



**CONAPRI**  
Consejo Nacional de Promoción de Inversiones



# **FOOD SECTOR**

*Executive Resume*

Caracas, January 2007

- **Country Profile:** Advantages available to the investor
- **Legal Framework**
  1. Institutional framework
  2. Laws and regulations: national, food sector, taxation, and investment
- **Food Sector Indicators**
  1. Agricultural GDP: Venezuela, Latin America and the Caribbean, 1980-2004
  2. Agricultural GDP vs. Total GDP: Venezuela, 1985-2004
  3. Area of arable agricultural land: Venezuela, Chile, Colombia, and Latin America and the Caribbean, 1980-2002
  4. Area of irrigated agricultural land: Venezuela, Chile, Colombia, and Latin America and the Caribbean, 1980-2002
  5. Area of agricultural land permanently under cultivation: Venezuela, Chile, and Latin America and the Caribbean, 1980-2002
  6. Mechanization: Venezuela, Latin America and the Caribbean, 1980-2002
  7. Fertilizer consumption: Venezuela, Latin America and the Caribbean, 1980-2002
  8. Fertilizer production: Venezuela, Latin America and the Caribbean, 1980-2002
  9. Percentage change in fertilizer production: Venezuela, Latin America and the Caribbean, 1995-2002

- **Food Sector Indicators**

- Agricultural exports: Venezuela, Latin America and the Caribbean, 1980-2003
- Agricultural and agribusiness exports: Venezuela, 1980-2003

*Percentage change for Venezuela and Latin America and the Caribbean, 1996-2003:*

Volume of food production

Volume of livestock and agricultural production

Volume of agricultural crop production

Volume of livestock production

Per capita food production

Price Index by Food Item 2005

*Industrial Indicators:*

Total Unemployment Rate and Unemployment Rate for the Agricultural Sector: 1995-2004

Number of agribusiness establishments by establishment size, 2001-2005



- **Main Product Indicators:** area harvested, production harvested, production / area harvested for Venezuela, Brazil, Colombia, Ecuador, Latin America and the Caribbean, 1980-2005:
  - Rice
  - Sugar Cane
  - Corn
  - Sorghum
  - Coffee
  - Dried legumes
  - Cassava
  - Banana and plantain (production only)
- **Livestock:**
  - Livestock production by type and region of the country (1990-2003)
  - Cattle
  - Pigs
  - Sheep and goats
  - Poultry
  - Horses, donkeys and mules
- **Fish:** Volumes Fished in Venezuela (1995 vs. 2000-2003)
  - Venezuela's Fishing Zones
- **Other products**



- **Food Consumption:**

- Profile of the Venezuelan consumer 2006

- Income per social stratum 2006

- Consumption patterns 2006

- Processed foods 1989-2006

- Index of consumption per capita of non-perishable processed foods 1989-2006

- Mass consumer market, total and by item 2001-2005

- Breakdown of regional consumption (%) 1996-2005

- **Marketing Channels:**

- Main marketing channels in Venezuela

- Evolution of food marketing channels in Venezuela: 1994-2003 1994-2005

- Evolution of personal care product marketing channels 1994-2005

- Evolution of marketing channels Oct. 2005 vs. Mar. 2006



- **Franchises:**
  1. Franchises in Venezuela
  2. Weight in GDP 2004
  3. Breakdown of franchises by category
  4. Country of Origin of Franchises
  5. Regions of Origin of Franchises in Venezuela
  6. Origin of franchises in Venezuela, All
  7. Regional breakdown of franchises 2005
  8. Franchises: Advantages and Disadvantages
  9. Franchises Venezuelan-style
  10. Information of fast-food franchises established in Venezuela
  
- **Organizations of interest to the Food Sector**



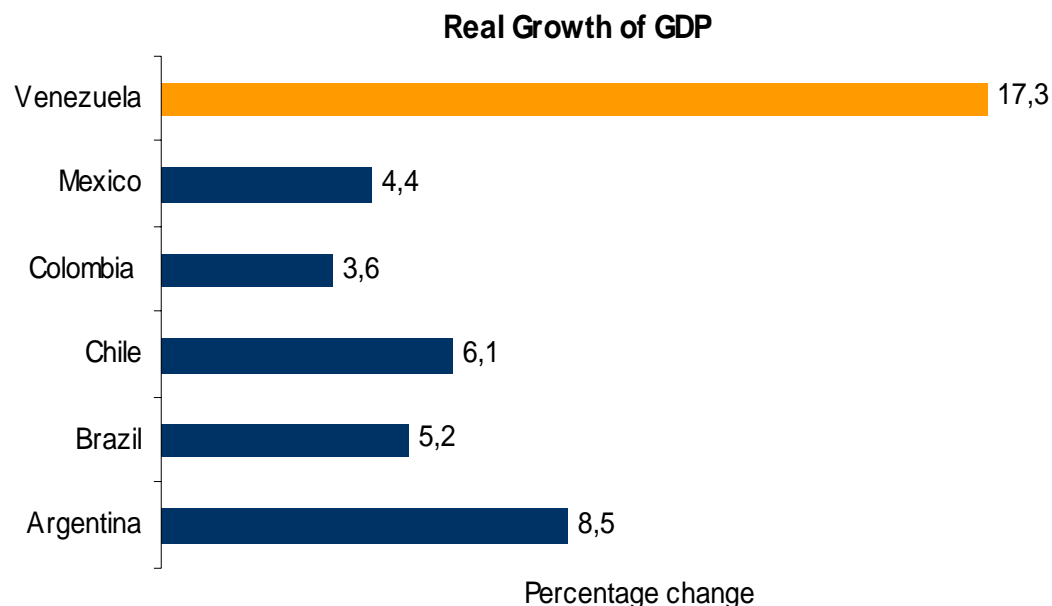
# COUNTRY PROFILE

*and the legal system*

- No restrictions to participation of private capital, whether foreign or domestic, except in the case of iron, a sector reserved for the state.
- Freedom of repatriation of capital and earnings, following compliance with requirements governing purchase of foreign exchange.
- Signing of international treaties for protection and promotion of foreign investment.
- Value Added Tax exemption for imports of goods and services during the pre-operational stage of mining projects geared towards exports.
- Geographical location favoring access to main markets.
- Participation in a variety of commercial integration arrangements: Andean Community, G-3 and CARICOM, among others.

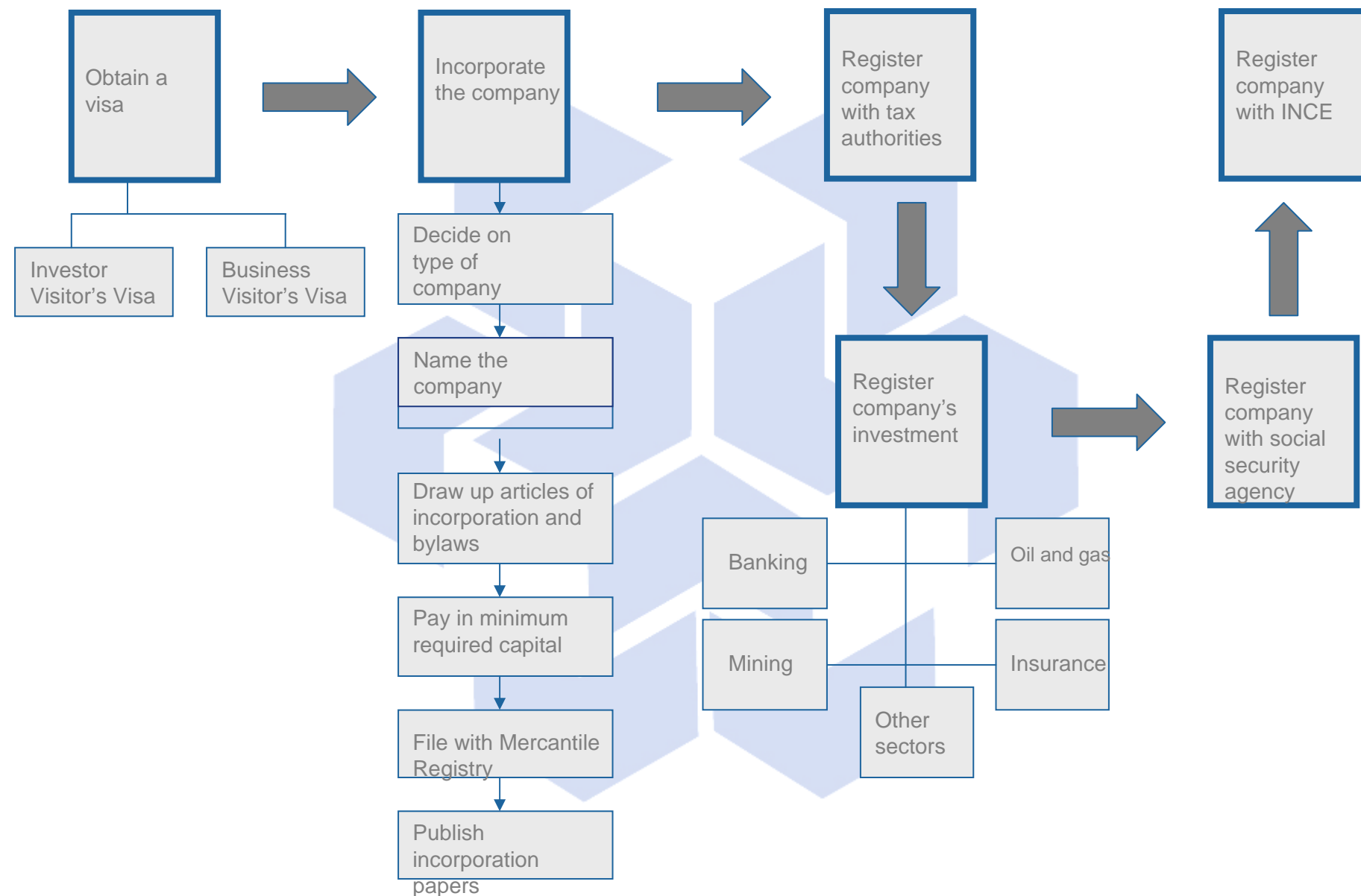
(\* ) Venezuela has given notice of termination of the G-3 Agreement. Customs Preferences will be maintained for at least six (6) months.

(\*\* ) Venezuela has withdrawn from the CAN. Customs Preferences are to be maintained for five (5) years.



- In the past two years, Venezuela has been one of the countries whose economy has demonstrated a high rate of recovery, becoming first country in the world in terms of domestic growth during that period.
- The recovering is reflected on the consumption of the Venezuelan, where food reaches 52% of total consumption.

Source: Yearbook 2005. Institute of Management Development (IMD).

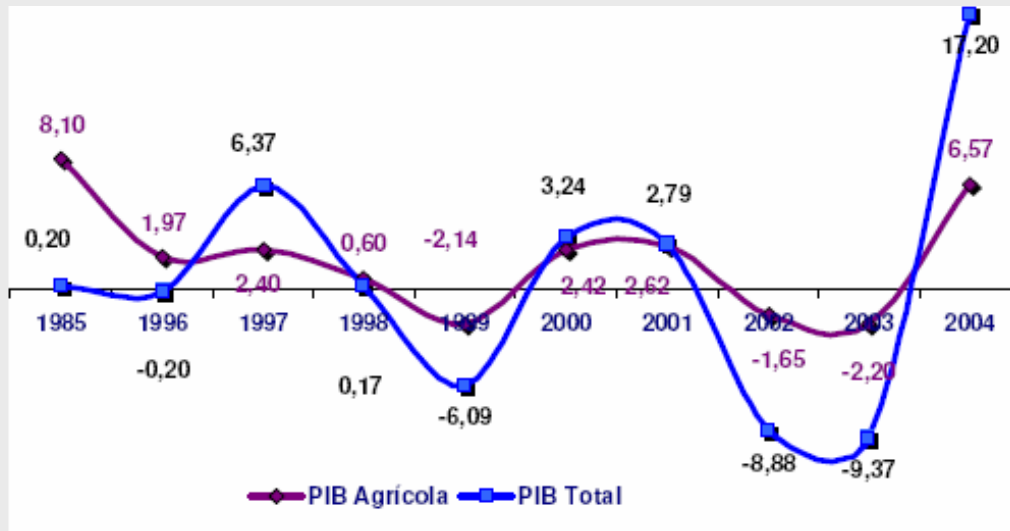




# INDICATORS

## Total and agricultural GDP, Venezuela (rates of change)

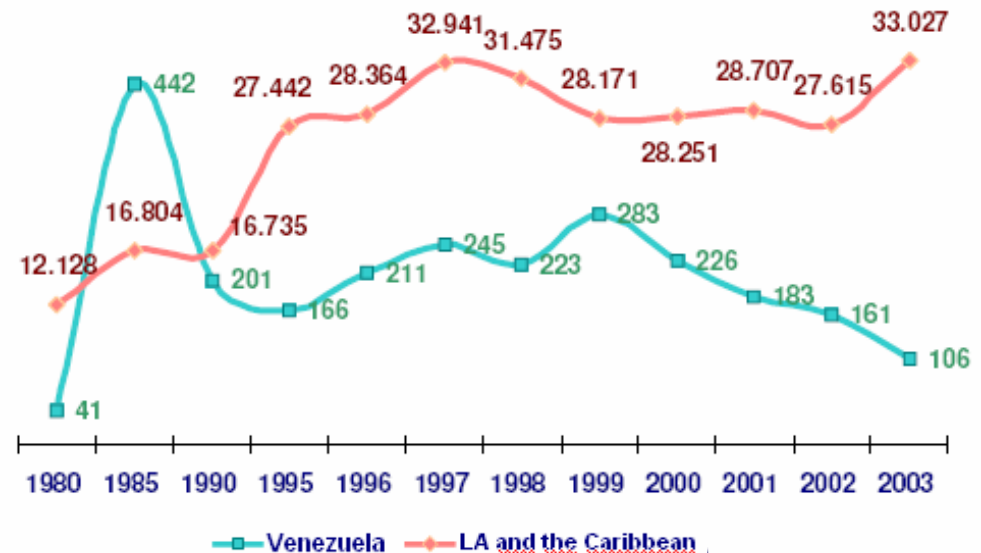
Source: Eclac, Central Bank of Venezuela, own calculations



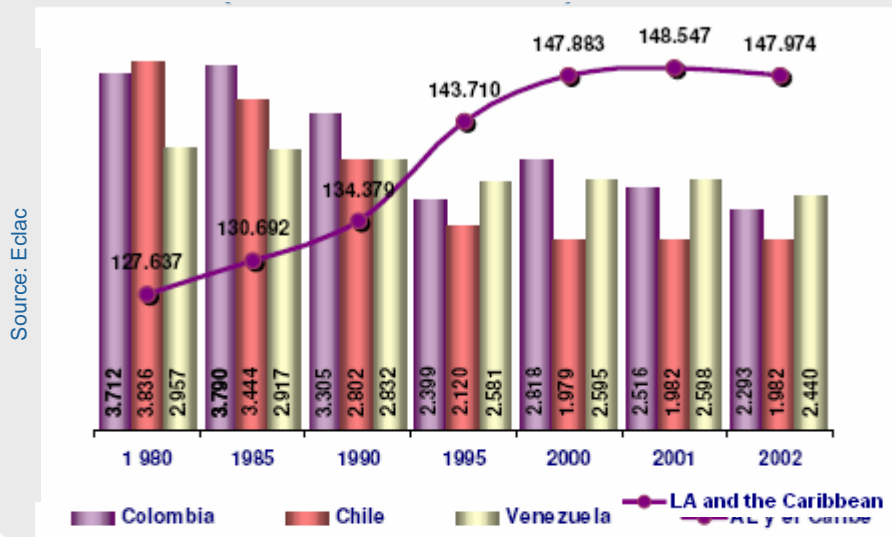
- Agricultural GDP's rate of growth shows a slightly downward trend, whereas the behavior of Total GDP growth is typical of economic cycles, although it also demonstrates a downward trend.
- Major recovery in economic activity driven by the boom in the economy as a whole in 2004

## Agricultural exports (millions of dollars)

- The Latin American market shows an increase in exports, while Venezuela shows a clearly downward trend. According to the United Nations' Food and Agriculture Organization (FAO), in ten years time, Latin America will be a strong competitor of developed countries in agricultural exports.



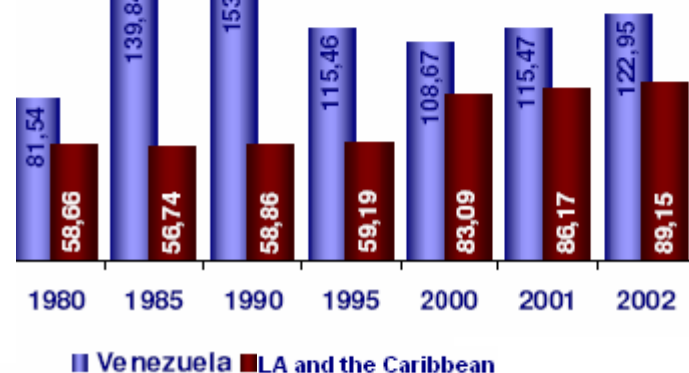
## Area of arable agricultural land (thousands of hectares)



- The area given over to crops has remained constant, mainly from lack of use, unlike other countries that have exploited their capacities.

- In Venezuela there is an abundant supply of traditional simple and granulated fertilizers, both domestic production and imported.
- The main inputs for fertilizers are potassium, phosphorous, and nitrogen. Pequiven has been manufacturing phosphorous and nitrogen for the past two years, whereas potassium has to be imported.

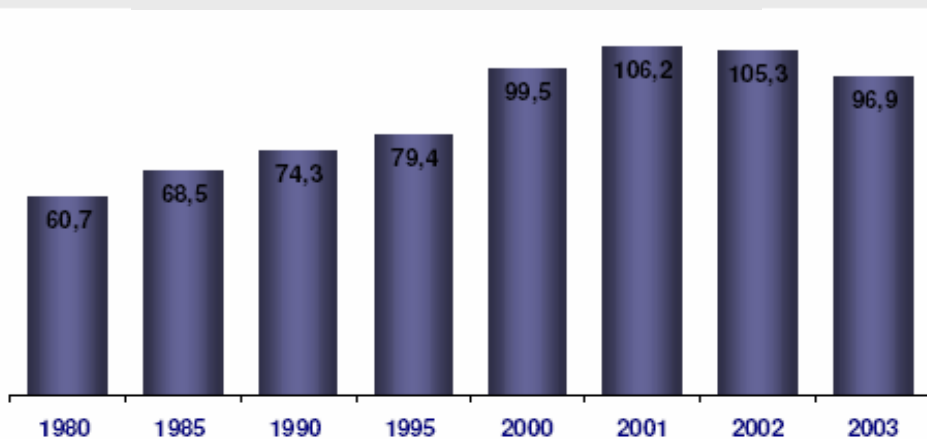
## Fertilizer consumption (tons per thousand hectares)



Source: Eclac

## Food Production Volume Index

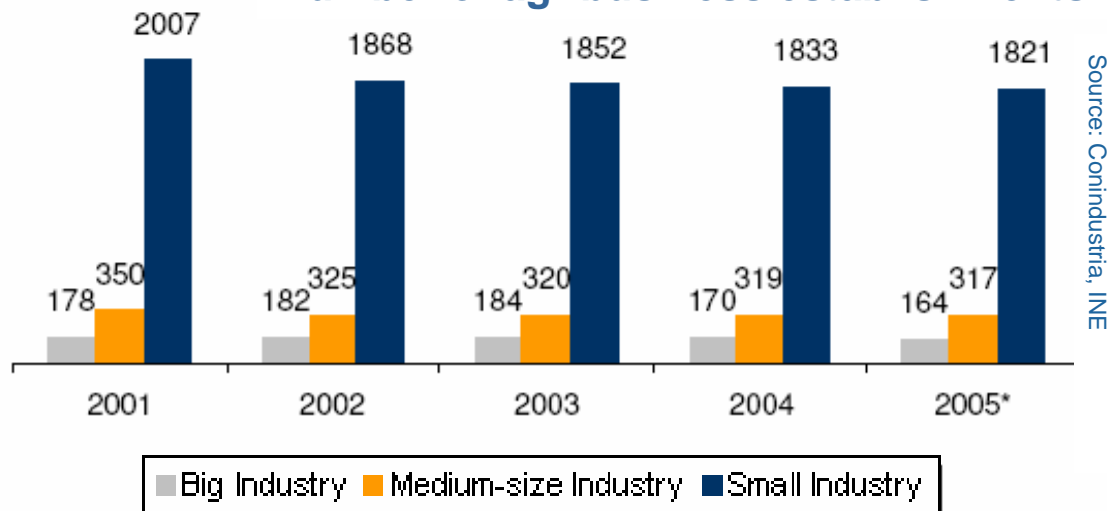
Source: Eclac



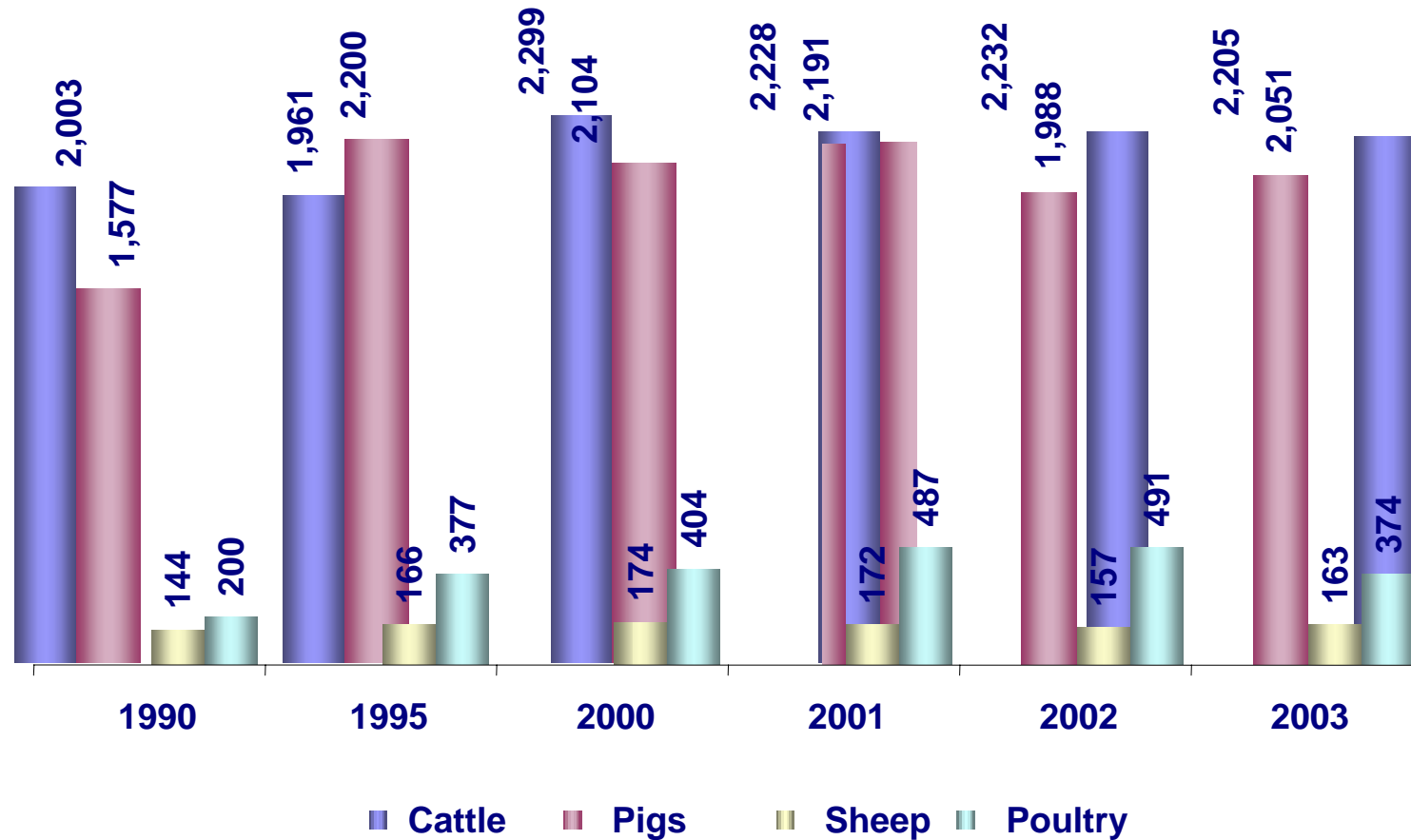
- These indicators for Venezuela show a slight drop in the volume of food produced, which has been covered by imports.

- In this sector, there is a preponderance of small and medium-size establishments.
- Over the period in question, there has been a reduction in the number of establishments, especially in the small and medium-size segment of the industry.

## Number of agribusiness establishments



## Livestock production (thousands of head)



Livestock Production\*

Source: Eclac

- Vegetables are produced the year round, but in some cases depend on the rains and, in others, on the sowing season and the area to be planted. This means that vegetables can be classified as either cold climate crops (Andean region, Lara, Colonia Tovar, Miranda), and mild climate or lowland crops, which are found practically throughout the country.
- The total area given over to vegetable growing is estimated at between 40,000 and 45,000 hectares. The crops most planted are *Potatoes* (14,000 hectares), *Carrots* (7,000 hectares), *Onions* (6,000 hectares), *Tomatoes* (7,000 hectares), and *Peppers* (4,000 hectares). Yields per hectare are directly related to the extent technology is used to produce the crops and to the phytosanitary measures implemented, as the crops are susceptible to weather conditions, pests, and diseases.
- *Cotton* is grown in Guárico, Portuguesa, Anzoátegui, Barinas, Carabobo, Monagas, and Apure. Venezuela is one of the few countries in the world where plain cotton is grown, which requires waiting for the water to come down from the Orinico, Apure, and Meta rivers.
- *Sesame* is cultivated in Portuguesa, Barinas, Cojedes, Monagas, Falcón, and Guárico.

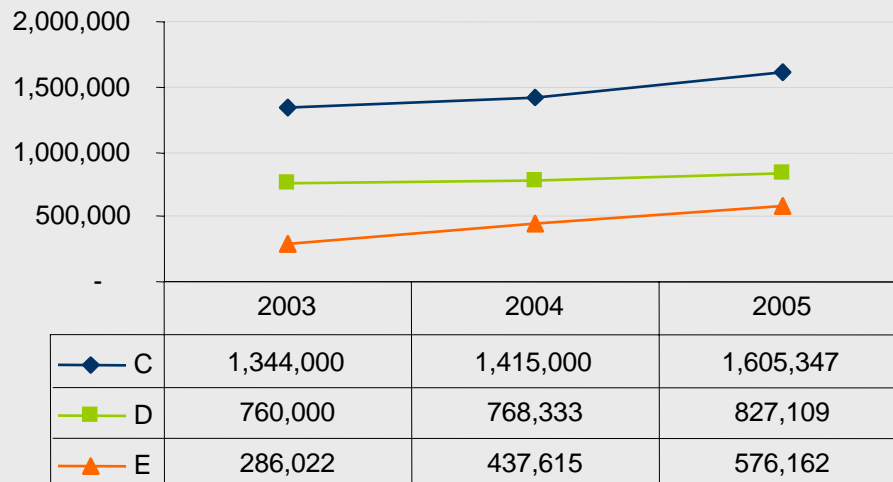
Source: <http://www.agrinova.com.ve/hortalizas.html>,  
<http://www.ilustrados.com/publicaciones>, <http://www.monografias.com/trabajos6>

- The cacao tree is found in Miranda, Sucre, Delta Amacuro, Barinas, Aragua, Apure, Zulia, and Mérida.
- *Potatoes* are produced in Táchira, Mérida, Trujillo, Lara, Aragua, and Carabobo.
- *Tobacco* is grown in Guárico, Portuguesa, Cojedes, Carabobo, Aragua, Sucre, and Monagas.
- *Tomatoes* are produced mainly in Lara, Aragua, Carabobo, Zulia, Guárico, and Portuguesa.
- Domestic *wheat* production is undertaken in Zulia, Trujillo, Carabobo, Apure, Yaracuy, and Anzoátegui.
- *Onion* growing is concentrated in the semi-arid zones of Lara and Falcón and, more recently, in Aragua, Carabobo, Guárico, and Zulia.
- Cucurbitaceae (melon, water melon, pumpkin, cucumber, etc.) are a group of considerable importance in the tropical and subtropical regions. Their production is concentrated mainly in Portuguesa, Guárico, Barinas, Lara, Falcón, and Anzoátegui.



*Food*  
**CONSUMPTION**

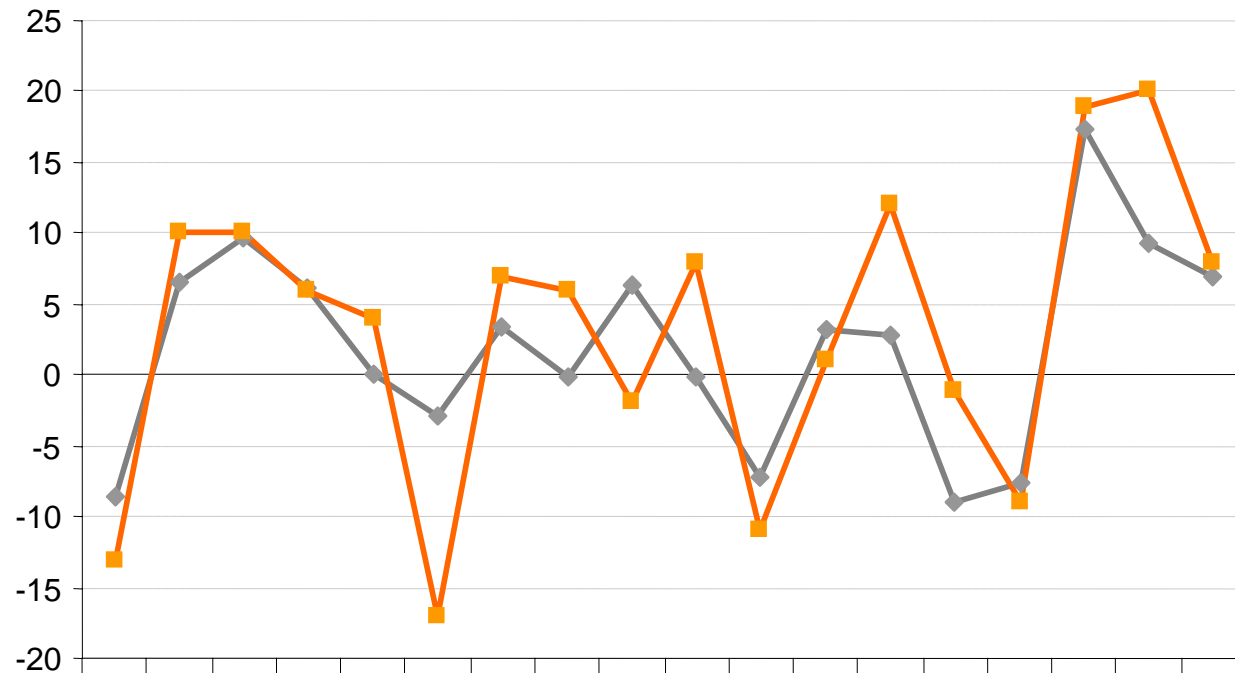
## Average monthly income in Bs.



- As can be seen, there has been a recovery in Venezuelans' monthly income, particularly in the stratum with least resources. While this trend is a consequence of the country's economic recovery, it can also be attributed, to a large extent, to the income redistribution policies implemented by government since 2003 ("missions" or social programs).

Source: Datanálisis, March 2006

## Growth in Food Consumption (tons) Change in Volume (%)

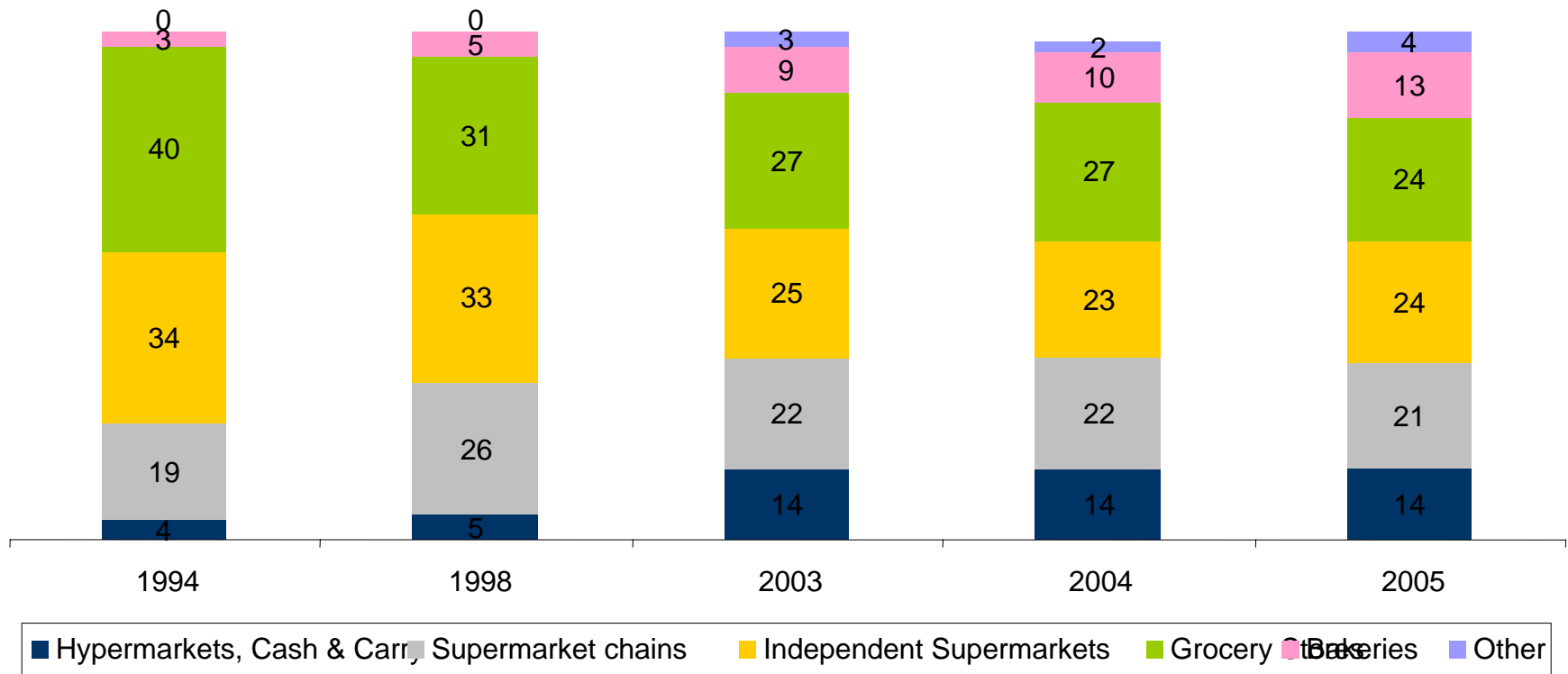


Source: Datos i.r. –  
Central Bank of Venezuela

	89	90	91	92	93	94	95	96	97	98	99	00	01	02	03	04	05	06*
—◆— GDP	-8.6	6.5	9.7	6.2	0.1	-2.9	3.4	-0.2	6.4	-0.1	-7.2	3.2	2.8	-8.9	-7.6	17.3	9.3	7.0
—■— Processed Foods	-13	10	10	6	4	-17	7	6	-2	8	-11	1	12	-1	-9	19	20	8

- There is a marked correlation between the behavior of GDP and the tons of processed foods consumed. However, processed foods are seen to be more volatile.
- It is possible to extrapolate this behavior and say that, when there are positive rates of growth in GDP, the consumption of processed foods will follow this same trend, which means an opportunity for companies in the sector.

## Evolution of Marketing Channels for Food Products



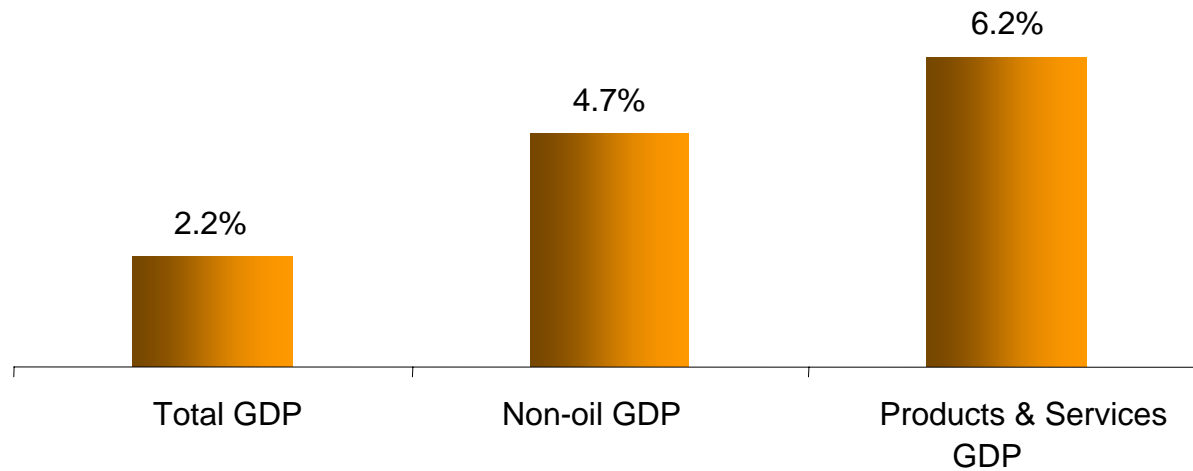
- Independent supermarkets and grocery stores continue to be important channels for the sale of food.
- Hypermarkets have gained ground, however.

Source: Store Audit Datos i.r.

- Despite their short history, Venezuelan franchises have been a prosperous, dynamic sector since 1996, when foreign multinationals, mainly U.S. firms, began to operate in the country. Venezuela now ranks third in the development of franchises in Latin America, after Brazil and Mexico.
- Ninety-five percent of the franchises operating in the country are funded with Venezuelan capital. The franchise sector handles around 200 brands, 64% of which are Venezuelan.
- Venezuelans have nearly 70 local franchises developed with domestic brands, processes or technology. Although much still remains to be done, forecasts point to an accelerated growth in the development of new Venezuelan franchises, which could result in them accounting for 60% of total franchises in the next four years.
- Growth in the franchise sector in 2005 was between 15% and 20%. The trend has been toward growth in medium-impact franchises, those requiring an investment of between Bs.100 million and Bs.250 million.

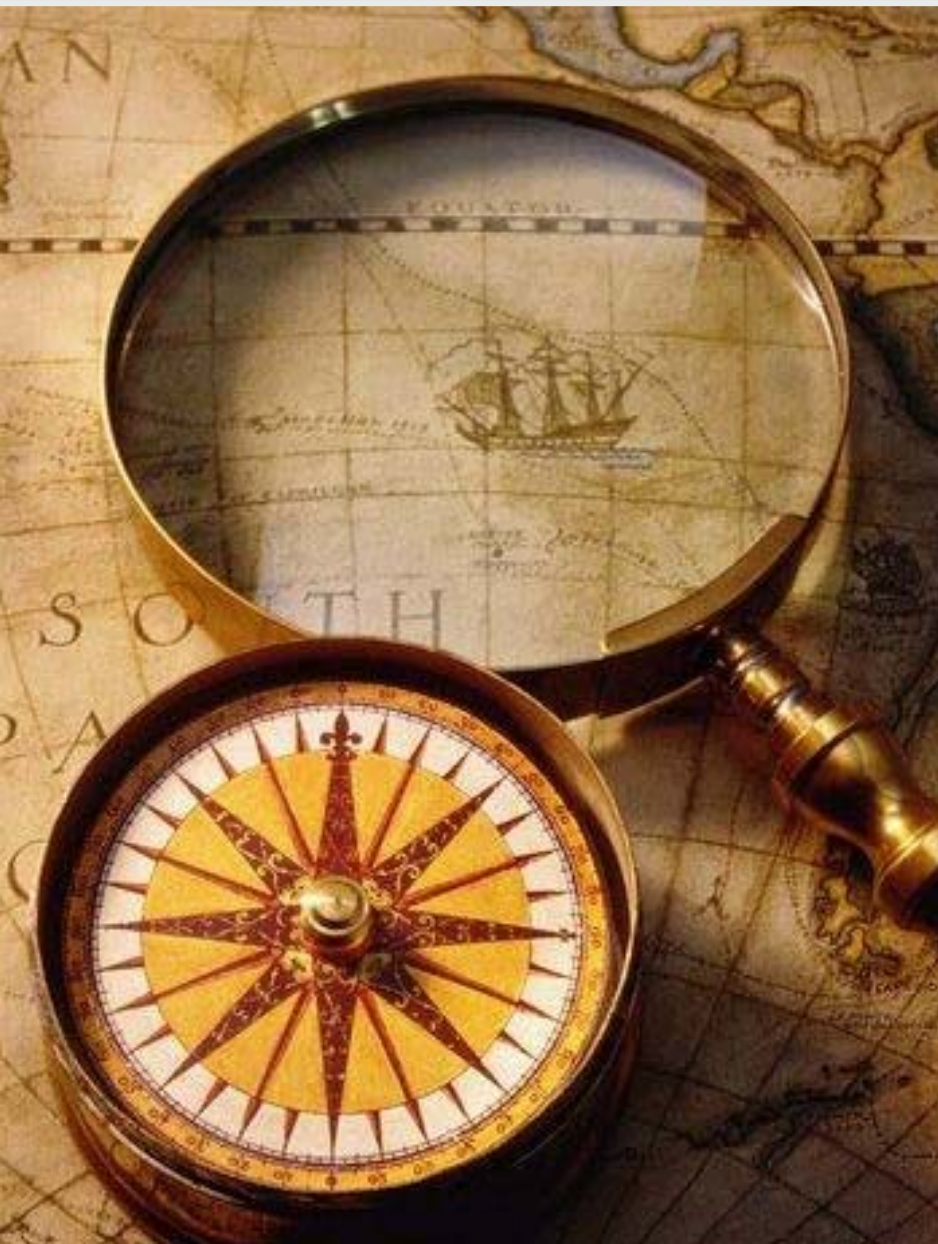
Source: <http://www.tormo.com.ve/actualidad/noticias>

## Franchise Sector in GDP 2004



- It is estimated that there are currently 332 franchises with a total of 6,755 establishments.
- The sector's monthly sales come to Bs.480 billion.

Source: Franquiguía 2005-2006. *Estadísticas de las Franchises in Venezuela* prepared by Front Consulting Group.



## Sitio web

<http://www.conapri.org>

**Phone:** +58 212 953 1946

**Fax:** +58 212 953 3915

## Address:

Calle Guaicaipuro  
Torre Forum  
Planta Baja, Oficina LC-A  
El Rosal  
Caracas 1060, Venezuela