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Guatemala

Post: Guatemala

Rice Situation and Outlook

Report Categories:

Grain and Feed

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Report Highlights:

For marketing year (MY) 2008 (January-December 2008) rough rice production in Guatemala is estimated at 23,000 MT, approximately the same level as in 2007. Rice production in Guatemala is stable because the same farmers tend to plant the same fields year after year. Consumption for MY 2009 is forecast at 96,000 MT. Imports of rough rice for 2009 will likely remain stable at the 76,000 MT in 2008 or possibly rise to 85,000 thousand MT. The U.S. holds virtually 100 percent of the Guatemalan rice import market.

Executive Summary: Guatemalan consumption patterns are expected to remain stable over the next few years and increase at a rate of 3 percent in conjunction with the population growth. U.S. rice exports are also expected to remain stable over the next few years. U.S. rice exports still enjoy a comfortable duty free quota under the CAFTA-DR rice TRQ and have captured closed to 100 percent of the Guatemalan import market. Guatemalan rice area planted in 2009 may decrease because farmers do not have access to bank credit to finance inputs

General Information:

Guatemala is Central America's largest economy, accounting for almost one-third of the region's gross domestic product (GDP). 13 million people reside in Guatemala, making it the most populous country in Central America. Guatemala's economy grew by 3.8 percent in real terms in 2008, with the GDP reaching \$36.3 billion, according to the Central Bank (BANGUAT).

Other Regulations and Requirements:

In 2008, the recently-inaugurated Guatemalan government (GOG) expressed concerns about U.S. grain imports because of a new interpretation of some little-understood Guatemalan grain import regulations which had been placed on the books in the 1970's and which had never been implemented.

In order to address concerns before they became trade barriers, FAS/Guatemala City arranged for a group of Guatemalan government representatives, millers and traders to visit the New Orleans rice export facility to learn about U.S. SPS control measures and fumigation techniques. After viewing the facilities and discussions with USDA officials and exporters, the Guatemalans determined that U.S. rice could enter Guatemala as long as it had been fumigated and carried a USDA-issued phytosanitary certificate on board the ship.

List of Required Export Certificates:

USDA issued phytosanitary certificate (please see "Other Regulations and Requirements" for more information)

Production:

The Guatemalan Rice Association (ARROZUGA) forecasts the domestic 2009 rice harvest at 16,000 MT milled. Area planted is estimated to remain unchanged. Guatemalan rice production generally remains steady unless there is a drought or other natural disaster. Rice competes with sugar cane for land and water. During the ethanol boom (MY 07/08) rice production area dropped by nearly 50% from the previous year because farmers planted more sugar cane instead of rice to take advantage of the more competitive prices.

Rice production takes place in the departments of: San Marcos, Retalhuleu, Suchitepequez, Jutiapa, Jalapa, Chiquimula, Izabal, Alta Verapaz and Peten.

Guatemala has a split personality when it comes to many aspects of agriculture, including rice production. There are some, modern farms that irrigate rice paddies and use modern harvesting equipment comparable to that which U.S. farmers use. ARROZUGA helps farmers access modern, hybrid seeds. However, most Guatemalan farmers produce non-irrigated rice under very primitive conditions. Sometimes two men will take turns, one pulling the plow while the other steers. Other producers use oxen to pull a wooden plow. These farmers do not irrigate their rice and depend on rainfall for moisture.

Analysts believe that planted area could decrease slightly in 2009 due to tighter than normal credit.

Rough Rice production for MY 2009 is forecast at 23 thousand MT.

Consumption:

Guatemalans eat an average of almost 15 pounds of rice per person per year. Some middle-class Guatemalans eat rice twice per week on average. However, rice consumption by lower economic groups, especially among the indigenous peoples, who make up about 55% of the population, is extremely low. Consumption growth per year is estimated at 3% (in-line with population growth). Meanwhile, U.S. rice cooperators are working with Guatemalan groups to increase per-capita consumption of rice.

Those familiar with the eating habits of one of Guatemala's neighbors, Costa Rica, know that rice is typically consumed there three times a day, which adds up to 118 pounds of rice, per person per year. Guatemala's low rice consumption can be traced back over two thousand years, when the Mayan civilizations dominated the peoples of Mexico down to northern Honduras. The Mayans believed that humans originated from maize, cultivated many different varieties of maize, and relied on a maize based diet. A large section of the modern population of Guatemala is Mayan or of Mayan descent and they retain the same preference for maize tortillas and some form of maize at every meal.

Trade:

ARROZGUA analysts forecast that rice imports will grow in-line with population growth in 2009 to 80 thousand MT. This quantity could even rise to 85 thousand MT if the Ministry of Economy approves additional CAFTA import licenses. Guatemalan rice imports have been slow during the first quarter of 2009 because the Guatemalan harvest season ended in December and rice stocks are still significant. Also, the world rice price has been volatile but appears to be rising again, so millers will likely start looking for contracts now.

Currently Guatemala imports almost all its rice from the U.S. However, it is a price sensitive market and millers will switch suppliers if the price is right.

Policy:

Under the Central American -Dominican Republic Free Trade Agreement (CAFTA-DR) U.S. rough rice exporters have a 54,600 MT duty-free tariff rate quota (TRQ) in Guatemala which expands 5 percent annually, and a 10,500 MT duty-free TRQ for milled rice, growing 5 percent annually. U.S. exporters haven't experienced any problems filling the TRQ.

U.S. rice imported under the duty free CAFTA-DR TRQ is still charged a 12% tax. To circumvent this tax, some rice is reportedly smuggled across the Mexico-Guatemalan border. Mexico does not charge a tax on U.S. rice and there's very little customs monitoring of the northern border with Mexico.

Occasionally the Government of Guatemala (GOG) contracts with ARROZUGA to provide a seminar to rice producers. Some of the topics have included: hygiene; HACCP handling techniques; irrigation methods; and how to properly cultivate new strains of rice. A seminar of this nature is the only kind of support that the GOG provides to producers.

Biotechnology Trade and Production:

At this time there are not any varieties of genetically modified rice on the world market.

Biotechnology Policy:

Guatemala is a signatory to the Cartagena Protocol on Biosafety and is in the process of creating a biosafety policy. While some anti-biotechnology non-governmental organizations are active in the country, at this time there have been no disruptions to trade. Most Guatemalans are more concerned with the price, health benefits and hunger alleviation qualities of food than the manner in which it was produced.

Marketing:

The Guatemalan government requires millers to purchase all of the local rice crop. Millers then receive a certificate to purchase the same quantity of imported rice. The rice is then comingled and milled. In the past, one could take a handful of rice and pick out the Guatemalan grains from the imported grains. Over the past few years, since farmers have had access to modern seeds, the local quality for some of the rice is approaching that of the U.S. imported grains.

Capacity Building and Outreach:

U.S. rice cooperators sponsor a range of activities aimed at promoting rice consumption in Guatemala. For example, they hold cooking demonstrations in villages, invite celebrity chefs to cook at trade fairs and have run publicity campaigns on TV. To view this advertisement please go to the ARROZGUA webpage: www.arroz.com.gt

Guatemalans have not traditionally consumed rice, and a side outcome of a U.S. cooperator sponsored school lunch program with rice and soy protein is that school cooks learn how to prepare rice. Children grow accustomed to eating rice at school and are more likely to ask their mothers to cook it for dinner as a change from the traditional maize tortillas.

Production, Supply and Demand Data Statistics :

Rice, Milled	Guatemala	2007		2008		2009	
		2007/2008		2008/2009		2009/2010	
		Market Year Begin: Jan 2007		Market Year Begin: Jan 2008		Market Year Begin: Jan 2009	
		Annual Data Displayed	New Post Data	Annual Data Displayed	New Post Data	Annual Data Displayed	Jan Data
Area Harvested	15	9	15	8		8	
Beginning Stocks	0	0	0	0	0	0	0
Milled Production	26	19	26	16		16	
Rough Production	37	27	0	37	23	0	23
Milling Rate (.9999)	7,000	7,000		7,000	7,000		7,000
MY Imports	61	72		63	76		80
TY Imports	63	72		60	76		80
TY Imp. from U.S.	57	72		0	76		80
Total Supply	87	91	0	89	92	0	96
MY Exports	0	0		0	0		0
TY Exports	0	0		0	0		0
Total Consumption	87	91		89	92		96
Ending Stocks	0	0		0	0		0

Total Distribution	87	91	0	89	92	0	96	0
Yield (Rough)	2.	3.	0.	2.	3.	0.	3.	0.