Grain Trade Policy

March 3, 2005

Venezuela

Summary

Venezuela is a net grain importer. According to official U.S. export data, Venezuela imported nearly $174 million in grain (mainly wheat and corn) in 2004, down 13 percent from the previous year. The United States supplies more than 60 percent of Venezuela's grain imports, and Canada supplies nearly one-third, mostly wheat.

Market Access

Tariffs/Tariff Rate Quotas (TRQs)

Venezuela applies the Common External Tariff (CET) of the Andean Community to grain imports from third-party countries. The majority of the grain tariffs fall between 10 and 20 percent.

In addition to the basic duty, the Andean Community assesses a variable surcharge on sensitive agricultural commodities. The system is applied to 13 basic or marker commodities (white rice, malting barley, yellow corn, white corn, wheat, soybeans, crude palm oil, crude soybean oil, refined sugar, raw sugar, powdered milk, chicken parts, and pork) and 141 additional commodities considered substitutes or derived products. Sorghum is linked to yellow corn under the price band.

The variable surcharge calculation is based upon adjusted floor, ceiling, and reference price levels determined by the Andean Community Board of Directors. The Andean Community revises ceiling and floor prices in April each year. Reference prices are adjusted by the Andean Community every 2 weeks. If the applicable reference price falls within the floor and ceiling price band, the import duty is calculated by applying the common external tariff rate for the Andean Community to the reference price. When the reference price falls below the floor price, a variable levy, or surcharge, is applied, which is based on the difference between the floor price and the reference price. This surcharge is levied in addition to the applied duty. Conversely, when the reference price exceeds the ceiling price, a reduction is made to the applied duty, based on the difference between the reference and the ceiling prices.

Under its WTO commitments, Venezuela is entitled to administer tariff rate quotas for up to 62 HS code headings. Venezuela did not establish any TRQ mechanisms until 1997, when it implemented TRQs for yellow corn (1005.90.11) and sorghum (1007). The initial TRQ for corn and sorghum was stated as a joint quantity, and only subsequently split out for each specific product. Import licenses are valid for three months, and can only be renewed if, on expiry, they have not been used for reasons outside the importer's control.

Each year the government, industry and producers have agreed to minimum prices for major crops such as corn, sorghum and rice. The government generally prohibits imports until the entire local crop has been purchased at the set price. There was no written documentation on this policy until September 2001, when the GOV made its first public pronouncements on the domestic purchase requirement.

Up until 2004, there had been no published data regarding awarded import licenses since December of 2001 (which is required by Venezuelan regulations). In 2004, information for import licenses was published through the Ministry of Agriculture and Land's web page. The information posted in the web site was only available between September and mid-October. The Ministry of Agriculture and Land's "2004 Agricultural Plan" indicated its intention to reduce imports of feed in the future.

Venezuelan TRQs

Commodity	Jan-Sept 2004 Import Licenses (MT)	WTO TRQ Commitments (MT)	In-Quota Tariff (%)	WTO Bound Out-of-Quota Tariff
Corn	391,900	583,459	20	122
Sorghum		1,114,290	40	88

Sanitary and Phytosanitary Measures

Plant imports require a phytosanitary import permit. Additional documentation required may include certificates from the country of origin and random inspections at the ports of entry. Sanitary and phytosanitary import permits are issued by the Servicio Autonomo de Sanidad Agropecuaria (SASA). Import permits generally are valid for 60 calendar days from the date of issue and are non-renewable.

Other Terms and Conditions

The most recent significant changes in the agricultural trading regime occurred in early 2003 when, following the end of a 2-month long national strike, the GOV imposed foreign currency controls and price controls on many food products. The exchange control regime was announced on February 5, 2003 and access to foreign currency is managed through the Exchange Control Administration Commission (CADIVI).

Domestic price controls were announced on February 11, 2003 and affect a broad list of basic food products, including rice, corn flour, wheat flour, pasta, wheat bread, peas, lentils and black beans. The price controls are occasionally adjusted.

Venezuela's Price Control List (in Bolivars)

Commodity	Unit	02/11/03	11/18/03	04/15/04	11/11/04
Rice, 3% broken	kg	940	1,030	1,470	1,670
Corn Flour	kg	750	1,000	1,100	1,250
Wheat Flour	kg	1,260	1,260	1,510	1,510
Pasta	kg	1,450	1,450	1,740	1,740
Wheat Bread	kg	2,100	2,100	2,520	2,520
Peas	kg	1,000	1,000	1,200	1,200
Lentils	kg	1,100	1,100	1,320	1,320
Black Beans	kg	1,200	1,200	1,440	1,300

Source: Official Gazette, No. 37,629, No. 37,820, No. 37,918, No. 38,060

Commodity Specific Trade Issues

Corn

Venezuela generally imports significantly more than the TRQ quantity, since the growth in the local poultry industry has meant that the country now needs more corn and less sorghum than when the WTO schedule was negotiated. However, Venezuelan domestic corn production (white corn, mainly used for human consumption) has also been growing and has reached 1.3 million metric tons (mt), while only around 900,000 mt are needed for the Venezuelan corn flour industry to produce corn bread or arepas. Given the high price of domestically produced white corn, it is not exportable. Therefore, the government developed a mechanism to require the feed manufacturers, and particularly the poultry sector, to purchase the surplus white corn at the high support price.

Initially, imports were restricted by withholding SPS certificates. Then, in 1997, the TRQ license mechanism was established. As part of the process to obtain an import license, importers were required to provide information on past imports, as well as statistics on their purchases of domestically produced cereals. This was the beginning of the non-published, but de facto, system of requiring the purchase of varying quantities of domestic sorghum and/or corn in order to receive a license to import.

The Venezuelan Ministry of Production and Commerce, through an official announcement on September 18, 2001 (“Aviso Official - Mecanismo de Commercializacion de Cereales Nacionales”) and a follow-up notice on October 11, suspended the issuance of import licenses for corn. This was the first written documentation of a GOV policy of tying imports to domestic purchase requirements.

Sorghum

During the first several years of their operation, the corn and sorghum TRQs were operated jointly. Current domestic sorghum production of around 350,000 mt now exceeds the capacity of the market to absorb it, and the purchase of domestic sorghum is often a requirement to obtain a corn import license.

In a response to questions raised at the COA on June 28, 2000, the GOV denied any domestic purchase requirements for corn and sorghum. This is counter to what was shown publicly in 2001. Sorghum restrictions also play a part in the WTO licensing case brought by the United States.

Rice

Venezuela is traditionally not a rice importer, but due to drought conditions in one of the major growing areas, there was a shortfall in 2003. The Venezuelan government state trading entity, Corporación de Abastecimiento y Servicios Agrícolas (CASA), made the first purchases of U.S. rice in 2003 that totaled 45,000 mt. This product was commercialized through the government food stores called Mercal.

The private sector also requested import permits for paddy rice in order to keep their mills running. The GOV stalled for several months before issuing permits for 50,000 mt. Due to the delays, the private sector was only able to purchase 40,000 mt of paddy rice. When the first vessel arrived at port, GOV officials prohibited it from unloading. After FAS intervened, the shipment was unloaded the following day. The high level of uncertainty that traders faced in this process make them hesitant to try to import rice again, despite continued shortfalls.

Wheat

Since Venezuela produces virtually no wheat, but has extremely high per capita levels of pasta consumption, the wheat trade generally functions smoothly with few barriers or interruptions. However, when foreign exchange controls were imposed during the first quarter of 2003, wheat imports were blocked for several months. Venezuelan millers depleted their stocks and warned the GOV about impending bread and pasta shortages. The wheat sector became the first sector to get access to significant quantities of dollars at the official (preferential) exchange rate, and access to foreign exchange is no longer a problem. To date, the wheat sector has also been able to deal with the prices that have been set by the GOV for pasta, bread and wheat flour under its price control system.

Venezuela is authorized to utilize a TRQ system for wheat under the WTO but has never chosen to. The allowable TRQ quantity for wheat, containing 10% or more damaged grains (under HS code 1001.10.90) is 43,467 mt. The allowable TRQ quantity for other wheat (HS 1001.90.20) is 1,271,176 mt.

Domestic Support

Social spending on food has increased substantially since mid-2003 through CASA and a set of food distribution stores called MERCAL.

World Trade Organization

Venezuela joined the World Trade Organization in 1995. However, the Venezuelan government has a history of arbitrary and inconsistent management of its TRQ system. The United States and other countries have repeatedly questioned Venezuela within the Committee on Agriculture and the Sanitary and Phytosanitary committees of the WTO about its license and permit issuance procedures but never received complete responses. In November of 2002, the United States requested official consultations with Venezuela on its agricultural import license procedures. A subsequent exchange of letters on the SPS permit system was also conducted in 2003, but little progress on the issue was made in 2004.

U.S. Non-Party Agreements

Andean Community

Venezuela is a signatory of the Cartagena Agreement, under which the Andean Group was created in 1969. The Andean Group later evolved into the Andean Community (CAN), formed by Bolivia, Colombia, Ecuador, Peru and Venezuela. All agricultural products from the CAN countries enter Venezuela duty free.

MERCOSUR

The CAN has completed a “block to block” trade agreement with MERCOSUR. Under the MERCOSUR-CAN agreement, member countries agreed to liberalize 80 percent of the tradable products between the two blocks, reducing to zero at the end of 10 years. Products considered “sensitive” (such as corn, rice, soybeans and sorghum) will have their tariffs reduced in 15 years; for wheat, the phase-out will be 5 years. The price band system will remain in place for sensitive products. The agreement is expected to be implemented at some point in 2005.

Group of Three

The Group of Three (G-3) Free Trade Treaty is designed to lead to the creation of a free trade area among Colombia, Mexico and Venezuela. The tariff elimination process was due to be completed by July 2004, but there have been relatively few discussions about this agreement and no consensus has been reached. The agricultural sector has special treatment. Rice, sorghum and most types of wheat have a 12 percent tariff preference. There is not yet agreement on the other grains.

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