

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Required Report - public distribution

Date: 1/17/2017

GAIN Report Number: VE1606

Venezuela

Exporter Guide

2016

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Report Highlights:

U.S. agricultural product exports to Venezuela averaged a notable \$1.4 billion per year from 2010-2014. Nevertheless, Venezuela's economy is dependent on oil, which accounts for about 95% of export revenues. The precipitous fall in oil prices since 2015 has significantly diminished foreign reserves, challenging Venezuela's financial capability to import goods. As a result, the value of U.S. agricultural exports in 2015 plummeted almost 50% to \$672 million. In 2016, U.S. agricultural product exports will closely match that of 2015 as the price for oil remains low.

Post:
Caracas

Author Defined:

I. MARKET OVERVIEW

U.S. agricultural product exports to Venezuela averaged a notable \$1.4 billion per year from 2010-2014. In 2013, Venezuela was the second most important destination for U.S. agricultural product exports to Latin America with trade values reaching \$1.5 billion. In 2015, however, the value of U.S. agricultural exports plummeted almost 50% to \$672 million. The precipitous fall in oil prices since 2015 has significantly diminished foreign reserve, challenging Venezuela's financial capability to import goods. Despite ongoing economic challenges in Venezuela, food and beverage demand continues to grow, driven by a population of 31 million with two-thirds under the age of 30.

In calendar year (CY) 2016, U.S. agricultural product exports were down 7% to \$617 million (through November) compared with the same time period a year before. This will be the second straight year with the value of U.S. agricultural products exports falling below \$1 billion since 2007. Agricultural product importers are severely challenged by a Venezuelan economy in crisis with triple digit inflation and extreme restrictions on access to foreign currency. Even though no official figures from the Central Bank are available, 2016 end-of-year estimates of inflation ranged from 383% to 511%. In addition, the value of the Bolivar (Bs.) currency plummeted, falling 300% from the end of October through November 2016. Economic challenges notwithstanding, the Government of the Bolivarian Republic of Venezuela (GBRV) maintains a stringent, prohibitively extensive bureaucracy to obtain permits to import agricultural products and for citizens to access foreign currency. Despite these challenges, there were U.S. agricultural products that experienced growth in 2016, notably corn, animal feed, sweeteners, snack foods, processed fruit, and pet food, among others.

In CY 2016, U.S. bulk commodity exports were \$387 million (through November) with corn exports leading trade values at about \$193 million. Total exports of U.S. intermediate agricultural products were \$207 million (through November). Soybean meal represented about 60% of U.S. agricultural intermediate product trade at \$123 million, albeit down 44% year-to-date (y-t-d). U.S. consumer-oriented products were a marginal \$22 million.

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. On December 7, 2016, however, in a unanimous decision by all MERCOSUR members, Venezuela's representation in the trade group was suspended indefinitely as a result of failing to implement key member provisions for democracy and human rights.

Advantages and Challenges for U.S. Exporters

| Advantages | Challenges |
|---|---|
| <ul style="list-style-type: none">• Local products unavailable or insufficient, while U.S. food products are seen by importers as readily available.• Fast food chains that require U.S. food ingredients are having success in Caracas and in major cities.• U.S. suppliers are seen by importers as a reliable source, in terms of volume, standards, and quality.• Two thirds of the population are below 30 years of age and are heavily influenced by U.S. culture and are observed to be very open to U.S. prepared foods and ready-to-cook, ready-to-eat food products.• Operations by multi-nationals requiring world standard ingredients. | <ul style="list-style-type: none">• Government-imposed price controls on several products.• MERCOSUR 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.• Government-imposed exchange controls resulting in difficulties for importers to obtain dollars.• Parallel (black market) exchange rate, resulting in U.S. products becoming very expensive, can shift buyers' purchases to source cheaper alternatives to keep current market prices in a very price sensitive market.• U.S. exporters could experience delayed payment by Venezuelan importers who face long delays in obtaining foreign exchange. The risks the regime poses may be less applicable in the case of government entities contracting to buy goods and services directly, but they still merit careful consideration. |

II. EXPORTER BUSINESS TIPS

Import Procedures:

The GBRV implemented the United Nations Custom Computerized System (SIDUNEA) in the majority of Venezuelan ports of entry. With this system, clearing customs takes approximately five to eight working days. However, importers have reported delays in this process. By law, only nationals and private custom agencies with Venezuelan local staff are entitled to clearing shipments through customs.

A custom agent assesses customs, port charges, and taxes as well as fills out paperwork forms. Generally, the custom agent's fee is one percent of the CIF value, plus any other charges accrued during offloading.

All imported goods presented at the ports of entry must be officially declared to the National Integrated Tax Administration Service (SENIAT) authorities within five days of arrival. Fines may be levied and applied to any shipment when the customs entry is made later than five days after the date of arrival. When an importer either delays or refuses to claim a product arriving in Venezuelan ports, SENIAT will impound the goods not claimed, and if steep fines and storage fees are not promptly paid, it will sell the goods at auctions.

All shipments must be made on a direct consignment basis. Customs regulations stipulate that the consignee is the owner of the shipment and is responsible for all customs payments. Importers must register all of their products with the Ministry of Health Food Comptroller Division prior to placing the product on the Venezuelan market.

Exchange Rate Policy

Since early 2003, strict governmental controls have limited foreign exchange transactions in the country. The lack of access to U.S. dollars is arguably the most significant obstacle to trade for importers.

In early 2014, the GBRV created the National Center for Foreign Trade (Spanish acronym: CENCOEX) responsible of foreign exchange administration. In previous years Venezuela managed multiple official exchange rates depending on the circumstance, but was simplified to two, DIPRO and DICOM, on March 9, 2016 (Official Gazette No. 40.865). The DIPRO exchange rate, about Bs. 10.00 per \$1.00, is primarily reserved for imports of critically scarce items, such as food and medicine. The other, DICOM, is the more widely applied exchange rate for all other dollar transactions, valued at around Bs. 670.00 per \$1.00. The GBRV has marginally adjusted the DICOM rate a few times since its inception mostly due to monetary policy pressures to address inflation. There is also the unofficial, or parallel, exchange rate that attempts to reflect the market value of the Bolivar currency, currently around Bs. 3,500.00 per \$1.00. Purchasing dollars from black market brokers at this rate is illegal; nevertheless, the parallel rate is often the only means for the Venezuelan private sector to find dollars for imports.

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 (Spanish acronym: MAT), Ministry of Food (Spanish acronym: MINAL), Ministry of Commerce (Spanish acronym: MINCOMERCIO), and the Ministry of Finance (Spanish acronym: MINFINANZAS) are responsible for recommending changes to the controlled-price list. For a complete list of products subject to price controls, please review the GAIN Report *Food and Agricultural Import Regulation and Standards - Narrative (FAIRS)* or go to following link: http://www.indepabis.gob.ve/publicos/archivos/indepabis-preciosreguladoscestabasica_10.pdf.

III. MARKET SECTOR STRUCTURE AND TRENDS

Hotel, Restaurant, and Institution (HRI) Food Service Sector

Venezuela is stable market for franchising investments demonstrated by the amount and variety of brands currently offered to consumers. The Venezuelan Chamber of Franchises (in Spanish: *Profranquicia*) is a private sector, 102 member chamber that develops and implements HRI policy strategies and is led by a proactive team of young executives. Founded in 1998, *Profranquicia* reports that there are more than 500 franchises currently operating in the country with a total of over 10,230 outlets/stores. According to *Profranquicia*, more than 25% of all franchises are food related. In addition, about 15 percent of all franchises are U.S. origin.

Most HRIs in Venezuela buy food products at the lowest available price and prefer fresh foods to canned, precooked, or frozen. HRI establishments buy products at many different points in the distribution chain, depending on the product. Most fresh and nonperishable foods are typically purchased from wholesale distributors. For refrigerated or frozen foods, HRIs prefer to deal directly with the manufacturer given most distribution centers have limited cold storage capacity. Imported liquors are purchased from specialized distributors/importers.

The Venezuelan National Restaurant Association (Spanish acronym: CANARES) is the primary association of restaurants with more than 300 members throughout the country. CANARES reports its members generate more than 9,000 jobs in the foodservice sector. Additionally, there are some small regional associations outside of Caracas.

Food Retail sector

Major supermarkets include varying types of chains offer a comparable standard to U.S. retailers, such as *Central Madeirense*, *Excelsior Gama*, *Plazas*, *Sigo*, *Makro*, *Flor*, *Frontera Unicasa*, *Luvebras*, *El Patio* and *Garzon*. Most of the major supermarket chains in Venezuela belong to the National Supermarket Association (Spanish acronym: ANSA).

There are approx. 6,363 privately owned supermarkets (both chain stores and independents) in Venezuela selling foods and beverages. There are an additional 136,906 traditional *abastos* or *bodegas*, similar to corner stores. Corner stores dominate retail sales in the predominantly middle and low-income neighborhoods throughout Venezuelan cities and towns.

Pharmacies that offer foods and beverages have also been growing rapidly in the last decade. The store layouts now include aisles dedicated to food and beverages. The four major pharmacies are SAAS (208 stores), *Farmatodo* (170 stores), *Farmahorro* (114 stores) and *Locatel* (66 stores). These pharmacies are members of ANSA.

GBRV Distribution Network

Venezuela's retail food sector is serviced by both the public and private sectors. The GBRV *Mercado de Alimentos C.A.* (Spanish acronym: MERCAL), created in April 2003, markets food products at very low, regulated prices. Specific items are not always guaranteed. The GBRV is increasing expenditures on social food programs and regulated price controls of foods that are sold in government-owned stores.

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 36 supermarkets. Food is subsidized and reaches the shelves without intermediaries, so that the prices offered usually have a discount of between 30 and 45 percent of those observed in other distribution chains. Food purchases are carried out directly by the government entity Food and Agricultural Services Corporation (in Spanish: *Corporación de Abastecimiento y Servicios Agrícolas* or *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 co-opt the Venezuelan state oil company, Petroleum of Venezuela (in Spanish: *Petróleos de Venezuela, S.A.*, or PDVSA) to create the Venezuelan Food Producer and Distributor, S.A. (in Spanish: *Productora y Distribuidora Venezolana de Alimentos, S.A.* or PDVAL), 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 owner, French mass retailer *Groupe Casino*, and their Colombian subsidiary *Almacenes Exito*. In November 2010, the GBRV took over 81% of the CATIVEN supermarket chain, also owned by *Groupe Casino*. After the expropriation of this food distribution network of supermarkets, the GBRV owned a total of 36 stores, 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.

Direct Marketing

Marketing, through television commercials, newspaper inserts or street vendors, is not too common. Mail orders are not an option because of the unreliability of the postal system. The supermarkets *Makro*, *Excelsior Gama*, *Plazas* and *Central Madeirense* had a custom of placing catalogs in local newspapers as weekend-issue inserts, but this practice has become much less frequent. E-commerce is an emerging trend and is being offered by some supermarkets allowing customers to order on-line or via e-mail for home delivery. This practice is growing slowly as Venezuelan consumers prefer to buy perishable foods and other food stuffs in person.

IV. BEST PRODUCT PROSPECTS

Table 1. Best Product Prospects

| Top U.S. Consumer Oriented Product Exports to Venezuela (Thousands of U.S. Dollars) | | | |
|--|------|------|------------------------------|
| Product Description | 2015 | 2016 | January-November % Change |

| | | | |
|------------------------------------|-------|-------|-----|
| Condiments & sauces | 1,419 | 1,543 | 9 |
| Poultry meat & products (ex. eggs) | 513 | 562 | 9 |
| Fresh fruit | 300 | 397 | 32 |
| Dog & cat food | 205 | 519 | 152 |
| Snack foods NESOI | 177 | 681 | 285 |
| Processed fruit | 101 | 561 | 456 |
| Meat products NESOI | 78 | 311 | 299 |

Source: BICO

V. KEY CONTACTS AND FURTHER INFORMATION

Ministry of Agriculture and Land (Spanish Acronym: MAT)

Av. Urdaneta, Edificio “MAT”

Esquina de Platanal a Candilito

La Candelaria, Caracas, Venezuela

Tel: (58-212) 509-0347/ 0348/ 0359/ 0360/ 0361

<http://www.mat.gob.ve>

Ministry of Food (Spanish Acronym: MINAL)

Av. Andrés Bello - Edificio “Las Fundaciones”

Municipio Libertador, Caracas, Venezuela

Tel: (58-212) 577-0257 / 395-7474

Fax: (58-212) 578-2647

<http://www.minpal.gob.ve/>

Email address of Public Relations: oirp@minal.gob.ve

Ministry of Health (Spanish Acronym: MINSALUD)

Av. Baralt, Centro Simón Bolívar, Edificio Sur

El Silencio, Caracas, Venezuela

Tel: (58-212) 408-0000

atencionalciudadanompps@gmail.com

<http://www.mpps.gob.ve>

Ministry of Commerce (Spanish Acronym: MINCOMERCIO)

Av. Lecuna, Torre Oeste de Parque Central

Entrada Nivel Lecuna

Caracas 1001, Venezuela

Tel. (58-212)-596-7616

prensa@mppi.gob.ve

<http://www.mincomercio.gob.ve/>

National Center for Foreign Trade (Spanish Acronym: CENCOEX)

Av. Leonardo Da Vinci, Edificio PDVSA, Piso 3

Los Chaguaramos, Caracas, Venezuela

Tel: (58-212) 606-3939
<http://www.cadivi.gob.ve>

National Integrated Tax Administration Service (Spanish Acronym: SENIAT)

Av. Blandín, C.C. Mata de Coco, Torre SENIAT

La Castellana, Caracas, Venezuela

Tel: (58-212) 274-4000/ 274-4026

<http://www.seniat.gob.ve>

Food Market (in Spanish: Mercado de Alimentos C.A. or MERCAL)

Av. Fuerzas Armadas, Esquina Socarras

Edif. Torres Seguros Orinoco

Caracas, Venezuela

Tel: (58-212) 564-3856

www.mercal.gov.ve/

Venezuelan-American Chamber of Industry and Commerce (Spanish acronym: VENAMCHAM)

2da.Av. de Campo Alegre, Torre Credival, Piso 10, Oficina A,

Caracas 1060, Venezuela

Tel: (58-212) 263-0833/267-20-76/64-81

Fax: (58-212) 263-20-60

<http://www.venamcham.org.ve>

National Association of Supermarkets (Spanish acronym: ANSA)

Av. 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

<http://www.ansa.com.ve>

Venezuelan Food Industry Chamber (Spanish acronym: CAVIDEA).

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

<http://www.cavidea.org.ve/>

Venezuelan National Restaurant Association (Spanish acronym: CANARES)

Av. Francisco de Miranda

Centro Comercial Lido Torre Este Piso 6 El Rosal

Caracas, Venezuela

Tel: 58-212-952-1435 / 952-3124

<http://www.canares.org/>

Venezuelan Chamber of Franchises (in Spanish: *Profranquicia*)
 3ra. Transversal de Altamira con Avdas. Luis Roche y Juan Bosco,
 Oficentro Neur, Ofc. 4
 Caracas, Venezuela
 Tlf. 58-212-266-8494/261-8613
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Table A. KEY TRADE AND DEMOGRAPHIC INFORMATION

| | |
|--|---------------------------------|
| Agricultural Imports From All Countries (2016) | \$19.1 million |
| U.S. Agricultural Product Import Market Share | ~25% |
| Total Population | ~31 million |
| Number of Major Metropolitan Areas | 6 |
| Size of the Middle Class | ~20% of population |
| Total Gross Domestic Product (2014) | \$510 billion |
| Unemployment Rate (April 2016) | 7.3% |
| Exchange Rate | DIPRO Bs. 10.00 = \$1.00 |
| | DICOM Bs. 672.00 = \$1.00 |
| | Parallel ~Bs. 3,500.00 = \$1.00 |

Source: BICO, GATS, GBRV, World Bank