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GAIN Report #VE2027

Venezuela

Exporter Guide

Annual

2002

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Report Highlights:
This market of 25 million people has one of the highest per capita GDPs in the region and is a market for both traditional bulk commodities and well as highly processed consumer products. A strong consumer preference exists for practically anything associated with the United States, which gives an advantage to U.S. consumer-ready food products. However, a major devaluation in 2002, and a series of government restrictions on imports has made this a more difficult market for U.S. exporters to access.

Includes PSD changes: Yes
Includes Trade Matrix: No
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Caracas [VE1], VE

I. MARKET OVERVIEW

Venezuela is a major market for U.S. agricultural products, consistently among the top two markets in South America, with over 400 million dollars in imports from the United States and over 1.8 billion dollars in total agricultural imports. This market of 25 million people has one of the highest per capita GDPs in the region and is a market for both traditional bulk commodities and well as highly processed consumer products. A strong consumer preference exists for practically anything associated with the United States, which gives an advantage to U.S. consumer-ready food products.
The key constraint for doing business in Venezuela currently is the high-level of trade barriers being imposed by the government, particularly the restrictive use of licenses and phytosanitary permits. The Venezuelan government has been refusing to issue import licenses for numerous products such as corn, soybeans, soybean meal, and yellow grease since last fall. In addition, importers are not able to get the phytosanitary permits needed for many other items such as poultry and pork products, even though no sanitary or phytosanitary problem has been specified.

An additional constraint is the need to develop better knowledge of U.S. products for the retail and HRI sectors and the development of relationships between importers/distributors and their US counterparts. Notwithstanding consumer affinity for imported goods there remains a lack of appreciation for dollar value received when purchasing higher quality food and beverage products made from better primary ingredients. Consumer education is the next frontier after importer/distributor education. Poor preparation of front-line service staff in the HRI limits the proper presentation of foods and beverages to the consumer. Additionally, food and beverage manager and chef familiarity with US products is spotty.

Even given the constraints, there are still many opportunities for export growth in Venezuela.
It is hard to imagine restrictions on bulk agricultural products continuing indefinitely since to do so would strangle the domestic poultry and pork sectors. Government programs to stimulate increased domestic production of feed grains have so far been minimal so we expect that Venezuela will return to the U.S. for its supply. The market for consumer ready products had been booming and remains strong even with the current poor economic situation in the country. Now is an excellent time to develop relationships and begin to position products in this market in order to take advantage of the recovery that is likely to occur in this petroleum-rich country.

II. EXPORTER BUSINESS TIPS

Customs Valuation

Customs calculates duties on the landed (CIF) cost of the product and on the gross weight of the import, thus including the weight or value of the packaging. Venezuela has recently established procedures for imposing countervailing duties to avoid dumping and counteract subsidies. Such duties have been levied temporarily on products, such as blue jeans coming from Asia and some plastics and cheeses.

Typically customs authorities accept the value of the shipment as indicated on the documents, but recent regulations allow them to reference a base price on some products such as textiles in order to determine minimum price for purposes of customs value. Government officials have indicated that this base price system is WTO-compliant. Under invoicing in any event can result in heavy fines to the importer as well as forfeiture of the goods in question. Complaints by importers of inconsistency in customs treatment in various ports of entry have led to an effort by the National Tax Authority (SENIAT) to build a common data base of information and otherwise coordinate and ensure uniform valuation principles by customs offices throughout the country.

Import Permits

Import licenses are required for many agricultural products, and many agricultural imports must have sanitary or phytosanitary import certificates, issued by the Ministry of Agriculture and Lands, to be allowed entry. Medicines, foods and cosmetics also require registration with the Ministry of Health. Customs will admit products without a label showing the registration number if the importer produces the appropriate documentation from the relevant Ministry. Stickers are allowed and can be affixed on the retail package before distribution and sale. In the case of imported alcoholic beverages, the tax "band" must be affixed across the bottle closure before the shipment can leave the customs premises. Imported cigarettes are also subject to this type of measure and adhesive labels are not allowed.

Import / Export Documentation

Venezuelan Customs requires that all documents be in Spanish. The invoice must be typewritten; a photocopy will not be accepted. The manifest of importation and declaration of value must be in quadruplicate. The following documents may be required: commercial invoice; bill of lading; packing list; certificate of origin (if required); special certificates or permits when required (such as phytosanitary or quality standards certificates). Exporters should consult with the Venezuelan importer regarding what documentation is required in addition to the invoice. Exporters should quote CIF prices for Venezuela (not FOB) since import duties are calculated on the CIF price. Insurance and freight must be listed separately on the invoice.

The invoice must be in duplicate and list both the value per unit and the total value of the shipment. Shipping and insurance costs are to be listed separately. The description for the merchandise must include the appropriate tariff number, which the importer can supply. To simplify the import process for a large amount of cargo for one project, there should be a single declaration for all items, and each item then listed separately with its respective tariff number. For new products, particularly those whose tariff number cannot be readily identified, it is important to obtain a specific tariff number, which the importer can obtain from customs.

Labeling, Marking Requirements

Spanish is the official language of Venezuela, and the only official measuring system is metric. Labels must list all ingredients, the contents of the package in the metric system or in units, and the registration number of the Ministry of Health or the Ministry of Production and Commerce in the case of animal feeds or veterinary medicines. Stickers are allowed in the case of imported products. These stickers must also identify the importer. Operating instructions or owners manuals must be in Spanish.

Standards

The Venezuelan standards agency COVENIN has established over 300 obligatory standards that apply to both domestic and imported products. These standards are not necessarily in conformity with or based on U.S. standards. In all cases involving products falling under such standards, customs authorities require a Venezuelan certificate of compliance. The certificate can on occasion be obtained with a letter of certification confirming compliance issued by a recognized standards institute in the country of origin. Importers have experienced some difficulty where no recognized foreign standards exist and Venezuela requires such a certificate of compliance. Exporters should consult with their customers, since it is the responsibility of the importer to provide such certificates.

Free Trade Zones

Venezuela has four free trade zones. The Paraguana Peninsula Free Trade Zone is for industrial purposes only, is very small, and is being used by only a few enterprises. Another is the duty-free area comprised of the entire island of Margarita. The sale of duty-free merchandise from the island to the mainland is subject to quotas. In December of 1998 Merida was declared a free trade zone to the producers of goods and services within the cultural, scientific and technological areas. The most recent addition to the list is Santa Elena de Uairen in the State of Bolivar, which became a free trade zone in May of 1999.

III. MARKET SECTOR STRUCTURE AND TRENDS

Food Service (HRI sector)

Restaurant food sales, especially franchises had been increasing during the country's recession while other areas of consumer spending have dropped. Venezuela is a good market for franchising investments as demonstrated by the amount and variety of new brands penetrating the Venezuelan market. Profranquicia is the chamber that has been working to accomplish franchisors' goals, lead by a proactive team of young executives with approximately 180 members. This franchising chamber, founded in 1998, reports that there are 150 franchises currently operating in the country with a total of over 1,200 outlets/stores. This is in sharp contrast to 1997, when there were only 20 franchise operations, illustrating the rapid growth in this sector. Profanquicia reports that 35 percent of all franchises are fast food, 15 percent are clothing and the remainder represents a variety of services such as computer training and dry cleaning services.

However, 2002 has been a difficult year for franchising and they experienced a decrease in fast food consumption, estimated at 8-9 percent for 2002 due to the recession and devaluation. More consumers are eating at home or selecting less expensive menu items to stretch their bolivares.

Food Retail sector

The retail sector in Venezuela is characterized by many disparate small groups of outlets which do not have sophisticated import mechanisms in place. A number of importer/distributors service this sector and retailers are often sharply critical of the importer and distributors for having high prices and not being well-connected to the US suppliers. Only a few importers and distributors routinely attend trade shows and fairs in the US.

Direct Marketing

Marketing, through TV commercials, newspaper inserts, house visits or street vendors, is common. Mail orders are not an option because of low reliability of the postal system. Placing orders by phone with delivery by messenger is becoming popular, and several such companies have been successful by placing their catalogs in newspapers as weekend-issue inserts. As the telephone system continues to improve, direct marketing by phone will become more common. Almost all businesses now use fax in their day-to-day business and many utilize e-mail. E-commerce is in the very early stages, and could be a promising area for growth with some supermarkets now allowing consumers to order by e-mail for home delivering.

IV. BEST HIGH-VALUE PRODUCT PROSPECTS

The U.S. share of the Venezuelan food and agricultural market has been eroding over the past decade, falling to just over 30 percent of Venezuela's agricultural imports in recent years. The United States faces increasingly face tough competition from emerging suppliers like Brazil and Colombia that have established preferential trade agreements with Venezuela and throughout South America. Venezuela was the leading overall agricultural market in South America for the United States in 1997, and still remains the second largest market for our products, after Colombia.

U.S. sales of bulk commodities to Venezuela have leveled off in recent years at around $200 million, as third country suppliers, particularly of wheat and oilseeds, have displaced U.S. products. However, a strong consumer preference exists for practically anything associated with the United States, which gives an advantage to U.S. consumer-ready food products. In fact, value-added, consumer-ready imports have grown consistently over the past 5 years and are the fastest growing sector for U.S. agricultural exports to Venezuela, topping $100 million in 2001. Most importantly, Venezuela broke away in 1999 as the number one U.S. export market in South America for consumer-ready agricultural products.

The potential growth for 2002 and beyond is cloudy at this time as non-tariff trade barriers such as the restrictive use of licenses and phytosanitary permits have become a major impediment to trade for basic food products. Consumer-ready food products continue to have good acceptance in the market and fairly ready access to the market. Contact **AgCaracas@fas.usda.gov** (fax: 58-212-975-7615) for more details.

The following is an illustrative list of the major export opportunities and some of the emerging opportunities for U.S. agricultural products to Venezuela:

Corn (PSD Code: 0410000)			
1,000 Metric Tons	1999*	2000*	2001*
A. Total Market Size	2,600	2,410	2,622
B. Total Local Production	1,300	1,200	1,450
C. Total Exports	0	0	1
D. Total Imports	1,300	1,210	1,172
E. Imports from the U.S.	1,146	0	1,120

* Note: Data is presented in a marketing year basis (i.e. October 2000-September 2001 for the 2001 year)

Corn

The Venezuela corn market is almost equally split between the domestically-produced white corn that is used for human consumption, and the yellow corn Venezuela imports for use in animal feed. In recent years, excess white corn production has been purchased by the feed-sector, but at a very high cost, in exchange for their ability to obtain licenses for corn imports. The demand for animal feed has been steady since Venezuela restricts imports of animal protein, such as chicken and pork, and is therefore heavily dependent on imported feed stuff. The United States is a natural supplier due to proximity and year-round availability. The major suppliers are the United States and Argentina, though South Africa has supplied white corn in the past.

Imports of yellow corn are subject to the Government of Venezuela's import licenses regime for corn and sorghum. Proof of domestic sorghum and/or white corn purchases are required in order to obtain corn import permits. Certification issued by the Venezuelan Agricultural Board of Trade, BOLPRIAVEN, is now mandatory to demonstrate proof of grain purchases. Imports of corn for feed use have been unofficially banned since September 2001 until last year's bumper crop of corn is purchased. Imports during the first months of 2002 were limited but are expected to resume at high levels during the summer months.

Wheat (PSD Code: 0410000)	1999*	2000*	2001*
1,000 Metric Tons			
A. Total local market size	1,386	1,394	1,242
B. Total Local Production	0	0	0
C. Total Exports	0	0	30
D. Total Imports	1,386	1,394	1,242
E. Imports from the U.S.	422	604	570

* Note: Data is presented in a marketing year basis (i.e. July 2000-June 2001 for the 2001 year)

Wheat

Venezuela produces almost no wheat, but consumes large quantities of bread, crackers, pastries and pasta (Venezuela is the second highest per capita consumer of pasta in the world). Wheat for these products must be imported. The United States is a natural supplier due to its proximity and the year-around availability of several wheat varieties. Despite these advantages, the United States faces stiff competition in this market from suppliers such as Canada whose prices are sometimes lower than U.S. prices.

The outlook for 2002 is promising as the Venezuelan consumer still prefers and consumes wheat-based products in their daily diet. The Venezuelan government is continuing its efforts to implement new policies to promote rice consumption by substituting rice flour for wheat flour in bread and pasta production. Past experience has shown these mixtures to produce products of poorer quality, which are more expensive. It is unlikely that the government will have much success with this policy unless it places a stricter control on wheat imports. Internal opposition to such practices would be strong as Venezuelans still have a pronounced preference for wheat-based products, and locally produced pasta is a main-stay of the Venezuelan diet.

Soybeans (PSD Code: 2222000)	1999*	2000*	2001*
1,000 Metric Tons			
A. Total Market Size	410	435	191
B. Total local production	10	10	7
C. Total Exports	0	0	0
D. Total Imports	400	425	184
E. Imports from the U.S.	300	200	66

* Note: Data is presented in a marketing year basis (i.e. October 2000-September 2001for the 2001 year)

Soybeans

The majority of Venezuela's oilseed needs are supplied by imports as domestic soybean and African palm oil production have not taken off as expected. Soybeans are the principal oilseed consumed in Venezuela and they are mostly all imported. In recent years, Bolivia has become the major supplier of soybeans, followed by Brazil and Argentina due to tariff preferences. U.S. Soybean exports have dropped off considerably from the early 1990's but still total around $17 million annually.

Venezuela is a member of the Andean Community, along with Colombia, Ecuador, Bolivia and Peru. Pact members have negotiated common external tariffs, and utilize the Andean Community agricultural price band system to determine tariff rates. This system applies variable ad valorem tariffs to certain agricultural imports from countries other than those of the Andean Community, and is designed to raise tariffs when world prices are low and to lower tariffs when world prices are high. Oilseeds and oilseed products are included in the price band system. For the most current tariff rates, check the following web-site at: www.comunidadandina.org

In addition to being a member of the Andean Community, Venezuela has bilateral trade agreements with Argentina, Brazil and Paraguay. These agreements provide preferential tariffs for vegetable oils and oilseeds.

Soybean Meal (PSD Code: 0813100)	1999*	2000*	2001*
1000 Metric Tons			
A. Total Market Size	745	795	816
B. Total Local Production	320	340	152
C. Total Exports	125	120	0
D. Total Imports	550	575	664
E. Imports from the U.S.	310	200	120

* Note: Data is presented in a marketing year basis (i.e. October 2000-September 2001 for the 2001 year)

Soybean Meal

To meet the needs of the domestic animal feed industry, Venezuela imports most of its protein meals. The most popular product is soybean meal, and imports have grown consistently during the late 1990's. Venezuela does have a small domestic crushing capability, but considering the high costs of production (including power, labor, security expenses and others), it is more cost-effective to import soybean meal than to crush it domestically.

Similar to the situation for soybeans, while the United States also used to be the major supplier for soybean meal, that position has been taken by Bolivia due to its preferential tariff arrangements under the Andean Pact (see above). Venezuela also exports some soybean meal to northern Colombia basically because that country lacks adequate port facilities for handling soybean meal shipments. There have also been some efforts to import corn and soybean meal and mix them domestically into an animal feed and then reexport the product duty-free within the Andean Community. It is expected that this exporting trend will continue in the near future. U.S. soybean meal exports to Venezuela have dropped precipitously, but still total $26 million, our third largest to this market. The United States remains a well-positioned supplier to this Caribbean market.

Apples, Pears, Grapes			
HS Codes: 0808,08082,0806			
1,000 US Dollars	1999	2000	2001
A. Total Market Size	48,206	56,410	49,948
B. Total Local Production *	11	11	12
C. Total Exports	8	11	15
D. Total Imports	48,206	56,410	49,948
E. Imports from the U.S.	15,688	16,086	21,726

* Note: Venezuela only produces grapes. Production is listed in 1,000 tons.

Apples, Pears & Grapes

Venezuela does not produce fresh deciduous fruit, but trade restrictions for imported fruit was used seasonally. After strong pressure and lobbying from importers trade restrictions were lifted and prices dropped, consumption of apples, pears and grapes soared. Apples are the most widely consumed imported fruit in Venezuela, followed by pears and grapes. Chile and the United States are the major suppliers of imported fruit to Venezuela with Chile shipping about 60 percent and the United States selling 40 percent. These two suppliers can ensure a year-round supply of fresh, inexpensive deciduous fruit. Preferential trade agreements signed between Chile and Venezuela give the Chilean exporters considerable advantage over U.S. fruit suppliers during certain times of the year.

U.S. grape, apple, and pear exports topped $21 million in 2001, up 35 percent from the previous year as aggressive promotional efforts brought results. Grapes represented the bulk of the trade, $11 million, with $6 million in apple imports and $3 million in pear imports. Stone fruit also played a key role in improving U.S. exports to Venezuela.

Wine & Beer	1999	2000	2001
(HS CODE: 2203 & 2204)			
1,000 US Dollars			
A. Total Market Size	N/A	N/A	N/A
B. Total Local Production	N/A	N/A	N/A
C. Total Exports	14,919	6,043	21,468
D. Total Imports	19,389	27,347	31,219
E. Imports from the U.S.	544	1,257	1,950

Wine & Beer

Venezuela's $28 million wine import market is dominated by European and Chilean products. Consumption of high-quality, expensive imported wine is restricted to higher income groups, and labels with name recognition that can command top dollar are usually French or Spanish. Chilean wines are very popular at the lower end of the price range, and many of these wines are marketed in Venezuela in the $3 to $8 per bottle range. Sparkling wines and champagnes are also very popular and comprise one-third of all imports. Production of Venezuelan wines and champagne has been increasing both in volume and quality in the last ten years but is still limited. There are very few U.S. wines currently available in the Venezuelan market, and breaking into this market will require the right mix of a well-priced product and a successful promotional campaign.

The market for imported beer is much smaller, at long $3 million, as the local brewery, Polar, dominates the market. Among the imported brews, Mexican product dominates the market, followed by the United States, which mainly has Budweiser available locally. Dutch and German beers are also popular.

Red Meat			
(HS Code: 0202)			
1,000 U.S. Dollars	1999	2000	2001
A. Total Market Size	N/A	N/A	N/A
B. Total Local Production	N/A	N/A	N/A
C. Total Exports	24	261	197
D. Total Imports	4,268	5,742	6,205
E. Imports from the U.S.	1,010	706	3,261

Red Meat

The market for imported red meats, mainly beef, is still small in this beef-producing country, but the increase has been dramatic – from only $300,000 in imports in 1996 to over $6 million in 2001. The majority is frozen, deboned product coming from Brazil and Colombia, but there are also opportunities for high-end cuts of U.S. beef. Variety meats and trimmings make up the majority of the product mix coming into Venezuela. At the retail level, beef is generally custom-cut for consumers at in-store butcher counters, although this trend is slowly changing. Most Venezuelans are accustomed to lean beef because Venezuelan cattle are generally grass-fed, but high-end consumers are always looking for something "unique" and grain-fed beef has great potential.

The import market for pork is very restricted as imports face various sanitary and tariff barriers. However, as the market for pork products grows, niche imports for certain cuts should become more available.

Cereals and Mixes			
(HS Code: 1904)			

1,000 U.S. Dollars	1999	2000	2001
A. Total Market Size	N/A	N/A	N/A
B. Total Local Production	N/A	N/A	N/A
C. Total Exports	7,476	1,674	4,202
D. Total Imports	4,924	8,424	13,896
E. Imports from the U.S.	768	781	1,543

Cereals & Mixes

Imports of breakfast cereals and mixes such as pancake mixes have soared in the past two years reaching almost $14 million. Half of these products are sourced out of Mexico, with the United States and Colombia the other major suppliers. As more women enter the work force, and households search for easier and quicker ways to prepare meals we expect to see continued growth in this sector. Greater contacts between buyers and sellers and more promotion efforts on the part of U.S. suppliers could elicit even higher sales in this sector. Other consumer items such as confectionary products have also shown rapid growth in recent years.

V. KEY CONTACTS AND FURTHER INFORMATION .

Ministerio de Agricultura y Tierras-MAT (Department of Agriculture)
Minister Efren Andrade
Avenida Lecuna, Torre Este, piso 7
Parque Central
Caracas, Venezuela
Tel: 58-212-509-0445/0121/0111
Fax: 58-212-574-2432

Ministerio de la Producción y el Comercio-MPC (Ministry of Production and Commerce, which includes the Department of Agriculture, Industry, Commerce and Tourism)
Minister Ramon Rosales
Avenida Lecuna, Torre Este, piso 14
Parque Central
Caracas, Venezuela
Tel: 58-212 -571-6383
Fax: 58-212 -574-6383

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, Venezuela
Tel: 58-212-575-4111

Fax: 58-212-574-1312/576-3701

Ministerio de Salud y Desarrollo Social (Ministry of Health and Social Development)
Edificio Centro Simón Bolívar
Edificio Sur, piso 7
Caracas, Venezuela
Tel: 58-212-481-5573/4292/9101/482-0345
Fax: 58-212-483-8189

Instituto Nacional de Estadisticas (INE) (Former OCEI)
(Nationall Statistics Office)
Avenida Boyacá, Edificio Fundación La Salle
Maripérez
Caracas, Venezuela
Tel: 58-212-781-1380
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Torre El Chorro - PH
Av. Universidad, Esq. El Chorro
Diagonal Banco Union, Caracas
Tel. (58-212) 564.7446 - 564.9556
Fax (58-212) 564.6894

Camara Venezolano-Americana de Comercio e Industria (VENAMCHAM)
(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)
Tel.: 58-212-263-0833/267-20-76/64-81
Fax: 58-212-263-20-60

Federacion Venezolana de Camaras y Asociaciones de Comercio y Produccion
(FEDECAMARAS)
(Venezuelan Federation of Chambers and Associations)
Edf. Fedecameras, PH 1 y 2, Av. El Empalme, Urb. El Bosque, Caracas 1050,Venezuela
Apartado de Correos 2568 (Caracas 1010-A)
Tel.: 58-212-731-17-11/17-13/18-45/19-32/19-67
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Confederacion Nacional de Asociaciones de Productores Agropecuarios
(FEDEAGRO) (National Confederation of Agricultural Producers)

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Asociacion de Supermercados y Afines (ANSA) Supermarkets
Ave. Principal de los Ruices
Centro Empresarial Los Ruices
Piso 1, Ofic. 116
Caracas 1071, Venezuela
Tel: 58-212-234-4490/235-7558
Fax: 58-212-238-0308

Camara Venezolana de la Industria de Alimentos (CAVIDEA) Food
Av. Principal de Los Ruices
Centro Empresarial
Piso 5, Of. 510
Los Ruices
Caracas, Venezuela
Tel: 58-212-239-9818/0918
Fax: 58-212-238-3268

Camara Venezolana de Franquicias (PROFRANQUICIA) Franchising
3ra. Transversal de Altamira con Avdas. Luis Roche y Juan Bosco,
Oficentro Neur, Ofc. 4
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Fax 58-212-261-9620

Foreign Agricultural Service
USDA
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Calle F con Calle Suapure, Parcela B-2
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Caracas 1061, Venezuela
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E-mail: Agcaracas@fas.usda.gov
websites: www.fas.usda.gov
www.amvenfood.org (Caracas)

TABLE A. KEY TRADE & DEMOGRAPHIC INFORMATION

Agricultural Imports From All Countries	$1.8 billion
U.S. Market Share	25%
Total Population (Millions)	25
Number of Major Metropolitan Areas	6
Size of the Middle Class	17%
Total Gross Domestic Product (2001)	$124 million
Unemployment Rate	18%
Exchange Rate	US$1= 1,480Bs