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Retail Foods

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Approved By:

Office of Agricultural Affairs

Prepared By:

Office of Agricultural Affairs

Report Highlights:

An ongoing, severe economic crisis in Venezuela has led to three years of consecutive, double digit economic contraction and contributed to falling U.S. agricultural product exports to Venezuela, down 42% in CY 2017 (January through October) to \$376 million compared to the same time period a year before (GATS). U.S. consumer-oriented product exports to Venezuela in CY 2017 (January through October) also fell 45% to \$12 million.

Post:
Caracas

Author Defined:
SECTION I. RETAIL SECTOR OVERVIEW

Market Summary

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. The precipitous slide in U.S. agricultural product exports began in 2015 as a result of low oil prices, falling government revenues, diminishing foreign exchange to import goods, and, more recently, hyperinflation. In CY 2017 (January through October), the value of U.S. agricultural product exports to Venezuela plummeted almost 42% compared to the same time period year before to a notable low of \$376 million, the lowest value of trade in over a decade. This will be the third straight year of U.S. agricultural product export trade values falling below \$1 billion.

Agricultural product importers are severely challenged by a Venezuelan economy in crisis with hyperinflation and extreme Venezuelan Central Bank restrictions to accessing foreign currency. Even though no official figures from the Central Bank are available, 2017 end-of-year estimates of inflation reached 720% according to the International Monetary Fund (IMF). Other estimates suggest inflation in 2017 exceeded 1000%. In addition, the value of the Bolivar (Bs.) currency plummeted, falling 396% year-to-date. Economic challenges notwithstanding, the Government of the Bolivarian Republic of Venezuela (GBRV) maintains a stringent, prohibitively extensive bureaucracy to obtain permissions for importing agricultural products and access to foreign exchange. Despite these challenges, there are U.S. agricultural product exports that experienced marginal growth in 2017, such as soybeans, meat products, sweeteners, snack foods, animal fats, among others.

In CY 2017, U.S. bulk commodity exports were \$220 million (January through October). Wheat represented about 36% of U.S. bulk commodity product trade at \$ 79 million. Total exports of U.S. intermediate agricultural products were \$134 million (January through October). U.S. consumer-oriented products were \$12 million (January through October), slightly above the \$11 million exported in CY 2016.

Agricultural product trade competition is primarily from Brazil, Argentina and Colombia, but increasingly from Mexico. Venezuela still 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.

Exchange Rate Policy

Since early 2003, strict governmental controls limit 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 bolivars (Bs.) 10.00 per \$1.00, is primarily reserved for government procured imports of critically scarce items, such as food and medicine. The other, DICOM, is a subsidized exchange rate for all other dollar transactions and sales by the Venezuelan Central Bank to the private sector for imports of scarce, critical items, valued at around Bs. 3,345.00 per \$1.00. The Central Bank has adjusted the DICOM rate measurably since its inception mostly due to monetary policy pressures to address inflation. Beginning in June 2017, the domestic food manufacturing sector was receiving dollars for imports at the DICOM rate of exchange, providing a maximum amount of \$400,000 per month. The dollar distributions abruptly ended on/around September 2017, a likely factor of rapidly climbing inflation and limited Central Bank dollar reserves.

There is also the unofficial, or parallel, exchange rate that attempts to reflect the market value of the Bolivar currency and as of December 26, 2017 was at Bs.112,258 per \$1.00, or 33 times the official DICOM rate of exchange. The parallel rate fluctuates almost daily and has seen exponential depreciation since July 2017 when the exchange rate was about Bs. 8,000 per \$1.00. Purchasing dollars from black market brokers at this rate is prohibited, but occurs.

Food 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: MINPAL), 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 list of products subject to price controls, please review the GAIN Report *Food and Agricultural Import Regulation and Standards - Narrative*.

However, there has been no public update to the controlled-price list since 2015. Some 2017 updates per product can be found on the National Superintendence for the Defense of Socioeconomic Rights (Spanish acronym: SUNDDE) web page at <http://sundde.gob.ve>.

Public Sector

Venezuela's retail food sector is serviced by both the public and private sectors. However, the system for the GBRV to distribute retail food products is winding down from the closure of the GBRV operated Mercado de Alimentos C.A. (Spanish acronym: MERCAL) that includes the retail chain Abastos Bicentenario.

In May 2016, the GBRV launched the Local Committees for Supply and Production (CLAP). The Committees exist in hundreds of urban and rural low-income communities managing the distribution of

basic food goods at significantly subsidized prices. The Committees distribute CLAP bags or boxes, whose contents make up a portion of the monthly basic food basket, but are sold to recipients at a small fraction of the actual cost. The CLAP bag is comprised primarily of locally produced goods, whereas the CLAP box is primarily imported goods.

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 retail stores, renamed Abastos Bicentenario, with eight distribution centers and a fleet of delivery trucks. As mentioned, the GBRV is closing this retail network.

In September 2017, the GBRV created the consortium AGROSUR (in Spanish: *Consortio Agrosur*) as a business unit dependent on the Ministry of Agriculture and Lands (MAT). This unit will manage all public food production and distribution networks, including what remains of Abastos Bicentenario. Additionally, certain commodities are expected to be produced within the consortium: coffee, sugar, cocoa, cereals and meat products. Also, AGROSUR will manage the sale and distribution of agricultural inputs, silos and storage equipment.

Private Sector

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

In 2017, there were about 6,363 supermarkets, or points of sale, in Venezuela selling foods and beverages. In addition, there are 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 had 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 in 2016), Farmatodo (170 stores), Farmahorro (114 stores) and Locatel (66 stores). These pharmacies are members of ANSA.

Food Imports

U.S. exporters normally ship their products to distributors that import, stock, and deliver to the retailer's distribution center or individual stores. The ongoing economic crisis in Venezuela, coupled with strict

foreign exchange controls, has created significant challenges for importers to source consumer oriented products.

Trends

- 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-income consumers are more likely to frequent the government-owned retail chains of the likelihood, albeit becoming more infrequent, that products will be sold at heavily subsidized, regulated prices. Regulated price products do not stay in stores for long wait times in lines to purchase those products can last hours.
- Hypermarkets, major supermarkets, and some independent supermarkets have created unique store brands that are well accepted by consumers. If the economic situation improves in Venezuela, store branding may expand.
- New, independent mini-markets are becoming more common offering a large selection of imported products from primarily the United States and Europe. These shops cater to an exclusive clientele given the prices are dollarized, but in local currency and at the parallel rate.

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.
- 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.
- There is a range of pharmacies that offer foods and beverages. The store layouts now include aisles dedicated to consumer products.
- The most innovative, but nefarious, trend in Venezuela is taking advantage of brand name products with knock-offs. According to a Nielson survey released in November 2017, about 500 new products entered the Venezuelan market in 2017, even though imports in general fell 60 percent this year. This discrepancy a factor of discounted product “substitutions” such as cookies branded as “Oieos,” and not Oreos. Mondelez, the manufacturer of Oreo cookies, is reporting losses as a result of this new trend in brand confusion.

Table 1. Private Retail Outlets in Venezuela (Self Service)

TYPE OF STORE	NUMBER OF STORES
Hypermarkets/Supermarkets (Chain)	333

Supermarkets (Independent)	6,030
Pharmacies/Convenience stores	8,312
Liquor stores	12,460
Corner stores	136,906
Total	164,041

Source: ANSA

Table 2. Major Retailers in Venezuela

RETAILER NAME	OUTLET TYPE	NUMBER OF STORES
CENTRAL MADEIRENSE	SUPERMARKET	46
BICENTENARIO (Public)	SUPERMARKET	30 approx
DIA A DIA Practimercados	SUPERMARKET	36
UNICASA	SUPERMARKET	30
EXCELSIOR GAMA	SUPERMARKET	22
CENTRO 99	SUPERMARKET	14
SAN DIEGO	SUPERMARKET	13
PLAZA'S	SUPERMARKET	16
VIVERES DE CANDIDO	SUPERMARKET	11
FLOR C.A.	SUPERMARKET	7
SUPREMO	SUPERMARKET	8
UNIMARKET	SUPERMARKET	4
LUVEBRAS	SUPERMARKET	6
EL PATIO	SUPERMARKET	2
DON SANCHO	SUPERMARKET	4
FRONTERA	SUPERMARKET	4
SUPER ENNE	SUPERMARKET	4
LUZ	SUPERMARKET	4
SAN TOME	SUPERMARKET	4
SAGRADA FAMILIA	SUPERMARKET	3
MERCATRADONA	SUPERMARKET	2
SU CASA	SUPERMARKET	4
SIGO	SUPERMARKET	7
FRANCIS	SUPERMARKET	3
LICARCH	SUPERMARKET	2
LOS CAMPITOS	SUPERMARKET	2
REY DAVID	SUPERMARKET	4
EL DIAMANTE	SUPERMARKET	2
LA PAZ	SUPERMARKET	2
PLANSUAREZ	SUPERMARKET	2
SUPER LIDER	SUPERMARKET	7
RATTAN MARGARITA	SUPERMARKET	1
RETAILER NAME	OUTLET TYPE	NUMBER OF STORES
MAKRO	HYPERMARKET	35

BICENTENARIO (Public)	HYPERMARKET	4
EXCELSIOR GAMA	HYPERMARKET	2
CENTRAL MADEIRENSE	HYPERMARKET	5
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	1
RATTAN MARGARITA	HYPERMARKET	2
SANTO TOME	HYPERMARKET	1
DE CANDIDO	HYPERMARKET	2

Source: ANSA 2016.

Table 3. Advantages / Challenges for U.S. Exporters targeting Venezuela's

Advantages	Challenges
<ul style="list-style-type: none"> Venezuelan consumers consider U.S. products to be high-quality. 	<ul style="list-style-type: none"> Government-imposed foreign exchange control and price

<ul style="list-style-type: none"> • Retail stores have enough freezer space to accommodate frozen foods. • Growing number of independent mini-markets selling imported products only. • Local retailers see U.S. suppliers as a reliable source in terms of volume, standards and quality. • Venezuelan infrastructure for handling frozen and refrigerated products shows some improvement. • Two thirds of the population is below 30 years of age and are heavily influenced by U.S. culture through the media, and are open to ready-to-cook and ready-to-eat imported food products. • United States franchises remain popular and new franchises could have market potential. Despite the economic crisis, traditional U.S. franchises are surviving in Venezuela and new concepts do appear demonstrating the potential of the sector. 	<p>controls.</p> <ul style="list-style-type: none"> • Imported products are expensive for most consumers, who are very price-sensitive. • Mercosur and other Latin-American 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.
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SECTION II. ROAD MAP FOR MARKET ENTRY

Entry Strategy

- U.S. exporters can approach Venezuelan buyers through a large importer, wholesaler/distributor, or through a specialized/independent 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 used to be the main suppliers of consumer-ready products. Venezuela until recently had a relatively strong food processing industry and leading Venezuelan brands used to have good distribution networks, were well-positioned in the market, and enjoyed 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 other companies distributing sauces, dairy products, confectionery, snacks, processed fruits and grains. There are also several multinational producers/importers in Venezuela, including: Heinz, Kellogg's, Kraft Foods, Frito Lay-Pepsico, Nestlé, Bimbo, and Cargill. Competition among importers depends on the category. Processed-food products are imported mainly from South American countries, primarily Brazil and Argentina; however, Mexican agricultural products have seen substantial growth taking over significant market share in the past year.

SECTION IV. BEST PRODUCT PROSPECTS

Table 4. Best Product Prospects

Top U.S. Consumer Oriented Product Exports to Venezuela (Thousands of U.S. Dollars)			
Product Description	2016	2017	January-October % Change
Meat products NESOI	225	944	319
Fruit & Vegetable Juices	131	396	202
Snack foods NESOI	681	623	5
Beef & Beef Products	12	35	196
Chocolate & Cocoa Products	469	522	11

Source: GATS

SECTION V. POST CONTACT 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 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>

Venezuelan-American Chamber of Industry & 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 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

Fax 58-212-261-9620

www.profranquicias.com

U.S. Department of Agriculture

Office of Agricultural Affairs/ American Embassy

Calle F con Calle Suapure, Colinas de Valle Arriba

Caracas, 1070, Venezuela

Tel: (58-212) 907-8333/ 907-8529

Fax: (58-212) 907-8542

Email: AgCaracas@fas.usda.gov