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Guatemala

Agricultural Situation

Guatemala Corn

2007

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Report Highlights:

Guatemala's corn prices as of February 2007 are significantly higher than during the period 2000-06. Prices for white corn, the main product of the traditional Guatemalan diet, reached Quetzales (Q)112 per quintal (qq) (equal to USD 146 per MT) in mid February; the same price had not exceeded Q 80/qq (\$104/MT) in previous years. Yellow corn for human food consumption reported final wholesale prices of Q 115/qq (\$150/MT), 25-30% above historical prices. The Government of Guatemala (GOG) is concerned about reports of Mexican firms buying up local corn in response to that country's "tortilla crisis" and is evaluating various contingency strategies to deal with possible extreme price rises or scarcities of corn. At this point, local authorities are confident that domestic supply is enough and should cover demand.

Includes PSD Changes: No
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Guatemala [GT1]
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Executive Summary

According to the local press (Siglo 21, 14 February 2007), Guatemala's Ministry of Agriculture, Livestock and Food Security (MAGA) is looking at contingency plans to deal with possible extreme price rises or scarcities of corn. It notes that Honduras already prohibits corn exports to ensure sufficient domestic supply.

The immediate cause for this concern is corn shortages in Mexico, which led to the "tortilla crisis." Mexican businesses have visited Guatemala to buy corn and to contract for future production. This has led to campesino fears of shortages and price rises. The campesino diet consists mainly of white corn and black beans. While most campesinos grow corn for their own consumption, they generally cannot grow enough to cover their needs for a full year, and have to supplement their supply with purchased corn. The article reported prices have risen in some places by 25 to 30 percent.

Vice Minister of Agriculture for Food Security César Fión has cautioned that there is no crisis yet, and noted that Guatemala enjoyed a record corn crop of 29 million quintales in 2006. If prices do rise excessively later in the year, the Government will take appropriate steps to ensure an adequate supply of reasonably priced corn.

Guatemala's Contingency Considerations

Guatemala's Ministry of Agriculture may take preventive measures to avoid marketing distortions due to the situation in Mexico, increased U.S. demand for ethanol feedstock, and local and regional speculation. Guatemalan authorities are confident that local production will meet demand as in the past. Price increases do not reflect lower offerings, as the main distribution centers (Terminal and 21 Calle) are full. Officials do not expect higher prices, either, as main production areas (Petén, Alta Verapáz, Izabál and Quiché) supply the local market between March and May. Their main concerns focus on contraband to Mexico and other countries that may offer better prices.

The Ministry of Agriculture's Basic Grains Program is currently evaluating the following strategies:

- Increasing production area to increase supplies during critical months (July-September)
- Promote and support corn production and expansion in Petén in collaboration with private companies.
- Production incentives, diversification (soy production), technology transfer for feed production (palm oil addition), opening market for imports (quota increase), control of exports to the region.

On February 21, 2007, Prensa Libre reported that the National Coordinating Committee for Producers of Basic Grains (CONAGRAB) has asked to rent government silos and guarantee supplies. The government silos had been managed by the National Institute of Agricultural Commercialization, but were closed down in 1996. The silos in question could hold up to 29,000 MT.

CONAGRAB General Manager, Carlos Herrarte, has met with Guatemala's livestock and snack food industries to promote their use of domestic corn, following the September harvest. This proposal met a positive reception, since the rising prices of imported corn have led to increases in operating costs of 15-20%. However, the livestock and food industries are concerned about whether national product will meet their quality and volume requirements.

Background

Yellow Corn

Yellow corn makes up about one-fifth of total Guatemalan corn production. It is a preferred staple food in a smaller area to the south, and is also used in animal feed. The vast bulk of U.S. corn exports to Guatemala are U.S. #2 Yellow Corn, used mostly for feed but also for snack foods and breakfast cereals. The U.S. supplies almost 100 percent of Guatemala's import needs. Guatemala's imports from the U.S. have increased an average of 12 percent annually due to increasing local demand. The CAFTA-DR TRQ for yellow corn was set at 525,000 MT in 2005, with a 25,000 MT annual increase, and a parallel 3.5% annual tariff decrease. A total of 638,600 MT tariff-free is available for 2007, 88,600 MT from WTO quota and 550,000 MT from CAFTA-DR quota. Guatemala is also increasing its exports of processed animal feed; exports skyrocketed from 13 MT in 2005 to 57,000 MT in 2006.

Import prices between January and November 2006 were roughly \$146/MT, closing at \$163/MT at the end of 2006. Meanwhile, local yellow corn prices reported in 2006 in the production sites averaged Q 95/qq (\$124/MT), compared to the 2000-06 high of Q 64/qq (\$84/MT). At wholesale, the first week of February 2007 opened with Q 110/qq (\$144/MT) and increased to Q 115/qq (\$150/MT) by the second week (UPIE, MAGA, Press Release February 17, 2007).

White Corn

White corn makes up some 80 percent of Guatemala's total corn production. White corn and black beans are traditional staple foods among rural populations, and are extremely sensitive commodities in the public consciousness. Corn production has been increasing an average of 1,100 MT per year through 2005/06. Production for 2005/06 was 1,489,604 MT. This increase corresponds to higher productivity associated with improved availability and distribution of local certified seed, and micro-financing opportunities for small farmers in order to buy fertilizers.

Average annual imports for white corn for 2000-2004 were about 48,000 MT. Imports increased to 77,577 MT in 2006 (50% above previous year). Calendar year imports as of November 2006 had already reached 79,963 MT, according to Banco de Guatemala statistics. The United States is the main supplier of white corn, as well as the main buyer for Guatemala's exports of white corn, which reached 4,566 MT in 2006. The CAFTA-DR TRQ for white corn is 20,400 MT, increasing 400 MT annually. Guatemala's white corn exports show an 8% increase, compared to 17% increase for white corn imports, mainly demanded by the flour industry. Import prices between January and November 2006 were \$140/MT, closing at \$151/MT by the end of 2006. In the local market, grain warehouses are paying Q 92/qq (\$120/MT) in February 2007, a price that had not exceeded Q 62/qq (\$81/MT) in the 2000-2006 period. Mid-February wholesale prices reached Q 112/qq (\$146/MT), almost 30% above average prices for 2000/6.