

Milk imported by government is smuggled to Colombia

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Findings:

- The report showed that the powdered milk imported, packaged and distributed by the Venezuelan state-owned *Corporación de Abastecimiento y Servicios Agrícolas*, La Casa C.A. (under the Ministry for Food, Minpal, which is responsible for purchasing 60 percent of the powdered milk consumed in Venezuela), is smuggled into Colombia.
- The report proved that there is a triangle involving powdered milk imported from New Zealand by Venezuela at a preferential dollar rate under an exchange control system, which is sold illegally in Colombia with the complicity of Colombian and Venezuelan customs authorities and the military, which are responsible for overseeing the distribution and marketing at the border.
- Responsibility of the Venezuelan government: The investigation showed that rigid state controls for food distribution within the country and across the border (Integrated System for Agrofood Control, Sica, attached to Minpal) are not in place in the border states, where the powdered milk is smuggled into Colombia. The report confirmed that the La Casa C.A. distribution points in the state of Zulia were outdated or inactive in the digital monitoring system.
- The inquiry found that 30,000 tons of powdered milk that entered the country from New Zealand (two months' worth of average consumption in Venezuela) and were not registered in the Venezuelan official figures, match the same amount that reportedly entered Colombia as contraband.

The investigation was prompted by a complaint made by the Federation of Cattle Farmers of Colombia (FEDEGAN) in August 2011 about the alleged triangulation of powdered milk from New Zealand between Venezuela and Colombia, published in *El Mundo* (Emen). The product, which reportedly was entering Colombia illegally across the border, was marketed in the Colombia at a price 40 percent lower than the Colombian market value. Until then, no investigation was conducted on the subject.

Precisely in 2011, declared by the government of Hugo Chávez as “the year of food sovereignty”, the shortage index of this product reached 47.50 percent, which contradicted the 42-percent increase in powdered milk imports between 2010 and 2011, according to figures from the National Statistics Institute (INE).

We proceeded to check the national official figures on which sector was importing powdered milk in Venezuela: private and public entities, and within them, which company or agency. Also, we checked which are the main countries of origin of the powdered milk consumed by Venezuelans (a fact unknown to the population).

Although there was a public complaint, the distribution route of the powdered milk being sold illegally in Colombia was unknown. It was necessary to check the origin (New Zealand, supplier of 54 percent of the product), the country that was buying and marketing it (Venezuela, where 99 percent of the powdered milk consumed is imported) and the final destination (Colombia,

which has no trade relations with New Zealand) to prove the triangulation hypothesis.

In Venezuela, it is very difficult to access public information. Despite being an economy of ports with record-breaking numbers on food imports in recent years, there is opacity in the management of imported products, on the countries of origin, and how the products are processed. For this investigation, we had recourse to national official statistics and compare them with international data to check for inconsistencies.

Impact

Following the report, Deputy Carlos Ramos (Mérida, UNT) of the Public Accounts Committee of the National Assembly (AN) proposed to parliament to open an investigation into the smuggling of powdered milk to Colombia. But the request was unheeded.

The Minister of Food and concurrently chairman of the state-owned importer La Casa, C.A. and president of Venezuela's Food Producer and Distributor (*Productora y Distribuidora Venezolana de Alimentos*–PDVAL), active General Carlos Osorio Zambrano (currently Vice President of Food Security and Sovereignty), never responded to our interview request nor did he comment on the report. Prior to the publication in August 2011, he ruled out any possibility of triangulation of powdered milk between New Zealand, Venezuela and Colombia.

Osorio, also a promoter of the “mobilization guides” that monitor the food distribution in the country through the Comprehensive Agrofood Control

System (SICA), admitted a few months after the publication in 2012 a major revelation for the report: There was indeed smuggling of CASA-imported food across the Colombian-Venezuelan border.

Smuggling continues in Venezuela (but it has now been renamed by the government as one of the “enemies” in the “economic war”) as well as the shortage of powdered milk. In March 2014, the shortage index of this product reached 90.2% according to latest figures released by the Central Bank of Venezuela.