

# FINANCIAL TIMES

## Venezuela's food parcels prove imperfect solution to crisis

**Subsidised scheme marred by claims of profiteering is draining state funds**

Gideon Long, Andean correspondent, Petare, Venezuela

Kelly Marcano reaches into a cardboard box and one by one places the contents on her kitchen table. Four kilogrammes of rice, 3kg of pasta, 2kg of corn flour, 2kg of black beans, 1kg of sugar, 1kg of lentils, 500g of powdered milk, one litre of cooking oil, six tins of tuna fish and two bottles of tomato sauce.

The mother of two from the sprawling Venezuelan shanty town of Petare, on the hills above the capital Caracas, paid 10,000 Bolivars for the government-provided food parcel, equivalent to less than \$2 at the unofficial but widely used exchange rate. In her local market, or in one of Petare's threadbare shops, the basket of staples would have cost up to 20 times as much.

"These boxes have been a salvation for us," says Ms Marcano, who began receiving the monthly parcels in March. "Last year was a disaster. We had to queue all night to buy food . . . and often there wasn't anything to buy."

Yet with such a huge difference between the market price for the goods and the price paid — and an even bigger gap between the official and the black-market dollar exchange rates in Venezuela — the potential for arbitrage, profiteering and corruption in the state-run programme is high.

The food parcel scheme, launched in March 2016, is the Venezuelan government's answer to a crisis that critics say is of its own making. Like most sectors of Venezuela's battered economy, the farming and food production industries have been badly affected by the most severe political and financial crisis in the country's recent history. Many lay the blame squarely at the feet of Nicolás Maduro's administration.

According to Fedea, an agricultural association, Venezuela produces only enough food to cover between 30-40 per cent of domestic consumption, compared with about 70 per cent a decade ago.

Chronic food shortages ensure that Venezuelans regularly skip meals and go hungry. A survey from the Universidad Central de Venezuela found that three-quarters of the Opec nation's population lost weight involuntarily in 2016.

The food and agriculture arm of the UN, which has in the past praised the Maduro government, said in its recent food crises report that Venezuelans could face “severe shortages of consumer goods, including food and medicine” this year if the country’s economy did not improve. The government insists food shortages are exacerbated by people hoarding goods to cream off excessive profits.

Under the food box programme, known by the Spanish acronym Clap, the state buys up staples, mostly from outside the country, and packages them up to sell at a subsidised price. Venezuela’s government says the packages reach 6m families, roughly a third of the population.

For poorer households in Petare and elsewhere, the boxes are invaluable, although Ms Marcano acknowledges they are insufficient to feed her family through to the end of the month.

But many point out that the system is ripe for abuse and corruption. Some say they have been charged more than the official price of Bs10,000 for a box, with recipients also complaining of being asked for an additional “tip” for delivery.

With the Clap committees who run the scheme closely tied to Mr Maduro’s Socialist government, others claim they have been denied boxes on ideological grounds — a charge the government has denied.

Then, there is the issue of the food itself — almost all of it imported from Mexico. The maseca flour makes great tortillas but Ms Marcano says it makes awful arepas, the corn flour patties that are a staple of the Venezuelan diet. “We’re all going to have to learn to cook like Mexicans,” she says. “Try making an arepa with that flour and it just falls apart in your hands.”

Across the hillside in another part of Petare, Yira Figueroa, a government supporter who organises the distribution of the food boxes in her local area, describes the packages as “a blessing” that have helped stamp out profiteering and slash queues outside supermarkets. “I have around 400 families in my sector and every family gets a box, regardless of their politics,” she insists.

Yet perhaps the biggest flaw of the scheme is that the hugely subsidised programme is slowly draining Venezuela’s already depleted state coffers.

The contents of the boxes are brought via import businesses with close ties to the regime — that pay suppliers in dollars bought from the Venezuelan government at a wildly discounted rate, roughly 700 times below the black market price. So with each box sold, Venezuela’s foreign reserves are drained further and the country moves closer to bankruptcy.

Despite this, the government wants to expand the scheme to include not only food but cleaning products and cosmetics.

Sitting at her kitchen table, Ms Marcano acknowledges the role the food parcels have played in helping her family fend off hunger. But she says they are no substitute for what she and millions of other Venezuelans have lost thanks to years of economic crisis.

“We used to go to the supermarket and buy what we wanted,” she recalls. “We could choose. We didn’t have to rely on a box of food, imported from abroad and chosen for us.”

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