

PDVAL AND THE ROTTEN FOOD SCANDAL

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From 2007 to 2008, various irregularities were committed in the purchase of food by the State, specifically since Petróleos de Venezuela (PDVSA) took the reins of the so-called "food sovereignty." The subsidiaries of state-owned oil company responsible for making purchases in the domestic market and outside the country, became the subject of alleged corruption acts, which were even detected by internal controls the company itself. However, the calls for clarification on alleged irregularities were ignored.

Between late 2007 and February 2008, Bariven (a PDVSA subsidiary) established the levels of food imports for that year, determining a volume of 1,719,087 metric tons (MT), to be imported by the *Corporación de Abastecimiento y Servicios Agrícolas* (CASA) and Bariven itself. Noteworthy at this point is that PDVSA's Board of Directors, at a meeting held in late October 2007, in accordance with the policy of the Executive Branch of "combating speculation," agreed to declare a food emergency, delegating on the subsidiary PDVSA Agrícola and Bariven the national and international procurement of food by direct award.

For the period November 2007-July 2008, Bariven bought and paid for 1,057,531 MT of food at a cost of \$2.24 billion. But by October 2008, Venezuela had received only 266,571 MT, i.e. 25 percent of the food. Of this figure, only 14 percent of the food was distributed (143,866 tons) through the Venezuelan Food Producer and Distributor (*Productora y Distribuidora Venezolana de Alimentos* - PDVAL). What about the rest?

Internal errors

By 2008, the best prices from suppliers were not considered in some cases, resulting in a \$ 54-million loss. Sixty-five containers with spoiled food were found: with beans, chicken, liquid milk, powdered milk and beef, equivalent to 1,201 MT, worth some \$4.4 million (\$1.5 million was the cost of the product and \$2.9 million was the cost of storage).

Some 26,839 MT of nationalized food were not distributed, at a cost of \$109 million, with the risk of loss of food, because these were perishable products, with an average storage time of 55 days.

Differences were found in the reception controls receiving of the food. The discrepancy was between total orders paid to suppliers and those received in Venezuela, for a total of 3,047 MT, with an associated cost of \$10 million.

The bid submitted by a company, of \$2,950/MT for the placement of 5,000 MT of food was not considered, and a different offer for \$4,958/MT was paid, which generated a \$10-million increase in the purchase.

PDVSA in the dock

PDVSA was sued in the US for bribery. The owners of the company Dexton Validza Inc., Tomás González and Pablo Cárdenas, said that Bariven canceled a contract for the purchase of food for refusing to pay two million dollars to Juan Carlos Chourio, a Bariven envoy. According to the plaintiffs, Chourio told them he was "an envoy of George Kabul," president of Bariven at the time.

According to González and Cárdenas, after the contract was cancelled, Bariven purchased from a Brazilian company 20,000 tons of beef at a price of \$4,900 per ton, almost \$600 above the price offered by Dexton Validza, an \$11.5-million premium. PDVSA had to pay \$100 million in the suit.

Something stinks

After that, containers with spoiled food began appearing in ports throughout the country. Only in Puerto Cabello, 3,257 containers with a total of 122 million kilos of spoiled food were found. The deputy to the Legislative Council of the state of Carabobo, Neidy Rosal, reported the incident, and said that it was mostly meat, chicken, powdered milk and grains.

She stated that the corrective measures for the distribution and storage of the food arriving at the main ports of the country were not taken. In this regard, she noted that between 2009 and 2010, some 2.58 billion dollars were allocated for the purchase of food, and for 2011, an additional \$5 billion was approved. Rosal claimed that only 14 percent of the purchased products were actually delivered; the rest was lost.

Former governor of the state of Carabobo, Henrique Salas Feo, also accused the companies behind the food purchases. He said that the State gave preferential dollars (Bs.2.60:\$ in 2010), and the companies that received the dollars made the purchases as follows: "they went to Argentina, for example, and said, I'll buy all the expired milk that you have but you will bill me in full, as if it was fresh, I'll give a little something. You bill me in full, with overbilling, and I bring the expired milk in containers to the port of Puerto Cabello." The difference in dollars was used to make other unauthorized purchases or to inject it into the black market.

At the time, Salas Feo said that the business was not only in the currency exchange; the ports were also a focus of corruption. "For every day that each container is stored in the Puerto Cabello yards, PDVAL pays 14.000 bolivars. In addition, the containers where the food comes in are rented, for which PDVAL pays \$120 daily," he said.

In the state of Cojedes, specifically in Tinaquillo, Hilanderías sector, there are some PDVAL warehouses. In one of the yards there is a large number of containers, approximately 800. On our visit there, we could talk with an officer of the Armed Forces, who at first said we could not record the visit, but then, when we started talking, he said he was unhappy about what was happening there. "All these containers have spoiled food inside them, and these people are burying it here in pits," said the officer.

In the vicinity of this PDVAL collection center there is a residential neighborhood. People living there confirmed the unpleasant odors coming out of that place and they attributed it to spoiled food. Some noted that they hauled the containers out of the center and took them to unload the food at the local dump.

In Cumana, state of Sucre, tons of rotting chicken appeared. In Machiques, state of Zulia, thousands of kilos of powdered milk were lost because it was not distributed on time.

The bad smell also filled the air of the state of Anzoátegui. At the port of the José Antonio Anzoátegui Cryogenic Complex, known simply as Jose, 2,000 containers were found with 16,000 tons of decomposed powdered milk.

Neither George Kabul nor Juan Carlos Chourio were investigated by Venezuelan authorities. The port authority in the country at the time when the rotten food was found is the current president of the National Assembly, Diosdado Cabello.

PDVAL president, Luis Pulido, and two members of the board of the entity, Vilyeska Betancourt and Ronald Flores, were arrested in 2010 and charged with the crimes of embezzlement and boycott. The criminal proceedings were annulled after 25 deferrals of the trial hearing. They received the benefit of being tried in freedom.

Betancourt and Flores returned to their positions at PDVSA and Pulido worked on Hugo Chavez's 2012 electoral campaign. Later on, he was seen working in the local government of the state of Nueva Esparta. They were sentenced after the trial resumed, and ordered to pay a fine of 60 million bolivars for damage to public property.