




Prepared by:
U.S. Embassy Guatemala

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Market Brief - Product

Guatemala : Chocolate & Candy

Market in Guatemala

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Guatemala City, Guatemala

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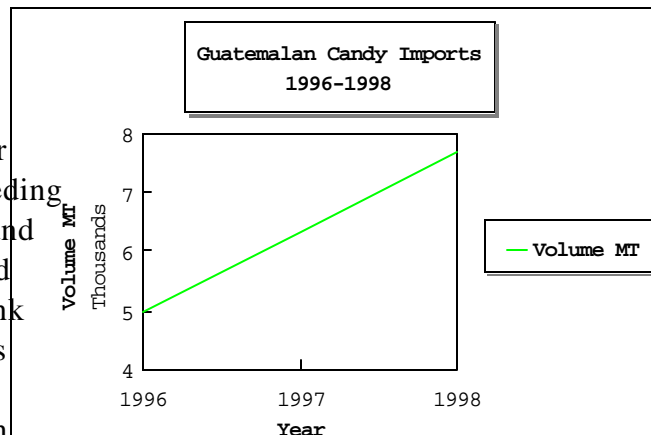
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Executive Summary

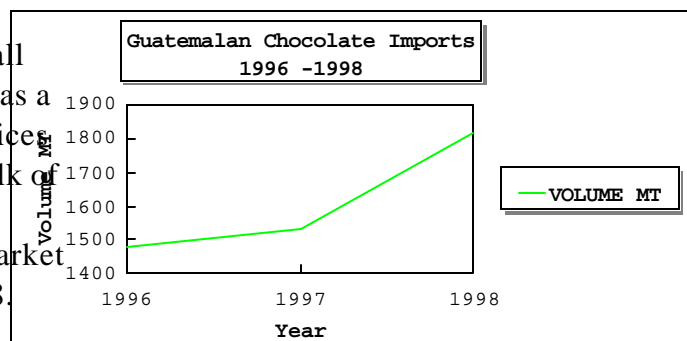
The Guatemalan overall chocolate and candy market has grown 18% in value from 1997 to 1998, due to an increase in demand, a more efficient distribution system and improved customer service. Price is the most important factor in consumer purchasing decisions for these products. Children are the major consumers of candies and chocolates and they account for 44% of the population of Guatemala. Local producers and importers are trying to cope with smuggled products which are creating a difficult competitive situation in the market. Imported chocolate and candy products are considered to have better taste and quality; however, their higher price limits the market. Such products can be found in grocery stores, drugstores, convenience stores and shopping malls.

The Market

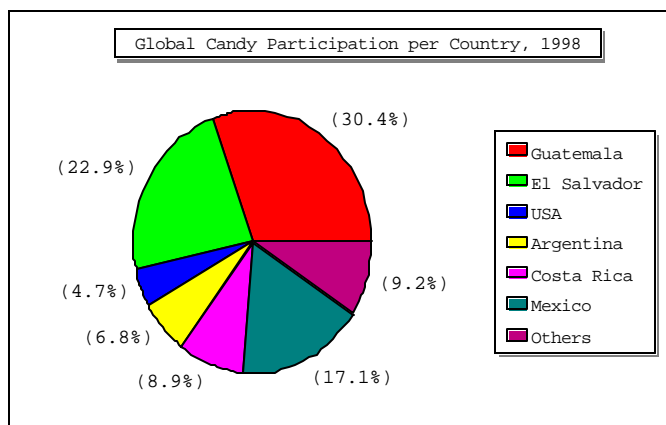
The chocolate and candy markets in Guatemala have grown over the past four years, with import growth slightly exceeding overall growth. 20% of the chocolate and candy products are produced locally and 80% are imported. According to the Bank of Guatemala the value of candy imports increased 25% over the past year, from \$10,055,257 in 1997 to \$12,574,525 in 1998. Chocolate imports grew 12% from \$3,606,718 in 1997 to \$4,056,485 in 1998. The urban per capita consumption of candy in 1998 was estimated at 1.25 kg/year and 0.42 kg/year for chocolate, a 17% and 9.5% increase, respectively, over 1997. Rural per capita consumption is somewhat lower; but increasing as more product reaches the market. Chocolate and candy sales reach their peak during the holiday season which begins in September and ends in January.



The chocolate market is relatively small compared to the candy market which has a wide variety of candy choices at all price levels, allowing people from every walk of life to buy them. The United States increased its share of the chocolate market from 5.1% in 1997 to 28.4% in 1998. U.S. participation in the candy market grew from insignificant to 4.7% in 1998.



The Mexican share of registered chocolate imports fell from 26.4% in 1997 to 4.5% in 1998 while the

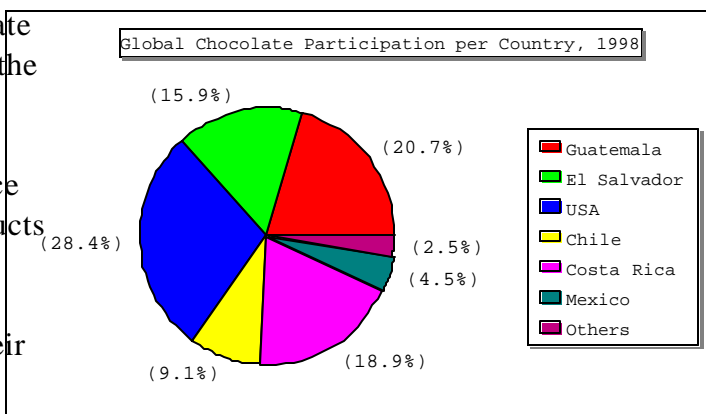


share of the candy market grew from 14.3% in 1997 to 17.1% in 1998. It has been estimated that 85% of the Mexican products are brought into Guatemala illegally. These products can be sold cheaper than local and imported products, creating a difficult competitive situation. The majority of these smuggled Mexican products are of poor quality. Generally they are not inspected by the Ministry of Health and many would not meet the standards. Chilean, Colombian, Argentinean and American chocolate and

candy products are highly regarded because of their quality.

The majority of the imported chocolate and candy products are consumed by the middle and higher income classes. Although the quality of imported products is better, the price difference between the local and imported products can be as much as 66%.

An advantage for importers is that their cost of advertising in Guatemala is relatively low. Imported products are



being advertised on U. S. cable television which serves as a springboard for many purchases. In addition to that, some importers and local producers advertise their products on the radio and on local children's T.V. shows. Children constitute 90% of the candy market and children and teenagers make up 75% of the chocolate market. Since children represent 44% of the total population, and with a national population growth rate of 2.9 percent, this segment of the market is not only important now but also an indication of the growth potential.

Recently, the chocolate and candy market have experienced difficulties trying to cope with the influx of smuggled products which are sold cheaper than the cost of production for local producers and importers. Local producers are trying to produce more and introduce efficiencies so that they can lower the cost of production. The cost of materials, most of which are imported, constitutes one of the major problems for producers. Producers buy their raw material abroad- Mexico, Austria, USA, etc - because of the poor quality of local raw materials.

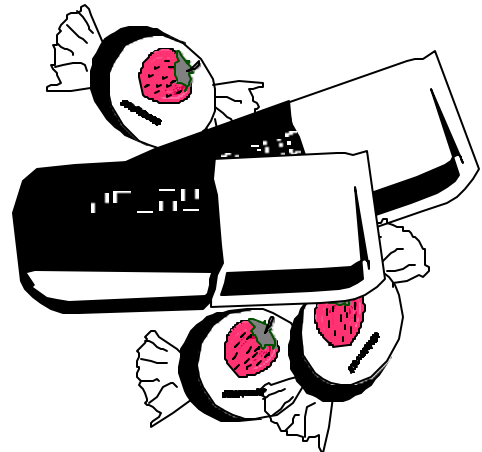
There are five types of chocolate produced in Guatemala:

- (1) Chocolate bar: milk chocolate, rice crispy chocolate, bitter chocolate.
- (2) Chocolate for industrial use (powder) used in : pastry, ice-creams, cookies, bakery.
- (3) Chocolate cover: chocolate milk, bitter, white chocolate.
- (4) Fast drying chocolate, for industrial use only.
- (5) Cocoa

Importers have been successful in acquiring a bigger share of the market every year because of their well organized distribution systems and their client service. As an example, one candy importer gave all their customers little display houses where the product is exhibited. These stands are set up on street corners as well as in small stores. Once a week a person from the company comes and cleans the display house. The company's sales have gone up since the new marketing strategy was introduced because of the appeal of buying from a clean and fresh source. Many importers entering the market are seeking to have higher sales by bringing in lower priced candies which will sell in larger volumes. For example, gum represents the product that has the highest sales because of its low price. (5 pieces of gum can be bought with 0.04\$).

Profile of Chocolate and Candy Market

1. 65% Gum !
2. 12% Bonbon and Chocolate Candy !
3. 10% Cocoa Products !
4. 9% Lollipops !
5. 2% Candies (coffee and milk) !
6. 1% Jelly Candies !
7. 1% Chocolate Cover (liquid) !



Legal Requirements

Confectionary products are subject to an import duty and a sales tax. The table below shows the charges imposed on confectionary products and the proposed schedule for duty reductions.

	DUTY	SALES TAX	TOTAL
1997	20%	10%	30%
1998	17%	10%	27%
1999	15%	10%	25%

The Ministry of Health requires the following procedures in order to import chocolates and candies.

- C Fill in an application
- C Submit the sanitary license provided by the Ministry of Health.
- C Certificate of Free Sale.
- C Declaration of the nutritional components of the products.
- C The product must have its original label with all the information translated into Spanish including:
 - * Name of the product
 - * Name of the manufacturer or packing company.
 - * Origin.
 - * List of ingredients.
 - * Lot number.
 - * Expiration date.
 - * Net content.
 - * Sanitary registration number.

Constraints

In general the Guatemalan market is ruled by price because of the public's limited purchasing power. Other factors that have affected the chocolate and candy market were the unstable political and monetary situation. Both of these have stabilized in recent years. Poor storage conditions and a relatively humid ambient air leads to losses in some raw material - cacao, sugar, fat- raising the cost of production. As a consequence, prices go up and sales, which are highly price dependent, decrease. Few supermarkets or small stores have temperature control so product on the shelf also suffers quality losses. At the lower end, chocolates and candy products also have somewhat of a reputation as an inferior good. When the price of fruit decreases people tend to buy more fruit than candies. Furthermore, the smuggled products from Mexico have enforced this inferior image while creating a more difficult competitive market for higher quality candies and chocolates.

Distribution

Almost all importers work under exclusive arrangements with foreign suppliers. The vast majority of importers have their own distribution network in major urban areas and sell directly to wholesalers, retail outlets, drugstores, convenience and grocery stores. The rural area represents an important market for the importers who are interested in expanding sales, especially of lower priced candies. Unlike most consumer products, candy suppliers have been able to move their products in about 85% of the rural area. Almost every company that wants to expand its share in the market its focusing its sales in rural areas. The following lists provide the major

producers/importers/distributors in Guatemala. *These lists are furnished with the understanding that no discrimination is intended and no guarantee of reliability is implied.*

Major Producers

PETER PAN

Contact: Mr. Jorge L. Cabrera A./Ing. Raúl Eduardo Pineda

Phone : (502) 230-6126

Fax: : (502) 253-1860

BEST DE GUATEMALA

Contact: Mr. Samuel Picciotto

Phone : (502) 471-6544

Fax : (502) 471-5735

NIASA

Contact: Ing. Jorge Cruz/ Ing. Salvador Saffie

Phone : (502) 473-1390

Fax: : (502) 473-1975

PRODUCTOS SHARP

Contact: Ing. Pedro Hugo García

Phone : (502) 256-0417

Fax : (502) 256-4286

FABRICA VENUS

Contact: Ing. José Zaror/ Ing. Eduardo Weyman

Phone: (502)230-1044

Fax : (502) 251-2592

FABRICA LA GRECIA

Contact: Ms. Irini Papahiu

Phone : (502) 476-1034

Fax: : (502) 476-1032

PRODUCTOS GLORIA

Contact: Ing. Rodolfo Barrios

Phone : (502) 232-3626
Fax: : (502) 232-8304

CONFITERIA LA TOPICAL II

Contact: Mr. Gerardo Araneda
Phone : (502) 471-3585
Fax : (502) 471-9842

LA SULTANA

Contact: Ing. Julio César Carrillo
Phone : (502) 331-5930
Fax: : (502) 332-0639

FABRICA GRANADA

Contact: Mr. Gilberto Saenz
Phone : (502) 331-5930
Fax: : (502) 334-4047

ALEXA

Contact: Lic. César Mishaan
Phone : (502) 220-2371
Fax: : (502) 232-0891

FABRICA DE CHOCOLATES GUERRERO

Contact: Mr. Hugo Rolando García Guerrero
Phone: (502) 251-4116

Major Importers

KRAFT

Contact: Ms. Herena Cao

Phone : (502) 448-1003/0992

Fax: : (502) 448-0154

NINOSKA

Contact: Licda. Ana Grace López

Phone: (502) 473-1234

Annex I**CANDY BRANDS PER COUNTRY**

Country	Brand	Country	Brand	Country	Brand
México	Vero	México	Alteño	Ecuador	Confiteca
	Montes		Fanely	Chile	Ambrosoli
	Beny		Fresky		Ritmo
	Shuff		Ricolino	Argentina	Arcor
	Ilusión		R. Latino- americana		Stani
	Santuario		Payaso	Colombia	Colombina
	Alemana		Corona	Guatemala	Venus
	Bremen		Liz		Ayco
	Albert		Usher		San José
	Napolitan		Tito Rico		La Grecia
	Nieves		Circo		Niasa
	Aguitas		Lorena		Villagrán
	De la Rosa		Cupi		Azurri
	Chewy Candy		Cliper		Macario
	Karla		Douglas		Tropical I
	Cherries		Yama		Tropical II
	Super Mint		M.G.		Dupis
	Tutsi Pop		Fans		Pepitos
	San Jorge		Norte		Pepitos

	Joya	Honduras	Venadito		Macario
	Canelas	Cuba	Confitel		Hausser & Moes
	Kipi	Costa Rica	Sugus		Sultana
	Sonricks		Peruginna		Salvavidas
	Gansito		Willy		Adams
	Vaquita		Ballons		
	León	El Salvador	Diana		
	Mejicano		Capriccio		
	Lapaya		Delicia		
	Dinos		Piaccere		

Annex II**CHOCOLATE BRANDS PER COUNTRY**

Country	Brand	Country	Brand
México	Ricolino	USA	M & M
	Kit Kat		Harricks
	Diablo		Hersheys
	Carlos V	Chile	Dos en Uno
	Bocadin		Costa
	Gairy		Ritmo
	Rico	Colombia	Nestle
	Nivolo	Costa Rica	Gallito
Country	Brand	Country	Brand
	Choco Vrek	Guatemala	Best
	Cabadas		Bandido

	Mars		Maya
	Bicere Cremino		Rony
	De la Rosa		Negro
	Duvalin		Hausser & Moes
	Barcel		Sharp
	Osito		La Grecia
	Miky Way		Granada
	Corona		Quacker
	Hobby	El Salvador	Delicia
	Leaf		Nucita
USA	Twins	Honduras	Choco Max
	Kindex		
	Neilson		
	Tunnocks		
	Snickers		