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Guatemala

Retail Foods

Update for 2013 and 2014

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Report Highlights:

Guatemala's retail sector is dominated by three supermarket chains. These supermarkets mainly target middle and high income consumers; however, there are ample opportunities as only 30 percent of food sales are made through supermarkets. The rest of the consumers still rely on open-air markets and mom and pop stores. All sections of the Retail report have been revised, mainly to update economic data and import regulations.

Post:

Guatemala City

I. MARKET SUMMARY

Guatemala's total population is estimated at 15 million people. Guatemala City with its surrounding seven cities totals three million inhabitants from which most families spend 47 percent of their total income on food purchases followed by 17 percent of their income for housing. Guatemala, as in many other Latin American countries, has high rates of social and economic inequality. Income distribution is concentrated in the upper class and poverty is severe among the rural and indigenous populations. Approximately 63 percent of total income is in the hands of the top 20 percent of the population who are a group of high-income consumers concentrated mainly in Guatemala City.

Guatemalans, across the country, spend more than 50 percent of their family income on food purchases. According to the National Institute of Statistics (INE) the cost for purchasing the basic food basket (canasta basica) in Guatemala as of January 2013 was at US\$270 per month. This represents an increase in prices of 17 of the 26 products that form part of the basic food basket which are: dairy products (cheese and sour cream), corn tortillas, chicken, black beans, plantains, coffee, and bread.

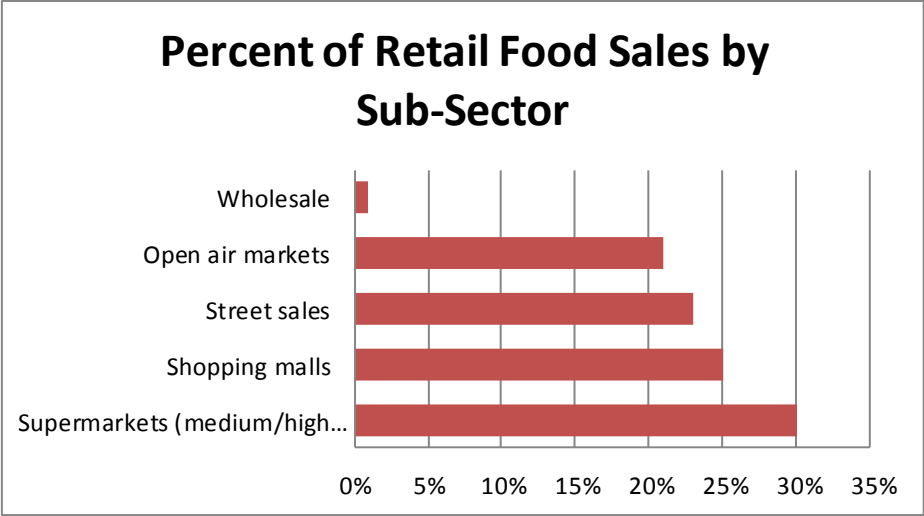
The retail sector in Guatemala is dominated by three supermarket chains: PriceSmart, Wal-Mart Mexico and Central America, and Unisuper (La Torre/Econosuper.) These supermarkets target middle and high income customers; however, there are still ample opportunities in the retail sector, since only 30 percent of food sales are made through supermarkets. This is an advantage for the informal retailers who are mostly concentrated in the rural areas of the country and mainly attract low-income and mid-income consumers.

Shopping malls and other entertainment areas attract the main supermarket chains to open new stores in the outskirts of the City in areas such as Mixco, Villa Nueva, Fraijanes and San Jose Pinula where housing construction is growing. Most people living in these areas have migrated from the interior of the country and usually commute daily.

The retail industry in Guatemala began through the corner stores also known as "tiendas de barrio". These types of businesses are commonly found in the City of Guatemala and the interior of the country. They also represent a very important income source for the informal retailers who own small stores that on average have 30 square feet and carry an inventory of approximately US\$500 per month. According to a study made by the National Statistics Institute (INE), around 56 percent of the home income was spent at the corner stores and open air markets. According to some of the largest soft drinks suppliers, around 78 percent of their sales occur in these informal markets.

Corner stores were the starting point of other small supermarkets such as Super Elmar, Super Del Barrio, La Barata, etc., that presently have more than 20 stores combined and have been in the business for less than ten years. Around 79 percent of the costumers in these stores live within 10 minutes from where these stores are located, as they are preferred by the costumers who find location a very convenient asset.

Around 70 percent of produce is sold in open-air markets also known as “mercados” where local farmers sell their products. These markets account for a large portion of national fresh fruit and vegetables sales. Additionally, imported fruits such as grapes, apples, pears, nectarines, and tangerines are sold year round in these markets and in larger amounts during the Christmas season.



Source: Red Nacional de Grupos Gestores

Sales in Retailing by Category: Value 2007-2012						
GTQ million, retail value rsp excl sales tax	2007	2008	2009	2010	2011	2012
Store-based Retailing	41,092.00	44,679.60	49,059.00	53,260.30	57,141.80	62,287.90
Non-Store Retailing	4,289.20	5,030.10	5,412.40	5,937.00	6,251.70	6,864.50
Retailing	45,381.20	49,709.70	54,471.30	59,197.20	63,393.50	69,152.40

Source:
Euromonitor
Exchange rate:
Q8.00 x US\$1.00

In addition to the large supermarket chains, for the past ten years, other smaller locally owned supermarkets have entered the Guatemalan retail industry; however, these supermarkets are more targeted to the middle-low and lower classes. These are stores smaller than a regular supermarket and have smaller shelf space for their products. These supermarkets are the following:

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 does not plan to import directly.

2) Comercializadora Gigante, S.A., also known as La Barata, has 10 stores which are mainly located near 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 2013 the company has more than 20 stores within Guatemala City. The store offers daily discounts in food items and competes with the larger stores attracting costumers that live in the nearby residential areas. They also own a discount card under the name “Club del Barrio” that gives additional discounts to loyal customers.

4) Supermercado Los Tiburoncitos is a family owned business that started operations more than 40 years ago and is still on business with four stores located in Guatemala City.

b) Advantages and Challenges for U.S. Exporters in Guatemala

Advantages	Challenges
Of the 14 million Guatemalans, one-half million are in a position to afford many imported good, and an additional 4 million can afford competitive U.S. food products.	The economic condition of the country (such as poverty, poor road transportation infrastructure, low wages, and limited ports capacity) limits imports.
Guatemalans view U.S. products as high quality and safer than local products.	Low education level and extreme poverty of the majority of the population minimizes the opportunities for value- added products.
Importers are eager to take full advantage of CAFTA-DR and favor trading with U.S. exporters.	Free Trade Agreements (FTA’s) with various countries, including potentially one with the European Union is forcing the U.S. to be more competitive
Imported products have more opportunities while the supermarket sector continues growing.	Regional competition is strong, especially from Central American countries, Mexico, and Chile.
The Guatemalan Government (GOG) maintains an open trading policy (first country to open market for U.S. poultry and live animals for beef and milk production)	Lack of a civil service within the GOG, creates a fragile regulatory structure and makes it difficult to comply with international standards.
Every year, more supermarkets are opening in the interior of the country.	Cold chain management continues to be a challenge for distributors into the interior of the country.
Guatemala has the highest GDP per capita in Central America.	Local produce (fresh fruits and vegetables) are sufficient to satisfy the local demand.

II. ROAD MAP FOR MARKET ENTRY

A. Super Stores and Supermarkets

Entry Strategy

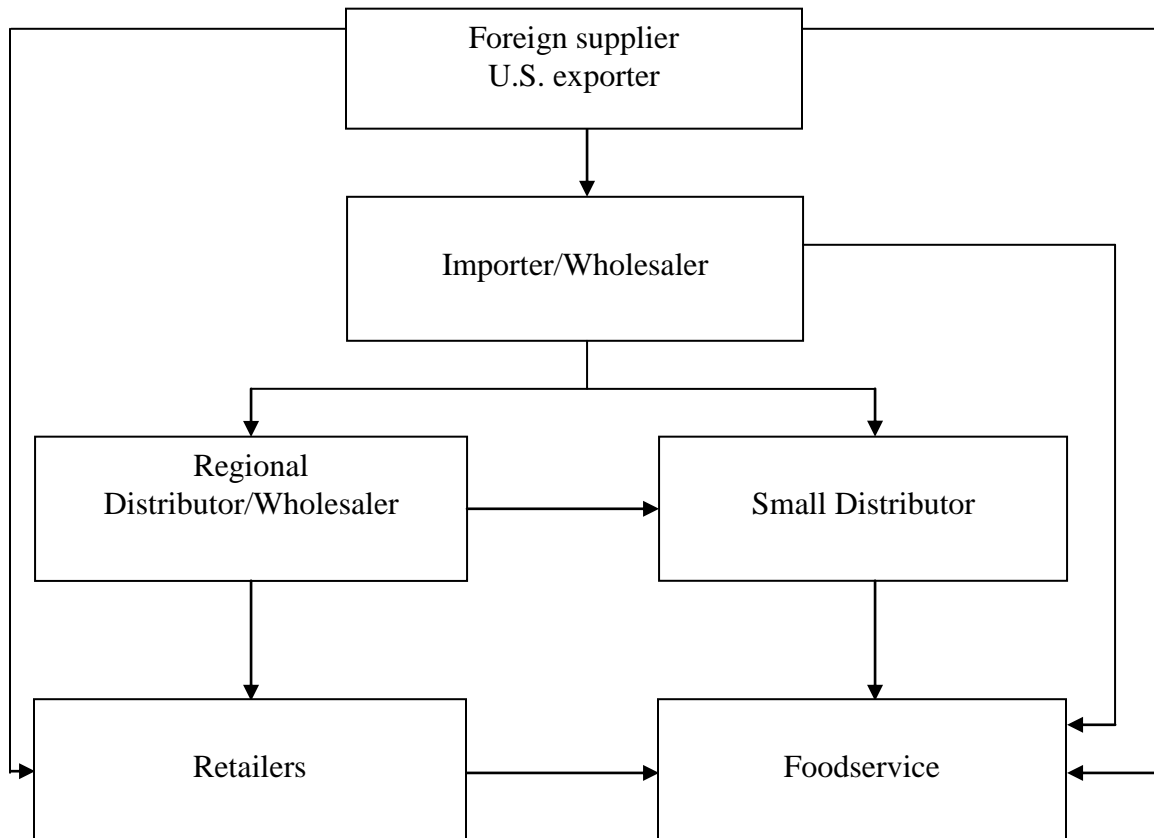
Success in introducing an imported product in the Guatemalan market depends on local representation and personal contact. Hiring a distributor is the easiest and fastest way to enter the market. In particular, it is best if this distributor is already supplying the supermarkets. The local representative or distributor should be able to provide sales contacts as well as market knowledge and guidance on business practices and trade related laws. In many cases the local representative or distributor is also the importer.

The Foreign Agricultural Service (FAS) office in Guatemala maintains a list of companies that represent or distribute U.S. products in Guatemala. The office also has ongoing activities that provide opportunities to meet the Guatemalan trade.

Presently, U.S. food products are competitively priced and are sought out by both high-income and middle-income consumers. Guatemalan households spend relatively more money on food than education and health. Food and non-alcoholic beverages account for 37percent of the basic basket. Consequently, Guatemalan consumers are extremely sensitive to price changes in food items.

In order to improve the odds of success in entering the market, U.S. suppliers should provide labeling or re-labeling services, competitive pricing, credit, catalogs, printed material, and samples to importers/distributors. Firms should also consider providing support to importers by sharing advertisement costs of new brands, as well as support to train sales personnel.

Distribution Channels



Market Structure

- ❖ Typically, imported products are introduced into the country by a local importer, agent, or distributor.
- ❖ The three biggest supermarket chains have a regional office that imports/distributes products within their stores in Central America.
- ❖ Importers work directly with brokers and to lower the transportation costs, prefer brokers located in Miami.
- ❖ In the past (before Wal-Mart was present in the country), supermarkets relied on local importers to display imported products; now, supermarkets prefer to import directly but through their holding groups, especially during peak seasons.

- ❖ Wal-Mart Guatemala and Unisuper offer support to small local farmers by offering funds, technical support, and market information to help them grow high quality, competitively-priced produce that can be sold to Wal-Mart stores and other retailers in the formal marketplace.

Company Profiles

Name of Retailer	Ownership	No. of Outlets	Locations	Purchasing Agent Type
Hiperpaiz / Hypermart	Local / Wal-Mart Central America Group	7	Guatemala City, Villa Nueva, Santa Catarina Pinula, Mixco and Quetzaltenango	Direct importer, wholesaler & distributor
Paiz / Supermarket	Local / Wal-Mart Central America Group	31	Guatemala City, Mixco, Quetzaltenango, Huehuetenango, Alta Verapaz, Chiquimula, Coatequeque & Escuintla	Direct importer, wholesaler & distributor
Despensa Familiar / Supermarket	Local / Wal-Mart Central America Group	144	Guatemala City, Baja Verapaz, Alta Verapaz, San Marcos, Coban, Sacatequepez, Suchitepequez, Escuintla, Santa Rosa, Jalapa, Chimaltenango, Totonicapán, Quetzaltenango, El Progreso, Peten, Solola, Zacapa, Izabal, Retalhuleu, Jutiapa, El Quiche, Peten, Coatepeque.	Direct importer, wholesaler & distributor
Unisuper / La Torre*	Local	41	Guatemala City, Escuintla, Quetzaltenango, Amatitlan, Boca Del Monte, Chiquimula, Coatepeque, Fraijanes, Jutiapa, San Marcos, Jalapa, Mazatenango, Peten, Retalhuleu	Direct importer & distributor

Unisuper / Econosuper*	Local	8	Guatemala City	Distributor
PriceSmart Warehouse	Local / U.S.	3	Guatemala City and Fraijanes	Direct importer & distributor
Maxi Bodega	Local / Wal-Mart Central America Group	20	Guatemala City Retahuleu, Chimaltenango, Huehuetenango, Escuintla, Peten	Direct importer, wholesaler & distributor
Club Co	Local / Wal-Mart Central America Group	2	Guatemala City	Direct importer, wholesaler & distributor
Tiendas Del Barrio	Local	20	Guatemala City and nearby cities	Distributor
La Barata	Local	10	Guatemala City, Mixco and Villa Nueva	Distributor
Super Elmar	Local	8	Guatemala City	Distributor

Trends and Highlights

- Supermarkets are starting to look at markets in the interior of the country and expanding in that direction. Most of the units added in the last three years have been in the interior and in the outskirts of Guatemala City.
- Supermarket sales continue to grow and taking sales away from wet markets and corner stores. Business people that live in residential areas outside the 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 has gained acceptance among consumers, as many find wholesale clubs much more suited for one-stop shopping.
- During weekends, going to the supermarkets is becoming a family activity. Many new products are sampled during peak hours to motivate and attract consumers to purchase new brands.
- International festivities such as Halloween, Thanksgiving, and Valentine's Day are opportunities for the supermarkets to offer discounts on selected food products and to introduce new products to consumers.
- In the three major supermarkets, convenience and prepared foods are gaining ground as consumers try to lower the time spent preparing foods at home. Also, among business people, who do not want to spend money on fast-food restaurants for lunch, look for prepared meals inside the supermarkets. A wide variety is found from typical foods to a roasted turkey. Most

products are already cooked and served inside the supermarket.

- Overall, frozen prepared foods account for 10 percent of imported food sales. The product variety is very small and few frozen vegetables are found.
- There is a trend to eat healthy food low in calories and cholesterol. Most supermarkets have a diversity of dry, frozen, and ready-to-eat products. Also, sugar-free products are expanding their shelf share and grow every year. These products include items such as candies, jams, cookies, and crackers.
- Supermarkets offer a variety of services under the same roof, from bill payment services, coffee and deli services to dry cleaning services.
- Wal-Mart stores now offer to high-end consumers' on-line grocery sales and home delivery.
- Main supermarkets have joint efforts with local banks to offer from 5 up to 10percent discount on supermarket purchases year round. These discounts are in addition to already reduced prices or special discounts.

B. Convenience Stores, Gas Marts

Entry Strategy

Because their purchasing power is small, most convenience stores rely on agents (importers or distributors) to supply their products. The same companies that supply the supermarkets also supply the convenience stores. Entry into the market is very similar to the supermarkets, hypermarkets, and clubs. However, there is one important difference that must be considered. The selected partner must have national distribution, or the distributor won't be able to service all the convenience stores throughout the country.

Direct distribution to the units is the preferred method of distribution and the best way to maximize sales. This allows the distributor/agent to monitor store inventories more closely, and make sure units are never out of products. Due to the service hours, most gas marts sale their products at higher prices and offer a wide variety of prepared foods, alcoholic beverages, soft drinks, grocery items, and medicines that do not require doctors' prescriptions.

Company Profiles

Name of Retailer	Ownership (Local/Foreign)	Number of Outlets 2012	Location	Purchasing Agent
Shell	Local/Foreign	186	Guatemala City, nearby cities and interior of the country	Distributors
Texaco	Local/Foreign	122	Guatemala City, nearby cities and	Distributors

			interior of the country	
Puma Energy	Local/Foreign	114	Guatemala City, nearby cities and interior of the country	Distributors
*Other gas stations	Local/Foreign	834	Guatemala City, nearby cities and interior of the country	Distributors

*Most of these gas stations do not have convenience stores.

Trends and Highlights

- Other than pharmacies, convenience stores are the only business that offer 24-hour service.
- Most convenience stores are found along main boulevards and busy avenues, as well as on the three national roads. These stores are smaller than the convenience stores found in the United States and they serve mostly fast food items such as hot dogs, nachos, sandwiches, soups, and beverages.
- They are also found in some of the major cities; however, the majority of the stores are located within the Guatemala City metropolitan area.
- Over 90 percent of their non-gasoline sales are food items, including beer and liquor.
- Food sales have slightly dropped due to a new and stricter liquor law. In the past consumers almost always bought food when buying liquor. However, the new law restricts liquor purchases at convenience stores.

C. Traditional Markets

Entry Strategy

There are two types of traditional markets in Guatemala; the open air markets and the mom and pop stores also known as “corner stores”. Inside the open-air markets, there are 3 x3 meter stands that sell grocery items from bulk grains to instant soups. Grocery items are sold in smaller presentations (130 grams) and 95 percent of these products are produced locally. Very few imported grocery items such as cookies, snacks, instant soups, candies, and chocolates are sold in these markets.

The mom and pop stores account for approximately more than 100,000 units within Guatemala. It is estimated that there are two of these stores per every city block in Guatemala City alone. They are very small, on average 30 square feet, and carry an inventory on average of \$500. Again, the way to enter these markets is through importers, distributors, and wholesalers. This sector accounts for very little of the imported food sales. These stores are commonly located in the medium and lower class neighborhoods to satisfy those consumers who need to buy a grocery items, but live too far away from a

supermarket.

The distributors for these two groups are the same who supply products to the supermarkets and convenience stores. The main difference is the inclusion of at least one wholesaler, sometimes more than one for products sold in the interior of the country.

The wholesaler gets the product to the open-air markets and the mom and pop stores traveling store to store on a daily route. These stores do not use purchase orders and wholesalers carry sufficient inventory to supply the entire route.

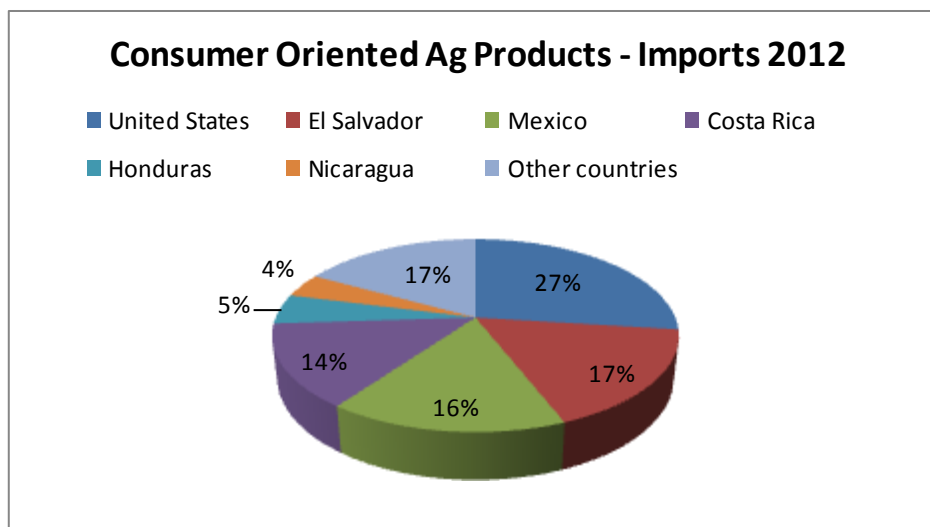
Trends and Highlights

- Products entering the open-air markets should be low cost and handled through a wholesaler.
- Products entering the mom-and-pop stores must be relatively non-perishable and low-cost items.
- Traditional markets pull much of their product from farmers and small wholesalers.
- Guatemala's underdeveloped infrastructure limits the size of these wholesalers.
- Small mom and pop stores have a higher price per unit than supermarkets.
- Customers can only pay in cash and usually do not receive a receipt per purchase.

III. COMPETITION

Guatemala is a net importer in world trade; the United States is Guatemala's largest trading partner receiving 35 percent of Guatemala's exports and representing 42 percent of its imports.

According to the data from the U.S. Trade Statistics, 27 percent of consumer oriented agricultural products imported in Guatemala are imported from the United States, followed by El Salvador with 17 percent; Mexico with 16 percent and Costa Rica with 14 percent. In 2012, Guatemala imported US\$1.1 billion from the world and US\$311 million from the United States.



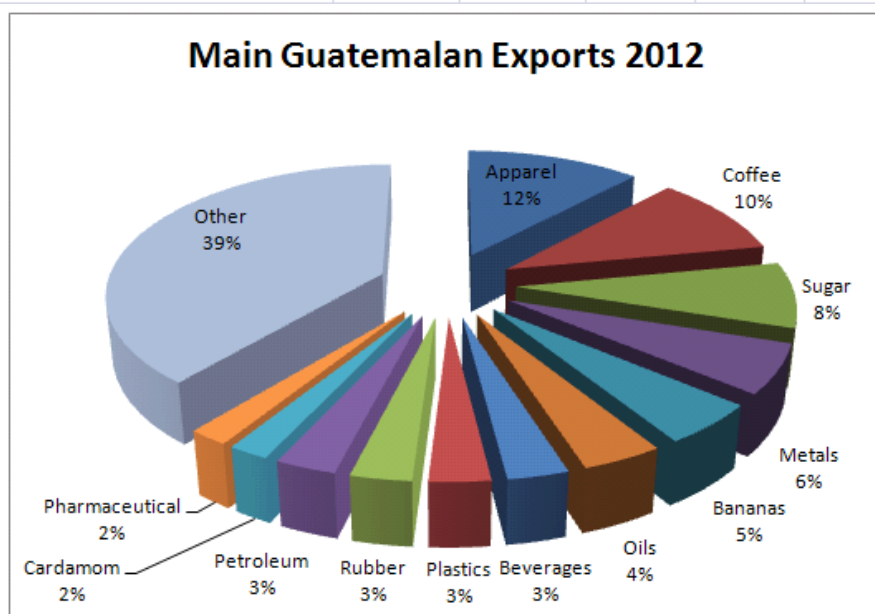
Source: FAS BICO Reports

The Central American countries and Mexico are the main competitors with the United States for the Guatemalan import food market. The existence of a free trade agreement between Guatemala and the Central American countries and the agreement between Guatemala and Mexico, provide great opportunities for those countries to introduce more products in the market and become stronger competitors. Mexico has a strong presence in the market with products such as snacks, food preparations, beer, soups and broths, fresh produce, and other consumer-oriented products.

Local production and exports

According to the National Exporters Association (AGEXPORT), the processing industry represents 27 percent (around US\$1.9 billion) of the country's total exports. Guatemala is a major importer of raw materials and ingredients for the food processing industry and therefore, U.S. ingredients have significant opportunities in the market. U.S. products such as beef, pork, wheat, soybeans, and vegetables, as well as other food items, can easily be introduced to improve the quality of the goods being processed in the above-mentioned sector. Some of the processors use domestic inputs for processing but local production is not always enough to satisfy their production needs; therefore, these companies look for inputs from other countries. Some large processors already import directly from the United States and many of the small processors still rely on local distributors to import their inputs.

MAIN EXPORT PRODUCTS						
PERIOD 2007-2012						
US\$ MILLIONS						
DESCRIPTION	2007	2008	2009	2010	2011	2012
Textiles	1,366.1	1,206.0	1,023.0	1,154.9	1,216.4	1,189.5
Coffee	577.3	646.2	582.3	713.9	1,174.2	958.1
Sugar	358.1	378.1	507.7	726.7	648.8	803.0
Stones and precious metals	204.4	264.6	345.5	523.7	941.6	612.9
Banana	300.2	317.1	414.8	353.3	475.3	501.5
Fats and edible oils	134.9	249.2	164.4	201.3	330.9	361.0
Alcoholic and non-alcoholic beverages and vinegars	137.6	206.9	185.7	199.9	222.9	324.4
Plastic materials	190.8	221.7	177.2	223.6	270.7	299.2
Rubber	153.3	200.8	136.7	233.3	397.4	295.0
Petroleum	249.1	373.7	191.7	247.2	335.4	291.7
Cardamom	137.1	208.0	304.1	308.1	296.9	250.3
Pharmaceutical products	156.2	175.4	169.7	190.8	225.9	238.2
Other products	2,932.6	3,292.7	3,010.9	3,385.8	3,864.5	3,860.5
TOTAL	6,897.7	7,737.4	7,213.7	8,462.5	10,400.9	9,985.3
Source: Bank of Guatemala						



Source: Bank of Guatemala

Main imports of agricultural products

Main Imported Agricultural Products (US\$ Thousands)					
Guatemala 2010-2012					
HTS Code	Product	2010	2011	2012	Market Share
1005990	Corn, other than seed corn	145,990,896	231,652,577	216,667,797	8.55%
1001	Wheat	130,719,790	186,866,428	182,619,895	6.51%
230400	Soybean oilcake & oth solid residue	115,191,515	122,369,058	144,231,394	5.69%
210690	Food preparations	107,005,710	125,230,915	136,149,110	5.37%
330210	Mixtures for drinks	80,659,389	90,627,085	92,926,020	4.53%
150710	Soybean oil degummed	86,050,438	100,771,637	83,987,762	3.67%
40221	Mlk/cream concentrated 1.5% fat	48,162,327	48,629,540	59,297,360	2.34%
520100	Cotton, not carded or combed	46,241,076	60,676,185	56,052,666	2.21%
190590	Bread, pastry, cakes & puddings	42,193,306	50,590,267	55,236,634	2.18%
020714	Chicken cuts and edible offals frozen	40,371,060	43,280,462	53,815,368	2.12%
190410	Prepared foods, swelling/roasting cereals	64,741,466	57,052,088	50,306,234	1.99%
210390	Sauces mixed condiments and seasonings	31,490,682	36,191,609	39,837,040	1.57%
220290	Nonalcoholic beverages	28,353,187	37,708,303	39,585,143	1.56%
190531	Cookies (sweet biscuits)	27,070,900	35,501,656	37,980,676	1.50%
100610	Rice in the husk (paddy or rough)	31,220,677	29,382,969	34,055,723	1.34%
Other products		1,039,385,883	1,220,247,940	1,250,968,177	48.87%
Total Imported		2,064,848,302	2,476,778,719	2,533,716,999	100%
Source: Global Trade Atlas					

IV. BEST PRODUCT PROSPECTS

A. Products present in the market that have good sales potential

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

Product Category	2012 Market Size (Metric Tons)	2012 Imports (US\$ in thousands)	5-Yr. Avg. Annual Import Growth (%)	Import Tariff Rate	Key Constraints Over Market Development	Market Attractiveness for U.S. products
Beef	6,463	25,880	10.14	Immediate duty-free access for "prime" and "choice" cuts. Other cuts phased-out over 15 years. Duties on other products, including offal's phased-out over 5-10 years.	Competition from Nicaragua, Costa Rica and Honduras	Of the 14 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.
Poultry Meat	73,851	62,093	7.11	All Central American tariffs on poultry and poultry products will be eliminated within 18 years. Chicken leg quarters are at	Competition from: local production, Central American countries and Panama	Guatemalans view U.S. products as of higher quality and safer than local

				0% within quota.		p r o d u c t s .
Processed Fruit & Vegetables	64,175	94,672	8.42	All U.S. vegetables are tariff free, except the following: Frozen Vegetables (10 yrs); Mixed Vegetables (5 yrs).	Competition from: Chile and Canada	Importers are eager to take full advantage of CAFTA-DR and favor trading with U.S. exporters.
Dairy Products (excl. cheese)	66,745	128,169	4.12	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	43,007	97,370	7.12		Competition from: Mexico, El Salvador and Costa Rica	

B. Trade Barriers/Tariff-Rate Quotas (TRQs)

Presently, there are no banned products in the market. Guatemala is in full compliance with its commitments to food and agricultural products under the CAFTA-DR. Most fruits, nuts, processed foods, vegetables and feeds have been granted immediate duty-free access. The majority of other agricultural products will have their duties eliminated in five or ten years.

Guatemala fully complies with its World Trade Organization (WTO) tariff bindings. Tariffs of 0, 5, 10, and 15 percent are applied to food and agricultural products. Tariffs and tariff rate quotas (TRQs) for 2012 were officially published in Diario de Centro America on December.

CAFTA-DR set TRQs on 12 products and product categories. The Ministry of Economy implemented a well-functioning system for distributing quota and reporting on quota allocation. The International Commerce Administrative Directorate (DACE) of the Ministry of Economy has a website (<http://www.mineco.gob.gt/mineco/cafta/cafta.htm>) with updated information on quota allocation procedures, advisory committee meetings, and quota utilization status by commodity.

A problem, across the board, continues to be the number of importers failing to request a Certificate of Free Sales and Origin from their U.S. suppliers. The Guatemalan Customs' authorities (Superintendencia de Administración Tributaria – SAT) and the Ministry of Health through the Food Control Division pay close attention to this import requirement.

V. POST CONTACT AND FURTHER INFORMATION

For questions or comments regarding this report or assistance on exporting to Guatemala, please contact the U.S. Agricultural Affairs Office at the following address:

Office of Agricultural U.S. Embassy

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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>