REPORT SUBMITTED

VENEZUELA: Macroeconomics and the Rural Economy

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I.- Introduction

This part of the report will focus on a) describing and analysing main macroeconomic policies (fiscal, monetary and exchange rate policies) instrumented by the country during the 1990's; b) describing and analysing main sector policies (as agreed in the TOR); c) showing the relationships and effects of those macroeconomic (through macro prices) and sector policies on the agricultural results during the 1990´s with emphasis in the period that began in 1999; and d) describing and analysing the main structural changes the agricultural sector has experienced as a result of the effects of macro and sector policies.

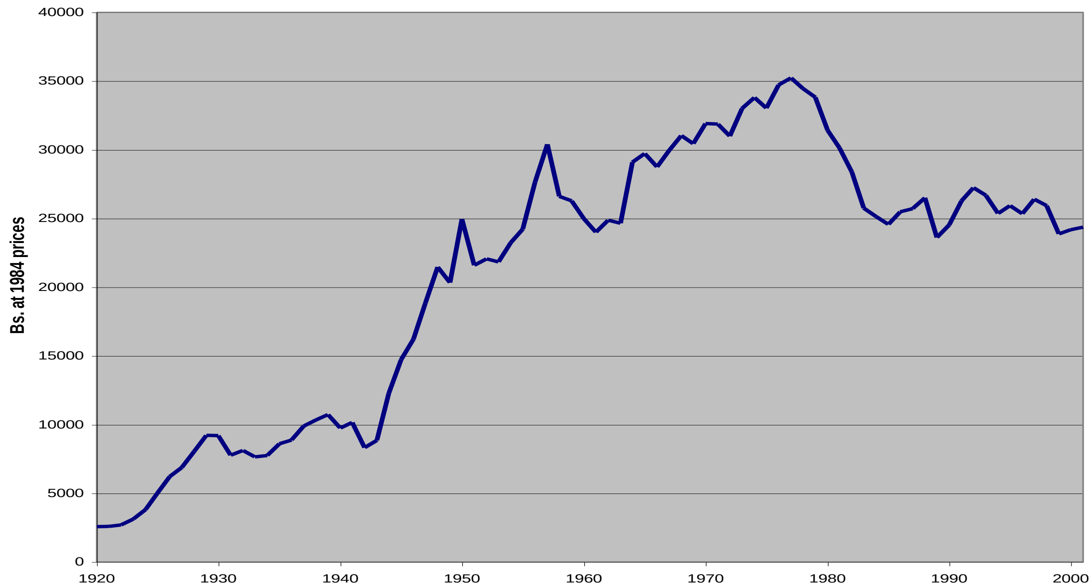
II.- Venezuela: brief economic history

Up to the middle of the twentieth century's third decade, Venezuela was, like other Latin American countries, an exporter of primary agricultural commodities (mainly coffee, cocoa, leather, and livestock). By that time, it was a rural and poor country, with a small internal market, highly dependent of agricultural raw materials demand in industrial countries to accumulate capital and to widen the capacity to grow. It was equally dependent of the world economic cycles that affected the demand for primary products. Although during the second decade oil was discovered is not until 1926 when oil exports became the main exporting product. According to laws, that come from the colony, oil and minerals under the surface belongs to the nation and it is the state on behalf of the nation who negotiates and decides with private entrepreneurs the right to exploit and commercialise it. Since 1976 oil industry was nationalised and remains under the control of the state since that time up to now. Since 1997, when there was an opening to foreign investments, it is allowed to foreign enterprises to exploit oil in selected areas of the country, but, PDVSA (the public enterprise) controls the major part of production, marketing and exports.

The appearance of oil, its production and exporting allowed to increase the rate of investment, public incomes and expenditures. Also, oil exports allowed to rise the international purchasing power and to get enough devices to imports consumption and investment goods. Thus, during the twenty century Venezuela could, in peace and at minimum social costs, to increase per capita income (at least until 1977), to urbanise the country (intensifying the rural-urban migration), to build infrastructure, to increase the internal market, to improve health and education indicators and to develop the manufacture and agriculture sector under the ISI's model orientation[1]. Between 1920 and 1980 annual average economic growth (GDP per capita) in Venezuela was 4.3%, the highest among major Latin American countries and experienced the lowest inflation rate among all the countries in the international financial statistics between 1950 and 1980 (Haussman, 2001). Furthermore, since 1958 Venezuela has had a democratic system that was considered up to the eighties the most stable in Latin America.

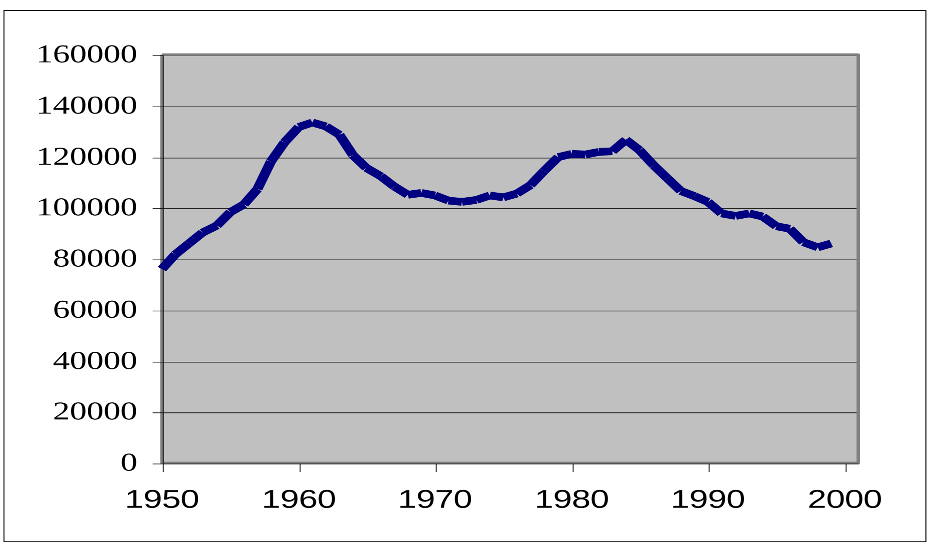
[1] By 1920 Rural population represented 83.6% of total. By 1980 that percentage had decreased to 28.1%. By the year 2000 rural population was estimated to be 12.9% of total.

Graph 1: Venezuela GDP Per Capita (1920-2001)



Source: Baptista (2000)-INE- Own estimations

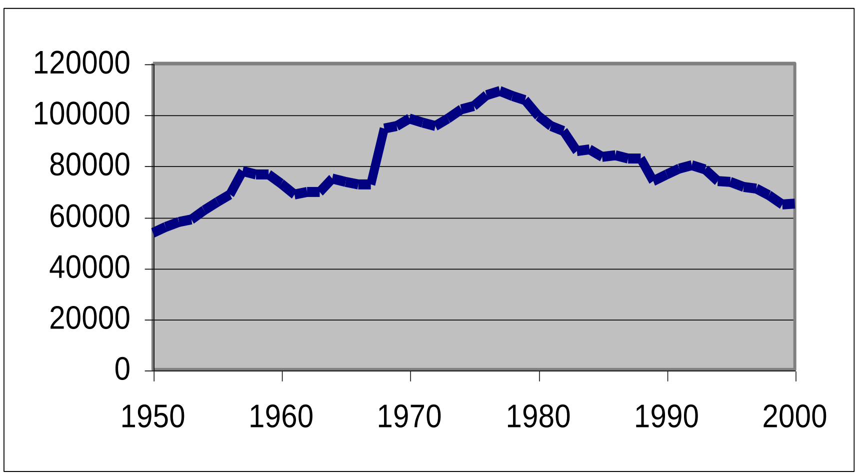
Graph 2: Venezuela Real Fixed Capital per Employee (at 1984 prices)



Source: Baptista (2000)-INE- Own estimations

Despite its condition of oil country, with conditions to be affected by the so called "Dutch Disease", Venezuela could achieve during long time sustainable economic growth for tradable non-oil activities under a context of low inflation and stable exchange rate. Between 1920 and 1980 non-oil GDP grew at an average rate of 6.7% and agriculture at 3.7%. In addition to that, between 1935 and 1980 Manufacture industry grew at an annual average rate of 6.4%. The surpluses captured in the international market by oil exports (oil rent) were distributed and privatised by the state trough different ways: public expenditures (public consumption, subsidies and investment), real appreciation of the exchange rate and low taxation (Baptista, 1989; Mommer, 1988). Sustainable growth during almost sixty years was possible because at the same time capital accumulation increased, widening the capacity to produce, also the internal market rose enough to absorb additional production[2]. That production in the manufacture and agricultural sectors was the result of adapting the ISI model with its attached low productivity. The low competitiveness of Venezuelan non-oil production was reinforced trough the natural tendency to appreciate the real exchange rate. Thus, since Venezuelan non-oil production did not get enough capacity to compete in the international markets, the economy depended on oil exports while non-oil production was destined to the internal market due to its scarce competitiveness.

Graph 3: Venezuela Labour Productivity (1950-2000) at 1984 prices



Source: Baptista (2000)-INE- Own estimations

That was the history up to 1970’s. But in some moment, the capital accumulation model collapsed, and since that Venezuela has suffered an economic and political crisis that has not been overcome. Baptista (1985) has remarked three main aspects that oriented the Venezuelan economic model up to the moment the crises began: 1) the decision to use oil incomes mainly to accumulate capital, with the objective of diversifying the economic structure. 2) The decision to appreciate the real exchange rate (overvaluation) with its negative effects on oil exports and tradable non-oil activities while stimulated imports. Through public expenditures, creation of positive externalities, subsidies and border

[2] According to the data elaborated by Baptista (2000) between 1950 and 1978 (peak year) real wages increased at an annual average rate of 2.6% . After 1978 the trend has been to fall. Thus, between 1978 and 1998 real wages deceased at the annual average rate of 4.2%.

protection for agriculture and manufacture, during long time, those negative effects were compensated to allow steady growth in non-oil production.; and 3) the small size of the internal market that in some moment of the development process was not enough to absorb the potential production created by the capital accumulation process. Oil rents captured in the international market allowed to invest more than it was possible under the absence of them (rents in the Ricardian sense). At the same time, exporting non-oil production was limited by the low productive efficiency and the tendency to appreciate the real exchange rate. Thus, non-oil production has been limited by the size of the national market.

Then, oil rents became insufficient to sustain the distribution and economic model that prevailed during almost sixty years. This collapse was reflected in the rate of growth. Between 1977 (peak year of per capita GDP) and 2001 per capita GDP decreased at an average rate of 1.2% and fixed capital investment per worker has declined, signalling the tendency of the economy since the 1980's to invest less than it was required to sustain capital deepening trend showed since 1950 (see graphs 1 and 2). Also, non-oil per capita GDP has fallen between 1984 and 2001 at the annual average rate of 0.7%. According to Hausmann (2001) the elasticity of output to capital per worker is around 0.57-0.62 for the period 1983-1999, in consequence, the reversal of economic growth since the end of 1970's could be explained by the fall in fixed capital per worker rather than a decrease of human capital indicators.

Labour productivity grew up to the seventies, while fixed capital investment has shown a tendency to decline since de 1980's (see graphs 2 and 3). Since the end of the 1970's the outcome has had a tendency to fall of labour productivity. During the period 1950-1977 labour productivity grew at the annual average rate of 2.7%, in contrast, during the period 1977-2000 labour productivity fell at the annual average rate of growth of 2.2%[3]. Several studies have shown that while up to 1960's total factor productivity (TFP) was positive, it became negative for the following periods. Haussman (2001) found that the decline in output per worker during the period 1980-1999 was -3.0%, and it was explained 50% (-1.5%) by capital and 50% (-1.5%) by TFP. Thus, technological progress and capital declination appears to explain the fall in the Venezuelan economic growth during the last two decades.

In order to recover sustainable economic growth Venezuela launched in 1989 an orthodox stabilisation and structural adjustment program that was left in 1992, after two unsuccessful coup d'état attempts. Due to the economic problems this market-oriented program was taken again in 1996, but fiscal discipline was abandoned after a sudden increase of oil prices in 1997. Since 1999 a new government leaded by President Hugo Chávez, characterised by a radical discourse against market-oriented reforms, is running the country. Although Venezuela has experienced some economic growth during 2000 and

[3] According to Haussman (2001:6) the decrease in output per worker cannot be explained by inadequate accumulation of human capital, due to improvements in some indicators. For example, between 1960 and 1990 life expectancy rose from 55 to 71 years and female years of schooling jumped from 2 to 5 years. Haussman conclusion is that "…current Venezuelan workers have a similar output per capita as the workers of 1950, in spite of the fact that they are now endowed with much more human capital". Venezuelan statistics also show that literacy labour force increased from72% in 1970 to 95.2% in 2000.

2001 it has not been accompanied by deep structural reforms that helps to recover trust in the economy and recover sustainable growth with price stability.

At the same time Venezuela economic growth declined poverty increased and unequal income distribution worsened since the 1980's. This has introduced governance and social problems The following table shows the advance of poverty in Venezuela[4]. The results show that, regardless the political discourse of the last years, poverty is still augmenting. For rural areas, although information is not available, it is very difficult to think it has decreased in an environment in which general poverty is rising.

Table 1 : Poverty Evolution in Venezuela
(percentage of house holds)

	1988	1990	1992	1995	1997	1999	2000	2001*
Total Poverty	40,0	41,5	37,8	48,2	57,6	59,2	60,3	62,2
Urban	39,9	52,1	49,8	59,7	56,5	a	a	a
Rural	67,7	75,6	73,3	81,6	80,8	a	a	a

(*) Projected; (a) information not available. Used Method: Poverty Line.
Source: Universidad Católica Andrés Bello (UCAB)-Proyecto Pobreza (www.ucab.edu.ve)

In summary, although Venezuelan economic policies were designed with the aim to diversify the structure of the economy, the weight of oil has been, and is still, determinant in the evolution of the Venezuelan economy. By 1940 oil accounted for 26.9% of total GDP, by 2001 oil represented 26.4% of total GDP while manufacture contributed 14.3%, agriculture 4.9%, building industry 5,6%, electricity and water 1,9%, mining 0,9% and services (tertiary activities) 46%. In addition to that oil represents 80% of total exports and around 50-60% of total fiscal incomes. However, since oil is a capital-intensive industry only employs less than 1% of total labour force. Thus, the volatility of oil international prices is still determining the evolution of the Venezuelan economy.

III.- Venezuela: recent macroeconomic policies

A- The period previous to the arrival of President Chávez

First of all, it is important to remind that in 1989, due to the persistence of severe macroeconomic imbalances Venezuela implemented a stabilisation and structural adjustment program negotiated with the IMF, the World Bank (WB) and the Inter-American Development Bank (IADB). This program produced a radical rupture with the traditional way of designing macroeconomic and sector policies. Market oriented reforms were introduced, such as the liberalisation of prices and the exchange market, reduction and elimination of general -indirect subsidies; privatisation of public enterprises and

[4] According to ECLAC (2001) the percentage of households under the line of poverty in Venezuela increased from 34.2% in 1990 up to 44.0% in 1999. Furthermore, income distribution worsened off since Gini coefficient augmented from 0.471 to 0.498 between 1990 and 1999.

restructuring the state; fiscal and financial sector reforms were also proposed, while a deep reform of external trade was implemented since 1989. This program restored macroeconomic balances, and helped by the increase in oil prices economic growth was achieved up to 1992. The recovery was expressed through an important growth of the economy during the period 1990-1992, in both total and non-oil GDP. Total GDP grew at the high rates of 6.5 %, 9.7 % and 6.8 % during 1990, 1991 y 1992 respectively. Unemployment rate fell from 9.6 % in 1989 to 7.1 % in 1992. However, due to the rise in public expenditures, the delays in the approval of the privatisation of public enterprises, in the introduction of fiscal and financial reform, the fall in oil exports and other factors, by 1992-1993 the country had accumulated deficit in both the current account of the balance of payments and in public finance. Furthermore, the political situation became very unstable as a consequence of two coup d'état attempts on February and November 1992. It is not until 1996 when market friendly reforms will be retaken.

By the end of 1993, despite of political instability, the country had undergone important changes in its economic framework. Those changes, hard to accept by the political elite and vast sectors of the population, could not be totally reversed. Some of the economic reforms introduced, such as the commercial one, the elimination or reduction of general subsidies, and other measures leading to the opening of the economy were in essence kept.

In the middle of a severe crises, in April 1996, President Caldera´s administration had to adopt a stabilisation program (called Agenda Venezuela), agreed with the International Monetary Fund (IMF), in order to recuperate macroeconomic equilibrium. The program also included structural adjustment measures, such as reforms in the labour laws, social security, opening of the oil sector to foreign investment and privatisation programs were restored[5].

Since 1994 the country had suffered the effects of a financial system crises and the uncertainty derived from the introduction of controls on prices, interest and the exchange rate. In addition to that, the attempts to reverse the oriented market reforms introduced since 1989 created an environment of economic uncertainty and high risk that caused an accumulated a fall of total investment of 30% during 1994 and 1995. By the end of 1995 although GDP increased 3.2% per capita GDP had fall 3% with respect to that of 1993, the unemployment rate had increased to 10.2%; the inflation rate was of 59.9%, the fiscal deficit rose to 6.9 % of GDP, and there was an important loss of the international monetary reserves, consequence of a deficit in the balance of payments mainly due to the deficit of the capital account (see annex 1). Thus, under those circumstances a stabilisation program was inevitable.

During the first year of implementation, the Agenda Venezuela program restored market-oriented reforms started in 1989 and the need to sustain macroeconomic balances. The main policies of that program were: fiscal adjustment, reforms in the labour markets and social security system, fostering the financial system, restoring the privatisation

[5] Mainly in the financial sector because due to the 1994 financial crises several insurance firms and banks passed to be owned by the state

program, opening the oil sector to foreign investment. The policies measures included liberalisation of prices, interest rates and the exchange market with intervention of the Central Bank. A flotation band system for the exchange rate was set[6]. The measures also included increase in the price of gasoline and oil products, increase in the price of basic services and taxes (luxury tax and whole sales tax). Also measures to reduce public expenditures, to privatise public firms and financial institutions were implemented.

The first effects of that program in 1996 were a fall in the GDP (-2.6%) and the internal aggregated demand components (5.8%): private consumption (-3.9%), public consumption (-7.9%) and investment (-7.2%). On the other hand, the unemployment rate increased to 12.4% and the inflation rate rose to 99.9% due to the strong impact of prices liberalisation and the real depreciation of the exchange rate (19.4%). On the positive side a surplus of the fiscal accounts was obtained (0.5% of GDP) and there was an increase of monetary international reserves (US $ 5507 millions), also a fall in the interest rate was observed, but they still real negative. (see annex 1).

In 1997 the growth came back. GDP grew 5.1% impelled by the increase of oil GDP (8.8%). The recovery also was observed in the non-oil activities with a rise of the GDP (3.3%). As a result of the increase of aggregated demand[7] the unemployment rate fell to 11.1%. Although average oil prices decreased the rise of oil GDP was due to more production (approximately 300.000 bl./day). Nevertheless, imports increased 39.6%, the current account result remained positive (US$ 3909 millions), and although there was an increase of foreign investment of US$ 4.346 million (due to the privatisation program and the opening of oil sector to foreign investment) capital account continued to be negative, but the final result was a positive balance of payment that caused a rise of international monetary reserves of US$ 2,589 million.

Another good news was the fall of the inflation rate from 99.9% to 37.6%, but with a tendency to grow in the second semester. This trend to increase the inflation rate was influenced by the rise of public expenditures that augmented money supply (Purroy, 1998)[8]. It is important to notice the inflation rate was larger than that fixed as a goal with the IMF (around 20%). The bad news was that fiscal prudence was left, and finally, public expenditures rose more than it was agreed with the IMF. This, did not impede a positive balance in the fiscal accounts of the central government (1,9% of GDP).

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[6] The band system had a central parity with a slope and a deviation of 7.5% down (lower limit) and up (superior limit). The Central Bank would intervene to sustain the nominal exchange rate between the limits of the band system.

[7] All the components of aggregated demand augmented with respect to 1996: private consumption (3.4%); public consumption (2.0%) public and private investment 12.1 and 33.1 respectively and the external demand 3.6%. Private consumption was stimulated by the increase in wages

[8] Venezuela is an oil exporter, and the main exporter is a public enterprise (PDVSA) which receive US$ that change to Bolívares (when sell US $ to the Central Bank) to pay taxes, wages and to buy goods and services in the economy. This characteristic create conditions to increase permanently money supply and the inflation rate. Then, fiscal policy must be prudent in order of maintaining a low inflation rate and to avoid the appreciation of the real exchange rate . In 1997 was estimated an increase of money supply (M2) around 70% larger than the inflation rate (37.6%).

The effects of the macroeconomic policy on macro-prices can be summarised as follows. First, there was an increase in real wages. For example, public wages increased more than 100% (Purroy, 1998). Second, interest rates (both active and passive) remained negative in real terms. As can be seen in annex 1 average nominal active and passive interest rates were 22.1 and 14.6% respectively, while the inflation rate was 37.6%. Finally, the Central Bank intervened in the market and maintained the exchange rate within the band. The exchange rate was crucial to diminish the inflation rate. With a high level of international monetary reserves (US$ 17,818 millions) the Central Bank intervened to allow an increase of nominal exchange rate less than that required to compensate for the larger inflation rate of Venezuela with respect to that of the main commercial partnerships. Thus, during 1997 there was an appreciation of the index of effective real exchange rate for imports (around 22.5%), according to ECLAC estimations (www.eclac.org). Spite of the real exchange rate appreciation, non-oil exports increased slightly during 1997 (2.3%). This could be explained by the need of Venezuelan exporters to sustain market (niches), the free access to markets, such as the Colombian one and other improvements in competitiveness instance exchange rate policy stimulus. Due to the high levels of monetary international reserves, the appreciation of the exchange rate policy was maintained during the next years, until the middle of February 2002, with negative effects on the competitiveness of tradable non-oil productive activities.

In 1998, the Asian crises, started in the second semester of 1997, caused a low in the oil demand and prices that reversed the ephemeral growth showed by the economy in 1997. In addition to that, the OPEC had decided in October 1997 to increase oil production (around 2.5 million of barrels per day), as a consequence there was a supply excess that pushed downward oil prices in the international market. Although there were efforts to correct excess supply by OPEC Countries that goal was not accomplished. Thus, the average price of oil (Venezuelan basket) decreased 37.1% (from 16.86 US$/bl. to 10.57 US$/bl.) and the value of Venezuelan oil exports decreased more than US$ 6000 million. This negative situation in the external accounts was reinforced by the increase of imports (8.2%) stimulated by the continuation of the policy to appreciate the real exchange rate. The capital account reflected a negative balance, but it was lesser than the previous period due to the increase of foreign investment, mainly in the oil sector. The result of the balance of payment was a deficit that caused a fall in the stock of monetary international reserves to US$ 14,849 million, sufficiently high if compared to other Latin American countries with more population and higher imports levels.

The inflation rate of 1998 (29.9%) was smaller than that of 1997 (37.6%), influenced by the appreciation of the real exchange rate that avoided the rise of imported goods prices and the fall of money supply in real terms. But, to maintain the anchor of the exchange rate, monetary policies instruments to avoid the increase of money supply were used by the Central Bank. The result of this policy was the growth of nominal interest rates to a level higher than the expected inflation rate (positive in real terms) in order to impede demand pressures in the exchange market.

The fall in oil and non-oil fiscal incomes combined with the difficult to reduce public expenditures caused a deficit in fiscal accounts of the central government (4.1% of GDP).

During 1998 GDP growth was stagnant (0.2%), but non-oil GDP decreased 0.3%, and per capita GDP fell 2.1%. It is important to notice that manufacture and the building industry GDP decreased 4.7% and 1.1% respectively. The consequence of less economic activity and reduction of aggregated demand[9] was the increase of unemployment rate to 11.4%. This unemployment rate does not reflect, the sustained growth of informal employment (most than 50%of total employment) which provides temporal jobs of low productivity.

Thus, despite the level of international monetary reserves, at the end of 1998 there was negative expectations among entrepreneurs and economic analysts about the future of the Venezuelan economy, mainly explained by the situation of low oil prices in the international markets, with negative effects in the fiscal incomes, and the election of a new government, characterised by a discourse critical of market oriented reforms and with the promise of introducing important political and institutional changes. However, it is important to notice that the new elected government discourse and promises were accepted by the majority of the population due to the increase of poverty and social exclusion during the last two decades. Thus, population bought a political discourse based on the promise of radical changes in the Venezuelan society.

B.- The President Chávez´s economic policy (1999 up to the present)

When President Chávez began his government there was negative expectations about the future of the economy. The fall in oil prices, and its positive correlation with the growth of economic activity projected a reduction in the rate of growth and fiscal incomes. In addition to that, the rigidity of public expenditures to decrease projected a fiscal deficit larger than that obtained in the previous year[10]. Furthermore, the promise to accomplish radical political changes, beginning with a new Constitution, created uncertainty about the future. During this year the constituent assembly presented for approval a new constitution that was finally voted through referendum at the end of 1999[11]. Also, an enabling law to legislate by decree was given to the president by the national congress. Thus, the President got enough political power to introduce the radical changes he had promised. However, the economic situation during the first semester of the year imposed fiscal restrictions to execute a populist program.

Under the restrictions imposed by the fall in fiscal incomes the new government executed a program with the objective to reduce at the minimum level the expected fiscal deficit. Also, there was continuity with the exchange rate policy, by sustaining the band system (with Central Bank intervention) established since 1996.

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[9] It was estimated a fall in private consumption and in public and private investment.

[10] At the beginning of 1999 it was expected a deficit in central government fiscal accounts around 7%/GDP.

[11] At the end of this year, the country suffered the tragedy of the state Vargas caused by floods. This situation demanded the government commitment to increase public expenditures to attend people affected by the tragedy and to recuperate damaged public infrastructure.

During 1999 continued the recovery of the world economy and the OPEC developed an strategy to cut production with the objective of rising oil prices. Then, the demand increase of oil due to the recovery of the world economy and the fall in oil production by OPEC and non OPEC countries allowed an increase of prices and fiscal incomes. Nevertheless this new situation, the government delayed the rise of public expenditures until the second part of the year, by using additional credits to elevate the original budget. The increase in public expenditures started during the second semester of the year was not effective to avoid the dramatic reduction of GDP. Furthermore the rise in oil prices to an average (for the Venezuelan basket) of US $16,10 per barrel allowed to save partly oil extraordinary incomes in the Investment Fund for Macroeconomic stabilisation (FIEM) created by the past government[12].

Thus, spite of the reversal of previous expectation about the oil incomes, 1999 was a bad year for the economy. There was a dramatic fall of GDP (-6.1%), non oil GDP (-5.4%), and the unemployment rate rose to 15.4%. The fall was notorious in the case of manufacture GDP (-10.0%) and the building industry GDP(-20.4%). On the side of aggregated demand it was observed a decrease in private consumption (-4.7%) and investment (-24.9%), while public consumption rose 1.4%, but central government total expenditures fell 3,2%. The reduction in private consumption and investment was mainly explained due to the deterioration of real wages, the uncertainty environment created by the proposed changes included in the new constitution and the radical and unfriendly market oriented discourse of the government. Thus, in 1999 total investment decreased 16.4%, but private investment fell 18.0%.

Central government's fiscal accounts ended with a deficit of 2.6%/GDP, lower than the previous year. In spite the increase of oil prices, Oil incomes were stagnant due to the reduction of production, while total public expenditures only had a small decrease. The reduction of total expenditures, around 3.2% in real terms, was due to the delay of the government to expand public expenditures (see Graph 4).

Table 2 : Central Government Fiscal Accounts Results (% GDP)

	2001 (*)	2000 (*)	1999	1998	1997
Total Income	20.4	19.6	16.6	16.4	23.1
Oil Income	9.8	10.0	6.3	6.2	13.3
Non Oil Income	10.6	9.6	10.3	10.2	9.7
Total Expenditures	24.5	21.2	19.1	20.5	21.2
Surplus/Deficit	-4.1	-1.7	-2.6	-4.1	1.9

(*) Not definitive.
Source: Central Bank of Venezuela

[12] The FIEM will receive a part of the extraordinary oil incomes, that is, those incomes generated when the average oil price (Venezuelan basket) be above US$ 9/barrel. The objective is to reduce the volatility of the economy and fiscal incomes due to the instability of the oil international market. In October 2001 the FIEM law was modified and this allows do not save resources during the last part of the year nor the year 2002.

In the external sector, although the capital account had a deficit, (US$ 1650 millions) the rise in the value of oil exports and the fall of imports caused a surplus in current account (US$ 3689 millions) and in the balance of payments that impelled the increase of monetary international reserves up to US$ 15379 millions[13]. It is important to notice the high deficit of the short term private capital account (-US$ 4015 millions) which reflected the uncertainty and scarce trust of national private sector about the future of the economy.

Table 3 : Venezuela Real Money supply (M2)
(Millions of Bs at 1984 prices)

Year	M2	Var. %	(M2/PIB)
1994	109093		20,0
1995	97534	-10,6	17,2
1996	84360	-13,5	14,9
1997	114987	36,3	19,1
1998	102831	-10,6	17,1
1999	94049	-8,5	16,6
2000	99676	6,0	17,1
2001	99833	0,2	16,6

Source: Venezuela Central Bank-Own Estimations

The monetary policy in 1999 was restrictive since M2 in real terms fell 8.5% and as a percentage of GDP fell from 17.1% (1998) to 16.6% .Then, as a consequence of that interest rates rose in real terms (see annex 1). The reduction of Money supply was incited by the “capital flight”, due to the preference of the public to change its liquid actives to US dollars and the low level of economic activity. Thus, as a result of the contraction in the

[13] This amount includes US 215 millions charged to the FIEM.

aggregated internal demand, the continuation of the policy to appreciate the real exchange rate[14] and the fall in money supply there was a decrease in the rate of inflation from 29.9 (1998) to 20.0 % in 1999.

Nevertheless the bad results of the economy in 1999, at the end of this year it was expected a recovery for the next one. The increase in the oil price and fiscal incomes had provided enough resources to the government to expand public expenditures and stimulate economic growth . The high level of international monetary reserves allowed to predict the continuation of the "anchorage" policy to avoid a real depreciation of the exchange rate that would increase the rate of inflation.

The year 2000 was another of intense political activity that confirmed the support of the population to President Chávez's promises to execute radical changes.[15] As it was expected during the year 2000 the government expanded public expenditures in real terms (26.8%) while continued the policy to appreciate the real exchange rate to reduce the rate of inflation[16]. This policy limited a stronger rise of the internal economic activities. It is the case that the decision to anchor the exchange rate around the low limit of the band system caused a lost of competitiveness for tradable goods production. Nevertheless, during 2000 the economy grew impelled by the growth of aggregated demand (internal and external). Total, oil and non oil GDP grew 3.2%, and 3.0% respectively. With the exception of the building sector all the sectors grew, specially notorious was the GDP increase of (communications and transport (8.1%); commerce (5.4%) and manufacture (3.9%).

The growth was impelled by the rise of Public (5.0%) and private consumption (3.7%), but the investment was still stagnant and only grew 1.1% while private investment only rose 0.9%, This result shows the incapacity of public policies to stimulate investment to push growth in the medium and long term, and the continuity of capital accumulation crises.

A good new was the decline of the unemployment rate from 15.4% to 12.3%, although most of the new jobs were created in the informal sector of the economy[17]. Moreover an increase of minimum wage of 20% was set by the government. This rise compared with the annual inflation rate (13.4%) meant an increase of real wages. The decrease of the inflation rate to 13.4% could be mostly explained by the appreciation of the real exchange rate and the fiscal deficit reduction. Another factor that helped to low the

[14] According to Economic Commission for Latin American and the Caribbean During 1999 the real exchange rate was appreciated in 10.6%.

[15] In this year all the political powers approved in the new constitution, also President Chávez were elected and legitimated. Again the President Chávez's party obtained the majority of votes to dominate the National assembly and most of regional governors. Furthermore, an enable law was given again to President chávez to approve by decree 49 new laws. This new laws were approved and launched during 2001.

[16] The Central Bank's band system remained and the nominal exchange rate accumulated a depreciation of 7.9% (less than that of 1999 and the inflation rate). Most of the year nominal exchange rate was close to the lower band system limit.

[17] During the last years informal employment has represented around 50-53% of total employment.

inflation rate was the unemployed capacity of productive sectors, thus the rise in demand had a rapid answer of supply, and this avoided pressures to push up the inflation rate.

The increase in the oil price and production augmented the value of exports (oil and non oil)[18], and in spite of the increase in imports ant the deficit of the capital account the balance of payments got a surplus incremented monetary international reserves (including the FIEM resources) up to US$ 20471 millions[19]. The surplus obtained by the current account was the highest in history (US$13111 millions, 11.5% of GDP) and extremely high if compare to that got by another Latin American countries.

In this year the government reduced value added tax from 15.5% to 14.5% and developed an strategy to increase internal debt by selling public debt bonds and another instruments. Although there was an important increase of fiscal incomes, the decision to increase public expenditures to push the recovery of the economy caused a deficit of 1.7%/GDP (see table). Nevertheless the government saved part of the oil income in the FIEM, the policy of augmenting internal public debt compensated that saving. Public internal debt that was 2.28 billions of Bs in 1998 grew up to 6.99 billions of Bs. in 2000. This situation introduced a new pressure in the fiscal expenditures because the yields (interest rates) paid to that debt are higher than that paid to external debt.

During 2000 liquidity (M2) augmented in real terms and as a percentage of GDP (see table). This increase was due to a less active participation of the Central Bank[20]. Monetary liquidity rise also was stimulated by the expansion of public expenditures and the pressures of the government on the financial system to reduce interest rates. Those factors added to the appreciation of the real exchange rate and the high level of monetary international reserves allowed to low interest rates (passive and active) in nominal and real terms (see annex 1).

Although during 2000 the economy recovered growth, and it was expected it would continue in 2001, there were doubts about its sustenance in the medium term. That doubts came from the low growth obtained despite the high increase of public expenditures[21], the strong dependency of oil prices (oil fiscal incomes) to finance the budget (rigid to low) and to sustain the policy of appreciation of the real exchange rate, and the prevalent environment of uncertainty and distrust showed by the private sector. Uncertainty and distrust was reflected by the continuous exit of capitals and the low level of investment (private and public). Thus, like in the past Chávez's administration had not

[18]Nevertheless the appreciation of the real exchange rate non oil exports grew 24.9% with respect to 1999. This could be explained by the recovery of exports to commercial partners, such as Colombia and the increase in prices of some commodities exported.

[19] This amount includes US$ 5488 millions that belongs to FIEM.

[20] In 2000 instruments used by Central Bank to reduce money supply (called monetary stabilisation titles) were eliminated. This meant that Central Bank recuperated those titles and as a consequence launched liquidity to the economy.

[21] Some empirical estimations show a decline in the public expenditures multiplier (see Bello, 2000).

reversed the high dependency of an exogenous and volatile variable, such as the conditions of oil international market.

The year 2001 was marked by a declination of oil demand and prices caused by the recession of the world economy (including USA), the loss of popularity of President Chávez and the increase in the confrontation between the government and different sector of the so called civil society (Catholic Church, NGO'S, Unions, entrepreneurs associations. and others)[22]. The political situation worsened off at the same time the economic policy and its results showed signs of being exhausted.

Although during the year 2001 the economy rose again, the growth rate was lower than that of 2000. More important than the annual results obtained, it is the tendency showed during the last quarter. This tendency reflected the contradictions of the economic policy and its exhaustion. Thus, although total GDP and non oil GDP increased 2.7% and 3.8% respectively, while oil GDP fell (-0.9%) during the last quarter the current account had a deficit and the GDP rate of growth was lower than the previous quarter, reversing the trend to increase the rate of growth. Also the reduction in international monetary reserves, The exit of capitals, the rise of real interest rates to avoid demand pressures on the exchange market, the distrust on the 2002 budget estimations and the expectations to increase the fiscal deficit were signs of the need to introduce changes in the design of macroeconomic policy .

Among the activities that grew could be mentioned the building industry (13.0%); commerce (4.0%); manufacture (3.2%), communications (11.5%), electricity and water (3.0%). Tradable activities GDP grew less (3.0%) than non tradable activities (4.2%).

The growth obtained was again leaded by the rise of public expenditures. Thus public and private consumption rose 4.7% and 5.9% respectively. Gross fixed investment grew 12.0%, larger than that of 2000 (1.1%). This growth was got in a context of a new reduction of the inflation rate (12.3%) and a rise of the unemployment rate (13.4%, last quarter of 2001). The incapacity of the government expansive policy to generate enough jobs to reduce the unemployment rate reflected the failure of the economic policy.

Preliminary estimations showed a deficit in the balance of payments that reduced monetary international reserves from US$ 20741 million to US$ 18523 millions[23]. The deficit was caused by the decrease of oil prices and the cuts of production as agreed by the OPEC. Thus, the value of oil exports fell 18.1%. The reduction in oil prices (average

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[22] The confrontation between the government and different civil society sectors increased after the release of some of the laws authorised by the " enable law" approved by the National Assembly (The National Congress). President Chávez was accused of a) to decree that laws without consultation to affected sectors, and b) to decree laws that stimulates state intervention, controls and do not respect private property rights. Some of the more controversial laws were: land and agricultural development law; fishery law; coast law, reforms on the public employees statute and the oil law. In addition to that there was a strong disagreement between the government and the most powerful union (CTV) since the government did not recognise its board of Directors legitimacy and legality.

[23] This amount includes US$ 6227 millions saved in FIEM.

Venezuelan basket = US$ 20.1/barrel) was 23.9%, but the expectations for year 2002 were of continuing the oil prices reduction, even after the new OPEC and non OPEC countries agreement (December 2001) to cut production in 1.5 million barrels per day. Then, depending upon the world economy recovery, expectations about the Venezuelan basket average price were around US$ 16/barrel, but the government estimated 2002 budget with an assumption of US$ 18.5. Non oil exports grew scarcely (3.8%) and imports climbed 11.6%. Nevertheless the current account had a surplus of US$ 4395 millions 66.4% lower than that obtained the previous year. On the capital side account a new deficit was obtained, and continued the exit of capitals[24].

Table 4: Venezuela Public Internal and External Debt

Year	Public Internal Debt (Billions of Bs.)*	Public External Debt (US $ 000 Millions)**	Public Internal Debt (US$ Millions)*
1996	2.22	22.11	4,524.7
1997	2.16	21.99	4,275.7
1998	2.28	21.14	3,960.0
1999	3.51	20.26	5,413.0
2000	6.99	20.26	9,914.3
2001(*)	8.92	20.48	11,769.1

Source: Ministry of Finance (www.mf.gov.ve).
Note: one billion of Bs = one million of one million of Bs.
(*) By September (2001).(**) Valued at nominal exchange rate.

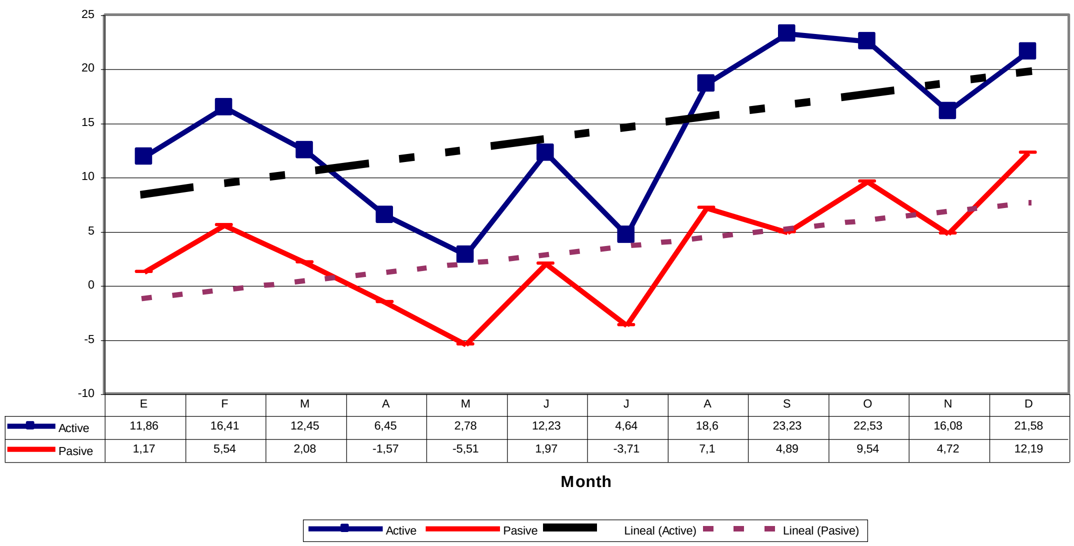
Fiscal accounts closed with an increase of fiscal deficit, estimated in 4.0%/GDP. Larger than that obtained in 2000. This was result of an increase of total expenditures from 21.2 to 24.5% of GDP while fiscal income only grew from 19.6 to 20.4 % of GDP (see table 2). This was the third consecutive year that ended with deficit in the fiscal accounts, but the expectations for the future were of increasing that deficit because of the continuing reduction of fiscal oil incomes, the rigidity of expenditures to low and the negative of the government to introduce a radical fiscal reform. Another relevant fact was the new increase of public internal debt result of the government strategy to finance its deficit through this way instance of getting financial resources abroad. By September 20001 internal public debt reached Bs. 8.9 billions, what means that between 1998 and 2001 years public internal debt increased four times. The effect of this policy was the introduction of additional pressures to rise interest rates. On the other hand, this strategy looks very expensive for the country since national interest rates are larger than those of international financial markets .

The monetary policy was more active than the previous year, because distrust on the economic policy was reflected in the exchange market pressuring a depreciation of nominal

[24] The account called other investment that reflects the short term flow of private capitals and the account error and omissions that reflects transactions not registered had a deficit of US$ 4871 and 4729 millions. Similar results were got in the year 2000, and they have been interpreted as indicator of the tendency of capitals to leave the country looking for better opportunities and less risk. Furthermore, the country risk as measured by international risk qualifiers increased during the year 2001 from 834 points (2000) to 937 points as interest rate paid by the Venezuelan global bond compared to that of the Federal Reserve Bank (USA).

exchange rate (during the period August-October) larger than that initially planned by the m by the Central Bank. Then the Central Bank had to intervene not only providing enough supply of devices, but selling instruments (called REPOS) to the public to reduce liquidity and increasing the legal reserve coefficient on public deposits to reduce the capacity of financial institutions to create money. This policy allowed a stabilisation of M2 in real terms (see table 3)[25], but active real interest rates climbed up. At the end of the year since distrust on the economy had grown the tendency was to rise nominal and real interest rates to impede demand pressures on the exchange market (see Graph 5).

Graph 5 : Venezuela Real Interest Rate (%). 2001



So

Source: Metroeconómica (2002) based on Central Bank of Venezuela-

During 2001 the Central Bank band system remained, and initially planned an annual depreciation of 7% for the nominal exchange rate. This goal was almost accomplished because the nominal exchange rate at the end of the year was 758Bs./US$ a little more than that planned (749 Bs./US$). This result was less than the inflation rate (12.3%) and less than the inflation rate of main commercial partners (USA, Colombia), this meant the continuation of the tendency to appreciate the real exchange rate.[26]

Thus, by the end of year 2001 it was notorious that macroeconomic policy needed changes. The distrust and the projection to rise fiscal and balance of payments deficit caused interest rates to grow. In addition, the loss of President Chávez´s popularity, the

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[25] During most part of the year nominal money supply (M2) remained in levels lower than that of similar period in year 2000.

[26] According to the estimations of METROECONOMICA (a private consultant firm) by the end of year 2001 the accumulated appreciation of the real effective exchange rate (December 1995 =100.0) was 77.3% (general); 51.1% against USA, and 67.5% against Colombia. For more details see METROECONOMICA (January, 2002, monthly report, p. A-10)

deterioration of the political environment, the distrust on the sustainability of the exchange rate and the growth of the risk country marked an scenery that claimed unavoidable changes in macroeconomic policies.

Some of these changes were introduced on February 13, 2002, after the worsening of the political debate, the loss of international monetary reserves spite of the rise on interest rates to avoid demand pressures on the exchange market, and the trend to fall oil prices in the international market. Thus, on February 13, the president announced macroeconomic policies changes in : 1) the end of the exchange rate band system and its substitution by a "dirty" flotation system, with Central bank intervention by the supply of devices (US $) through public auction. Under this new system banks act as a "wholesaler" of devices , this is, as an intermediary ("middle man") between the Central bank public auction and the dollar buyers; 2) A review of Central Government Budget to low it from Bs. 26.4 millions to Bs.20.5 millions (-22.3%). The main reductions in the estimated fiscal incomes and expenditures would include:

- A downward review of oil price initial estimation from US4 18.5/barrel to US$ 16/barrel. This means a fall in oil incomes from Bs. 7.6 billions to Bs 6.07 billions.
- A low in the estimations of extraordinary fiscal incomes by increasing public debt from Bs. 8.4 billions to Bs. 4.06 billions.
- On the other hand the government expects to obtain new fiscal incomes by using part of savings in FIEM (Bs. 2.08 billions) and exchange gains obtained by Central Bank (Bs. 0.99 billions). In addition to that new taxes (such as the tax on banking transactions, the mono-tribute and the reform to the value added tax) will provide Bs. 2.5 billions.
- Non oil and other fiscal incomes increase a little because non oil fiscal incomes go up to Bs 10.435 billions, while other fiscal incomes remain equal (Bs. 0.123 billions)
- A cut in central government and other expenditures (approximately Bs. 1.851 billions. This cut. According to the president's announcement will no affect social (health and education) public expenditures.

Spite of those announcements, and positive first reactions of multilateral institutions (IMF, IDB), the distrust on the future of the economy has not disappeared due to several reasons. First, different actors and analysts consider the budget is still overestimated in fiscal incomes and underestimated in expenditures. Thus, a larger reduction is necessary. Second, The announcements did not include structural adjustments by introducing strong reforms in the fiscal sector and the public administration. More over some of the new taxes such as the banking transaction tax are temporary and FIEM savings are not enough to cover the deficit, while the risk country rose and makes expensive to increase external public debt. Third, the downward trend of oil prices and the loss of international monetary reserves[27] while annual nominal interest rates went up above 60% worsen off the expectations to recover economic growth. fourth, there is not trust in the capacity of the

[27] According to the Central Bank between the first week of January and the first week of March international monetary reserves fell US$ 2965 millions, from US$ 18264 to US$ 15299 millions (includes US$ 6227 millions of FIEM savings).

Ministers of the economy to lead and implement the structural reforms and the necessary adjustments[28], and five, the political environment has worsened off by introducing governance problems and doubts about the maintenance of Chávez in the presidency. The last episode was the Coupe d'état on April 11 that take off the power to President Chávez during almost two days. The effects of this uncertainties were reflected in the increase of nominal exchange rate (a depreciation around 25-30% at the beginning) and the rise of real interest rates that makes impossible to stimulate the growth of private investment. As a consequence preliminary non official forecasts[29] assumes during 2002 an increase in the fiscal deficit (6-9% of GDP) and the inflation rate (around 25-30%), a decrease in aggregated internal demand and a negative rate of growth that will rise unemployment. On the side of macro prices it is expected an increase of real interest and exchange rate (depreciation) and a fall of real wages while poverty will continue to worse off.

By the time this report is written (middle of May, 2002) Venezuela is planning to announce radical changes in the macroeconomic policy since not only the economic situation has worsened, but the political too. On April 11 there was a coup d´etat attempt that take out of power President Chávez during 2 days. By apri 13 President Chavez came back to power but both political and economic situation has worsened off and new Ministries are designing a new economic plan that would reuire support of multilateral institutions (World bank, Inter American Development Bank and IMF).

The failure of Chávez's macroeconomic policies confirms the structural dependency of the Venezuelan economy of oil prices cycles through fiscal policy. Since oil prices in international markets have shown high volatility, in the same way it is transmitted to Venezuelan economy. However policy makers have not learnt the lesson from past experiences. During the last five years it has been persistent the tendency to anchor the exchange rate to achieve lower inflation rates. This has caused several troubles to non oil productive activities competitiveness, avoiding the accomplishment of government goals in economic growth and reduction of employment. On the other hand, the appreciation of the real exchange rate has contributed to get good results, proxy to government goals in the inflation rate. Although during the last years there has been some economic growth the present situation reflects macroeconomic imbalances that forces to introduce radical changes in the general policies. Macroeconomic policies of the last years became unsustainable, and a deeper macroeconomic adjustment than that announced on February 13 will be necessary to recover the path of sustained economic growth with price stability.

[28] The leader of the Ministers of the economy (the Minister of planning) remains in charge in spite the failure of macroeconomic strategy. The new Minister of Production and Commerce, the former Vice-President, the team work's chief that wrote the controversial enabling laws projects. The new Minister of finance although comes from the National Budget Office has not back ground and studies in economics.

[29] One main source of uncertainty is that after President Chávez's announcements of restructuring the budget and leaving the band system for the exchange rate, the government has not informed its economic goals for the year 2002.

IV.- Main long term objectives: the economic and social development plan (2001-2007)

The government announced the new development plan in 2001 ad it was approved by the end of that year by the National Assembly. It is an important document that presents the government vision of the country to be reached by 2007. The main objectives and strategies included in the plan, with emphasis in the economic sector are shown in the following table:

Equilibrium to achieve	Objectives	Strategies
Economic Equilibrium	To develop the productive economy	**To diversify production**: ➢ **To reach sustainable and diversified growth trough:** diversifying production; fostering productive chains; guaranteeing food security; increasing and fostering small and medium enterprises; incorporating and adapting new technologies and fostering the financial sector. ➢ **To eliminate economic volatility** by achieving macroeconomics conditions for sustainable growth; improving the functioning of money markets; improving legal system and fostering oil prices. ➢ **To increase internal production of petroleum and derivatives products hydrocarbures** by assuring markets; creating the gas industry; rationalising the internal market and increasing internal production and transforming weight petroleum. ➢ **To develop the social economy** by: strengthening microenterprises and cooperatives; organising the microfinances system and democratising the access to land ➢ **To reach fiscal sustainability** by optimising oil taxation; increasing and diversifying non oil taxation; rationalising primary expenditures and to improve the management of public debt. ➢ **To increase savings and investment** by stimulating savings; developin capital markets; developing financial chains; creating a social security regime that increase savings (pension system), and promoting productive investments.
Social Equilibrium	To reach social justice	Inclusion of the people
Political Equilibrium	To build Bolivarian democracy	Protagonic participation of the people with responsibility
Territorial Equilibrium	To occupy and consolidate the territory	
International Equilibrium	To foster sovereignty and to stimulate a multi-polar world	Multi-polar Pluralism

The plan considers that the agricultural sector must be able to guarantee national food security without deteriorating the environment (sustainability) and to increase exports in order to reduce the agricultural commercial deficit. Thus, main sector objectives to reach are:

- Increasing in important amounts the contribution of national production to satisfy internal food demand.
- Developing a national food security strategy.
- Stimulating the revival of agricultural exports.
- Recovering rural development dynamics and improving the welfare of peasant population.
- Achieving a rate of growth of the agricultural sector meaningful larger than that of population.
- Stimulating the increase of external investment.
- To increase in important amounts the productivity in main products, specially those with potential to be exported.
- Creating positive environment to improve employment, wages and benefits.
- Implementing financial systems to increase the use of agricultural insurance.

It is important to notice that according to the plan, food security will be reached by :

- Stimulating a rational and just use of the land. The main instrument will be the Law of land and agricultural development.
- Increasing agricultural productivity in order to satisfy internal demand and to exporting at competitive prices.
- Assuring financial sources for the agricultural sector, using public funds and private resources trough agreements with the banks. The agricultural credit law and FONDAFA (Public Fund to finance agricultural activities) will be the main instruments.
- Improving the internal food marketing system. The agricultural marketing law will be one of the main instruments to achieve this objective.
- Defining priorities of production according to internal needs. To reactivate the agricultural sector will require the main needs of the society, that will be satisfied taking into account the comparative advantages of the country to produce foods.
- Improving and widening the infrastructure (irrigation, roads, storage capacity and transport).
- According with agricultural producers the program of fiscal and financial incentives. These will be agreed taking in to account food security priorities.
- Adjusting trade policy to the needs of the agricultural sector development. The agricultural trade policy will be reviewed taking into account principles of equity in the international trade since it is obvious that commercial partners protect and subsidy their producers and agricultural sectors. This generates non loyal competency of agrifood

imports that affects negatively national agricultural production. Agrifood exports will be fostered by improving administrative procedures to export, fiscal and financial incentives and by creating special zones and free ports.

- Implementing integrated rural development plans that improves health, education, and in general the quality f live of people living in rural areas.

The new Venezuelan Constitution, in force, since 2000 defines food security (Art. 305):

" El estado promoverá la agricultura sustentable como base estratégica del desarrollo rural integral a fin de garantizar la seguridad alimentaria de la nación; entendida como la disponibilidad suficiente y estable de alimentos en el ámbito nacional y el acceso oportuno y permanente a éstos por parte del público consumidor. La seguridad alimentaria se alcanzará desarrollando y privilegiando la producción agropecuaria interna, entendiéndose como tal la proveniente de las actividades agrícola, pecuaria, pesquera y acuícola. La producción de alimentos es de interés nacional y fundamentalmente para el desarrollo económico y social de la nación. A tales fines el Estado dictará las medidas de orden financiero, comercial, transferencia, transferencia tecnológica, tenencia de la tierra, infraestructura, capacitación de mano de obra y otras que fueren necesarias para alcanzar niveles estratégicos de autoabastecimiento. Además promoverá las acciones en el marco de la economía nacional e internacional para compensar las desventajas propias de la actividad agrícola.

El Estado protegerá los asentamientos y comunidades de pescadores o pescadoras artesanales, así como sus caladeros de pesca en aguas continentales y los próximos a la línea de costa definidos en la ley" .

This definition of food security, which privileges production rather than consumption, that confuses food security with self sufficiency, is not new in Venezuela. On the contrary, during long time it has been present in the discourse of the Venezuelan politicians and it has been the argument to justify protectionist policies even for products with low comparative and real competitive advantages. The consequence of a self sufficiency approach to food security will be the increase of border protection policies as it will be shown in the part II of this report.

V.- General and sector policies affecting the rural economy

A.- General policies

1.- Fiscal policy

In Venezuela, benefits obtained by primary agricultural activities are exempted to pay income-tax. This implicit subsidy to the agricultural sector could be estimated around between 1.6% and 1.8% of agriculture GDP (AGDP)[30]. Also agricultural machinery and

[30] 1.6-1.8% of total GDP is the income tax that pays non oil activities.

inputs do not pay the value added tax. Then, fiscal policy will mainly affect the rural economy trough public expenditures (subsidies, credit, infrastructure building, wages, technology transfer and research, food programs an so on). During the last decade agricultural public expenditures have been depending upon de total public expenditures cycles. In general, when total government expenditures increases, also agricultural public expenditures rises but not in the same proportion. However the long run trend is to fall as can be seen in table 6 . In the period 1993-1995 average central government agricultural expenditures (CGAE) at constant prices was Bs. 3320 millions, in the period 1996-1998 average CGAE fell to Bs. 2127 (-millions (-35.9%), and in the period 1999-2001, in spite the rise of 2000 and 2001 average CGAE fell again to Bs 2091 millions. Moreover, the relative importance of CGAE in central government total expenditures (CGTE) has decreased respectively in each of the analysed periods from 2,9% (1993-1995) to 1,6% (1996-1998) and 1,3% (1999-2001). In the next table can be observed CGAE had an important increase during 2000 and 2001. Nevertheless, due to the fiscal adjustment of 2002 the expectations are that CGAE will fall again. This is an undesirable outcome because the Venezuelan agricultural sector will need to improve agrifood chains competitiveness. This will require public expenditures in different key areas required to improve competitiveness (research and technology transfer, irrigation, roads and other infrastructure). Estimations of the Ministry of Agriculture (1997) showed that real agricultural public expenditures (assigned trough budget) to the following areas decreased between 1987-88 and 1996.

Table 5: Real Agricultural Public Expenditures (assigned trough budget) in Selected Areas (millions of Bs. at 1984 prices)

Años	Investment	Research	Financing	Technology transfer	Rural development (infrastructure)
1987-1988	1226	178	2476	24	226
1989	98	299	1229	19	251
1990	345	114	1528	21	176
1991	573	160	1289	42	472
1992	510	234	1115	46	216
1993	455	244	521	2	117
1994	158	114	274	3	87
1995	105	154	198	14	147
1996	109	66	232	7	42

Source: Ministerio de Agricultura y Cría (1997).

At the present, cuts in programs related to building infrastructure (roads, irrigation systems and others), technology transfer and public credit are expected. Also the reduction in real total and agricultural public expenditures will delay the implementation of some new laws (specially the land and agricultural development law, the organisation of the Ministry of Agriculture and land) and programs targeted to small producers and rural poor households (specially credit and social programs). More over. It is planned cuts to the region's budgets, thus agricultural public expenditures realised by regional and county governments will be reduced.

Table 6 : Venezuela CGAE –CGTE
(Millions of Bs at 1984 prices)

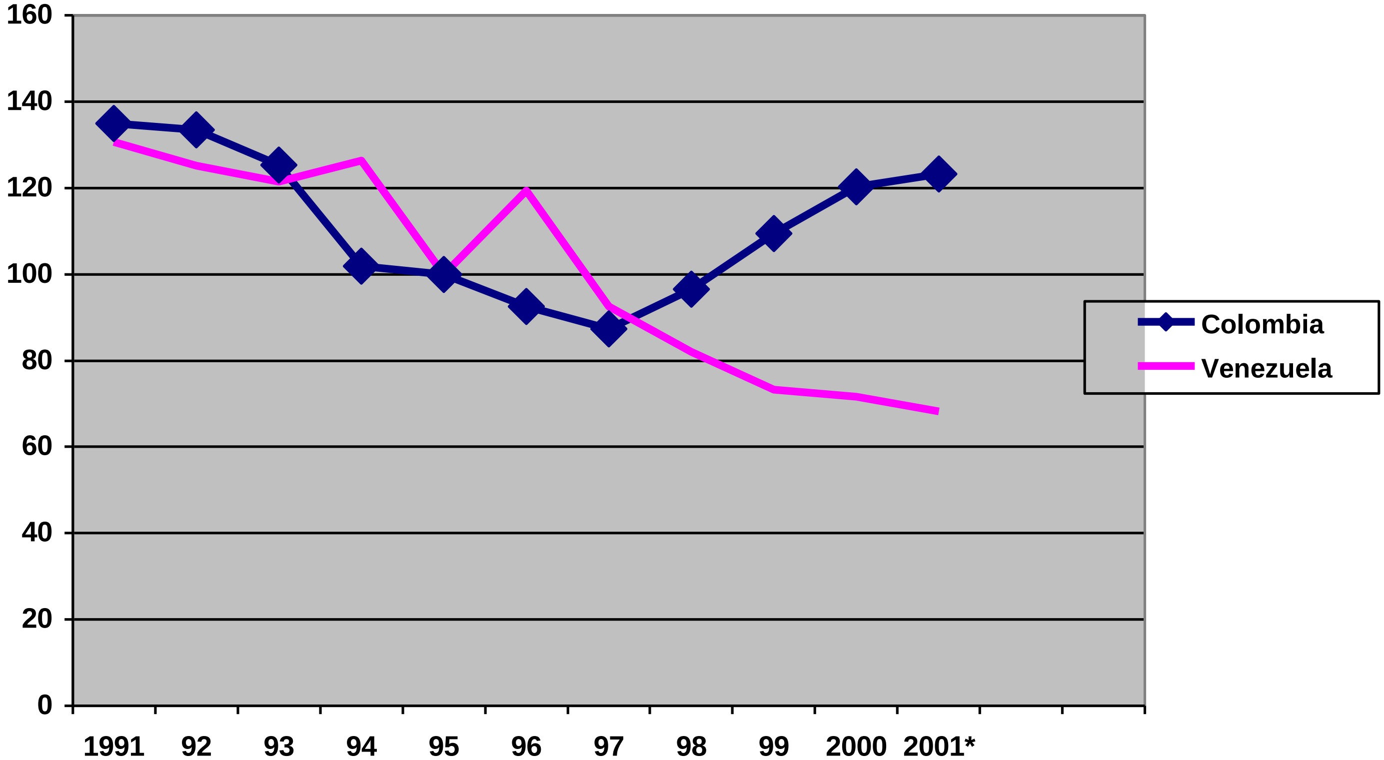
Year	CGAE	CGTE	(CGAE)/CGTE) (%)
1993	4426	112637	3,9
1994	2875	121811	2,4
1995	2660	116576	2,3
1996	1897	123745	1,5
1997	2859	148047	1,9
1998	1625	135995	1,2
1999	929	131647	0,7
2000	1836	166886	1,1
2001	3521	176063	2,0

Source: National Budget Office-Own estimations.

2.- Exchange Rate Policy

In the previous chapter was written that one of macroeconomic policy basis was to appreciate the real exchange rate to avoid inflation pressures. In the next graph it is shown the effective real exchange rate index evolution for Venezuela and Colombia (main partner in agricultural trade). It can be seen that according to ECLAC estimations between 1996 and 2001 (until September) the accumulated appreciation was around 42.9%. It is known one of the main effect of this trend is to reduce the competitiveness of tradable goods producer activities, including the agricultural sector. The out come is an stimulus to increase agrifood imports and decrease agrifood exports, as it will be shown when trade policy be analysed. Another effect is that appreciation of real exchange rate is an implicit tax on internal agrifood producers that at the same time distort resources assignation and real prices paid to them. It will be analysed in the next section the tendency to fall of real agricultural prices received by producers, trend that at least partly is explained by the appreciation of real exchange rate. Under this macroeconomic environment, sector policies with the aim to stimulate internal production will failure or its effects will be reduced, due to the distortion introduced by the real exchange rate appreciation.

Graph 6: Effective Import Exchange Rate Index (1995=100)



(*): until September 2001
Source: ECLAC (www.eclac.org)

Depending upon the depreciation level and the rate of inflation differential between Venezuela and main commercial partners, the new exchange policy announced on February 2002 will introduce some correction to the tendency to appreciate the real exchange rate, with positive effects on tradable agricultural and food industry production[31].

3.- Monetary policy

Table 7 : Nominal and Real Active Interest Rates (%)

Year	Active	Real Active	Agricultural	Agricultural Real Active
1997	22,51	-10,97	19,26	-13,33
1998	47,26	13,36	47,68	13,69
1999	32,23	10,19	33,19	10,99
2000	24,01	9,36	20,03	5,85
2001	24,3	10,69	17,43	4,57
2002*	55,4	19,54	44,0	10,77

Source: Central bank Of Venezuela-Own estimations. (*) Until April 12 2002

As a result of fiscal, monetary and exchange rate policy, since 1998, real active interest rates have been positive even for the agricultural sector (with the exception of the current year 2002). Until 1997 was applied the mandatory lending by banks of a proportion

[31] The new economic program to be announced in the second part of May 2002 will include s stroger real depreciation of the exchange rate to correct exchange rate distortions.

of their portfolio to agricultural enterprises (17.5%). In 1998 was eliminated the banks commitment to apply an active interest rate for agricultural loans equivalent to 85% of the average active interest rate collected by the six main commercial banks. This regulation was implemented again since October 1999. In addition to that, the new law of agricultural credit decreed by 2001 forces the banks to agree with the central government, within the first month of each year, the minimum percentage of the credit portfolio to be lent to the agricultural sector. The active interest rates charged to agricultural loans will be 80% of the weighted average active interest rate when this be lower or equal than 20%. If it is larger than 20%, then the percentage charged to agricultural loans (80% of the weighted active interest rate) will decrease 2 percentage points per each additional percentage point above 20%. Since 2000 it is notorious the subsidy to agricultural loans that results from the difference between active interest rates for non agricultural and agricultural activities.

It was shown in the previous chapter that in order to avoid demand pressures on the exchange market, monetary policy was more active than in the year 2000. Central Bank intervened by selling instruments (REPOS) to avoid the increase of money supply. But central government also intervened selling public debt bonds, causing the rise of nominal and real interest rates by the end of 2001. It is expected that 2002 interest rates will be the highest since 1998. This expectation is due to the larger fiscal deficit that need to be financed , at least partly, through public internal debt. On the other hand, uncertainty and distrust will cause demand pressures on the exchange rate and this will need higher interest rates to stimulate national savings rather than buying US dollars. Thus by the middle of march 2002 nominal active interest rates had moved between a range of 50%-60%, while the expected rate of inflation was around the range of 25%-30%. Then, although active interest rates for agricultural loans had remained lower than nominal active interest rates for the other sectors of the economy, a rise will be the possible outcome according to the new agricultural credit law. This will reduce agricultural short term and investment loans with negative effects on production and investment.

4.- Trade policy[32]

During the 1980's Venezuela applied a protectionist trade policy, mainly for importable goods. Prohibitions and licenses to import for major agricultural products were implemented. That policy changed in 1990 when a radical reform of the commercial policy began and quantitative restrictions to import were dismantled. Also in 1990 Venezuela became a GATT member, and then subscribed the Uruguay Round agreements in 1994. Actually Venezuela is a member of the WTO and participates of several free and trade preference agreements

In general, Venezuela has executed the commitments signed as a member of the World Trade Organization (WTO). Also is a member of the Andean Community of Nations (CAN), a customs union since 1995, with a free trade zone since 1993. In addition to that has signed free trade agreements with México (G3), Chile and economic complementation agreements with Brasil and Argentina two countries member of MERCOSUR Although, since 1990 Venezuela implemented a radical trade policy reform, after 1993 has

[32] This point will be deeper analysed in the part II of this report.

experienced some come back to protectionist practices, some of them affecting directly the agricultural sector. In 1996 protectionist trade policies were relaxed, but after 1999 have been intensified. Among this common protectionist practices are: incorrect applications of safeguards; delays to deliver sanitary allowances to import and other administrative obstructions to import, applications of import licenses regimes within the WTO quota (contingent)-tax agreement; application of import licences regimes to exports coming from country partners within the CAN, and others. These protectionist practices have been denounced before the Andean community of Nations and WTO.

B. Price policies and other institutional reforms during the Chávez administration

1.- Back ground

Venezuelan agriculture received important amounts of subsidies and high border protection during the major part of the 1980's. Subsidies on fertilisers, animal feeds and credit combined with border protection (mainly quantitative restrictions to import) and agroindustry obligations to absorb internal production allowed an average rate of growth during 1984-1988in agricultural GDP of 6.2%, larger than that got by the total and non oil GDP (4.0% and 5.2% respectively). Import substitution policies without taking into account welfare effects on society oriented sector public interventions through 1984-1988. This sector policies were unsustainable when macroeconomic problems arose and forced to adopt an stabilisation and structural adjustment program in 1989 (see Roberts and Trapido 1991; Coles, 1995; Nielson, 1997 and Gutiérrez,1997).

Agriculture was strongly affected by the change in macroeconomic policies and the reforms introduced by the adjustment. First, the fall and change in the orientation of public expenditures, by reducing or eliminating general subsidies, meant that overall government spending on agriculture declined. Second, the agricultural commercial reform, started in 1990, caused the opening of the sector by reducing tariffs and eliminating non tariff restrictions to import. A price band scheme was implemented for some products considered sensitive (corn, wheat, rice, animal feeds, milk and sugar), in order to protect national production and to avoid the transmission of the international price instability within the economy. Restrictions on exports were mostly removed.

The agricultural commercial reform advanced faster than the others, and it is considered one of the most radical executed by any Latin American country. A study, conducted by Barcelo Villa and Garcia Alvarez-Coque (1994), concluded that by 1992, Venezuela was within the Andean Pact the least protectionist country. Moreover, the opening of the economy was fostered by the revival and participation of Venezuela in regional free trade agreements. By the end of 1992, all the quantitative restrictions to import had been removed. This was an important step toward the reduction of the power of "lobbyists" and "rent seekers". By 1995, after the adjustments in tariffs induced by the Andean Pact Agreement (now Andean Community of Nations), average tariffs applied to agricultural goods were set on the average at 12%. Some agricultural products considered as sensitive were included in a price band scheme applied to the members of the Andean Pact, and the quantitative restrictions to import or to export had been eliminated[33].

2.- Price policy

One common practice, restored since 1993, has been government interventions to fix agricultural prices (at the producer level) for some sensible commodities (corn, rice, sorghum, milk, and more recently coffee). For some of these commodities, as in the case of rice, milk and sorghum were implemented formulas that takes into account floor prices fixed by the Andean prices band system, the exchange rate, and another factors (marketing costs up to the factory, seasonal factors.

During the period of controls (1994 - April 1996) the main instrument to protect national agricultural production was implemented trough the delivery of devices to import agrifood goods. In addition to that the refinancing of the agricultural debt with the banks meant an increase in the subsidies to the sector. Quiroz (1999) estimated the amount of subsidies to the agricultural sector around 0.5% of total GDP. In the aftermath of the new adjustment program (Agenda Venezuela) implemented since may 1996 market friendly agricultural policies were introduced . This was achieved by liberalising the markets (including the exchange market). Yet Venezuela had adopted the Andean band system of prices for sensible agricultural commodities, price policies based on definition of formulas were set for rice, sorghum and fresh milk (See Badillo 2002). Protectionist trade polices consisted in delays to delivery sanitary permissions to import and by the end of 1998 only sorghum and yellow corn were on the regime of tariff-quota negotiated by Venezuela in the Uruguay Round.

The Chávez agricultural policy defined as main general objectives: a) to rescue and transform productive chains stimulating competitiveness and sustainable development ; b) to promote rural development, specially in strategic areas for the country development, and c) to guarantee food security and the supply of biological fibres, derived from the agricultural activity. Specific objectives included : to strength the capacity of the ministry of production and commerce; to strength de development of production areas and leaders agrifood chains: to promote de competitive development of productive chains; to achieve a positive insertion of the Venezuelan agriculture in the international trade; to strength the agricultural innovation and technological system; to improve the quality of live of people living in rural areas; to guarantee the social function of land; to guarantee population food security, and to foster and widen food social programs (Ministry of Planning, 2000) A brief summary of the main sector policies implemented since 1997 are in the box 1.

[33] The main products included in the price band scheme are : rice, white and yellow corn, sorghum, soybean, sugar, poultry, pork and milk.

Box 1: Some Important Policy and Institutional Changes since 1996[34]

- **Began the implementation of the Agricultural extension program (1996).**
- **Elimination of mandatory Banks lending portfolio to the agricultural sector (1997).**
- **Adoption of formulas to fix prices for rice, sorghum and fresh milk.**
- **Tariff-Quota and import licenses regime for sorghum and yellow corn (1997).**
- **Elimination of preferential interest rates to agricultural loans (1998)**
- **Creation of the External Trade Bank in 1998.**
- **In 1999 was eliminated the Ministry of agriculture and it was included in the new Ministry of production and commerce. In 2001 it was announced the creation again of the Ministry of agriculture and land.**
- **In 1999 The Ministry of agriculture defined " flag products" (productos bandera: rice, sugar cane, oil palm, coffee, cocoa, live stock, Fishery); and strategic products (cotton, white maize, sorghum, beans, roots and tubers, horticulture, plantain and bananas, export fruits, poultry- eggs and pork meat. These products would be considered priorities for the sector policies**
- **Widening of the tariff quota and the import licenses regime since 1999 (sorghum, yellow and white corn; soybean, oil palm and oleaginous, sugar , milk and derivatives).**
- **Reforms to agricultural credit law. Preferential interest rates to agricultural loans were determined, and a banks lending portfolio to the agricultural sector must be agreed at the beginning of each year between the government and the Banks.**
- **Elimination of the Former Agricultural credit Fund substituted by the Fund for agricultural, forestry and fishery fund (FONDAPFA).**
- **Elimination of cocoa (FONCACAO) and coffee FONCAFE) development funds.**
- **Elimination of the former Agricultural credit Institute (ICAP).**
- **Former Agricultural research fund (FONAIAP), now called National Institute for agricultural research (INIA), was assigned to the new Ministry of science and technology .**
- **Fishery law (2001).**
- **Land and agricultural development law (2001).**
- **New Agricultural marketing law (2001).**
- **New law of special development zones (2001)**
- **New seeds law (2001).**

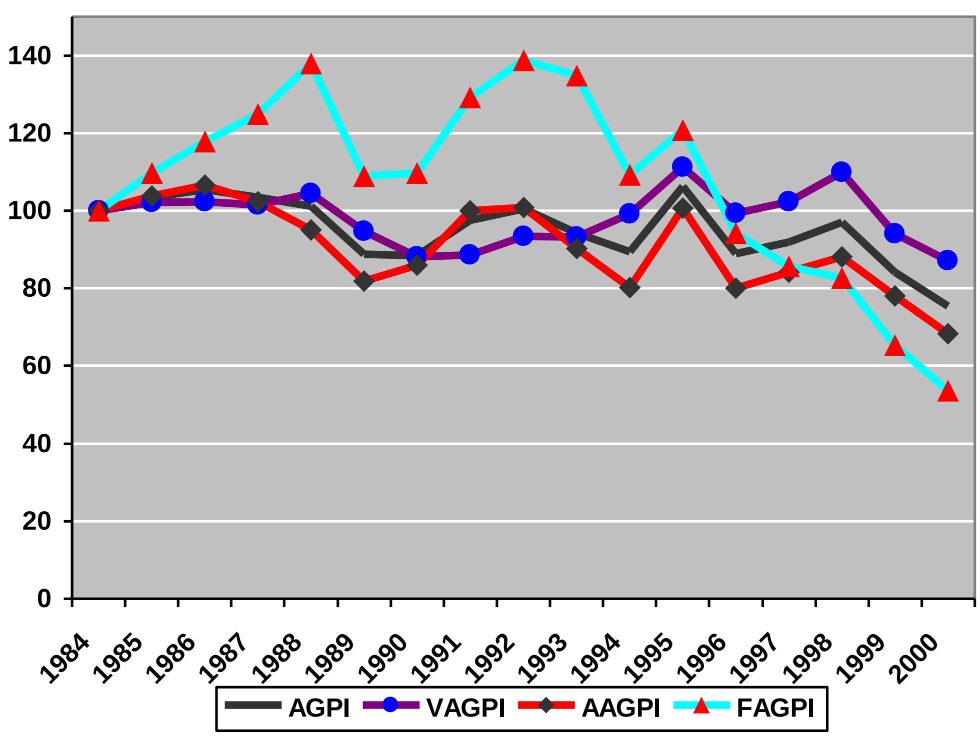
In order to guarantee the market for national agricultural production since 1999 the Chávez administration has fostered and widen protectionist trade policies. This has been achieved not only trough the delays and negatives to delivery sanitary allowances and licenses to import agrifood goods, but by increasing the number of products subject to the tariff quota regime (agreed in the Uruguay Round). While in 1998 only sorghum and yellow corn were subject to the tariff quota regime, actually sorghum, yellow and white corn; soybean oil, oil palm and oleaginous, sugar , milk and derivatives are subject to the quota tariff regime. In addition to that to import a license given by the Ministry of

[34] This topic will be widen in the report dedicated to institutional aspects.

agriculture is required. This policy is combined with import licenses regimes to assure demand for national production. Also in some cases (i.e. corn), the government has supported directly the prices by making the agro-industry buy surpluses at a lower price and the government pays the difference, although this payment is carried out with delays. In other cases, like coffee, government transfer resources to CASA (a public marketing enterprise) to pay to producers the amount of surpluses stored.

It is important to notice that the tendency to rise government intervention in agricultural markets by fixing prices and import restrictions could be influenced by the exchange rate policy. This policy caused an appreciation of the real exchange rate since 1997 up to the present that affected negatively the competitiveness of agricultural tradable goods and augmented producer claims for protectionist trade policies. However, despite government intervention in agricultural markets to compensate agricultural producers by the implicit taxation introduced trough the exchange policy, real agricultural prices received by producers has shown a clear tendency to fall during the last years (see next Graph and tables). This trend also can be interpreted as a decrease of the rural-urban terms of trade, since the deflator used for real prices has been the implicit deflator of total GDP, which is not strongly influenced by agricultural prices[35].

Graph 7: Real prices Index received by producers: Agricultural (AGPI); Vegetable Agricultural (VAGPI); Animal Agricultural (AAGPI) and Fishery (FAGPI)



[35] The weight of agricultural GDP in total GDP is around 4-5%.

Table 8 : Real Prices Paid to Agricultural Producers Index

Year	Corn	Rice	Sorghum	Fruits	Horticulture	Potato	Beans	Textiles, oil palm and Oleaginouss	Coffee, Cocoa and Others
1984	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0
1985	104,1	117,0	113,4	92,3	96,7	79,9	233,6	233,6	106,1
1986	95,1	111,0	103,1	96,7	96,2	119,7	231,3	231,3	103,5
1987	89,1	113,0	92,8	94,7	127,7	122,6	210,7	210,7	99,0
1988	81,8	118,1	83,7	102,2	136,6	108,0	199,8	199,8	103,3
1989	73,3	110,5	89,5	92,1	80,8	85,2	249,5	249,5	90,2
1990	77,6	94,4	96,9	81,3	97,3	92,9	192,5	192,5	71,4
1991	67,4	98,2	84,4	81,7	80,1	77,5	161,2	161,2	88,0
1992	64,1	78,0	77,4	121,8	72,7	74,8	126,8	126,8	91,1
1993	62,8	67,6	68,9	140,6	78,8	64,6	120,9	120,9	79,6
1994	67,4	85,0	69,8	130,5	97,9	81,9	134,0	134,0	93,7
1995	65,4	92,6	74,0	158,8	106,4	84,7	160,1	160,1	112,7
1996	77,5	100,0	79,1	116,7	65,3	83,2	109,0	109,0	114,6
1997	81,0	90,6	80,1	119,2	62,5	76,4	102,8	102,8	124,7
1998	69,3	84,3	62,7	129,2	81,2	75,0	134,5	134,5	137,7
1999	59,9	65,4	52,1	107,5	68,7	62,8	107,3	107,3	126,2
2000	55,6	51,5	73,1	108,1	67,2	43,0	91,2	91,2	108,2

Source: Central Bank of Venezuela-Own estimations.

Continuation of table 8

Year	Milk	Beef	Chicken	Eggs
1984	100,0	100,0	100,0	100,0
1985	119,7	98,3	102,9	87,0
1986	107,9	100,4	133,8	87,9
1987	94,4	109,1	107,8	85,0
1988	82,2	102,8	108,3	75,0
1989	77,0	71,8	113,9	90,2
1990	71,5	72,7	130,5	118,6
1991	82,5	94,6	138,9	112,1
1992	89,6	93,4	139,0	105,1
1993	77,3	81,2	120,5	120,9
1994	63,3	73,4	113,4	107,1
1995	81,5	122,2	68,5	105,8
1996	73,5	87,0	58,5	100,9
1997	67,4	97,5	58,8	110,4
1998	74,0	98,8	76,7	96,7
1999	64,9	89,3	66,6	65,4
2000	54,8	80,0	59,3	53,6

C.- Agricultural sector main results during the last decade

1.- General trends

Graph 8: Venezuela Per Capita Agricultural Gross Domestic Product (PCAGDP) (Bs at 1984 prices)

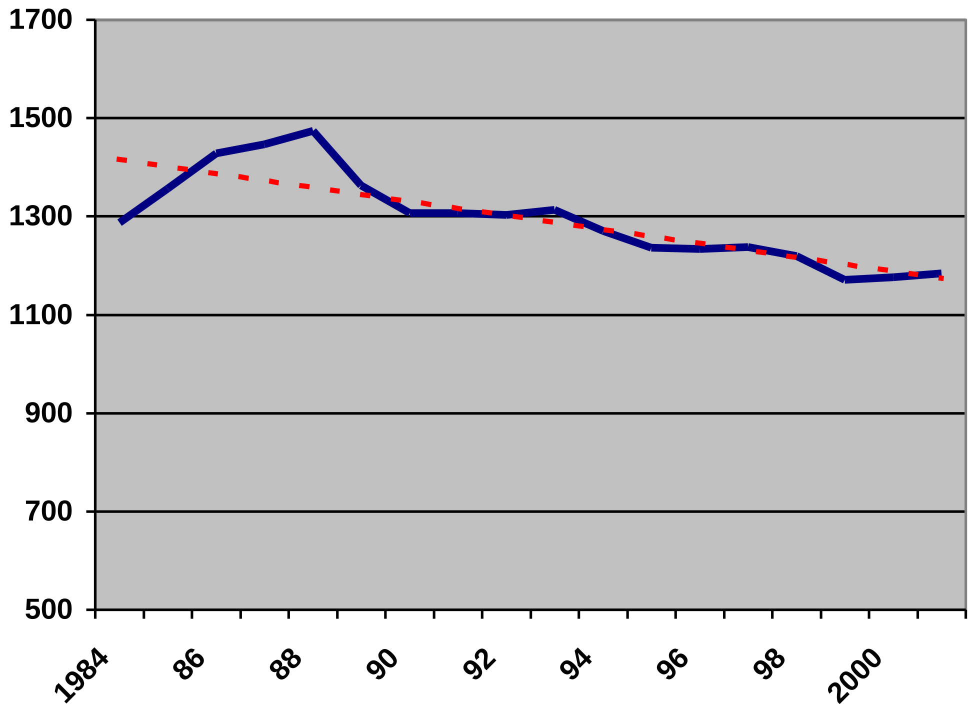


Table 9 : Venezuela Production Averages Rate of Growth

	1987-88/1992-93	1992-93/1997-98	1997-98/2000-01
GDP	3.1	1.6	-0.6
Non oil GDP	2.5	1.0	-1.5
Per Capita GDP	0.7	-0.6	-2.5
AGDP	0.2	0.9	0.6
Per Capita AGDP	-2.2	-1.2	-1.3

Source: Central Bank of Venezuela-Own estimations

As can be observed in Graph 8 and table 9, per capita agricultural GDP (PCAGDP) has had a clear tendency to decrease during the 1990's, and with the exception of the period (1997-98/2000-01) the rate of growth has been worst than the rest of the economy. It is important to notice that during 2000 and 2001, agricultural gross domestic product had positives rates of growth of 2.4 and 2.6 % respectively. This positive growth impeded the declination of PCAGDP by 2000 and 2001 and represented a positive answer to the government efforts to increase agricultural production by subsidising it (trough cheap credit) and protecting it by implementing quantitative restrictions to import cereals, oleaginous, milk and other products. Thus, without taking into account the effects on production efficiency, equity and net welfare costs for society, it can be concluded that Chavez's administration has stimulated certain agricultural recovery. However, due to macroeconomic instability and the fiscal deficit the sustainability of this policy will be very difficult in the future. It will be shown in part II of this report the high costs for society of implementing the policy.

A partial conclusion is that in general, during the nineties, and in the last three years, the incentives for the sector have not been the best to achieve a sustained growth. At the same time agricultural public expenditures and investment fell, the appreciation of real exchange rate and the tendency to fall of prices of agricultural commodities in the international market (after 1995)[36] created the conditions for the fall of real prices received by agricultural producers (see table 8). Thus, spite of the efforts of different governments, since 1993, to compensate agricultural producers by introducing some protectionist policies, with the exception of the period 1992-1996, real prices received by producers fell . This affected negatively the rate of benefits in the agricultural sector.

In this report it is assumed the hypothesis that general trends presented by the agricultural sector since 1996 are result of macro policies and the evolution of international prices for agricultural commodities, that have distorted incentives while sector policies have not been efficient to compensate the sector by those external effects.

Quiroz (1999, 2001) used a single model to isolate the effects on real prices received by producers. The model is the following:

(Pi/P) = (Pi*/P*)(RER)(1+ti)(1+OF) where:

Pi = the domestic price for product i
P= the general level of prices (i.e: GDP implicit deflator)
Pi* = The international price of product i.
P*= The general level of international prices (ie: the US whole sale price index)
RER= The real exchange rate.
ti = the equivalent tariff level.
OF= Other factors affecting the real prices received by producers do not related directly with commercial policy.

[36] Between 1996 and 2001 FOB prices of certain commodities fell as follows : white rice (Bangkok) 48%; palm oil (Rotterdam) 46.3%; soybean oil (Argentina) 40.2%; sunflower oil (Argentina) 18.9%; soybean flour (Rotterdam) 32.8%; Yellow Maize (Gulf of Mexico) 47.1%; white corn (Kansas city) 51.4%; wheat (Gulf of Mexico) 39.2%; coffee Arabian (New York) 48.4%; Cocoa grain (New York-London) 20%; crude sugar (New York) 27.0% .For more details see www.fedeagro.org.

If the equation is expressed in log and differentiated with respect to time then the change trough the time of real prices received by producers can be written as the sum of the changes trough the time (average rates of growth) of: real international prices of product i, the real exchange rate, the tariff level and OF. If it is not available information about the implicit tariff level (1+ti) it can be estimated a residual that would include the effect on real prices received by producers of (1+ti)(1+OF). Since OF are basically structural factors that do not change rapidly, it can be assumed the change in that residual is mainly due to changes in commercial policy.

dlog(Pi/P)/dt = dlog((pi*/p*)/dt + dlogRER/dt + dlog(1+ti)/dt + dlogOF/dt

In the following table are presented the results obtained for the following agricultural products: rice, white corn, sorghum (yellow corn) and milk.

Table 10 : Venezuela: explaining the changes in real Prices received by producers (RPRP)

	1992-96	1996-2000
Rice	Average Rate of Growth (%)	
Pi/P	6,4	-15,2
Pi*/P*	3,5	-12,6
RER	-1,2	-12
(1+ti+OF)-Residual	4,1	9,4
White Corn	Average Rate of Growth (%)	
Pi/P	4,5	-8
Pi*/P*	10,7	-20,2
RER	-1,2	-12
(1+ti+OF) – Residual	-5	24,2
Sorghum	Average Rate of Growth (%)	
Pi/P	0,5	-2
Pi*/P*	10,5	-16
RER	-1,2	-12
(1+ti+OF)-Residual	-8,8	26
Milk	Average Rate of Growth (%)	
Pi/P	-4,8	-7,1
Pi*/P*	3,8	-8
RER	-1,2	-12
(1+ti+OF)-Residual	-7,4	12,9

Sources: IMF- International Financial Statistics- Central Bank of Venezuela
Own estimations.

According to those results, for the period 1992-1996, with the exception of milk, RPRP increased. And that rise can be mainly explained by the positive effects of the increase of real international prices (Pi*/P*) while the RER and (1+ti)+(1+OF) had a negative effect on RPRP. It is important to notice that the effect of RER although was negative (-1,2) could be compensated by the increase of (Pi*/P), and in the case of rice, the commercial policy allowed to export to the Colombian market (generating trade deviation) due to its condition of partner of the Andean custom union (Quiroz, 1999). Notice that for sorghum and white corn the commercial policy and OF had a negative effect that could be due to the elimination of the control of the exchange rate in 1996 and the relax of restrictions to import. In the case of milk, despite the increase in (Pi*/P) the commercial policy, more liberal in 1996 than in the past, compensated the positive effect of the rice in international prices. The results found for the period 1992-1996 are similar to those obtained by Quiroz (1999) who concluded that the general rice of RPRP with the exception of milk and beef was mainly explained by the increase of real international prices and the protection of policies that restricted imports in the case of rice.

The period 1996-2000 presented a change in the tendency of RPRP. Now all the analysed products showed a fall that is mainly explained by two factors: a) the decrease of real international prices, and b) the appreciation of the real exchange rate. Those negative effects on RPRP could not be compensated by the government efforts to protect national production by increasing the number of products included in the tariff-quota regime, the adoption of administrative and sanitary norms to restrict imports. It can be observed in the before table that the effect of the residual (1+ti+OF) augmented during the period 1996-2000. Although the ideology that orients government interventions stimulates protectionist trade policies, it can not be ignored that the intensification of restrictions to import agricultural goods since 1999 could has been an answer to the agricultural producers claims. Those producers claims could be justified by the negative evolution of the international prices for agricultural commodities and the macroeconomic policy that appreciated the real exchange rate, with negative effects on the agricultural sector competitiveness, and, at the end, on the agricultural rate of benefits.

During the period 1984-1988 the Venezuelan agriculture was highly supported and protected by the state. The result of these policies was an important growth of the agricultural sector at a rate higher than the rest of the economy. While between 1984 and 1988, total and non oil GDP grew at an annual rate of 4.0 and 5.2 % respectively, agricultural GDP grew at 6,2 %. A variable that shows the response of agricultural producers to these policies was the tremendous increase in the harvested area. It rose from 1.6 to 2.3 millions hectares. It was noteworthy the tremendous increase in the production of maize, sorghum, sunflower, sugar cane, black beans and poultry. This increase was mainly due, in the case of crops, to the growth in the use of agricultural inputs rather than improvements in productivity and efficiency (see Gutiérrez, 1997).

The market oriented reforms implemented in Venezuela after 1989 meant a radical change not only in macroeconomic, but in sector policies. Input subsidies and protectionist trade policies for importable agricultural products were dismantled and agricultural production fell. Although the Venezuelan agricultural production has decreased during the 1990's, the outcomes have not been generalised, and this has produced changes in the structure of agricultural production. In Annex 2 it is shown the dynamics of main agricultural products (average rates of growth) during the years 1988-2000. A summary of those results are the following:

- Output of some products that in the 1980´s had an important growth due to the high protection and government support declined along the 1990's. This was the case of sorghum, black beans sunflower and oleaginous, sugar cane and milk. Those products showed an average rate of growth during the period 1984-1988 respectively of : 12.2%; 20,1%; 237.4%; and 4.5%. However that trend changed during the 1990's. Thus, in the period 1988-89/1999-2000 the products that showed a high average rate of growth were: corn (2.3%); rice (6.5%); potato (4.5%); Cassava (5.1%); papaya (5.1%); melon (10.7%); Plantain (2.6%); horticulture products (7.8%), poultry (4.9%). On the contrary, the following products had average rates of growth stagnant o declining: sorghum (-3.8%); black beans (-6.7%); sunflower (-20.5%); milk (-1.6%); pork meat (-0.5%). Some products in which the country has comparative advantages like tropical fruits, cocoa, coffee and others have not had a high sustained growth. However, they accompanied by those products that during the 1990's had a good rate of growth could be the priorities of the new sector policies to increase agricultural competitiveness. For more detailed analysis see annex 2. As a summary it can be concluded that the changes in macroeconomic and sector policies influenced the dynamics of agricultural products producing important changes in the structure of production. This will be shown ahead.
- In Annex 2 also it is shown the dynamics of main agricultural products (average rate of growth) during the period 1995-1996/1999-2000. Among the products with negative rates of growth were: rice (-2.4%), black beans (-6.7%); banana (-5.8%), mango (-1.2%), orange (-5.8%), garlic (-1.0%), milk (-0.8%) and pork meat (-2.9%). If those products with average rate of growth lower than that of population (2.04%) are added at the group of products with bad performance (negative rates of growth), also must be included the following: sorghum, garlic, soybean, and livestock. Products with positive rate of growth larger than that of population were: sesame (10.1%), palm oil (13.5%), potato (4.2%), cassava (16.3%), papaya (8.6%), melon (17.8%), plantain (5.5%), horticulture products (7.8%), coffee (3.5%), sugar cane (8.4%), poultry (4.7%). Products, like milk with special support of the state trough credits and protectionist trade policy declined. It is remarkable that products that has been under the regime of tariff- quota like sorghum, corn, sugar cane and palm oil have improved their performance during the last three years, but at a high net welfare costs for society.

2.- Labour productivity

Agricultural labour productivity **(Y/L)** grew at an annual average rate of 1,0% during the period 1982-1988 (before the beginning of the reforms). However, in the aftermath (1988-2000) that trend was reversed and the average rate of growth was –1,0%. It is important to notice that during the years market oriented reforms advanced faster (1988-1993) the increase of agricultural labour productivity continued, and the period that defines the reversal of the positive trends of labour productivity (1993-2000) had a rate of growth of –2.7%. According to the Hayamy-Ruttan model (1985) the changes in **(Y/L)** can be explained by : a) the relationship between agricultural area per worker **(A/L)** , and b) the productivity of land **(Y/A)**[37]**.** In the next table is presented the results obtained for several periods. Thus, during 1982-1988 the increase in labour productivity **(Y/L)** can be mainly explained by the rise of **(Y/A)** since **(A/L)** fell. During the period of rapid implementation of reforms (1988-1993) the rise of (Y/L) is explained by the increase of both (A/L) and (Y/A). (A/L) increased as a consequence of a reduction in agricultural employment (L) larger than that of agricultural area (A). (Y/A) rose as a result of the decrease in A rather than the rise of agricultural GDP (Y), which remained stagnant. During the period 1993-2000 the negative rate of growth of (Y/L) might be mainly explained by the fall of (A/L), which is mainly due to the rise of (L). In addition to that (Y/A) continued to grew as a consequence of the reduction of (A) rather than the increase of agricultural GDP (Y). Thus the rise of land productivity (Y/A) caused mainly by the reduction of A and the reduction of (A/L) in a larger percentage, due to the reduction of A, appears to be the main factors explaining the trends of agricultural labour productivity before and in the aftermath of the agricultural structural adjustments.

Table 11 : Explaining the Changes in Venezuelan Agricultural Labour Productivity

Periods	(Y/L)	(A/L)	Y/A
1982-1988	1,0	-1,6	2,6
1988-2000	-1,0	-1,1	0,6
1988-1993	1,7	1,3	0,4
1993-2000	-2,8	-3,4	0,6

Sources: Central Bank of Venezuela-FAO-Own estimations
Note: (Y/L) and (Y/A) are measured at 1984 prices.

2.- Structural changes during the 1990's

Although there has been a process of stop and go in implementation of market oriented reforms since 1992, the state could not continue to support and protect the agricultural sector as it did during the 1980's. The opening of the economy and the changes in trade policy that impedes to come back to generalised protectionist policies (like those applied during the 1980's), the participation of the country in regional economic integration agreements and as a member of the WTO, and the elimination and reduction of some input subsidies (fertilisers, animal feeds, credit) produced modifications of the relative prices and certain structural changes on the sector along the decade. Thus, in the following pages it will be shown some evidences of structural changes that experienced the sector during the 1990´s.

[37] Agricultural area is measured as the sum of crop land area+ permanent crops and pastures area.

a) **Harvested area structure**

Table 12: Venezuela harvested area structure (%)

PRODUCTS-GROUPS	1987-88	1992-93	1997-98	1999-2000*
CEREALS	51,5	43,6	44,9	40,9
BEANS	3,9	3,5	2,8	2,3
TEXTILES AND OLEAG.	12,3	8,6	9,8	9,2
ROOTS AND TUBERS	3,4	4,0	4,8	5,4
FRUITS	7,9	12,0	12,1	12,5
HORTICULTURE	1,1	1,7	2,5	2,8
COFFEE	11,8	15,2	11,6	14,8
COCOA	2,5	3,9	3,7	3,1
SUGAR CANE	5,1	7,0	7,3	8,6
TOBBACO	0,4	0,5	0,5	0,4
TOTAL	100,0	100,0	100,0	100,0

Source: Ministry of production and commerce and own estimations

Table 13 : Venezuela Relative importance of product harvested area in each group (%)

PRODUCTOS	1987-88	1992-93	1997-98	1999-2000*
CEREALS	100,0	100,0	100,0	100,0
RICE	10,7	20,9	22,1	22,2
CORN	56,2	50,1	52,9	54,2
SORGHUM	33,1	29,0	25,0	23,6
BEANS	100,0	100,0	100,0	100,0
VETCH	3,4	1,7	0,3	0,2
BLACK BEANS	67,1	47,9	48,8	45,0
FRIJOL	19,5	33,6	42,1	48,3
QUINCHONCHO	10,0	16,8	8,9	6,6
TEXTILES Y OLEAG.	100,0	100,0	100,0	100,0
SESAME	52,2	21,0	28,2	36,7
COTTON	18,9	28,7	26,7	17,5
COCONUT	7,7	16,9	15,2	17,6
SUNFLOWER	13,2	16,2	4,3	3,0
PEANUTS	3,5	2,1	0,7	0,3
SISAL	2,0	5,5	7,0	7,1
SOYBEAN	2,6	1,4	1,3	1,2
OIL PALM	0,6	8,2	16,6	16,6
ROOTS AND TUBERS	100,0	100,0	100,0	100,0
POTATO	21,0	20,5	25,0	24,8
CASSAVA	51,8	45,4	51,4	54,4
OTHERS	27,1	34,1	23,6	20,8
FRUITS	100,0	100,0	100,0	100,0
AVOCADO	5,5	5,4	2,3	3,1
BANANA	28,9	28,2	24,4	22,4
PAPAYA	1,5	1,4	2,8	3,0
MANGO	4,2	4,1	4,6	4,5

PRODUCTOS	1987-88	1992-93	1997-98	1999-2000*
HONEY MELON	2,0	2,1	4,4	4,5
ORANGES	19,3	18,5	16,4	14,0
WATER EMLON	2,6	4,3	7,3	7,1
PLANTAIN	33,4	32,3	31,8	32,9
PINE APPLE	2,1	3,3	5,6	8,2
GRAPES	0,4	0,4	0,4	0,4
HORTALIZAS	**100,0**	**100,0**	**100,0**	**100,0**
AJO	6,3	4,9	4,0	3,7
PIMENTON	9,1	10,4	13,5	15,3
TOMATE	39,4	43,1	28,8	24,3
ZANAHORIA	8,4	8,6	19,2	16,6
OTHERS	36,8	33,1	34,4	40,1
COFFE, COCOA,SUGAR				
CANE AND TOBACCO	**100,0**	**100,0**	**100,0**	**100,0**
COFFEE	59,5	57,0	50,3	55,0
COCOA	12,6	14,8	16,2	11,6
SUGAR CANE	25,8	26,2	31,4	32,0
TOBACCO	2,0	2,0	2,1	1,4

Source: Ministry of production and commerce and own estimations

Area harvested decreased from an average for 1987-1988 of 2291568 has. to 1560371 has. average for 1999-2000, it meant a decrease of harvested area of 31.9%. Obviously this decrease did not affect in the same way all the agricultural products see annex 3 and table . Then there was a change in the structure of land use. Main changes were the following :

- The fall experienced by cereals harvested area that caused a change in relative importance of the group in total harvested area from 51.5% in 1987-88 to 40.9% in 1999-2000. See table .
- Also harvested area relative importance fell for the following agricultural groups: beans, Textiles and oleaginous while tobacco remained constant. See table
- A trend to increase relative importance in total harvested area was observed in the following agricultural products: roots and tubers, fruits, horticulture, coffee, cocoa, and sugar cane.
- Within each group there were interesting structural changes alon the 1990's. For example in the case of cereals while corn harvested remained almost the same as the end of 1980's rice increased in absolute and relative importance of cereals total harvested area. On the other hand, sorghum harvested area decreased not only in absolute terms, but in relative. See table and annex 3. Almost al the groups showed a change in harvested area structure. In the case of beans is notorious the decrease of relative importance in total harvested area of black beans (caraotas). It is important to notice the increase in relative importance of palm oil and the fall of sunflower in textiles and oleaginous. In the roots and tubers group potato and cassava rose its relative importance; in the horticulture group while carrots and onions increased its relative importance tomato fell it. Traditional agricultural products like coffee and cocoa

presented a little decrease in their relative importance with respect to total harvest area while sugar cane increased it.

- Those products that increased its relative importance in total harvested area within each group were not only less negatively affected by market oriented reforms implemented during the 1990's, but in some cases also had production growth. In general, those products have certain competitive and comparative advantages, and they could the base for the future development of Venezuelan agrifood chains.

b) Value of production structure

Table 14: Venezuela Value of Production Structure (%)
(selected groups)

PRODUCTS	1987-88	1999-2000*
CEREALS	**100,0**	**100,0**
RICE	13.7	23.6
CORN	59.8	61.9
SORGHUM	26.4	14.5
TEXTILES Y OLEAG.	**100,0**	**100,0**
SESAME	22.9	5.1
COTTON	26.7	4.7
COCONUT	3.0	0.3
SUNFLOWER	19.3	5.8
PEANUTS	14.6	0,5
SISAL	1.7	1.2
SOYBEAN	1.9	0.4
OIL (AFRICAN) PALM	9.9	82.1
HORTALIZAS	**100,0**	**100,0**
GARLIC	13.1	9.4
GREEN PEPER	6.5	10.4
TOMATO	52.0	34.2
CARROTS	3.2	10.1
OTHERS	25.2	35.9
ANIMAL SUB-SECTOR	**1987-88**	**1999-2000***
TOTAL	**100.0**	**100.0**
MILK	23.0	15.7
LIVESTOCK	33.3	34.9
POULTRY	24.3	32.9
EGGS	8.3	8.4
OTHERS	11.1	8.1

Source: Ministry of production and commerce and own estimations

The changes in macro and sector policies has also produced structural changes in the value of production by groups. In table 14 are presented the changes in the relative importance for some selected groups between 1987-88/1999-2000. It can be seen that:

- In cereals main structural changes were the increase in relative importance of rice (from 13.7% to 23.6%) and the declination of sorghum (from26.4% to 14.5%). Since rice is considered a product in which the country has some comparative and competitive (in the Andean markets) advantages this structural change is considered positive.

- In the case of textiles and oleaginous it is remarkable the tremendous increase in the relative importance of palm oil from 9.9% to 82.1%, and the decrease in the relative importance of sunflower, sesame, peanut and other oleaginous. This structural change can also be considered positive, since the country has ecological conditions to produce African palm, and the future of oleaginous production will rest in this product. Short cycle oleaginous (like sunflower, soybean, and sesame) have not competitive advantages to compete with crude oil imports coming from USA, Argentina, Bolivia, Paraguay and Brazil.
- Horticulture products present interesting structural changes. It is noteworthy the declination of relative importance for tomato (from 52.0 % to 34.2%), due to low competitiveness against tomato imported from Chile and Colombia. Garlic has also have problems to compete with imports coming from Andean countries and the result has been a decrease of its relative importance. However, the country has shown comparative and competitive advantages for several horticulture products, like carrots, green pepper and other horticultural products. They have had a rise in therir contribution to the value of production.
- In The animal sub-sector main structural changes were : a) the decrease of relative importance of milk (from 23.0% to 15.7%), pork meat (from10.2% to 7.1%); and b) the rise of the relative importance of poultry meat (basically chicken) from24.3% to 32.9 %.

c) Yields

One important structural change during the 1990's was the rise of land productivity and yields. In the following table it is shown that during the 1990's the rate of growth of the real value of vegetable agricultural production (VVAP) it is mainly explained by yields measured in Bs at 1984 prices per hectare instance of the increase in harvested area. The fact that VVAP can be mostly explained by increase in yields suggests that some technological change was incorporated to production. This result represents an important change with respect to the tendency of the period 1984-1988. By that period, the high rate of growth of VVAP was mainly explained (96.5%) by the increase in harvested area, and it was an extensive growth. This aggregated outcome is confirmed by the tendency presented by most of the agricultural products during the 1990's. It can be observed in annex 4 that almost all the agricultural products exhibited an increase in yields. This was the case of rice, corn, oil palm, potato, cassava, fruits, garlic, onion and others. For more details See annex 4. The progress obtained does not mean that yields do not need to be increased. On the contrary it is one of the challenges to address in order to get a competitve agricultural sector.

Table 15: Venezuela: explanation of the rate of growth of the real value of vegetable agricultural production (VVAP)

Periods	Average Rate of growth of VVAP	Growth explained by: Harv. Area	Yields (Bs./ha)	Inter.Effect.
1984-1988	9,21	8,89	0,29	0,03
1988-1993	-0,61	-5,55	5,23	-0,29
1993-1998	4,35	-0,92	5,31	-0,05
1998-2000	3,12	-1,47	4,65	-0,07
1988-2000	5,36	-0,30	5,67	-0,02

Source: Ministry of production and Commerce-Own estimations

d) Use of inputs : the case of fertiliser

Another important structural change is related to inputs use. During the 1980's the government subsidised the use of inputs such as fertiliser and animal feeds. Since 1989 animal feeds subsidy was eliminated and began a process to gradually eliminate fertiliser subsidy. This was finally achieved in 1993 when the fertiliser subsidy was eliminated. At the same time the subsidy was reduced real fertilisers prices increased and makes farmers to reduce its use and taking care of a more proper use of that input (changes in the production function). Thus according to FAO statistics while in 1987-88 the consumption of fertilisers in Venezuela amounted an average of 638483 t. By 1998-1999 that average fell to 224225 t. The following table shows the evolution of fertiliser consumption in Venezuela

Table 16: Venezuela Fertiliser consumption
(hundred of grams per hectare of arable land)

1979-1981	1987-1988	1992-1993	1996-1998
711	1580	874	1058

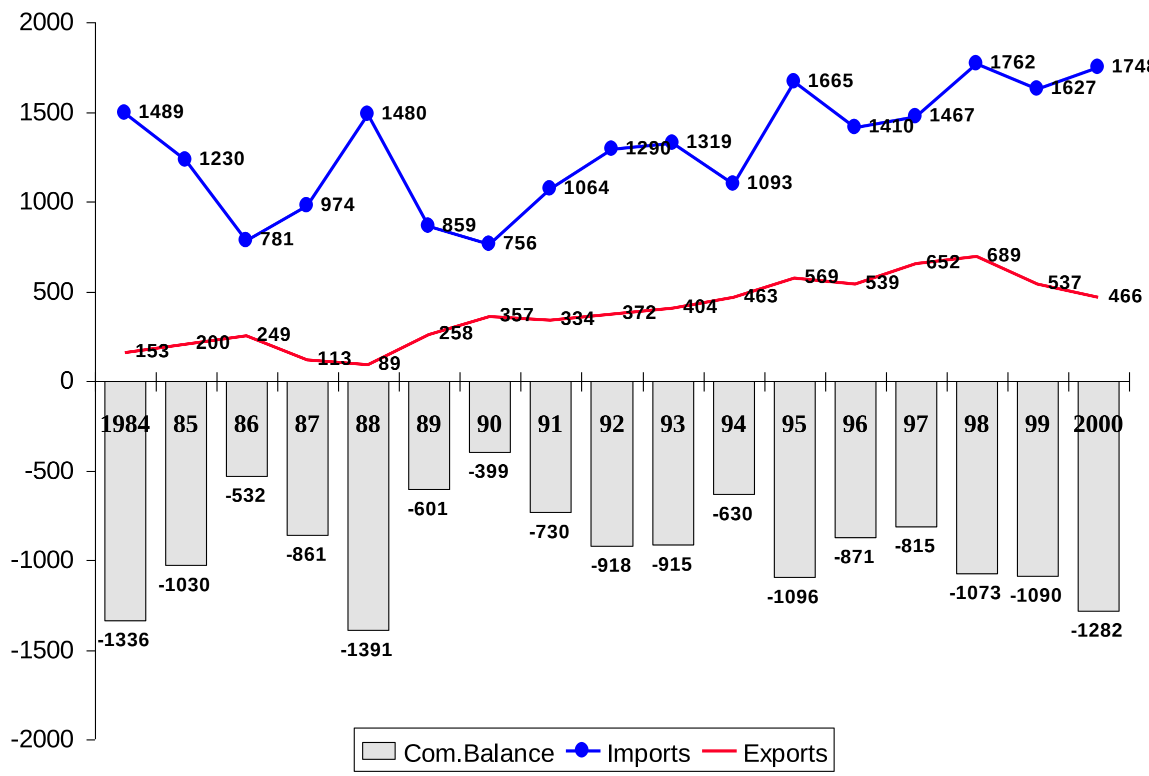
Source: World Bank Development Indicators

It is important to notice that this dramatic reduction did not produce a decrease in yields. On the contrary as it was showed land productivity rose during the 1990's.

e) External trade structure : the case of agrifood exports

During the analysed period Venezuela continued to present a structural deficit in its agrifood commercial balance. One point to remark is that since 1998 that deficit has risen as a result of increasing imports while agrifood exports fell. The agrifood exports outcomes of 1999 and 2000 broke the tendency to grow since 1989. This results appears to reflect the negative effect of the appreciation of real exchange rate on exports while stimulated imports growth . Among the main agrifood imports are: wheat; yellow corn; powdered milk; soybean cake, vegetable oils, whisky, sugar, soybean (grain), black beans and barley (for beer). This structure have not presented major changes, but procesed agricultural imports have increased their relative importance in total agriculfood imports (Gutiérrez, 2000). Among the main agrifood exports are: cigarettes, rice, corn flour, beer, plantains and bananas, sesame seeds, green coffee, bakery products, fishery and sea products.

Graph 9: Venezuela Agrifood External Trade (US$ Millions)



The agrifood imports tendency to increase since 1997 appears to be explained by the appreciation of the real exchange rate and GDP growth during 2000. By 2001 it is expected a new growth of agrifood imports as a consequence of both factors.

It is important to notice that during 1990's there were some important changes in the agrifood external trade (Gutiérrez, 2000). Here will be mentioned only some of those changes:

- The opening of the agrifood sector measured by the external trade coefficient (value of agrifood imports and exports divided by the values of agriculture and agroindustry GDP). That coefficient showed a trend to increase along the 1990's. Thus, while the average general agrifood external trade coefficient for the period 1984-1988 was 21.6%, the same indicator for the period 1989-1998 was 31.4%. An interesting result was the increase of the agrifood exports coefficient which almost doubled during the 1990's.

Table 17: Venezuela: Agrifood external trade coefficients

Period	Agrifood Imports Coefficient (MAAT/GDPAA) (%)	Agrifood exports coeffcient (XAAT/GDPAA) (%)	Total Agrifood external trade Coefficient (MAAT+XAAT)/GDPAA (%)
1984-1988	17,6	4,0	21,6
1989-1993	22,4	7,0	29,4
1994-1998	24,9	8,6	33,5
1989-1998	23,6	7,8	31,4

Source: Banco Central de Venezuela and own estimations.
XAAT= Total agrifood exports.
MAAT= Total agrifood imports.
GDPAA= Agrifood Gross Domestic Product.

- In the recent past Venezuela agrifood exports had a positive trend to grow as a consequence of two main factors: a) the participation of the country in economic integration agreements, mainly within the CAN. This allowed to increase dramatically agrifood exports to Colombia, country that is the destination of more than one third of Venezuelan agrifood exports[38]; and b) the restructure of agrifood enterprises which adopted permanent exports strategies . Since exchange rate policy has been during most of the nineties contrary to stimulate agrifood exports, and certain subsidies created stimulate agrifood exports (subsidies to agricultural exports and draw back of value added tax to exporters) have not been effective[39], then the rise of agrifood exports during the nineties should be attributed to the previous mentioned factors (Gutiérrez,

[38] In 1991, one year before the beginning of the free trade zone between Venezuela and Colombia, Venezuela exported to Colombia only US$ 20 millions, by 2000 Venezuela exported US$ 123 millions, but 1998 was a peak year with agrifood exports to Colombia by an amount of US$ 238 millions.
[39] They are paid to exporters with long delays.

2000). The results obtained since 1999 showed that the appreciation of the real exchange rate and the reduction of economic growth rates in Colombia appears to be negatively affecting Venezuela agrifood exports. However, agrifood exports grew during 1987-88/1999-2000 at an annual average rate of 14.4% while in the period 1982-83/1987-88 that rate of growth was negative (-0.6%). The performance of agricultural exports during the 1990's can be considered good since if compared to Latin American Agricultural Exports that grew, according to Quiroz (2001) at an annual average rate of 8.5% for the period 1990-1998. Also, during 1990´s agricultural exports grew at a higher rate of non oil Venezuelan exports , 7.9% as an average for the period 19888-2000.

- Agricultural c tariff-chapters that grew at annual average rates higher than 14% for the period 1987-88/1999-2000 were the following: live animals; fish and sea food, eggs, milk and derivatives; Cereals (mainly rice); sesame and oleaginous seeds, vegetables fats, cigarettes and other agroindustrial products. Thus new exporting products have been added to rthe traditionals (coffe, cocoa and some tropical fruits).

- Another important changes were the trend to diversify agrifood exports and their destiny. According to Gutiérrez (2000) Agrifood exports and imports showed a tendency to diversify. In the case of agrifood imports the ten (10) leading products accounted for 77.1% of total agrifood imports during 1987-1988. By 1997-1998 the ten leading importing products only accounted for 60.1%. In the case of exports, the ten leading products represented 74% of total agrifood exports by 1987-1988, but by 1997-1998 ten leading products only represented 52.1%. In the past Venezuela agrifood exports had as main markets USA and the Europe Union. Due to the fostering of the Andean economic integration and the existence of a free trade zone with Colombia since 1992, Venezuela could access to Andean (mainly Colombia) markets. Thus, by 1990 Venezuela exports to Andean Markets were 12.9% of total agrifood exports. In year 2000 Venezuelan agrifood exports to the Andean Community of Nations represented 29%. Since in the medium term will be very difficult to reverse the customs union it is evident that the rise of trade in absolute and relative terms with the Andean countries, mainly Colombia, represents a major structural change for the Venezuelan agrifood sector. Main leading products exported to Colombia are: cigarettes, rice, white corn flour, animal feeds, soybean flour, beer, alcohol beverages and others agroindustrial products.

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Annex 1:
Venezuela : Main Macroeconomic Variables

	1994	1995	1996	1997	1998	1999	2000	2001
			Var. %					
Per capita Gross Domestic Product (GDP)	-5,0	1,2	-2,6	2,9	-2,1	-7,9	1,2	0,8
GDP	-2,8	3,4	-0,4	5,1	0,2	-6,1	3,2	2,7
Oil GDP	4,7	7,1	7,7	8,8	2,0	-7,4	3,2	-0,9
Non Oil GDP	-4,9	1,7	-2,8	3,3	-0,3	-5,4	3,0	3,8
Agricultural GDP	-1,1	0,3	0,3	1,8	0,6	-2,1	2,4	2,6
Manufacturing GDP	-4,2	2,6	-4,8	2,6	4,4	-9,2	3,9	3,2
Building industry GDP	-26,2	-11,4	1,9	12,6	-0,4	-16,5	-2,7	13,0
Consumer Price Index (CPI)	60,8	59,9	99,9	37,6	29,9	20,0	13,4	12,3
			Percentage					
Unemployment rate	8,7	10,2	12,4	11,1	11,4	15,4	12,1	13.4
			Percentage of GDP					
Rate of Investment	16,2	14,4	13,5	15,7	15,3	13,6	13,3	14,5
Fiscal deficit-central government (balance)	-6,9	-4,7	0,5	1,9	-4,1	-2,6	-1,7	-4,0
			Percentage					
Nominal interest rate (Active)	56,5	40,2	37,2	22,1	45,2	31,9	23,9	25.6
Nominal Interest rate (Passive, Deposit 90 days)	39,0	24,8	26,9	14,6	38,0	18,9	14,8	14.1
			Bs./US Dollar					
Nominal Exchange Rate (average)	170,0	290,0	476,5	504,3	564,5	648,3	699,8	763
Effective Real Exchange Rate Index (1995=100.0)	126,4	100,0	119,4	92,5	82,0	73,3	71,6	68,2
Venezuelan Basket-Average Price of oil (US$/barrel)	13.23	14.71	18.24	16.86	10.57	16.04	26,4	20,1
			Millions of US Dollars					
Exports (goods)	15686	18630	23400	23705	17564	20819	33035	27056
Non Oil Exports	4398	5099	5300	5416	5453	4122	5150	5346
Imports	8277	11447	9810	13697	14816	13213	15491	17282
Current Account Balance	2450	2255	8824	3909	-2562	3689	13111	4395
Capital Account Balance	-3074	-2807	-2224	1523	861	-1650	-2790	-1947
Monetary International Reserves Variation	-972	-1784	5506	2589	-2969	530	5092	-1948
Monetary International Reserves (Stock)	11507	9723	15229	17818	14849	15379	20471	18523

Sources:

Banco Central de Venezuela
CEPAL (www.eclac.org/)

Annex 2: Venezuela Agricultural Production Evolution

Products	AVERAGE (t.) 1988-1989	1992-1993	1995-1996	1999-2000	AVERAGE RATE OF GROWTH (%) 88-89/92-93	92-93/95-96	95-96/99-2000	88-89/99-2000
Rice	348.211	673.013	768428	698484	17,9	4,5	-2,4	6,5
Corn	1.101.283	916.043	1100012	1419501	-4,5	6,3	6,6	2,3
Sorghum	707.521	491.958	470169	472700	-8,7	-1,5	0,1	-3,6
Black beans	32.122	19.878	18388	14325	-11,3	-2,6	-6,1	-7,1
Sesame	68.416	17.474	21699	31934	-28,9	7,5	10,1	-6,7
Cotton	80.289	55.711	37715	27184	-8,7	-12,2	-7,9	-9,4
Sunflower	70.497	25.159	12277	4270	-22,7	-21,3	-23,2	-22,5
Peanut	19.713	5.054	1157	1587	-28,8	-38,8	8,2	-20,5
Soybean	9.576	3.060	4531	4851	-24,8	14,0	1,7	-6,0
Palm oil	39.851	86.780	213724	354459	21,5	35,0	13,5	22,0
Potato	223.506	225.712	307754	362856	0,2	10,9	4,2	4,5
Cassava	337.986	323.842	317788	582280	-1,1	-0,6	16,3	5,1
Banana	1.116.739	1.177.812	985454	775984	1,3	-5,8	-5,8	-3,3
Papaya	30.981	34.154	76523	106591	2,5	30,8	8,6	11,9
Mango	122.521	135.234	136083	131363	2,5	0,2	-0,9	0,6
Melon	38.997	46.143	61966	119341	4,3	10,3	17,8	10,7
Orange	424.810	427.649	568217	479674	0,2	9,9	-4,1	1,1
Water Melon	63.187	156.563	233147	198902	25,5	14,2	-3,9	11,0
Plantain	488.307	554.509	520905	644602	3,2	-2,1	5,5	2,6
Pine Apple	74.554	108.026	169390	324922	9,7	16,2	17,7	14,3
Garlic	7.228	7.679	10441	10841	1,5	10,8	0,9	3,8
Onion	6.116	69.116	93618	224695	83,3	10,6	24,5	38,8
Green Pepper	28.192	35.067	57425	82473	5,6	17,9	9,5	10,3
Tomato	185.535	228.067	241520	216935	5,3	1,9	-2,6	1,4
Carrots	32.051	41.901	143751	198823	6,9	50,8	8,4	18,0
onions	61.116	69.116	93618	187522	3,1	10,6	19,0	10,7
tomato	185.535	228.067	241520	205717	5,3	1,9	-3,9	0,9
Coffee	71.817	67.908	69057	79147	-1,4	0,6	3,5	0,9
Cocoa	13.807	16.590	17051	15022	4,7	0,9	-3,1	0,8
Sugar Cane	8.070.649	7.272.075	6285366	8666316	-2,6	-4,7	8,4	0,6
Tobaco	15.105	15.447	14582	9140	0,6	-1,9	-11,0	-4,5
Milk (000lts.)	1.609.138	1.608.284	1388069	1341637	0,0	-4,8	-0,8	-1,6
Pork meat*	2.210.062	2.282.948	2205510	2088806	0,8	-1,1	-1,3	-0,5
Poultry**	227.456	269.318	318664	382968	4,3	5,8	4,7	4,9
Livestock*	1.836.419	2.049.863	1971382	2206300	2,8	-1,3	2,9	1,7

(*) =heads (**) = 000 heads
Source: Ministry of Production and Comerce-Own Estimations.
Note: Data of 2000 subject to review.

ANNEX 3: VENEZUELA HARVESTED AREA

	1988	1990	1992	1994	1996	1998	1999	2000*
Cereals	**1.150.446**	**752.954**	**762.226**	**765.211**	**740.929**	**689.635**	**672.220**	**604.838**
Rice	116.531	114.755	158.832	165.149	173.312	151.875	148.971	133.951
Corn	641.648	462.401	374.247	384.510	365.990	354.958	366.952	325.218
Sorghum	392.267	175.798	229.147	215.552	201.627	182.803	156.298	145.669
Beans	**91.184**	**101.287**	**69.500**	**49.741**	**49.142**	**43.882**	**37.402**	**35.088**
Blak Beans	61.063	66.331	35.593	22.763	22.389	22.545	17.083	15.515
Textiles and Oleag.	**322.082**	**347.090**	**163.794**	**128.668**	**153.532**	**151.848**	**149.891**	**138.612**
Sesame	148.765	98.177	39.588	21.697	41.348	45.621	51.567	54.264
Cotton	56.283	72.097	48.643	40.571	32.432	37.191	30.014	20.345
Oil Palm	3.410	4.749	11.398	16.103	27.813	25.000	24.956	22.851
Roots and Tubers	**79.215**	**75.190**	**74.616**	**65.524**	**73.178**	**81.133**	**82.393**	**85.863**
Potato	16.783	15.158	15.543	14.238	18.553	21.525	19.927	21.810
Cassava	40.800	37.796	38.521	26.317	32.083	41.569	44.582	46.979
Fuits	**184.907**	**192.987**	**210.154**	**210.898**	**209.952**	**196.685**	**196.295**	**192.983**
Banana	52.908	55.254	62.442	55.607	50.113	45.117	45.709	41.353
Papaya	2.621	2.731	2.920	4.119	4.945	5.759	5.719	5.843
Mango	7.706	8.413	8.847	8.730	9.171	9.125	8.890	8.675
Melon	3.688	3.525	4.215	5.341	8.195	9.095	8.623	8.814
orange	36.195	36.880	38.991	40.664	35.577	29.671	29.348	25.289
Plantain	62.101	65.097	68.784	62.396	63.280	65.126	63.020	64.866
Horticulture	**25.755**	**25.984**	**30.578**	**33.086**	**35.738**	**41.816**	**42.096**	**44.057**
Garlic	1.503	1.118	1.343	1.499	1.523	1.667	1.583	1.596
Onion	3.482	3.666	4.191	3.795	4.874	9.142	9.374	11.341
Tomato	10.721	10.790	13.475	12.751	12.106	10.716	11.039	9.908
Coffee	273.230	281.963	270.859	260.091	183.583	201.301	220.258	241.199
Cocoa	58.525	62.609	69.796	67.728	61.332	60.746	50.898	46.723
Suga cane	117.023	97.579	120.879	107.368	104.404	130.848	127.183	141.057
Tobacco	9.108	9.009	9.120	9.760	8.733	7.435	6.397	5.288
TOTAL HARV. AREA	**2.311.475**	**1.946.652**	**1.781.523**	**1.698.075**	**1.620.523**	**1.605.329**	**1.585.033**	**1.535.708**
NOTE: 2000* data subject to review.								

ANNEX 4 : Venezuela Agricultural products yields

	1988	1990	1992	1994	1996	1997	1998	1999	2000*
Cereals									
Rice	3.289	3.495	3.920	4.408	4.500	4.581	4.617	4.834	4.971
Corn	1.997	2.168	2.256	2.846	2.823	2.831	2.770	3.132	3.262
Sorghum	2.090	2.141	2.231	2.070	2.164	2.270	2.455	2.328	2.431
Beans									
Blak Beans	514	562	610	667	764	841	774	813	768
Textiles and Oleag.									
Sesame	459	515	520	428	632	630	599	606	591
Cotton	1.303	1.181	1.354	1.263	1.306	1.233	1.158	1.251	1.223
Oil Palm	11.309	10.141	6.201	9.000	9.170	11.232	13.549	13.474	15.341
Roots and Tubers									
Potato	13.182	13.224	15.322	16.278	17.286	17.995	17.250	19.273	19.307
Cassava	8.031	7.981	8.502	10.829	10.483	10.360	12.486	13.324	14.737
Fuits									
Banana	20.785	21.115	19.850	21.457	20.476	21.612	18.018	17.247	13.871
Papaya	12.086	11.824	11.692	12.661	16.291	15.686	16.922	17.301	18.200
Mango	15.339	15.536	16.022	15.770	15.002	15.372	14.932	14.901	14.574
Melon	10.105	10.261	10.123	11.557	7.909	8.341	14.588	14.573	18.620
orange	11.709	11.742	11.402	12.291	15.261	14.452	16.010	15.762	17.088
Plantain	7.644	7.795	8.255	8.580	8.308	8.223	9.445	9.604	10.420
Horticulture									
Garlic	4.973	4.915	5.222	5.961	7.022	7.368	6.839	6.548	6.096
Onion	16.453	17.151	16.422	19.373	21.388	21.635	24.323	21.317	22.007
Tomato	16.417	16.812	17.566	18.904	20.500	20.871	19.927	20.003	19.240
Coffee	260	271	256	263	398	351	332	363	360
Cocoa	233	248	245	246	279	298	296	273	261
Suga cane	71.204	67.831	60.751	60.743	61.528	61.724	61.988	66.842	67.814
Tobacco	1.680	1.615	1.564	1.596	1.650	1.616	1.659	1.569	1.560

NOTE: 2000* data subject to review.