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POLICY

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Venezuela

Retail Foods

Retail Food Sector

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Report Highlights:

The retail sector in Venezuela continues to be an important point of sale for U.S. importers. There are 163,321 retail outlets, including supermarkets (chain and independents), pharmacies, mom & pops, and government-owned stores in Venezuela selling food and beverages. Most supermarkets are modern and offer good service to customers. U.S. exports of consumer-oriented products to Venezuela in 2013 were valued at US\$160 million. However, U.S. agricultural export value to Venezuela is down in 2014, due mostly to an economic system in crisis. The lack of dollars is arguably the most significant obstacle to trade for Venezuelan importers.

SECTION I. MARKET SUMMARY

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 & pops), located in nearly every block in Venezuela’s cities and towns, especially in middle-and low-income neighborhoods.

Both the public and private sectors are involved in Venezuela’s retail food sector. The government of Venezuela is increasing expenditures on social food programs and price controlled foods are sold in government-owned stores. However, the private retail sector is used in many cases by the Government of Venezuela (GBRV) as a distribution channel since the government stores have many issues including: lack of cold chain, insufficient distribution, shortages, poor customer service and declining quality of products sold.

The phenomenon of product shortages in Venezuela is a variable that is deepening in recent months and it is worse when compared to 2013. The shortage indicator has shown a sustained rise that has led to levels ranging about 30 percent of total products sold in the Venezuelan market and for food is estimated to be between 46 and even 50 percent. Its impact is reflected on a daily basis as consumers must wait in lines for hours to obtain basic food products and often times visit more than one store to find everything they need.

The lack of food products is the result of rising production costs, price controls and growing volume of imports. The Venezuelan government continues to impose economic policies to control food prices and supplies. In August 2014, the latest policy change was the announcement of a biometric identification system in all retail food stores. The system was to be implemented by November 30, 2014. This did not happen and only a few stores near the border of Venezuela/Colombia are using the biometric system. The system is intended to control food sales per person by recording each person’s purchases and limiting the number of items a person can purchase in a month.

The biometric system has raised more doubts than provided controls on food purchases. The private sector is skeptical about the biometrics system. Most supermarkets in the country were not prepared for the November 30, deadline and do not have the funding to purchase the biometric equipment. The government is not enforcing the implementation of the system at this time.

Exchange Rate Policy

Since early 2003, strict control policies govern and 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. Some dollars are bought from the government at the official rate of 6.3 bolivares per U.S. dollar. These are intended for essential goods, such as staple food products and medicines. Some importers can buy dollars from the government at a rate of about 12 bolivares per dollar on a limited exchange called *Ancillary Foreign Currency Administration System* (SICAD 1); this system works with weekly auctions. There is also SICAD 2, which was introduced in March 2014 and involves private sellers, at a rate of 50 bolivares per dollar. Finally, there is the parallel market, which is unregulated, where dollars currently sell for about 180 bolivares per dollar.

In Venezuela, the lack of dollars is arguably the most significant obstacle to trade for importers. Therefore, many importers have used their own foreign exchange to purchase dollars, but this funding and exporter credit has dried up.

Food Price Controls

Since January 2003, the GBRV imposed a price control policy on basic food 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 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 periodically.

A. PUBLIC SECTOR: FOOD RETAIL

MERCAL

Created in April 2003, MERCAL or "Mercado de Alimentos C.A.", markets food products at low prices. The stores sell government-subsided products to the lower economic classes. Products include powdered milk, precooked corn flour, black beans, rice, vegetable oil, sardines, pasta, sugar, bologna, margarine, deviled ham, eggs, mayonnaise and sauces. The prices at MERCAL are lower than the controlled-priced products sold by supermarkets. MERCAL's food distribution web has expanded to 15,743 points of sales that includes mostly small stores (see table 1).

Table 1. MERCAL: Format and Numbers

| FORMATS | | NUMBER OF VENUES |
|---|------------------------------|------------------|
| MERCAL I (154 sq mts and larger) | Owned by the government | 210 |
| MERCAL II (300 sq mts and larger) | Owned by the government | 1,008 |
| SUPERMERCAL (440 sq mts and larger) | Owned by the government | 35 |
| MERCALITO (small mom & pop stores) | Privately owned (franchised) | 13,978 |
| MOVILES (trucks selling products to remote areas) | Privately owned (franchised) | 394 |
| DISTRIBUTION CENTERS | Owned by the government | 118 |
| TOTAL | | 15,743 |

Source: Mercal's website

State-Owned Enterprises

In January 2008, after several months of shortages of basic food products, the GBRV, throughout the Venezuelan state oil company PDVSA, created PDVAL, a subsidiary to produce and distribute food in Venezuela.

In January 2010, the GBRV announced the expropriation of the supermarket chain, “Supermercados Exito” after several months of negotiations with majority holders French group Casino, and the Colombian “Almacenes Exito,” Later in November 2010, the government bought 81 percent of CATIVEN Supermarket Chain owned also by the Casino Group.

With the acquisition of this network of supermarkets, the Venezuelan State became the owner of 35 stores that were renamed Abastos Bicentenario (formerly Supermercados CADA), six stores of Gran Bicentenario (former Hipermercado Exito), eight distribution centers and a truck fleet.

In October 2014, the GBRV created a corporation called *Corporacion Productora, Distribuidora y Mercado de Alimentos S.A.* (CORPO-PDMERCAL). This corporation belongs to the Ministry of Agriculture and Lands (MAT) and will include the following state companies: MERCAL, PDVAL, Abastos Bicentenario, CASA, and FUNDAPROAL.

B. PRIVATE SECTOR: FOOD RETAIL

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 & pops), located on nearly every block in Venezuela’s cities and towns, especially in middle-and low-income neighborhoods.

The major chains of supermarkets are modern and offer good service to customers. Among them are: Central Madeirense, Excelsior Gama, Plaza’s, Sigo, Makro, Unicasa, El Patio and Garzon. These chains are located not only in Caracas but some have a presence in major cities throughout of the country. Most of the major supermarket and hypermarket chains in Venezuela belong to the National Supermarket Association (ANSA). Additionally, there are hundreds of independent supermarkets throughout the country that also belong to ANSA. (see Table 2).

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 four major pharmacies are SAAS (206 stores), Farmatodo (161), Farmahorro (105) and Locatel (50). These pharmacies also are members of ANSA.

Food Imports and Distribution

U.S. exporters normally ship their products to distributors that import, stock, and deliver to a retailer’s distribution center or individual stores. Major supermarket chains are all capable of direct purchasing and may deal directly with foreign suppliers; however, even the largest retailers depend heavily on local distributors for imported products. The smaller supermarkets, local chains and independent supermarkets purchase through distributors and specialized importers.

The major retailers are developing increasingly sophisticated distribution systems. However, in the case of frozen foods and perishables, retail stores still depend heavily on local distributors. In general, the Venezuelan cold chain infrastructure for frozen and refrigerated products needs significant upgrades to improve the quality and capacity.

Trends

- Bakeries continue to be the outlets closest to home, where consumers can buy a range of

products for everyday use such as bread, milk and dairy products, coffee, newspapers, soft drinks, and snacks, as well as processed meats. Most of them also make sandwiches and other simple foods, and they sell cakes and other gift products. Venezuelans are not accustomed to shopping at gas stations, except when driving along an inter-city highway.

- Though consumers from all socioeconomic levels shop at the major private retailers, clients tend to be from the middle and upper-income groups. Lower economic classes are more likely to frequent the government-owned stores because of the lower prices. However, in the last ten years, the lowest economic classes are shopping in the privately owned supermarkets as their purchasing power has increased, albeit marginally, due to rising inflation.
- The 24-hour-format is not common in most parts of Venezuela for security reasons. A few supermarket chains and pharmacies have some stores open 24 hours.
- Hypermarkets, major supermarkets, and some independent supermarkets have created their own store brands which have been well accepted by consumers. They are considering expanding the range of products.
- Supermarkets and department stores continue to carry the largest selection of U.S. products.
- Marketing, through TV commercials, radio, and newspaper inserts is common. Supermarkets and hypermarkets like Plaza's, Makro, Unicasa, Excelsior Gama and Central Madeirense have been more successful by placing their catalogs in newspapers as weekend-issue inserts.
- Increasing application of information-recording and processing technology, including price readers, scanners, bar codes, affiliation cards to detect individual consumption habits, etc.

Trends in Services Offered By Retailers

- Major supermarket chains are preparing and selling meals for consumption at the store or carry-out (Home Meal Solutions - HMS), as a way of attracting customers.
- Makro and other hypermarkets are adding fast food services within their stores. In some cases these services are international franchises familiar to consumers.
- Most supermarket chains are devoting more space and assigning modern equipment to frozen foods.

Table 2. Private Retail Outlets in Venezuela (Self Service)

| TYPE OF STORE | NUMBER OF STORES |
|---|-------------------------|
| Supermarkets (Independent) | 1,285 |
| Supermarkets (Chain) | 273 |
| Pharmacies | 657 |
| Liquor stores | 225 |
| Hypermarket Cash & Carry | 52 |
| Traditional (not self service) including "Abastos" (Mom & pops) | 160,829 |
| Total | 163,321 |

Source: National Supermarkets Association (ANSA).

Table 3. Major Retailers in Venezuela

| RETAILER NAME | OUTLET TYPE | NUMBER OF STORES |
|--------------------------|--------------------|-------------------------|
| CENTRAL MADEIRENSE | SUPERMARKET | 52 |
| BICENTENARIO (Public) | SUPERMARKET | 36 |
| DIA A DIA Practimercados | SUPERMARKET | 36 |
| UNICASA | SUPERMARKET | 29 |
| EXCELSIOR GAMA | SUPERMARKET | 21 |
| CENTRO 99 | SUPERMARKET | 15 |
| SAN DIEGO | SUPERMARKET | 15 |
| PLAZA'S | SUPERMARKET | 13 |
| VIVERES DE CANDIDO | SUPERMARKET | 8 |
| FLOR C.A. | SUPERMARKET | 7 |
| SUPREMO | SUPERMARKET | 7 |
| UNIMARKET | SUPERMARKET | 5 |
| LUVEBRAS | SUPERMARKET | 5 |
| EL PATIO | SUPERMARKET | 5 |
| DON SANCHO | SUPERMARKET | 4 |
| FRONTERA | SUPERMARKET | 4 |
| SUPER ENNE | SUPERMARKET | 4 |
| LUZ | SUPERMARKET | 3 |
| SAN TOME | SUPERMARKET | 3 |
| SAGRADA FAMILIA | SUPERMARKET | 3 |
| MERCATRADONA | SUPERMARKET | 3 |
| SU CASA | SUPERMARKET | 3 |
| SIGO | SUPERMARKET | 3 |
| FRANCIS | SUPERMARKET | 2 |
| LICARCH | SUPERMARKET | 2 |
| LOS CAMPITOS | SUPERMARKET | 2 |
| REY DAVID | SUPERMARKET | 4 |
| EL DIAMANTE | SUPERMARKET | 2 |
| LA PAZ | SUPERMARKET | 2 |
| | | |
| RETAILER NAME | OUTLET TYPE | NUMBER OF STORES |
| MAKRO | HYPERMARKET | 35 |
| BICENTENARIO (Public) | HYPERMARKET | 6 |
| EXCELSIOR GAMA | HYPERMARKET | 2 |
| CENTRAL MADEIRENSE | HYPERMARKET | 5 |
| EL NUEVO MERCADO | HYPERMARKET | 1 |
| EUROMERCADO | HYPERMARKET | 1 |
| SAN DIEGO | HYPERMARKET | 3 |
| GARZON | HYPERMARKET | 3 |
| JUMBO MARACAY | HYPERMARKET | 1 |
| TELEMUNDO | HYPERMARKET | 1 |
| KROMI MARKET | HYPERMARKET | 1 |
| LA FRANCO ITALIANA | HYPERMARKET | 1 |

| | | |
|------------------|-------------|---|
| LHAU | HYPERMARKET | 2 |
| MERKAPARK | HYPERMARKET | 1 |
| PLAN SUAREZ | HYPERMARKET | 3 |
| RATTAN MARGARITA | HYPERMARKET | 3 |
| SANTO TOME | HYPERMARKET | 1 |
| SUPER LIDER | HYPERMARKET | 7 |
| DE CANDIDO | HYPERMARKET | 3 |

Source: National Supermarkets Association (ANSA).

Table 4. Advantages / Challenges for U.S. Exporters targeting Venezuela’s Retail Sector

| Advantages | Challenges |
|---|---|
| <ul style="list-style-type: none"> • Venezuelan consumers consider U.S. products to be high-quality. • Retail stores are adding more freezer space to accommodate frozen foods. • Local retailers see U.S. suppliers as a reliable source in terms of volume, standards and quality. • Two thirds of the population is below 30 years of age heavily influenced by U.S. culture through media, and are open to ready-to-cook and ready-to-eat imported food products. | <ul style="list-style-type: none"> • Government-imposed foreign exchange and price controls. • Venezuelan infrastructure for handling frozen and refrigerated products still needs improvement. • Mercosur and other Latin-American countries have trade agreements with Venezuela giving them preferential duties for many products. • It may be difficult to obtain import permits and food registration numbers for some products. • High inflation rate. |

SECTION II. ROAD MAP FOR MARKET ENTRY

A. Entry Strategy

- U.S. exporters can approach Venezuelan buyers through a large importer, wholesaler/distributor, or through a specialized importer. Regardless of the strategy, most U.S. exporters need a local partner to educate and update them about product registration procedures, business practices, and market consumer trends and development.
- Wholesalers/distributors and importers play an important role for Venezuela’s supermarket

retailers. Although some supermarkets have tried to import through consolidators, the bulk of supplies come from local agents or importers. Large supermarket retailers are more likely to import directly from U.S. suppliers.

- Local importers are a must when selling U.S. food exports to Venezuela’s convenience stores or traditional retail outlets; since they know how the retail market works.

SECTION III. COMPETITION

Local producers are the main suppliers of consumer-ready products. Venezuela has a relatively strong food processing industry and leading Venezuelan brands have good distribution networks, are well-positioned in the market, and enjoy high brand awareness with consumers. Some of these companies include Empresas Polar (rice, corn flour, beverages, beer, pasta, mayonnaise, vegetable oils, ice cream among others), Alfonzo Rivas & CIA (cereals, condiments, and canned foods), Pastas Capri, Pastas Sindoni, Monaca and Mocasa. There are many other companies distributing sauces, dairy products, confectionery, snacks, processed fruits and grains.

There are also several multinational producers/importers in Venezuela, including: Alimentos Heinz, General Mills, Kellogg's, Kraft Foods, Procter & Gamble, Frito Lay-Pepsico, Nestle, Bimbo, Cargill.

Competition among importers depends on the category. Processed-food products are imported mainly from South American countries, primarily Colombia, Chile, Brazil, and Argentina. Nonetheless, exports of consumer-oriented products from the United States to Venezuela in 2013 were valued at US\$160 million.

SECTION IV. BEST PRODUCT PROSPECTS

Table 6. The best products prospects in the Venezuelan retail market are as follows:

| Top Venezuelan Agricultural Product Imports from the United States (Millions of U.S. Dollars) | |
|---|---|
| Product Description | 2014 (January-October) |
| Soybean Meal | 357.2 |
| Wheat | 194.8 |
| Planting Seeds | 40.1 |
| Vegetable Oil | 10.1 |
| Tree Nuts | 5.4 |
| Preparation for Infants | 3.5 |
| Condiments & Sauces | 2.5 |
| | |
| | |
| | |

Source: U.S. Census Bureau

SECTION V. POST CONTACT AND FURTHER INFORMATION

Office of Agricultural Affairs
USDA/FAS
United States Embassy
Calle F con Calle Suapure, Colinas de Valle Arriba
Caracas 1061, Venezuela
Phones: (58-212) 907-8333
Fax: (58-212) 907-8542
E-mail: Agcaracas@fas.usda.gov
websites: www.fas.usda.gov
<http://spanish.caracas.usembassy.gov/nosotros/agricultura.html> (Caracas)

Asociacion de Supermercados y Autoservicios (ANSA)

(National Supermarkets Association)

Ave. Principal de los Ruices
Centro Empresarial Los Ruices
Piso 1, Ofic. 116
Caracas 1071, Venezuela
Tel: 58-212-234-4490/235-7558
www.ansa.org.ve

**Mercado de Alimentos MERCAL C.A.
(Government Network)**

Av. Fuerzas Armadas, Esquina Socarras
Edif. Torres Seguros Orinoco
Tlf.: (58-212) 564-3856
Caracas.
www.mercal.gov.ve/

Camara Venezolana de la Industria de Alimentos (CAVIDEA)

(Food Chamber)
Av. Principal de Los Ruices
Centro Empresarial
Piso 5, Of. 510
(58-212) 237-6183 / 239.0918
Los Ruices
Caracas.
www.cavidea.org.ve

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

Av. Urdaneta, Edificio MAT
(Antiguo Edif. Fondo Comun)
Esq. Platanal a Candilito
Plaza La Candelaria, Caracas
Tel: (58-212) 509-0188
Fax: (58-212) 574-2432
www.mat.gov.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.gov.ve

Instituto Nacional de Salud Agrícola Integral-INSAI

(equivalent to APHIS)
Av. Francisco Solano López cruce con calle Pascual Navarro
Edificio Torre Banvenez, pisos 12, 13 y 14
Sabana Grande - Caracas
Tel: (58-212) 705-3416
<http://www.insai.gob.ve/>

Ministerio de Alimentación (MINAL)

Av. Andrés Bello, Edificio Las Fundaciones
Caracas
Tel: 58-212-564-8303
www.minal.gob.ve

Comisión de Administración de Divisas (CADIVI)

(Exchange Control Administration Commission)
(58-212) 606-3499 / 3995 / 3904 / 3939
www.cadivi.gob.ve

Fondonorma (COVENIN -Venezuelan Standards Agency)

Director de Seguimiento y Control
Servicio Autónomo
Dirección de Normalización y Certificación de Calidad
Avenida Andrés Bello,
Edificio Torre Fondo Común, piso 11
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Instituto Nacional de Estadísticas (INE)**(National Statistics Institute)**

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(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)
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www.venamcham.org

Federacion Venezolana de Camaras y Asociaciones de Comercio y Produccion

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

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www.fedecamaras.org.ve/

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