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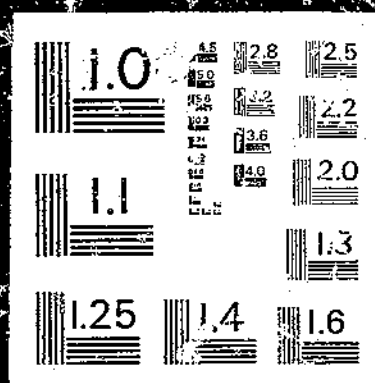
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**U.S. Farm
Products
Find
Market and
Competition
in
VENEZUELA**

Economic Research Service
U.S. DEPARTMENT OF AGRICULTURE

Foreign Agricultural Economic Report No. 1
August 1961

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U.S. FARM PRODUCTS FIND MARKET AND COMPETITION IN VENEZUELA

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Venezuela is an important dollar market for U.S. agricultural products. In 1960 it replaced Cuba as the No. 1 Latin American market for U.S. farm commodities. Not only has it been a friendly, dynamic, and growing market close to our ports, but transactions are truly commercial. Venezuela uses a wide variety of U.S. products to supply the increased demands of its people for food and industrial items, as the country's standard of living rises and population grows. The United States in turn uses large quantities of Venezuelan petroleum, coffee, and cacao. It is the principal source of Venezuela's imports, both total and agricultural, and is also the principal market for Venezuela's exports.

Total trade between the two countries has increased spectacularly since the war. Venezuela's imports from the United States in 1959 were 13 times more than in 1939 in current dollars. Even in constant terms the rise is great. Exports to the United States rose at an even faster speed. This healthy two-way trade has been mutually beneficial.

Traditionally, Venezuela is an agricultural country, with its farm industry occupying more people than any other form of employment. Yet, the country depends primarily upon its petroleum resources to finance the development of its economy and pay for its imports. Venezuela is not now self-sufficient in foodstuffs, but it is fortunate in that it has had dollars from petroleum sales to buy the food it needs and is now importing at less cost than it presently could produce this food locally. Petroleum exports supply more than 90 percent of the foreign exchange income; exports of coffee and cacao, the principal agricultural exports, furnish only about 2 percent.

During recent years, competition building up in the Venezuelan market for U.S. farm products from third suppliers and from increased domestic production and protectionism are causing concern among U.S. farmers and traders. A new resurgence of protectionism in both the agricultural and industrial sectors over the past 2 years has accompanied the growing emphasis upon economic development in Venezuela. In agriculture, this trend grows out of the objective to become as self-sufficient as possible in food production. The year 1959-60 saw more agricultural credit, more development programs, and more cooperatives than ever before. There was also increased plantings and greater yields for several products.

For the immediate future, third-country competition and domestic protectionism are serious factors facing trade. Declining gold and dollar exchange holdings during the past year adds to trade uncertainties. Over the longer pull, increased domestic production will become a more important factor. But along with the growth in competition, the Venezuelan economy has been forging ahead, despite some setback recently. The small proportion of the Venezuelan population now consuming the products Venezuela imports highlights the fact that there is a large potential market in the country that should develop with any overall improvement of the status of the people under an expanding economy. This improvement promises to become an important factor by the time home-produced goods are up significantly. Therefore, there should be a continued need for both larger domestic output and sizable imports of foodstuffs for some time to come, although the composition of the imports may change.

Third-country competition in the Venezuelan market can best be met by alert and careful marketing of our farm products there.

MARKET FOR U.S. PRODUCTS

A wide variety of products, one or more of which originates in practically all of our 50 States, finds a market in Venezuela. Among the foreign markets for U.S. agricultural products, Venezuela has ranked first or second in most recent years for such important export items as dried whole milk, wheat flour, cigarettes, eggs in the shell, oatmeal, infant's and dietetic foods, and barley malt. Expanding domestic consumption has had a marked effect on the size and pattern of U.S. exports to Venezuela over the years. Also, most of the products Venezuela wants, the United States has been able to supply, and it is the closest source for most of them.

Venezuela has maintained its position among U.S. foreign markets despite its small population — only about 7 million — and the fact that almost half of these people are on the land, where they are largely self-sufficient. It has ranked fifth or sixth as a market for all U.S. exports, and from eleventh to fifteenth for agricultural products. But more important, as a dollar market for our farm products it is in eighth place, and is one of the largest per capita purchasers of U.S. farm exports in the world. In Latin America, Venezuela is usually in second or third place as a market for U.S. farm commodities, exceeded in the past only by Cuba and in some years by Mexico. But in 1960, sales to Cuba dropped substantially as those to Venezuela rose, and Venezuela became the No. 1 Latin American market for U.S. agricultural products for the first time in history.

The dollar value of farm sales to Venezuela in 1960 reached a total of more than \$92 million. This was an increase from \$75 million in 1950 and from \$4 million prewar (in current prices). Dried whole milk was the most important of these exports until 1959, when it was replaced by wheat. Other dairy products, shell eggs, and fruit and vegetable preparations have also been valuable exports.

Table 1.—U.S. exports of selected agricultural commodities: Total and proportion going to Venezuela, average 1950-54, annual 1955-60

Commodity	Average 1950-54		1955		1956		1957	
	Total	Percent to Ven.	Total	Percent to Ven.	Total	Percent to Ven.	Total	Percent to Ven.
	<u>Million dollars</u>		<u>Million dollars</u>		<u>Million dollars</u>		<u>Million dollars</u>	
Dried whole milk . . .	26.8	68	23.2	77	19.9	77	21.7	77
Eggs in the shell . . .	15.6	35	20.1	34	19.2	43	14.2	65
Infant's and dietetic foods	7.0	34	8.8	29	9.1	35	9.0	30
Oatmeal	5.2	27	5.2	31	4.9	33	4.7	32
Cigarettes	53.6	10	55.5	13	58.9	13	67.5	14
Wheat flour	77.1	10	93.3	9	101.1	10	112.7	11
			1958		1959		1960	
Dried whole milk			15.6	80	13.8	85	15.1	85
Eggs in the shell			15.2	51	12.2	46	11.8	65
Infant's and dietetic foods			8.4	35	9.8	42	11.9	41
Oatmeal			4.0	38	3.9	38	3.8	39
Cigarettes			76.6	15	84.4	12	87.5	1
Wheat flour			114.6	8	102.8	2	116.8	1/

1/ Less than 1 percent.

Table 2.—U.S. agricultural exports to Venezuela: Total selected products, total agricultural, and percent of total exports, average 1935-39 and 1950-54, annual 1955-60

Products	1935-39 average	1950-54 average	1955	1956	1957	1958	1959	1960
	<u>Mil. dol.</u>	<u>Mil. dol.</u>	<u>Mil. dol.</u>	<u>Mil. dol.</u>	<u>Mil. dol.</u>	<u>Mil. dol.</u>	<u>Mil. dol.</u>	<u>Mil. dol.</u>
Wheat	1/	0.1	0.4	0.3	1.2	3.7	13.0	15.2
Wheat flour	1.3	7.6	8.8	10.4	12.1	9.6	2.1	.4
Barley malt	1/	2.7	2.6	2.3	2.6	3.2	3.6	3.2
Oatmeal	0.3	1.4	1.6	1.6	1.5	1.5	1.5	1.5
Other grains and preparations	1/	4.1	3.0	2.5	3.1	4.1	4.6	4.5
Feeds and fodders	1/	.3	1.0	1.1	1.4	1.8	2.7	1.8
Milk, dried whole . . . . .	.5	18.3	17.5	15.3	16.7	12.4	11.7	12.8
Other dairy products . . . . .	.3	3.7	3.5	4.2	4.1	4.3	6.2	6.0
Eggs in the shell	1/	5.4	6.8	8.3	9.2	7.8	5.6	7.7
Fats and oils 2/ . . . . .	.4	2.9	2.4	2.3	3.9	3.5	3.9	4.0
Cattle live	1/	.6	1.5	1.2	1.5	2.4	2.3	2.1
Baby chicks	1/	.7	1.2	1.6	.3	1/	1/	.1
Pork and products . . . . .	.5	2.7	2.4	2.0	3.0	3.7	4.5	3.8
Other meats	1/	1.4	.4	.8	.7	1.0	1.0	1.3
Fresh fruit	1/	2.6	3.2	2.7	3.3	4.2	4.8	5.1
Other fruits and preparations . . . . .	.1	7.2	5.2	3.4	5.1	6.0	7.2	5.9
Vegetables and preparations	1/	3.6	3.8	5.0	5.5	3.7	6.8	5.7
Other agricultural exports . . . . .	.8	4.9	7.2	7.5	7.1	10.7	7.8	10.2
Total agricultural exports	4.2	70.4	72.9	72.5	82.3	83.6	89.3	92.2
Total exports	40.4	476.0	553.6	646.7	1,028.1	806.1	737.0	550.2
	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>
Percent agricultural	10	15	13	11	8	10	12	17
Cigarettes . . . . .	.1	5.3	7.0	7.9	9.7	11.1	10.5	0.5

1/ Less than \$100,000.

2/ Includes lard, inedible tallow, vegetable oils, and fats.

For certain products, Venezuela has been the first world market. Dried whole milk is an example; Venezuela has taken from 77 to 85 percent of total exports over the past 5 years. These exports had an average value of almost \$14 million. It was also our first market for cigarettes for some years, taking about 14 percent of total exports, or some \$10 million to \$11 million worth in 1957-58. Eggs in the shell have been another first market item in Venezuela since 1956. In 1957 Venezuela took a record 55 percent of our total world exports of eggs valued at more than \$9 million. Our second best customer that year was Canada, with a purchase of only \$1.4 million. At no time since 1951 have our sales of eggs to Venezuela fallen below \$5 million nor its share of our exports below 29 percent.

About one-third of total oatmeal exports go to Venezuela where consumption is large and domestic production low. In 1960, these shipments were valued at \$1.5 million, with exports to Mexico, our second market, valued at only \$537,000. Also, about a third of the exports of infant's and dietetic foods has gone to Venezuela. Some of the fresh fruit items have fluctuated from first to fourth places. Exports of live cattle for breeding have become an important item of late, running more than \$2 million annually, second only to our exports to Mexico.

Wheat flour exports, which followed dried whole milk as the second most important item in U.S. agricultural trade until recently, have fallen sharply as the flour milling industry has grown in Venezuela. Flour exports, however, have given way to exports of wheat, which reached a value of more than \$15 million in 1960. There are several other products that are still good trade items but have been declining in value in recent years. Included in this group are potatoes, leaf tobacco, lard, and cotton. Exports of some commodities rose significantly in 1959 and again in 1960. Notable among these were rice, pork, and pork products. Other items that have enjoyed a sustained market there include beans, peas and lentils, barley malt, fats and oils, feedstuffs, and various canned goods.

COMPETITION FOR U.S. FARM PRODUCTS

Competition in the Venezuelan market is growing, and is becoming an important consideration of U.S. farm producers, trade, and industry. This competition can be broken down into two types: That from third suppliers and that from increased production. Third-country competition has been increasing and, for some of the most important products, reached its peak in 1953. With growing emphasis on self-sufficiency and on protectionist policies, it appears that domestic production will become an increasingly important factor.

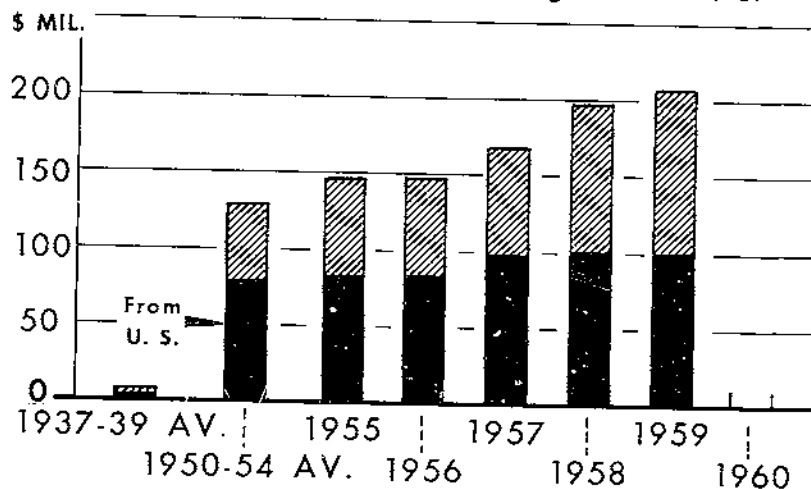
From Third Countries

In spite of the fact that total sales of U.S. farm products to Venezuela reached a peak in 1960, U.S. participation in overall Venezuelan imports has been declining. Several factors have helped make trading more difficult. One is the return to high production capacity of many European countries that were devastated by the war. In most cases, imports from those countries carry specifications in Spanish, and weights and measures are noted in the metric system, making them more readily understood in Venezuela. A second is the fact that many U.S. companies are competing with their own foreign subsidiaries which manufacture the same products in Venezuela and deliver them at a cheaper price. Still another difficulty is that other countries are underselling the United States and are making a more serious effort to sell their products in Venezuela than heretofore. Added to these is a multiplicity of increased import duties and restrictions.

The United States can expect to lose part of its market for some products, but it can expect to gain in others. Total sales should increase as long as there is willingness to use every effort to compete for the market.

VENEZUELA AGRICULTURAL IMPORTS

Total and Amount Originating in The U. S.



U. S. DEPARTMENT OF AGRICULTURE

INCLUDES CIGARETTES

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In three big items the United States is facing strongest competition from other countries; these are wheat and flour, preserved milk, and eggs. These three items alone accounted for 53 percent of Venezuela's agricultural purchases from the United States in 1957. By 1960 this percentage had dropped to 45.

Preserved milk is the largest of the items. In the period 1945-49 the United States had practically all of the market. After that competition began to increase, and by 1959 other countries

supplied 70 percent of total imports. Our competitors for this trade are Canada, the Netherlands, and Denmark. They have been underselling the United States for several years, and it is probable that they will continue to gain ground if disparity in price continues. These countries also supply evaporated and condensed milk in smaller size tins than those of the United States. Were it not for the strong consumer preference for U.S. dried whole milk, the U.S. share of the market would have diminished to an even greater extent than it has.

The U.S. market for shell eggs reached its peak in 1957. During the early part of 1958, however, imports of eggs from Canada took a sudden jump and for the first time exceeded the imports from the United States. The wide difference in price between the two countries undoubtedly was a major factor in the big shift in imports. This was not the only factor, however. Canada has had a stricter grading system than has the United States for eggs in the export market. Also, Canada sends a larger percentage of brown eggs, which are preferred over white eggs by the Venezuelan consumer. Canada also packs the eggs in wooden crates, a feature the Venezuelans appreciate. On the other hand, the United States has a geographical and shipping advantage and can ship eggs for delivery in Venezuela in a shorter time after the eggs are laid than can Canada. Polish eggs, too, offer competition in the Venezuelan market as do eggs from Denmark. For the year 1959, for example, the value of Venezuelan egg imports from the United States was only 30 percent of total imports compared with 70 percent in 1957. Egg shipments from Canada were twice as large in 1959 as in 1957. U.S. eggs were almost out of the market for several months in 1959, but the situation improved later, and brown and pullet eggs from the United States were purchased regularly. However, countries that are competing for the Venezuelan market are going to do all they can to gain as much of the market as possible and careful marketing of U.S. eggs is a must.

Wheat flour imports from the United States were impressive as far back as the 1930's, and Canada has been continuously the principal competitor. In 1956, imports were the largest on record; the United States had 62 percent of the market that year, and it rose to 70 percent in 1957. Imports of flour are now down because of the growth of the milling industry.

Third-country competition is growing also for a number of other commodities. Canada has been the chief competitor in recent years for oatmeal sales, although the Netherlands is gaining rapidly and in 1958 had almost 20 percent of the market. Total imports of oats, primarily in the form of oatmeal, have increased steadily over the years. The United States continues to supply about \$1.5 million worth each year, but its share of this growing outlet is shrinking.

Denmark and the Netherlands have increasingly been the sources for cheese, consisting mostly of specialty varieties. The United States was in second place in 1957, supplying more than 3 million pounds, but dropped to third in 1958. The United States maintained its lead in supplying the Venezuelan market with pota-

toes in most years up to 1952. The two strongest competitors for this market are Canada and the Netherlands. Canada usually furnishes seed potatoes and the United States, potatoes for table consumption. The total market has steadily declined since 1954, however, when more than 1 million bushels were imported.

Practically all the bacon and hám consumed in Venezuela is imported. When the Venezuelan quarantine against swine vesicular exanthema took the United States out of the uncooked pork market in 1953, Denmark took over most of this trade. Now the quarantine has been modified and, under the new regulations, uncooked pork products from the United States are no longer excluded for reasons of animal health. The large number of Italian immigrants ensures Italy a major share of the sausage market, with Denmark as the next strongest competitor.

But third-country competition is still of little threat to U.S. exports for a significant list of items, among which are barley malt, canned food, dietetic foods, canned and dried fruit, chickpeas, and lentils. Virtually all of the red kidney beans and pinto beans are imported from the United States and about 95 percent of all kinds of peas. Generally the bulk of the white beans also come from the United States. Black turtle beans from the United States are regarded in the trade as the best in the world, but when Brazilian black beans are offered at a lower price, as in 1958, the United States loses out. Also, some competition developed in 1958 from white beans imported from Western Europe. This may happen again and on a larger scale.

Venezuela remains an important market for U.S. fruits, especially fresh apples, pears, and grapes. They are sold not only in large cities but in the small interior towns. Many small stores as well as the larger shops have modern refrigerated showcases in which to display fresh fruits and other perishables. Although fruit imports from Argentina, the strongest competitor, and Chile have increased, U.S. exports are holding up well. The fruit seasons of these two countries are the reverse of those in the United States. But the same type of fruit is supplied by these countries and, with further improvement of storage facilities, the competition could increase.

From Domestic Production

Venezuela is increasing its production and processing of agricultural products, and some of these are providing direct competition to U.S. products that have had a good market in that country. The index of agricultural production rose to 133 in 1959-60 (1952-53 to 1954-55 = 100). Even allowing for population rise, there was an increase in the per capita figure to 109 for the same period. Vegetables, cotton, sugar, and livestock products show the largest gains, whereas coffee production dropped.

The principal products of Venezuelan farms in terms of value are beef, bananas and plantains, coffee, sugar, corn, tubers, milk, beans, potatoes, cacao, poultry, and tobacco. Other less important commodities are yuca, wheat, and other vegetables and fruits.

Wheat flour, dried whole milk, butter and cheese, cigarettes, canned vegetables and fruits including juices, to mention a few, are being processed on an increasingly large scale at the expense of imports. The policies and programs being adopted in Venezuela are directed toward greater domestic self-sufficiency in farm products with less dependence on imports. In some cases the threat to U.S. exports from domestic output is more serious than that from third-country imports. This applies not only to the same commodities but to domestically produced items that substitute for imported foods.

Yuca is an example of such a substitution crop. This crop is generally grown in small patches and need not be harvested at any particular time. Customarily the plants, grown from cuttings, occupy the ground 18 months, but they can be harvested in about a year or can grow unharvested for about 2 years. The decision to harvest the crop is influenced by price, the growers' need for cash, and the supply of other foods. A small patch of yuca on a farm is an excellent reserve and serves as a hedge against unexpected food shortages.

Wheat and wheat flour. — The rapid development of the wheat flour milling industry in Venezuela has reduced imports of flour sharply. However, with the loss of the flour market, there is a growing outlet for wheat grain. Because of unfavorable climatic conditions, Venezuela has been unable to produce wheat economically, and grain for the new mills comes almost entirely from abroad. Output of wheat is primarily in the Andean region, where soil erosion is a serious problem.

Several new flour mills have recently begun operation and another is expected to be in production soon. This would raise the number of flour mills in Venezuela to nine. As a result, the available mill capacity is sufficient to supply all domestic requirements except for certain specialty items, such as cake mixes and pancake flours. Annual consumption of wheat flour is expected to exceed 7 million bags in 1960. Per capita consumption of wheat flour is increasing as wheat replaces corn as the principal cereal used for human consumption. Part of the wheat flour produced is used in the manufacture of pasta which is becoming increasingly significant in the diet of the Venezuelans. Bread-making in Venezuela is mostly in the hands of the Portuguese, Spaniards, and Italians, and these people, in their largely hand-operated bakeries, produce an excellent product.

Venezuela is a signatory of the International Wheat Agreement and in the past has had no trouble in fulfilling its promise to purchase, and in some instances has even increased its requests.

Dairy products. — The growth of the Venezuelan dairy industry has been continuous and rapid during the past decade. Greater domestic production and use of fluid milk both for direct use and processing are offering increased competition for imports of dried whole milk. The rapid increase in production has been brought

about largely through government subsidy and other protective measures.

Although Venezuela's imports of dried whole milk increased from about 34 million pounds in 1947 to about 102 million in 1958, the amount of fluid milk received at pasteurization plants increased at a much higher rate. Only around 30 million pounds of milk was pasteurized in 1947 whereas over 300 million pounds of milk was pasteurized in 1958, a tenfold increase. During this same period, butter production more than doubled and dried milk production increased over 300 percent.

There were five dried milk plants in operation in Venezuela during 1960, and three additional drying facilities are expected to begin operations in 1961. The Indulac (Nestle-Borden) plant at Santa Barbara was the largest producer of dried whole milk in 1960. To develop a milk supply for its expanded operations, this plant has embarked on its own dairy development program through loans to dairy farmers and increased technical assistance and by enlarging its collection facilities.

Production of milk, exclusive of that fed to calves, totaled some 720 million pounds in 1960, of which about 150 million pounds was utilized in the dried milk industry. Production of dried whole milk increased from slightly over 3 million pounds in 1945 to about 20 million pounds in 1960 and is expected to continue the sharp rise in 1961.

The present rapid increase in consumption and production of milk probably will continue as the expansion of the local dairy industry and improvement in distribution and marketing make fresh milk more available to population centers in the interior of the country. For example, fresh milk from the Lake Valencia area is sold in Ciudad Bolivar, a distance of about 420 miles, at 60 cents per quart, double the price of that in Caracas. But this price will undoubtedly decrease with the expansion of the dairy herds in the Ciudad Bolivar area, and a corresponding increase in consumption can be anticipated.

There is a growing interest in efficient dairy production. As a result of this interest, herds are being upgraded with imported animals, culled, tested, vaccinated, and managed as never before. In some cases, production records are being kept, a practice virtually unheard of until recently, and a great deal of attention is being given to increasing production by better breeding.

One characteristic of the Venezuelan dairy industry is the large size of the dairy herd; herds up to 1,200 animals are not uncommon. Many of the herds consist primarily of criollo cattle and crossbred European breeds, but, while there is a strong belief that crossbred cattle are better adapted to withstand the climatic conditions of Venezuela, a large number of dairymen are shifting to purebred animals.

In line with this trend, the Agricultural Bank of Venezuela granted a loan of almost \$4 million to the Carabobo Cattlemen's Association for the purchase abroad of 4,000 head of purebred

dairy animals, and associations in other regions have indicated interest in similar programs. Brown Swiss cattle are favored by the Carabobo Association and are popular in other regions as well.

Looking ahead, however, it will no doubt be some years before Venezuela can be self-sufficient in powdered milk in spite of increased local production; meanwhile it must rely upon imports. This item is one of the most important food products for which Venezuela must depend upon foreign sources of supply.

Poultry and eggs. —The poultry industry in Venezuela has expanded rapidly during recent years, cutting imports of frozen chickens to a minimum and building up some competition to egg imports.

There were about 129 chicken farms registered with the Ministry of Agriculture of Venezuela in 1948. These ranged in size from the improvised "backyard" enterprises consisting of a few dozen chickens to the large scientifically constructed establishments having thousands of chickens. Every small farm, indeed every residence in the rural areas, has its dooryard flock of chickens. There is no way to estimate the number of rural flocks, which more or less shift for themselves, nor egg production. No recent reliable figures of poultry numbers are available, but considerable expansion of poultry for meat and commercial laying flocks is evident. One indication of this increase is that production of poultry feed rose from 36,740 short tons in 1955 to 64,515 short tons in 1958.

The production of broilers is carried out in various areas throughout Venezuela, but the major center is located in the vicinity of Maracaibo. Most of the broilers are grown by Portuguese immigrants, who usually handle an average of only 200 birds at a time. Those operating on a larger scale are generally Venezuelans, primarily members of the major poultry association. The smaller operators let their broilers range and roost in the trees at night, but larger producers follow modern poultry practices, with chickenhouses that vary from the pole type with wired sides for maximum ventilation to tightly constructed cinderblock structures. A poultry cooperative was organized recently to aid producers in their production and marketing. This cooperative plans to provide a modern poultry dressing plant, to purchase supplies for its members, and to market their commodities. Venezuela is now virtually self-sufficient in poultry meat production, although per capita consumption is still very low. Exceptionally high prices in relation to the consumer income hold consumption down.

Present domestic production of eggs in Venezuela is estimated to provide about 25 percent of the eggs consumed. Despite efforts for several years to promote self-sufficiency in the production of eggs, the domestic industry is far from attaining its goal. Imports of baby chicks are now prohibited in order to protect domestic hatcheries, but imports of fertile eggs are permitted. It appears likely that a considerable expansion of both poultry and egg pro-

duction will take place in the next few years. The Ministry of Agriculture announced a new National Poultry Program in mid-1959 which is designed to encourage and assist in the expansion and improvement of poultry and egg production in Venezuela. The per capita consumption of eggs is so low, however, that there is room for considerable expansion in production without reducing imports of eggs substantially if domestic prices can be reduced from their current high level to permit increased consumption.

Tobacco and cigarettes. — Tobacco and cigarette production in Venezuela is increasing sharply, and with it the United States is losing an excellent market for cigarettes.

Tobacco is grown in widely scattered regions of Venezuela, ranging from the State of Sucre in the east to Barinas in the west. Both flue-cured and air-cured tobaccos are grown. In the earlier years, 75 to 80 percent of Venezuela's total tobacco output was of dark leaf, but with the increasing demand of Venezuelan smokers for American-type cigarettes, bright leaf production has been increased at the expense of the dark leaf. In order to further increase its production, the cigarette companies went into business with the farmers. They gave the growers 4-year contracts, built curing barns, furnished implements, fertilizer, and seed, and guaranteed the price. Most of the growers now have fairly large acreages, and prices paid to the growers average about 40 to 50 percent higher in Venezuela than in the United States. Also, wages of workers are lower than here and this, combined with the large acreage and high prices, contributes to making production a very profitable enterprise.

Venezuela, no doubt, can expand its production of tobacco to supply all of its requirements insofar as quantity is concerned, but it appears unlikely that Venezuela can produce sufficient tobacco with the aroma needed to produce typical American-type cigarettes such as great numbers of Venezuelans have been accustomed to smoking. The domestic companies have done an excellent technical job in teaching growers how to produce cigarette-type tobacco. Skilled technicians have been brought to Venezuela to conduct experiments and to carry on an extension-type instruction and supervision program for growers. While they have been able to produce some high-quality tobacco, it still lacks the essential aroma needed to make a typical U.S. brand cigarette. Furthermore, a rapid expansion in production could easily result in lowering the quality of some of the tobacco. Also, the bright leaf tobacco is grown only on irrigated land during the dry season in order to cope with climatic conditions which will be a limiting factor on future expansion.

The tobacco industry is devoted almost entirely to production of cigarettes although some cigars are made. Domestic production of cigarettes is increasing rapidly, having doubled between 1950 and 1958. Consumption of cigarettes totaled 6,388 million in 1958 which was a 10-percent increase above consumption in 1957. A

serious deterrent to a higher per capita consumption of cigarettes has been the relatively high prices in relation to the income of most of the consumers. The cheapest brands of domestic cigarettes sell for about 19 cents; however, most domestic brands sell for about 30 cents. At these prices, low-income consumers are able to buy only a few cigarettes at a time, and it is customary for vendors of cigarettes to open packages and sell cigarettes individually.

Imported cigarettes sell for about 60 cents for the regular-size package and 75 cents for the king size. In spite of the price differential between domestic and imported cigarettes, many Venezuelan smokers still bought imported U.S. brands in 1958 and 1959. This is evidenced by the fact that nearly 40 percent of the total cigarette consumption in 1958 consisted of imported cigarettes, with about 95 percent of the imported cigarettes coming from the United States. Effective in September 1959, however, Venezuela imposed restrictions on cigarette imports which drastically reduced and eventually will eliminate all cigarette imports. Leaf tobacco from the United States was still being imported in sizable quantities in early 1961 to be used for blending with locally grown tobacco in the manufacture of cigarettes.

Cotton.—Cotton production has increased by leaps and bounds in recent years and the 1959-60 crop was the largest ever.

Imports of cotton have varied considerably from year to year, but reached a peak in 1957 when almost \$2 million of unmanufactured cotton was imported, of which a large part came from the United States. Since 1957, imports have been decreasing rapidly and presently are almost nil.

Present indications are that imports in the future will be confined to qualities of cotton not produced in Venezuela.

FACTORS AFFECTING MARKET AND COMPETITION

The size and nature of U.S. agricultural exports to Venezuela depend on Venezuela's foreign exchange earnings, the physical factors affecting the ability to produce at home, consumption patterns, and government policy, including the freedom permitted for entry of goods into the country. The overriding factor is the role played by the government. The influence of the Venezuelan Government has been reflected constantly and strongly in the continued intensification of import restrictions and other support measures for agriculture. The new Agrarian Reform Law is centered also on attaining the goal of maximum self-sufficiency in agricultural production. Physical factors are being changed as irrigation projects are developed, new lands cleared and placed into cultivation, and soil fertility improved.

Exchange Earnings

The key factor in Venezuela's exchange earning capacity is the gigantic petroleum industry that has furnished more than 80 percent of the value of total exports since 1935. In 1958 it made up

more than 91 percent of the total. The value of petroleum exports has increased about 100 percent since 1950 and reached \$2,179 million in 1959.

Venezuela's principal customer for its petroleum and derivatives is the United States. Direct exports to the United States, primarily of crude petroleum, totaled about \$763 million in 1958. However, the United States also imported \$332 million of refined petroleum and derivatives from the Netherlands Antilles during the same year. Since the Netherlands Antilles imports huge quantities of crude petroleum from Venezuela for refining and reshipment, it is clear that the United States plays a much larger role in the market than is depicted by the Venezuelan export figures.

Petroleum prices declined in 1958, and in March 1959 the United States imposed quotas on imports of petroleum, determined on a historical base. The Venezuelan Government was anxious to prevent prices from falling still further and decided to curtail new concessions for drilling. In late 1960 it summarized its petroleum policy as follows:

- A fairer distribution of income between government and the companies;

- A more efficient government supervision of the industry;

- Government controls on petroleum increases;

- Establishment of conditions for selling Venezuelan oil outside the country, including satisfactory prices and limitations of sales to Venezuela's natural markets;

- Refusal to grant more concessions; and

- Creation of the Venezuelan Oil Corporation.

The government was also instrumental in obtaining an agreement with the Middle Eastern oil producing countries aimed at obtaining stabilized higher petroleum prices. In 1960, oil output in Venezuela increased only 3 percent above 1959, whereas production in other producing areas was up by 7 percent.

Although petroleum will no doubt continue as Venezuela's No. 1 exchange earner for years to come, its relative position in total export trade probably will decline. The economic life of modern Venezuela is dominated by the mineral resources of the country. Although petroleum has been of outstanding importance, development of iron ore deposits in the Orinoco region has stimulated activities in heretofore relatively undeveloped regions and has heightened interest in the possibilities of other fields of mining. The total value of exports of iron ore increased from \$73.9 million in 1956 to \$127 million in 1959.

Venezuela is anxious to become less dependent on petroleum and is searching for additional export possibilities.

Among agricultural products, coffee and cacao are the only exports of any real significance in Venezuela, and these commodities have received for many years a preferential exchange rate on exports.

Prior to the rise of the petroleum industry, coffee exports made up from 40 to 60 percent of the value of total exports. In 1913, Venezuela exported over a million bags (132.3 pounds each) of coffee and ranked second among the coffee exporting countries

Table 3.—U.S. agricultural imports from Venezuela: Selected products, total agricultural and total,
average 1950-54, annual 1955-60

Commodity	Average 1950-54	1955	1956	1957	1958	1959	1960
	<u>Mil. dol.</u>	<u>Mil. dol.</u>	<u>Mil. dol.</u>	<u>Mil. dol.</u>	<u>Mil. dol.</u>	<u>Mil. dol.</u>	<u>Mil. dol.</u>
Cocoa or cacao beans	8.8	9.2	8.6	5.4	8.2	4.6	3.9
Coffee, raw	30.5	30.9	27.4	28.9	34.1	20.6	18.0
Other agricultural products . .	2.2	.9	.5	.4	.6	.4	.5
Total agricultural products	41.5	41.0	34.5	34.7	42.9	25.6	22.4
Other imports	351.7	541.4	659.6	863.2	846.6	855.5	919.3
Total imports	396.2	582.4	694.1	897.9	889.5	881.1	941.7

of the world. During the period 1935-39 coffee exports averaged 734,000 bags per year but by 1959 had dropped to 470,000 bags.

The United States has been Venezuela's best customer for its coffee exports during the past two decades, taking over 75 percent of the total each year during this period and 83 percent in 1959.

Exports of cacao reached a peak of about 46 million pounds in 1925, but have declined to an annual average of about 33 million in recent years and totaled only 25 million pounds in 1959.

Table 4.—Coffee and cacao: Venezuela exports, total and percent to United States, averages 1935-39 through 1950-54 and annual 1955-59

Period	Coffee		Cacao	
	Total	To U.S.	Total	To U.S.
	1,000 bags 1/	Percent	1,000 lbs.	Percent
Average:				
1935-39	734	28	36,934	30
1940-44	528	83	31,565	68
1945-49	525	88	32,264	71
1950-54	461	88	34,647	74
Annual:				
1955	513	79	35,487	73
1956	390	79	40,961	72
1957	470	84	33,020	70
1958	593	87	29,991	74
1959	470	83	24,819	63

1/ 132,276 pounds each.

Estadística Mercantil y Marítima and Boletín Mensual de Estadística.

Venezuela exported 30 percent of its cacao to the United States during the period 1935-39, 74 percent in 1958, and 63 percent in 1959.

Physical Factors

Although Venezuela lies wholly within the Tropics, climatic conditions vary considerably throughout the country. This, com-

bined with the diverse topography, permits cultivation of a surprising array of crops. In the highlands, Temperate Zone crops, including corn, oats, and white potatoes, are widely cultivated, whereas in the tropical lowlands, bananas, rice, sugarcane, and cacao dominate.

Venezuela's area of 352,000 square miles is roughly one-third larger than the State of Texas. It has four main geographic regions: The Andean Highlands, extending in an arc from the Colombian border in the southwest across the northern coast and terminating in the Paria Peninsula; the Maracaibo Basin, a v-shaped lowland surrounded, except at its northern outlet, by two spurs of the Andes; the Llanos, a low gently sloping plain that extends from the Andes on the west and north to the Orinoco River; and the sparsely inhabited Guiana Highlands, lying south and east of the Orinoco River.

In common with other countries of the Tropics, Venezuela has temperatures determined largely by altitude. The temperature in the highlands is quite moderate. The average annual temperature in Caracas, at an altitude of slightly over 3,000 feet, is 71°F. and during the winter months the evenings and nights are chilly. Mérida, with 2,000 feet more altitude, has a somewhat lower average temperature than Caracas. On the other hand, the coastal regions and the great plains, or Llanos, are hot throughout the year. The highest average annual temperature in South America have been recorded there. The annual average at Maracaibo is 86°F., at La Guaira 81°, and at Ciudad Bolívar 82°. Furthermore, the monthly averages in these cities do not vary more than 2 degrees from the annual average.

Rainfall varies greatly from one locality to another and is poorly distributed throughout the year; as a result, certain crops cannot be grown at all or can be grown only under irrigation.

Agricultural development in the Maracaibo Basin is retarded by arid conditions in the north and poor drainage in the south. As a whole, the basin is characterized by a distinct wet and dry season each year. The low shores of the northern end of the basin, exposed to the drying trade winds, receive practically no rain; however, precipitation increases as one progresses southward.

In the Llanos the period from January through March is hot and extremely dry, with practically no rainfall; but during the wet season, from June through October, when vast expanses of land are inundated, precipitation amounts to between 30 and 60 inches.

The Guiana Highlands average about 40 inches of rainfall in the west, and 80 inches in the east, whereas along the coastal ranges it does not vary as greatly and amounts to between 40 and 50 inches. Average annual rainfall totals 31.9 inches in Caracas, 34.6 inches in Ciudad Bolívar, and 55.8 inches in Maracaibo.

Soil types vary considerably throughout Venezuela. Narrow strips of productive alluvial soil, suitable for rice, sugarcane, bananas, and corn, border the stream courses of the Maracaibo Basin, and unused alluvial lands are found at the southern end of the lake. North and northeast of the basin the soils are sandy,

generally unsuited for cultivation, and covered with a vegetation predominantly of cacti but containing some divi-divi and acacia in the scant vegetation. The west and southwest parts of the basin and the highlands to the west are poorly drained, have rough terrain, and generally do not lend themselves to cultivation. The highlands south of Lake Maracaibo have a variety of soils, generally of silty clay-loam texture, and are well drained. In the Llanos the predominant soils are sandy loams and clay-loams, with red and yellow subsoil. These soils are productive, but are little cultivated because the marked wet and dry seasons would necessitate costly flood control and irrigation works before economic cultivation would be possible.

Although some staple foods are grown in all the States of Venezuela, the principal cultivated regions are in the northern highlands, where the temperate climate is favorable for various crops. About one-fifth of the total area of the northern highlands is under cultivation. Export crops, such as coffee and cacao, are grown principally on small plantations, whereas foodstuffs for domestic consumption are grown by individual farmers on small plots. Years of continuous farming, the close grazing of goats, and the lack of scientific methods of regulating water flow have resulted in much erosion and exhaustion of the soil.

Economic Factors

Over the past year or more the economic situation of Venezuela has been characterized by diminishing international reserves, tight private credit, flight of capital, lower tax receipts, fiscal deficits, and business slowdown. Political uncertainties have added to the difficulties, which have been further aggravated by other disorders. The economic recovery plan announced at the end of 1960, however, created optimism that the depression could be overcome. In early 1961 the Venezuelan Congress made several revisions in the tax laws, including a speed-up in collections. A new public works program was initiated, and the Finance Minister announced that the Export-Import Bank had agreed to loan the government \$50 million for rural and industrial development. The government hopes that the depression in the private sector can be overcome by an easing of the tight money market through (1) transferring public funds to those private industries which agree to employ workers now on the government payroll, (2) authorizing commercial banks to place 33 percent of their legal reserves in government securities, thus providing funds for new public works to stimulate the construction and related industries, and (3) selectively rediscounting 400 million bolivares by the Banco Central for industries with idle productive capacity.

Foreign exchange controls were imposed on November 8, 1960, for the first time in Venezuelan history. They were decreed for the declared purpose of halting "exportation of capital". This and subsequent decrees regulate the basis on which the Central Bank will supply U.S. dollars to the commercial banks for resale at Bs. 3.35 per dollar. Each bank was allotted an exchange quota and priority

given to sales covering payment for government purchases and normal trading transactions. An amendment of March 17, 1961, provides for two categories of exchange — controlled and free. The source of controlled exchange will be derived from exports of hydrocarbons and other combustible minerals, iron ore and other noncombustible minerals, and coffee and cacao, and from foreign capital investment in Venezuela. The exchange may be used for government obligations and other specified uses, including importation of merchandise on a "List of Importations of the Controlled Market". This list includes essential items, such as food products, raw materials, combustibles and lubricants, animal and vegetable oils, chemical products, manufactured and semimanufactured goods of leather, rubber, wood, cork, paper, textiles, metals, machinery, and transportation equipment.

All other transactions must be in the free market, where the selling rate on March 20, 1961, was Bs. 4.70 to the U.S. dollar. The Central Bank may require a prior deposit of up to 100 percent of the Bolivar equivalent before issuing import licenses and it may also require that import licenses be obtained for all merchandise imported, either with controlled or free exchange. To obtain controlled exchange it is necessary to have an exchange license, and to obtain such a license for payment of merchandise, the purchaser must have a valid import license.

The economic recovery plan and the steps taken thus far to implement it are so new that it is difficult to judge how successful they may be.

Consumption Patterns

Average daily per capita food consumption in terms of energy value is low in Venezuela — estimated at about 2,250 calories for 1958. More than one-third of this was cereals, wheat and corn being the most important. Bananas and plantains furnished one-sixth the total, sugar about 14 percent, and meat, fish, milk, cheese, and eggs together another 13 percent. Almost one-third of the calorie value of Venezuela's food supply came from imports. Most of these calories were furnished by imports of wheat flour, vegetable oils, dried whole milk, and oatmeal. In 1958 over 97 percent of the wheat, four-fifths of the oatmeal, 75 percent of the vegetable oils, well over half of the milk, and almost three-quarters of the eggs consumed in Venezuela were imported.

Changes in the pattern of food consumption over the years has had a marked effect on trade in agricultural products. These changes have been brought on by the trend toward urbanization, increased income, and immigration.

Before petroleum became the mainstay of the economy, 80 percent of Venezuela's population was engaged in agriculture or the handling of agricultural products. These people were almost entirely self-sufficient in their food production. By 1950, the population had become slightly more urban than rural, and by 1960 the urban population had increased to about 60 percent of the total. The overall total population of the country also has increased

Population: 6,310,000

Table 5.—Food balance, Venezuela, consumption year 1958 1/

Product	Supply					Utilization								
	Pro- duction	Im- ports	Ex- ports	Chan- ges in stocks	Total supply	Nonfood use				Supply for food				
						Seed and waste 2/	Feed	Indus- trial	Total	Total gross	Ex- trac- tion rate	Net		
												Total	Per capita	
	1,000 m.tons	1,000 m.tons	1,000 m.tons	1,000 m.tons	1,000 m.tons	1,000 m.tons	1,000 m.tons	1,000 m.tons	1,000 m.tons	1,000 m.tons	Per- cent	1,000 m.tons	Kilo- grams	Calo- ries
Wheat	7	288	---	---	295	1	---	---	1	294	72	212	33.6	335
Barley	---	50	---	---	50	---	---	46	46	4	55	2	.3	5
Oats	15	72	---	---	87	---	---	---	---	87	50	44	7.0	75
Corn	343	3	---	---	346	15	70	---	85	261	85	222	35.3	350
Rice, milled . . .	23	25	---	---	48	2	---	---	2	46	---	46	7.3	35
Total grain . .	388	438	---	---	826	18	70	46	134	692	---	526	83.5	800
Sugar:														
centrifugal 3/. .	153	---	16	---	137	2	---	---	2	135	---	135	21.4	225
other 4/. . . .	64	---	---	---	64	1	---	---	1	63	---	63	10.0	95
Potatoes 5/. . . .	181	20	---	---	201	17	---	---	17	184	---	184	29.1	65
Cassava 6/. . . .	190	---	---	---	190	10	---	---	10	180	---	180	28.5	85
Pulses 7/.	70	28	---	---	98	9	---	---	9	89	---	89	14.1	135
Other vegetables .	130	17	---	---	147	25	---	---	25	122	---	122	19.3	15
Bananas and plantains	1,240	---	---	---	1,240	250	---	---	250	990	---	990	156.9	290
Other fruit 8/. . .	220	43	---	---	263	30	---	---	30	233	---	233	36.9	60

See footnotes on Page 22.

Table 5.—Food balance, Venezuela, consumption year 1958 ^{1/} (Continued)

Product	Supply					Utilization								
	Pro- duction	Im- ports	Ex- ports	Chan- ges in stocks	Total supply	Nonfood used				Supply for food				
						Seed and waste ^{2/}	Feed	Indus- trial	Total	Total gross	Ex- trac- tion rate	Net		
												Total	Per year	Per day
	1,000 m.tons	1,000 m.tons	1,000 m.tons	1,000 m.tons	1,000 m.tons	1,000 m.tons	1,000 m.tons	1,000 m.tons	1,000 m.tons	1,000 m.tons	Per- cent	1,000 m.tons	Kilo- grams	Calo- ries
Cacao	18	---	13	---	5	---	---	---	---	5	88.5	4	.6	5
Beef and veal . . .	86	---	---	---	86	---	---	---	---	86	---	86	13.6	85
Other meat ^{9/} . . .	48	8	---	---	56	---	---	---	---	56	---	56	8.9	60
Total meat ^{10/} . . .	134	8	---	---	142	---	---	---	---	142	---	142	22.5	145
Fish ^{11/}	2	3	---	---	5	---	---	---	---	5	---	5	.8	12/
Butter	4	---	---	---	4	---	---	---	---	4	---	4	.6	10
Slaughter fats ^{13/} . .	3	3	---	---	6	---	---	---	---	6	---	6	1.0	25
Vegetable oils ^{14/} . .	10	28	---	---	38	---	---	---	---	38	---	38	6.0	145
Total fats:														
As product	17	31	---	---	48	---	---	---	---	48	---	48	7.6	180
Fat content	16	31	---	---	47	---	---	---	---	47	---	47	7.4	---
Cheese	13	9	---	---	22	---	---	---	---	22	---	22	3.5	15
Whole milk ^{15/} . . .	281	361	---	---	642	---	---	16/210	---	432	---	432	68.5	115
Eggs	9	25	---	---	34	---	---	---	---	34	---	34	5.4	20
Total consumption	---	---	---	---	---	---	---	---	---	---	---	---	---	2,255

See footnotes on Page 22.

- 1/ For most crops the year beginning late 1957; for bananas, livestock products, and fish, and for trade, the calendar year 1958. Alcoholic beverages excluded.
- 2/ Includes amounts used for feed and industrial purposes (if any) where these are not separately shown.
- 3/ Refined.
- 4/ Noncentrifugal.
- 5/ White and sweet.
- 6/ Yuca, in terms of fresh.
- 7/ Edible, except peanuts which are included with fats and oils.
- 8/ In terms of fresh.
- 9/ Includes pork, mutton, lamb and goat, poultry, and edible offals.
- 10/ Carcass weight. Production includes meat from home-bred animals. Trade includes meat from exported as well as imported live animals.
- 11/ Landed weight.
- 12/ Less than 3.
- 13/ Edible only.
- 14/ Edible only. Production includes oil equivalent of domestically produced oilseeds and fruits. Trade includes oil equivalent of imported oilseed, together with oil traded as such.
- 15/ Cow's milk. Production excludes amounts fed to young stock. Trade and consumption includes whole milk equivalent of canned and dried milk.
- 16/ Milk for the manufacture of butter and cheese.

Based partly on official sources, partly estimated.

rapidly, at about 3 percent annually. At the same time there has been a sizable migration of Europeans to Venezuela, chiefly, Italians, with eating habits that differ from those of the native population.

When people leave the country for the city or increase their living standards or both, there is usually a shift from consumption of corn to wheat bread, from brown loaf sugar (panela) to refined sugar, and from yuca to rice or potatoes. The growing city populations find wheat bread more convenient than the old system of taking corn each morning to the mill to be ground into "masa" (corn dough) for the preparation of "arepas", or the local corn cake. There is also taking place a considerable shift to pasta products, favored by the Italian immigrants. All of these factors have resulted in an upward trend in the consumption of wheat that is expected to continue during the next few years. This consumption will be furnished primarily as wheat imports to be ground into flour by the new mills.

Venezuelans are now consuming larger quantities of animal protein foods than ever before. Among the factors contributing to this increase are greater domestic production, health education among certain groups, a rising standard of living in many areas, and some diffusion of wealth. In spite of these factors, however, many Venezuelans can still ill afford to buy much meat, milk and milk products, and other protective foods at the high prevailing prices. Recently the government has sponsored low-cost feeding centers in the capital city where low-income families can obtain food cheaply, thus helping to maintain consumption above what it otherwise would be. It remains to be seen what effect this operation may have on trade in agricultural products.

Government Policies

Venezuela has long pursued a policy protective of agriculture. Until recently this has been reflected chiefly in higher tariff barriers, although special measures were also taken to stimulate production of such crops as cotton, tobacco, corn, and sugar.

Since the beginning of the present administration in January 1958, many changes in agricultural policies have been made, and new or revised programs launched. The present government is now concentrating its agricultural policies in attaining maximum self-sufficiency. To this end the government is developing programs for the beef, dairy, hog, and poultry industries, is expanding agricultural credit, and has launched an agrarian reform effort.

The livestock development program, started in 1958, involved an estimated total expenditure of almost \$200 million and provides for the importation of about 20,000 purebred bulls and about 200,000 purebred and grade heifers. It also involved the improvement of almost 2.5 million acres of pasture, construction of over 15,000 miles of fences, and construction of wells and ponds. But, due to recent financial difficulties, progress on this program has been impeded.

During 1959, 3-year development programs for both poultry and hogs were initiated. The overall objective of these programs is to decrease imports of eggs and pork by substantially increasing domestic production.

Continuing its trend toward self-sufficiency, the government has entered the field of price supports and supports either directly or indirectly several agricultural products. Corn prices are supported on a nationwide basis, with differential rates according to the different areas of production. The prices of coffee and cacao are supported by the government and exports are also subsidized.

Contracts between the sugar centrals and the producers determine the price of sugar, but the government can exercise strong influence through its financing of various centrals. Likewise, the price of tobacco is fixed by contracts between the cigarette companies and the growers. Again, however, the government can exert considerable influence because of the extensive protection being accorded these companies through tariffs and use of import licenses.

A coffee and cacao program was started in 1958 to encourage larger exports of these commodities by improving the efficiency of the plantations and by safeguarding the quality of the products. The government hopes that production costs can be lowered by using better methods of cultivation and higher yielding varieties.

The Ministry of Agriculture, in cooperation with the Ministry of Public Works and Ministry of Sanitation, launched a rural housing program in 1958, which has gained considerable momentum. Credit and technical assistance are given to rural families to enable them to build modest but comfortable houses using local materials where available.

An attack on the problem of agricultural credit resulted in the reorganization and expansion of the existing credit facilities. Also, additional government funds were made available to the Agricultural Bank. During the period 1948 to 1957 the volume of agricultural loans by the bank had dropped from about \$35 million to less than \$15 million annually, whereas during 1958 loans jumped to about \$65 million and reached almost \$100 million in 1959.

In its drive toward attaining maximum self-sufficiency, the government, influenced by domestic interests seeking protection from imports, has supported the rising tide of protectionism. In the agricultural sector, these pressures have been especially strong with respect to cigarettes, canned foods, powdered milk and other dairy products, poultry, eggs, and fruit and fruit juices to a considerable extent. Spearheading this protectionist drive has been the Pro-Venezuelan Organization, which was formed in 1958 for the purpose of persuading consumers and business interests to give preference to the products of Venezuela.

Several new measures were undertaken by the government during 1958 and 1959 to restrict or discourage the importation of certain agricultural commodities.

Import licensing is another device used to restrict imports. Generally, it is the policy to restrict the volume of licenses to permit only such imports as may be necessary to supplement the

domestic supply of a particular commodity. In some instances, however, few or no licenses are issued in order to reduce or even exclude imports entirely. Notable examples of this, in the agricultural field, are baby chicks, dressed poultry, citrus fruit, corn, cotton, and, more recently, cigarettes. The new exchange controls may tend to further restrict trade over the short pull.

The government has indicated increasing concern over the high cost of living, especially in relation to consumer incomes. Steps have been taken to bring down the price of some foods and to prevent further increases. In Caracas, during early 1960, ceilings were placed in effect on wholesale and retail prices of wheat flour, potatoes, onions, carrots, and poultry. Studies are continually being made to determine additional steps which may be taken to reduce food costs to the consumer.

Agrarian Reform

Another major policy objective of the government is to develop, promulgate, and carry out a comprehensive program of agrarian reform to improve the lot of the small farmer and halt the abandonment of rural for urban living.

During September 1958, the Provisional Government of Venezuela established a special National Commission of Agrarian Reform to prepare a proposed program and to draft an Agrarian Reform Law. The Commission continued under the elected government in early 1959 and submitted its report and the draft of the proposed Agrarian Reform Law to the President. After months of study and several revisions, the Law was proclaimed, by the President, during March 1960, and steps were taken to put the huge undertaking into operation as soon as possible. The Law envisions far-reaching reforms in the system of property, tenancy, and land use, and an expansion and improved organization in transportation, credit, marketing, and other services needed by rural owners working agricultural lands.

Suitable public lands owned by the federal, state, and municipal governments will be given first priority in use for resettlement projects, but private holdings may be expropriated and purchased. Based upon land classification surveys, to be carried out, land holdings not exceeding 150 hectares of first class agricultural land, 300 hectares of second class or 200 hectares of first class and 5,000 hectares second-class cattle land will be excluded from expropriation. (1 hectare = 2.471 acres.)

Under the law, present occupants, tenants, and agricultural laborers will be given first preference to land parcels. Payment for land will be made on a 20- to 30-year basis, with annual amounts not to exceed 5 percent of gross income from sale of produce. The National Agrarian Institute, which has major responsibility for the program, is authorized to develop agrarian centers, on a cooperative basis, to provide various community, social, and educational services.

Recent action has been taken in support of the expanded agricultural and land development programs. Credit for agriculture

was increased by the government. Agricultural research, extension services, and vocational education services have been accelerated. Substantial development programs have been set up for livestock, dairy, poultry, coffee, cacao, and rural housing.

Large landholdings are typical of the land system. According to an inquiry by the Ministry of Agriculture in 1956, the 67 percent of all farms which are less than 5 hectares in size account for only 2 percent of the farm area. In contrast, the 1.7 percent of farms which are 1,000 hectares or more in size comprise 74 percent of all farmland.

Table 6.—Farm units: Distribution of number and area by size, Venezuela, 1956

Size of unit (hectares)	Farm units		Farm area	
	Thousands	Percent	1,000 ha.	Percent
Less than 4.9	266.3	66.9	622.2	2.2
5 - 19.9	83.8	21.1	957.3	3.3
20 - 49.9	18.8	4.7	669.4	2.3
50 - 99.9	8.3	2.1	677.9	2.3
100 - 999.9	13.9	3.5	4,579.8	15.5
1,000 or more	6.8	1.7	21,993.6	74.4
Total	397.9	100.0	29,540.2	100.0

Recent official estimates indicate 100,000 landowners hold approximately one-fourth of all land units. The remainder, largely representing the small farm units, are occupants upon private and public lands. An estimated 194,000 of these were squatters upon public or private lands. Government officials estimate that 30,000 families will be established on farms and given titles to them during the first year of operation of the new program in addition to the 8,000 families settled in 1958 and 1959.

U.S.-Venezuelan Trade Agreement

The United States and Venezuela entered into a Reciprocal Trade Agreement in 1939 for the purpose of expanding foreign markets for the products of both countries through reciprocal tariff reductions. The original agreement was revised in 1952 to resolve issues that had arisen since 1939 and to bring the language of some of the provisions in the original agreement more into conformity with that used in later trade agreements.

During 1958, about 67 percent of the value of total imports into Venezuela from the United States and over 98 percent of the value of Venezuela's exports to the United States were covered under the Trade Agreement.

The agricultural and related items on which the United States received tariff concessions from Venezuela under the revised agreement included wheat flour, cigarettes, fruit, oatmeal, barley malt, and a variety of other products. The value of tariff concessions to the United States has been impaired in recent years by the increased use of quantitative restrictions to limit Venezuelan imports. Many of these restrictions have already been mentioned.

Imports of dried whole milk, prior to 1958, had been subject to the requirements that one unit of nationally produced dried whole milk be purchased for every six imported. However, this ratio was changed in early 1958 and again in mid-1960; effective April 1, 1961, importers of dried whole milk were required to buy 1 kilogram (2.2 lbs.) of the locally produced product in order to obtain exemption from the duty on 2.5 kilograms of imported dried whole milk. Should the importer be willing to pay the duty, the tie-in purchase agreement is not applicable.

Domestic supply of certain other agricultural commodities determines the extent to which import licenses are issued for them. Imports of chickpeas, lentils, peas, and other selected pulses are controlled in this manner.

Import licenses issued for several other agricultural items are controlled by quotas which are based on imports of these items during 1958. Among these are hams, soups, preserved and prepared vegetables, confectionery sugar, and certain sauces.

In view of the restrictions imposed upon agricultural imports by the Venezuelan Government in 1958 and 1959 the United States requested, in accordance with Article XVII of the Reciprocal Trade Treaty, that consultations be held to discuss the trade situation. The consultations were held in Caracas, Venezuela, during March 1960. Both delegations reported the consultations were beneficial for their respective countries in clarifying the problems of internal economic development which face Venezuela at the present time and the importance of the measures it has adopted to facilitate economic and social development.

OUTLOOK FOR U.S. PRODUCTS

Over the short run, Venezuela's agricultural and trade policies, combined with strong third-country competition, will undoubtedly limit the market for U.S. agricultural exports below what it would otherwise be. For the long pull, expanded domestic production will become increasingly important. However, renewed prosperity, combined with a rising standard of living and the phenomenal population growth, may lead to increased demand for agricultural commodities and freer competition in the Venezuelan market in the years ahead.

For the immediate future it appears that the Venezuelan Government will continue its protectionist policies in an effort to enhance the transition from a petroleum economy to a diversified economy.

A basic factor affecting the Venezuelan economy that has an effect on the market for imported farm products is the low pur-

chasing power of the average Venezuelan — the majority of imported products are bought by only one-third of the total population. A large proportion of the people, about 40 percent, still obtain their livelihood from the land and are largely subsistence-type farmers with low incomes. Transportation remains inadequate in many areas and distribution costs are high, making it both difficult and expensive to sell imported farm products to the Venezuelans who live in the interior of the country. Cost of living remains among the highest in the world.

These factors and the unsatisfactory state of the economy over the past year will make it difficult for any country to sell increasing quantities of goods to Venezuela in the year ahead. The United States has available the products that Venezuela needs to maintain consumption levels for a growing population, and the close proximity of the two countries should enable the United States to compete for whatever market there is. Products and services tailored to the needs and desires of the Venezuelan consumer must be provided, however, to enable the United States to retain the proportion of the market it now enjoys. Provision of commodities under long-term credits may help to maintain U.S. sales during this critical period in Venezuela's effort to develop its economy.

Venezuela has immense mineral and other resources, however, and there is evidence that leaders there are anxious to combine human and natural resources to make Venezuela a prosperous nation. It can develop into a dollar market for farm imports far exceeding present levels of trade, despite Venezuela's efforts to increase domestic production.

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