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Venezuela

Agricultural Situation

Venezuelan Food Price Controls

2003

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Report Highlights:

The Venezuelan government put in place a comprehensive set of price controls in the food sector in February 2003. This move was made in conjunction with the imposition of exchange controls in late January, and was an attempt by the government to help restrain inflation. The price controls were meant to keep products readily available to all consumers at a reasonable price, but in effect they have provoked market scarcity in products where the controlled price is well below the production or replacement cost.

Includes PSD changes: No
Includes Trade Matrix: No
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General

Price controls on a wide range of food products reappeared in Venezuela on February 11, 2003 when the Venezuelan government (GOV) set prices for 63 goods and services and 107 food items. This move was made in conjunction with the imposition of exchange controls in late January, and was an attempt by the government to help restrain inflation. The price controls were meant to keep products readily available to all consumers at a reasonable price and they have been effective in slowing price increases. But in some cases they have provoked market scarcity in products where the controlled price is well below the production or replacement cost.

The list was revised in June to try to deal with some of the distortions that had developed in the market place. Further adjustments are expected in the fall in response to higher domestic producer prices for raw materials, and changing cost structure for imports.

How the System Works

As illustrated in the complete price control list at the end of this report, control prices are set by product, and by product size and quality. For example, a kilo bag of 1% broken rice has a different price than a kilo of 10% broken rice. The GOV has an internal method of analyzing cost structures and determining what prices should be set at. The main agencies involved in determining the control prices are Ministry of Finance, Ministry of Production and Commerce and Ministry of Agriculture and Lands.

Large stores, such as the hypermarkets, supermarket chains, and established butcher shops (frigorificos) are required to sell products on the price control list at the established price. If they fail to do so they can be reported to the National Consumers Defense Institute (Instituto para la Defensa del Consumidor or INDECU). INDECU sends inspectors to the stores to review prices and to respond to consumer complaints on price controls or other packaging and labeling issues. If stores are not in compliance INDECU can apply fines or temporarily close stores until they come into compliance.

However, there is also a large network of small neighborhood food stores (abastos) in Venezuela that may or may not be subject to INDECU regulation depending upon their location and size. In addition, recently the number of street vendors (buhoneros) who are selling food products has increased dramatically, and their sales are virtually unregulated.

The Market Adjusts

When businesses found they could no longer make a profit on products listed under the current price controls they had a limited number of options. They could petition the GOV to adjust the prices or remove items from the list, which has so far only been done for corn flour, poultry, milk, coffee beans, potatoes and tomatoes; they could adjust the form in which they were marketing the product so that it no longer came under price controls; or they could stop selling the product.

Examples of all these scenarios have been seen in the market since February. For example, in March and April it was extremely difficult to find poultry or eggs in the market, since producers argued they were losing money because they were buying feed ingredients at world market prices, but were having to sell their finished product at a controlled price. Whole chickens became scarce, but you could find stuffed, boneless breast meat, which did not have a controlled price. Eggs were almost non-existent in the supermarkets or you could only find the smallest size eggs since all eggs were subject to one price of Bs. 120/egg. Eggs first started reappearing in the abastos or with the buhoneros, but at a higher price.

More recently, corn flour for arepas has become hard to find in the supermarkets, and stores often ration the number of packages a customer can buy to spread out the supply. But corn flour has generally been available in the street stalls, though at almost double the controlled price. A more recent development has been the introduction of corn flour that is premixed with cheese or other ingredients, since these new product presentations do not have controlled prices.

Recent Changes in the List

The GOV revised a few of the prices in June to try and deal with the major distortions that had developed. The corn flour price was increased by 20 percent, and chicken prices were raised 11 percent to bring them more in line with production costs. Milk prices were also increased due to the decreased domestic dairy production during the rainy season.

The GOV removed the controlled price for boneless chicken pieces and is now focusing more on the basic cuts. Coffee beans, potatoes and tomatoes were also eliminated from the list. In the case of coffee beans, the industry successfully convinced the government that beans were a small part of the domestic market, and the negative impact on the producers was greater than the benefit to consumers.

For potatoes and tomatoes, the best quality products were not coming in to the major markets, but only being sold in country markets at higher prices. Removing those products from the control list should increase availability around the country.

Fifty-three line items were added to the list, but these are simply different sizes or presentations of products that were already on the control list. This indicates an attempt by the government to try to further regulate the sales of products in the following sectors: rice, bread, edible oil, milk, margarine, mayonnaise, tomato sauce, and roasted coffee. The largest number of changes were for eggs, which previously only had one price. Now there are 21 categories for different size eggs and different units of packaging.

What The Future Holds

It is likely that there will be future alternations to the price control list, both to reflect increases in domestic prices paid to farmers as well as to cover increased costs for imports. In particular, the corn flour price will likely be increased as domestic white corn producers are asking for producer prices in the range of Bs. 370 per kilo. The finished corn flour product generally sells for three times the producer price, which would imply a new control price of around Bs. 1,100.

The Venezuelan situation reflects the general pattern with price control programs, where governments try to control all the possible permutations of the products for sale. But the market place is generally more agile in adjusting to changing conditions, and will continually adjust its product mix in order to be able to provide products to consumers, but also continue to make a profit. In Venezuela we expect to see this dance continue and it will involve shifts in availability between supermarkets, abastos and buhoneros, as well as changing product mix on the shelves.

Venezuela's Price Control List

Product	Presentation	02/11/03	06/26/03/*
Rice, 1% broken grain	kg	1,000	
Rice, 5% broken grain	kg	950	
Rice, 3% broken grain	kg	940	
Rice, 5% broken grain	kg	900	
Rice, 5% broken grain	2 kg	-	1,750
Rice, 10% broken grain	5 kg	-	4,325
Rice, 25% broken grain	kg	750	
Rice, 30% broken grain	kg	-	720
Oatmeal, bag	kg	-	720
Oatmeal, plastic package	800 grs	2,250	
Oatmeal, bag	800 grs	1,800	
Corn Flour	400 grs	1,240	
Wheat Flour	400 grs	965	
Pasta	kg	750	
Pasta	500 grs	1,260	
Pasta	kg	900	
Wheat bread	kg	2,100	
Bread, sandwich	1250 grs	-	3,750
Bread, sandwich	kg	-	3,000
Bread, sandwich	800 grs	2,800	
Bread, sandwich	700grs	2,600	
Bread, sandwich	650 grs	2,400	
Bread, sandwich	500 grs	1,800	
Beef, 1 st class	kg	5,000	
Beef, 2 nd class	kg	4,000	
Beef, 3 rd class	kg	2,100	
Chicken, whole	kg	1,800	2,000
Chicken breast	kg	2,700	3,000
Chicken, breast, boneless	kg	4,150	eliminated

Product	Presentation	02/11/03	06/26/03/*
Chicken, leg quarters	kg	2,000	2,200
Chicken, leg quarters, boneless	kg	3,500	eliminated
Hen, whole	kg	2,000	
Turkey, meat, whole	kg	4,800	
Turkey, breast	kg	3,500	
Pork meat	kg	4,000	
Pork meat, boneless	kg	5,000	
Pork meat, ribs	kg	4,000	
Pork, smoked	kg	6,800	
Ovine, meat	kg	3,000	
Caprine, meat	kg	3,000	
Sardines, canned	425 grs	1,000	
Sardines, canned	400 grs	900	
Sardines, canned	354 grs	-	850
Sardines, canned	170 grs	460	
Sardines, canned	125 grs	400	
Sardines, fresh	kg	700	
Sardines, fresh filet	kg	1,200	
Tuna, canned	400 grs	2,500	
Tuna, canned	354 grs	2,000	
Tuna, canned	184 grs	1,300	
Tuna, canned	170 grs	1,200	
Tuna, canned	140 grs	900	
Tuna, fresh	kg	3,400	
Tuna, fresh filet	kg	6,000	
Tuna, fresh, loin	kg	6,600	
Corn Oil	liter	2,800	
Sunflower oil	liter	2,600	
Blended Oil	2 liter	-	4,500
Blended Oil	liter	2,300	

Product	Presentation	02/11/03	06/26/03/*
Blended Oil	500 cc	1,500	
Blended Oil	250 cc	-	875
Jurel, fresh	kg	2,500	
Powdered Milk, can	kg	5,700	
Powdered Milk, bag	kg	5,000	
Powdered Milk, can	900 grs	5,500	
Powdered Milk, bag	900 grs	4,600	
Powdered Milk, bag	500 grs	2,500	
Pasteurized Milk	125 grs	600	
Pasteurized Milk	1800 cc	1,900	
Pasteurized Milk	liter	1,000	
Pasteurized Milk	500 cc	600	
Pasteurized Milk	400 cc	500	
Pasteurized Milk	200 cc	350	
Milk, UTH	liter	1,300	
Milk, UTH	900 cc	1,150	
Milk, UTH	250 cc	-	375
Infant formula	kg	-	15,000
Infant formula	450 grs	6,800	
Infant formula	400 grs	6,200	
Soy Milk	400 grs	8,000	
Soy Milk	kg	-	19,000
Cheese, white, hard	kg	4,000	
Cheese, white, semi-hard	kg	3,800	
Cheese, white, paisa	kg	6,500	
Egg	unit	120	
Eggs, small, 49 grs	unit	-	110
Eggs, small, 49 grs	12 units	-	1,320
Eggs, small, 49 grs	15 units	-	1,650
Eggs, small, 49 grs	30 units	-	3,300
Eggs, small, 49 grs	360 units	-	39,600

Product	Presentation	02/11/03	06/26/03/*
Egg, medium, 52.5 grs	unit	-	120
Eggs, medium, 52.5 grs	12 unit	-	1,440
Eggs, medium, 52.5 grs	15 unit	-	1,800
Eggs, medium, 52.5 grs	30 units	-	3,600
Eggs, medium, 52.5 grs	360 units	-	43,200
Egg, big, 60.5 grs	unit	-	130
Eggs, big, 60.5 grs	12 units	-	1,560
Eggs, big, 60.5 grs	15 units	-	1,950
Eggs, big, 60.5 grs	30 units	-	3,900
Eggs, big, 60.5 grs	360 units	-	46,800
Egg, extra big, 65 grs	unit	-	140
Eggs, extra big, 65 grs	12 units	-	1,680
Eggs, extra big, 65 grs	15 units	-	2,100
Eggs, extra big, 65 grs	30 units	-	4,200
Eggs, extra big, 65 grs	360 units	-	50,400
Margarine	5000 grs	-	14,750
Margarine	10000 grs	-	29,000
Margarine	kg	300	
Margarine	500 grs	1,700	
Margarine	400 grs	1,400	
Margarine	400 grs	1,400	
Margarine	250 grs	900	
Margarine	200 grs	750	
Margarine	100 grs	350	
Peas	kg	1,000	
Peas	500 grs	600	
Lentils	kg	1,100	
Lentils	500 grs	700	
Black beans	kg	1,200	
Black beans	500 grs	800	
Refined Sugar	2 kg	1,700	

Product	Presentation	02/11/03	06/26/03/*
Refined Sugar	kg	900	
Refined Sugar	900 grs	800	
Refined Sugar	800 grs	-	700
Brown Sugar	kg	600	
Mayonnaise	3600 grs	-	15,100
Mayonnaise	3480 grs	-	14,400
Mayonnaise	910 grs	-	4,365
Mayonnaise	885 grs	-	4,245
Mayonnaise	370 grs	-	1,850
Mayonnaise	330 grs	-	1,700
Mayonnaise	225 grs	-	1,125
Mayonnaise	200 grs	-	1,050
Mayonnaise	175 grs	-	900
Mayonnaise	500 grs	2,400	eliminated
Mayonnaise	445 grs	2,000	eliminated
Mayonnaise	175 grs	900	eliminated
Tomato sauce	4300 grs	-	11,000
Tomato sauce	1000 grs	-	2,600
Tomato sauce	900 grs	-	2,300
Tomato sauce	567 grs	1,500	
Tomato sauce	400 grs	-	1,010
Tomato sauce	397 grs	1,000	
Tomato sauce	187 grs	750	
Coffee, roasted, ground	kg	-	3,000
Coffee, roasted, ground	500 grs	1,700	
Coffee, roasted, ground	250 grs	750	
Coffee, roasted, ground	200 grs	-	700
Coffee, roasted, ground	100 grs	400	
Coffee, roasted, ground	50 grs	-	200
Coffee, beans	kg	3,000	eliminated
Bologna sausage, type A	kg	7,000	

Product	Presentation	02/11/03	06/26/03/*
Bologna sausage, type B	kg	4,000	
Bologna sausage, type C	kg	3,000	
Salt, refined	kg	400	
Salt, refined	500 grs	-	250
Tomatoes	kg	1,000	eliminated
Potatoes	kg	740	eliminated

Source: Official Gazette, N° 37,629, dated February 11, 2003 and

/* Official Gazette, N° 37,718, dated June 25, 2003