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Report Highlights:

The HRI report provides the U.S. agricultural exporters current market trends and information on the best product prospects for the Guatemalan market. Although the COVID-19 pandemic had a major negative impact on the food service industry; in 2021, this sector began to slowly recover as new business opportunities emerged with the implementation of home delivery services, sales of readymade meals, ghost kitchens, etc.

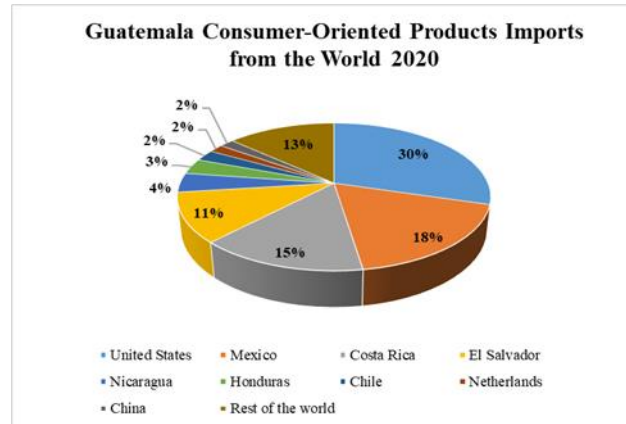
**MARKET FACT SHEET:
GUATEMALA**

Executive Summary

Guatemala has the largest economy and population in Central America, with a GDP growing 3 percent in 2021 to reach \$81.5 billion and a population of around 18.3 million. Guatemala’s economy decreased by 1.5 percent in 2020. The capital, Guatemala City, has a population of approximately 3 million and features first-class hotels and restaurants. The United States is Guatemala’s most important economic partner, accounting for nearly 40 percent of Guatemala’s trade. The Central America-Dominican Republic-United States Free Trade Agreement (CAFTA-DR) entered into force in 2006, and boosted U.S. export opportunities and diversified the composition of bilateral trade.

Consumer-Oriented Product Imports

Around 30 percent of consumer-oriented agricultural products imported to Guatemala are from the United States, followed by Mexico with 18 percent and Costa Rica with 15 percent. In 2020, Guatemala imported \$1.8 billion from the world and \$551 million from the United States.



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 the total national production, followed by baked goods (15 percent). Guatemala is a major importer of raw materials and ingredients for food processing.

Food Retail Industry

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

Quick Facts CY 2020

- Imports of Consumer-Oriented Ag Products from the U.S.: \$551 million.
- Top 10 U.S. consumer-oriented products in Guatemala (millions)
 - 1) Poultry Meat & Products (\$111.9)
 - 2) Soups and other food prep. (\$60.0)
 - 3) Pork & Pork Products (\$54.4)
 - 4) Dairy Products (\$50.0)
 - 5) Processed Vegetables (\$44.3)
 - 6) Beef and beef products (\$37.5)
 - 7) Fresh fruits (\$35.8)
 - 8) Bakery goods, cereals, and pasta (\$24.1)
 - 9) Condiments & Sauces (\$21.5)
 - 10) Meat products NESOI (\$18.0)

Guatemala total Ag imports from the U.S.: \$1.4 billion

Guatemalan Ag exports to the U.S.: \$1.9 billion

Population (millions): 18.3

GDP (USD): \$81.5 billion

GDP per capita (USD, PPP): \$8,637

Top Guatemalan Retailers:

1. Walmart
2. Unisuper
3. Pricesmart
4. Tiendas del Barrio
5. La Barata
6. Super 24

| Strengths | Weaknesses |
|--|--|
| Fast-food restaurants require specific quality standards; this stimulates imports of value-added products. | Exporters can face delays, fines, or denial of preferential tariff treatment due to Customs practices. |
| As consumers become more sophisticated, opportunities for higher quality products increase. | Neighboring countries compete on price with lower shipping costs. |
| The number of restaurants in Guatemala is approximately 25,000 nationwide. | Guatemala is a price-sensitive market. |

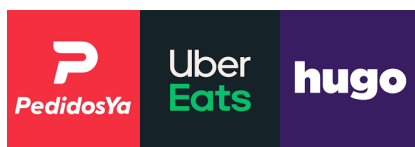
Source: Trade Data Monitor

SECTION I. MARKET SUMMARY

Guatemala is the largest country in Central America with approximately 18.3 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 \$551 million in 2020. The Dominican Republic-Central American Free Trade Agreement (CAFTA-DR), 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.

The capital, Guatemala City, has a population of approximately 3 million and features first-class hotels and restaurants. 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. 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, companies began supplying imported food products to small businesses who initiated food delivery services to consumers. The government's curfew and movement restrictions from March-September 2020, forced the restaurant industry to adapt and make changes to their business operations. Many restaurants began offering more home delivery services, readymade meals, and meals designed to be quickly re-heated and served at home. Technology played a main role in publicizing these services, and social media channels made it possible for restaurants to continue operating and have the capacity to serve their customers, even as social distancing policies required a 50 percent reduction in dine-in capacity. The top on-line food delivery apps available in Guatemala are: Pedidos Ya, 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.

| 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. |

SECTION II: ROAD MAP FOR MARKET ENTRY

A. Market Entry Strategy

The Guatemalan Government (GOG) continues to make efforts to enhance competitiveness, promote investment opportunities, and work on legislative reforms aimed at supporting economic growth. More than 200 U.S. and other foreign firms have active investments in Guatemala, benefitting from the U.S. Dominican Republic-Central America Free Trade Agreement (CAFTA-DR). The 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 fresh 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.

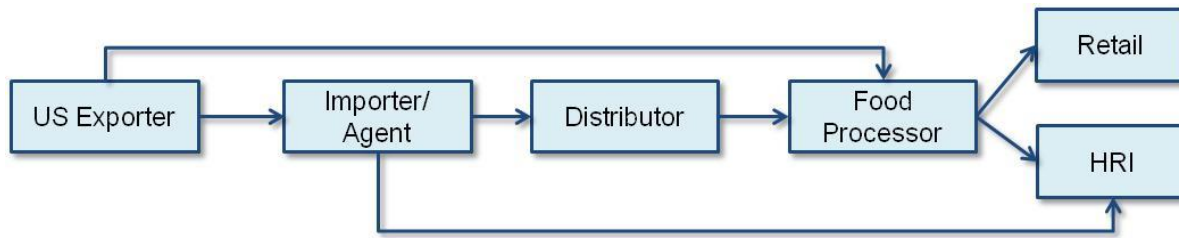
The key to the success in entering the Guatemalan market is to try to match local prices with higher quality U.S. products, as this is a price-conscious market. At major international hotel chains, the Executive Chefs and the General Managers usually make purchasing decisions for the Food and Beverage 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 mainly supply hotels and restaurants in Guatemala City but for the past five years, these companies are doing weekly deliveries to other hotels and restaurants to the interior 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 2021 <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

In 2020, five out of ten jobs were lost in the tourism sector. According to the Bank of Guatemala (Banguat), the tourism sector had a total income of \$211.7 million compared to the \$958.9 million reported in 2019. Although some of the activities have re-activated in the past few months, the tourism sector has not been able to return to the same number of visitors that Guatemala had in 2019.

Hotels were impacted not just in the decrease of the number of rooms occupied but also in the reduction of other activities such as business conventions, and social events, because of the restrictions for in-person gatherings.

All hotel chains in Guatemala have implemented many biosafety measures to comply with the guidelines established for Covid-19 and other infections, recommended by the Ministry of Health and Social Assistance (MSPAS) of the Government of Guatemala and the Guatemalan Tourism Institute (INGUAT.) Most of the travelers who are staying at hotels in Guatemala, are locals, or visitors who travel from neighboring countries such as El Salvador, Honduras, South Mexico, and the United States. Banguat projects that for the end of 2021, the total number of visitors will be around 198,000, totaling \$129.7 million in revenues.

Most of the hotels in Guatemala City have at least one restaurant open to the public; and others have in addition to their restaurant, a bistro or coffee shop. International travelers that stay in Guatemala City for business purposes usually stay from two to four nights. Many of the international hotel chains include breakfast in their lodging rates and therefore, travelers eat that meal 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

According to a study made by Deloitte, before the pandemic, the restaurant sector in Guatemala accounted for 2.5 percent of total GDP, employed 200,000 people, that worked at 18,000 restaurants; these restaurants include small and medium size restaurants, 25 U.S. food franchises, cafeterias, and formal dining restaurants. The pandemic affected the restaurant sector in different ways, depending on their size: a) some of the small and medium size restaurants had to close their operations; and others, had to change their business operations for takeout services and home delivery options; b) fast-food restaurants had the advantage that they already offered home delivery services and although in some cases, they had to close some restaurants, the majority of these restaurants remained opened; c) fine-dine restaurants had to close for the beginning of the pandemic and re-established operations around September 2020; their greatest impact was the investment they had to make to implement biosafety measures.

For all the restaurants' formats, the use of digital platforms for home delivery services, were key to maintain their businesses open.

In 2021, the Guatemalan Tourism Institute released the "Guide for Good Practices for the Prevention of Covid-19", this guide provides the rules that restaurants need to follow to prevent the spread of the virus within their employees and their clients. Some of these rules include: the reduction on the number of tables to accommodate their clients; the digitalization of menus, the implementation of constant cleaning and disinfection measures, the elimination of the use of self-service utensils at the tables, such as salt & pepper shakers, napkin holders, etc.

In Guatemala most of the restaurants purchase their ingredients from local suppliers; supermarkets, and wet markets (specially to purchase, herbs, and fresh fruits & vegetables.) However, the franchises, and high-end restaurants, import most of their ingredients 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 cook their own baked goods or prepare their own flavored seasonings, 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. During the rainy season (May-October), outdoor 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 law that prohibits restaurants to sell alcoholic beverages from 9:00 p.m. to 5:00 a.m.

A new trend on the restaurant sector is the Ghost Kitchens which is a new strategy that supports those restaurants that offer food preparation operations with no waiters, no dining room, and no parking lot; meaning they do not have public presence. This new trend began in Guatemala in April 2021 through the platform known as Monkey Foods. The type of cuisine offered includes different types of foods:) Wingit (chicken wings), Casa Molino (horchata and pupusas); and Tacarbon (Mexican foods.) It is expected that by the end of 2021, Guatemala will have 5 different restaurant options including Saibashi (sushi), and Carne Calle (hamburgers.) This new food delivery service will generate at least 150 new direct jobs from the five restaurants. <https://monkey-foods.com/#about-us>



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, because 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 15 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:

| Guatemalan imports in 2020 | | | | |
|---|--|----------------------|--|---|
| U.S. Competitors - Top 10 Consumer Oriented Products | | | | |
| Product | World Imports (\$ millions) | Main Supplier | Exports to GT (\$ millions) | U.S. Exports to GT (\$ millions) |
| Dairy products | 296.9 | Costa Rica | 65.7 | 50 |
| Soups and other food preparations | 279.3 | Costa Rica | 106.4 | 60.1 |
| Bakery goods, cereals, and pasta | 224.3 | El Salvador | 67.7 | 48.4 |
| Non-alcoholic beverages (ex. juices, coffee, and tea) | 110.9 | El Salvador | 33.2 | 14.5 |
| Condiments and sauces | 100 | Costa Rica | 41.6 | 21.5 |
| Beer | 67.7 | Mexico | 51.3 | 14.1 |
| Processed fruit | 61.3 | El Salvador | 15 | 7.5 |
| Chewing gum and candy | 44.6 | Mexico | 14.8 | 3.6 |
| Dog and cat food | 35.2 | Mexico | 15.5 | 9.9 |
| Distilled spirits | 18.4 | United Kingdom | 10.7 | 0.8 |

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. |

Guatemala Imports from United States
Consumer-Oriented Products
Calendar Year 2018-2020

| Description | January - December (Value: USD) | | |
|--|---------------------------------|----------------|----------------|
| | 2018 | 2019 | 2020 |
| bakery goods, cereals, & pasta | \$ 25,553,487 | \$ 26,008,807 | \$ 24,101,653 |
| beef & beef products | \$ 33,645,072 | \$ 37,789,178 | \$ 37,508,236 |
| beer | \$ 7,420,172 | \$ 10,493,889 | \$ 14,160,751 |
| chewing gum & candy | \$ 4,813,665 | \$ 4,734,722 | \$ 3,692,351 |
| chocolate & cocoa products | \$ 17,615,150 | \$ 17,621,418 | \$ 16,425,903 |
| coffee, roasted and extracts | \$ 595,784 | \$ 739,170 | \$ 1,037,780 |
| condiments & sauces | \$ 23,092,197 | \$ 24,058,169 | \$ 21,550,426 |
| dairy products | \$ 43,959,616 | \$ 48,511,951 | \$ 50,009,804 |
| distilled spirits | \$ 1,330,609 | \$ 1,821,253 | \$ 837,285 |
| dog & cat food | \$ 9,435,260 | \$ 10,351,888 | \$ 9,950,137 |
| eggs & products | \$ 555,327 | \$ 1,167,333 | \$ 3,964,293 |
| fresh fruit | \$ 29,795,931 | \$ 32,117,336 | \$ 35,813,391 |
| fresh vegetables | \$ 1,447,156 | \$ 3,212,542 | \$ 3,447,014 |
| fruit & vegetable juices | \$ 2,644,052 | \$ 2,142,289 | \$ 1,494,880 |
| meat products nesoi | \$ 15,856,051 | \$ 16,715,907 | \$ 18,015,076 |
| mfg. tobacco | \$ 127,879 | \$ 96,121 | \$ 78,827 |
| non-alcoholic bev. (ex. juices, coffee, tea) | \$ 14,297,536 | \$ 17,162,149 | \$ 14,458,475 |
| nursery products & cut flowers | \$ 635,873 | \$ 807,877 | \$ 617,460 |
| pork & pork products | \$ 50,627,834 | \$ 58,447,929 | \$ 54,471,721 |
| poultry meat & prods. (ex. eggs) | \$ 119,040,232 | \$ 131,645,490 | \$ 111,933,138 |
| processed fruit | \$ 7,674,893 | \$ 7,348,274 | \$ 7,481,987 |
| processed vegetables | \$ 47,125,159 | \$ 49,975,015 | \$ 44,340,250 |
| soup & other food preparations | \$ 41,204,420 | \$ 57,123,207 | \$ 60,078,506 |
| spices | \$ 864,993 | \$ 774,993 | \$ 885,967 |
| tea | \$ 944,498 | \$ 3,229,159 | \$ 3,297,088 |
| tree nuts | \$ 7,314,028 | \$ 7,337,429 | \$ 9,551,079 |
| wine & related products | \$ 2,259,211 | \$ 1,491,863 | \$ 1,809,458 |

Source: Trade Data Monitor

SECTION V: 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