

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Venezuela

Retail Foods

2016

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Report Highlights:

U.S. consumer-oriented exports products to Venezuela in 2016 (through November) were valued at \$21.6 million, down 54% from the same time period a year before. Total U.S. agricultural product exports to Venezuela were also down 7% in 2016 (through November) to \$617 million. Overall trade has fallen due to an economic crisis impacted by triple digit inflation and monetary policies that severely restrict access to foreign exchange.

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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. In 2015, however, the value of U.S. agricultural exports plummeted almost 50% to \$672 million. The precipitous fall in oil prices since 2015 have significantly diminished foreign exchange, 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 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. Economic challenges notwithstanding, the Government of the Bolivarian Republic of Venezuela (GBRV) maintains a stringent, prohibitively extensive bureaucracy to obtain permissions to import agricultural products and to access foreign currency. Despite these challenges, there are 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.

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 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.

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: 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.

The Public Sector

Venezuela's retail food sector is serviced by both the public and private sectors. The GBRV chain Food Market (in Spanish: *Mercado de Alimentos C.A.* or MERCAL), created in April 2003, markets food products at very low prices, usually even lower than controlled-priced products sold by private sector supermarkets. Specific items are not always guaranteed at MERCAL chains. The GBRV is increasing expenditures on social food programs and regulated price controls of foods that are sold in government-owned stores. Private retail stores are often used by the GBRV as a distribution channel since the government stores lack appropriate cold chain facilities with insufficient distribution leading to product shortages and a declining availability and quality of products sold.

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 35 supermarkets. Prices at MERCAL outlets are typically less than private sector supermarkets because the GBRV manages the entire supply chain without costs associated with intermediaries, such as distributors or transporters. Food purchases are carried out directly by the government intermediary **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.

The Private Sector

Major supermarkets include varying types of chains that 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.

Food Imports and Distribution

U.S. exporters normally ship their products to distributors that import, stock, and deliver to the retailer's distribution center or individual stores. Major supermarket chains are all capable of direct purchasing and may deal directly with foreign suppliers. However, even the largest retailers depend heavily on local distributors for imported products. The smaller supermarkets, local chains and independent supermarkets purchase through distributors and specialized importers.

The major retailers are developing increasingly sophisticated distribution systems. However in the case of frozen foods and perishables, retail stores still depend heavily on local distributors. In general, the Venezuelan cold chain infrastructure for frozen and refrigerated products needs significant upgrades to improve the quality and capacity.

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 because of the regulated prices for many food products.
- Hypermarkets, major supermarkets, and some independent supermarkets have created their own store brands which have been well accepted by consumers. They were considering expanding the range of products if the situation improved.
- Hypermarkets/supermarkets continue to carry the largest selection of U.S. products and always seek opportunities to import and provide products that meet the changing consumer preferences and tastes.

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.
- *Makro*, among other supermarkets, are beginning to add fast food services within the store. In some cases these services are international franchises.
- 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.

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	8,341
Liquor stores	12,460
Corner stores	136,906
Total	164,070

Source: ANSA.

Table 2. Major Retailers in Venezuela

RETAILER NAME	OUTLET TYPE	NUMBER OF STORES
CENTRAL MADEIRENSE	SUPERMARKET	46
BICENTENARIO (Public)	SUPERMARKET	36
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	6
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.

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. • Retail stores are adding more freezer space to accommodate frozen foods. • There is a proliferation of malls and accompanying expansion in the retail establishments selling U.S. products. • Local retailers see U.S. suppliers 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 the media, and are open to ready-to-cook and ready-to-eat imported food products. 	<ul style="list-style-type: none"> • Government-imposed foreign exchange control and price controls. • Imported products are expensive for most consumers, who are very price-sensitive. • Venezuelan infrastructure for handling frozen and refrigerated products still needs improvement. • 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.

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 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 many other companies distributing sauces, dairy products, confectionery, snacks, processed fruits and grains. There are also several multinational producers/importers in Venezuela, including: Heinz, General Mills, Kellogg's, Kraft Foods, Procter & Gamble, 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 Colombia, Chile, Brazil, and Argentina. Nonetheless, exports of consumer-oriented products from the United States to Venezuela year to date are valued in 65.721 thousands.

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	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

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 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 Chamber of Franchises (in Spanish: *Profranquicia*)

3ra. Transversal de Altamira con Avdas. Luis Roche y Juan Bosco,

Oficentro Neur, Ofc. 4

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