sugar nearly all from Brazil and some from Central America.

Policy:

Tariff Changes:

The present base tariff on sugar is 20 percent ad valorem calculated on a CIF price basis.

Venezuela joined Mercosur (*Mercado Comun del Sur*) as a member on July 31, 2012.

Brazil (as the main sugar supplier), Argentina, Uruguay and Paraguay enjoy duty free entry.

Bilateral agreements signed between Venezuela and Guatemala, Colombia Nicaragua and El Salvador also give sugar from these countries duty free entry.

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 BGV announced in 2012 that production would increase in the government mills, this apparently has not materialized.

Prices:

Refined sugar continues to be under the retail price control policy established by the government in 2003. In January 2012, the BGV increased the regulated consumer price to 6.11 Bolivars per kilogram (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. (1 US\$ = 6.3 Bolivars). Producers argued that future production would be in jeopardy if the price is not raised. To date, there has been no decision by the government.

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 the price and emphasized that the cost of production has increased since last year and that the current sugar price is insufficient to cover production costs..

The list of regulated consumer prices published on 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 BGV’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. 1.72 in their stores.

Marketing:

As mentioned above, 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). On the other hand, the BGV directly imports raw and refined sugar through its food purchasing entity, CASA, (*Corporación de Abastecimiento y Servicios Agrícolas*) and then sells it through its MERCAL food distribution stores at lower retail prices. The stores sell government-subsided products to the lower economic classes.

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

Production, Supply and Demand Data Statistics:

Sugar, Centrifugal Venezuela	2011/2012		2012/2013		2013/2014		
	Market Year Begin: Sep 2011		Market Year Begin: Sep 2012		Market Year Begin: Sep 2013		
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
Beginning Stocks	351	351	351	348		373	(1000 MT)
Beet Sugar Production	0	0	0	0		0	(1000 MT)
Cane Sugar Production	503	500	523	490		450	(1000 MT)
Total Sugar Production	503	500	523	490		450	(1000 MT)
Raw Imports	700	700	700	750		750	(1000 MT)
Refined Imp.(Raw Val)	100	100	100	100		100	(1000 MT)
Total Imports	800	800	800	850		850	(1000 MT)

Total Supply	1,654	1,651	1,674	1,688		1,673	(1000 MT)
Raw Exports	0	0	0	0		0	(1000 MT)
Refined Exp.(Raw Val)	0	0	0	0		0	(1000 MT)
Total Exports	0	0	0	0		0	(1000 MT)
Human Dom. Consumption	1,300	1,300	1,300	1,310		1,330	(1000 MT)
Other Disappearance	3	3	5	5		0	(1000 MT)
Total Use	1,303	1,303	1,305	1,315		1,330	(1000 MT)
Ending Stocks	351	348	369	373		343	(1000 MT)
Total Distribution	1,654	1,651	1,674	1,688		1,673	(1000 MT)
TS=TD		0		0		0	