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## Venezuela

### Poultry and Products

### Annual

### 2007

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**Report Highlights:**

A significant increase in consumer demand, partially due to beef shortages, has been a boon to the poultry industry. Poultry production is forecast to continue its upward trend, though still insufficient to meet increased demand, even though price control policy does not allow producers to raise prices along with costs of production. The Government continues to import Brazilian poultry and most recently, fresh eggs.

Even though controlled prices for eggs, whole poultry, and breast and leg quarters were revised upward in early 2007, boneless and skinless poultry cuts were unexpectedly added to the original list of products under price control.

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Includes PSD Changes: No  
Includes Trade Matrix: No  
Annual Report  
Caracas [VE1]  
[VE]

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## Executive Summary

Poultry production continues to be driven by improved demand, supported by an increase in disposable income. Poultry consumption is increasing faster than that of beef and pork because poultry remains inexpensive relative to other sources of animal protein. Eggs and poultry remain under a price control policy. According to industry sources the controlled retail price for poultry products does not compensate for increasing costs of production, but it is unlikely that the government will lift or review price controls.

Due to increasing demand, producers are storing fewer products, to avoid being accused of hoarding by government authorities. It is common that supermarkets and butcher shops refuse to carry poultry products, as they are required to sell at controlled prices. In some cases, poultry is only available at the government-owned stores, "MERCAL."

All poultry imports are carried out by the Bolivarian Republic of Venezuela, largely from Brazil. The poultry industry considers the government as their major competitor.

## Production

Venezuela's poultry industry continues to make strides in productivity in spite of a price control policy which does not allow producers to raise prices along their costs of production, and increased government imports of Brazilian poultry.

Poultry production in 2007 is estimated in 820,000 metric tons, and forecast production for 2008 is 860,000 metric tons, an increase of 5 percent as compared with the previous year. Production continues to be driven by an improved demand, supported by an increase in disposable incomes. Further, poultry remains inexpensive relative to other sources of animal protein. Demand is expected to continue strong due to higher prices of beef, and a diminished cattle herd which has led to significant shortages of beef.

Venezuela produces and consumes only small amounts of duck and turkey. Therefore, the majority of the poultry referred to in this report is chicken.

### Production Levels: An Estimate

The latest production figures by the Ministry of Agriculture and Lands (MAT) were published in 2005. At that time, production was estimated by the Government at 427 million chickens. The Venezuelan Poultry Federation (in Spanish: Federación Venezolana de Avicultura, or FENAVI) publishes its own production data. It is important to note that there is no consent on poultry output. Therefore, FAS/Caracas is estimating poultry production levels based on past levels, estimates for local demand based on current prices, and a review of availability of feed ingredients. For more information on poultry production and feed availability, please refer to the end of this report.

### Production Problems

- Difficult access to imported feed inputs: Feed represents about 80 percent of total production costs. The preferred principle animal feed is yellow corn, followed by soybean meal, due to better quality and lower price. These two components are generally imported as domestic production is stagnant, and both are subject to a tariff rate quota (TRQ) administered through an import licensing scheme that is managed by the Ministry of Food (in Spanish: Ministerio de Alimentación, or MINAL.) Issuance of import licenses for yellow corn and soybean meal are not automatic. Venezuela's poultry market could be 100 percent self-sufficient if it had more access to imported feed ingredients.
- Poultry imports from Brazil: The major competitor to the poultry industry is the Government through its direct imports of Brazilian poultry. Industry sources have estimated poultry imports at 120,000 tons during 2006 and 2007 at 150,000 tons. Government poultry imports from Brazil are subject to neither tariff nor custom charges, and do not require foreign exchange applications.
- Production costs have increased steadily since 2003 and this trend is forecast to continue due to minimum wage increases, labor benefits, rising cost of imported inputs (yellow corn, soybean meal, yellow grease and other inputs) transportation, marketing and security services.

- Price controls: Producers have requested an increase in the controlled retail price for poultry and poultry products to compensate for the increasing costs of production. However, poultry producers have an agreement with the government, which commits them to sell poultry to the government at a fixed price. This represents additional demand for the industry.

The upcoming white corn crop is forecast to be less than previous years, there will be no surplus to sell to the animal feed manufacturers as occurred in the past (*for additional information please refer to Gain Reports VE6010 and VE7016.*). Also, the Government recently restricted corn processors to not process corn for non-food uses.

### Consumption

Consumption is expected to grow throughout 2007 and 2008 because of improved disposable incomes and the relative cheap price of poultry as compared to other sources of animal protein (beef and pork.) Therefore, poultry is becoming the meat of choice of Venezuelan consumers. The beef shortage also has an impact on consumption of poultry products.

About 80 percent to 90 percent of the poultry produced in Venezuela is purchased fresh by households. The rest goes to the processing sector (hams, sausages, frozen nuggets, etc.) Venezuela's annual per capita consumption of poultry is estimated at 35 kilograms. Per capita consumption is estimated as follows:

**Table 1. Poultry and Egg Consumption**

<b>Venezuela's Poultry &amp; Egg Consumption (KG/ Per capita or number)</b>		
	<b>Poultry meat</b>	<b>Eggs</b>
<b>2000</b>	24,20	98,50
<b>2001</b>	27,10	111,04
<b>2002</b>	30,32	130,98
<b>2003</b>	23,46	116,13
<b>2004</b>	29,00	112,00
<b>2005</b>	31,00	130,00
<b>2006</b>	33,00	133,00
<b>2007*</b>	35,00	135,00

Source: FENAVI

Note: estimates denoted by \*

## Prices

Since February 2003, the Bolivarian Republic of Venezuela (BRV) imposed price controls on food products, including poultry and eggs. The controlled price was originally set at Bs.1,800 (\$1.09)/kg for whole chicken. Over the years the poultry industry has constantly requested price increases from the Government, but generally these efforts have been fruitless.

Prices were revised in 2007. At this time, boneless, skinless poultry and other cut poultry pieces were added to the original list of whole poultry, breast and leg quarters, fresh or frozen. There is no indication that the BRV will raise the price of poultry nor will it lift price controls in the near future. Current prices for various types of poultry meat are set as follows:

**Table 2. Poultry Prices**

Venezuela's Poultry Prices (Bs per Kilogram)					
	Whole Chicken	Breast	Breast, boneless	Leg quarters	Leg quarters, boneless
<b>Feb 2003</b>	1,800	2,700	4,150	2,000	3,500
<b>Feb 2004</b>	2,300	3,300	-	-	-
<b>Nov 2004</b>	3,130	4,490	4,490	3,330	3,330
<b>Feb 2007</b>	4,450	7,000	7,000	7,000	7,000

Source: Official Gazettes

Note: 1 USD=Bs 2,150

Large stores, such as the hypermarkets, supermarket chains, and established butcher shops are required to sell products at the established price on the price control list. Charging more than the official controlled price is an illegal practice and leads to steep fines and possibly temporary closures of poultry facilities, supermarkets and hypermarkets. These closures occurred repeatedly in 2006 and continue to happen during 2007.

## Policy

There is no specific agricultural policy for poultry production, rather than including poultry and egg in the list of priority commodities that will receive agricultural financing during fiscal year 2007 (published on the Official Gazette N° 38,619, dated 02/05/07.) The MINAL is responsible for developing a strategic food distribution system as well as preserving food security. Within these two specific goals, the BRV created state-owned food production facilities, managed food procurement and offset retail food prices by purchasing directly from suppliers at the regular price and then selling through its food distribution stores at a lower retail prices. In addition, there are food price and foreign exchange controls. Poultry and eggs are some of the products offered at Government-owned stores.

## Trade

Poultry imports for 2007 and 2008 are forecast to continue their upward trend. All poultry imports are carried out by the BRV, largely from Brazil. Industry sources have estimated poultry imports at 120,000 tons during 2006 and forecast for 2007 is 150,000 tons. There are not official statistics regarding such imports.

In the Uruguay Round negotiations, Venezuela established a tariff rate quota for poultry products (0207) at 3,426 tons. However, the BRV effectively had a ban on unprocessed (fresh) poultry meat since in 1993 and has effectively barred imports from any country that

could not or would not certify to being free of avian influenza (AI), both HPAI and low pathogenic AI.

After a long process of consultation with BRV officials, an agreement was reached that processed poultry products (HS code 1602) processed at temperatures of at least 68 Celsius were eligible for import from the United States. In the past seven years, numerous companies have gone through the process to get the required local health certificates for specific processed poultry products. However, in many instances they are still denied the final import permit. At the time of writing this report, Post has no knowledge of import permits requests for U.S. processed poultry.

The current ad valorem tariff for poultry meat from third countries is 20 percent plus a variable duty. Whole poultry and poultry pieces are included under the Andean price band system. This system raises or lowers the ad valorem duty of groups of related products according to the relationship of the prices of specified "marker" commodities to set floor and ceiling prices.

### **Stocks**

Due to increasing demand, producers are storing fewer products. The major reason to keep stocks at minimum levels is due to the fear of being accused of hoarding by Government authorities. On February 2007, the BRV approved a law against hoarding, speculation, usury and any other action that could affect the normal distribution of food products under price controls. While the law does not specifically establish a minimum level of stocks, Government authorities can seize warehouses on a case-by-case basis. During 2006 and 2007, several poultry slaughterhouses, warehouses and retail stores have been closed for short periods of time by government authorities.

### **Marketing**

Poultry is available fresh, refrigerated, frozen or processed. Refrigerated poultry products include ham-style turkey breast, chicken sausages, chicken bologna, whole-smoked chicken, and chicken ham. Regular marketing channels for poultry are supermarket chains, grocery stores, hypermarkets, butcher shops and government-owned stores called "MERCAL."

During 2006 and 2007, spot shortages of poultry have seriously affected traditional marketing channels. It is common that supermarkets and butcher shops do not carry poultry products. In some cases, poultry is only available at the MERCAL stores.

**Appendix I: Venezuelan Poultry Organizations and other Related Groups**

For further information regarding poultry production and trade, please refer to the following organizations:

**Federación Nacional de Avicultura de Venezuela (FENAVI)**

*(Venezuela's National Poultry Federation)*

Contact: Mr. Francisco Tagliapetri, Executive President  
Address: Av. Casanova, C.C. El Recreo, Torre Sur, piso 10, ofi.10-3, Caracas  
Tel: 58-212-761-8843, 761-7489  
Fax: 58-212-761-8843  
Email: [fenavi@cantv.net](mailto:fenavi@cantv.net)  
Web: [www.fenavi.com](http://www.fenavi.com)

**Asociación Venezolana de Fabricantes de Alimentos Concentrados (AFACA)**

*(Venezuelan National Association of Animal Feed Manufacturers)*

Contact: Mr. Henrique Pocaterra, President  
Address: Boulevard de Sabana Grande, Edif. 3H, piso 4, Caracas  
Tel: 58-212-762-0528, 762-0075  
Fax: 58-212-762-2389  
Email: [presidenciafaca@cantv.net](mailto:presidenciafaca@cantv.net)  
Web: [www.afaca.com.ve](http://www.afaca.com.ve)

**Instituto Nacional de Estadística (INE)**

*(National Statistics Institute)*

Address: Av. Boyacá, Edif. Fundación La Salle, piso 4, Mariperez, Caracas  
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