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Report Name: Food Service - Hotel Restaurant Institutional

Country: Guatemala

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Report Highlights:

The COVID-19 pandemic had a major negative impact on the Guatemalan food service sector, mainly because many small- and medium-sized hotels and restaurants had to suspend or reduce their operations. Economic analysts estimate that by the end of 2020, sales in the tourism and restaurant sector will be down 9.6 percent. The food and beverage sector in Guatemala represents 5 percent of total GDP, and accounts for approximately \$138 million in annual economic activity

MARKET FACT SHEET: GUATEMALA

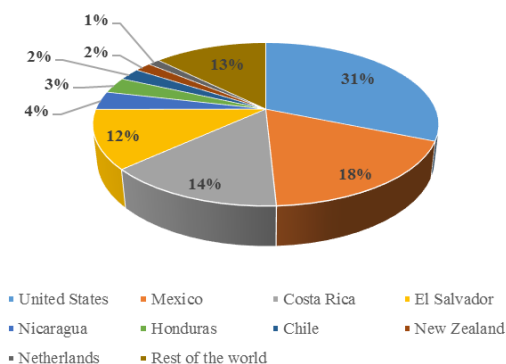
Executive Summary

Guatemala has the largest population in Central America with nearly 15 million inhabitants. It is the horticultural hub of Central America. The United States is Guatemala's largest trading partner, and Guatemala is a net importer. After 14 years of the Dominican Republic-Central America Free Trade Agreement (CAFTA-DR), almost all U.S. agricultural products enter duty free and nearly all remaining tariffs will be eliminated over the next two years. The United States is the largest agricultural product supplier to Guatemala, accounting for 42 percent of the market.

Imports of Consumer-Oriented Products

Around 31 percent of consumer-oriented agricultural products imported to Guatemala are from the United States, followed by Mexico with 18 percent, Costa Rica with 14 percent, and El Salvador with 13 percent. In 2019, Guatemala imported \$1.8 billion from the world and \$567 million from the United States.

Guatemala Consumer-Oriented Products Imports from the World 2019



Food Processing Industry

The food processing industry is divided into different sub-sectors, led by non-alcoholic beverages and preserved foods. These two sub-sectors represent 40 percent of total national production, followed by baked goods, which account for 15 percent of total processed product exports. Guatemala is a major importer of raw materials and ingredients for food processing. The United States offers consistent and high-quality ingredients for Guatemala's food processing industry.

Food Retail Industry

The retail sector in Guatemala is dominated by three supermarket chains: Walmart, La Torre, and Pricesmart. These supermarkets mainly target middle and high-income consumers. However, there are still many opportunities in the retail sector. Only 30 percent of food sales are in supermarkets. Other consumers still rely on open-air markets and corner stores.

Quick Facts CY 2019

Imports of Consumer-Oriented Ag Products from the U.S.: **\$567 million.**

List of Top 10 U.S. consumer-oriented products in Guatemala (million \$):

- | | |
|--------------------------------------|----------------------------------|
| 1) Poultry Meat & Products (\$132.4) | 6) Prepared Foods (\$35.1) |
| 2) Dairy Products (\$59.9) | 7) Wine & Beer (\$29.5) |
| 3) Pork & Pork Products (\$59.7) | 8) Fresh fruits (\$25.3) |
| 4) Processed Vegetables (\$41.2) | 9) Snack foods (18.9) |
| 5) Beef & Beef Products (\$36.9) | 10) Condiments & Sauces (\$17.6) |

Guatemalan Ag imports from the U.S.: \$1.3 billion

Guatemalan Ag exports to the U.S.: \$2.1 billion

Population (millions): 15

GDP (USD): \$138.3 billion - GDP per capita (USD, PPP): \$4,535

Top Retailers in Guatemala:

- | | | |
|---------------|-----------------------|-------------|
| 1. Walmart | 4. Tiendas del Barrio | 7. Super 24 |
| 2. Unisuper | 5. La Barata | |
| 3. Pricesmart | 6. Save A Lot | |

Strengths	Weaknesses
Fast-food restaurants require specific quality standards in the ingredients used for their menus; this stimulates imports of value-added products to meet these high standards.	Uncertainty about Customs policies and procedures can result in delays, fines, or denial of preferential tariff treatment.
As Guatemalan consumers become more sophisticated, opportunities for higher quality products increase.	Other Central American countries and Mexico export products at competitive prices with lower shipping costs.
The number of restaurants in Guatemala is approximately 25,000 nationwide.	Guatemala is a price-sensitive market and this could reduce loyalty to brands in times of economic difficulty.

Source: BICO, Trade Data Monitor

SECTION I. MARKET SUMMARY

Guatemala is the largest country in Central America with approximately 15 million inhabitants, and is a net importer in world trade. It is the horticultural hub for Central America. The United States is Guatemala's largest trading partner; U.S. exports of consumer-oriented agricultural products to Guatemala totaled a record \$567 million in 2019. The Dominican Republic-Central American Free Trade Agreement (CAFTA-DR), signed 14 years ago with the United States, has had a positive impact on bilateral trade, and almost 98 percent of U.S. products have no import tariffs, with the remaining tariffs scheduled to be eliminated in two years.

Guatemala represents a great opportunity for the foodservice industry as most of the population is young and is very familiar with imported food products. The food and beverage (F&B) sector in Guatemala accounts for 5 percent of total GDP, with some 1,200 active companies. The F&B sector generates more than 110,000 direct jobs at food processing companies and in the hospitality industry, and approximately 600,000 indirect jobs in the informal economy. According to the International Labor Organization, in Guatemala it is estimated that around 3.5 million jobs could be lost during the COVID-19 pandemic, including workers in the F&B sector. The food and beverage industry presents promising opportunities for new products sought by health-conscious consumers, or products designed for consumers who require specialty foods for medical purposes or specific nutritional or dietary needs. The Guatemalan market is constantly adapting as consumers follow food trends that are popular in other countries around the world.

Since the beginning of COVID-19 in Guatemala, some new business opportunities have appeared in the food service sector. As sales to hotels and restaurants decreased, many companies began supplying imported food products to small businesses who initiated food delivery services to consumers. As of May 2020, food delivery apps reported a 30 percent increase in use of their services since March, and the demand has continued growing. The government's curfew and movement restrictions forced the restaurant industry to adapt and make changes to their business operations. Beginning in March 2020, restaurants began offering many more home delivery services, readymade meals, and meals designed to be quickly re-heated and served at home. Technology plays a main role in publicizing these services, and social media channels are making it possible for restaurants to continue operating and have the capacity to serve their customers, even as social distancing policies require a 50 percent reduction in dine-in capacity. The top on-line food delivery apps available in Guatemala are: Glovo, Hugo, and Uber Eats.



Fast food restaurants that already had the home-delivery option for their customers were able to continue operating even during the stricter curfew times. Some of the small and medium size restaurants were negatively impacted because they couldn't provide home delivery or offer readymade meals or cooking boxes, and therefore, had to close either temporarily or permanently.

As the workforce returns to normal work schedules and workers need to eat while away from home, fast food restaurants and informal dining places are now offering office-delivery services. The informal dining places are generally small family-owned cafeterias and street food vendors who offer products like grilled hot dogs to go. These vendors offer additional options for breakfast or lunch away from home. Fine dining is mostly for middle and high-income consumers, and these restaurants have the highest demand during the weekends or when people celebrate special occasions like birthdays, Valentine's Day, Mother's Day, etc.

Guatemala is a popular tourism destination for international travelers, and according to the Guatemalan Tourism Institute (INGUAT), approximately 2.5 million tourists visited Guatemala in 2019, generating more than \$1.2 billion in economic activity. For 2020, INGUAT expects that fewer than 846,321 visitors will travel to Guatemala, a 67 percent year over year decrease. The Guatemalan international airport was closed for almost 6 months and hotels are expecting to serve primarily domestic tourists during the last quarter of 2020.

In 2019, the hotel sector had to increase the number of rooms available to meet tourist and business traveler demand. Guatemala has also become an international wedding destination, and in 2019, INGUAT presented a six-year marketing plan to increase the number of travelers under this category. The plan includes the promotion of wedding plans that can accommodate a wide variety of budgets, from less than \$35,000 to over \$150,000. Obviously, this trend was interrupted by the pandemic.

ADVANTAGES	CHALLENGES
As Guatemalan consumers become more sophisticated, opportunities for higher quality and specialty products increase.	Guatemala is a price sensitive market, and this could affect loyalty to brands in times of economic difficulty.
Fast-food restaurants require specific quality standards in the ingredients used for their menus; this requires importing more value-added products to meet international standards.	Uncertainty with Customs policies and procedures that can result in delays, fines, or denial of preferential tariff treatment.
Businesspeople eat out at least two meals a day due to long working hours, commute distances, and traffic.	Informal and family owned restaurants offer businesspeople meals when eating out from home; however, these restaurants usually purchase local ingredients rather than imported products.

Local supplies of many products are inconsistent, creating opportunities for U.S. products that offer a consistent supply.	There is limited infrastructure. Maintaining the cold chain for perishable products is a challenge during transit.
Health concerns and consumer preferences are opening the market for health foods and organic products.	Lack of knowledge about organic products limits consumption to a niche market.
The growing food processing industry is looking for new and better food ingredients for bakeries, deli meats, beverages and snacks.	Mexico, Costa Rica, and El Salvador can supply the local demand for raw materials for the processing industry, and are competitive with the United States.

SECTION II: ROAD MAP FOR MARKET ENTRY

A. Market Entry Strategy

The Guatemalan Government (GOG) welcomes foreign investment and generally places few legal or regulatory restrictions on foreign investment. Guatemala represents a growing market for U.S. companies and is a country with relative stability, strategic geographic access to the region on both the Atlantic and Pacific Oceans, and proximity to the United States. Except for fast-food restaurants, most hotels and restaurants buy products from different food suppliers. Since Guatemala is a horticultural exporter, the HRI sectors prefer to buy fruits and vegetables from local growers. For other products, the HRI sector relies on imported products to satisfy the demand, especially for those restaurants and hotels that specialize in international cuisine. A few examples of these products are fine meat cuts, wines, seafood, and frozen fruits and vegetables.

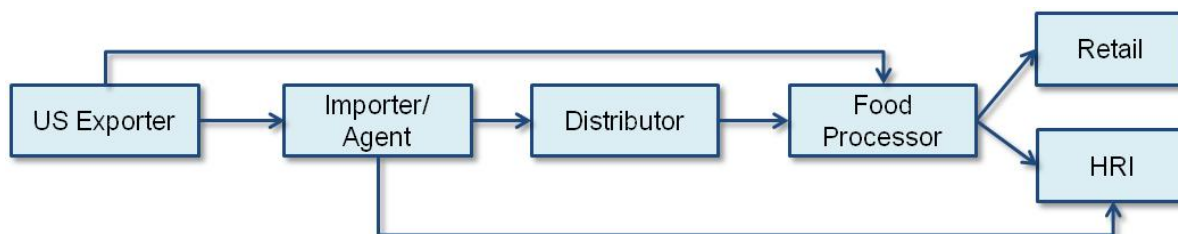
The key to the success in entering the Guatemalan market is to try to match local prices with higher quality U.S. products, as this is a price-conscious market. At major international hotel chains, the Executive Chefs and the General Managers usually make purchasing decisions for the Food and Beverage Divisions. These hotels have international cuisine promotions and include many imported food products that are used as ingredients for the preparation of specialty menus.

U.S. food exporters that want to enter the Guatemalan market may contact local food importers/agents/distributors directly depending on the type of product. Most of the foodservice importers supply hotels and restaurants in Guatemala City and the rest of the country. Hiring a distributor is sometimes the easiest and fastest way to enter the market, particularly if the distributor is already supplying other imported products throughout the country. The Foreign Agricultural Service (FAS) office in Guatemala City maintains a list of companies that represent or distribute U.S. products in Guatemala. The office also has ongoing activities that provide opportunities to meet the Guatemalan trade.

U.S. suppliers that want to enter the country must comply with local regulations for imported products to avoid problems when importing products. For further information on these regulations, please refer to FAIRS Report 2020 <https://gain.fas.usda.gov/#/search>

B. MARKET STRUCTURE

The following is an overview of the distribution channel for imported products to the HRI:



Food processors also play an important role in U.S. raw material/ingredient imports since they also supply the HRI sector. The local food processing companies usually have their own distribution channels for wholesalers, retailers, and the HRI sector.

Hotels and Restaurant Sectors

Hotels

The international hotel chains in Guatemala have at least one restaurant that is open to the public; and many have one fine-dining restaurant and a bistro or coffee shop. International travelers that stay in Guatemala City for business purposes usually stay from two to four nights. Most of the international hotels include breakfast in their lodging rates and therefore, most travelers eat breakfast at the hotel and have lunch and dinner at nearby restaurants.

The hotels in Guatemala purchase products through wholesalers, retailers, and at informal markets; for imported food products, they buy from importers, supermarkets, or membership stores that can offer larger quantities. Antigua Guatemala is the closest tourism destination to Guatemala City and has more than 150 hotels, of which approximately fifteen are boutique hotels. According to INGUAT, close to 70 percent of all tourists that travel to Guatemala visit Antigua.

Restaurants

Before COVID-19, approximately 25,000 restaurants operated in Guatemala, including 25 U.S. food franchises, local cafeterias, and formal dining restaurants. These restaurants require raw materials and ingredients for the preparation of menus. Some use local products (mostly for fruits & vegetables) but the majority import their products to comply with international quality standards and franchise agreements. These restaurants import either directly or through a distributor.

Medium and high-end restaurants usually have their chefs make the purchasing decisions. Typically, they offer baked goods or prepare flavored seasonings for their specialized foods to differentiate themselves from other restaurants.

While Guatemala is still under COVID-19 restrictions, restaurants are trying to expand outdoor spaces such as terraces and using tents or other temporary coverings to meet the social distancing regulations for outdoor dining. However, during the rainy season (May-October) these spaces are limited, and indoor space can only be used at 50 percent capacity. Restaurant owners are also facing additional restrictions because of the current curfew hours, which are in effect from 9:00 p.m. to 5:00 a.m.

The Institutional Market

The following sectors are important within the institutional market in Guatemala and depend on the Government of Guatemala (GOG) for food product acquisition:

- Government social programs
- Public hospitals
- Penitentiary system
- Public schools for school meals programs

Guatemalan law stipulates that the GOG must use an electronic system called Information System for Contracting and Acquisitions for the Government, also known as GUATECOMPRAS, for purchases and contracts when goods and contract services are higher than \$161,000. The main objective of GUATECOMPRAS is to provide 1) transparency for the purchasing or contracting of services and goods; 2) efficiency by reducing costs and number of declines to potential suppliers during the bidding process; 3) protection against monopoly, which is an open process that is accessible to small and medium companies or foreign suppliers. The GOG requires that foreign suppliers who want to bid for goods or services available through GUATECOMPRAS, must have a local representative that places the bid, and that company or person must fulfill all pre-qualification requirements. However, it is important to mention that the GOG gives preference to goods and services offered by local companies. For more information, please refer to the GUATECOMPRAS website www.guatecompras.gob.gt

III. COMPETITION

Guatemala has various free trade agreements with other countries, including the United States. It also represents 37.5 percent of total intra-regional exports to the rest of the Central American countries. The elimination of customs barriers with Honduras and El Salvador, as a result of the Customs Union among the three countries, contributes to the continued increase of Guatemalan exports to these countries. The major competitors with the United States in consumer-oriented product imports in Guatemala are Mexico with an 18 percent market share, Costa Rica with a 14 percent market share, and El Salvador with a 13 percent market share.

U.S. products that face competition from other countries in the Guatemalan market are:

Product	Country	Imports in 2019 (\$millions)	Imports from the U.S. in 2019 (\$millions)
Food preparations and misc. beverages	Costa Rica	115.1	81.5
Beer made from malt	Mexico	71.9	10.4
Dairy products	Costa Rica	61.9	47.4
Condiments and sauces	Costa Rica	38.8	24.0
Beef & beef products	Nicaragua	37.8	37.7
Non-alcoholic beverages (ex. juices, coffee, and tea)	El Salvador	33.6	14.5
Snack Foods	Mexico	29.2	7.3
Processed fruit	El Salvador	20.1	7.3
Dog & cat food	Mexico	13.1	10.3
Wine	Chile	5.0	0.9

Source: Trade Data Monitor

IV. BEST PRODUCT PROSPECTS CATEGORIES

Products present in the market which have good sales potential	Not present in significant quantities, but which have good sales potential	Not present because they face significant barriers
<ul style="list-style-type: none"> • Beef & Beef Products • Pork & Pork Products • Poultry Meat & Products • Dairy Products • Fresh fruits (apples, grapes, pears, peaches, plums, citrus) • Processed fruits & vegetables • Snack foods • Condiments & sauces • Craft beers • Frozen potatoes 	<ul style="list-style-type: none"> • Prepared foods • Wine • Chocolate & confectionery • Soybean oil • Baking inputs, mixes & doughs • Ingredients & beverage bases • Dog & cat food • Prepared & preserved meats • Tree nuts • Table eggs and egg processed products 	<p>There are few products that are not present in the Guatemalan market due to trade barriers, but there are some sanitary and phytosanitary issues that sometimes restrict trade. Following are some examples of trade issues affecting U.S. agricultural exports to Guatemala:</p> <ol style="list-style-type: none"> 1) The denial of preferential treatment for U.S. products under CAFTA-DR due to errors when assigning HS codes in the classification of the products; 2) The denial of preferential access due to errors, mistakes, and omissions on the certificates of origin; 3) The addition of vitamins required for some imported products such as flours, salts, and sugars.

V. Main imports from the United States

**Guatemala Imports from United States
25 Top Consumer-Oriented Products
Calendar Year: 2017 - 2019**

HS Subheading	Description	January - December (Value: USD)		
		2017	2018	2019
020714	Chicken Cuts and Edible Offal (Including Livers) Frozen	100,090,626	102,254,505	111,328,943
210690	Food Preparations Nesoi	42,067,337	39,971,746	55,349,259
020329	Meat Of Swine, Nesoi, Frozen	25,748,445	28,062,365	32,586,244
200410	Potatoes, Including French Fries, Prepared Or Preserved Otherwise Than By Vinegar Or Acetic Acid, Frozen	27,177,538	29,878,357	32,082,369
020230	Meat Of Bovine Animals, Boneless, Frozen	24,341,316	23,440,906	26,900,102
040620	Cheese Of All Kinds, Grated Or Powdered	13,423,543	15,447,478	19,260,675
160249	Meat, Meat Offal Or Mixtures Of Swine, Prepared Or Preserved, Nesoi	15,030,348	14,414,395	17,213,754
210390	Sauces And Preparations Therefor, Nesoi; Mixed Condiments And Mixed Seasonings	14,345,994	14,524,967	14,799,007
040690	Cheese, Nesoi, Including Cheddar And Colby	11,177,174	14,172,441	13,913,131
080810	Apples, Fresh	11,654,746	13,967,330	13,771,781
080610	Grapes, Fresh	10,697,995	11,069,023	12,933,069
160100	Sausages And Similar Products, Of Meat, Meat Offal Or Blood; Food Preparations Based On These Products	11,040,309	10,241,176	11,706,076
220290	Nonalcoholic Beverages, Nesoi (Including Milk-Based Drinks And Nonalcoholic Beer)	10,008,357	8,643,837	11,500,297
220300	Beer Made From Malt	4,062,615	7,420,172	10,493,889
230910	Dog And Cat Food, Put Up For Retail Sale	10,322,254	9,435,260	10,351,888
190120	Mixes And Doughs For The Preparation Of Bread, Pastry, Cakes, Biscuits And Other Bakers' Wares Of Heading 1905	7,048,307	8,631,017	10,165,240
210320	Tomato Ketchup And Other Tomato Sauces	6,175,067	7,518,546	8,310,701
180690	Cocoa Preparations, Not In Bulk Form, Nesoi	7,253,863	5,938,058	8,068,267
020130	Meat Of Bovine Animals, Boneless, Fresh Or Chilled	4,555,863	7,565,782	6,738,575
160232	Prepared Or Preserved Chicken Meat, Meat Offal Or Blood, N.E.S.O.I.	3,092,542	5,491,944	6,432,663

190590	Bread, Pastry, Cakes, Biscuits And Similar Baked Products, Nesoi, And Puddings, Whether Or Not Containing Chocolate, Fruit, Nuts Or Confectionary	5,796,799	5,829,056	6,218,649
180631	Chocolate And Other Cocoa Preparations In Blocks, Slabs Or Bars, Weighing 2 Kg Or Less, Filled	7,276,925	8,258,094	5,980,772
200520	Potatoes, Nesoi, Prepared Or Preserved Otherwise Than By Vinegar Or Acetic Acid, Not Frozen	4,537,071	6,322,873	5,962,327
020322	Meat Of Swine, Hams, Shoulders And Cuts Thereof With Bone In, Frozen	3,053,515	4,592,747	5,568,455
200819	Nuts (Other Than Peanuts (Ground-Nuts)), And Other Seeds, Including Mixtures, Prepared Or Preserved, Nesoi	4,413,175	4,645,093	5,042,559
020727	Turkey Cuts And Edible Offal (Including Liver) Frozen	4,621,746	4,780,303	4,947,131

Data Source: Trade Data Monitor

SECTION VI: KEY CONTACTS AND FURTHER INFORMATION

Links to government sources:

Ministry of Agriculture, Livestock, and Food – Sanitary & Phytosanitary Import Requirements -

www.maga.gob.gt

Ministry of Economy – CAFTA-DR import tariffs - www.mineco.gob.gt

Ministry of Health- Food Control Administration - www.mspas.gob.gt

Guatemalan Tax Authority – Customs - <https://portal.sat.gob.gt/portal>

For questions or comments regarding this report, or assistance exporting to Guatemala, please contact the Foreign Agricultural Service. Importers listings are available from the Foreign Agricultural Service for use by U.S. exporters of U.S. food and beverage products.

Foreign Agricultural Service – Guatemala

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Attachments:

No Attachments