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Report Highlights:

Guatemala continues to be a net importer of both yellow corn and rice. Corn area and production in MY2022/2023 are forecast to shrink one percent as some commercial farmers have decided not to plant corn given record high increases of more than 100 percent in fertilizer costs (mainly urea) and a nearly 90 percent increase in oil prices. Rice production will shrink 3 percent, but planted area maintains its previous size as the government reinstated the mandatory domestic purchase policy when managing quotas. The United States increased its market share in both grains in the past year. Consumption of corn and rice, the main grains in the country, are forecast to drop as prices in 2022 report record highs of up to 42 percent above past 5-years average prices. FEWS NET forecasts a food security phase 3 crisis in Guatemala.

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Rice

Production:

Harvested area in MY2022/2023 is forecast to remain at 13,000 ha, unchanged from the previous year, but production is forecast at 30,000 MT of milled rice, as yields drop 2 percent (3.31 MT/Ha) as farmers reduce the amount of fertilizers applied due to higher production costs. Production estimate for MY2021/2022 is roughly 5 percent (3.38 MT/Ha) below the previous estimate, as fertilizer costs have already affected yields in the first semester of 2022. Guatemala continues producing rice in its 13 departments and 27 municipalities, with Peten and Alta Verapaz each accounting for 30 percent of national production.

Production in MY2020/2021 closed with 13,000 Ha and 32,000 MT, with average yields of 3.54 MT/Ha. Roughly 202 Ha were lost due to Nana tropical depression, which affected small production areas in Huehuetenango, Alta Verapaz, and Izabal. The 480 Ha affected by Hurricanes Eta and Iota in 2020 have not recovered, and affected areas in the North-Atlantic account for the 2 percent reduction in production compared to the previous estimate.

Farmers affected by ETA and IOTA have received support from the Ministry of Agriculture through the Stipends Program at the municipalities located in the basins of Polochic and Motagua Rivers. These municipalities include: El Estor, Los Amates and Morales in Izabal, and Panzos in Alta Verapaz. The program delivers \$125/month to those farmers that have initiated land recovery actions such as water reservoirs, organic fertilizer production, infiltration wells, restoration of irrigation channels filled with mud, terraces and contention walls, and planting with local seeds. The program is supporting 2,792 affected farmers, with the support of \$500,000 from the USDA Food for Progress Program supported through the Inter American Institute for Cooperation in Agriculture (IICA) and \$300,000 donated by FAO. The farmers are also receiving seeds and hens for food security purposes.

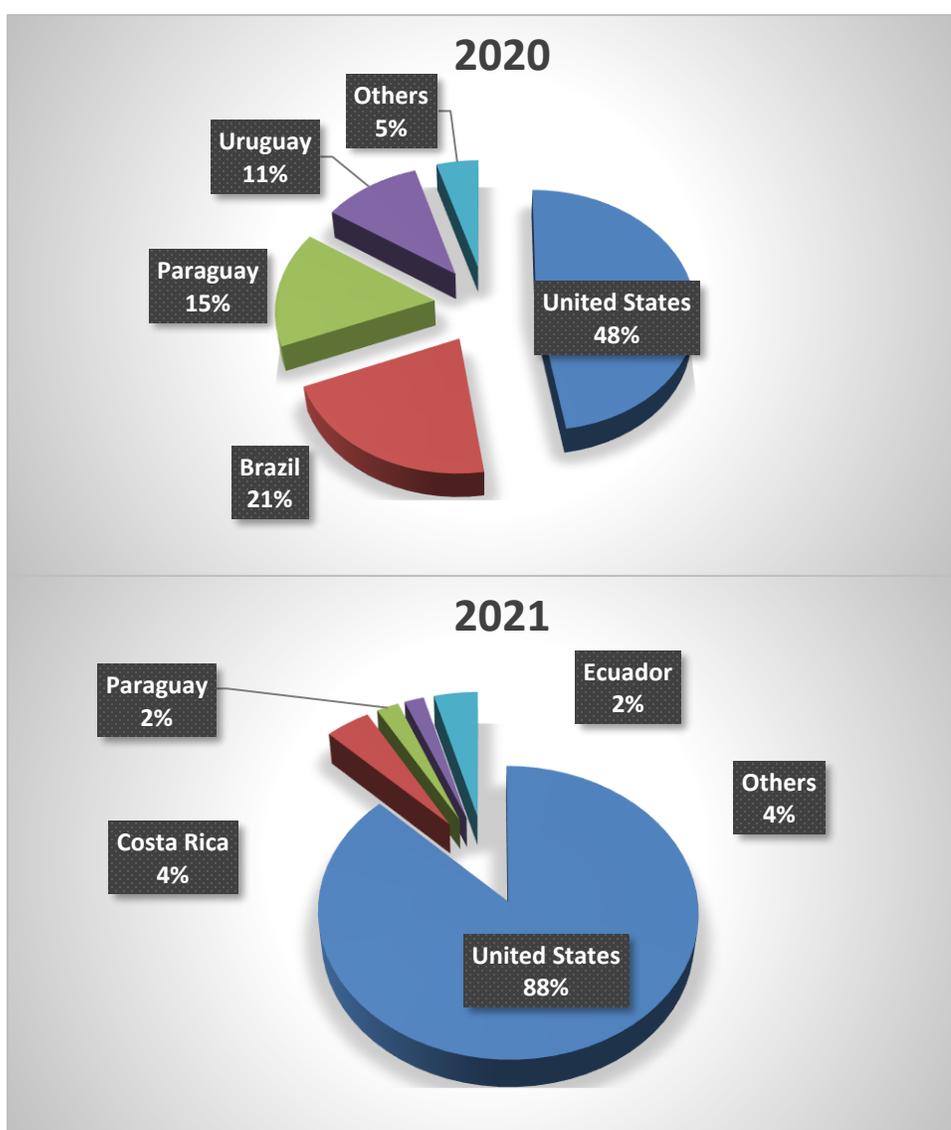
Consumption and Residual:

The average milling rate in Guatemala remains stable at 70 percent. Consumption in MY2022/23 is forecast at 152,000 MT, similar to the updated estimate for MY2021/2022, which closed at 152,000 MT. Per capita consumption in MY2022/2023 is forecast to drop to 8.64 Kg, from the previous 8.89 Kg estimate for MY2021/2022, as a result of increased prices. Rice consumption in MY2021/2022 remains steady, despite the increase in prices reported since January 2022, as the Government of Guatemala promotes 10-Kg bag donated rice (from Taiwan) as take home ratios for adolescents 12-17 years' old who get the COVID-19 vaccination.

Trade:

Imports in MY2022/2023 are forecast at 123,000 MT and total supply at 153,000 MT, unchanged from updated estimate for MY2021/2022, but roughly 2 percent above MY2020/2021. Guatemala continues relying on imports to supply 80 percent of its domestic demand. The United States recovered its share in MY2020/2021, with 88 percent of the Guatemalan market, as shown in Graph 1.

Graph 1
Guatemalan Rice Imports – Market Share for MY2019/2020 and MY2020/2021



Source: Post based on TDM, 2022

Rice imports in MY2020/2021 were composed by 85 percent rough rice, followed by 9 percent broken rice and 6 percent milled rice. Broken rice imports were record high. Milled rice imports have been dropping during the past 3 years as a result of less competitive prices with the domestic versions, which already include a United States-Guatemalan rice mix. Guatemala slowly but steadily continues increasing its rice exports, as the quotas under the EU and UK agreements continue increasing. In CY2022, the preferential tariff quota with the EU increased to 1,944 MT and to 3,949 MT with the UK.

In MY2019/2020, when U.S. rice prices were high and the Ministry of Economy in Guatemala opened WTO quotas for rice, in addition to eliminating the mandated local purchase that had been in place for the past 20 years, millers imported rice from South America. Imports estimate for MY2021/2022 are updated 3 percent lower than the previous data, but 2 percent above MY2020/2021. Market share for U.S. rice in MY2022/2023 is forecast to increase up to 99 percent, as CAFTA-DR tariff rate quota completely phases out, as shown in Table 1. In addition, the mandatory local purchase, after fought by the rice producers, was finally re-instated on August 2021.

Table 1
Guatemalan Tariffs for Rice

HS Code	Product Description	Out-of-Quota	United States (CAFTA-DR)			Dominican Republic	EU	Panama
			In Quota/Out of Quota Tariff					
			2021	2022	2023	2022		
10.06.10.10	Rice for Planting	14.7	0	0	0	14.7	4.7	0
10.06.10.90	Paddy or Rough	14.7	0/9.8	0/4.89	0	14.7	14.7	14.7
10.06.20.00	Husked Rice (brown)	14.7	0/9.8	0/4.89	0	14.7	14.7	14.7
10.06.30.00	Semi-Milled or Wholly Milled including glazed or polished	14.7	0/9.8	0/4.89	0	14.7	14.7	14.7
10.06.30.90	Others	14.7	0/8.78	0/4.89	0	9.8	14.7	14.7
10.06.40.00	Broken Rice	14.7	0/8.78	0/4.89	0	N/A	14.7	14.7

Source: Ministry of Economy (MINECO) and Tax Superintendence (SAT)

Stocks:

The imported rice is taken to the mill, packed, and sold. Small producers sell to intermediaries, which take the rice to the mill to sell it. Except for some bags that may be kept temporarily at warehouses for short term distribution, neither the Government of Guatemala nor the Rice Producers Association (ARROZGUA) manage rice stocks.

Policy:

The Ministry of Economy (MINECO) issued Ministerial Decree 223-2005 in 2005, which established the local purchase requirement prior to CAFTA-DR's entry in force. This decree secured volume, price, and payment guarantees to rice producers, as millers had to buy the local production to be able to import rice. When CAFTA-DR was negotiated, rice received protection for 18 years, starting with a 29.2 percent tariff and quotas of 54,500 MT for rough rice and 10,500 MT for milled rice.

Ministerial Decree 223-2005 applied not only to CAFTA-DR but also to other FTAs and WTO quotas. The COVID-19 pandemic led MINECO to issue Ministerial Decree 591-2020, effective as of March 2020, eliminating the existing local purchase requirement when opening quotas, which led to a record high of 182,000 MT of rice imports in MY2019/2020, significantly affecting local prices. ARROZGUA demanded reinstating the domestic purchase requirement, a request which was granted in August 2021.

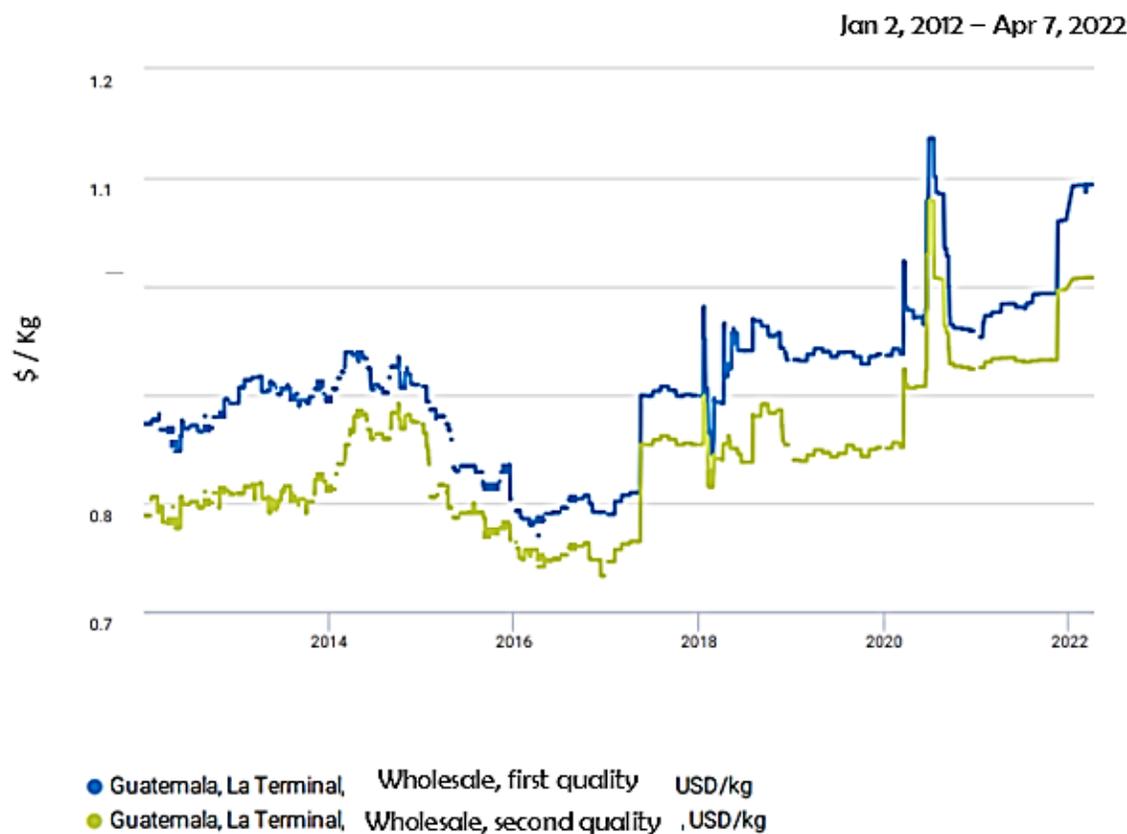
ARROZGUA and the rest of the rice producer associations in the DR-CAFTA region are fearful of what 2023 may bring for regional producers, as the CAFTA-DR tariff-rate-quota is eliminated starting January of 2023. According to ARROZGUA statements in the newspapers, 2023 will be devastating to local producers since Guatemala has no subsidies in place for rice, and local rice cannot compete with U.S. rice quality and price. This deficit has been compensated by mixing local rice with U.S. rice in packaged presentations.

The Ministry of Agriculture supports rice production through research and development (R&D) of improved rice varieties and hybrids. On May 2021, the Agricultural Science and Technology Institute (ICTA) from MAGA launched ICTA Robusta rice for small subsistence farmers, with increased yields of up to 2.7 MT/Ha, less tall, with a 115-120-day production cycle, adapted for the North, East, and South Guatemalan growing conditions. This new rice has a mill rate of 70 percent, and up to 54 percent whole grain.

Marketing:

Rice is distributed mostly through traditional channels, with 84 percent of the sales through local neighborhood stores, 14 percent through supermarkets, and 2 percent through other minor distributors. Wholesale prices reached record high of \$1.15/Kg in the COVID-19 pandemic aftermath, relatively stabilizing during CY2021 around \$1.00/Kg. Since January 2022, prices have started to increase again as a result of the global transportation crisis, and the increase in fertilizer and oil prices resulting from the Russia-Ukraine war. Graph 2 shows historical wholesale prices for milled rice at La Terminal market in Guatemala. In the past decade, prices kept relatively stable under \$1.0/Kg, but since the global crisis following the COVID-19 pandemic, have increased 14 percent in less than 2 years. First quality vs. second quality maintain a stable \$0.10/Kg difference, except during high peaks, where no major price difference is observed.

Graph 2
Historical Wholesale Milled Rice Prices in Guatemala



Source: DIPLAN/MAGA, 2022

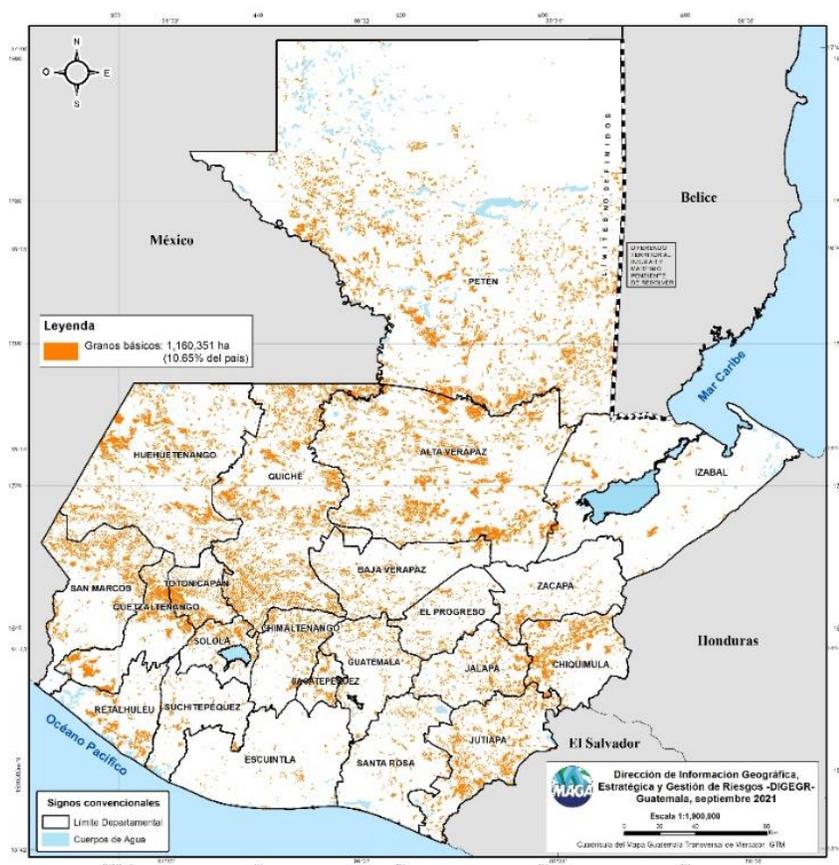
Corn

Production:

Guatemala is forecast to harvest 918,000 Ha of corn in MY2022/2023, which is one percent lower than the updated harvested area for MY2021/2022, estimated in 923,000 Ha. This reduction in harvested area corresponds to commercial corn, as farmers have experienced a 30 percent increase in production costs of fertilizers and agrochemicals, leaving marginal returns if any. Production area in MY 2022/2023 is forecast to slightly reduce to 1.71 million MT, as the commercial corn areas slightly reduce.

Harvested area and production in 2021/2022 are estimated at record high 923,000 Ha and 1.72 million MT. Production area in MY2020/2021 closed at 920,000 Ha and 1.70 million MT of corn, of which 90 percent was white corn and 10 percent yellow corn. Ministry of Agriculture published its updated plant cover map for Guatemala, showing corn production distribution areas in Figure 1.

Figure 1
Corn Production Areas in Guatemala



Source: MAGA, 2022

The corn production cycle goes from May to March in Guatemala, with the *Primera* or first and most important harvest representing 67 percent of the total harvest and running August-October, followed by the *Postrera* second harvest, which represents 27 percent of the national harvest, from November to March, and the *Apante*, or late harvest, from January to February, representing some 6 percent of the harvest. The April-June period is critical for food security in Guatemala, and deficits are covered by imports, mostly from the United States and Mexico.

According to MAGA, Guatemalan corn producers planted 1.1 million Ha in MY2021/2022, with expected yields of 2.2 MT/Ha and potential 2.4 million MT. Production estimate in MY2021/2022 is 3 percent under the previous data as Guatemala experienced significantly challenging weather hazards during the second or postrera harvest season. In eastern Guatemala, in the municipalities of Olopa and San Juan La Ermita, 70 percent of the production was affected by drought and planted area was reduced for the postrera. On the other side, recent rains in the basins of Polochic, Tinajas, and Pueblo Viejo in the municipalities of La Tinta and Panzos in the Alta Verapaz department have resulted in total loss.

During the primera harvest, heavy winds affected corn production in Alta Verapaz, the second most important corn production zone (Photo 1), responsible for 15 percent of the national harvest.

Photo 1
Primera harvest in San Critobal Verapaz



Source: Deborah Suc, World Food Program, 2021

In addition, an unexpected cold front, preceded by heavy rainfall, flooded corn producing areas in the municipalities of Livingston, Morales, and Puerto Barrios at Izabal, Santa Cruz Verapaz, Raxruha, and Panzos in Alta Verapaz, affecting 943 Ha, with estimated loss valued at \$1.1 million, as shown in Photo 2. This loss impacts the food security of more than 4,000 rural families in Guatemala.

Photo 2

Completely flooded corn production areas in Alta Verapaz



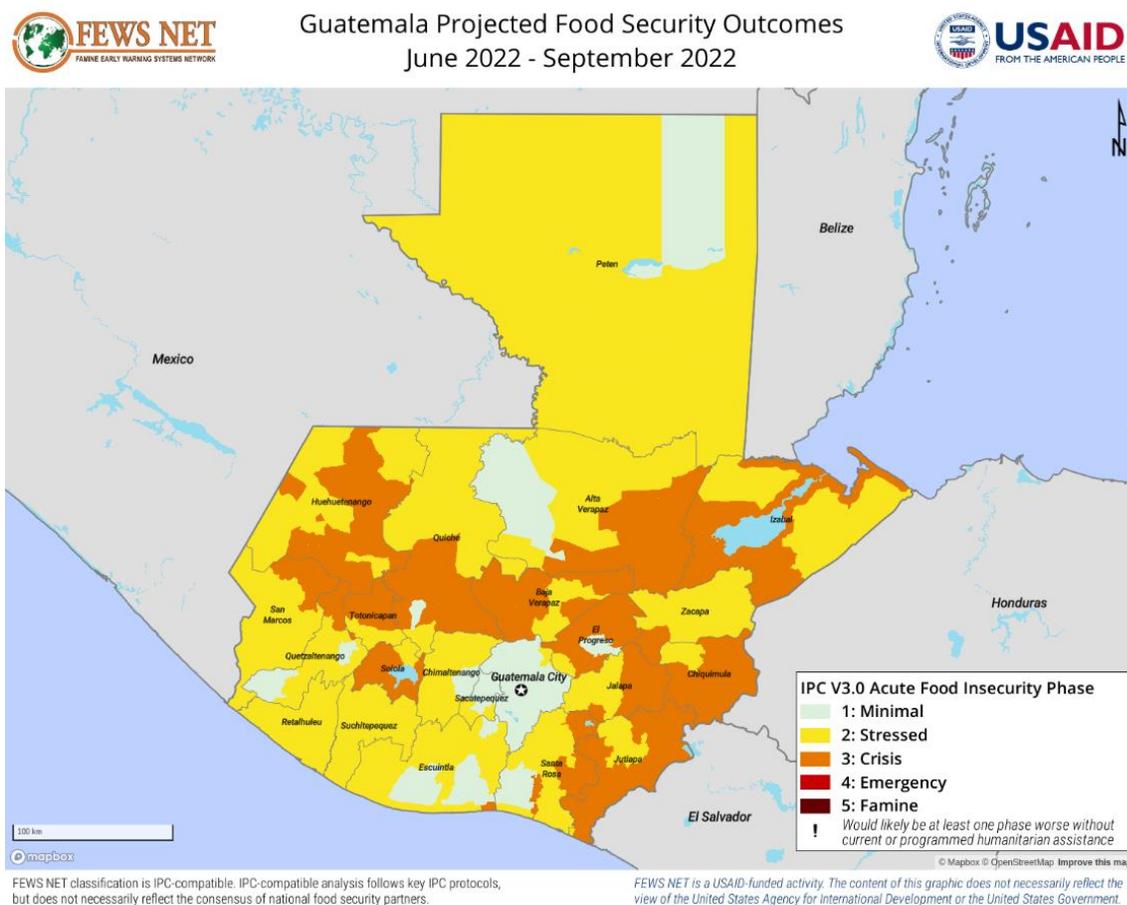
Source: MAGA, 2022

FEWS NET has estimated a significant shortage of basic grains for the June-September months, both corn and beans, the main staples in Guatemala.

Consumption:

Consumption in MY2022/2023 is forecast at 3.23 million MT, of which 1.6 million corresponds to feed and residual vs. 1.63 million for FSI consumption. This represents a per capita consumption for white corn of 92 Kg, which is 11 percent lower than the 93 Kg estimated for MY2021/2022. Per capita consumption in MY2020/2021 closed with 94 Kg, indirectly evidencing the high food insecurity estimated by FEWS NET (see Figure 2).

Figure 2
Guatemala Projected Food Insecurity Scenario for June-September 2022



Source: [FEWS NET, 2022](#)

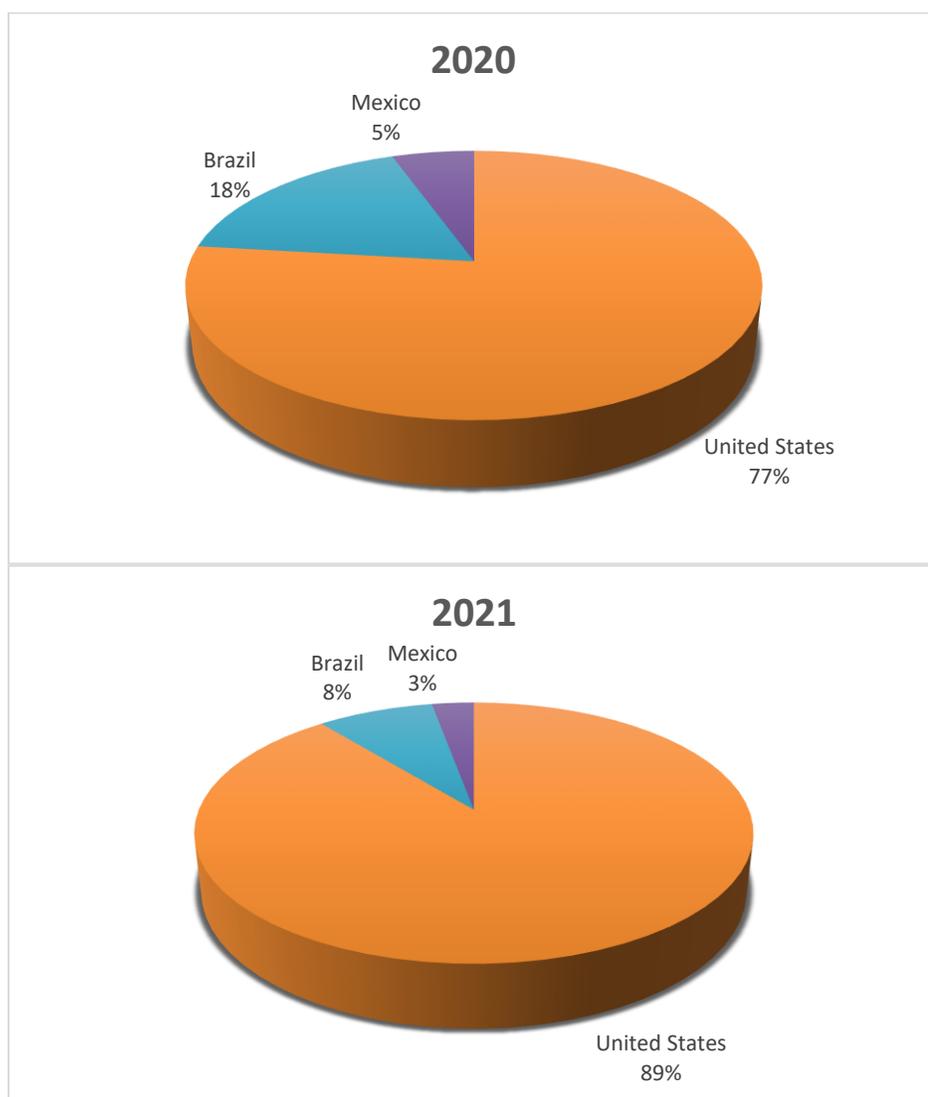
Feed and residual are forecast to keep constant at 1.6 million MT in MY2022/2023, without variation since MY2020/2021, as poultry production has slightly decreased but pork production is compensating the reduction. Beef production is growing slowly, but the great majority is grass-fed.

Trade:

Imports in MY2022/2023 are forecast at 1.5 million MT, an 8 percent increase over the updated estimate for MY2021/2022. This increase will mostly correspond to white corn, as food insecurity increases in the coming months until the first or primera harvest. MY 2020/2021 closed with yellow corn imports representing 93 percent of total imports with 1.3 million MT, one percent lower than the previous year; on the other side, imports of white corn (96,298 MT) increased 11 percent. Compared to MY 2019/2020,

the United States increased its market share in MY2020/2021 from 77 percent to 89 percent, both with white corn and yellow corn, as imports from Brazil and Mexico reduced (see Graph 3).

Graph 3
Guatemala Corn Imports in MY2019/2020 vs. MY2020/2021



Source: TDM, 2022

Guatemala imported 56,4447 MT of white corn in MY2020/2021, though the CAFTA-DR TRQ in CY2021 was 26,4000 MT, as the Ministry of Economy opened additional 75,000 MT under WTO to supply potential gap. CAFTA-DR TRQ for white corn in CY2023 is set at 27,200 MT.

Stocks:

Stocks in MY2022/2023 are forecast at 43,000 MT, roughly 9 percent underneath the updated estimate for MY2021/2022 and almost three times lower than stocks in MY 2020/2021. Stocks will be significantly reduced as the post-pandemic global crisis and the Russia-Ukraine war continues affecting fertilizer and oil prices.

Policy:

Guatemala has a permanent food assistance program that involves research and seed production through ICTA, MAGA's research arm. ICTA has developed more than 20 hybrids and varieties of white corn for human consumption, mostly adapted to 0 - 1,400 meters above sea level. In addition, ICTA developed its first yellow corn hybrid for human consumption, launched back in 2021, resistant to a fungal complex called "mancha de asfalto", which destroyed significant yellow corn production areas in the Northern region of the country in the past years. Though yellow corn production for human consumption is not significant compared to white corn, it is valued for "tortilla" and some local food preparations.

Guatemala launched its first crop insurance program in February 2022. The insurance is a parametric and catastrophic events program, designed by MiCRO (*Microinsurance Catastrophe Risk Organisation*) and hired by the public Credito Hipotecario Nacional (CHN) bank. The program does not require presential evaluation of the damage but rather estimates losses based on satellite imagery (ERA5 on 25x25 square kilometers), historical weather behaviors, and economic losses resulting from extreme prolonged storms and droughts. The insurance won't apply when excess rainfall or drought don't reach the levels considered as catastrophic events, neither when floods, landslides, volcanic eruptions, low temperatures, or fires occur, when not related to the specific weather events monitored by MAGA. The insurance program will be specially targeted by MAGA for small farmers, especially those supplying school feeding.

MAGA is also launching a Grains Strategic Reserves Program, with a \$13 million investment (with the support of the European Union) for 8,000 MT of basic grains as a national reserve (see Figure 4) and 10,000 MT of grain reserves with small farmers. For small farmers, MAGA is supplying materials valued at \$963,000 to build 30,000 silos with 0.33 MT capacity each, in addition to 550 plastic silos with 0.5 MT capacity each. MAGA had originally considered to source the basic grains (corn, beans, and rice) from local purchase and through the World Food Program in Guatemala, but the Basic Grains Producers' Association (ANAGRAB) has confirmed that such considerations are no longer in place, despite joint successful and transparent programs implemented in the past two years.

Figure 4
MAGA's Grains Strategic Reserves' Program

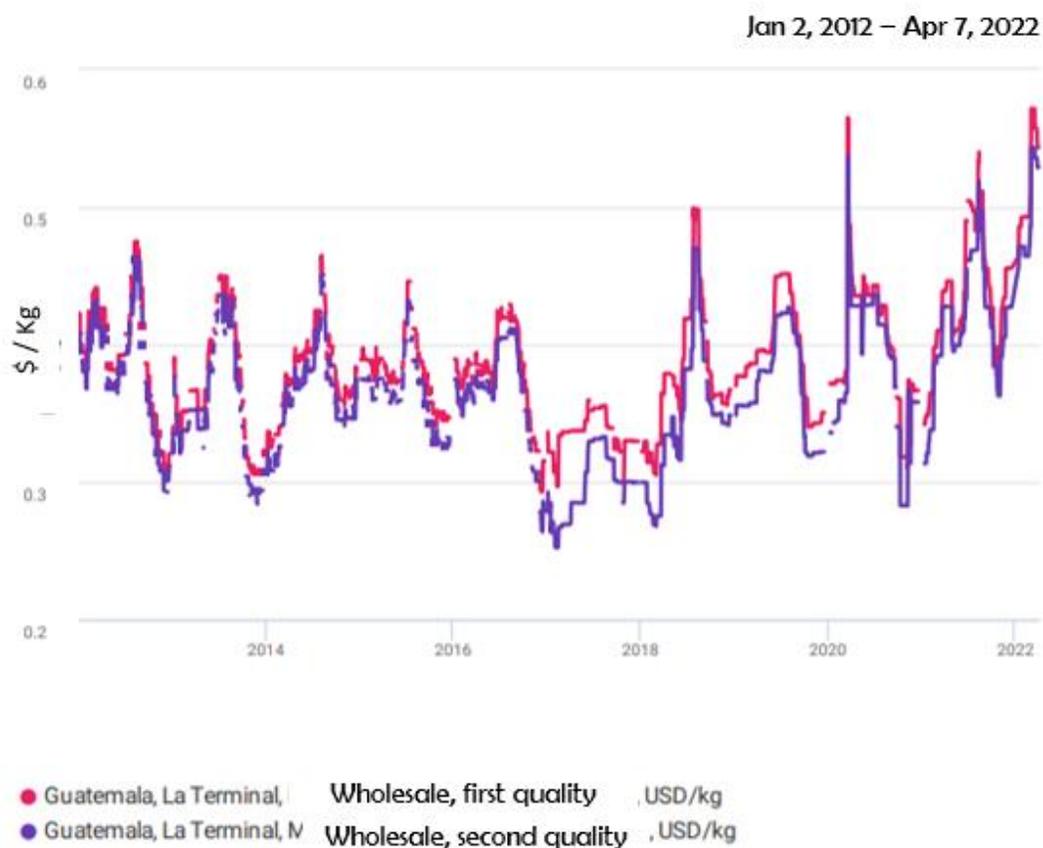


Source: MAGA, 2022

Marketing:

Despite markets being supplied with white corn harvested from the North and East of the country, prices continue escalating as shown in Figure 5. First and second qualities of white corn don't show significant price differences. White corn reports prices of \$0.58/Kg, which are 42 percent higher than the average price for the past 5 years. Wholesale prices at La Terminal Market registered record white corn prices since 2013. Similar behavior was reported for black beans, which increased 18 percent in the past year and 38 percent compared to the past 5 years. In February 2022 the gasoline increased 36 percent and diesel 48 percent compared to the same period in 2021, with variations of 59 percent and 91 percent above prices reported in the past 5 years.

Figure 5
Wholesale Historical White Corn Prices in Guatemala for First and Second Qualities



Source: MAGA, 2022

White corn experience low prices in the August-November period, when 67 percent of the corn is harvested during the primera season, reaching its lowest values at the end of the primera. Prices start increasing again in the December-April season, reaching peak prices on May-July, when consumption depends on remaining reserves and imported corn, as reflected in Figure 6. In February 2022, white corn prices increased 29 percent compared to February 2021.

Figure 6
Wholesale White Corn Prices Behavior in Guatemala in a Production Cycle



Source: MAGA, 2022

Production, Supply, and Demand

Rice

Rice, Milled	2020/2021		2021/2022		2022/2023	
	Oct 2020		Oct 2021		Oct 2022	
Guatemala	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	4	13	5	13	0	13
Beginning Stocks (1000 MT)	0	0	0	0	0	0
Milled Production (1000 MT)	16	32	20	31	0	30
Rough Production (1000 MT)	23	46	29	44	0	43
Milling Rate (.9999) (1000 MT)	7000	7000	7000	7000	0	7000
MY Imports (1000 MT)	99	121	120	123	0	123
TY Imports (1000 MT)	105	121	120	120	0	122
TY Imp. from U.S. (1000 MT)	89	106	0	0	0	0
Total Supply (1000 MT)	115	153	140	154	0	153
MY Exports (1000 MT)	0	1	0	1	0	1
TY Exports (1000 MT)	0	1	0	1	0	1
Consumption and Residual (1000 MT)	115	152	140	153	0	152
Ending Stocks (1000 MT)	0	0	0	0	0	0
Total Distribution (1000 MT)	115	153	140	154	0	153
Yield (Rough) (MT/HA)	5.75	3.5385	5.8	3.3846	0	3.3077
(1000 HA) ,(1000 MT) ,(MT/HA) MY = Marketing Year, begins with the month listed at the top of each column TY = Trade Year, which for Rice, Milled begins in January for all countries. TY 2022/2023 = January 2023 - December 2023						

Corn

Corn	2020/2021		2021/2022		2022/2023	
	Jul 2020		Jul 2021		Jul 2022	
Market Year Begins	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Guatemala						
Area Harvested (1000 HA)	850	920	900	923	0	918
Beginning Stocks (1000 MT)	277	277	309	160	0	47
Production (1000 MT)	1645	1705	1600	1720	0	1710
MY Imports (1000 MT)	1489	1410	1700	1400	0	1520
TY Imports (1000 MT)	1346	1360	1700	1365	0	1390
TY Imp. from U.S. (1000 MT)	1183	1184	0	0	0	0
Total Supply (1000 MT)	3411	3392	3609	3280	0	3277
MY Exports (1000 MT)	2	2	5	2	0	2
TY Exports (1000 MT)	2	3	5	3	0	3
Feed and Residual (1000 MT)	1550	1600	1600	1600	0	1600
FSI Consumption (1000 MT)	1550	1630	1600	1631	0	1632
Total Consumption (1000 MT)	3100	3230	3200	3231	0	3232
Ending Stocks (1000 MT)	309	160	404	47	0	43
Total Distribution (1000 MT)	3411	3392	3609	3280	0	3277
Yield (MT/HA)	1.9353	1.8533	1.7778	1.8635	0	1.8627
(1000 HA) ,(1000 MT) ,(MT/HA)						
MY = Marketing Year, begins with the month listed at the top of each column						
TY = Trade Year, which for Corn begins in October for all countries. TY 2022/2023 = October 2022 - September 2023						

Attachments:

No Attachments