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GAIN Report #GT0022

Guatemala

Agricultural Situation

2000

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Report Highlights: Guatemala's economy is the largest in Central America, with a GDP of about \$19 billion. It is also one of the most important U.S. trading partners in the Caribbean Basin with imports, agricultural and commercial, of \$1.85 billion from the U.S. and total imports of \$4.5 billion.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Guatemala [GT1], GT

Summary

The agricultural sector is the driving force in the country's economy, contributing roughly a quarter of total output and providing 70 percent of export earnings. Despite a policy of economic diversification and the diminished importance of traditional products such as beef, Guatemala's traditional agricultural export products of sugar, coffee and bananas still comprise nearly 50 percent of total exports. The most rapid growth rates in the agricultural sector have been in the production of non-traditional products.

The agricultural sector is characterized by both commercial and subsistence farming. Both forms of operations are located throughout the country, but large commercial operations are primarily located in the southern coastal areas and in the northern part, while the small scale operations are primarily located in the western highlands and operated by subsistence producers who grow beans, corn and vegetables mainly for home consumption.

Coffee still is the number one agricultural export for Guatemala and dominates the agricultural economy, but Guatemala also produces a variety of other commodities. Guatemala during the 1980's became the world's largest exporter of the spice cardamom; it is a major producer of bananas and sugar; and a developing producer and exporter of non-traditional agricultural products such as fruits, vegetables, cut flowers and seafood.

Small-scale operations grow mainly corn and edible beans since for most Guatemalans, especially the indigenous population, beans and corn are part of their daily diet.

In addition to the traditional and non-traditional crops, Guatemala produces rubber, palm oil, sesame seed and tobacco among others.

The poultry industry has been experiencing a growth period for the past 15 years and has replaced beef as the popular meat choice because of its competitive price and availability.

Production highlights

The 1999-00 crop cycle experienced a slight growth. Production of leading export commodities such as sugar and coffee experienced a slight increase. Basic grain production increased slightly in spite of the slight rain damage experienced periodically. Corn and beans have increased while sorghum and rice production remains steady.

Coffee production increased slightly from 4.3 million bags in 98-99 to 4.36 million bags in 99-00 due to new bearing trees, in spite of the fact that the 99-00 crop had lower yields due to the normal coffee cycle, and the fact that world prices have been low.

Growth in sugar production has been robust in the past few years. In 1999-00 sugar production increased at a slower rate due to a decline in sugarcane production caused by poor prices in the market. Production increased from 1.6 million MT in 98-99 to 1.68 million MT in 99-00.

Tobacco production decreased from 14,172 MT in 98 to 11,980 MT in 99 due to less local production since there is only one cigarette plant left in the country. Beef continues to decrease,

production decrease from 48,000 MT in 98-99 to 47,000 MT in 99-00 and production is expected to decrease even further. An initiative to revive the industry is occurring, and if successful production of tobacco should increase in a few years.

The poultry industry increased production from 129,000 MT in 98-99 to 135,000 MT in 99-00. The industry grows around 5 percent annually, with the small producers sector being the fastest growing sector in the industry.

Guatemala at a Glance

Population: 11.8 million

Population Growth Rate: 2.7 percent per year

GDP/Per Capita: \$1,640

Inflation: 8 percent

Unemployment: 5.9 percent

Major Crops: Coffee, sugarcane, bananas, rubber, palm.

Leading Agricultural Exports: Coffee, sugar, bananas, fresh fruits, fresh vegetables.

Leading Agricultural Imports: Consumer-ready products, wheat, yellow corn, soybean meal
cotton, vegetable oils, tallow, rice.

Livestock sector: Beef, poultry, pork

Total agricultural and commercial imports C.I.F.: \$4.5 billions

Agricultural and commercial imports from U.S.: \$1.85 billions

Total agricultural and commercial exports F.O.B.: \$2.5 billions

Agricultural and commercial exports to U.S.: \$840 million

Food and Farm Policy

The Government offers technical support to small farmers and established a “Land Fund” to support the small farmer that do not own land. The Government doesn’t provide production incentives or subsidies to agriculture. However, the Government is involved in developing agricultural markets and agricultural policies that will benefit the agricultural sector.

Meanwhile, the Government is not involved with the major crops and the private sector controls the production of coffee, bananas, sugar, rubber, fruits and vegetables and other major crops. Producer prices for sugar are decided by mutual agreement among producers, processors, and the Government.

Over the past years, the Guatemalan Government, with support from the U.S. Government, the European Union, and several other countries, has worked with small producers to raise their incomes and diversify their production. The primary vehicles of this policy have been projects demonstrating the technologies of small-scale production and irrigation, terracing of land, improvement in marketing infrastructure, and crop diversification.

Imports and Exports

Guatemala is a net agricultural exporter. In 1999 Guatemala exported a total of \$2.5 billion and \$1.75 billion accounted for agricultural exports. Agriculture accounts for 70 percent of total exports. Guatemala imported a total of \$619 million of agricultural products out of the total of \$4.5 billion imported in 1999. The Central American region constitutes the principal market for most of Guatemala's nonagricultural exports, while the United States is its chief market for agricultural products.

In 1999 export value was up slightly for sugar and is expected to continue increasing in 2000. Coffee, which accounts for about 23 percent of Guatemala's export earnings, represent a major source of revenue. However, export earnings from coffee continue to be affected due to lower world prices. The non-traditional agricultural products sector is growing fast; increasing their export earnings from 10 to 20 percent annually.

Imports are led by bulk commodities, especially wheat, yellow corn, cotton, vegetable oils and protein meals. Guatemala is also a growing import market for tallow, due to the increasing demand from the animal feed and soap industries. Lately, there has been an increasing need to import yellow corn as the result of a rapidly growing demand for chicken, low domestic consumption yields, and competition for land from an expanding non-traditional agricultural sector.

Guatemala's imports of U.S. apples and grapes have risen steadily in the past five years at a rate of 10 percent annually. In 2000 beef imports increased by around 19.5 percent compared to 1999. Guatemalans have been increasing their consumption of imported beef, due to a decrease in local production and a decline in the cattle sector.

Nearly 45 percent of agricultural imports are from the United States, and a substantial portion of imports of bulk commodities have been financed under U.S. Government assistance programs.

Trade policy and prospects

The Government has been taking steps to liberalize the economy and to make it more competitive in a global economy. A weakening of rate of exchange to the U.S. dollar has encouraged exports and has contributed to expansion in traditional as well as non-traditional agricultural sector. The weaker quetzal has also made imports more expensive. As part of the liberalization efforts, import tariffs of most agricultural products are between 0 and 15 percent, with higher tariffs for products purchased outside any tariff rate quotas.

Guatemala is a member of the Central American Common Market, which means it has special marketing arrangements with the other members: Costa Rica, El Salvador, Honduras and Nicaragua. The Government also has bilateral agreements with several European Union countries and with some South American and Caribbean countries as well. Since 1984, Guatemala has qualified for trade benefits from the United States under the Caribbean Basin Initiative, which seeks to support economic activity and expand private sector opportunities in the Caribbean region.