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Report Name: Food Processing Ingredients

Country: Guatemala

Post: Guatemala City

Report Category: Food Processing Ingredients

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Report Highlights:

Guatemala is one of the top food processing countries in Central America. U.S. suppliers have a good opportunity to export bulk commodities and raw materials for further processing in Guatemala's food industry. In 2020, Guatemalan export sales of processed foods to the world were $2.9 billion, and despite the pandemic, the food and beverage sector in Guatemala increased its exports by 2.8 percent from 2019. This sector represented 3.8 percent of total GDP.

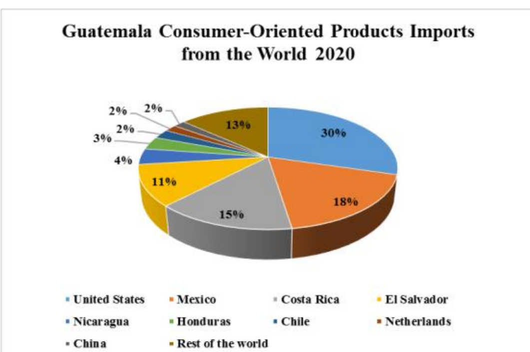
MARKET FACT SHEET: GUATEMALA

Executive Summary

Guatemala has the largest population in Central America with an estimated 17 million inhabitants. Per capita GDP was $4,619 in 2019, but income distribution is highly skewed. Except for agricultural products, Guatemala is a net importer in world trade. Guatemala is one of the top food processing countries in Central America, and domestic brands offer a variety of products that include shelf-stable and frozen ready-to-eat foods.

Imports of Consumer-Oriented Products

The food and beverage processing industry represented 21 percent of total exports to the world with a value of $1.85 billion in 2020. U.S. agricultural exports to Guatemala play an important role in this industry for raw materials for the elaboration of processed products in the domestic market for export. In 2020, Guatemala imported $551 million of U.S. consumer-oriented agricultural products.



Source: Trade Data Monitor

Food Processing Industry

Guatemala's food industry comprises more than 1,200 food-processing companies dedicated to manufacturing food and beverage products. Approximately 500 companies are small companies with less than 20 employees. These companies supply the domestic market and mainly export to other Central American countries and the United States.

Quick Facts CY 2020

Imports of Consumer-Oriented Products from the United States: $551 million.

List of Top 10 U.S. Consumer-Oriented Products in Guatemala / value in $million:

1) Poultry Meat & Products (exc. eggs) / ($112)
2) Soup and other food preparations / ($60)
3) Pork & Pork Products / ($54.5)
4) Dairy Products / ($50)
5) Processed Vegetables / ($44)
6) Beef & Beef Products / ($37.5)
7) Fresh Fruits / ($36)
8) Bakery goods, cereals & pasta / ($24)
9) Condiments & Sauces / ($21.5)
10) Meat products / ($18)

Processed Foods Sector:

Guatemala exports to the world: $2.9 billion
Guatemala imports from the world: $1.8 billion
Guatemalan imports from the United States: $455 million
Guatemalan exports to the United States: $277 million

GDP/Population:

Population (millions): 17
GDP (billions USD): $143
GDP per capita (USD): $4,619

Sources: Trade Data Monitor / CIA – The World Fact Book
Bank of Guatemala

Strengths	Weaknesses
Local processors use imported ingredients to increase their production capacity.	Many small and medium size-processing companies lack good manufacturing practices that comply with international standards.
The United States is Guatemala's main trading partner.	Guatemala has trade agreements with many other countries.
Guatemalans perceive U.S. products as being of higher quality.	Processing companies offer a variety of products to the foodservice sector that compete with imported products and are price competitive.

SECTION I. MARKET SUMMARY

The food and beverage processing industry in Guatemala is the second largest exporting sector, after the textile industry, with 95 percent of production exported to 67 different countries around the world. This sector represents 3.8 percent of the country's total GDP.

The Government of Guatemala declared a state of emergency in March 2020 because of Covid-19, and imposed curfews, movement and transportation restrictions, and other social distancing measures, which reduced the workforce capacity in many industries. Despite the restrictions, the food and beverage industry continued working near full capacity, which resulted in a smaller economic impact compared to other sectors. Although food and beverage processing experiences lower demand from the hotel, restaurant, and industry sectors, many companies rapidly switched to meeting increased demand from the retail sector. According to the Food and Beverage Processing Industry of Guatemala, the food and beverage processing sector the provided more than 300,000 jobs during the pandemic.

Guatemala is a major importer of raw materials and ingredients, used by local companies for further processing for both domestic consumption and export. In 2020, top U.S. exports to Guatemala included US$472 million in bulk commodities (wheat, corn, and rice); $397 million in intermediate products (soybean meal, soybean oil, vegetable oil, sweeteners, and beverage bases), and $551 in consumer-oriented products (chicken, dairy, pork, processed vegetables, prepared foods, beef, wine and beer, and fresh fruits). Guatemalan non-alcoholic beverages and preserved foods are the two leading sub-sectors, and represent a combined 40 percent of total national production, followed by baked goods with 15 percent. The main processed products exported to the United States include corn-based foods, snacks, alcoholic drinks, preserved foods, dehydrated products such as broths, and fruits for use in beverages.

The main food and beverage processing categories are:

- Beverages: juice concentrates, powdered drinks and mixes, non-alcoholic beverages
- Preserved foods: canned fruits and vegetables, jams, jellies
- Snacks: potato and corn chips, confectionary, nuts, seeds, and trail mixes
- Other processed foods include: frozen products (tacos, tamales, and pupusas), soups, condiments, sauces, bakery, deli meats, dairy products

Advantages and Challenges Facing U.S. Food Processing Ingredients:

Advantages	**Challenges**
The food processing industry has ridden the supermarket expansion wave, and food processors need imported ingredients to increase their production capacity to supply the supermarkets.	Nearby countries, such as El Salvador and Mexico, can supply the local demand for processing industry inputs and offer lower prices compared with U.S. products.

Local processors are increasing their capacity and quality to export processed products to the United States as a result of CAFTA-DR.	Guatemala has not yet complied with international food safety standards to export meats or meat content products to the United States.
After 15 years of CAFTA-DR implementation, more than 95 percent of U.S. food products have no import duties.	Many local companies are taking advantage of their lower production costs to fill market niches, sometimes replacing imported products.
As Guatemalan consumers become more sophisticated, opportunities for higher value-added products increase.	Guatemala is a price sensitive market, which could affect loyalty to brands in times of economic difficulty.
The United States is Guatemala's main trading partner, and U.S. products are of higher quality.	The United States competes with other countries that also have trade agreements with Guatemala.

SECTION II: ROAD MAP FOR MARKET ENTRY

A. ENTRY STRATEGY

Interested U.S. food ingredient exporters may contact local food processors or local importers, agents, and/or distributors depending on the type of product. The larger food processors frequently prefer to import directly from the suppliers, while medium and smaller processors are sometimes not familiar with importing procedures and prefer to have a local distributor supply their inputs. For more information on how to export products to Guatemala, please refer to Exporter Guide Report 2020: https://gain.fas.usda.gov/#/search.

U.S. exporters can also contact organizations funded by USDA/FAS to enter the local market, as these groups have marketing funds to promote U.S. agricultural products overseas.

a) State Regional Trade Groups (SRTG): non-profit trade development organizations, https://www.fas.usda.gov/programs/market-access-program-map/state-regional-trade-groups.
b) U.S. Agricultural Export Development Council: a non-profit private sector trade association that gathers U.S. commodity trade associations that promote U.S. agricultural exports, www.usaedc.org.
c) Commodity Cooperator Groups: conduct local market promotion activities on a yearly basis. In addition, they recruit foreign buyers to participate in U.S. trade shows, providing an opportunity for U.S. suppliers of food ingredients importers to meet and do business.

B. IMPORT PROCEDURE:

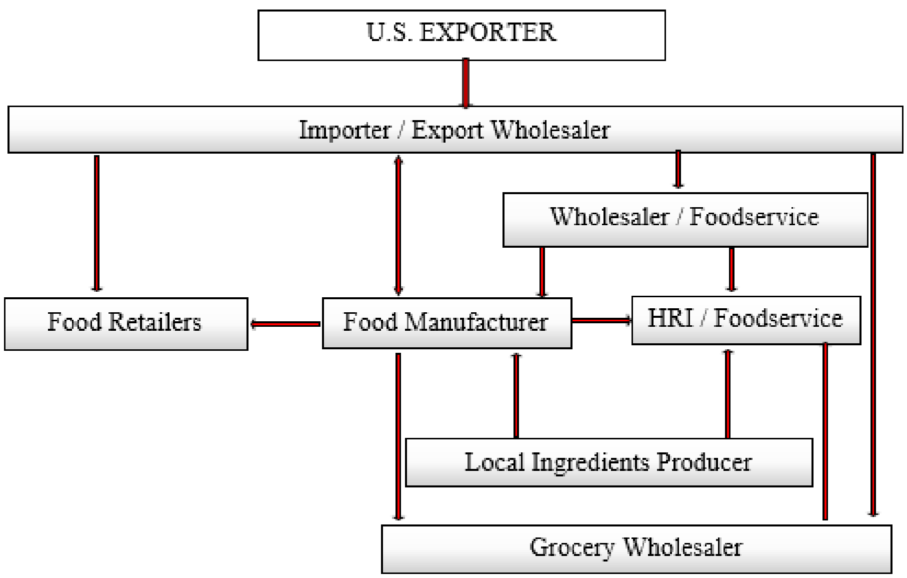
U.S. suppliers that want to ship to Guatemala must comply with local regulations for imported products to avoid problems when importing products. For further information on these regulations, please refer to FAIRS Report 2020: https://gain.fas.usda.gov/#/search.

C. DISTRIBUTION CHANNELS:

The advantage that processors find in buying raw materials from local suppliers is that they often provide products faster than international suppliers do. However, Guatemalan food processors view U.S. ingredients as of higher quality and safer than domestic supplies and those imported from other countries. Local companies are willing to establish a long-term business relationship with U.S. suppliers that offer good credit terms, customer service, and marketing support, in addition to quality products.

The success of introducing an imported product in the Guatemalan market depends on local representation and personal contacts. Hiring a distributor is the easiest and fastest way to enter the market, particularly if the distributor is already supplying other imported products throughout the country.

Supply Chain



D. MARKET STRUCTURE

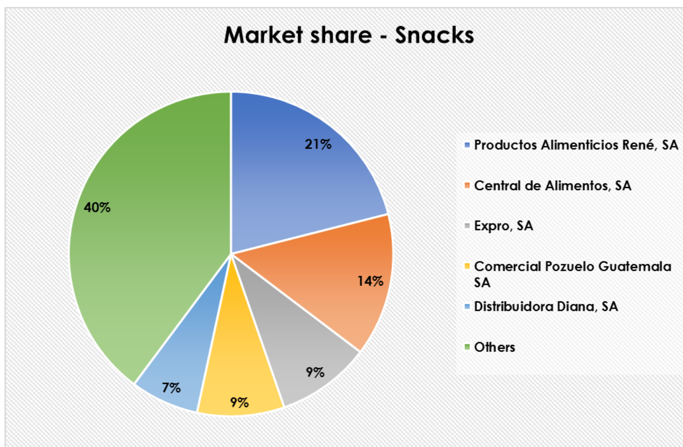
Guatemalan brands offer a wide variety of products that include shelf-stable, ready-to-eat food such as refried beans (mostly black beans), flavored tomato sauces, soy-based meals, and instant-noodle soups.

These products are available in supermarkets, local stores, and open-air-markets throughout the country and are affordable to the lower and middle-income consumers. Local processors also manufacture custom-made products for local restaurants that compete with imported processed products. The areas with the most growth potential for the food processing industry are:

Industry	Products
Processed meats:	mechanically separated poultry; boneless pork picnic; pork bellies, trimmings and offal; flours (fillers); and animal fats
Beverages:	fruit concentrates and nectars, drink bases and syrups, soy flakes and soy powder, and artificial fruit flavors
Baking goods:	pancake mixes, pre-mixes, and bulk cake flours
Snacks:	dehydrated potato flakes and powder, soy flakes, nuts, fresh potatoes, fruit fillings, raisins, pork rind, whey powder, protein concentrates, corn, and rice

E. SHARE OF MAJOR SEGMENTS IN THE FOOD PROCESSING INDUSTRY

Snacks:



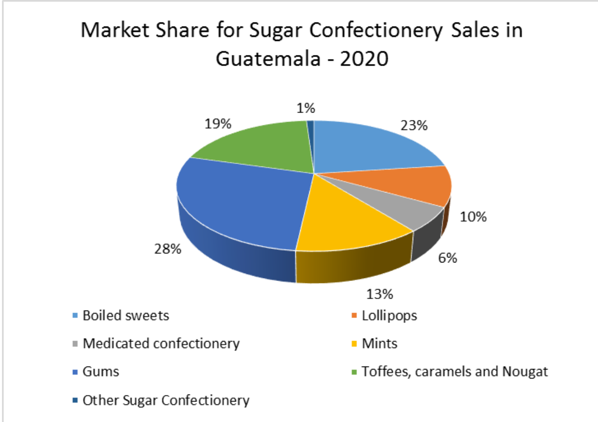
U.S. snack exports to Guatemala reached $15.9 million in 2020. Despite the COVID-19 pandemic, sales of savory snacks grew by 10 percent in 2020, and retail volume sales grew by 5 percent to reach 87,700 tons and a value of $700 million.

Savory snacks remained by far the largest of the main snacks' categories in Guatemala in retail volume and sales value in 2020, and will likely continue to grow in 2021. With an extensive variety of brands and product types across all price segments, savory snacks are generally both widely available and highly affordable.

Additionally, because manufacturers regularly innovate by introducing new products and flavor variants, consumers are more likely to retain interest in their brands. Furthermore, savory snacks will benefit from the resurgence of impulse purchases once health restrictions are further eased. Sales of savory snacks will be supported by the return of outside-the-home consumption opportunities, as they were a popular choice for convenience and sharing at parties prior to the shutdown.

For additional information please refer to the Consumer Oriented Products: Snacks Report 2020: https://gain.fas.usda.gov/#/search

Sugar Confectionery:

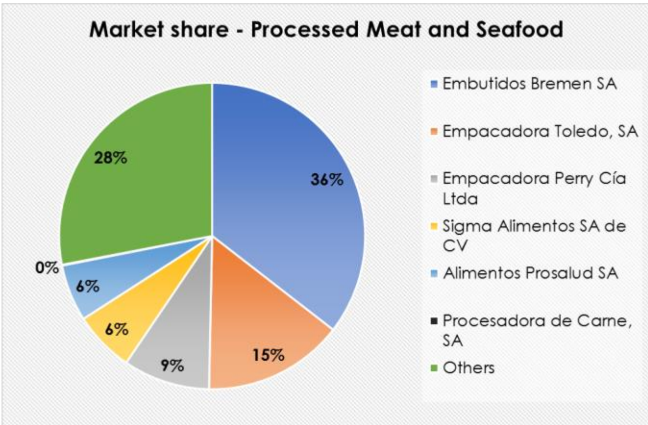


In 2020, retail value sales increased by 5 percent, totaling $2.4 million and 21,000 metric tons. Toffees, caramels and nougat candies are among the preferred products and which registered the highest growth rate of 5 percent in 2020. Prior to Covid-19, growth of sugar confectionery sales was supported by frequent impulse purchases, the fact that these products are among the most affordable indulgence products, and are readily available nationwide.

In 2020, consumers reduced their in-person purchases, and therefore their impulse purchases at the point of sale. However, this sector is expected to recover and grow in 2021, in terms of both retail volume and current value. Small independent stores or local "tiendas" are the most important channel for the sale of sugar confectionary products, especially because they offer individual units of candies at a low price, which appeals to price-sensitive and lower-income consumers.

Modern grocery retailers often sell these products by the pack, and mainly cater to middle-to-high-income consumers. Both domestic and international companies benefit from strong distribution, and a wide product portfolio with a variety of prices. However, domestic companies are able to offer good quality products at even more competitive prices. Furthermore, local players have better knowledge of the traditional tastes and preferences of Guatemalan consumers, and domestic brands tend to be widely available in the consumer's preferred shopping channels.

Processed meats:



The production of processed meats (deli meats) is also a dynamic sector. Retail sales of processed meats grew by 7 percent in value and 4 percent in volume, reaching $89 million and 68,800 tons in 2019. In Guatemala, larger sales of meat are made in butcher's shops or farmer's markets, where they usually do not have a brand and prices are lower than in a grocery store. As for chilled or frozen meats in grocery stores, ham and sausages are very popular. The smallest product format is frozen processed meat, which suffers from a lack of freezers in traditional channels.

Increasingly, modern grocery retailers have the equipment to handle frozen processed meat, although these stores mainly cater to a small middle-to-upper-income consumer base. Frozen burgers are a popular choice for the weekend barbecue, as they are easy to make and well-liked by all ages. In Guatemala, family gatherings are common on Sundays, and most families have around 3-5 children, so preparing hamburgers is simple and affordable, which makes them a popular choice for these gatherings. Local restaurants are launching their own lines of frozen burgers to recreate the products made in their restaurants for consumers at home.

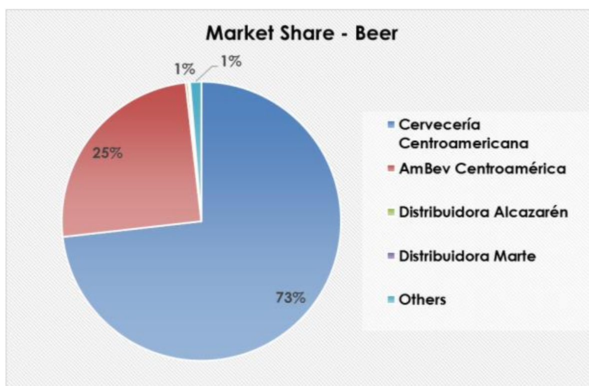
Guatemalan Imports of U.S. Prepared of Preserved Meats 2016-2020 (in thousands of dollars)

Description	2016	2017	2018	2019	2020
Poultry Meat & Prods. (ex. eggs)	11,667	13,117	16,022	12,493	12,720
Pork & Pork Products	11,269	12,553	10,615	13,908	12,538
Beef & Beef Products	855	810	1,133	1,315	1,348
Other Prepared Meats	5,550	6,683	8,391	11,369	13,368

Source: Trade Data Monitor

According to the U.S. Census Bureau Trade Data, in 2020, U.S. exports to Guatemala of U.S. prepared meats were the highest export levels reported since 1970, totaling $40 million, an increase of 2.24 percent from 2019.

Beer

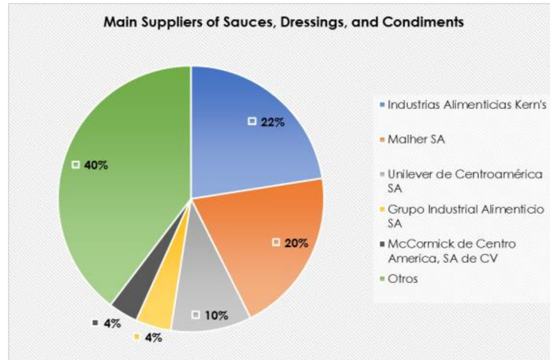


Beer continues to see strong growth in Guatemala, both among low to medium income consumers, who are price sensitive, and wealthier consumers who prefer high-end products, whether local or imported. In 2020, sales of beer increased by 9 percent, with total consumption of 435 million liters. Guatemalan consumers are becoming more sophisticated in taste and are looking for new beer types that can be paired with different foods. In addition, consumers prefer to buy larger bottles and multipack products which have 15-24 units per case.

Cerveceria Centroamerica is the leading brewery in the market with a 73 percent market share under their Gallo brand. Artisanal beer is an emerging niche in Guatemala. There are currently at least 14 local artisanal breweries and the leading domestic brand is Príncipe Gris, launched in 2014.

In 2020, Guatemalan imported $67.7 million worth of beer, and Mexico was the largest supplier with a 75 percent market share. The United States was the second largest exporter to Guatemala at $14.1 million, representing 35 percent increase from 2019.

Sauces, dressings, and condiments



Sauces, dressings and condiments are expected to register a 7 percent growth in the next three years, reaching a projected $2.3 million in sales in 2024. Both domestic and international brands are found in the market, but domestic brands tend to offer traditional flavors that appeal to local consumers and have affordable prices. International brands tend to have higher unit prices and are mainly sold through modern grocery retailers.

Guatemalans have a very rich culinary culture and typically use condiments in their foods; condiments also play a huge role in traditional homemade dishes. Traditional cooking sauces are popular among consumers with busier lifestyles who want to eat traditional dishes but do not have time to prepare them and therefore prefer to buy ready-made sauces.

Herbs and spices are sold unpackaged at open-air-markets while dried condiments are mainly sold at supermarkets. Hot sauces are gaining popularity because there is a trend towards spicy food in Guatemala influenced mostly from the Mexican cuisine. Other imported sauces include sweet and sour, and a variety of Thai and Chinese flavors. These sauces are found mainly in modern urban grocery stores that cater to high-income consumers who have tried them when travelling to other countries.

F. COMPANY PROFILES

The National Commission of Food and Beverage Processors of the Guatemalan Exporters Association (AGEXPORT) has member companies that benefit from training and promotion programs, which prepare them to compete in international markets. According to AGEXPORT, the Guatemalan food processing industry dedicated to exports is one of the fastest growing sectors and is composed of large, medium, and small companies. Only 25 percent of the food and beverage companies in Guatemala are large processors, 50 percent are medium sized companies with growth potential, and the remaining 25 percent are small processing companies. Approximately 90 percent of these companies are located in Guatemala City and the rest are located in western Guatemala where most vegetables are grown. Guatemalan companies are not required by law to provide information on sales to the public; therefore, this information in only available upon request. For more information about Guatemalan food processing companies that are members of AGEXPORT and are currently exporting to other countries, please visit the following site: http://export.com.gt/directorio.

G. SECTOR TRENDS

- Consumption trends in Guatemala are influenced by the United States, not only because it is Guatemala's largest trading partner but also because high-value foods are more affordable to some families thanks to remittances sent by more than 1 million Guatemalans living and working in the United States.

- Demand for more ready-to-eat foods is growing in Guatemala. The local processing industry is taking advantage of this niche market. Products such as refrigerated tacos, tortillas, burritos, corn-based tamales, and instant soups are among the preferred foods in supermarkets since they are easy to prepare and affordable.

- Some of the U.S. companies that have a large presence in the Guatemalan food processing industry are Cargill, Chiquita Brands International, Frito Lay, Pepsi-Co Bottling Co., Ralston Purina, Del Monte, and Wal-Mart. Bimbo from Mexico and Nestlé from Switzerland are important foreign investors in the country. Local companies are also growing, not only because of a higher local demand but also because exports are increasing every year.

- Healthy foods, such as natural and organic foods, are growing niche markets; however, they are more commonly imported and, therefore, marketed to upper-class consumers.

SECTION III: COMPETITION

In Guatemala, imported raw materials used in the food and beverage-processing sector are bulk grains (wheat, yellow corn, soybeans, and rice); fruits and vegetables; meats (poultry, pork, and beef); dairy products; soybean meal; soybean oils; animal fats; and sweeteners and beverage bases. In 2020, Guatemala's total imports of agricultural products from the world had a 3 percent increase from 2019, reaching $3.4 billion. Although the United States is Guatemala's leading supplier, some of the major U.S. competitors are Costa Rica, El Salvador, Honduras, and Mexico.

Product	Country	Guatemalan imports from this competitor in 2020 ($ millions)	Guatemalan imports from the U.S. in 2020 ($ millions)
Dairy products	Costa Rica	65.7	50
Sups and other food preparations	Costa Rica	106.4	60.1
Bakery goods, cereals, and pasta	El Salvador	67.7	48.4
Non-alcoholic beverages (ex. juices, coffee, and tea)	El Salvador	33.2	14.5
Seafood products	Venezuela	21.1	4.9
Condiments and sauces	Costa Rica	41.6	21.5
Beer	Mexico	51.3	14.1
Processed fruit	El Salvador	15	7.5
Chewing gum and candy	Mexico	14.8	3.6
Dog and cat food	Mexico	15.5	9.9

Source: Trade Data Monitor

SECTION IV: BEST PRODUCT PROSPECTS

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
• Beef & Beef Products • Pork & Pork Products • Poultry Meat & Products (excluding eggs) • Dairy Products • Prepared Foods • Fresh Fruits (apples, grapes, pears, peaches, plums, citrus) • Processed Fruits & Vegetables • Snack Foods • Condiments & Sauces • Dog & Cat Food • Beer	• Wine • Chocolate & Confectionery • Soybean Oil • Baking Inputs, Mixes & Doughs • Ingredients & beverage bases • Prepared & Preserved Meats • Mixes of Nuts & Fruit • Table Eggs	Some examples of trade barriers affecting U.S. agricultural exports to Guatemala include the denial of preferential treatment under CAFTA-DR because: 1) there are errors when assigning HS codes in the classification of the products and/or 2) mistakes and/or omissions on the certificates of origin.

SECTION V: KEY CONTACTS AND FURTHER INFORMATION

If you need assistance exporting to Guatemala, please contact the U.S. Agricultural Affairs Office at the U.S. Embassy at the following address:

Office of Agricultural Affairs
U.S. Embassy
Avenida Reforma 7-01, Zona 10
Guatemala, Ciudad 01010
Telephone: (502) 2332-8439
Email: AgGuatemala@fas.usda.gov

For more information on exporting U.S. agricultural products to other countries, please visit the Foreign Agricultural Service home page: http://www.fas.usda.gov.

Government sources for data:

Bank of Guatemala: www.banguat.gob.gt
Ministry of Agriculture: www.maga.gob.gt
Ministry of Economy: www.mineco.gob.gt
National Statistics Institute: www.ine.gob.gt

Government regulatory agency contacts:

Institution: Food Control Unit/Ministry of Health (MSPAS)
Address: 3 Calle final, 2-10 Zona 15, Valles de Vista Hermosa, Guatemala
Telephone: (502) 2502-2502
Website: http://portal.mspas.gob.gt

Name: Dr. Nelson Ruano
Title: Food Safety Director
Institution: Norms and Regulations Unit/Ministry of Agriculture (MAGA)
Address: 7 Avenida 3-67 Zona 13, Guatemala
Telephone: (502) 2413-7389
Website: http://visar.maga.gob.gt

Name: Alexander Cutz
Title: CAFTA-DR Administrator
Institution: Foreign Commerce Administration Direction/Ministry of Economy
Address: 6 Avenida 10-43 Zona 1, Guatemala
Telephone: (502) 2412-0200
Website http://portaldace.mineco.gob.gt

Attachments:

No Attachments