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## Venezuela

**Post:** Caracas

### **Price Controls Equal Disinvestment and Shortages**

**Report Categories:**

Agricultural Situation

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**Report Highlights:**

Price controls for food, put in place by the Bolivarian Government in 2003, have not controlled inflation. High prices and shortages of some products characterize today's Venezuelan food market. Post provides an informal summary of recent media commentary.

**General Information:**

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In February 2003, the Bolivarian Government implemented price controls for staple foods, pharmaceuticals, and personal care products. This regulation still stands with some variations; the Executive has issued several resolutions since then adjusting prices up or down, and has included new items on the list of regulated products. These measures were aimed at controlling inflation, mainly for food, but after seven years this policy remains inefficient.

## **Industry requests changes in controlled prices**

Food producers are again asking for a revision in output prices proportional to increases in input costs for staples such as pasta, bread, chicken, beef, milk, cheese, coffee, sugar, and corn. Prices for these items were last adjusted in 2009. For example, they are asking for an increase in fluid milk prices of between 35 and 40 percent; cheese prices of 40 percent; beef of 40 percent; and poultry of about 50 percent.

According to industry sources, previous adjustments in the prices of these products by the government have been late and inadequate, a situation now complicated by currency devaluation. While input costs keep rising, the prices of finished products are kept steady and regulated. In the last seven years, price controls have generated disinvestment in the food sector resulting in decreased production, and yet the Government insists that regulations should not be dismantled.

## **Production falls**

Production of key crops such as rice, corn, and coffee have been affected as a result of price controls, and more recently, unfavorable weather.

## **Controls**

In the last seven years, INDEPABIS (Institute for the Defense of People in Access to Goods and Services) and other institutions have taken many actions in order to enforce price controls, including inspections of food producing businesses. These inspections became stronger with the approval of the so-called Anti-Hoarding Law in February 2007, which gave birth to INDEPABIS and SADA (National Superintendent of Silos and Agricultural Warehouses). These Institutions started inspecting operations at the wholesale and industry level, which have resulted in some cases of expropriations.

The Anti-Hoarding Law was amended last January, giving more power to INDEPABIS to act on inspection procedures and expropriations.

Source: Leading Dailies