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Retail Food Sector

2015 Annual Report

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Report Highlights:
Even with major challenges, the retail sector in Venezuela continues to provide opportunities for U.S exporters. There are 162,959 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 2014 were valued at $91 million. However, U.S. agricultural exports to Venezuela were down in 2015 due mostly to the economic crisis in the country and foreign exchange restrictions.

SECTION I. RETAIL SECTOR OVERVIEW

Market Summary

Venezuela remains a significant importer of agricultural products, with total imports reaching $8.3 billion in 2014 according to the Government of Venezuela (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 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 to Venezuela are constrained by a Venezuelan economy in crisis, with high inflation and severe restrictions on accessing foreign currency by Venezuelan importers. As a result of these problems, U.S. agricultural exports in 2015 were down 40% through October, compared with the same time period in 2014. The value of U.S. agricultural exports to Venezuela in 2015 will likely dip below $1 billion for the first time since 2007. Despite these challenges, there were several U.S. agricultural products that experienced growth in 2015 including soybean oil, cotton, breakfast cereals, fruit and vegetable juices.

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.

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 U.S. dollars are bought from the Venezuelan 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 U.S. dollars is arguably the most significant obstacle to trade for importers. Therefore, many importers have to use their own U.S. dollars they have in other countries or buy U.S. dollars at a much higher price using the parallel market.

Food 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. 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.

The Public Sector

Venezuela's retail food sector is serviced by both the public and private sectors. The GBRV's *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 used 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.

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 created PDVAL, a subsidiary of the Venezuelan state oil company, 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.

The Private Sector

There are more than 1,500 privately owned supermarkets (both chain and independents) in Venezuela selling food and beverages. There are an additional 160,467 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.

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 the 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 and also because of the regulated prices.

- 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 if the situation improves.

- 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, among other hypermarkets, are beginning to add fast food services within the store. In some cases these services are international franchises.

- Most supermarkets chains are devoting more space and assigning modern equipment to frozen foods.

- Specific shelves are increasingly being devoted to the foods targeted toward ethnic and religious communities. Though organic products are not common due to the high prices, there are a few organic stores opening in the major cites of the country.

Table 1. 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)	160,467
Total	**162,959**

Source: National Supermarkets Association (ANSA).

Table 2. 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 3. Advantages / Challenges for U.S. Exporters targeting Venezuela's

Advantages	Challenges
• Venezuelan consumers consider U.S. products to be high-quality. • Retail stores are adding more freezer space to accommodate frozen foods. • There is a proliferation of malls and accompanying expansion in the retail establishments selling U.S. products. • 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 and are heavily influenced by	• Government-imposed foreign exchange control and price controls. • Imported products are expensive for most consumers, who are very price-sensitive. • 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 some products.

U.S. culture through the media, and are open to ready-to-cook and ready-to-eat imported food 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

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, and 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 2014 were valued at US$91 million.

SECTION IV. BEST PRODUCT PROSPECTS

Table 4. The best products prospects in the Venezuelan retail market are as follows:

Top Venezuelan Product 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

Source: BICO

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, pisos12, 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 Seguimineto y Control
Servicio Autónomo
Dirección de Normalización y Certificación de Calidad
Avenida Andrés Bello,
Edificio Torre Fondo Común, piso 11
Caracas.
Tel: 58-212-575-4111
Fax: 58-212-574-1312/576-3701

Instituto Nacional de Estadisticas (INE)
(National Statistics Institute)
Avenida Boyacá, Edificio Fundación La Salle, Maripérez
Caracas, Venezuela
www.ine.gov.ve
Tel: 58-212-781-1380
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Fax 58-212-261-9620

www.profranquicias.com