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Report Highlights: Guatemala's dual purpose cattle sector suffers from lack of modernization and can be assisted with technology transfer from its partners. Guatemalan cattle production is expected to increase slightly during the year 2003 as domestic consumption of meat starts to increase, and total cow slaughter increases due to slight expansion in cattle numbers. In addition, Guatemala's FMD and BSE free certification is an incentive to cattlemen to raise more cattle to approach foreign markets. Most cattle production is located in the northern part of the country, specifically in Petén and Izabal, but slowly some of the land in the south coast that was lost to other crops is returning to cattle production. Crops in the south coast such as sugarcane and rubber are not as profitable as they use to be.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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Executive Summary

Guatemalan cattle production is expected to increase slightly for the year 2003 as domestic consumption of meat starts to increase, and total cow slaughter increases due to slight expansion in cattle numbers. Crops such as sugarcane and rubber are not as profitable as they use to be. In addition, Guatemala's FMD and BSE free certification is an incentive to cattlemen to raise more cattle to approach foreign markets. Most cattle production is located in the northern part of the country, specifically in the departments of Petén and Izabal, but slowly some of the land in the south coast that was lost to other crops is going back to cattle production. For the year 2003 total cattle numbers increase slightly, due to a slight increase in calf production. Honduran movement of live animals through Guatemala to Mexico in 2003 is expected to increase sligthly.

In 2002, Guatemala did not export beef to the U.S. and the same is expected in 2003. Since 1997, the four plants certified to export to the United States, requested a voluntary temporary withdrawal from the eligibility list, and turned to the local market to keep their operations viable. The Guatemala beef industry is starting to recover as a result of an increase in beef prices, in response to the BSE and FMD crisis in Europe and some South American countries. In addition, cow-calf operations are increasing in spite of an increase in beef imports.

Beef consumption experienced a slight increase due an increase in population and stable local beef prices, although beef still is relatively high in comparison to poultry prices. Nevertheless, overall consumption has increased and beef imports have increase due to an existing and growing niche market for special cuts of beef in the hotel and restaurant sector. Imported beef is mostly reported as U.S. beef, however, traders report that most of this imported beef is from New Zealand and Australia and transhipped from U.S. ports to Guatemala.

PSD Table						
Country	Guatemala					
Commodity	Animal Numbers, Cattle				(1000 HEAD)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
Total Cattle Beg. Stks	1548	1548	1548	1548	0	1548
Dairy Cows Beg. Stocks	74	74	74	74	0	76
Beef Cows Beg. Stocks	790	790	790	790	0	810
Production (Calf Crop)	343	343	350	350	0	360
Intra EC Imports	0	0	0	0	0	0
Other Imports	170	170	170	170	0	175
TOTAL Imports	170	170	170	170	0	175
TOTAL SUPPLY	2061	2061	2068	2068	0	2083
Intra EC Exports	0	0	0	0	0	0
Other Exports	98	98	100	100	0	105
TOTAL Exports	98	98	100	100	0	105
Cow Slaughter	130	130	130	130	0	135
Calf Slaughter	0	0	0	0	0	0
Other Slaughter	220	220	225	225	0	230
Total Slaughter	350	350	355	355	0	365
Loss	65	65	65	65	0	65
Ending Inventories	1548	1548	1548	1548	0	1548
TOTAL DISTRIBUTION	2061	2061	2068	2068	0	2083
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

PSD Table						
Country	Guatemala					
Commodity	Meat, Beef and Veal				(1000 MT CWE)(1000 HEAD)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
Slaughter (Reference)	350	350	355	355	0	365
Beginning Stocks	0	0	0	0	0	0
Production	45	45	50	50	0	55
Intra EC Imports	0	0	0	0	0	0
Other Imports	5	6	6	7	0	8
TOTAL Imports	5	6	6	7	0	8
TOTAL SUPPLY	50	51	56	57	0	63
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	0	0	0	0	0	0
Human Dom. Consumption	50	51	56	57	0	63
Other Use, Losses	0	0	0	0	0	0
TOTAL Dom. Consumption	50	51	56	57	0	63
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	50	51	56	57	0	63
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Production

Guatemalan cattle numbers for 2002 are expected to remain steady and are forecast to increase slightly for 2003. Increases in beef prices and the fact that crops such as sugarcane and rubber are not as profitable as they use to be, make the cattle industry seem as an attractive alternative. In addition, currently Guatemala is free of FMD and BSE which is an incentive to cattlemen to rebound the industry and approach foreign markets. Due to the status of free of FMD and BSE international cooperators and associations have been interested in re-activating the cattle industry in Guatemala, and contacts have been made with Government officials and the livestock sector.

In 2002, total cattle supply in Guatemala is 2,068,000 head. This number is expected to increase slightly to 2,083,000 head in the year 2003. Likewise cattle slaughter and meat production are expected to increase slightly in 2003.

Guatemalan cattle production traditionally has been located in the south coast. However, the center of the country’s cattle operations has been moved to the northern part of the country, especially in the departments of Petén and Izabal. Land in the south coast shifted to crops such as sugarcane and rubber. Cattle production in the south coast is recovering, due to the fact that those alternative crops are not as profitable as they use to be. There are signs that the land which had shifted to sugarcane and rubber is returning to cattle production. In spite of the fact that cattle owners move cattle to locations such as Mexico where there is higher demand and they can increase their profits due to better prices, cattle available for slaughter is expected to increase slightly in 2002..

So far, Guatemala’s beef industry remains steady but is posed for expansion in 2003. It is estimated that there are around 170 slaughtering facilities in the country. The Guatemalan beef and cattle industry in the last decade has been depressed due to sustained low world prices and fewer market opportunities. The whole trend is expected to change due to recovering world prices and market opportunities in response to the BSE and FMD crisis in Europe and some South American countries. In addition, beef consumption has also increased as population increases and local beef prices remain steady. Poultry remains as the meat of choice due to price.

The milk sector is subdivided into technical and dual purpose operations. Technical operations confine milk producing cows and feed them a high ration of feed concentrate. In dual-purpose operations, milk producing cows are grass fed with little or no supplemental feed. In 2002, the dairy cow stock is estimated to be 76,000 head, and in 2003 is expected to increase to 78,000 head. According to the dairy sector, it is estimated that at least 75 percent of total Guatemalan milk is produced by dual-purpose cattle operations. The Government of Guatemala with the help of international cooperators is interested in supporting the milk sector with technical assistance and infrastructure to strengthen the industry and make them more competitive. Currently, most of the milk operations in the country are inefficient and with low quality standards, due to lack of infrastructure and technology. This situation makes the local milk operations less attractive to manufacturers and less competitive against imported milk and powdered milk. In addition, the poor infrastructure and other inefficiencies makes the price of locally produced milk higher. USDA through the University of Wisconsin conducted recently a EMO project for the dairy sector to improve agricultural practices and quality systems.

Price Table
Retail Prices

	2001	2002
	(Per pound)	
Beef	$2.40	$2.40
Poultry	$1.12	$1.12
Pork	$2.35	$2.35

Note:
Exchange rate used: 2001: $1.00 = Q7.70
2002: $1.00 = Q7.90

Import Trade Matrix					
Country	Guatemala		Units:	Heads	
Commodity	Animal Numbers, Cattle		Partial Begin	January	
			Partial End	December	
Imports for:	2001	2002	2003	2001	2002
	Full	Full	Full	Partial	Partial
U.S.					
Others					
Honduras	170,000	170,000	175,000	170,000	170,000
Total for Others	170000	170000	175000	170000	170000
Others not Listed					
Grand Total	170000	170000	175000	170000	170000

Export Trade Matrix					
Country	Guatemala		Units:	Heads	
Commodity	Animal Numbers, Cattle		Partial Begin	January	
			Partial End	December	
Exports for:	2001	2002	2003	2001	2002
	Full	Full	Full	Partial	Partial
U.S.					
Others					
Mexico	98,000	100,000	105,000	98,000	100,000
Total for Others	98000	100000	105000	98000	100000
Others not Listed					
Grand Total	98000	100000	105000	98000	100000

Import Trade Matrix					
Country	Guatemala		Units:	Metric Tons	
Commodity	Meat, Beef and Veal		Partial Begin	January	
			Partial End	December	
Imports for:	2001	2002	2003	2001	2002
	Full	Full	Full	Partial	Partial
U.S.	1,000	1,200	1,700	1,000	1,200
Others					
Nicaragua	3,000	3,500	3,800	3,000	3,500
Honduras	600	650	700	600	650
New Zealand	600	750	800	600	750
Australia	800	900	1,000	800	900
Total for Others	5000	5800	6300	5000	5800
Others not Listed					
Grand Total	6000	7000	8000	6000	7000

Trade

The majority of live cattle trade is imports from Honduras and also illegal movements of cattle from Honduras to Guatemala and from Guatemala to Mexico. Cattle are herded from Honduras to the northern Guatemalan department of Izabal bordering Honduras. Cattle are then loaded into trucks to be distributed to ranches in the departments of Izabal, Alta Verapaz and El Peten. Cattle are fattened on grass to weights of around 800 pounds, coming into the country with weights of around 300 pounds. They are then sold to traders to be transported into Mexico and then resold and distributed in Mexico. It is estimated that in 2002 around 170,000 head came to Guatemala from Honduras both legally and illegally. It is expected that for 2003 around 175,000 head will be export to Mexico legal as well as illegal.

Traditionally, the United States was the main export market for Guatemala. This stopped in 1997, when all the plants withdrew from exporting. As of 2002 beef cattle prices in Guatemala have been around $0.60 per pound, a slight increase from last year prices of around $0.50 per pound. Low world beef prices and increased competition for the

U.S. beef quota from countries such as Argentina, Uruguay and Nicaragua forced Guatemalan producers to abandon the export market and focus instead on the local market. Currently, with the BSE and FMD crisis in Europe and some South American countries Guatemala has the opportunity to rebound the cattle industry and compete in the foreign market.

The four plants eligible to export beef requested a voluntary temporary withdrawal from the U.S. eligibility list in 1997. Low beef prices forced these plants to sharply reduce slaughter rates and focus more on supplying the local market.

In 2002 beef imports are expected to reach 7,000 MT. In 2003 imports are expected to rise to 8,000 MT of beef, due to an increase in population and higher demand from the hotel and restaurant sector for special beef cuts. Most of the imported beef is from Nicaragua, although, some beef is from Honduras because of its proximity to Guatemala, and from the United States, New Zealand and Australia for the emerging high-quality market. Trade among Central American countries has no quotas and products enter duty free. Nicaragua and Honduras are the main suppliers in the region. Nicaraguan cattle and beef industries are increasing and developing at a fast rate.

Policy

Effective in August, 1998, the Government of Guatemala established a TRQ of 1,595 MT for chilled and frozen meat of bovine animals at zero percent tariff within the quota and thirty percent outside the quota. The measure remains in effect for 2002. The measure was in response to the demands of retailers at local markets for a reduction in prices. Currently, the TRQ is adequate to accommodate trade since Nicaraguan beef is not subjected to the quota as part of the Central American Trade Agreement. However, at current growth trends the TRQ will soon subject U.S. beef above quota to a 30% duty. Therefore FAS and USTR specialists are advised to press Guatemala for a higher duty free quota or a lower out of quota tariff.

The Dairy Producer's Association in the last few years has been pressuring the Government to raise tariffs on milk products and labeling of dairy products. The measure is in response to pressure from the milk-producers who argue that local manufacturers are substituting powdered milk for their fresh milk in this products in order to remain competitive with imported milk products. They maintain that without this competition, local producers will use fresh milk in their cheese, yogurt, ice cream and other milk-based products. However, with 70 percent of the population consuming powdered milk, the government cannot afford to raise duties on powdered milk. With no firm plan for improving the quality and efficiency of the sector, and in the absence of competition, it is questionable that local milk producers will be able to raise the quality of their production.