

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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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 162,054 retail outlets, including supermarkets (chain and independents), mom & pops, and government-owned stores in Venezuela selling food and beverages. Most Venezuelan supermarkets are modern and offer high-quality service to customers. Imports of consumer-oriented products from the United States grew from US\$84 to US\$127 million between 2006 and 2010.

Post:
Caracas

USA Pavilion at the 16th Annual Americas Food & Beverage Show and Conference

Interested in exporting to Venezuela? Don't forget to come to Miami...



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What: 16th Americas Food & Beverage Show and Conference
When: September 24-25, 2012
Where: Miami Beach Convention Center

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SECTION I. MARKET SUMMARY

Most of the privately owned supermarkets in Venezuela are controlled by descendants of Portuguese immigrants who came to Venezuela in the 1950's. At that time, the sector was characterized by many disparate, small groups of outlets called "bodegas" or "abastos" that did not have sophisticated import mechanisms or customer service. However, the sector has changed significantly since the 1980's, and today most of the supermarkets offer quick, high-quality service to customers. One of the reasons for this change is that the new generation of supermarket owners has attended international trade shows where they learned the latest trends, including technology.

Both the public and private sectors are involved in Venezuela's retail food sector. In 2003, the Government of Venezuela (BRV) created state-owned food production facilities, a distribution system, and supermarkets. Products offered through the government's network of retail stores are sold at lower prices than traditional supermarkets, creating competition with the private sector hypermarkets, supermarkets and small outlets. Most of the major supermarket and hypermarket chains in Venezuela belong to the National Supermarket Association (ANSA).

Exchange Rate Policy

Since early 2003, strict control policies govern and limit transactions with foreign exchange. Currency trading is illegal and all transactions must be approved by the government's Foreign Exchange Administration Commission (CADIVI). Importers must register with CADIVI and apply formally for foreign currency transactions. When approved, the transactions are first liquidated through the Central Bank and finally through commercial banks. Currently, the exchange rate is set at 4.30 Bolivars per one US Dollar.

Food Price Controls

Since January 2003, the BRV imposed a price control policy on basic food and processed food products. Only the Ministries of Agriculture and Land (MAT); Food (MINAL); and Health and Social Development (MSDS) can recommend changes to the controlled-price list, and include: a) adding or removing products from the list, and b) increasing or decreasing prices of specific food products.

Products currently under price control are: rice, oatmeal, corn flour, pasta and bread, beef, chicken and poultry products, sardines and tuna, corn oil, sunflower oil, blended oil, powdered milk, pasteurized milk, milk infant formulas, soy milk, white cheese, margarine, peas, lentils and black beans, refined sugar and brown sugar, tomato sauce, bologna sausage and salt. The list of products under price control and their current prices can change without notice, so exporters should regularly review the situation.

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.

MERCAL's food distribution web has expanded to 15,743 points of sales that includes mostly small stores (see table 1). The government entity, CASA (Corporacion de Abastecimiento y Servicios Agricolas), is in charge of purchasing domestic and imported food and agricultural products. The prices at MERCAL are lower than the controlled-priced products sold by supermarkets (see table 2).

During 2003, imported foods represented 70 percent of all products offered at MERCAL stores, with the remaining 30 percent sourced locally. Currently, CASA has stated that they import about 60 percent of its food products, with the remaining products purchased locally. Many of the products sold at MERCAL are under CASA's private label

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 web page, 2011

Table 2. MERCAL Prices vs Controlled Prices

| Product | Package / Size | MERCAL Price (Bolivares)* | Controlled Prices (Bolivares)* |
|---------------------|----------------|---------------------------|--------------------------------|
| Beef | 1 Kilogram | 10.56 | 22.74 |
| Corn Flour | 1 kilogram | 1.63 | 4.06 |
| Wheat Flour | 1 kilogram | 2.86 | 10.40 |
| Powder Milk | 1 kilogram | 7.89 | 24.80 |
| Margarine | 500 grams | 1.66 | 14.55 |
| Sugar | 1 kilogram | 1.72 | 6.11 |
| Mortadela (bologna) | 1 kilogram | 5.10 | 22.51 |
| Pasta | 1 kilogram | 1.96 | 4.33 |
| Chicken | 1 kilogram | 5.03 | 15.61 |
| Black Beans | 1 kilogram | 2.83 | 5.30 |

| | | | |
|---------------|------------|------|-------|
| Rice | 1 kilogram | 1.69 | 5.62 |
| Vegetable Oil | 1 liter | 4.33 | 21.10 |
| Lentils | 1 kilogram | 2.02 | 4.85 |

Source: Mercal's web page, 2011.

*US\$1 = 4.30 Bolivares

State-Owned Enterprises

Created in 2004, the Venezuelan Agricultural Corporation (CVA) is a state-holding enterprise, with the following processing subsidiaries: CVA Cereals and Oilseeds; CVA Dairy; CVA Sugar and CVA Inputs. The main objective of the CVA is to supply the state-owned food distribution chain (MERCAL). According to CVA's regulations published in the official gazette, these industries produce pre-cooked corn flour, pastas, milled rice, powdered milk, refined sugar and various agricultural inputs through the establishment of processing plants, and they also entitled to import and export raw and processed food products.

In December 2009, the Corporación de Mercados Socialistas (COMERSO) was created, to coordinate the commercial distribution programs devised by the Bolivarian Government. The Productora y Distribuidora de Alimentos (PDVAL) administers and supplies the COMERSO chain.

In January 2010, after several months of negotiations with majority holders the Bolivarian Government announced the expropriation of the supermarket chain, "Supermercados Exito", the French group, "Casino", and the Colombian "Almacenes Exito". In November 2010, the Government bought 81 percent of the shares of the CATIVEN Supermarket Chain (also owned by the Casino Group). With this acquisition, the Venezuelan government became the owner of 35 stores that were renamed Abastos Bicentenario (formerly Supermercados CADA), six stores of Gran Bicentenario (formerly Hipermercado Exito), eight distribution centers and a trucking fleet. The Bicentenario is controlled by the Socialist Market Corporation (COMERSO).

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 159,657 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 high-quality 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 3).

Pharmacies have also been growing rapidly in the last decade. The store layouts now includes aisles dedicated to food and beverages (similar to Walgreens or CVS). The three major pharmacies are Saas (180 stores), Farmatodo (135) 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

- A major expansion of convenience stores is anticipated as gas stations begin to add them to their facilities. But it should be noted that bakeries have traditionally served as convenience stores for Venezuelan consumers. 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 couple of years, the lowest economic classes are shopping in the privately owned supermarkets as their purchasing power has increased.
- Store hours are getting longer, more on Sundays and holidays. But most stores provide uninterrupted service from 8:00 a.m. to 9:00 p.m. and in some cases until 10:00 pm.
- The 24-hour-format is not common in most parts of Venezuela for security reasons. Some major 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, 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 cities of the country.

Table 3. Private Retail Outlets in Venezuela (Self Service)

| TYPE OF STORE | NUMBER OF STORES |
|---|------------------|
| Supermarkets (Independent) | 1,250 |
| Supermarkets (Chain) | 250 |
| Pharmacies | 650 |
| Liquor stores | 205 |
| Hypermarket Cash & Carry | 42 |
| Traditional (not self service) including "Abastos" (Mom & pops) | 159,657 |
| Total | 162,054 |

Source: National Supermarkets Association (ANSA), 2011 figures.

Table 4. Major Retailers in Venezuela

| RETAILER NAME | OUTLET TYPE | NUMBER OF STORES |
|--------------------------|-------------|------------------|
| CENTRAL MADEIRENSE | SUPERMARKET | 45 |
| BICENTENARIO (Public) | SUPERMARKET | 35 |
| DIA A DIA Practimercados | SUPERMARKET | 32 |
| UNICASA | SUPERMARKET | 26 |
| EXCELSIOR GAMA | SUPERMARKET | 21 |
| CENTRO 99 | SUPERMARKET | 14 |
| SAN DIEGO | SUPERMARKET | 12 |
| PLAZA'S | SUPERMARKET | 11 |
| VIVERES DE CANDIDO | SUPERMARKET | 8 |
| FLOR C.A. | SUPERMARKET | 7 |
| SUPREMO | SUPERMARKET | 7 |
| UNIMARKET | SUPERMARKET | 5 |
| LUEBRAS | 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 |
| *Supermarkets with only one store are not included. | | |
| RETAILER NAME | OUTLET TYPE | NUMBER OF STORES |
| MAKRO | HYPERMARKET | 35 |
| BICENTENARIO (Public) | HYPERMARKET | 6 |
| EXCELSIOR GAMA | HYPERMARKET | 2 |
| CENTRAL MADEIRENSE | HYPERMARKET | 3 |
| 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 CAGUA | HYPERMARKET | 1 |
| VIVERES DE CANDIDO | HYPERMARKET | 2 |

*Supermarkets with only one store are not included

Table 5. Advantages / Challenges for U.S. Exporters targeting Venezuela's Retail Sector

| Advantages | Challenges |
|--|--|
| <ul style="list-style-type: none"> Venezuelan consumers consider U.S. | <ul style="list-style-type: none"> Government-imposed foreign |

| | |
|---|--|
| <p>products to be high-quality.</p> <ul style="list-style-type: none"> • Many Venezuelan make frequent trips to the U.S. and are influenced by its culture. • Retail stores are modernizing and 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 are 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. • Per capita income is rising. | <p>exchange control and price controls.</p> <ul style="list-style-type: none"> • Imported products are expensive for most consumers, who are very price-sensitive. • Venezuelan infrastructure for handling frozen and refrigerated products still needs improvement. • Mercosur countries have trade agreements with Venezuela giving them preferential duties for some 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 excellent 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, imports of consumer-oriented products from the United States grew from US\$84 to US\$127 million between 2006 and 2010.

SECTION IV. BEST PRODUCT PROSPECTS

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

| Top 10 Venezuelan Agricultural High-Value Product Imports from the United States (Millions of U.S. Dollars) | |
|---|-------------|
| Product Description | 2010 |
| Rice | 127.88 |
| Vegetable Oils (Excluding Soybean Oil) | 24.26 |
| Snack Foods (Excluding nuts) | 15.45 |
| Non-Fat Dry Milk | 12.22 |
| Fresh Grapes | 9.04 |
| Tree Nuts | 7.67 |
| Instant Tea | 7.32 |
| Tomato Paste | 4.18 |
| Pet Foods | 2.71 |
| Fresh Apples | 2.43 |

Besides those products mentioned above; other consumer-oriented products that have potential opportunities in this market are: breakfast cereals, processed fruits and vegetables, dairy products, chocolate, crab meat and squid.

SECTION V. POST CONTACT AND FURTHER INFORMATION

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