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Guatemala

Exporter Guide

Annual

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Post:

Guatemala City

I MARKET OVERVIEW

A. Current Economic Situation

Guatemala has Central America's largest economy, accounting for almost one-third of the region's gross domestic product (GDP). The World Bank reported that in 2014, Guatemala's total GDP was \$58.7 billion representing 4.2 percent growth from the previous year. Agriculture is the principal contributor to the production of goods and the economy relies on foreign exchange generated by the tourism sector, remittances from the United States and international trade, especially exports of goods to the United States and other Central American countries.

The agricultural sector contributes approximately 13.5 percent to total GDP and accounts for 41 percent of total exports. Industry accounts for 24 percent and services more than 63 percent of the country's GDP. Most manufacturing is light assembly and food processing for domestic consumption and exports to the United States and the rest of Central America.

The U.S.-Central America-Dominican Republic Free Trade Agreement (CAFTA-DR) entered into force in Guatemala on July 1, 2006. CAFTA-DR has had a positive effect on bilateral trade. In 2014, the U.S. had the highest export levels to Guatemala since 1970. According to information released by the U.S. Census Bureau Trade Data, the United States exported a total of \$1.1 billion of agricultural, fish and forestry products to Guatemala, representing an 18 percent increase from the previous year. U.S. bulk commodities such as yellow corn, wheat, and cotton continue to be the most important exported agricultural products to Guatemala. In addition, U.S. intermediate (\$341.6 million) and consumer-oriented products (\$369.3) had record exports to Guatemala in 2014, with increases of 9 and 16 percent respectively.

Besides CAFTA-DR, Guatemala has a free trade agreement (FTA) with Central America (including Panama), Colombia, Mexico, Dominican Republic, Taiwan, Chile, and the European Union (EU.) Other partial free trade agreements were signed with Belize, Cuba, Ecuador, and Venezuela. These negotiations, but specifically the FTA with the European Union, are forcing greater integration within the Central American Customs Union. The European Union FTA is expected to be completed by the end of calendar year 2017. The governments of Guatemala and Honduras have plans to complete the customs union between the two countries by the end of 2015.

B. Demographics and Income Distribution

Guatemala has the largest population in Central America (World Bank estimates 16 million in 2014) and its economy is dominated by the private sector, which generates about 85 percent of total GDP. According to the Ministry of Labor, the labor force in Guatemala accounts for 5.8 million inhabitants, the unemployment rate in 2014 was 7.2 percent and around 4.0 million people work in the informal economy.

According to the National Statistics Institute, the population of Guatemala City with its surrounding seven cities, total 3.2 million inhabitants. Approximately 36 percent of the population is less than 15 years of age; 59 percent of the population is between 15-64 years-old and only 5 percent is over 65.

The department of Guatemala has a density of 1,532 inhabitants per square kilometer. The second densest department is Huehuetenango which has approximately 1.2 million inhabitants followed by Alta Verapaz with a total of 1.18 million inhabitants.

The other departments, with the exceptions of San Marcos and Quiché, have less than a million inhabitants. Within this framework, it is easy to understand why most economic activity in the country revolves around metropolitan areas. Guatemala City and its surrounding areas offer the biggest concentrated market in the country with an accessible infrastructure.

According to the Central Intelligence Agency's "The World Fact Book", Guatemala has one of the most unequal income distributions in the Western Hemisphere with the richest 20 percent of the population accounting for more than 51 percent of Guatemala's overall wealth. More than half of the population is below the national poverty line, and 13 percent of the population lives in extreme poverty and is mostly concentrated in the indigenous communities in the interior of the country. In 2015, the exchange rate has been steady at \$1.00 per Q7.7 (Q=quetzal).

The skewed income distribution creates a particular pattern of consumption, where the majority of the population consumes merely for subsistence. Therefore, luxury goods can only be targeted to a significant but small portion of society. However, U.S. food products are very competitively priced and are sought out by both high-income and middle-income consumers. Other U.S. food products such as cereals, poultry (chicken leg quarters), pork, fats and oils, and preserved foods, are normally cheaper than domestically produced products.

Income segments:

AB - is the top 4 percent of the affluent population. The difference between A and B is that the A's are extremely wealthy.

C+ - is the upscale middle class that can afford most food products.

C-is the general middle class that must watch how they spend their income.

D-is the lower class that is just surviving.

E-is the population below the poverty line.

It is important for U.S. firms considering exporting to Guatemala to understand that market conditions are strongly affected by income distribution and there is a major difference in consumer taste and purchasing decisions between Guatemalans who live in the interior of the country (with the exception of the touristic areas in Antigua Guatemala, Panajachel, and Puerto Barrios,) and Guatemala City.

C. Market Size

U.S. agricultural exports to Guatemala in 2014:

- Total U.S. agricultural exports totaled \$1.1 billion, an increase of 18 percent from 2013.
- Bulk commodities totaled \$412 million.
- Intermediate agricultural products had record year exports of \$342 million, an increase of 9 percent.
- Consumer-oriented products also had a record export level increasing 16 percent from \$317 million in 2013 to \$369 million in 2014.
- Agricultural related products (forestry and fishery) increased from \$14 million in 2013 to \$18 million in 2014.

Guatemalan exports to the U.S. in 2014:

- Total Guatemalan agricultural, fish and forestry exports \$1.9 billion.
- Bulk commodities exports \$533 million.
- Intermediate agricultural exports \$52 million.
- Consumer-oriented exports \$1.3 billion. This was a record export level since 1970.
- Forestry exports \$23 million.
- Seafood exports \$34 million.

D. Advantages and Challenges in the Market Facing U.S. Exporters

| Advantages | Challenges |
|--|--|
| Strategic geographic access to Guatemala on both the Atlantic and Pacific Oceans, with considerable infrastructure, makes shipping of goods more accessible to all countries around the world. | FTAs with various countries, force U.S. products to be more competitive. |
| Guatemala is a trustworthy partner of the United States on trade issues. | The lack of a civil service career within the government makes regulatory structures fragile. Compliance with international standards is challenging within the different government institutions that oversee imports of goods. |
| Low cost transportation of goods thanks to the proximity of U.S. ports. | Weakness to build confidence and improve the business climate in Guatemala. |
| In Guatemala, there are around 20,000 restaurants and 2,700 hotels which demand quality products. This creates an opportunity for new imported goods and ingredients. | The tourism sector in Guatemala is large but security is a concern and the local authorities have much to do to improve their security programs. |
| Importers are taking advantage of CAFTA-DR and favor trading with U.S. exporters. | Central American Customs Union (CACU), harmonized the region's technical standards that sometimes restrict access to U.S. products. |
| The growing food processing industry is looking for quality food ingredients for ready-to-eat products, bakery, deli meats, beverages, and snacks. | Lack of cold chain procedures, there is limited infrastructure and distribution especially for perishable products. |

| | |
|--|--|
| Guatemala is unable to meet domestic demand for bulk commodities such as wheat, corn, beans, and rice. | Sanitary and phytosanitary rules are subject to the fragile regulatory structure, imposing non-technical measures on U.S. exports. |
| Shipping products from the U.S. is cheaper and quicker than shipping products from Europe. | Geographical Indicators (GIs) for some dairy products may affect imported products from the United States. |

II. EXPORTER'S BUSINESS TIPS

A. Business Customs

The Government of Guatemala (GOG) welcomes foreign investment and generally few legal or regulatory restrictions are placed on foreign investors. Guatemala represents a growing market for U.S. companies and is a country with relative economic stability, has a strategic geographic access to the region on both the Atlantic and Pacific Oceans, and is also very close to the United States. With the implementation of CAFTA-DR, one of the major benefits for U.S. exporters was legal change, which has improved Guatemala's transparency in customs dealings, anti-corruption measures in government contracting and procurement, and legal protection for U.S. investors.

Most businesses conducted in Guatemala are based on personal relationships. Business executives and government officials place great importance on personal contacts with suppliers. U.S. suppliers should be prepared to have a local representative or distributor and be prepared to travel to Guatemala. U.S. businesspersons often are surprised at the accessibility to key decision-makers and the openness and frankness of local buyers.

Sales, service, and support rank high in the minds of Guatemalan buyers. U.S. firms, more than other foreign firms, generally have a reputation for providing good service and support. U.S. firms interested in penetrating the Guatemalan market should make a commitment to offer excellent service support to their buyers, agents or distributors. This commitment should be made clear. Poor or mediocre service often results in lower sales. The Guatemalan business community is comparatively small and word travels fast about local and foreign firms that offer poor service support.

B. Consumer Taste's and Preferences

Culturally speaking, Guatemalans have adopted much of the U.S. culture such as its music, sports, fashion, and fast food. Through the remittances sent by the Guatemalans living in the United States, the local food consumption trend is changing and more high-value foods are affordable to them. Guatemalan consumers are aware of U.S. products. In addition, many Guatemalans travel to the United States and are introduced to American food products, therefore, consumers prefer U.S. products over other origin products as these are viewed as having higher quality. Approximately 45 percent of all Guatemalan imports of agriculture, fish, and forestry products come from the United States. Guatemalans have also followed the U.S. trend towards more natural and healthy products and consumers are demanding food with less sugar, saturated fat, and cholesterol. Convenience products have more demand and there is a niche market for refrigerated, ready-to-eat products, and organic foods.

The local processing industry is taking advantage of this trend and is developing and increasing the production of processed products such as beans, tacos, tortillas, burritos, corn-based tamales, etc., which are among the preferred foods in the supermarkets not only for being easy to cook/heat but also because of their lower prices.

C. Food Standards & Regulations

Import Procedures and Product Registration

The first step to import food products in Guatemala is to register a product. Any producer, processor, packer, or distributor operating in Guatemala must operate under a sanitary license issued by Food Control. Importers are to be legally registered as well as imported products. Product registration is required for all packaged food products in Guatemala.

Food Control in the Ministry of Public Health is responsible for all registrations of processed products. Regulations and registration procedures and requirements can be consulted on-line at:

<http://portal.mspas.gob.gt/index.php/en/servicios/regulacion-y-control-de-alimentos-menu-servicios.html>

For registration purposes, a sample of the product must be submitted along with the following documentation: a) Certificate of Free Sale, b) Bill of Lading, and c) Invoice (with any negligible quantity), specifying it is a sample only.

The Certificate of Free Sale can include a list of products to be registered, as long as all the products in that list are registered simultaneously. For example, if 20 products are to be registered at the same time, Food Control allows for one original certificate and 19 copies to accompany the rest of the products, since one complete file is kept per registered product. After requesting the registration of a product, it takes approximately 7-10 days to obtain the registration number and laboratory tests will take place within routine surveillance, scheduled annually according to product category. If products do not comply with labeling standards or food safety parameters, importers will be notified as necessary. Non-animal processed products do not require a phyto certificate; a Certificate of Free Sale applies in this case. The Certificate of Free Sale is required for registration purposes only, and can be a federal or state document, or can be issued by a chamber of industry or chamber of commerce.

The objective of the Certificate of Free Sale is to verify that the product is fit for human consumption in the country where it is processed.

For animal origin products, Food Control requires a laboratory test before granting a sanitary registration number; this registration number is valid for five years and takes six weeks to be issued.

General Import and Inspection Procedures

For additional information on import regulations and standards please refer to the FAIRS Report 2014 at www.fas.usda.gov/scripts/attacherep/default.asp.

III. MARKET SECTORS

A. Informal Market

According to information released by the National Employment and Income Survey (INAE), it is estimated that 4.6 million people, work in the informal market and are self-employed. This informal market is composed mainly of corner stores, open air markets and street vendors. The corner stores, also known as “tiendas de barrio”, are smaller stores of approximately 30 square feet in size, and carry an inventory worth approximately \$500. Their major suppliers are distributors, wholesalers and importers, which also supply to supermarkets. However, they offer very few imported products.

Open-air markets are mainly located in rural areas of the country; however, Guatemala City has 43 open-air markets registered within city limits.

The costumers that shop in the informal market are middle to low-income groups, but some local restaurants also shop in these markets for fresh produce, condiments and other ingredients which can be purchased at lower prices.

In terms of street sales, most food products are seasonal fruits and vegetables (strawberries, mushrooms, loroco, mangoes, mandarins, etc.), candies, nuts, snacks, baked goods, and candy cotton.

B. Retail Sector

The retail sector in Guatemala is dominated by three supermarket chains: Pricesmart, Wal-Mart, and Unisuper (La Torre/Econosuper.) It is estimated that only 30 percent of food sales are made through the supermarkets. There are some other smaller supermarkets present in the country that are trying to gain market share in the retail sector, but these supermarkets are more targeted to the middle-low and lower income consumers. They are stores smaller than a regular supermarket and in consequence have smaller shelf space to display their products. These supermarkets are: 1) Super Elmar, S.A. is a family-owned company and has eight stores within Guatemala City. This supermarket has stores located within walking distance of residential areas and far away from the traditional commercial areas where most of the bigger supermarket chains are located. The company buys imported products from local distributors and is still not planning to import directly.

2) Comercializadora Gigante, S.A., also known as La Barata, has 10 stores which are mainly located nearby the open-air markets within Guatemala City and its surrounding areas such as Mixco, Villa Nueva and Amatitlan. They have very few imported products supplied by local distributors and more than 80 percent of their food items are locally produced goods. 3) Super Del Barrio started its operations in 2007 and by the end of 2014 had already 28 stores. In 2016, the company plans to open 5 new units. The store offers daily discounts for food items and competes with larger stores attracting costumers that live in nearby residential areas. 4) Supermercado Los Tiburoncitos is also a family owned business that started operations more than 40 years ago and is still in business with four stores located in Guatemala City.

Store-based retailing company shares: % Value 2010-2014

| % retail value (excluding sales tax) | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|-------------|-------------|-------------|-------------|-------------|
| Wal-Mart Centroamérica SA | 15.7 | 14.5 | 14.1 | 14.1 | 14.4 |
| Unisuper SA | 2.3 | 3.3 | 3.5 | 3.8 | 4.1 |
| PriceSmart de Guatemala, SA | 2.4 | 2.5 | 2.4 | 2.5 | 2.6 |
| Distribuidora Electronica SA | 1.0 | 1.0 | 1.1 | 1.3 | 1.5 |

| | | | | | |
|-------------------------------|------------|------------|------------|------------|------------|
| Nuevos Almacenes SA | 1.1 | 1.3 | 1.4 | 1.4 | 1.4 |
| Elektra Guatemala SA | 1.0 | 1.1 | 1.0 | 1.3 | 1.4 |
| La Curacao SA | 1.0 | 1.0 | 1.0 | 1.2 | 1.3 |
| Grupo Simán | 1.0 | 1.0 | 1.0 | 1.0 | 1.3 |
| Cervecería Centroamericana SA | 0.4 | 0.5 | 0.5 | 0.8 | 1.1 |
| Agencias Way SA | 0.6 | 0.7 | 0.8 | 0.9 | 1.0 |
| Meykos SA | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 |
| De Todo en Farmacia SA | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 |
| Sears Guatemala, SA | 0.6 | 0.6 | 0.6 | 0.5 | 0.5 |
| Grupo Monge SA | 0.4 | 0.4 | 0.4 | 0.5 | 0.5 |
| Zara Guatemala, SA | 0.3 | 0.3 | 0.3 | 0.4 | 0.4 |
| Pastelería Holandesa SA | 0.4 | 0.4 | 0.3 | 0.3 | 0.3 |
| Super del Barrio | 0.2 | 0.3 | 0.3 | 0.3 | 0.3 |
| Corporación Bulock's | 0.2 | 0.2 | 0.2 | 0.3 | 0.3 |
| La Barata SA | 0.2 | 0.2 | 0.3 | 0.3 | 0.3 |
| Megapaca de Guatemala | 0.2 | 0.2 | 0.2 | 0.3 | 0.3 |
| Others | 69.9 | 69.3 | 69.2 | 67.5 | 65.6 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

Source: Euromonitor International

Supermarket sales continue growing and new supermarket units are being built not only in Guatemala City, but also in the interior of the country. Around seventy percent of the Guatemalan consumers still shop in the open-air markets and corner stores.

Walmart Mexico y Centroamérica is Guatemala's largest supermarket chain. In 2009, Wal-Mart Mexico bought 100 percent of Wal-Mart Central America's stock and became "Walmart de México y Centroamérica", Guatemala's leading supermarket chain, accounting for more than 31,000 direct jobs within their 693 units in Central America (as per the company's last report in August 2015.)

In Guatemala, the company has grown to include in its business concept, smaller stores like Despensa Familiar and Maxi Despensa. Total stores in Guatemala are: Supertiendas Paiz (38), Walmarts (7), Despensa Familiar (146), ClubCo (2) and Maxi Despensa (20). Walmart imports directly around 85 percent of its food products including, produce, cereals, processed foods and beverages. Walmart Guatemala and Costa Rica make most of the purchasing decisions for the rest of its Central American stores and are interested in expanding the lines of imported goods to supply their high-end hyper and Paiz. Approximately 70 percent of the goods sold come from local suppliers.

UNISUPER is the second largest supermarket in Guatemala with 64 stores under the names of La Torre (56) and Econosuper (8). UNISUPER also works with two different store concepts: La Torre stores which are stores that sell domestically produced and imported products and are targeted for upper and middle class consumers; and Econosuper which is targeted to lower income consumers and sells mostly domestically produced products. Unisuper is remodeling its stores and upgrading the Econosuper stores to have the same structure and quality service in all its units. In the past, UNISUPER kept the individual names of the stores because customers associate La Torre's stores catering the more affluent sector, while Econosuper services lower income customers.

UNISUPER is also a member of Supermercados de Centroamérica y Panamá – SUCAP (Panama and Central America Supermarkets.) SUCAP incorporates 16 different supermarket chains in Central America (approximately 279 stores), small, medium and large stores that are present not only in the larger cities but also in the rural areas. SUCAP's main objective is to keep its market share in Central America and to compete with the largest retail chains.

This alliance among these well-known Central American supermarket chains, allows them to exchange and share knowledge on software technology, to train their personnel, and to provide other market intelligence resources that allows them to transfer lower prices to their customers.

The members of SUCAP are: El Machetazo, Super 99, Mega Depot and Super El Rey from (Panamá); Perimercados, Super Compro, Jumbo and Automercados (Costa Rica), UniSuper /La Torre (Guatemala), La Colonia (Nicaragua), Super Selectos and Super Market (El Salvador) and La Colonia (Honduras).

For the past seven years, Guatemalan consumers have demanded more organic products despite the fact that the market is relatively small. Usually, Guatemalan consumers perceive organic products as considerably more expensive than other products. Although Guatemalans are price sensitive, organic buyers do not see price as an issue when making purchasing decisions.

It is estimated that around 90 percent of organic products are sold and distributed through specialized stores. Presently, Orgánica (5 stores) and Fresko (1 store) sell organic fresh and processed products. Natura Foods Market is an on-line supplier of organic foods. Caoba Farms also offers organic fresh produce that is sold at farmers' market day at their farm in Antigua, Guatemala.

Export opportunities for U.S. organic products can be found as there was a 16 percent increase in export values to a total of \$359.1 million in 2014 compared to the previous year. Products such as: processed fruits and vegetables, juices, energy drinks, cooking oils, dairy, tree nuts, snacks, breakfast cereals, condiments & sauces, confectionary products, and sweeteners, are some of the processed products that are demanded in the Guatemalan market.

Trends and Highlights

- Supermarkets continue their expansion to other cities in the interior of the country and to some of the nearby areas within Guatemala City.
- Supermarket sales continue to grow and are still competing with wet markets and corner stores. For this reason, supermarkets are building stores closer to residential areas to capture more costumers.
- Consumers that live in residential areas outside city limits have no option but to go to a supermarket close to their homes for smaller purchases during the week.
- The membership discount club and bulk purchase concept have gained acceptance among consumers, as many find wholesale clubs much more suited for one-stop shopping.

- Going to the supermarkets is a family activity and therefore, marketing activities to promote new products during the weekends occur more often than any other day of the week. Many products are sampled during peak hours to motivate and attract consumers.
- In the three major supermarket chains, convenience and prepared foods are gaining acceptance as consumers try to reduce time spent preparing foods at home. Also, business people tired of fast-food restaurants for lunch, look for prepared meals sold in supermarkets. A wide variety can be found from local typical foods to roasted turkey.
- Overall, frozen prepared foods account for 10 percent of imported food sales. The product variety is very small.
- There is a growing trend to eat healthier foods low in calories and cholesterol. Most supermarkets have a diversity of dry, frozen and ready-to-eat products. Also, organic, sugar and gluten-free products are expanding their shelf share and grow every year. These products include items such as yogurts, candies, jams, cookies, cereals, and crackers.
- Supermarkets offer a variety of services under the same roof from bill payment services, coffee shops, drugstores, and delis to dry cleaning services.
- Discounts of 10 percent on total purchases being offered by supermarkets when paying with credit cards issued by local banks.

Retail Sales by Store-Based vs Non-Store 2010-2014

| GTQ million, retail value res. excluding sales tax | 2010 GTQ | 2011 GTQ | 2012 GTQ | 2013 GTQ | 2014 GTQ |
|---|-------------|-------------|-------------|-------------|-------------|
| Store-based retail sales | 56,018.3 | 60,009.1 | 65,719.1 | 71,224.8 | 77,511.3 |
| Non-store retail sales | 2,898.8 | 3,208.4 | 3,584.0 | 4,053.7 | 4,815.6 |
| Retail total | 58,917.1 | 63,217.5 | 69,303.0 | 75,278.5 | 82,326.9 |

Exchange rate: Q7.7 = \$1.00

Source: Euromonitor International

C. Hotel, Restaurant and Institutions

Hotels

Approximately 2,700 hotels, motels and bed and breakfast accommodations operate in Guatemala. In Guatemala there is a total of 15,000 rooms available and the hotel occupancy is around 50 percent-year round. La Antigua Guatemala is the closest tourism destination to Guatemala City and has more than 150 hotels of which 15 are boutique hotels. According to the Guatemalan Tourism Institute (INGUAT), close to 70 percent of all tourists that travel to Guatemala visit La Antigua Guatemala and as a consequence it is considered the most important tourist site in Guatemala. In 2015, with an investment of almost \$3.0 million, hotel Princess Reforma upgraded its facilities and joined the Hilton group,

changing the name to Hilton Garden Inn. The owners of the hotel plan to open other Hilton hotels in the interior of the country. In 2016 hotels such as, La Quinta Inns & Suites, Hyatt, Four Seasons and Marriott will begin operations in the country, adding between 1,500 up to 2,500 rooms more to the lodging offered in Guatemala.

INGUAT reported that income from tourism in 2014 totaled \$1.56 billion which represents around 2.1 million tourists that visited Guatemala. This sector also contributes to 2.2 percent of the country's GDP. Guatemala City is where the greatest number of 3 to 5 star hotels are located.

In 2014, the highest number of travelers to Guatemala was from El Salvador totaling 638,058 followed by the United States with 447,140 visitors.

**Tourists in Guatemala by Nationality
Visiting Guatemala by Country of Origin
2009-2014 Number of Tourists**

| COUNTRY | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|---------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| United States of America | 499,357 | 517,830 | 429,216 | 434,175 | 446,814 | 447,140 |
| Mexico and Canada | 105,456 | 127,691 | 175,380 | 197,772 | 205,461 | 191,968 |
| El Salvador | 507,802 | 485,888 | 542,316 | 604,871 | 638,058 | 795,614 |
| Other Central America countries | 384,894 | 447,929 | 387,942 | 405,882 | 397,827 | 365,009 |
| South America and West Indies | 66,425 | 65,416 | 58,670 | 68,375 | 71,706 | 88,006 |
| Europe | 173,057 | 179,824 | 173,074 | 185,871 | 177,994 | 191,362 |
| Other Countries | 39,877 | 51,199 | 56,065 | 52,310 | 62,266 | 63,307 |
| Total | 1,776,868 | 1,696,133 | 1,822,663 | 1,949,256 | 2,000,126 | 2,142,406 |

Source: Guatemalan Tourism Institute (INGUAT)

Hotels rely on foodservice importers to purchase high-end products such as fine wines; meats; gourmet style dips; jellies and sauces; deli-meats; dairy products; baking mixes; and seafood. In addition, purchase fresh produce at farmer markets and supermarkets. Guatemala has a very strong food processing industry that offers a variety of food products that service most hotels and restaurants throughout the country.

D. Restaurants

According to the Guatemalan Restaurant Council (GREGUA), over the past ten years Guatemala increased the number of restaurants by approximately 10 percent, increasing from 13,605 restaurants in 2013 to 20,361 in 2014. Fast-food restaurants have grown rapidly not only in terms of sales, but also because of their home delivery services. Fast-food restaurants are also an option for business people in Guatemala who had to change their eating habits from eating breakfast and lunch at home to eating in restaurants nearby their work places. This has opened the opportunity for this sector.

A recent study by Millward Brow, an American research organization, said that 76 out of 100 Guatemalans prefer to eat at fast food restaurants rather than formal dining restaurants. The preference for fast food restaurants is due to pricing, the proximity to work and residential areas, and some feature kids entertainment areas. Consumer preferences are divided as follows: 19 percent prefer casual restaurants, 7 percent gourmet restaurants and the rest is divided among food stalls, (27 percent), food carts (17 percent), sales on the street (12 percent) and other options (17%). The most popular types of fast-food in Guatemala are: hamburgers, pizzas, tacos, and fried chicken.

There are a total of 22 U.S. franchises in Guatemala and new ones are opening in the next couple of years.

Guatemalan cuisine is diverse but most local dishes include the main staple of the country: white corn.

Restaurants also buy products directly from foodservice suppliers, local food processing companies, from importers, supermarkets, and farmer markets.

E. The Institutional Market

The following sectors are considered important within the institutional market in Guatemala and depend on the Government of Guatemala (GOG) for acquisition of food products:

- Government social programs
- Public hospitals
- Penitentiary system
- Public schools for their lunch feeding programs (when budgeted and approved)
-

In Guatemala there are more than twenty social and sport clubs; most of them are located within Guatemala City. These clubs buy food and beverages from local importers/distributors, farmer markets, and wholesale markets. Many of the clubs rent their facilities for social activities like weddings, baby showers, etc., and are available not just for their members but also for non-members.

For additional information please refer to the HRI Report 2014 at www.fas.usda.gov/scripts/attacherep/default.asp

F. Food Processing

The food and beverage processing industry represents more than 42 percent of total industrial production. Presently, there are more than two hundred food processing companies that are mainly dedicated to producing products under the following categories:

- ❖ Beverages: juice concentrates, powder drinks, alcoholic, and non-alcoholic beverages
- ❖ Preserved foods: canned fruits and vegetables, jams, jellies, etc.
- ❖ Confectionary: hard candies, chewing gum, chocolates, traditional candies, etc.
- ❖ Other processed foods: soups, condiments, sauces, bakery, deli meats, dairy, etc.

Guatemala is a major importer of raw materials and ingredients; therefore, U.S. ingredients have a big opportunity in the Guatemalan food processing industry. Guatemala imported a total of \$1.4 billion in 2014 of processed foods from the world and exported \$1.5 billion mainly to El Salvador, Honduras, Mexico and the United States.

Since the implementation of CAFTA-DR, Guatemala has found new opportunities to increase exports of processed food products to other Central American countries and some companies are also looking to supply the demand of the Latin market composed of Guatemalans and other Central Americans living in the United States. The main basket of products exported to Guatemalans living in the United States is made up of: tamales (corn based food), alcoholic drinks, preserved foods, dehydrated fruit punch, and plantain leaves used to prepare homemade tamales. Every year exports of these products increase approximately five percent during the Christmas holidays when these products have a larger demand.

The food processing industry is divided in to several different sub-sectors, but non-alcoholic beverages and preserved foods are two main categories that capture around 40 percent of total national production followed by baked goods, which has 15 percent of total exports.

For additional information please refer to the Food Ingredients Report 2015 at www.fas.usda.gov/scripts/attacherep/default.asp

IV. BEST PRODUCT PROSPECTS

The following is a list of product categories with the best export potential for U.S. suppliers.

| Product Category | 2014 Market Size (Metric Tons) | 2014 Imports (\$ in thousands) | 5-Yr. Avg. Annual Import Growth (%) | Import Tariff Rate | Key Constraints Over Market Development | Market Attractiveness for U.S. products |
|-------------------------------|--------------------------------|--------------------------------|-------------------------------------|---|--|---|
| Beef | 6,465 | 25,664 | 10.1 | Immediate duty-free access for "prime" and "choice" cuts. Other cuts phased-out over 15 years. Duties on other products, including offal's will be phased-out in 2016. | Competition from Nicaragua, Costa Rica and Honduras | Of the 16 million Guatemalans, one-half million are in a position to afford imported goods, and an additional 4 million can afford competitive U.S. food products. Guatemalans view U.S. products as of higher quality and safer than local products. Importers are eager to take full advantage of CAFTA-DR and favor trading with U.S. exporters. |
| Poultry Meat | 88,603 | 75,485 | 9.2 | All Central American tariffs on poultry and poultry products will be eliminated within 8 years. Chicken leg quarters are at 0% within quota. | Competition from: local production, Central American countries and Panama | |
| Processed Fruit & Vegetables | 78,234 | 124,545 | 7.2 | As of July 2016, all U.S. vegetables are tariff free. | Competition from: Chile, Mexico, Peru and Canada | |
| Dairy Products (excl. cheese) | 81,635 | 134,326 | 3.3 | Under CAFTA-DR dairy products will achieve free trade within 20 years. Duty-free TRQs expand at an annual compound rate of 5 percent. The over-quota tariffs on dairy TRQs remain at base rates for years 1-10th. | Costa Rica and Nicaragua offer competitive prices due to low transportation costs. | |
| Snack Foods | 54,806 | 119,068 | 2.3 | | Competition from: Mexico, El Salvador and Costa Rica | |

V. POST INFORMATION

If you need assistance exporting to Guatemala, please contact the U.S. Agricultural Affairs Office at the following address:

Office of Agricultural Affairs
Avenida Reforma 7-01, Zona 10
Guatemala, Ciudad 01010
Tel: (502) 2332-4030
Fax: (502) 2331-8293
Email: AgGuatemala@fas.usda.gov

For more information on exporting U.S. agricultural products to other countries, please visit the Foreign Agricultural Service home page: <http://www.fas.usda.gov>

VI. LIST OF MAJOR REGULATORY AGENCIES

Name: Jorge Edmundo Gomez Arana
Title: Director
Institution: Food Control Unit/Ministry of Health (MSPAS)
Address: 3 Calle final, 2-10 Zona 15. Valles de Vista Hermosa. Guatemala
Telefax: (502) 2502-2502
Website: <http://portal.mspas.gob.gt/index.php/en/servicios/regulacion-y-control-de-alimentos-menu-servicios.html>

Name: Lic. Guillermo Ortiz
Title: SPS Director
Institution: Norms and Regulations Unit/Ministry of Agriculture (MAGA)
Address: 7 Avenida 3-67 Zona 13, Guatemala City, Guatemala
Telephone: (502) 2413-7000
Website: <http://www.maga.gob.gt>

Name: Elmer Lopez
Title: Representative for OIRSA-Guatemala
Institution: Inter-Regional Organism for Plant and Animal Health/Ministry of Agriculture (MAGA)
Address: 21 Avenida 3-12, Zona 15, Guatemala
Telephone: (502) 2500-9200
Fax: (502) 2500-9349
Website: <http://www.oirsa.org/portal/Default.aspx>

Name: Lic. Alejandro Cutz
Title: CAFTA-DR Administrator
Institution: Foreign Commerce Administration Direction/Ministry of Economy
Address: 6 Avenida 10-43 Zona 1, Guatemala
Telephone: (502) 2412-0200
Website: <http://www.mineco.gob.gt/>

Name: Maria Elisa Chang
 Title: International Agreements Unit
 Institution: Superintendence of Tax Administration (SAT)/Customs Authority
 Address: 7a Av. 3-73, Zona 9, Edificio Torre SAT, Guatemala
 Telephone: (502) 2329-7070 ext. 1313
 Website: <http://portal.sat.gob.gt/sitio/>

APPENDIXES

APPENDIX I STATISTICS

Table A. Key Trade and Demographic Information 2014

| | |
|--|---------------|
| Agricultural, Fish & Forestry Imports from all countries (billions) / U.S. Market Share (%) | 2.7 / (45) |
| Consumer Oriented Agricultural Imports from all countries (billions) / U.S. Market Share (%) | 1.3 / (27) |
| Fish & Seafood Imports from all countries (millions) / U.S. Market Share (%) | 76/ (12) |
| Total Population (millions) / annual growth rate (%) | 16 / (2.0) |
| Urban Population (millions) / annual growth rate (%) | 3 / (3.5) |
| Number of metropolitan areas | 38/1 |
| Per Capita Gross Domestic Product (U.S. Dollars) | 5,300 |
| Real GDP growth (%) | 3.3 |
| Unemployment rate (%) | 4.1 |
| Exchange Rate (\$1 = X.X local currency) | Q7.7 |

1/ These are cities with more than 100,000 inhabitants

Source: Ministry of Economy
 National Statistics Office
 Central Bank of Guatemala
 The World Fact Book

Table B. Consumer Food & Edible Fishery Product Import

| Guatemala Imports | Imports from the world | | | Imports from the U.S. | | | U.S. Market Share | | |
|------------------------------------|------------------------|--------------|--------------|-----------------------|------------|--------------|-------------------|------------|------------|
| | Millions 2012 | of 2013 | \$US 2014 | Millions 2012 | of 2013 | U.S. 2014 | Percent 2012 | 2013 | 2014 |
| CONSUMER-ORIENTED | 1,147 | 1,217 | 1,329 | 311 | 334 | 383 | 27% | 27% | 29% |
| Snack foods (excl. nuts) | 97 | 101 | 108 | 13 | 15 | 18 | 14 | 15 | 17 |
| Breakfast cereals & pancake mix | 59 | 64 | 61 | 3 | 4 | 4 | 5 | 6 | 7 |
| Red meats, fresh/chilled/frozen | 46 | 47 | 58 | 38 | 35 | 48 | 82 | 75 | 82 |
| Red meats, prepared/preserved | 37 | 45 | 46 | 17 | 22 | 26 | 47 | 49 | 56 |
| Poultry meat | 62 | 73 | 75 | 59 | 71 | 72 | 95 | 97 | 95 |
| Dairy products (excl. cheese) | 128 | 119 | 134 | 9 | 7 | 9 | 7 | 6 | 7 |
| Cheese | 41 | 45 | 48 | 14 | 15 | 17 | 35 | 33 | 37 |
| Eggs & products | 6 | 4 | 5 | 5 | 3 | 4 | 79 | 77 | 75 |
| Fresh fruit | 52 | 49 | 52 | 27 | 26 | 27 | 53 | 53 | 52 |
| Fresh vegetables | 7 | 9 | 12 | 0 | 1 | 1 | 12 | 12 | 11 |
| Processed fruit & vegetables | 94 | 110 | 124 | 41 | 48 | 52 | 43 | 43 | 42 |
| Fruit & vegetable juices | 20 | 22 | 20 | 3 | 4 | 4 | 18 | 16 | 20 |
| Tree nuts | 3 | 4 | 5 | 1 | 2 | 2 | 37 | 56 | 51 |
| Wine & beer | 20 | 20 | 36 | 4 | 3 | 4 | 20 | 15 | 12 |
| Nursery products & cut flowers | 5 | 5 | 6 | 0 | 0 | 0 | 10 | 11 | 8 |
| Pet foods (dog & cat) | 17 | 19 | 21 | 7 | 8 | 9 | 46 | 42 | 42 |
| Other consumer-oriented | 448 | 479 | 516 | 63 | 68 | 83 | 14 | 14 | 16 |
| FISH & SEAFOOD PRODUCTS | 57 | 38 | 76 | 5 | 5 | 9 | 9 | 14 | 12 |
| Salmon | 0 | 0 | 0 | 0 | 0 | 0 | 44 | 60 | 98 |
| Surimi | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Crustaceans | 14 | 24 | 59 | 0 | 0 | 0 | 4 | 1 | 4 |
| Groundfish & flatfish | 0 | 0 | 0 | 0 | 0 | 0 | 11 | 20 | 100 |
| Molluscs | 1 | 1 | 2 | 1 | 0 | 1 | 82 | 73 | 78 |
| Other fishery products | 42 | 13 | 15 | 4 | 5 | 8 | 41 | 12 | 15 |

Source: World Trade Atlas

Table C. Top 15 Exporters of Consumer-Oriented and Fish & Seafood Products

| Consumer-Oriented Total (Thousands \$US) | | | |
|---|------------------|------------------|------------------|
| | 2012 | 2013 | 2014 |
| United States | 311,603 | 334,263 | 383,349 |
| Mexico | 187,197 | 207,029 | 232,348 |
| Costa Rica | 168,019 | 183,217 | 196,627 |
| El Salvador | 193,268 | 199,492 | 195,631 |
| Honduras | 53,005 | 55,048 | 58,804 |
| Nicaragua | 52,213 | 50,787 | 58,675 |
| Chile | 37,325 | 42,075 | 43,733 |
| New Zealand | 17,948 | 18,312 | 21,337 |
| Netherlands | 17,067 | 17,786 | 18,783 |
| Spain | 9,767 | 11,238 | 14,882 |
| China | 10,633 | 10,141 | 12,011 |
| Panama | 7,885 | 10,634 | 11,821 |
| Colombia | 7,755 | 6,648 | 9,631 |
| Germany | 6,394 | 7,180 | 8,040 |
| Peru | 3,639 | 2,867 | 5,490 |
| World | 1,147,553 | 1,217,401 | 1,329,752 |

| Fish & Seafood Products (Thousands \$US) | | | |
|---|---------------|---------------|---------------|
| | 2012 | 2013 | 2014 |
| Ecuador | 5,537 | 8,430 | 41,208 |
| Honduras | 4,501 | 12,526 | 9,574 |
| United States | 5,150 | 5,289 | 9,230 |
| Thailand | 3,720 | 3,701 | 3,805 |
| Belize | 0 | 0 | 2,603 |
| Nicaragua | 9,071 | 2,372 | 2,419 |
| Costa Rica | 3,603 | 1,897 | 1,882 |
| Norway | 0 | 167 | 1,221 |
| Mexico | 7,786 | 223 | 846 |
| Vietnam | 1,431 | 667 | 804 |
| Panama | 11,468 | 334 | 509 |
| China | 480 | 502 | 495 |
| Spain | 356 | 178 | 266 |
| Indonesia | 250 | 198 | 263 |
| Colombia | 1,626 | 1,184 | 243 |
| World | 57,753 | 37,918 | 76,305 |

Source: World Trade Atlas