

# Venezuela

## Agri-Food Country Profile

### Statistical Overview

#### Forward

This information piece is provided to update the statistical information of existing documents on Venezuela. Due to recent economic developments an update was deemed necessary.

#### Background

The Republic of Venezuela offers enormous potential for development, investment, and trade. Due to its ideal location at the northern-most end of South America, Venezuela provides close proximity to markets in Latin America, the Caribbean, and North America. The vast natural resources of Venezuela, as well as political stability, lend themselves to an optimistic forecast for Venezuela's future prospects.

Venezuela is divided into four geographical regions. The terrain is varied, with the Andes and hill country to the northwest, plains extending south and east from the mountains, and the Guyana highlands to the south east featuring high plateaux and plains. Venezuela boasts rain forests, tropical mountain ranges, and thousands of miles of coastline. Venezuela is also home to the world's largest waterfall, Angel Falls, and Lake Maracaibo, the largest lake in South America.

Demographics	
<b>Total Population</b>	24.2 million
<b>Growth Rate</b>	1.56%
<b>Age Breakdown</b>	
0-14 years	32.11%
15-64 years	63.17%
65 years and over	4.72%
<b>Life Expectancy</b>	
Total	73.31 yrs
Male	70.29 yrs
Female	76.56 yrs

The climate in Venezuela varies according to altitude. The coastal plains are hot and humid, while the highlands are more moderate. Venezuela has two seasons: the dry season from December to April, and the rainy season from May to November. July and August are the hottest months.

#### Geography

Venezuela serves as a crucial entry port into South America and a gateway into Central and North America. Located in South America and bordering the Caribbean Sea and the North Atlantic Ocean, Venezuela is neighbored by Colombia, Guyana, and Brazil. It is strategically located on major sea and air routes which link North and South America.

Main Cities	
Caracas	4.5 million
Maracaibo	3.2 million
Los Teques	2.6 million
Valencia	2.1 million
Barquisimeto	1.5 million

Natural resources in Venezuela include petroleum, natural gas, iron ore, gold, bauxite, minerals, hydro power, and diamonds.

#### Economy

Venezuela has a free market economy that depends heavily on petroleum, which accounts for approximately one third of the GDP. Venezuela

is one of the western hemisphere's most important sources of energy. Venezuela's oil reserves are the largest in the region, and the natural gas reserves are the largest in Latin America. Venezuela is also the third largest producer of coal in Latin America. Despite this, the petroleum sector employs less than 1% of the total work force.

Economic Indicators	
<b>GDP</b>	US\$129.6 billion
<b>GDP Growth</b>	(2001)
<b>GDP per capita</b>	3%
	US\$5,260
<b>GDP by Sector</b>	
Agriculture	
Industry	5%
Service	36.4%
	58.6%

The government has announced that it will be implementing policies to stimulate growth in non-petroleum sectors such as manufacturing in a bid to encourage diversification of the economy and export growth. A number of these policies have yet to be announced as the government commits itself first to key political reforms called for by international lending organizations.

To date the government has implemented a privatization program and public sector reforms which featured the opening of the petroleum sector to foreign investment. Venezuela also has agreements with the IMF, World Bank, and Inter-American Development Bank to promote structural reforms in political and social programs. These initiatives contribute greatly to improvements in the economy.

Although economic diversification is sought, the government of Venezuela recognizes that oil will continue to be a primary source of income, and has created the Macroeconomic Stabilization Fund as a means to capitalize on the steady income from this industry. Excess revenues from high oil prices will be put on reserve for the government to

use in times when revenue is not as high.

Labour Force	
<b>Total</b>	9.9 million
Unemployment Rate	14%
<b>By Sector</b>	
Agriculture	13%
Industry	23%
Services	64%

With an increased focus on non-petroleum sectors, the Venezuelan labour force is diversifying and growing in size. Unions play a significant role with the country's labour force. Roughly 25% of the country's work force is unionized, and unions are particularly strong in the public sector.

In mid-February 2002 the Venezuelan government abandoned currency exchange controls in an attempt to stem the flight of capital from the country, restore economic confidence and boost investment. Some experts have said that this move came too late, but the International Monetary Fund fully supported the decision, calling it a step in the right direction. The measure had become necessary in the wake of consistently low oil prices, and a loss of foreign investment due to Argentina's economic problems. A lack of investor confidence is not limited to Venezuela and experts have described this as a Latin American problem since the collapse of Argentina's economy.

The country's central bank stated that it would no longer surrender dwindling foreign exchange reserves in order to defend the currency, but would protect it from a free fall if necessary. From November 2001 to February 2002 the bank had spent over US\$3 billion supporting the currency. Economists have said that Venezuela's currency was overvalued by as much as 30%.

Along with abandoning currency controls, the government also introduced a new budget highlighted by a reduction in spending and income

based on an average oil price instead of a forecasted oil price. The Venezuelan economy is so affected by the price of oil that a one dollar drop in the price of a barrel of oil means a loss of US\$1 billion to the government's income.

### **Consumer market**

Venezuela is a highly urbanized country with an appetite for imported goods. The population of Venezuela is distributed unevenly across the nation. The northern region of Venezuela holds approximately 85% of the population, while a mere 5% live in the southern area that accounts for nearly half of the total land mass. The urban areas in Venezuela are inhabited by approximately 87% of the total population.

The steady flow of income from petroleum has made Venezuelans a people for whom imported goods are commonplace. The Venezuelan consumer is accustomed to the latest trends in food and beverages. Modern supermarkets are common throughout urban areas and they carry a variety of local and international brands.

There are a number of commodities that cannot be produced locally and domestic production of consumer goods in many areas is underdeveloped. Despite limited domestic production strong consumer demand has left the market open for imported products. Venezuelans are large consumers of bread and pasta, therefore great amounts of wheat must be imported. Milk and milk products must also be imported, as well as potatoes for the growing fast food and snack industry. Beef production in Venezuela is strong, but corn and soybeans must be imported for feed.

The price index in Venezuela showed a decrease in consumer prices to 20% in 1999, down from 28% in 1998.

### **Agriculture**

Historically the Venezuelan agriculture sector has suffered from neglect, but new initiatives being put into place should allow for growth and development.

Agriculture represents 5% of the GDP in Venezuela, and employs 10% of the labour force. Approximately one fourth of the total land area is devoted to agriculture. Arable land represents 4% of the total land, permanent crops 1%, permanent pastures 20%. Approximately 2000 sq km of land are irrigated.

There is good potential for growth in agriculture, as the country features vast resources that have yet to be tapped. A large amount of land is available for cultivation, and the open coast provides excellent conditions for aquaculture. Recognizing these opportunities, the government is focusing on agriculture as a key sector in diversifying the Venezuelan economy. The government is implementing a number of reforms to the agricultural sector intended to increase domestic production and make better use of natural resources.

The government's key tool for reform in the agricultural sector is the Agricultural Plan, which is intended to diversify the economy and generate employment. The plan focuses on rural development, food safety and nutrition, and the process from food production to processing. Cultivable and irrigated land are expected to greatly increase as the government expands production with the goal of increasing consumption of domestic goods such as rice, thus reducing the importation of commodities such as wheat. Rice currently represents 21% of the typical Venezuelan's diet, while wheat accounts for 53%. Approximately two-thirds of Venezuela's food needs are imported.

Venezuela's agricultural exports include rice, tobacco, fish, tropical fruits, coffee, cocoa, and

processed foods. The government is looking to build on the success of these agricultural exports and move the sector towards a more export oriented focus. Products marked for export growth include: oil palm, sugar cane, corn, leguminous plants, sorghum, cassava, cacao, cotton, potatoes, fruits and vegetables, pork, poultry, and eggs.

### **Trade**

Venezuela's trade with South American nations has steadily increased, as neighboring markets Argentina, Brazil, and Colombia are gradually eroding the dominance of the United States.

Exports from Venezuela are dominated by petroleum, followed by bauxite and aluminum, steel, chemicals, agricultural products, and basic manufactured goods. Venezuela experienced a decline of exported goods and services in 2001, whose total of US\$28.2 billion showed a decrease of US\$7.4 billion from 2000. A sharp decline in world oil prices were the prominent force behind this downward movement. Venezuela's principal export destination in 2000 was the United States, taking 50.8% of total exports. The US was followed by the Netherlands Antilles, Brazil, and Colombia. Canada was the 5<sup>th</sup> largest export destination in 2000, taking 2.3% of total exports.

Venezuela's total imports in 2001 were valued at US\$21.3 billion, which was consistent with totals from recent years. Imported goods included raw materials, machinery, transport equipment, food stuffs and construction materials. The United States was Venezuela's principal import source in 2000, providing 36% of Venezuela's imported goods. The US was followed by Colombia, Brazil, Italy, and Germany.

For more information on [trade and investment](http://strategis.ic.gc.ca/sc_mrkti/ibinddc/engdoc/1a1c46.html) (http://strategis.ic.gc.ca/sc\_mrkti/ibinddc/engdoc/1a1c46.html)

### **Market Access**

Venezuela follows the Andean Pact Price Band system for certain agricultural products, including wheat, grains, rice, pork, poultry, oilseeds, edible oils, oilseed meals, and milk. The ad valorem tariff of such commodities will be adjusted accordingly if the estimated land price does not fall within the established price band.

Agricultural products must have sanitary or phytosanitary import certificates as issued by the Ministry of Agriculture. Although import licenses are not always required, items that do require a license include corn, sorghum, milk and milk products, cheese, oilseeds oilseed products, and sugar. Under the import licensing system, domestically produced commodities will be purchased before competing imports are allowed entry. Commodities that face this potential barrier include fruit, poultry, and pork. Processed food does not face competition barriers.

COVENIN, the Venezuelan standards agency, has over 300 standards that apply to domestic and imported products. ISO 9000 guidelines may replace a standards compliance certificate, which can be acquired at one of the recognized foreign private certification institutes.

Agricultural products that are currently denied entry into Venezuela are pork from most countries and raw poultry from the United States.

For more information on [market access](http://ats.agr.ca/access/regamerica-e.htm) (http://ats.agr.ca/access/regamerica-e.htm #Venezuela)

### **Trade Agreements**

Venezuela's trade has enjoyed diversification due to associations with the Latin American, Central American, and Caribbean communities. Venezuela is a member of the Andean Community

with Bolivia, Colombia, Ecuador, and Peru, and shares a free-trade zone with these nations. A common external tariff (CET) is in effect between Venezuela, Colombia, and Ecuador. Colombia in particular shares a strong trade relationship with Venezuela, due to the close proximity of the two nations.

As a member of the Andean Community, Venezuela benefits from the European Union General System of Preferences for the Andean Countries (GSP). The GSP gives preferential tariff rates to Venezuelan products entering the markets of the EU.

Venezuela is making an effort to expand its trade with a variety of markets. As a member of the Group of Three, Venezuela is hoping to expand trade with Mexico and Colombia. Integration into the Southern Cone Common Market (Mercosur) is also a goal of Venezuela, as trade would be opened with Argentina, Brazil, Paraguay, and Uruguay. As the first step in this process, a free trade agreement has been established with Brazil.

Trade is also developing in Central America, as partial free trade agreements have been signed with countries belonging to the Caribbean Community (Caricom).

The North American market is also attractive to Venezuela, as the government is interested in joining the North American Free Trade Agreement (NAFTA). Toward this end, Venezuela is also involved in the goods and services trading working committees that are working toward the creation of the Association of Free Trade in the Americas by the year 2005.

Venezuela is a founding member of the Organization of Petroleum Exporting Countries (OPEC). It is also a founding member of the World Trade Organization (WTrO).

Venezuela is a member of the following regional organizations:

CAN, Caribbean Community (Caricom-observer), CCC, Caribbean Development Bank (CDB), Economic Commission for Latin America and the Caribbean (ECLAC), Latin America Environmental Society (LAES), Latin American Integration Association (LAIA), NAM, Organization of American States (OAS), Agency for the Prohibition of Nuclear Weapons in Latin America and the Caribbean (OPANAL), Organization for the Prohibition of Chemical Weapons (OPCW), PCA, Rio Group (RG).

Venezuela is a member of the following international organizations:

Food and Agriculture Organization (FAO), G-3, G-11, G-15, G-19, G-24, G-77, Inter-American Development Bank (IADB), International Atomic Energy Authority (IAEA), International Bank for Reconstruction and Development (IBRD), International Civil Aviation Organization (ICAO), International Chamber of Commerce (ICC), International confederation of Free Trade Unions (ICFTU), Institute of Certified Records Managers (ICRM), International fund for Agricultural Development (IFAD), International Finance Corporation (IFC), International Federation of Red Cross and Red Crescent (IFRCS), International Hydrographic Organization (IHO), International Labour Organization (ILO), International Monetary Fund (IMF), International Maritime Organization (IMO), Intelsat, Interpol, IOC, International Organization for Migration (IOM), International Organization for Standardization (ISO), International Telecommunications Union (ITU), Organization of Petroleum Exporting Countries (OPEC), United Nations (UN), United Nations Conference on Trade and Development (UNCTAD), United Nations Educational, Scientific and Cultural Organization (UNESCO), United Nations Refugee Agency (UNHCR), United Nations Development Organization (UNIDO), United Nations Iraq-Kuwait Observation Mission (UNIKOM), United Nations University (UNU), Universal Postal Union (UPU), World Confederation of Labour (WCL), World Federation of Trade Unions (WFTU), World

Health Organization (WHO), World Intellectual Property Organization (WIPO), World Meteorological Organization (WMO), World Tourism Organization (WTO), World Trade Organization (WTO).

### Investment

Investment is encouraged in Venezuela and the government hopes such investment will reactivate the economy. All sectors of Venezuela's economy are open to FDI, except television and radio broadcasting, Spanish-language newspapers, and professional services regulated by national laws.

The Venezuelan government is implementing policies to attract foreign investment. Key reforms have included the deregulation of important industries, as well as the privatization of state companies. Other policies include social security reform, reduction of inflation, strengthening the financial sector, and reforming labour laws. The government also passed a Law for Promotion and Protection of Investment in October 1999, which will guarantee stability in taxation and investment incentives for up to ten years after a contract is signed.

FDI in Venezuela has remained stable for the past decade, with the United States as the single largest investor. Sectors which have received particular attention from foreign investors are telecommunications, steel, sugar, refining, tourism, dairy, cement, aviation, banking, and insurance. The hydrocarbon sector has benefitted from the resurgence of FDI, as inactive fields have been reactivated and new ventures are created. The country boasts large reserves of gold, diamonds, iron ore, bauxite, nickel, and coal, all of which create a positive climate for investment in the mining sector.

For more information on [trade and investment](http://strategis.ic.gc.ca/sc_mrkti/ibinddc/engdoc/1a1c46.html) ([http://strategis.ic.gc.ca/sc\\_mrkti/ibinddc/engdoc/1a1c46.html](http://strategis.ic.gc.ca/sc_mrkti/ibinddc/engdoc/1a1c46.html))

### Canada - Venezuela Trade and Investment

In 2000, total Canadian exports to Venezuela were valued at \$636 million, an increase of \$112 million from the previous year. Major Canadian exports to Venezuela are wheat, motor vehicle parts, machinery, newsprint, wood pulp, pharmaceutical products, vegetables, and electrical machinery.

Venezuela - Canada Bilateral Trade	
Venezuela Total	
<b>Exports</b>	US\$28.2 billion (2001)
<b>Imports</b>	US\$21.3 billion (2001)
Trade Balance	(2001)
Total Canadian	US\$6.9 million (2001)
<b>Exports to Venezuela</b>	
<b>Imports from Venezuela</b>	
Trade Balance	\$636 million (2000) \$1.4 billion (2000)
Canadian Agricultural	
<b>Exports to Venezuela</b>	-\$775 million (2000)
<b>Imports from Venezuela</b>	
Trade Balance	\$253.6 million (2001) \$1.9 million (2001)
	\$251.7 million (2001)

Total imports from Venezuela in 2000 were valued at \$1.4 billion, an increase of \$397.9 million from 1999. Major Canadian imports from Venezuela are petroleum, semi-finished iron and steel, motor vehicle parts, gold, and machinery.

The top Canadian agricultural export to Venezuela in 2001 were grains, valued at \$213.8 million and representing 84% of total agricultural exports. Wheat products alone had a combined value of \$199 million; durum wheat was valued at \$93.4 million, while wheat nes had a value of \$105.5 million. Pulses were the second largest export with a value of \$23.5 million, representing 9% of total agricultural exports. Dried lentils had a value of \$6.8 million, to represent 29 % of pulses. Dried

peas were next with a value of \$5.3 million, and were followed by dried beans and kidney beans with values of \$4.5 million and \$1.4 million.

[Infoexport - Venezuela Fact Sheet](http://www.infoexport.gc.ca/docs/view-e.asp?did=294&gid=223)  
(<http://www.infoexport.gc.ca/docs/view-e.asp?did=294&gid=223>)

Venezuela exported \$1.9 million of agricultural goods to Canada in 2001. Rum was the largest export to Canada with a value of \$968,530 representing 50.1% of the total. Cashews followed with a value of \$327,435 to represent 17.2% of total agricultural exports. Sesame seeds were the third largest agricultural export to Canada, representing 11.9% and valued at \$226,965.

In 2001 Saskatchewan represented 54.9% of total Canadian agricultural exports to Venezuela. Saskatchewan, Alberta and Manitoba combined represented 92.1% of Canada's agricultural exports to Venezuela, with a value of \$233.4 million.

In stark contrast to exports, 64.2% of all Canadian imports from Venezuela were received by Québec. Québec, Ontario, and British Columbia combined took 99.8% of all agricultural imports from Venezuela.

Canada's total FDI in Venezuela in 1999 was valued at \$382 million.

For more information on Canada - Venezuela trade and investment, visit the [Canadian Embassy](http://www.dfait-maeci.gc.ca/caracas/) (<http://www.dfait-maeci.gc.ca/caracas/>)

For more information on Venezuela:

[Conapri - Venezuelan Council for Investment Promotion](http://www.conapri.org/)  
(<http://www.conapri.org/>)

[Latin Business Chronicle - Venezuela](http://www.latinbusinesschronicle.com/countries/venezuela/)  
(<http://www.latinbusinesschronicle.com/countries/venezuela/>)

[Latin Focus - Venezuela](http://www.latin-focus.com/countries/venezuela/venezuela.htm)  
(<http://www.latin-focus.com/countries/venezuela/venezuela.htm>)