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Venezuela

Food Processing Ingredients Sector

2009

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Report Highlights:

Venezuela offers good opportunities for U.S. suppliers to the processed foods sector. The United States is a major supplier of ingredients to Venezuelan manufacturers, although competition from other foreign suppliers has intensified. Major imported food ingredients include: wheat, corn, soybean meal, rice, dairy products such as milk and whey powders, processed fruits and vegetables and sweeteners. Total U.S. agricultural and food exports over the last five calendar years (2004-2008) have averaged USD 691 million, with 2008 trade jumping to USD 1.6 billion. Continued strong demand for basic food ingredients is forecast fueled by a growing population and limited supplies of locally produced inputs.

Includes PSD Changes: No
Includes Trade Matrix: No
Annual Report
Caracas [VE1]
[VE]

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I. MARKET OVERVIEW

Venezuela remains a significant importer of agricultural products, with total imports reaching \$7.5 billion in 2008 according to BRV data. U.S. agricultural and food exports over the last five calendar years (2004-2008) have averaged US\$ 691 million, with 2008 trade jumping to US\$ 1.6 billion.

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 ingredients/products are unavailable or insufficient.

Demand for intermediate agricultural products increased from the U.S., total exports were USD 122 million in 2003 compared to USD 537 million in 2008. Additionally, demand for consumer-oriented products from the United States has been growing rapidly; total exports of this category to Venezuela in 2003 were USD 35 million compared to USD 150 million in 2008.

Among the intermediate and consumer-oriented products that have experienced strong growing are: snack foods, breakfast cereals, pancake mixes, dairy products, fresh fruits, processed fruits and vegetables, food ingredients, fruits and vegetables juices, confectionary, and tree nuts.

There is also strong competition from Argentina, Brazil and Chile. The main reason for this is importers are taking advantage of ALADI (Latin America Integration Association) regulations to bring products without foreign exchange restrictions. Additionally, Argentina and Chile have been very aggressively selling products (especially fresh fruits) to Venezuela and they benefit from duty-free preferential access.

Demand for food and beverages is driven by a population of 28 million that is growing two percent annually. With two-thirds of the population under the age of 30, Venezuela is a youth-oriented food market. This is an excellent opportunity for U.S. market share to increase in the future.

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

Advantages	Challenges
<ul style="list-style-type: none"> ➤ Local ingredients unavailable or insufficient, while US food products are considered high quality. ➤ Fast food chains that require American food ingredients are having success in Caracas and in major cities. ➤ Proliferation of malls and accompanying expansion in the retail and dine out establishments using U.S. products. ➤ U.S. suppliers are seen by local food processors as a reliable source, in terms of volume, standards and quantity. ➤ Two thirds of the population is below 30 years of age and are heavily influenced by U.S. culture through media, and are observed to be very open to processed and ready to cook, ready to eat and imported food products. ➤ Operations by multi-nationals requiring world standard ingredients. 	<ul style="list-style-type: none"> ➤ Government-imposed exchange control and price control. ➤ U.S. exporters still must comply with all sanitary and phytosanitary requirements, which can be modified. ➤ Andean Community of Nations (CAN) 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. ➤ Parallel exchange rate, resulting in U.S. ingredients becoming expensive can shift buyers' purchases to source cheaper alternatives to keep current market prices in a very price sensitive market.

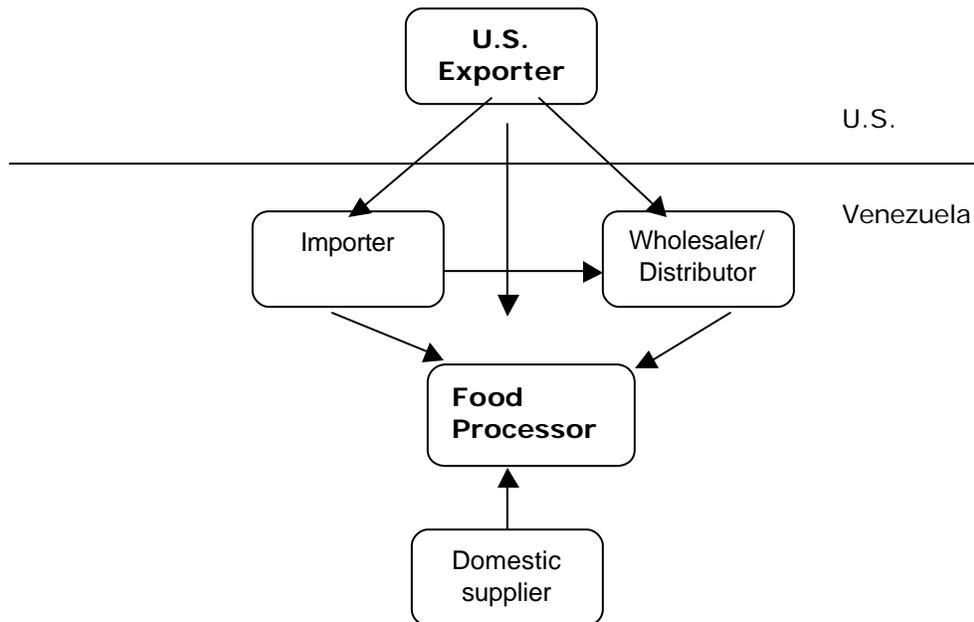
II. ROAD MAP FOR MARKET ENTRY

A- ENTRY STRATEGY

- U.S. exporters can approach Venezuelan food processors through a large importer, a large wholesaler/distributor, or a specialized importer.
- Market is highly price-sensitive. While American products are usually highly regarded for their quality and product consistency, which gives them a certain advantage in terms of pricing premium as compared to competing products, consumers are extremely resistant to price increases.

- Regardless of which strategy is chosen, U.S. exporters need a local partner to educate and update them about market consumer trends and development, product registration procedures, and business practices. The local partner should be well known by the U.S. company before any permanent contractual arrangement is made.

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 distribution system serves all different channels: 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 US dollars through CADIVI* in order to import food products.

**Table 1. Processed Food Imports from All-origins
December 2007 – December 2008**

Company	Industry	USD
ALIMENTOS POLAR C.A.	Margarine, vegetable oils, sauces, rice	21,273,309
ALIMENTOS HEINZ C.A.	Sauces	6,353,023
ALMACENADORA GRANELERA C.A.	Grains & cereals	416,000
ALIMENTOS KELLOGGS S.A.	Grain & cereals	12,756,773
ALFONZO RIVAS C.A.	Grains, snacks, beverages	12,800,617
BIMBO DE VENEZUELA C.A.	Grains	3,233,348
CADIPRO MILK PRODUCTS C.A.	Dairy Products	47,363,752
CARGILL DE VENEZUELA C.A.	Several products	420,179,843
CONSORCIO OLEAGINOSO PORTUGUESA S.A.	Oilseeds	9,674,530
DEL MONTE C.A.	Vegetables, ketchup, fruits	1,989,283
GENERAL MILLS DE VENEZUELA	Grains	958,250,430
INDUSTRIA ALIMENTICIAS NOEL DE VENEZUELA	Confection & Snacks	1,093,101
KRAFT FOODS DE VENEZUELA C.A.	Dairy Products, Sauces	5,,805,250
LACTEOS LOS ANDES	Dairy Products	715,000
MOLINOS CARABOBO S.A. (MOCASA)	Wheat & other grains	158,401,560
MOLINOS NACIONALES C.A. (MONACA)	Wheat & other grains	246,847,530
MOLINOS VENEZOLANOS C.A.	Wheat & other grains	82,240,698
NESTLE VENEZUELA S.A.	Dairy products, Snacks	437,999,788

PASTAS CAPRI C.A.	Wheat	41,318,259
PASTAS SINDONI C.A.	Wheat	44,877,611
PLUMROSE LATINOAMERICANA	Meats	30,255,385
PROCESADORA VENEZOLANA DE CEREALES S.A. (PROVENCESA)	Cereals & Grains	236,039,975
PRODUCTOS EFE S.A. / POLAR Group	Ice Creams	3,136,833
SNACKS AMERICA LATINA DE VENEZUELA SRL / POLAR Group	Snacks	4,900,605
TETRA PAK C.A.	Processed fruits	65,513,767

Source: *CADI VI (government exchange control entity)

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. Competition Situation facing U.S. suppliers
January-November 2008**

Product Category	Rank	Country	Share of Import Market (%)
Wheat Net imports: \$690,598 U.S. Millions	1	United States	54
	2	Canada	41
	3	Others	4
Chocolate Food (Powders, Sweetening and mixes) Net imports: \$56,262 U.S. Millions	1	Colombia	45
	2	United States	9
	3	Brazil	8
	4	Switzerland	7
Whey Net imports: \$16,087 U.S. Millions	1	France	39
	2	Chile	30
	3	Poland	15
	4	United States	12
Pectates (Vegetables extracts & mucilages) Net imports: \$17,776 U.S. Millions	1	United States	35
	2	Spain	12
	3	U.K.	11
	4	Germany	7

Tree Nuts Net imports: \$53,209 U.S. Millions	1	Chile	73
	2	United States	17
	3	Spain	7
	4	Italy	1
Grapes (Fresh or dried) Net imports: \$41,380 U.S. Millions	1	Chile	72
	2	United States	23
	3	Peru	3
	4	Argentina	1
Tomato Sauce Net imports: \$638 U.S. Millions	1	Italy	47
	2	United States	20
	3	Chile	14
	4	Brazil	8
Mustard Flour Net imports: \$1,926 U.S. Millions	1	United States	68
	2	Canada	22
	3	France	9
	4	Germany	1
Sauces & Condiments Net imports: \$18,057 U.S. Millions	1	Mexico	51
	2	United States	22
	3	Colombia	15
	4	Brazil	3
Yeasts / Baking Powder Net imports: \$5,418 U.S. Millions	1	Colombia	50
	2	Argentina	25
	3	United States	10
	4	Mexico	7
Protein Concentrate Net imports: \$8,041 U.S. Millions	1	United States	65
	2	Brazil	10
	3	China	9
	4	Argentina	6

Source: SENIAT (Venezuelan National Integrated Tax Administration Service) January - November 2008.

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:

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.
Baking products	Yeasts, baking powders, blends and mixtures for bakery.
Pectates	Vegetables & extracts
Proteins	Proteins Concentrate

V. POST CONTACT AND FURTHER INFORMATION***POST INFORMATION**

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Ministerio de Salud y Desarrollo Social (Ministry of Health and Social Development)
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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
58-212-360.22.03
www.bimbo.com

CADIPRO MILK PRODUCTS C.A.
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58-212- 709.6845

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58-212-208.53.20
www.cargill.com

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

KRAFT FOODS VENEZUELA, C.A.
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www.kfrat.com

MAVESA S.A. (Polar Group)
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58-212-202-7348
58-212- 202-7283
www.empresas-polar.com

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www.monaca.com.ve

MOLINOS VENEZOLANOS C.A., (MOLVENCA)
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58-212-576.51.20
www.nestle.com.ve

PASTAS CAPRI
Zona Industrial Corralito, Edif. Capri, Carrizal, Edo. Miranda LOS
TEQUES MIRANDA
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58-212-383.14.29

PARMALAT INDUSTRIA LÁCTEA VENEZOLANA, C.A.
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58-212-205.25.97
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Los Ruices CARACAS
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58-212-256.00.25
www.plumrose.com

PRODUCTOS EFE C.A (Polar Group)
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58-212- 276-3325/ 266-0141
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58-212-202-8564
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