

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Venezuela

EXPORTER GUIDE ANNUAL

EXPORTER GUIDE

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Report Highlights:

Venezuela is a significant importer of agricultural products, totaling US\$ 7.5 billion in 2008 according to Bolivarian Republic of Venezuela (BRV) data. U.S. agricultural and food exports over the last five calendar years (2004-2008) have averaged US\$ 691 million, with 2008 trade jumping to US\$ 1.6 billion. Additionally, demand for consumer-oriented products from the United States has been growing rapidly; total exports of this category to Venezuela in 2003 were USD 35 million compared to USD 150 million in 2008.

Post:

Caracas

Author Defined:

I. MARKET OVERVIEW

Venezuela remains a significant importer of agricultural products, with total imports reaching US\$ 7.5 billion in 2008 according to BRV data. U.S. agricultural and food exports over the last five calendar years (2004-2008) have averaged US\$ 691 million, with 2008 trade jumping to US\$ 1.6 billion. However, a lower import value is expected for 2009 as world commodity prices have come down since last year, and the pace of imports has fallen off.

U.S. suppliers are seen by local importers, distributors and food processors as a reliable source, in terms of volume, standards, prestige, and quality. Additionally, many local ingredients/products are unavailable or insufficient.

Demand for intermediate agricultural products increased from the U.S., total exports were US\$ 122 million in 2003 compared to US\$ 537 million in 2008. Additionally, demand for consumer-oriented products from the United States has been growing rapidly; total exports of this category to Venezuela in 2003 were US\$ 35 million compared to US\$ 150 million in 2008.

Among the intermediate and consumer-oriented products that have experienced strong growing are: snack foods, breakfast cereals, pancake mixes, dairy products, fresh fruits, processed fruits and vegetables, food ingredients, fruits and vegetables juices, confectionary, and tree nuts.

There is also strong competition from Argentina, Brazil and Chile. The main reason for this is importers are taking advantage of ALADI (Latin America Integration Association) regulations to bring products without foreign exchange restrictions. Additionally, Argentina and Chile have been very aggressively selling products (especially fresh fruits) to Venezuela and they benefit from duty-free preferential access.

Demand for food and beverages is driven by a population of 28 million. With two-thirds of the population under the age of 30, Venezuela is a youth-oriented food market. This is an excellent opportunity for U.S. market share to increase in the future.

II. EXPORTER BUSINESS TIPS

(For detailed information, please refer to GAIN report: Food and Agricultural Import Regulations and Standards – Caracas, Venezuela 8/17/2009)

Import Procedures

The BRV implemented the United Nations Custom Computerized System (SIDUNEA) in the majority of Venezuelan ports of entry. With this system, clearing customs takes approximately five to eight working days. By law, only nationals and private custom agencies with Venezuelan local staff are entitled to conduct customs procedures. A custom agent assesses customs, port charges, and taxes as well as fills out paperwork. Generally, the custom agent's fee is one percent of the CIF value, plus any other charges accrued during offloading.

All imported goods presented at ports of entry must be officially declared to SENIAT (the National Integrated Tax Administration Service) authorities within five days of arrival. Fines may be levied and applied to any shipment when the customs entry is made after this time period. When an importer either delays or refuses to claim a product arriving in Venezuelan ports, SENIAT will impound the goods not claimed, and, if steep fines and storage fees are not promptly paid, sell the goods at auction. All shipments must be made on a direct consignment basis. Customs regulations stipulate that the consignee is the owner of the shipment and is responsible for all customs payments.

Import Duties

The import duties are calculated using the WTO Harmonized Scheduled Tariff classification system on the CIF value of the products (using the commercial invoice as basis). Import duties are assessed, due and payable at time of arrival. Import duties and fees are assessed in local currency; despite the currency listed on the commercial invoice. The IVA rate of nine percent is calculated on the CIF value.

Customs Fees

SENIAT charges a total of one percent of the CIF value for processing of shipments and for the use of the port of entry. In some cases an additional stamp fee is added to offset the cost of processing these imports. Both the SENIAT's Customs and Port Fee, and Customs Stamp Fee are calculated on CIF value.

Import Licenses for Basic Agricultural Products

Under its World Trade Organization (WTO) commitments, Venezuela is entitled to administer tariff rate quotas for up to 62 HS code headings. The tariff rate quotas are administered through an import license regime. MINAL (Ministry of Food) is responsible for issuing import licenses, but approval is subject to the concurrence of the "Inter-ministerial Commission." The

Inter-ministerial Commission consists of the following ministries: MINFINANZAS (Finance), MILCO (Commerce), MAT (Agriculture and Lands), MINAL (Food), and MINSALUD (Health).

-Import licenses are valid for four, six or twelve month periods, and can only be renewed if, on expiry, they have not been used for reasons outside the importer's control.

-When applying for a license, local importers are required to submit a monthly list of imports actually realized, indicating volume and value, together with the invoice of the most recent import, also indicating the volume and value of the merchandise in question.

Product Registration

Another requirement for the importation of animals and animal products or by-products is that the producer, exporter or importer also registers with the Instituto Nacional de Salud Agrícola Integral – INSAI, formerly SASA (equivalent to the USDA's Animal and Plant Health Inspection Service). The validity of the registration is indefinite, but it can be cancelled due to non-compliance with dispositions stated by pre-established laws and regulations.

Exchange Rate Policy

Since early 2003, strict control policies govern and limit transactions with foreign exchange. Currency trading is illegal and all import transactions must be approved by the government's foreign exchange administration commission (CADIVI). Importers must register with CADIVI for formal applications for foreign currency transactions. When approved, the transactions are then liquidated through the Central Bank and finally through commercial banks. A complete list of imported agricultural products that can be imported at the official foreign exchange rate can be found at:

<http://www.cadivi.gob.ve>.

The list should be checked periodically as products are added or removed by CADIVI without previous notice. Currently, the exchange rate is set at 2.15 Bolivars per US Dollar.

Food Price Controls

Since January 2003, the BRV imposed a price control policy on basic food and processed food products. MAT, MINAL, MILCO and MINFINANZAS are responsible for recommending changes to the controlled-price list. Changes to the list of food products under price controls include: a) adding or removing products from the list, and b) increasing or lowering prices of certain food products. It is important for exporters to check the list of products under price controls and their current prices, as it changes.

Products under price controls are: Rice, oatmeal, corn flour, pasta and bread, beef, chicken and poultry products, sardines and tuna, corn oil, sunflower oil, blended oil, powdered milk, pasteurized milk, milk infant formulas, soy milk, white cheese, margarine, peas, lentils and black beans, refined sugar and brown sugar, tomato sauce, bologna sausage, and salt.

(For detailed information, please refer to GAIN report: Food and Agricultural Import Regulations and Standards – Caracas, Venezuela 8/17/2009)

III. MARKET SECTOR STRUCTURE AND TRENDS

Food Service (HRI sector)

Restaurant food sales, especially franchises, have been increasing in the last year. Venezuela is a good market for franchising investments as demonstrated by the amount and variety of new brands penetrating the Venezuelan market. Profranquicia is a private company chamber that has been working to accomplish franchisers' goals, lead by a proactive team of young executives with 332 members. This franchising chamber, founded in 1998, reports that there are 332 franchises currently operating in the country with a total of over 6,755 outlets/stores. Profanquicia reports that 32 percent of all franchises are food related. About 20 percent of the franchises are of U.S. origin.

Most HRIs in Venezuela buy their food products at the lowest available price and prefer fresh foods to canned, precooked, or frozen. The HRI establishments buy products at many different points in the distribution chain, reflecting each product's particular nature. Fresh foods are bought at wholesalers, and nonperishable products at hypermarkets whenever possible. As regard to refrigerated or frozen foods, the HRIs prefer to deal directly with the manufacturer, given most distribution centers' limited cold storage capacity. Imported liquors are purchased from specialized distributors/importers.

Food Retail sector

Most of the supermarkets in Venezuela are owned by descendants of Portuguese immigrants who came to Venezuela in the 1950's. The sector was characterized by many disparate, small groups of outlets called "bodegas" or "abastos" that did not have sophisticated import mechanisms and customer service in place. However, the supermarket sector has changed significantly in the last 20 years, and today most of the supermarkets have modern stores to offer quick and good service to customers.

One of the reasons for this change is that the new generation of supermarket owners have attended trade shows like the Food Marketing Institute Show (FMI), where they have learned

the latest trends in the sector including technology. And, of course, some have been educated in the U.S. and/or have visited frequently.

Most of the major supermarket and hypermarket chains in Venezuela belong to the National Supermarket Association (ANSA). On the other hand, the Government of Venezuela is increasing expenditures on social food programs and price controlled foods are sold in government-owned MERCAL stores.

MERCAL or "Mercado de Alimentos C.A.", created in April 2003, markets food products at very low prices, usually even lower than the controlled-priced products sold by supermarkets. The program is focused on a basic basket of products which includes: dry milk, precooked corn flour, black beans, rice, vegetable oil, sardines, pasta, sugar, bologna, margarine, deviled ham, eggs, mayonnaise and sauces. MERCAL's food distribution web has expanded to approximately 14,000 points of sale that includes mostly small stores and 37 supermarkets. More recently, it added the concept of 4,052 "home-cooking-houses" where lunches will be provided to around 150 people each; products will be sourced out of MERCAL's stores. Food purchases are carried out directly by a government entity called CASA or "Corporacion de Abastecimiento y Servicios Agricolas", which was originally created in August 1989. CASA is in charge of purchasing domestic and imported food and agricultural products. Domestic purchases are made through several local suppliers including private companies. Imported goods come from different countries including Argentina, Bolivia, Brazil and China, among others.

Direct Marketing

Marketing, through TV commercials, newspaper inserts, house visits or street vendors, is common. Mail orders are not an option because of the unreliability of the postal system. Supermarkets and hypermarkets like MAKRO, EXITO, EXCELSIOR GAMA and CENTRAL MADEIRENSE have been successful by placing their catalogs in newspapers as weekend-issue inserts. Almost all businesses now use e-mail and some of them fax in their day-to-day business. E-commerce is in the early stages and could be a promising area for growth with major supermarkets now allowing consumers to order on-line or by e-mail for home delivery.

IV. BEST PRODUCT PROSPECTS

Table 2. Best Prospects Listing

<p style="text-align: center;">Top 10 Venezuelan Agricultural Product Imports from the United States (Millions of U.S. Dollars)</p>
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Product Description	2007	2008	%Change 2007/08
Wheat	227.89	396.01	73.77
Corn	92.93	312.56	236.33
Rice	2.02	171.18	8374.25
Animal Fats	43.42	74.96	72.63
Soybean Meal	15.54	222.68	1332.94
Vegetable Oils (Excluding Soybean Oil)	12.33	32.88	166.66
Breakfast Cereals	1.96	2.91	48.46
Processed Fruit & Vegetables	12.49	27.29	118.49
Snack Foods (Excluding nuts)	15.08	18.13	20.22
Dairy Products	8.57	19.58	128.47

Source: Department of Commerce, U.S. Census Bureau, Foreign Trade Statistics

V. KEY CONTACTS AND FURTHER INFORMATION

Ministerio de Agricultura y Tierras (equivalent to the Department of Agriculture)

Av. Este 6 entre Esquina Colón y Dr. Díaz,
Antigua Sede del BTV. Piso 2, (Frente Cartografía Simón Bolívar)
Caracas, Venezuela
Tel: (58-212) 509-0445/0121/0111
Fax: (58-212) 574-2432
www.mat.gob.ve

Ministerio de La Salud y Desarrollo Social (MSDS) División Higiene de Alimentos (equivalent to the FDA)

Edificio Sur, Piso 3, Ofic. 313
Centro Simón Bolívar, Caracas
Tel: (58-212) 483-1533/484-3066
Fax: (58-212) 483-1533
www.msds.gob.ve

Instituto Nacional de Salud Agrícola Integral – INSAI, formerly SASA (equivalent to USDA’s Animal and Plant Health Inspection Service)

Av. Francisco Solano, cruce con calle Pascual Navarro,
Edif. Torre Banvenez, Piso 12, Urb. Sabana Grande,
Tel: (58-212) 761.7592/ 5897
Fax: (58-212) 761.4078

Ministerio de Alimentación (MINAL) and Corporación de Abastecimiento y Servicios

Agrícolas (CASA)

Av. Fuerzas Armadas

Esquina de Socarrás

Antiguo Edif. Seguros Orinoco

Piso 3

Tel: (58-212) 564-1883

Fax: (58-212) 564-8303

Exchange Control Administration Commission

Comisión de Administración de Divisas (CADIVI)

Av. Leonardo Da Vinci, Edificio PDVSA, Piso 3

Los Chaguaramos, Caracas

Tel: (58-212) 606-3939

www.cadivi.gob.ve

Fondonorma (COVENIN -Venezuelan Standards Agency)

Director de Seguimineto y Control

Servicio Autónomo

Dirección de Normalización y Certificación de Calidad

Avenida Andrés Bello,

Edificio Torre Fondo Común, piso 11

Caracas, Venezuela

Tel: 58-212-575-4111

Fax: 58-212-574-1312/576-3701

Instituto Nacional de Estadísticas (INE)

(National Statistics Office)

Avenida Boyacá, Edificio Fundación La Salle

Maripérez

Caracas, Venezuela

Tel: 58-212-781-1380

Telefax: 58-212-781-5412 782-1156

www.ine.gob.ve

Bolsa de Productos e Insumos Agropecuarios de Venezuela, BOLPRIAVEN

Parque Cristal, Ala Este, Piso 4, Of. 412

Los Palos Grandes, Caracas.

Tel. 58-212-564.7446 - 564.9556

Fax 58-212-564.6894

www.bolpriaven.com

Camara Venezolano-Americana de Comercio e Industria (VENAMCHAM)

(Venezuelan-American Chamber of Commerce)

2da.Av. de Campo Alegre, Torre Credival, Piso 10, Ofic.A, Caracas 1060, Venezuela

Apartado Postal 5181 (Caracas 1010-A)

Tel.: 58-212-263-0833/267-20-76/64-81

Fax: 58-212-263-20-60

www.venamcham.org/

Federacion Venezolana de Camaras y Asociaciones de Comercio y Produccion (FEDECAMARAS)

(Venezuelan Federation of Chambers and Associations)

Edf. Fedecameras, PH 1 y 2, Av. El Empalme, Urb. El Bosque, Caracas 1050, Venezuela

Apartado de Correos 2568 (Caracas 1010-A)

Tel.: 58-212-731-17-11/17-13/18-45/19-32/19-67

Fax: 58-212- 730-2097 – 731-1907

www.fedecamaras.org.ve/

Confederacion Nacional de Asociaciones de Productores Agropecuarios (FEDEAGRO) (National Confederation of Agricultural Producers)

Edf. Casa de Italia, P.B., Av. La Industria, San Bernardino, Caracas, Venezuela

Tel.: 58-212-571-40-35/573-44-01

Fax: 58-212-573-44-23

www.fedeagro.org/

Asociacion de Supermercados y Autoservicios (ANSA) Supermarkets

Ave. Principal de los Ruices

Centro Empresarial Los Ruices

Piso 1, Ofic. 116

Caracas 1071, Venezuela

Tel: 58-212-234-4490/235-7558

Fax: 58-212-238-0308

www.ansa.org.ve

Camara Venezolana de la Industria de Alimentos (CAVIDEA) Food

Av. Principal de Los Ruices

Centro Empresarial

Piso 5, Of. 510

Los Ruices

Caracas, Venezuela

Tel: 58-212-239-9818/0918

Fax: 58-212-238-3268
<http://www.cavidea.org.ve/>

Camara Venezolana de Franquicias (PROFRANQUICIA) Franchising

3ra. Transversal de Altamira con Avdas. Luis Roche y Juan Bosco,
Oficentro Neur, Ofc. 4
Caracas, Venezuela
Tlf. 58-212-266-8494/261-8613
Fax 58-212-261-9620
www.profranquicias.com

Mercado de Alimentos MERCAL C.A.

www.mercal.gob.ve/

Foreign Agricultural Service

USDA/FAS

American Embassy

Calle F con Calle Suapure, Parcela B-2
Colinas de Valle Arriba
Caracas 1061, Venezuela
Phones: (58-212) 907-8333
Fax: (58-212) 975-8542
E-mail: Agcaracas@fas.usda.gov
websites: www.fas.usda.gov
<http://caracas.usembassy.gov/usda> (Caracas)

Table A. KEY TRADE AND DEMOGRAPHIC INFORMATION

Agricultural Imports From All Countries (2008)	\$7.5 billion
U.S. Market Share	22 percent
Total Population (Millions)	28
Number of Major Metropolitan Areas	6
Size of the Middle Class	20 percent
Total Gross Domestic Product (2008)	\$314 billion
Unemployment Rate	7.6 percent

Exchange Rate	US\$ 1= 2.15 Bolivars
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Source: Department of Commerce, U.S. Census Bureau, Foreign Trade Statistics, World Bank, Local Newspapers, Venezuelan Official data.