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Weird Food for Sale in Venezuela But Nothing That Anyone Wants

By **Fabiola Zerpa**

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- Shortages ease except on staples like the beloved canilla
- Hot-sauce sardines, anyone? Or perhaps with a little paprika?

Walk into a Caracas bakery these days and you'll find a wide variety of freshly-made breads on shelves that were barren a year ago. You can buy a fat, dense loaf called the gallego, or a soft sobado, or a campesino for sandwiches, even a sweet andino lined with guava jam or corn or fruit.



A person sells canillas on the street in Caracas, on Aug. 30. Photographer: Wil Riera/Bloomberg

What you won't find, though, is the one that Venezuelans actually want: the canilla, a soft, buttery take on the baguette that's been the beloved bread of choice in this South American country for decades.

Why no canillas? Because its price, unlike for all those other loaves, is controlled by

the government. And it is set at such a low level -- 1,500 bolivars versus the 4,500 to 7,500 a gallego commands -- that bakers complain it doesn't come close to covering their costs. So they use new-found supplies of wheat in the country to bake every other kind of bread imaginable.

The canilla's conspicuous absence highlights the state of affairs in an economy that has been mired in an unprecedented crisis since 2014. Shortages have eased up some over the past year after importers got their hands on more dollars in the black market, but the socialist country's byzantine system of price controls still makes many sought-after items nearly impossible to find.



High price items fill a supermarket in the Chacao district of Caracas, on Aug. 24. Photographer: Fabiola Ferrero/Bloomberg

Supermarkets have ample condensed and evaporated milk but few cartons of the fresh stuff. Sardines come in cans with hot sauce or garlic or paprika, everything except simply oil. There's an abundance of sour cream and cream cheese, just very little butter. And thanks to

relentless inflation, the items that are found on shelves are out of reach for average shoppers, leaving many here just as infuriated as they were a year ago during the very worst of the shortages.

"People say there is no food, but they are wrong. There is a lot of food -- at unaffordable prices," said Maria Urosa, 44, an administrative assistant on a shopping expedition. She was in search of canillas, of course, but could find "only the fancy bread."

It's not that canillas have completely disappeared. Black-market peddlers hawk them in certain neighborhoods across Caracas, carrying the batons in plastic bags or sacks slung over their shoulders.

Some of the hundreds of bakeries that dot the city offer the bread at a set times. The manager of one shop near Plaza Bolivar recently explained it this way to people crowding around the store counter: "Get up very early, at 4 a.m., start your two-hour queue outside -- we begin to sell at 6 a.m."

[Read More: Venezuela's meltdown -- a QuickTake explainer](#)

Others suddenly start selling loaves at random moments and word gets out, which is why Domiciano Cespedes, who works across the street from a bakery, keeps his eyes peeled. When he sees a line start to form he dashes over.



An employee takes out freshly baked bread from an oven during the early morning at a Bakery in Caracas. Photographer: Wil Riera/Bloomberg

"I used to have a canilla as lunch every day," the 83-year-old said wistfully, leaning on the broom he uses to sweep the taxi-cab stand that employs him as a porter. "Not anymore."

Hours-long queues for bread of any kind were common as recently as March, when stocks of flour made from

government-imported wheat ran thin. President Nicolas Maduro accused bakers of hoarding ingredients to make profitable products only the wealthy could afford. The police even made some arrests and closed a few shops accused of failing to produce enough regulated loaves.

Then the authorities pulled back on their patrols, bakers started buying black-market flour without repercussions and the government made a deal to buy wheat from Russia. And the latest chapter in the Venezuelan bread crisis began.

Commentary on: price ceiling on Canilla in Venezuela

Price ceiling is a form of government intervention where a maximum price is set for a particular product below the market price in order to make it more affordable. The article reports the effects of price ceiling on Canilla, a common staple bread in Venezuela.

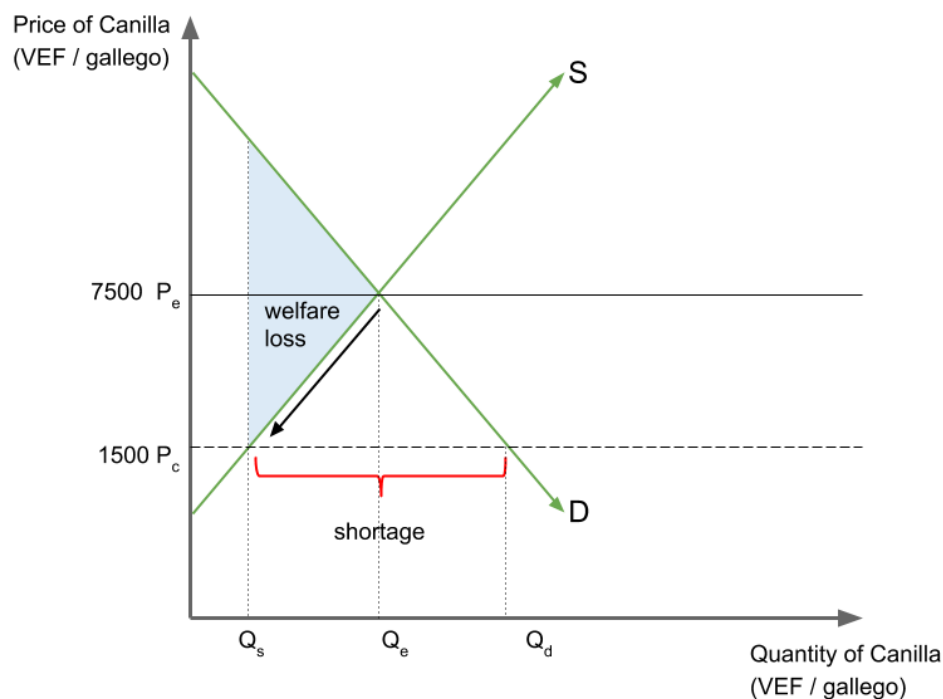


Figure 1: Price control on Canilla bread

The price ceiling would result in less incentive for the producers hence there will be a change in quantity supplied from Q_e to Q_s where's there will be a positive change in quantity demanded from Q_e to Q_d as more consumers are willing to purchase Canilla at a lower price. Because of the price ceiling, a large gap between the supply demand has been created from Q_s to Q_d which shows allocative inefficiency. Therefore, a very small part of the consumers will benefit from the policy where's a large part of the consumers will be unsatisfied due the shortage. Hence the policy will have negative impact on a large part of the population

where's a small part of the population will be benefited due to the reduced price and hence more consumer surplus.

The resource misallocation will also result in the creation of deadweight loss because of the gap between supply and demand which is a negative to the society.

As the article mentions, the new policy resulted in the creation of underground markets selling Canilla above the maximum price hence the objective of the price ceiling would not be met. In order to reduce black markets, government expenditure would have to increase to fund policy enforcement practices such as police inspections. Even though the price control would not have any direct financial burden on the government, the creation of black market that result from it would require government spending in order to enforce the policy and reduce black markets.

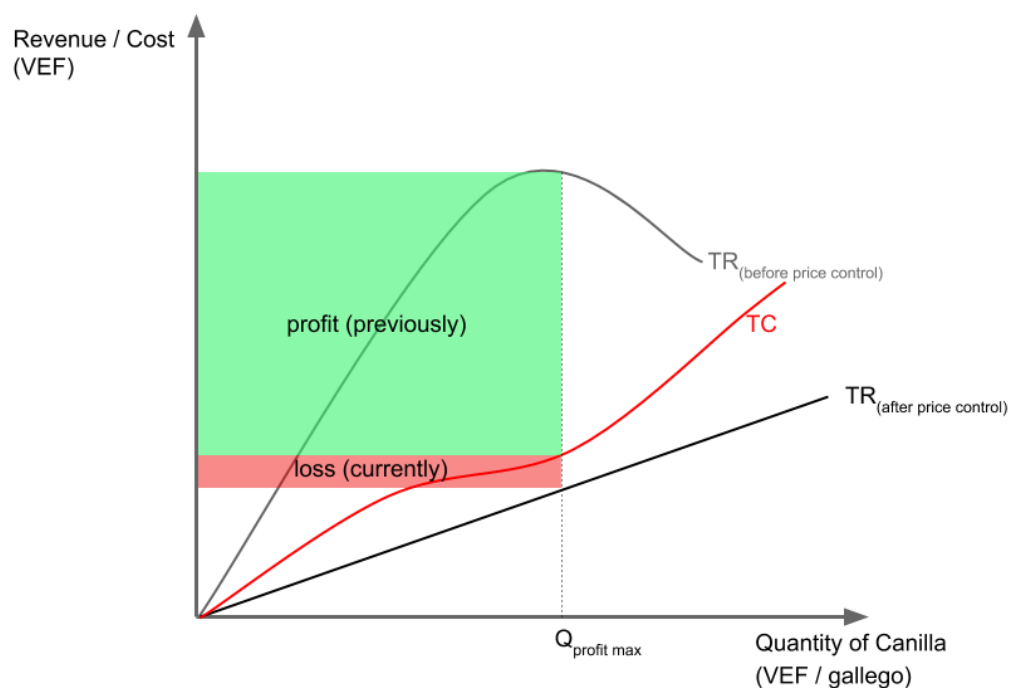


Figure 2: Revenue and costs of Canilla industry

In short term, the firms would be impacted negatively as Canilla industry which was previously producing profits would now make losses¹ as the minimum price is set below the cost of production while the total cost remains the same. The minimum price would cause the firm to lose control of the price and assuming that all the firms chose to sell at the maximum price a linear TR curve would form which would be below the total cost curve hence translating into losses. However, in long run most firms would not experience this loss, as most Canilla firms aim for profit maximization, most of them have stopped producing Canilla and instead reallocated the resources in producing other types of breads where the price control does not apply and they can generate more revenue. This was possible as the factors of production used to make Canilla; ovens, wheat, and butter are mostly mobile and it is convenient for firms to start making a new type of bread.

As the objective of the government is to make Canilla more affordable, a subsidy would provide more effective results.

¹ Otis, John. "Venezuela's Bread Wars: With Food Scarce, Government Accuses Bakers Of Hoarding." NPR, NPR, 7 Apr. 2017, www.npr.org/sections/thesalt/2017/04/07/522912791/venezuelas-bread-wars-with-food-scarce-government-accuses-bakers-of-hoarding.

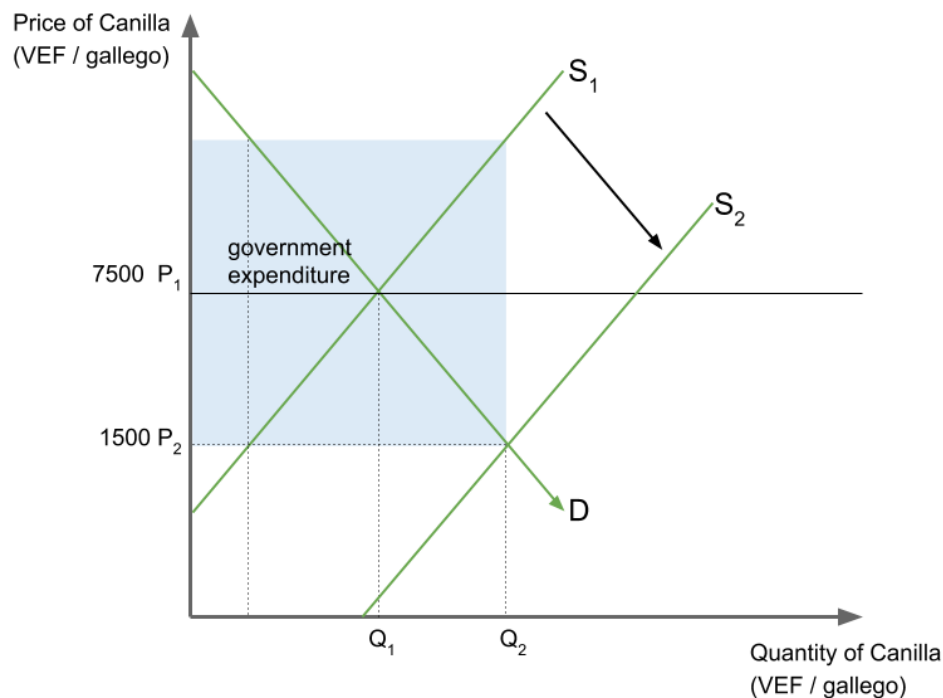


Figure 3: Subsidy on Canilla

A subsidy would result in a shift in the supply curve to the right from S_1 to S_2 which will reduce the price and increase the quantity supplied. Like price control, a subsidy can be used to reduce the price of Canilla from P_1 at VEF 7500 to affordable P_2 at VEF 1500 while at the same time maintaining allocative efficiency hence resulting in no shortage as both the demand and supply will be at Q_2 if such a subsidy is funded. A subsidy would be beneficial for both the consumers and the producer as both consumer and producer surplus would increase. Firms revenue would also increase along with the decrease in consumer spending both of which are positive for either party. However, as demonstrated with the blue square a large government expenditure would be required to fund such a subsidy program.

Considering that Venezuela's is likely to run out of expenditure due to its economic crisis²
such a policy may not be feasible.

Word Count: 644

² Rosati, Andrew. "Venezuela Doesn't Have Enough Money to Pay for Its Money." Bloomberg.com, Bloomberg, 27 Apr. 2016, www.bloomberg.com/news/articles/2016-04-27/venezuela-faces-its-strangest-shortage-yet-as-inflation-explodes.

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