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Venezuela

Exporter Guide

Exporter Guide Annual

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Report Highlights:

Venezuela remains a significant importer of agricultural products, totaling US\$8.3 billion in 2012 according to Bolivarian Republic of Venezuela (BRV) data. U.S. agricultural and food exports to Venezuela over the last five calendar years (2008-2012) averaged US\$1.3 billion per year. Additionally, demand for consumer-oriented products from the United States grew through 2012. However, total U.S. agricultural export value to Venezuela is down in 2013, due mostly to an economic system in crisis.

Post:
Caracas

Author Defined:
I. MARKET OVERVIEW

Venezuela remains a significant importer of agricultural products, with total imports reaching US\$8.3 billion in 2012 according to BRV data. Demand for food and beverages is driven by a population of 29 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 ingredients/products are unavailable or insufficient. U.S. agricultural and food exports to Venezuela in 2012 were valued at US\$1.7 billion and over the last five calendar years (2008-2012) averaged US\$1.3 billion.

Total exports of consumer-oriented products from the United States to Venezuela in 2012 were US\$ 198 million. However, total imports of this category from the U.S. are down in 2013; there is a fall of 13 percent comparing the January-October period of 2012 with the same period in 2013. This outcome has been driven by a combination of internal factors. Especially the lack of dollars due to foreign exchange control established by the BRV; and also the bureaucracy importers have to face when obtaining import permits for products coming from the U.S.

Despite this profile, there are some U.S. intermediate and consumer-oriented products that have experienced growth in 2013, including: soybean meal, vegetable oil, soybean oil, eggs products, planting seeds, food ingredients, dairy products, processed vegetables and non-alcoholic beverages.

There is strong competition from Argentina, Brazil and Chile. The main reason for this is importers are taking advantage of ALADI (Latin America Integration Association) regulations; that allow ALADI countries to trade using local currencies instead of dollars. Exporters from the non-MERCOSUR region face difficulties to compete with products from MERCOSUR countries (Argentina, Brazil, Paraguay and Uruguay).

Advantages	Challenges
<ul style="list-style-type: none">• Local products unavailable or insufficient, while U.S. food products are seen by importers readily available.• Fast food chains that require U.S. food ingredients are having success in Caracas and in major cities.	<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.

<ul style="list-style-type: none"> • Proliferation of malls and accompanying expansion in the retail and dine out establishments using consumer-oriented products. • U.S. suppliers are seen by importers 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 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"> • High tariffs applied to most specialty food imports and increased difficulty in obtaining import permits. • Government-imposed exchange control resulting in difficulties for importers to obtain dollars. • Parallel exchange rate, resulting in U.S. products becoming expensive can shift buyers' purchases to source cheaper alternatives to keep current market prices in a very price sensitive market.
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II. EXPORTER BUSINESS TIPS

Import Procedures:

The BRV 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. 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, sell the goods at auction.

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 MH's Health Food Comptroller Division prior to placing the product on the Venezuelan market.

Import Duties

Import duties are calculated using the WTO Harmonized Scheduled Tariff classification system on the CIF value of the products (using the commercial invoice as basis). Import duties are assessed, due and payable at time of arrival. Import duties and fees are assessed in local currency; despite the currency listed on the commercial invoice. The VAT (value added tax) rate of twelve percent is calculated on the basis of the CIF value.

Exchange Rate Policy

Since early 2003, strict control policies govern and limit foreign exchange transactions. Currently, Venezuela's currency, the Bolivar is set at 6.3 bolivars to the dollar since February 2013. Exchange trading is illegal and all import transactions must be approved by the government's foreign exchange administration commission (CADIVI). Importers must register with CADIVI for formal applications for foreign currency transactions. When approved, the transactions are then liquidated through the Central Bank and finally through commercial banks. In Venezuela, the lack of dollars is arguably the most significant obstacle to trade for importers. Therefore, many importers have to use their own dollars they have in other countries or buy dollars at a much higher price using the parallel market.

Price Controls

Since January 2003, the BRV imposed a price control policy on basic food 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. Changes to the list of food products under price controls include: a) adding or removing products from the list, and b) increasing or lowering prices of certain food products. 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 and the list of products under price control; please see: Food and Agricultural Import Regulation and Standards - Narrative (FAIRS) Report prepared by this office.

III. MARKET SECTOR STRUCTURE AND TRENDS

Food Service (HRI sector)

Venezuela is a good market for franchising investments as demonstrated by the amount and variety of brands present in the Venezuelan market. Profranquicia is a private company chamber that has been working to accomplish franchisers' goals, led by a proactive team of young executives with 420 members. This franchising chamber, founded in 1998, reports that there are 352 franchises currently operating in the country with a total of over 9,500 outlets/stores. Profanquicia reports that more than 30 percent of all franchises are food related. About 20 percent of all franchises are of U.S. origin.

Most HRIs in Venezuela buy their 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, reflecting each product's particular nature. Fresh foods are bought at wholesalers, and nonperishable products at hypermarkets whenever possible. In regard to refrigerated or frozen foods, HRIs prefer to deal directly with the manufacturer, given most distribution centers' limited cold storage capacity. Imported liquors are purchased from specialized distributors/importers.

The National Restaurant Association (CANARES) is the primary association of restaurants in Venezuela 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

The supermarket sector changed significantly in the last 20 years, and today most of the supermarkets have modern stores to offer quick and good service to customers. Major supermarket chains include: Central Madeirense, Excelsior Gama, Plaza's, Sigo, Makro, Unicasa, El Patio and Garzon. Most of the major supermarket and hypermarket chains in Venezuela belong to the National Supermarket Association (ANSA).

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 in nearly every block in Venezuela's cities and towns, especially in middle-and low-income neighborhoods.

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 three major pharmacies are Saas (206 stores), Farmatodo (143) and Locatel (50). These pharmacies also are members of ANSA.

Both the public and private sectors are involved in Venezuela's retail food sector. The government of Venezuela is increasing expenditures on social food programs and price controlled foods are sold in government-owned MERCAL stores. However, the private retail sector is used in many cases by the BRV as a distribution channel since the government stores have many issues including: lack of cold chain, insufficient distribution, shortages, poor customer service and declining quality of products sold.

The Government Food Distribution Network

MERCAL or "Mercado de Alimentos C.A.", created in April 2003, markets food products at very low prices, usually even lower than controlled-priced products sold by chain supermarkets. The program is focused on a basic basket of products which include: 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 web has expanded to 15,743 points of sales that includes mostly small stores and 35 supermarkets. Food purchases are carried out directly by a government entity called CASA or "Corporacion de Abastecimiento y Servicios Agricolas", which was originally created in August 1989. CASA is in charge of 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 including Argentina, Bolivia, Brazil, Colombia, and China, among others.

In January 2008, after several months of shortages of basic food products, the Government, throughout the Venezuelan state oil company PDVSA, created PDVAL, a subsidiary to produce and distribute food in Venezuela.

In December 2009, a new corporation was created, *Corporación de Mercados Socialistas* (COMERSO), to be in charge of coordinating commercial distribution programs driven by the government. The government announced that PDVAL would administer and supply the COMERSO chain.

In January 2010, the government announced the expropriation of the supermarket chain, “Supermercados Exito” after several months of negotiations with majority holders French group Casino, and the Colombian “Almacenes Exito,” Later in November 2010, the government bought 81 percent of CATIVEN Supermarket Chain owned also by the Casino Group.

With the acquisition of this network of supermarkets, the Venezuelan State became the owner of 35 stores that were renamed Abastos Bicentenario (formerly Supermercados CADA), six stores of Gran Bicentenario (former Hipermercado Exito), eight distribution centers and a truck fleet.

Direct Marketing

Marketing, through TV commercials, newspaper inserts, house visits or street vendors, is common. Mail orders are not an option because of the unreliability of the postal system. Supermarkets and hypermarkets like MAKRO, EXCELSIOR GAMA, PLAZA’S and CENTRAL MADEIRENSE have been successful in placing their catalogs in newspapers as weekend-issue inserts. E-commerce is offered by major supermarkets, allowing consumers to order on-line or by e-mail for home delivery. However, venezuelan consumers prefer to buy directly at the stores especially when it comes to produce.

IV. BEST PRODUCT PROSPECTS

Table 1. Best Product Prospects

Top 10 Venezuelan Intermediate and Consumer-Oriented Product Imports from the United States (Millions of U.S. Dollars)			
Product Description	2012	2013	January-October % Change
Soybean Meal	266.9	311.1	16.5
Soybean Oil	25.8	34.6	33.9
	14.9	22.1	48.2

Non-Alcoholic Beverages			
Planting Seeds	10.3	19.2	86.1
Dairy Products	14.1	19.9	41.4
Processed Vegetables	5.2	7.1	36.1
Breakfast Cereals	0.4	0.8	117.7
Eggs Products	0.5	0.6	23.7
Sugar, Sweeteners, Bev. Bases	8.0	8.4	5.4
Prepared Food	61.0	53.0	-13.1

V. KEY CONTACTS AND FURTHER INFORMATION

Ministerio de Agricultura y Tierras (Ministry of Agriculture, MAT)

Av. Urdaneta, Edificio "MAT"
 Esquina de Platanal a Candilito
 La Candelaria, Caracas
 Tel: (58-212) 509-0347/ 0348/ 0359/ 0360/ 0361
<http://www.mat.gob.ve>

Ministerio del Poder Popular para la Salud (Ministry of Health, MH)

Av. Baralt, Centro Simón Bolívar, Edificio Sur
 El Silencio, Caracas
 Tel: (58-212) 408-0000
<http://www.mpps.gob.ve>

Ministerio del Poder Popular para la Alimentación (Ministry of Food, MINAL)

Av. Andrés Bello - Edificio "Las Fundaciones"
 Municipio Libertador, Caracas
 Tel: (58-212) 577-0257
 Fax: (58-212) 578-2647
<http://www.minal.gob.ve>
 Email address of Public Relations: oirp@minal.gob.ve

Ministerio del Poder Popular para el Comercio (Ministry of Commerce, MILCO)

Av. Lecuna, Torre Oeste de Parque Central
Entrada Nivel Lecuna
Caracas Tel. (58-212)-509-6861
<http://www.mincomercio.gob.ve/>

Exchange Control Administration Commission
Comisión de Administración de Divisas (CADIVI)
Av. Leonardo Da Vinci, Edificio PDVSA, Piso 3
Los Chaguaramos, Caracas
Tel: (58-212) 606-3939
www.cadivi.gob.ve

Servicio Nacional Integrado de Administración Aduanera y Tributaria-SENIAT
Av. Blandín, C.C. Mata de Coco, Torre SENIAT
La Castellana, Caracas
Tel: (58-212) 274-4000/ 274-4026
<http://www.seniat.gob.ve>

Instituto Nacional de Estadísticas (INE)
(National Statistics Office)
Avenida Boyacá, Edificio Fundación La Salle
Maripérez, Caracas, Venezuela
Tel: 58-212-781-1380
Telefax: 58-212-781-5412 782-1156
www.ine.gov.ve

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
www.venamcham.org/

Federacion Venezolana de Camaras y Asociaciones de Comercio y Produccion (FEDECAMARAS)
(Venezuelan Federation of Chambers and Associations)
Edif. 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
Fax: 58-212- 730-2097 – 731-1907
www.fedecamaras.org.ve/

Confederacion Nacional de Asociaciones de Productores Agropecuarios (FEDEAGRO) (National Confederation of Agricultural Producers)

Edf. Casa de Italia, P.B., Av. La Industria, San Bernardino, Caracas, Venezuela
Tel.: 58-212-571-40-35/573-44-01
Fax: 58-212-573-44-23
www.fedeagro.org/

Asociación de Supermercados y Autoservicios (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
www.ansa.org.ve

Cámara Venezolana de la Industria de Alimentos (CAVIDEA) / Food Chamber

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/>

Cámara Nacional de Restaurantes (CANARES) / Restaurants Chamber

Av. Francisco de Miranda
Centro Comercial Lido Torre Este Piso 6 El Rosal
Tel: 58-212-952-1435 / 952-3124
Caracas, Venezuela
<http://www.canares.org/>

Cámara Venezolana de Franquicias (PROFRANQUICIA) Franchising

3ra. Transversal de Altamira con Avdas. Luis Roche y Juan Bosco,
Oficentro Neur, Ofc. 4
Caracas, Venezuela
Tlf. 58-212-266-8494/261-8613
Fax 58-212-261-9620
www.profranquicias.com

Mercado de Alimentos MERCAL C.A.

www.mercal.gob.ve/

USDA/FAS CARACAS OFFICE CONTACT INFORMATION:

Office of the Agricultural Counselor /American Embassy

Calle F con Calle Suapure,
Colinas de Valle Arriba
Caracas 1061, Venezuela
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Fax: (58-212) 975-8542

E-mail: Agcaracas@fas.usda.gov

websites: www.fas.usda.gov

<http://spanish.caracas.usembassy.gov/nosotros/agricultura.html> (Caracas)

Table A. KEY TRADE AND DEMOGRAPHIC INFORMATION

Agricultural Imports From All Countries (2012)	\$8.3 billion
U.S. Market Share	20 percent
Total Population (Millions)	29
Number of Major Metropolitan Areas	6
Size of the Middle Class	25 percent
Total Gross Domestic Product (2012)	\$381 billion
Unemployment Rate (October 2013)	7.6 percent
Exchange Rate	US\$1= 6.3 Bolivares

Source: Department of Commerce, U.S. Census Bureau, Foreign Trade Statistics, World Bank, Local Newspapers, Venezuelan Official data