



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Voluntary Report - public distribution

Date: 11/20/2002

GAIN Report #GT2026

Guatemala

Grain and Feed

Tariff Increase in Yellow Corn

2002

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Report Highlights:

In October 25, 2002 the "Diario de Centro América" official newspaper published the elimination of the 501,820 MT quota and a 15% increase in the tariff for yellow corn.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Unscheduled Report
Guatemala [GT1], GT

Recent modifications to the yellow corn tariff and quota were published in the "Diario de Centro América" official newspaper.

Before October 25, 2002 Guatemala's yellow corn quota was 501,820 MT with a tariff of 5% within the quota and a tariff of 35% outside the quota. Currently, the yellow corn tariff has been increased to 15% and the quota has been eliminated.

Local corn (white and yellow) production is around one million MT per year. Yellow corn production alone is around 95,000 MT per year. Domestic consumption of yellow corn for 2002 is estimated at around 1,725,000 MT and is expected to increase in both the short and medium term. The demand for yellow corn has been increasing every year, primarily due to an expanding Guatemalan poultry sector.

Guatemala is a very inefficient corn producer with yields of 1.38 MT/Ha and production costs of around \$569/Ha. In contrast the U.S. produces corn at a cost of around \$115/Ha with yields of 8.44 MT/Ha. Due to high production costs in Guatemala, imported corn prices are substantially lower than the prices of the corn locally produced. In addition, quality requirements and specifications from feed manufacturers are usually not fulfilled by local producers, leaving manufacturers with no choice but to import better growth corn.

The unexpected increase to a 15% tariff is contrary to discussions regarding a Free Trade Agreement with the United States requires a unification of import tariffs in the region with the understanding of reductions in regional tariffs. In addition, the Central American Free Trade Agreement negotiations will be largely depend upon the U.S. proposal to the WTO in which clearly specifies that tariff reductions for market access should be applied.

Overall, the unilateral Governmental decision of increasing the corn import tariff, is the result of poor knowledge of markets and prices from some Governmental policy makers and serious disagreements between some high level Government officials and powerful families from the private sector.

The 2000-2001 numbers in the attached tables for the June-July imports, January-December imports, as well as, October-September imports are based on the official US Trade Statistics. For the following years data represents a forecast.

PSD Table						
Country	Guatemala					
Commodity	Corn				(1000 HA)(1000 MT)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		07/2001		07/2002		07/2003
Area Harvested	590	590	620	620	0	650
Beginning Stocks	89	89	79	29	0	17
Production	1050	1050	1100	1100	0	1150
TOTAL Mkt. Yr. Imports	600	595	550	625	0	650
Oct-Sep Imports	0	579	0	620	0	650
Oct-Sep Import U.S.	0	579	0	620	0	650
TOTAL SUPPLY	1739	1734	1729	1754	0	1817
TOTAL Mkt. Yr. Exports	10	10	10	12	0	12
Oct-Sep Exports	10	0	10	0	0	0
Feed Dom. Consumption	570	620	570	725	0	750
TOTAL Dom. Consumption	1650	1695	1650	1725	0	1750
Ending Stocks	79	29	69	17	0	55
TOTAL DISTRIBUTION	1739	1734	1729	1754	0	1817

Import Trade Matrix			
Country	Guatemala		
Commodity	Corn		
Time period	Jan-Dec	Units:	Metric Tons
Imports for:	2000		2001
U.S.	488,230	U.S.	515,754
Others		Others	
Total for Others	0		0
Others not Listed			
Grand Total	488230		515754