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Venezuela

Food Processing Ingredients

2013

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Report Highlights:

While U.S. agricultural export value to Venezuela is expected to be down in 2013, the country still offers attractive export opportunities for U.S. suppliers in the processed food sector. The United States is an important supplier of ingredients to Venezuelan manufacturers, although competition from other foreign suppliers has intensified. U.S. agricultural and food exports to Venezuela in 2012 reached a record high of \$1.7 billion. Major imported food ingredients included: wheat, corn, soybeans, rice, soybean oil, dairy products, such as milk and whey powders, soybean meal, sweeteners, processed fruits and vegetables.

Post:
Caracas

Author Defined:
SECTION I. MARKET SUMMARY

Venezuela is a significant importer of agricultural products, with total imports reaching \$8.3 billion in 2012, according to Bolivarian Republic of Venezuela (BRV) data. Demand for food and beverages is driven by a population of 29 million with two-thirds under the age of 30.

U.S. suppliers are seen by local importers, distributors and food processors as reliable sources, in terms of volume, standards, prestige, and quality. Many local ingredients/products are unavailable or insufficient, forcing Venezuela to import more agricultural and food products. U.S. agricultural and food exports to Venezuela in 2012 were valued at \$1.7 billion and over the last five calendar years (2008-2012) averaged \$1.3 billion.

Total U.S. exports of agricultural products to Venezuela by category in 2012 were:
Bulk products \$793 million and
Intermediate products \$700 million
Consumer-oriented products \$198 million.

However, total imports of agricultural fisheries and forestry products from the U.S. are down in 2013. This reversal is being driven by a combination of internal factors that include price controls, falling ag production, rising inflation and especially a lack of foreign exchange, due to supply controls established by the BRV. Therefore, many importers use their own dollars or buy dollars at a much higher price using the parallel market.

There is also strong competition from Argentina, Brazil and Chile. Importers are taking advantage of trade agreements and good bi-lateral political relationships to increase imports from competing countries. Under the Latin America Integration Association (ALADI) agreement. ALADI countries can use local currencies instead of dollars, and imports from MERCOSUR countries (Argentina, Brazil, Paraguay and Uruguay), receive preferential duties.

Despite this profile, there are some U.S. products that have experienced growth in 2013, including: soybeans, soybean meal, vegetable oil, soybean oil, eggs products, planting seeds, food ingredients, dairy products, processed vegetables and non-alcoholic beverages.

Advantages and Challenges of Exporting to Venezuela's Food Processing Sector

| | |
|-------------------|-------------------|
| Advantages | Challenges |
|-------------------|-------------------|

| | |
|---|--|
| <ul style="list-style-type: none"> • Local ingredients are unavailable or insufficient, while U.S. food products are seen by importers as readily available. • Fast food chains that require American food ingredients are having success in Caracas and other major cities. • U.S. suppliers are seen by importers as reliable sources, in terms of volume, food safety standards and quality. • Multi-national operations require high standard ingredients, that the United States can provide | <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 control 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 maintain current market prices in a very price sensitive market. |
|---|--|

SECTION II. ROAD MAP FOR MARKET ENTRY

A- ENTRY STRATEGY

- The greatest obstacle is lack of foreign exchange availability. Exporters who are flexible in payment terms and credit will have greater success.
- Market is highly price-sensitive. American products are highly regarded for their quality and product consistency, which allows for a premium price, as compared to competing products. This can be used to cover potential credit costs.
- U.S. suppliers have a delivery time advantage, which should be used to develop consistency in product availability, reduce cost and ensure quality.

New to market Strategy

- Think long-term. Develop a relationship. Venezuela needs product.
- Start small.
- Be flexible on payments. Food industry receives preferential treatment in obtaining dollars.
- Play up product quality and reliable delivery given short transit times.

- Travel to Venezuela to see operations.
- Invite importers to U.S. through USDA programs.
- Demand price premium due to quality and availability. Do not over promise or try to gauge importer due to current circumstances.
- Products registration and representation.

B- MARKET STRUCTURE

- Wholesalers/distributors play an important role in this market structure, diversifying their purchases from U.S. exporters, local importers, through the local food processing sector wholesalers, retailers and the food service. Some large food processors import directly from U.S. suppliers.
- The Venezuelan food processing industry's distribution system serves the hotel; restaurant and institutions (HRI); retail; wholesale; and other food processing companies. Negotiations with wholesalers and distributors may include semi-exclusive contracts with limitations on geographic areas covered and/or restrictions on product lines available to a company's competitors. Retail segment purchases are made directly from food processing companies or from wholesalers. Domestic wholesalers, distributors, and retailers supply the HRI sector.

C- COMPANY PROFILE

The following table provides information on some of the largest processors in Venezuela that received U.S. dollars in 2012 through CADIVI (Foreign Exchange Administration Commission) in order to import food products.

**Table 1. Processed Food Imports from All-origins
December 2011 – December 2012**

| Company | Industry | USD |
|--------------------------------------|---|-------------|
| ALIMENTOS POLAR C.A. | Margarine, vegetable oils, sauces, rice | 43,797,837 |
| ALIMENTOS HEINZ C.A. | Sauces | 14,015,131 |
| ALIMENTOS FRISA C.A. | Fruits | 57,913,119 |
| ALIMENTOS KELLOGGS S.A. | Grain & cereals | 3,549,541 |
| ALFONZO RIVAS C.A. | Grains, snacks, beverages | 5,583,912 |
| BIMBO DE VENEZUELA C.A. | Grains | 3,471,301 |
| CADIPRO MILK PRODUCTS C.A. | Dairy Products | 57,674,509 |
| CARGILL DE VENEZUELA C.A. | Oil, grain, cereals. | 255,917,044 |
| CONSORCIO OLEAGINOSO PORTUGUESA S.A. | Oilseeds | 223,202,314 |
| DEL MONTE C.A. | Vegetables, ketchup, fruits | 1,611,329 |
| GENERAL MILLS DE VENEZUELA | Grains | 28,160,250 |

| | | |
|--|-----------------------------|-------------|
| INDUSTRIA ALIMENTICIAS NOEL DE VENEZUELA | Confection & Snacks | 49,865,221 |
| KRAFT FOODS DE VENEZUELA C.A. | Dairy Products, Sauces | 12,695,925 |
| MOLINOS CARABOBO S.A. (MOCASA) | Wheat & other grains | 109,367,624 |
| MOLINOS NACIONALES C.A. (MONACA) | Wheat & other grains | 159,962,894 |
| MOLINOS VENEZOLANOS C.A. | Wheat & other grains | 39,938,546 |
| NESTLE VENEZUELA S.A. | Dairy products, Snacks | 171,796,011 |
| PASTAS CAPRI C.A. | Wheat | 40,394,656 |
| PASTAS SINDONI C.A. | Wheat | 28,995,209 |
| PLUMROSE LATINOAMERICANA | Ingredients, meats | 33,094,978 |
| PRODUCTOS EFE S.A. / POLAR Group | Ice Creams, dairy products. | 1,802,822 |
| SNACKS AMERICA LATINA DE VENEZUELA SRL / POLAR Group | Snacks | 2,632,080 |

Source: CADIVI (Foreign Exchange Administration Commission)

III. COMPETITION

The United States is a major supplier of food ingredients to Venezuela. The following table provides a breakout in key sectors.

Table 2.
January-December 2012
(Million of dollars)

| Product Category | Rank | Country | Share of Import Market (percentage) |
|--------------------------------------|------|---------------|-------------------------------------|
| Wheat Net imports: \$412 | 1 | Canada | 53 |
| | 2 | United States | 45 |
| | 3 | Mexico | 2 |
| Corn Net imports: \$552 | 1 | United States | 50 |
| | 2 | Argentina | 23 |
| | 3 | Mexico | 9 |
| | 4 | Brazil | 8 |
| Soybeans Net imports: \$62 | 1 | Bolivia | 32 |
| | 2 | United States | 25 |
| | 3 | Brazil | 22 |
| | 4 | Argentina | 19 |
| Soybean Oil Net imports: \$328 | 1 | Argentina | 62 |
| | 2 | Bolivia | 14 |
| | 3 | United States | 9 |
| | 4 | Brazil | 8 |
| | | | |

| | | | |
|------------------------|---|----------------|----|
| Food preparations | 1 | United States | 38 |
| Nesoi | 2 | Chile | 8 |
| Net imports: | 3 | Argentina | 7 |
| \$158 | 4 | Spain | 6 |
| | 5 | Brazil | 5 |
| Whey and other | 1 | France | 25 |
| dairy products | 2 | Argentina | 22 |
| Net imports: | 3 | Peru | 18 |
| \$11 | 4 | Chile | 14 |
| | 5 | United States | 13 |
| Sugars & Sweeteners | 1 | United States | 70 |
| Net imports: | 2 | Dominican Rep. | 16 |
| \$18 | 3 | Colombia | 10 |
| | 4 | China | 3 |
| Extracts of Coffee | 1 | Ireland | 41 |
| and tea | 2 | United States | 25 |
| Net imports: | 3 | Colombia | 17 |
| \$14 | 4 | Chile | 5 |
| Sauces & Condiments | 1 | Mexico | 50 |
| Net imports: | 2 | United States | 18 |
| \$6 | 3 | Canada | 9 |
| | 4 | Colombia | 7 |
| Vegetable preparations | 1 | United States | 38 |
| Net imports: | 2 | Spain | 17 |
| \$28 | 3 | Colombia | 16 |
| | 4 | Argentina | 7 |
| Animal / Vegetables | 1 | United States | 99 |
| fats and oils | 2 | Brazil | 1 |
| Net imports: | | | |
| \$109 | | | |
| Eggs & Products | 1 | Brazil | 89 |
| Net imports: | 2 | United States | 7 |
| \$3 | 3 | Spain | 2 |

Source: Global Trade Atlas

SENIAT (Venezuelan National Integrated Tax Administration Service)
January-December 2012.

IV. BEST PRODUCTS PROSPECTS

The following is an illustrative table of the major export opportunities and some of the emerging opportunities for U.S. food processing ingredients products to Venezuela. Based on agricultural imports from the U.S. in 2013:

| Subsector | Food Processing Prospects |
|------------------------------------|---|
| Dairy Products | Whey, buttermilk, yogurt |
| Fruits and vegetables preparations | Prepared tomatoes, apples, pears, and grapes. |
| Cereals | Wheat, corn, rice. |
| Confectionary | Glucose, lactose, fructose, glucose syrup, chocolate preparations, modified sugars. |
| Snack foods | Breakfast cereals and chocolate mixes |
| Dry goods and condiments | Ketchup, mayonnaise, mustard, sauces, extract of coffee and tea, soy sauce. |
| Eggs | Eggs & products |
| Soybeans | Soybeans, soybean meal, soybean oil. |
| Fats | Animal & Vegetable fats. |
| Pectates | Vegetables & extracts |
| Proteins | Proteins Concentrate |

V. POST CONTACT AND FURTHER INFORMATION*

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Asociacion Nacional de Supermercados y Autoservicios (ANSA)

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www.venamcham.org

MAIN FOOD PROCESSORS*

ALIMENTOS HEINZ, C.A.
Calle Orinoco, Torre Uno, piso 1, Las Mercedes CARACAS DF
58-212-909.19.99 / 18.72
58-212-993.03.29
www.heinz.com

ALIMENTOS KELLOGG'S S.A.
Av. Tamanaco, Edif. Extebandes, piso 6, El Rosal. caracas DF
58-212-951-14-30 / 37-70

58-212-951-68-07
www.kelloggs.com

ALFONZO RIVAS & CÍA
Av. La estancia, Edif. General piso 8, Chuao CARACAS
58-212-909.20.00
58-212-993.69.72.
www.alfonzorivas.com

BIMBO DE VENEZUELA, C.A.
Zona Ind. Del Este, Sector Los Barbechos, Urb. Maturin, Prolog., Av. II, Edif. Bimbo de
Venezuela GUARENAS MIRANDA
58-212-360.22.22
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CADIPRO MILK PRODUCTS C.A.
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CARGILL DE VENEZUELA, C.A.
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58-212-208.53.11
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www.cargill.com

GENERAL MILLS DE VENEZUELA, C.A.
Av. Venezuela, Torre Clement, piso 1, Ofic. A y B, El Rosal CARACAS DF
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58-212-951.19.56
www.generalmills.com

KRAFT FOODS VENEZUELA, C.A.
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www.monaca.com.ve

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58-243-271-3410

NESTLÉ VENEZUELA, S.A.

Edif. Polar, Plaza Venezuela, Los Caobos CARACAS

58-212-708.70.00-708.80.34

58-212-576.51.20

www.nestle.com.ve

PASTAS CAPRI

Zona Industrial Corralito, Edif. Capri, Carrizal, Edo. Miranda LOS TEQUES MIRANDA

58-212-383.20.66

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PARMALAT INDUSTRIA LÁCTEA VENEZOLANA, C.A.

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www.parmalat.com.ve

PLUMROSE LATINOAMERICANA, C.A.

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Los Ruices CARACAS

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PRODUCTOS EFE C.A (Polar Group)

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