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Required Report - public distribution

Date: 12/30/2015

GAIN Report Number:

Venezuela

Exporter Guide

2015 Annual Report

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Report Highlights:

Venezuela is a significant importer of agricultural products totaling \$8.3 billion in 2014, according to data from the Government of the Bolivarian Republic of Venezuela (GBRV). Total U.S. agricultural and food exports over the last five calendar years (2010-2014) averaged \$1.3 billion per year. However, 2015 U.S. agricultural export values were down 40 percent through October compared to the same time period a year before. Agricultural commodity and product importers are challenged by a Venezuelan economy in crisis with astronomical inflation and severe restrictions on accessing foreign currency.

I. MARKET OVERVIEW

Venezuela remains a significant importer of agricultural products, with total imports reaching \$8.3 billion in 2014 according to GBRV data. Demand for food and beverages is driven by a population of 30 million with two-thirds under the age of 30.

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. U.S. agricultural and food exports to Venezuela in 2014 were valued at \$1.2 billion and over the last five calendar years (2010-2014) averaged \$1.3 billion.

U.S. agricultural exports in 2015 are down 40% through October compared with the same time period a year before. The 2015 value of U.S. agricultural exports to Venezuela will likely dip below \$1 billion for the first time since 2007. Agricultural commodity and product importers are challenged by a Venezuelan economy in crisis with astronomical inflation and severe restrictions on accessing foreign currency. The GBRV bureaucracy imposed on importers to obtain permission to imports agricultural products and to access foreign currency is extensive. Despite these challenges, there are U.S. agricultural products that have experienced growth in 2015 including soybean oil, cotton, breakfast cereals, and fruit and vegetable juices.

In 2014, U.S. bulk commodity exports were \$583 million with corn exports leading trade values at about \$250 million. Total exports of U.S. intermediate agricultural products were 601 million. Soybean meal represented about 70% of intermediate product trade at \$434 million. U.S. consumer-oriented products were a marginal \$91 million.

Agricultural trade competition is primarily from Brazil, Argentina, Colombia and Chile. These countries are members of the Latin America Integration Association (ALADI), which allows for trade in local currencies instead of U.S. dollars. Also, Venezuela benefits from trade preferences as a member of the Southern Common Market (MERCOSUR), which includes Argentina, Brazil, Paraguay, and Uruguay.

Advantages and Challenges for U.S. Exporters

Advantages	Challenges
<ul style="list-style-type: none"> • Local products unavailable or insufficient, while U.S. food products are seen by importers as readily available. • Fast food chains that require U.S. food ingredients are having success in Caracas and in major cities. • U.S. suppliers are seen by importers as a reliable source, in terms of volume, standards and quality. • Two thirds of the population is below 30 years of age and are heavily influenced by U.S. culture and are observed to be very open to U.S. prepared foods and ready to cook, ready to eat food products. • Operations by multi-nationals requiring world standard ingredients. 	<ul style="list-style-type: none"> • Government-imposed price controls on several products. • MERCOSUR and other South American countries have trade agreements with Venezuela giving them preferential duties for some products. • High tariffs applied to most specialty food imports and increased difficulty in obtaining import permits. • Government-imposed exchange controls resulting in difficulties for importers to obtain dollars. • Parallel exchange rate, resulting in U.S. products becoming expensive can shift buyers' purchases to source cheaper alternatives to keep current market prices in a very price sensitive market.

II. EXPORTER BUSINESS TIPS

Import Procedures:

The GBRV 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. However, importers have reported delays in this process. By law, only nationals and private custom agencies with Venezuelan local staff are entitled to clearing shipments through customs. A custom agent assesses customs, port charges, and taxes as well as fills out paperwork forms. 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 the ports of entry must be officially declared to the National Integrated Tax Administration Service (SENIAT) authorities within five days of arrival. Fines may be levied and applied to any shipment when the customs entry is made later than five days after the date of arrival. 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 an 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. Importers must register all of their products with the Ministry of Health Food Comptroller Division prior to placing the product on the Venezuelan market.

Exchange Rate Policy

Since early 2003, strict governmental controls limit foreign exchange transactions in the country. In early 2014 the GBRV created the *National Center for Foreign Trade* (Cencoex) replacing CADIVI, an entity responsible of foreign exchange administration. Venezuela currently has four different exchange rates complicating trade and commerce. Some dollars are bought from the government at the official rate of *bolivares* (Bs.) 6.3 per U.S. dollar. These are intended for essential goods, such as staple products and medicines. Some importers can buy a limited number of dollars from the government at a rate of about Bs.13 per U.S. dollar. The program, titled Ancillary Foreign Currency Administration System (SICAD), sells *bolívares* under system of auctions. There is also the Marginal Currency System (SIMADI) where individuals can buy dollars from exchange centers and banks at a rate of around Bs. 198 per U.S. dollar. According to the media sources, however, SIMADI is not selling U.S. dollars to the public at that rate. The unofficial rate currently sells at approximately Bs. 875 per U.S. dollar.

In Venezuela, the lack of dollars is arguably the most significant obstacle to trade for importers. Therefore, many importers must use U.S. dollars from off shore accounts or buy U.S. dollars at a much higher price via the official exchange rate.

Price Controls

Since January 2003, the GBRV has imposed price control policies on basic foodstuffs and processed food products. The Ministry of Agriculture and Lands (MAT), Ministry of Foods (MINAL), Ministry of Commerce (MILCO), and the Ministry of Finance (MINFINANZAS) are responsible for recommending changes to the controlled-price list. Changes to the list of food products under price controls includes: 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 periodically.

For the complete import regulations, procedures and the list of products under price control; please see: Food and Agricultural Import Regulation and Standards - Narrative (FAIRS) Report prepared by this office.

III. MARKET SECTOR STRUCTURE AND TRENDS

Hotel, Restaurant, and Institution (HRI) Food Service Sector

Venezuela is a good market for franchising investments as demonstrated by the amount and variety of brands present in the Venezuelan market. *Profranquicia* is a private sector 420 member chamber that develops and implements HRI policy strategies and is led by a proactive team of young executives. Founded in 1998, *Profranquicia* reports that there are 410 franchises currently operating in the country with a total of over 10,228 outlets/stores. According to *Profranquicia*, more than 25 percent of all franchises are food related. About 15 percent of all franchises are 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. 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. For refrigerated or frozen foods, HRIs prefer to deal directly with the manufacturer, given most distribution centers have limited cold storage capacity. Imported liquors are purchased from specialized distributors/importers.

The Venezuelan National Restaurant Association (CANARES) is the primary association of restaurants with more than 300 members throughout the country. CANARES reports its members generate more than 9,000 jobs in the foodservice sector. Additionally, there are some small regional associations outside of Caracas.

Food Retail sector

Major supermarket chains include Central Madeirense, Excelsior Gama, Plaza's, Sigo, Makro, Unicasa, El Patio and Garzon. Most of the major supermarket and hypermarket chains in Venezuela belong to the National Supermarket Association (ANSA).

There are more than 1,500 privately owned supermarkets (both chain and independents) in Venezuela selling food and beverages. There are an additional 160,829 traditional *abastos* or *bodegas* ("mom and pop" stores), located on nearly every block in Venezuelan cities and towns, predominantly in middle and low-income neighborhoods.

Pharmacies have also been growing rapidly in the last decade. The store layouts now include aisles dedicated to food and beverages (similar to Walgreens or CVS). The three major pharmacies are Saas (206 stores), Farmatodo (143) and Locatel (50). These pharmacies also are members of ANSA.

The volume and frequency of media reports about the scarcity of food products was significant at the beginning of the year, but is now common as the absence of key products continues to worsen. These concerns have proven to be true as the impact of reduced agricultural production and imports is reflected on a daily basis demonstrated by excessively long lines outside supermarkets and increased rationing of select products in government-owned food stores. The lack of goods on store shelves is the result of price controls negatively impacting food production and limited foreign exchange to purchase needed inputs.

Food shortages are more notable in supermarkets in the interior of the country. Food and household

consumer product inventories are critical in several major cities, including Maracaibo, Valencia, Barquisimeto, San Cristobal and Puerto La Cruz. Supermarkets in these cities have not received powdered milk, sugar and/or corn flour in months. People spend upwards of a half day in long lines to purchase products with the shelves emptying in a matter of hours after products arrive.

In an attempt to stop bulk purchasing and consumer hoarding, the government has also implemented product rationing policies in private and state-owned stores. Since January 12 2015, the government is limiting the number of days a consumer can shop per week based on the last number of their *cedula*, or personal identification cards. Furthermore, many stores require customers to present birth certificates for their children to be able to purchase diapers and baby food. The government also installed biometric machines in both the government-owned and private sector grocery stores to control/manage purchases. In spite of these measures, long lines persist and there are continued reports that food items are being resold at significantly higher prices in informal markets.

The Government Food Distribution Network

Venezuela's retail food sector is serviced by both the public and private sectors. The GBRV *Mercado de Alimentos C.A.* (MERCAL), created in April 2003, markets food products at very low prices, usually even lower than controlled-priced products sold by private sector supermarkets. The GBRV is increasing expenditures on social food programs and price controls of foods that are sold in government-owned stores. Private retail stores are often co-opted by the GBRV as a distribution channel since the government stores lack appropriate cold chain facilities with insufficient distribution leading to product shortages and a declining availability and quality of products sold.

The MERCAL focuses on a basic basket of food products including 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 network has expanded to 15,743 points of sale that includes mostly small stores and 35 supermarkets. Food purchases are carried out directly by the government entity *Corporacion de Abastecimiento y Servicios Agricolas (CASA)*, created in August 1989. CASA is responsible for 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 that include Argentina, Bolivia, Brazil, Colombia, and China, among others.

The GBRV is deeply involved in the food supply chain, stemming from a food shortage crisis in 2008 that led the government to co-opt the Venezuelan state oil company to create PDVAL, a subsidiary to produce and distribute food in Venezuela. In January 2010, the government announced the expropriation of the supermarket chain, *Supermercados Exito*, after several months of negotiations with the French corporation owner, *Groupe Casino EN*, and their Colombian subsidiary *Almacenes Exito*. In November 2010, the GBRV took over 81% of the CATIVEN supermarket chain, also owned by *Groupe Casino EN*. After the acquisition of this food distribution network of supermarkets, the GBRV owned a total of 35 stores which were renamed *Abastos Bicentenario* with eight distribution centers and a fleet of delivery trucks.

In October 2014, the GBRV created the business unit *Corporacion Productora, Distribuidora y Mercado de Alimentos S.A.* (CORPO-PDMERCAL). This business belongs to the Ministry of

Agriculture and Lands (MAT) and will manage the following state companies: MERCAL, PDVAL, Abastos Bicentenario, CASA, and FUNDAPROAL.

Direct Marketing

Marketing, through TV commercials, newspaper inserts or street vendors, is common. Mail orders are not an option because of the unreliability of the postal system. Supermarkets and hypermarkets like MAKRO, EXCELSIOR GAMA, PLAZA'S and CENTRAL MADEIRENSE have been successful in placing their catalogs in newspapers as weekend-issue inserts. E-commerce had been offered by major supermarkets, but with much less frequency, although some stores still allow consumers to order on-line or by via e-mail for home delivery. However, Venezuelan consumers prefer to buy in person perishable consumables and food stuffs.

IV. BEST PRODUCT PROSPECTS

Table 1. Best Product Prospects

Best Prospects Imports from the United States (Millions of U.S. Dollars)			
Product Description	2014	2015	January-October % Change
Cotton	1.9	6.3	234
Soybean Oil	4.7	56.3	1096
Breakfast Cereals	0.4	0.5	35
Fruit & Vegetable Juices	0.4	0.7	7

V. KEY CONTACTS AND FURTHER INFORMATION

Ministerio de Agricultura y Tierras (Ministry of Agriculture and Lands, MAT)

Av.Urdaneta, Edificio "MAT"
Esquina de Platanal a Candilito
La Candelaria, Caracas

Tel: (58-212) 509-0347/ 0348/ 0359/ 0360/ 0361
<http://www.mat.gob.ve>

Ministerio del Poder Popular para la Salud (Ministry of Health, MH)

Av. Baralt, Centro Simón Bolívar, Edificio Sur
El Silencio, Caracas
Tel: (58-212) 408-0000
<http://www.mpps.gob.ve>

Ministerio del Poder Popular para la Alimentación (Ministry of Food, MINAL)

Av. Andrés Bello - Edificio "Las Fundaciones"
Municipio Libertador, Caracas
Tel: (58-212) 577-0257
Fax: (58-212) 578-2647
<http://www.minal.gob.ve>
Email address of Public Relations: oirp@minal.gob.ve

Ministerio del Poder Popular para el Comercio (Ministry of Commerce, MILCO)

Av. Lecuna, Torre Oeste de Parque Central
Entrada Nivel Lecuna
Caracas Tel. (58-212)-509-6861
<http://www.mincomercio.gob.ve/>

National Center for Foreign Trade (CENCOEX)

Av. Leonardo Da Vinci, Edificio PDVSA, Piso 3
Los Chaguaramos, Caracas
Tel: (58-212) 606-3939
www.cadivi.gob.ve

Servicio Nacional Integrado de Administración Aduanera y Tributaria-SENIAT

Av. Blandín, C.C. Mata de Coco, Torre SENIAT
La Castellana, Caracas
Tel: (58-212) 274-4000/ 274-4026
<http://www.seniat.gob.ve>

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.gov.ve

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/

Asociación 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

Cámara Venezolana de la Industria de Alimentos (CAVIDEA) / Food Chamber

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/>

Cámara Nacional de Restaurantes (CANARES) / Restaurants Chamber

Av. Francisco de Miranda
Centro Comercial Lido Torre Este Piso 6 El Rosal
Tel: 58-212-952-1435 / 952-3124
Caracas, Venezuela
<http://www.canares.org/>

Cámara 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/

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websites: www.fas.usda.gov

<http://caracas.usembassy.gov/about-us/agricultural.html> (Caracas)

Table A. KEY TRADE AND DEMOGRAPHIC INFORMATION

Agricultural Imports From All Countries (2014)	\$8.3 billion
U.S. Market Share	15 percent
Total Population (Millions)	30

Number of Major Metropolitan Areas	6
Size of the Middle Class	20 percent
Total Gross Domestic Product (2014)	\$510 billion
Unemployment Rate (September 2015)	7.2 percent
Exchange Rate	Official - \$1 = Bs. 6.3 SICAD - \$1 = Bs. 13 SIMADI - \$1 = Bs. 198 Unofficial - \$1 = Bs. 875

Source: Department of Commerce, U.S. Census Bureau, Foreign Trade Statistics, World Bank, local Newspapers, Venezuelan Official data