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Agricultural Situation in Nueva Concepcion

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Report Highlights:

The AgAtt visited Nueva Concepcion, Escuintla, to analyze the current agricultural situation and food security in the wake of heavy rains and flooding. Corn yields appear to be down 10 percent with a potential of up to a 30 percent loss in the total corn crop in the region; other crops such as plantain and African palm are also forecast to suffer losses. The availability of locally-grown corn for human consumption in the region is being affected by decreased corn acreage due to shifts away from corn and livestock production towards sugar cane, as well as crop losses. The ability for the region to supply basic grains appears to be decreasing because of inefficient agricultural markets and changes in the agricultural economy of the region.

Executive Summary: The AgAtt visited Nueva Concepcion, Escuintla, to analyze the current agricultural situation and food security in the wake of heavy rains and flooding. Corn yields appear to be down 10 percent with a potential of up to a 30 percent loss in the total corn crop in the region; other crops such as plantain and African palm are also forecast to suffer losses. The availability of locally-grown corn for human consumption in the region is being affected by decreased corn acreage due to shifts away from corn and livestock production towards sugar cane, as well as crop losses. The ability for the region to supply basic grains appears to be decreasing because of inefficient agricultural markets and changes in the agricultural economy of the region.

General Information:

Introduction

The AgAtt traveled to Nueva Concepcion, Escuintla, in the southern coastal region of Guatemala on September 13, 2010, five days after heavy rains resulted in significant flooding. While there he attended a meeting at the Municipal Headquarters with representatives of the Guatemalan Ministry of Agriculture and Livestock (MAGA) and other local entities. Additionally, the AgAtt toured affected areas within the Municipality with community leaders.

The recent heavy rains interrupted the corn harvest in the area around Nueva Concepcion. Because of its geographic features—it is relatively flat at a low elevation with a high water table close to the Pacific Ocean and flanked by rivers—the Municipality is prone to problems resulting from heavy rains.

Drainage of excess precipitation is difficult especially in the lowest lying areas and is exacerbated by insufficient infrastructure. As such, the recent rains produced flooding with persistent standing water within low-lying fields. It was apparent in different areas, especially in the southern extreme of the Municipality, that there had been more than five feet of flood waters at times and there were still roads that were washed-out and impassable except by foot or motorcycle. In one location, the AgAtt viewed a washed-out road that appeared to be the result of insufficient planning and poor infrastructure.

The impassable roads have complicated the livelihood of farmers: one farmer who has a dairy operation just beyond a washed-out-road stated that milk brokers would no longer buy his milk given the inaccessibility of his farm. It was apparent when traveling through the area that many crops had sustained significant losses. For example the AgAtt saw fields of corn, plantain, pineapple, or African palm which were a total loss; however, it was not clear if the crop had been lost in the most recent rains or due to previous weather events.

Corn farmers interviewed noted roughly a 10 percent decrease in corn yields this year in comparison to last year's yields. It was obvious from surveying harvested corn that there was a high level of diseased or moldy kernels resulting in a low-quality harvest. The AgAtt viewed one bag of corn which appeared to have significant levels of moldy and diseased kernels and questioned whether it was to be diverted to livestock feeding. Community leaders responded that the corn would be sold for tortilla production regardless of its quality issues. The low quality corn also leaves an unstable cob after shucking which cannot be used that well as a home-cooking fuel. Thus, families were simply burning the unusable cobs at their home-sites.

The AgAtt observed the corn drying process in the region which generally consists of corn simply being spread out over plastic or another covering to dry in the sun. A significant number of farmers were also

seen drying their corn on the paved roads. This poor post-harvest care and storage left the potential for post-harvest losses, especially given the possibility of more rain and infrastructure losses.

The recent weather events aside, however, the agricultural capacity of Nueva Concepcion is decreasing. A variety of factors are contributing to this decline including agricultural land use changes and a disorganized agricultural market.

Agricultural Land Use Changes

During the past five years, agricultural land use has shifted from largely mixed dairy/beef cattle and corn production to the production of sugar cane and cash crops such as tobacco and okra. The production of bananas, African palm, and other crops has increased as well.

The shift of acreage from pasture for livestock production to other agricultural uses has led to a precipitous decrease in the head of cattle. Five years ago, the region reportedly produced 70,000 liters of fluid milk per day, while today only 25,000 liters of fluid milk per day are produced. The decrease in livestock has resulted in a decrease of multiplier effects within the local economy traditionally characteristic of livestock production, including decreased labor demand. Dairy/beef production formerly guaranteed a demand for workers throughout the year, while the seasonality of sugar cane and other crops has decreased the overall continuous demand for labor.

The shift to other crops has also decreased overall corn acreage, and along with cattle numbers, it is expected to further decline. Today, only 5,000 hectares (ha) are planted in corn, compared to 11,000 ha comprised of sugar cane, African palm, and bananas. Another 11,000 ha are comprised of plantain, tobacco, okra, and other horticultural and tropical crops. The shift of acreage has led to a decrease in available corn within the region with the other crops being either exported or sold within Guatemala City. Corn production has additionally been stressed by heightened input costs. The costs for seed, pesticides, and fertilizer are reported to have increased by 100 percent over the past three years.

Imperfect Agricultural Markets

An important trait of developed agricultural markets is perfect information at all levels of the supply chain, including information on production quantities and market prices. Information, however, does not exist in the form necessary for an ideal agricultural market within Nueva Concepcion.

Corn farmers sell their crops to intermediaries after subtracting what is necessary to sustain their families. The farmers do not search for prices or communicate with others to determine predominant market prices; they simply accept any price which is offered by an intermediary visiting their farm. There is no public entity which is making pricing information available, and intermediaries control the marketplace within an environment characterized by asymmetric information. Within a short distance, the price quoted by farmers varied more than six percent based upon the fact that one farmer had a field on a main road and another was on a secondary road several hundred feet away.

Farmers appear to only know that during productive years they receive roughly 10 percent less for their crop from the intermediaries than in years when the harvest is down. Intermediaries do not pay higher prices for high-quality corn resulting in low and high quality corn having the same price. As such, there is no price incentive to farmers to produce a higher quality product.

Because of deficient price information, the ability of growers to make informed production decisions is constrained, and if a producer wants to change production practices, it is often difficult as the result of a lack of access to credit. Additionally, interest rates in the region average 12 percent making it prohibitive for the majority of farmers to borrow money. Community leaders stressed that many farmers who have utilized credit in the past have had to sell their property in order to pay the debt, while others have chosen to rent their land to sugar cane firms.

Cattle are sold essentially the same as corn in that intermediaries visit farmers and offer them prices for their cattle, and cattle are often purchased without certifying their weight. There have been no livestock auctions within the region in the memory of anyone. The lack of auctions as a sale venue suggests intermediaries have market power over producers since there is no competitive environment for bid offers on livestock. Overall, there has been a decline in demand levels for cattle within the region resulting in lower prices as cattle production has shifted to the Department of Petén in northern Guatemala.

Agricultural Situation at the Years End

Community leaders underlined that 2010 is the first year they have seen such a low corn harvest given the combination of decreased acreage and losses due to weather events—corn crop losses stand at a minimum of 10 percent and may range up to 30 percent. They are concerned Nueva Concepcion may have insufficient supplies of corn for their population of 96,000 people. When asked if they considered the possibility of importing corn to make up any deficit, they stressed the poorer sectors of the population would probably be hard-pressed to afford the cost and there is limited storage capacity within the region.

The AgAtt questioned community leaders as to what type of assistance they expected to receive from the Government of Guatemala (GOG). All stated they did not expect to receive any assistance from the GOG and there was little interest in the capital about their economic problems.

Comment

The region is characterized by market inefficiencies and agricultural land use changes. Priority needs to be placed on helping to organize sustainable and cooperative markets within the region. New technologies such as biotechnology have the potential to improve agricultural productivity within the region; however, before technological advances can be optimized, the market structure problems must be addressed.

Community leaders appear to be doing as much as they can to track production numbers and assist local producers; however, it is obvious there are not enough resources at the present. It was apparent, though, that the community institutions are strong. This was evident by the presence of a variety of representatives throughout the visit including the Catholic Church, the Municipal Government, and local MAGA representatives. Additionally, all stated that unlike other communities, everyone worked together and shared information.

