

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Guatemala

Food Processing Ingredients

Annual

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Report Highlights:

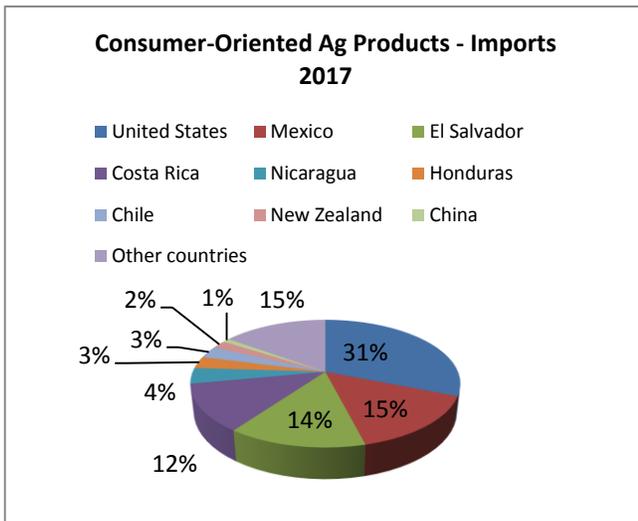
Guatemala is one of the major food processing countries in Central America. U.S. suppliers have a good opportunity to export bulk commodities and raw materials for further processing in Guatemala's food industry. The food and beverage processing industry represents 36 percent of the total manufacturing industry and accounts for 7.7 percent of the GDP. In 2017, the largest growth in production was with vegetable oils, animal fats, processed fruits and vegetables, animal feed, and soft drinks. Sales of processed foods are increasing because of internal demand and the export of these products to the world. Supermarket growth is also increasing consumer demand throughout the country. Growth in the tourism sector plays an important role in the consumers' demand for quality food and beverage products in the market.

Executive Summary

Guatemala has the largest population in Central America with an estimated 16 million inhabitants. Per capita GDP was \$8,200 in 2017, but income distribution is highly skewed. Except for agricultural products, Guatemala is a net importer in world trade. Since the implementation of the CAFTA-DR agreement U.S. exports to Guatemala have doubled from \$500 million in 2006 to \$1 billion in 2017. Key agricultural exports include sugar, coffee, bananas, and vegetables. Guatemala is one of the major food processing countries in Central America. Guatemalan domestic brands offer a variety of products that include shelf-stable and frozen ready-to-eat foods. Baked goods and vegetable oils are among the fastest growing products within the processed foods category.

Imports of Consumer-Oriented Products

The food and beverage processing industry represents 36 percent of the total manufacturing industry in Guatemala. U.S. agricultural exports to Guatemala play an important role in this industry for raw materials for the elaboration of processed products in the domestic market for export. In 2017, Guatemala imported approximately \$1.5 billion of consumer-oriented agricultural products, and exported \$2.7 billion.



Quick Facts CY 2017

Imports of Consumer-Oriented Products from the U.S.: **\$419.7 million.**

List of Top 10 U.S. Products in Guatemala:

- 1) Corn
- 2) Soybean meal
- 3) Wheat
- 4) Poultry meat & products (ex. Eggs)
- 5) Dairy products
- 6) Soybean oil
- 7) Rice
- 8) Beef & beef products
- 9) Fresh fruits
- 10) Fresh fruits

- 5) Pork & pork products

Processed Foods Sector

Guatemala exports to the world: \$2billion
 Guatemala imports from the world: \$1.5 billion
 Guatemalan imports from the U.S.: \$369million
 Guatemalan exports to the U.S.: \$195million

GDP/Population

Population (millions): 16
 GDP (billions USD): \$138.3
 GDP per capita (USD): \$8,200

Sources: **Global Trade Atlas**
CIA – The World Fact Book
U.S. Census Bureau Trade Data

Strengths	Weaknesses
Large local processors are increasing capacity and quality for export as a result of the implementation of trade agreements.	Many of the small and medium-sized processing companies need to comply with good manufacturing practices in order to be able to become exporters.
The United States is Guatemala’s main trading partner.	Guatemala has trade agreements with many other countries.
Guatemalan consumers are demanding more healthy and organic products which are mostly imported .	The local processing companies do not have the capacity to satisfy the local demand for healthy processed products.
U.S. products are considered of high quality.	Guatemalan processing companies offer a wide variety of products to the foodservice sector that compete with imported products and are also price competitive.

Post:

Guatemala City

SECTION I: MARKET SUMMARY

There are more than 200 food processing companies in Guatemala that are dedicated to manufacturing products under the following categories:

- Beverages: juice concentrates, powdered drinks and mixes, non-alcoholic beverages
- Preserved foods: canned fruits and vegetables, jams, jellies
- Snacks: potato and corn chips, confectionary, nuts, seeds and trail mixes
- Other processed foods: frozen products (tacos, tamales, pupusas), soups, condiments, sauces, bakery, deli meats, dairy products

These companies supply the domestic market and export. The National Exporters Association (AGEXPORT) of Guatemala reports that the total processing industry including the food industry represents 14.5 percent (around US\$980 million) of total exports. Local processors are looking to produce high-quality products for export and the local market. The hotel, restaurant, and retail sectors are also demanding high-quality processed products.

Guatemala has trade agreements with the United States the EU, Panama, Mexico, Taiwan, Colombia, and Chile. Since the implementation of CAFTA-DR, Guatemala increased exports of processed food products to the United States, and in turn, to other Central American countries. The main processed products exported to the United States include corn-based foods, alcoholic drinks, preserved foods, and dehydrated fruit punch. The food processing industry is divided into different sub-sectors, led by non-alcoholic beverages and preserved foods. These two sub-sectors represent 40 percent of the total national production, followed by baked goods (15 percent of total exports of processed products.)

Guatemala is a major importer of raw materials and ingredients for food processing the United States offers consistent, high-quality ingredients for the food processing industry. In 2017, the United States exported US\$686 million in bulk commodities and raw materials including soybean meal, yellow corn, rice, and wheat as the top products. Consumer-oriented products totaled \$420million representing a record year for U.S. exports to Guatemala; products such as beef, pork, poultry, dairy products, and fresh fruits are among the most exported products to Guatemala from the United States.

Processed foods/Ready-to-Eat:

Guatemalan brands offer a wide variety of products that include shelf-stable, ready-to-eat food such as refried beans (mostly black beans), flavored tomato sauces, soy-based meals, and instant-noodle soups. These products are available to consumers in supermarkets, = local stores, and open-air-markets throughout the country; they are considered high-quality and are sold at affordable prices for the lower

and medium-income consumers.

Local processors also manufacture custom-made products for local restaurants that compete with imported processed products.

Snacks:

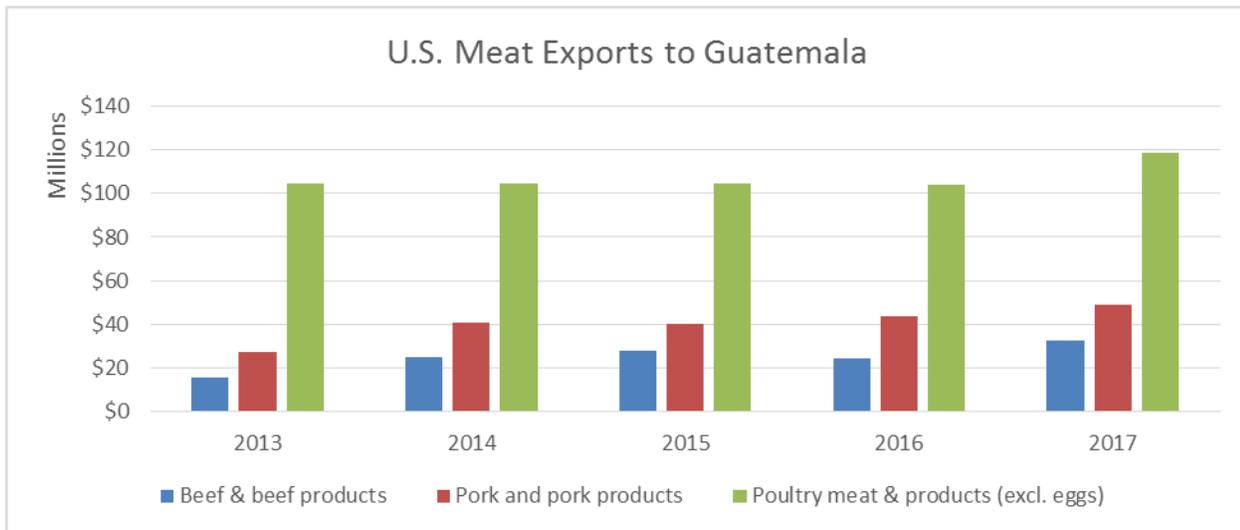
Guatemala produces a wide range of snacks. Its leading product is a tortilla chip that comes in different flavors (barbeque, spicy, cheese, and tomato sauce.) In 2017, snack production reached 78,700 metric tons worth approximately \$600 million in retail sales. Other popular snacks are ice cream and confectionary products. Most products are imported from the United States, Mexico, Colombia, and other Central American countries. Both domestic and international brands have a strong presence in Guatemala. Guatemalan consumers prefer salty snacks because these products are sold at local stores in small portions which make the products very affordable for lower-income consumers.

Beverages: juice concentrates, and non-alcoholic beverages:

The non-alcoholic drinks sector is growing and generates more than 50,000 jobs. Sodas are among the leading beverages consumed in Guatemala, followed by natural juices and other flavored drinks. Natural juice production in Guatemala is considered a mature market and growth relies mostly on new flavors. The middle and low-end of the market are the major consumers of juices, and consumers consider these products to be healthier than carbonated drinks. The United States is one of the largest exporters of sweeteners and beverage bases to Guatemala, and in 2017, exported around \$23 million, up five percent increase from the previous year.

Processed meats:

The production of processed meats (deli meats) is also a dynamic production sector and in 2017 Guatemala exported more than \$30 million to the rest of the Central American countries. There are more than 10 large meat processing companies in Guatemala and approximately 750 small producers who produce pork sausages for local distribution at open air markets around the country. The small producers mainly use local pork and poultry meat as the raw material to manufacture their products. Larger companies such as Toledo, Embutidos Santa Lucia, Sigma Alimentos, Embutidos Perry (Cargill), and Embutidos Bremen use a combination of imported raw materials and local meats (chicken, pork, beef.) Most of these large processing companies are located in Guatemala City and products are distributed nationwide and exported to other Central American countries. Local meat processors compete with imported products from the United States, Mexico, El Salvador, Costa Rica, France, and Spain.



In 2017, U.S. exports to Guatemala of beef, poultry, and pork were considered the highest export levels according to the U.S. Census Bureau Trade Data.

The areas with the most growth potential for the food processing industry are:

Industry	Products
Processed meats:	mechanically separated poultry; boneless pork picnic; pork bellies, trimmings and offals; flours (fillers); animal fats
Beverages:	fruit concentrates and nectars; drink bases and syrups; soy flakes and soy powder; artificial fruit flavors
Baking:	pancake mixes; pre-mixes; bulk cake flours
Snacks:	dehydrated potato flakes and powder; soy flakes; nuts; fresh potatoes; fruit fillings; raisins; pork rind; whey powder, protein concentrates; corn; rice
Soups and Broths:	dehydrated potato flakes and powder; soy flakes; dehydrated vegetables; condiments

Advantages and Challenges facing U.S. Food Processing Ingredients:

Advantages	Challenges
The food processing industry has ridden the supermarket expansion wave, and imported ingredients are needed to increase their production capacity.	Nearby countries, such as El Salvador and Mexico can supply the local demand for inputs of the processing industry and compete with U.S. products.
Local processors are increasing their capacity and quality to export processed products to the U.S. as a result of CAFTA-DR.	Some Guatemalan processed products have meat content. Guatemala has not yet complied with international food safety standards to export meats or meat content products to the United States.
After more than 10 years of CAFTA-DR implementation, more than 90 percent of U.S. food products have no import duties.	Many local companies are taking advantage of their lower production costs and fill market niches, sometimes replacing imported products.
As Guatemalan consumers become more sophisticated, opportunities for higher value	Guatemala is a price sensitive market and this could affect loyalty to brands in times of economic

added products increase.	difficulty.
The United States is Guatemala's main trading partner and U.S. products are considered to be high quality.	The United States competes with other countries that also have trade agreements with Guatemala.

SECTION II: ROAD MAP FOR MARKET ENTRY

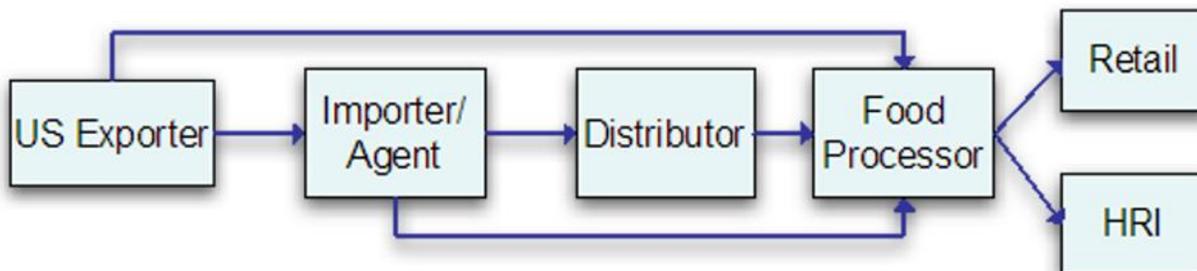
A. ENTRY STRATEGY

Interested U.S. food ingredient exporters may contact local food processors or through local importers/agents/distributors depending on the type of product. The larger food processors frequently prefer to import directly from the suppliers, while medium and smaller processors are sometimes not familiar with importing procedures and prefer to have a local distributor supply their inputs. For more information on how to export products to Guatemala, please refer to Exporter Guide Report 2017: www.fas.usda.gov/scripts/attacherep/default.asp

B. IMPORT PROCEDURE:

U.S. suppliers that want to ship to Guatemala must comply with local regulations for imported products to avoid problems when importing products. For further information on these regulations, please refer to FAIRS Report 2017: www.fas.usda.gov/scripts/attacherep/default.asp

C. DISTRIBUTION CHANNELS:



The advantage that processors find in buying raw materials from local suppliers is that more technical assistance is provided and more options for financing are available. One challenge for suppliers is meeting local prices because Guatemala is a price-sensitive market. U.S. products are well known for their quality and safety; therefore, local food processors are looking for U.S. companies that can supply products that comply with these two important factors. Local companies are willing to establish a long-lasting business relationship with U.S. suppliers that in addition, can offer good credit terms, customer service, and marketing support.

The success in introducing an imported product in the Guatemalan market depends on local representation and personal contact. Hiring a distributor is sometimes the easiest and fastest way to enter the market, particularly if the distributor is already supplying other imported products throughout the country.

D. COMPANY PROFILES

AGEXPORT's National Commission of Food and Beverage Processors has member companies that benefit from training and promotion programs which prepare them to compete in international markets. According to AGEXPORT, the size of the Guatemalan food processing industry dedicated to exports is one of the fastest growing sectors and is composed of large, medium, and small companies. Only 25 percent of the food and beverage companies in Guatemala are considered large processors, 50 percent are medium sized companies with growth potential, and the rest are small processing companies. Approximately 90 percent of these companies are located within Guatemala City and the rest are located in western Guatemala where most vegetables are grown. Guatemalan companies are not required by law to provide information on sales to the general public; therefore, this information is only available upon request. For more information about Guatemalan food processing companies members of AGEXPORT that are currently exporting to other countries, please visit the following site: <http://export.com.gt/agexport/directorio>

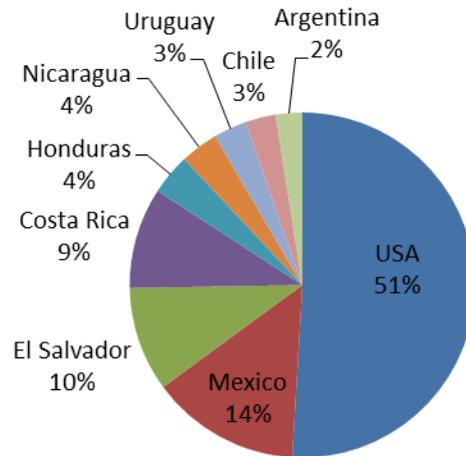
E. SECTOR TRENDS

- Consumption trends in Guatemala are very much influenced by the United States not only because it is Guatemala's largest trading partner but also because high-value foods are more affordable to some families thanks to remittances sent by more than one million Guatemalans living and working in the United States.
- The trend towards more ready-to-eat foods and demand for these types of products is growing in Guatemala. The local processing industry is taking advantage of this niche market and products such as refrigerated tacos, tortillas, burritos, corn-based tamales and instant soups are among the preferred foods in the supermarkets not only for being easy to prepare but also because of affordable prices.
- Some of the major U.S. companies that have presence in the Guatemalan food processing industry are Cargill, Chiquita Brands International, Frito Lay, Pepsi-Co Bottling Co., Ralston Purina, Del Monte, and Wal-Mart. Bimbo from Mexico and Nestlé from Switzerland are present in the country as important foreign investors; however, the majority of the industry is composed by local companies that are growing as a result of growing domestic demand and exports.
- Healthy foods are a growing niche market; however, these types of products are more commonly imported products and therefore marketed towards the small upper class.

SECTION III: COMPETITION

In Guatemala, imported raw materials are: bulk grains (wheat, yellow corn, soybeans, rice); fruits and vegetables; meats (poultry, pork, and beef); dairy products; soybean meal; soybean oils; animal fats; and sweeteners and beverage bases. The U.S. is Guatemala's leading supplier of bulk and intermediate products but some of the major competitors for inputs used by the food processing industry are:

Guatemala Agricultural Imports 2017 (value)



SECTION IV: BEST PRODUCT PROSPECTS

Products present in the market which have good sales potential
 Guatemala is the largest market in Central America for U.S. agricultural products and the main imported products include (in millions of dollars):

Product	2015	2016	2017
Corn	149.1	173.8	144.7
Soybean meal	147.9	140.1	136.0
Wheat	139.3	112.5	118.4
Poultry meat & products (ex. Eggs)	104.3	103.7	118.4
Pork & pork products	40.4	43.5	49.2
Dairy products	32.7	42.6	44.7
Soybean oil	33.3	32.5	41.0
Rice	32.6	37.4	32.7
Beef & beef products	28.0	24.7	32.4
Fresh fruits	25.1	21.7	23.3

Source: U.S. Census Bureau Trade Data

Consumer oriented food products is the most important category of U.S. agricultural exports to Guatemala and in 2017, reached a record \$419.7 million. Under this category the main products exported to Guatemala in 2017 include: meats, dairy, fresh fruits, snacks, condiments and sauces, prepared foods, wine, and beer.

Bulk commodities such as yellow corn and soybean meal are the products with the highest demand by the local beef, pork, and poultry producers.

SECTION V: KEY CONTACTS AND FURTHER INFORMATION

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

Office of Agricultural Affairs

U.S. Embassy

Avenida Reforma 7-01, Zona 10

Guatemala, Ciudad 01010

Telephone: (502) 2332-8439

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>

Government sources for data:

Bank of Guatemala: www.banguat.gob.gt

Ministry of Agriculture: www.maga.gob.gt

Ministry of Economy: www.mineco.gob.gt

National Statistics Institute: www.ine.gob.gt

Government regulatory agency contacts:

Name: Bernardo Molina

Title: Director

Institution: Food Control Unit/Ministry of Health (MSPAS)

Address: 3 Calle final, 2-10 Zona 15. Valles de Vista Hermosa. Guatemala

Telephone: (502) 2502-2502

Website: <http://portal.mspas.gob.gt>

Name: Dr. Nelson Ruano

Title: Food Safety Director

Institution: Norms and Regulations Unit/Ministry of Agriculture (MAGA)

Address: 7 Avenida 3-67 Zona 13, Guatemala City, Guatemala

Telephone: (502) 2413-7389

Website: <http://visar.maga.gob.gt>

Name: Alexander 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://portaldace.mineco.gob.gt>

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