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PUBLIC LAW 480, TITLE II: GUATEMALA BELLMON ANALYSIS 2007

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ACRONYMS & ABBREVIATIONS

\$	United States Dollars
ARROZGUA	Guatemalan Rice Association
BANGUAT	Guatemalan Central Bank
CDSO	Crude Degummed Soya Oil
CIF	Cost, Insurance and Freight
CRS	Catholic Relief Services
CS	Cooperating Sponsors
CSB	Corn/Soy Blend
CSM	Corn Soy Milk
ENCOVI	National Survey on Living Conditions
ENSMI	National Survey on Maternal and Child Health
FAO	Food & Agricultural Organization
FAS	USDA's Foreign Agricultural Service
FFP/W	USAID's Office of Food for Peace
FFW	Food-for-Work
FY	Fiscal Year (October 1-September 30)
GAIN	Global Agriculture Information Network
GDP	Gross Domestic Product
GOGT	Government of Guatemala
HA	Hectare = 10,000 square meters = 2.4 acre
HDI	Human Development Index
IBRD	International Bank for Reconstruction and Development (World Bank)
INCAP	Central American & Panama Institute on Nutrition
INE	National Statistics Institute
LOC	Letter of Credit
MAGA	GOGT Ministry of Agriculture & Livestock
MT	Metric Ton = 2,204.62 pounds
Q	Quetzal. Guatemalan currency unit
SCF	Save the Children Federation
SHARE	ASOCIACION SHARE DE GUATEMALA

UPIE	Ministry of Agriculture's Policy and Strategic Information Unit
USAID	United States Agency for International Development
USDA	United States Department of Agriculture
WFP	United Nations' World Food Program

EXECUTIVE SUMMARY

The purpose of this report is to provide the USAID/Guatemala Mission and the Food for Peace/Bureau for Democracy, Conflict and Humanitarian Assistance (FFP/DCHA) with a detailed and reliable assessment of a) the absorptive capacity of Guatemalan markets related to existing and potential USAID food aid imports; b) the impact of existing and proposed food aid imports on local production and marketing; c) the impact of these imports on substitute commodities; and, d) local storage and handling capacity for imported commodities.

Upon examination of the most recent available data and identification of food commodity market trends, this assessment concluded as follows:

On the absorptive capacity of Guatemalan markets related to existing and potential USAID food aid imports:

Guatemala's agriculture sector exploits its comparative advantages by producing and exporting sugar, coffee, bananas, cardamom, fruits, vegetables and palm oil. On the other hand, local agriculture production is not enough to satisfy the internal market demand for cereals, soybeans, meat, animal fats, milk and animal feeds.¹

A 51 percent of the total Guatemalan population lives under the poverty line, and one person of every six lives in extreme poverty.² Most of these people lack the resources to buy or produce the food required for an appropriate nutrition and many, up to 80 percent in some areas, are indeed suffering from chronic malnutrition.³

Currently, Title II food imports consist of pinto beans, rice, refined vegetable oil, and corn/soy blend for direct distribution to needy families and crude de-gummed soy oil (CDSO) and wheat for monetization.

About 200,000 people disseminated in the poorer regions of the Country directly receive food rations to help them to improve their nutritional status. This number represents about 3 percent of the poor and about 10 percent of the extremely poor. Even though there are other programs, like the World Food Programme, providing food aid, it is estimated that to reach all the poor the current food aid levels would have to expand tenfold. Therefore, and as these families lack the purchasing power to constitute an effective demand in the regular market, these food commodities will be consumed with very low risk of affecting local markets.

¹ FAOSTAT FBS 2005

² INE: 2006 National Survey of Living Conditions (ENCOVI 2006)

³ INE: 2002 National Survey on Mother/Child Health (ENSMI 2002)

Regarding commodities imported for monetization, local production of both wheat and CDSO are minuscule compared with total demand. Over 99 percent of the wheat⁴ and 91 percent of the CDSO⁵ consumed in Guatemala are imported. Wheat imports averaged over 383 thousand MT from 2002 to 2006 with a peak of over 417 thousand MT in 2005. CDSO imports almost doubled during the same period going from 46,954 MT in 2002 to 87,560 in 2006 for an average annual growth rate of 22%.⁶ The Title II 2007 – 2011 monetization plan requires annual sales of 8.4 thousand MT of CDSO and 7.8 thousand MT of wheat. These amounts are very modest compared to annual imports of each commodity. Therefore, the Guatemalan market has enough absorptive capacity for the planned food aid imports under Title II.

On the impact of existing and proposed food aid imports on local production and marketing and the impact of these imports on substitute commodities:

From FY 2007 to 2011, under the P.L. 480 Title II program, USAID will provide around \$15 million a year in food assistance to address elevated levels of chronic malnutrition in Guatemala. Roughly forty percent of this assistance will be directly delivered to the participant families in the form of food rations made of pinto beans, corn/soy blend, refined vegetable oil and rice.

Supplementary Feeding Rations (SFR) provide an incentive for participant families to get involved in educational activities like nutritional cooking classes, hygienic food preparation and feeding practices, growth monitoring of small children and disease prevention. At the same time, the SFR supplements the family diet with nutritious food, thus helping them improve their nutritional status. Families that have a pregnant/lactating mother and/or a child under the age of 36 months receive an SFR.

These programs also support small community projects aimed at reducing communities' vulnerability to food insecurity and to mitigate potential shocks. Examples of these projects are tree nurseries, reforestation, soil conservation activities, protection of water sources, construction of water systems and rural road rehabilitation. Participants receive food rations (Food for Work —FFW) in exchange for time working on these projects. The parameter to calculate the FFW ration is the value in food, at retail prices, of legal minimum wage per day (US\$5.50). At any given time, only one person per family can earn the FFW ration.

Current planned food levels for direct distribution won't have a discernible impact upon domestic production or commodity marketing in Guatemala. There are several arguments that sustain this opinion. First, the overall amounts of food aid to Guatemala

⁴ Source: BANGUAT Volume and Value of Guatemalan Agriculture Production from 2000 to 2006.

⁵ USDA/FAS 2006 GAIN Annual Report on Oilseeds and Products

⁶ Source: BANGUAT Volume and Value of Guatemalan Imports from 2002 to 2006

do not exceed one percent of the total food consumption and 2.5 percent of the total food imports;⁷ second, the overall regular amounts of food aid to Guatemala are on a downward trend, while both food consumption and food imports are on an upward trend; third, at a national level, food aid does not seem to depress food prices as these prices have been steadily increasing during the 2000 – 2007 period⁸ notwithstanding food commodity assistance levels of up to five percent of total food imports in 2002; fourth, due to a relatively small and open agricultural economy, global commodity markets are, in essence, driving the price of the main food commodities in Guatemala; fifth, communities and families receiving food commodities are carefully targeted, selecting the poorer and most needy; by definition, these families lack the purchasing power to constitute an effective demand in the regular market; sixth, down to community level food markets, potential entry of food aid into the regular markets are very unlikely because of three reasons: one, some of the commodities like pinto beans and CSB do not have a regular market demand; two, rations size and distribution criteria do not allow for accumulation of any surpluses and three, due to characteristic social homogeneity in these marginalized rural areas, bartering opportunities are very scarce.

Regarding monetization of CDSO and wheat, neither commodity is significantly produced in Guatemala so potential disincentive to local production would be negligible. Concerning substitute commodities, only CDSO has a locally produced substitute, i.e., palm oil. However, as mentioned above, in spite of an increase in CDSO imports, local production of palm oil is growing and, due to its price, frying stability and nutritional properties, is displacing soybean oil from some market niches. Additionally, the financial conditions for negotiating the sale of donated CDSO (cash, LOC backed, marked against international prices) are not competitive with private suppliers who usually offer some financing to boost their sales. Therefore, impact of Food Aid CDSO imports on local production of palm oil would not be significant either. Even when it has not been the case up to now, the CSs' consortium should be alert to possible CDSO demand downturns as a consequence of the current trend in some sectors of the food industry that are using more palm oil and less soybean oil.

And finally, on local storage and handling capacity for imported commodities:

Guatemala has port and road infrastructure fully capable for handling Title II commodities. There are two ports, one on the Pacific Ocean and one on the Atlantic, well equipped to efficiently and timely handle bulk and container cargo. Both ports contain adequate warehousing facilities. Road infrastructure connecting the ports with the main urban centers is paved and well maintained. Cooperating Sponsors handle

⁷ Based on FAOSTAT and USDA/FAS data. Refer to Annex 2 page 16.

⁸ Source: BANGUAT

commodities for direct distribution through a well designed and maintained network of warehouses. The major warehouse is conveniently located in the outskirts of Guatemala City to avoid traffic jams. From there, commodities travel to regional or local warehouses where they are almost immediately repackaged into individual rations and distributed to beneficiaries. Private contractors provide transportation from port of entry to final destination, without any significant losses.

Three CSs' Guatemala City and regional warehouses were inspected for this report: the main warehouse, located in Villa Nueva, on the Guatemala City – Puerto Quetzal Highway's roadside; of the regional warehouses, one located in Rabinal, Alta Verapaz and, the other, in San Martin Jilotepeque, Chimaltenango. During the inspection all these warehouses were found clean, well maintained, and secure. Food bags and cans were adequately stacked and stored on pallets.⁹ There were not any filtrations or damp signs in despite of the current heavy raining season. There were preventive rodent control traps, and inventories are up to date. There was only food in storage, and there is policy prohibiting storage of potential contaminants, such as fertilizers, pesticides, etc. Finally, the warehouse personnel are well qualified and inspect commodities regularly to detect any risk of pest infestation.

Other conclusions and recommendations:

It would be ideal if the Consortium could have additional recourses to mitigate market risks associated to monetization. Renewed market research efforts have resulted in conclusions similar to those of previous market analyses: first, because of large markets, high and increasing demand, high relatively value and practically no risk to disincentive local production, animal feeds continue to have the most potential for monetization; second, available value-added commodities for monetization are not viable in the local market either because of their potential to cause significant disincentives to local production, wheat flour for example, or the lack of a market as in the case of bagged sorghum or potato dehydrated flakes for instance; and third, commodities for direct human consumption that fulfill all policy requirements are scarce.

Both yellow corn and soybean meal have a relatively large demand, which is satisfied mainly through imports. In 2006, for instance, imported volumes of yellow corn and soybean meal amounted to 686.0 thousand MT and 229.0 thousand MT respectively.¹⁰ Experience from monetization processes in the past indicates that animal feeds attract more bidders, among them at least one or two cooperatives that have small farmers in their membership. Therefore, in light of the advantages that modifying the “only for direct human consumption” policy would bring for the Title II Program in the Country,

⁹ The regional warehouse in Rabinal had not food stocks at the moment of the visit, but it was clean, dry, spacious and equipped with pallets.

¹⁰ Source: BANGUAT.

it is recommended that USAID reconsider resuming monetization of animal feeds, at least partially as a measure to diversify the monetization basket or as an option of last resort. It is still extremely likely that these feeds would anyway end up transformed in food, mainly poultry.

Another commodity that could be part of the monetization basket is paddy rice. With rice imports amounting to over 80 thousand MT annually and growing, there is some room for selling rice without causing market disturbances; however, because of local politics around rice imports, it could be relatively hard getting enough market share to generate a significant percentage of the required monetization resources. In any case, if the CSs' Consortium would like to keep its options open, it would be good to keep tabs on the rice market and its stakeholders.

About the sales method: market realities do not leave much of an alternative to negotiated sales. In the case of CDSO there are only two prospective buyers capable of purchasing the volumes that the Consortium needs to monetize; and, during the past five years, only one of them has been actually buying while the other has not been interested in bidding. For wheat, the Miller's Association is the sole market. Because of the large investments needed to profitably operate with commodity inputs and the small scale of the Guatemalan economy, small numbers will be found in the demand of other commodity markets like rice and feeds too. In any case, the Consortium can keep the strategy of publishing its offerings as widely as possible to always investigate the market status and attract the maximum number of bidders.

On other issue, it has been frequently suggested that monetization should be contracted out to professional traders. This would allow the PVOs to focus their attention on their primary interests, i.e., humanitarian assistance and economic development; and, would convert monetization transactions into regular commercial transactions, avoiding negative perceptions associated with donated food commodities. Large commercial trading companies can offer a number of advantages, including tools to manage price and currency risk, ability to provide credit terms, an established logistical, marketing and transportation network, and commercial interest in back hauling products from the recipient country for export elsewhere on the international market without disturbance to local markets. It seems obvious, but some questions must be answered before this happens for the first time. Foremost is the question about the legal framework to govern these contracts. The fact that government funding is involved obliges to carefully and clearly set the legal implications. Another challenge is to identify the adequate procedures to contract such services to guarantee competitive pricing and transaction transparency. It is clear that these answers should come from the policy/decision makers and that only then we will find answers to other questions like the cost-benefit of such arrangements as compared to the current system that, within the limitations of

the local market, is working well with a minimum transaction cost. Therefore, it is suggested to further legal and economic analyses on the implications of such potential contracts.

PREAMBLE

The United States has a long history providing humanitarian assistance to needy populations around the globe. Over the last 55 years, U.S. food commodity donations have reached hundreds of millions people worldwide both for emergency programs aimed at meeting immediate needs, as well as development programs aimed at longer-term strategies to increase food security.

The U.S. Department of Agriculture's Foreign Agricultural Service (FAS) helps provide U.S. agricultural commodities through direct donations and concessional programs. Food aid may be provided through four program authorities: Public Law 480 (P.L. 480), also known as Food for Peace; Food for Progress; Section 416(b); and the McGovern–Dole International Food for Education and Child Nutrition Program (FFE program).

Regarding food commodity assistance, P.L. 480 has three titles, and each title has a specific objective and provides assistance to countries at a particular level of economic development. USDA administers Title I, and the U.S. Agency for International Development (USAID) administers Titles II and III. The food is channeled via grant agreements with governments, the United Nations World Food Programme and private voluntary organizations (PVOs).¹¹

The USAID/Guatemala Mission's food security program has a well regarded PL-480 Title II Program aimed at improving food security for at-risk Guatemalans. Currently, three cooperating sponsors implement this Program: Catholic Relief Services (CRS), SHARE/Guatemala and Save the Children (STC).

Since the early 1960's, considerable controversy has arisen over the potential disincentive effects that food aid may have on local agricultural production and marketing. U.S. Congressional concern about disincentives resulted in the 1977 Bellmon Amendment, Section 401(b), to Public Law 480. Congress' special concern over the adequacy of food storage and handling facilities in PL 480 recipient countries was also addressed in this amendment. Section 401(b) of PL 480 requires that before PL 480 food aid can be supplied, the Secretary of Agriculture must determine that:

- I. adequate storage facilities are available in the recipient country at the time of exportation of the commodity to prevent the spoilage or waste of the commodity, and

¹¹ <http://www.fas.usda.gov/info/factsheets/foodaid.asp>

2. distribution of commodities in the recipient country will not result in a substantial disincentive or interference with domestic production of marketing in that country.¹²

For Guatemala's Title II Program, the latest Bellmon Analysis was done in May 2005. An updated Bellmon Determination by the USAID/Guatemala Mission Director is needed in regards of the Program's commodity request; therefore, as a basis for that determination, the Mission decided to carry out the analysis for 2007, which is hereby presented.

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¹² Background Paper and Guide to Addressing Bellmon Amendment Concerns on Potential Food Aid Disincentives and Storage. Agency for International Development Bureau for Food for Peace and Private Voluntary Assistance Washington, D.C. July 31, 1985

INTRODUCTION

Guatemala, the setting of impressive landscapes and intense indigenous culture, is the northernmost country in Central America; it expands on 108,889 km², a territory slightly smaller than Ohio's, bordering on the north and northeast with Mexico, on the east with Honduras and El Salvador, on the northeast with Belize, and on the south with the Pacific Ocean.

Politically and administratively, Guatemala comprises 22 departments, which include 332 municipalities. A centrally appointed governor represents the central government in each department; and each municipal jurisdiction elects an autonomous local government every four years, at the same time of national elections.



At the end of 2007 the population may have surpassed 13 million, with an annual growth rate of 2.4%. In 2002 fifty-four percent of the population lived in rural areas, where 80% of the people settled in small villages of less than 500 inhabitants.¹³ However, as elsewhere in the world, the rural poor migrate to urban areas in search of better paid jobs and access to services. Guatemala City is the main recipient of internal migration from rural areas absorbing a 36% of the total flow. Between resident and floating population the City concentrates over a fourth of the national total. Many people also immigrate to other countries, especially to the USA. Remittances underscore the importance of this flow as they have become one of the primary sources of foreign income growing by a factor of 6 from 2001 to 2006 reaching \$3,609.8 millions.¹⁴

In 2005¹⁵ the main economic activities in the Country were manufactures (18.7 percent of GDP), commerce (14.8), agriculture (12.4) and private services (11.9). This productive structure reflects private investments during the last ten years in light manufactures and telecommunications.¹⁶

Exports in 2005 made over one-fourth of GDP's value, and textiles and clothing got the first position among exporting activities representing 25.8 percent of all exports

¹³ INE: Projections based on the XI Population Census 2002.

¹⁴ Source: Bank of Guatemala: Remittances to Guatemala years 2001 to 2006.

¹⁵ 2005 GDP was about \$27.05 billion at current prices and using an exchange rate of Q7.70 for \$1.00

¹⁶ Source: Bank of Guatemala: National Accounting System 1993 –SCN93- (Base Year 2001) Statistical Tables. In April 2007, the Bank of Guatemala published this new national accounting system that is based on international standards and is deemed to be a more precise and current measure of the national economy.

followed by traditional crops (coffee, bananas and cardamom) with 12.1 percent. Another important export commodity was sugar with 4 percent of all exports.¹⁷

Imports amounted to 40.9 % of GDP in 2005. The main imports were machinery and equipment (25% of imports value), petroleum derivatives (14.2%) and chemical products (14.1%).¹⁸ Among food imports the most noticeable are cereals (1.8%) and vegetable oils and animal fats (1.6%). Incidentally, the latter are categories under which the Country is net importer. Guatemala imports cereals for a value of over 22 times its cereals exports and vegetable oils and animal fats for a value of over 2.7 times.¹⁹

With a per capita GDP of \$2,129 in 2005, Guatemala classifies as a middle income country.²⁰ However, wealth and income are unequally distributed, with the richest 20% of the population earning 34 times more than the poorest 20%.²¹ Furthermore, land is very concentrated with an especially high Gini coefficient of 0.84 and 3% of the farms owning an estimated 66% of total farmland.²² Holdings of the poor also tend to be untitled, of marginal to poor quality, and produce below-subsistence yields. Hence, over half of the population lives in poverty, and one in six in extreme poverty.²³ Living standards for most people are very low; e.g., infant mortality (39 per 1,000 live births) and maternal mortality (153 per 100,000 births) are extremely high and chronic malnutrition remains a serious problem (49 percent).²⁴ The last population census (2002), found that one in three women and one in four men are illiterate. Rural and indigenous populations are the most affected by these low standards since they make over 80% of the poor. As a result, in 2006, Guatemala ranked 118th out of 177 countries in the United Nations Human Development Index, behind all the other Latin American countries except Haiti.

After a period of relative prosperity during the 1960s and 70s, Guatemala went in the 80s through a decade of economic crisis that pushed back the economic output by ten years. Then through the 90s and the first years of the new millennium, recuperation and even growth reappeared. Since 2001, Gross Domestic Product (GDP) growth rates have shown a modest but positive trend growing by a 3.5% on average (at 2001 prices.) GDP per capita went from \$1,659 in 2001 to \$2,129 in 2005. Furthermore, since 2004 the overall outlook for economic growth improved due to implementation of national anti-corruption measures, a favorable international context and the signing of several

¹⁷ Ibid.

¹⁸ Ibid.

¹⁹ FAOSTAT FBS 2005

²⁰ Banguat: Study of the National Economy fo 2005

²¹ UNDP: National Human Development Report 2005

²² INE: IV Agricultural Census (2003)

²³ INE: 2006 National Survey of Living Conditions (ENCOVI 2006)

²⁴ INE: 2002 National Survey on Mother/Child Health (ENSMI 2002)

free-trade agreements. In 2006 the GDP grew by 4.9% and prospects for 2007 are also positive, with a growth forecast of 5.2 percent.²⁵

According to the latest information on world competitiveness, Guatemala ranks 75 among 125 countries.²⁶ Again, the Country's scores on education, health and infrastructure are low. However, the index points to a lack of solid and credible institutions as one of the main stumbling blocks in the way toward development. Establishing reasonably transparent and open institutions, well defined property rights, efficient government operations, as well as a totally independent judiciary and stable business environments remain daunting challenges for the Country. A precise measure of this constraint is the Corruption Perceptions Index that Transparency International publishes each year. In the 2006 report Guatemala ranked 112th out of 163 countries surveyed.

Regarding economic freedom, according to the Heritage Foundation & the Wall Street Journal 2007 assessment, Guatemala's economy is 61.2 percent free, which makes it the world's 68th freest economy (out of 157 countries). In the Americas, Guatemala ranked 16th out of 29 countries and its overall score was slightly lower than the regional average. Again, the main factors snagging economic freedom are corruption and an ineffective judiciary system that redounds in a weak protection of property rights.

Economic informality is pervasive in the Country. This has been underlined by research from the Instituto Libertad y Democracia,²⁷ which found that 91% of the urban lots, 84% of the rural properties and 93% of the businesses are not adequately registered, thereby imposing a fabulous dead weight on financing options for business development and growth.

All these factors interact to the detriment of an enabling environment for agriculture and rural development and to produce stark contrasts in living standards among the few reach and the poor multitude.

²⁵ Banguat: Study of the National Economy for 2005

²⁶ World Economic Forum 2006-2007 Index.

²⁷ Instituto Libertad y Democracia (ILD). Evaluación preliminar de la economía extralegal en 12 países de Latinoamérica y el Caribe. Reporte de la investigación en Guatemala. Resumen ejecutivo

DISINCENTIVE ANALYSIS

AGRICULTURAL SECTOR OVERVIEW

In spite of the urbanization and migration phenomena, agriculture still plays an important role in the Guatemalan economy, accounting for about one-eighth of GDP (2005) and one-fifth of exports. Over 40 percent of the labor force declares agriculture related activities (farmers, workers, middlemen, etc) as their main livelihood.²⁸

In general, rural populations obtain their food by producing part of it, buying another part and, the poorer, from hunting, fishing and food aid. Incomes come from employment in agriculture activities, sales of production, employment in services activities and other occupations like handicrafts. A combination of a low quality institutional framework, low productivity, low incomes and scarce education, health and infrastructure opportunities makes these populations prone to food insecurity.

Mountain ranges cross the territory west to east covering about two thirds of the Country and forming three predominant production and biological zones: lowlands, piedmont and highlands. The western highlands are densely populated by indigenous people. Subsistence farming on steep hillsides, high levels of poverty, and high deforestation rates characterizes the area. Every year, during the harvest season, people migrate from this region to neighboring coffee and sugarcane plantations. Petén and parts of Huehuetenango, Quiché, Alta Verapaz and Izabal form the northern lowlands characterized by rich tropical forests and ancient Maya civilization vestiges. The southern lowlands lay on a fifty-kilometer-wide strip along the Pacific Ocean. Finally, the foothills that descend from the highlands and open up into the lowlands make the piedmont. Large sugar cane and coffee plantations stand in the southern lowlands and piedmont areas respectively.

The IV National Agriculture Census (2003), found 830,684 farms extending on 3.72 million Ha of land. Most farms (around 90%) are small with an average size of 1.5 Ha (3.6 acres); they predominate in the western highlands while large farms (over 45 Ha) predominate in the more fertile coastal and piedmont regions.

The arable land in Guatemala comprises 26 percent of its territorial extension. According to the latest survey,²⁹ the main crops by extension are coffee with 11.3% of the total arable extension, sugar cane with 8.5%, rubber with 3%, African palm with 2.8%, bananas with 2.1% and cardamom with 1.1%. These are also the main agricultural

²⁸ INE: 2002 Population Census

²⁹ Instituto Nacional de Estadística de Guatemala (INE): 2006 National Agriculture and Livestock Survey.

exports and all are permanent crops. The main staple foods (white corn, black beans, potatoes, and rice), extend on a 3.5% of the arable land.

The bulk of commercial production of corn and beans takes place in a region encompassing the north of Alta Verapaz and Quiché and the south of Petén, where yields are well above the national average. Jutiapa on the east is also a large producer of beans and Retalhuleu, on the south, an important corn producer. Coffee plantations characterize piedmont areas; however, due to the fall of coffee prices, a process of production substitution has been underway with the introduction of other export crops such as cardamom and sesame. The main crops grown in the coastal areas are sugarcane, bananas, plantains and African palm.

Large coffee and sugar cane farms represent an important source of seasonal employment for people coming from other regions, especially from the highlands. These plantations can generate up to 800,000 jobs during the harvest period from November to April.

Land property rights are a critical problem in Guatemala. Around 84% of the rural properties are not adequately titled. The transaction costs to properly register and title a rural property are high and require a long waiting time³⁰. Furthermore, in the case of perfectly titled properties, registering inheritance succession rights also involves lengthy and expensive procedures, which causes that additional assets freeze out from financial and land markets. The problem is compounded by government sponsored land distribution schemes that have provided land to their beneficiaries but without effective title.

As it is well known, insecure property rights have a negative effect on rural economic growth by hindering financing and long-term investment at the farm level and impairing land markets. Thereby, over 90% of the banking sector loans go to the urban sector, mostly to Guatemala City, and the investment rate for agriculture is very low.³¹ Low investment rates mean low rates for everything else. Irrigation, for example, is very limited covering around 3.5 percent of farming land and 5 percent of the land with potential for irrigation.³² Even though one can find pockets of modernity everywhere in the Country, in general the per capita invested capital is low and, consequently, labor productivity and salaries are low too.

The lack of developed property rights systems and land markets are deep rooted in the past. The most valuable resources that Spanish conquerors found in Guatemala were labor and land. They built an agriculture model based on land concentration and

³⁰ Over nine thousand dollars and over 11 years as per the findings of the cited ILD's Report.

³¹ Banguat: Study of the National Economy fo 2005

³² FAO AQUASTAT Country Profiles

indigenous labor exploitation that proved to be long-lived. Throughout colonial times the conquistadores engrossed their land state and held indigenous people in bondage to work those lands. The Guatemalan Independence changed the relationships between the Country and Spain; but it did little to change the caste system that ensued from the Colony. This very system gave birth in Guatemala to a political oxymoron: liberal dictatorships. They advanced important reforms in education, suffrage, laical state and infrastructure. Nevertheless, the aristocratic scheme of Creole³³ land lords and indigenous servants lived on; and, the power of the executive grew to such a degree as to give rise to autocratic governments in total detriment of the judiciary and the legislative. That was not the best ground for land markets to develop. Nowadays, more than half of the farming land (some 3.7 million Ha) in Guatemala belongs to only 2.5 per cent of the country's farms. The majority, or 88 per cent, of farms owns only 16 per cent of the land. Up to 40 percent of the economically active rural population, especially within indigenous groups, does not own land.

GOVERNMENT POLICIES AND REGULATIONS

The current government's program focuses on three main areas: macroeconomic stability; financial sector restructuring; and structural reforms to boost growth and reduce poverty. In general, government policies are designed with a subsidiary concept in mind to avoid disincentives to the market agents. Latest governmental achievements include improved transparency in public financial management and procurement; increased social spending from 5% of GDP in 2004 to about 6% in 2006; improvements in education quality and establishment of new community-based maternal and child health and nutrition programs; and continued advances in the growth and competitiveness area, including trade openness, better business climate and enhanced public-private partnerships in infrastructure.³⁴ However, the current Berger administration is ending this year (2007) and newly elected authorities will take office on January 2008. Therefore, the policy framework set by the current authorities is ending too. It is too soon to assert specific policy changes for the sector. However, there is a basic set of policy that will remain in force as it is a matter of formal state commitments.

During at least the last 15 years, Guatemalan governments have stayed away from direct price controls or administered prices in food markets. The Agricultural Marketing Institute (INDECA) created in the 1970s to compete with private marketing activities of buying, stocking and selling basic grains, was reengineered in 1997 to serve as the storage and handling facility for food aid provided to the government by the World Food Program (WFP).

³³ The term Creole is used here in a broad sense indicating people of European ancestry.

³⁴ World Bank: Progress Report on the Country Assistance Strategy for Guatemala. February 2007

The main government intervention of market prices has been through tariff protection. Even though, on average, the weighted tariff rate was only 4.9 percent in 2004,³⁵ there were import quotas for numerous agriculture products. Tariffs were very high for out-of-quota imports, which boosted local prices. However, the signing of several free trade agreements,³⁶ prominently the U.S.-Central American and Dominican Republic Free Trade Agreement (CAFTA-DR)³⁷, have set the path to eliminate this practice in the medium to long term.

On July 1, 2006 Guatemala started implementation of CAFTA-DR, immediately eliminating tariffs on most agricultural products imported from the US, including wheat, cotton, soybeans, processed food, vegetables, some fruits and wine. There are some products however, considered “sensitive” in the Agreement and, thereby, tariffs will be phased-out during a longer adjustment period so as to ease the transition for local producers. Nevertheless, there are tariff-free rate quotas (TRQ) on beef (except prime and choice cuts), cheese, milk powder, butter, ice cream, other dairy products, pork, yellow corn, white corn, rough rice, milled rice, and chicken leg quarters.

Concerning non-tariff trade barriers, the main complaints usually came from cases of arbitrary customs valuation and bureaucratic obstacles. However, the government of Guatemala officially implemented the WTO Customs Valuation Agreement, which eliminated the use of minimum import values in late 2004. Furthermore, Implementation of CAFTA-DR requires transparency and efficiency in administering customs procedures, including rules of origin, and it contains a dispute resolution mechanism that provides an alternative to Guatemala’s judicial system.

On the foreign exchange area, there are no exchange controls and the currency, the quetzal, has a market-set rate that currently trades fairly stable around 7.65 quetzals to one U.S. dollar. A law allowing residents to use either the quetzal or any foreign currency for any kind of transactions, with the exception of tax payments, brought additional market confidence and stability. Since then, foreign currency reserves grew by 2.5 times from \$1.8 billion to current reserves of \$4.3 billion.

COMMODITY MARKETS

Food Preferences.

Along with several economic and social changes, food preferences in Guatemala have been changing too. Notably, resources coming from remittances, the undergoing

³⁵ Heritage Foundation: Index of Economic Freedom 2007.

³⁶ Besides of CAFTA-DR, Guatemala has signed, bilaterally or in conjunction with other Central American countries, free trade agreements with Chile, Mexico, the Dominican Republic, and Taiwan, and is currently negotiating Free Trade Agreements with Canada, Colombia, Panama and the European Union.

³⁷ Trade with the USA accounts for over half of Guatemala’s international trade.

urbanization process, and increased investments in the services sector explain the changes in food availability that took place between 1991 and 2005. The most drastic change was the 43 percent reduction in white corn annual availability per capita (apparent consumption), which went from 200.1 Kg in 1991 to 114.5 Kg in 2005. In other words, corn, that traditionally was the single commodity comprising over half of the apparent consumption, descended to less than a third. Other commodities going downward were black beans, dairy, eggs and sorghum. On the other hand, there were increases for rice, oil and fats, sugar, meats and some fruits.³⁸

Therefore, food availability has been somewhat changing, with reductions in corn in favor of other cereals like rice and wheat, and other food groups like oils and fats, fruits, meat and sugar. Still, cereals continue to be the main calorie source available (43.6%) followed by sugar (22%), oils and fats (12.7%), fruits (8.4%) and meat (5.4%). Within the latter food group, poultry was the top performer growing by about a 3 times factor, continuing a trend started two decades ago and diminishing the luster on growing figures for beef and pork.³⁹

Local Markets

Local food markets are directly correlated to population size and road quality. The Inter American Highway that connects the border with El Salvador on the east with the border with Mexico on the west concentrates the main population agglomerations and, therefore, the principal food markets. Other important food markets are Escuintla and Retalhuleu in the southern piedmont region, Flores and Cobán in the north, and San Marcos in the western highlands.

Basically the food surplus zones are the southern lowlands of Petén, Alta Verapaz, Quiché, Jutiapa and Retalhuleu where production of staple food and cattle takes place. The rest of the Country, due to high urbanization, specialization on exportation crops or subsistence farming, is a food shortage area. Such is the case of the Guatemala department with the largest urban center, the piedmont and south-coast regions with their large export crop plantations, and the western and central highlands, where small farms producing subsistence crops predominate.

For staple food, there are two growing seasons per year linked to the rainfall pattern: planting for the first season goes from April to May with harvesting from August to September, while planting for the second season goes from August to November and harvesting from January to March. In the highlands, where temperatures are lower, there is activity only during the first season.

³⁸ Estimations based on INE's Food Balance Sheet 2005.

³⁹ The changes in calorie availability between 1991 and 2005 can be seen on Annex 2, page 7.

Food marketing structures follow one of two general schemes depending if the food item is predominantly local or imported. For local products like basic grains, farmers sell at farm-gate to intermediaries at harvesting time. These intermediaries then transport and sell the product to wholesalers in large urban centers, the capital city and neighbor countries. For imported commodities like wheat and important amounts of rice, commercial companies associated to industrial processors bring the food items from abroad and then process or repackage them to feed the wholesales–retail distribution chain.

International Trade.

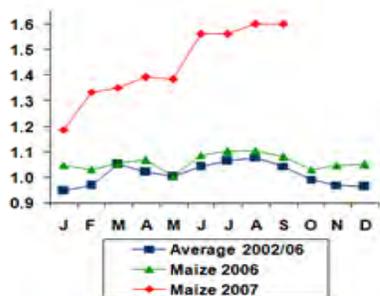
FAOSTAT data for 2005 reports a total trade of 28.4 million metric tons of food commodities in Guatemala. The Country was a net exporter for a few food commodities like coffee, sugar, bananas and cardamom; but, most of the main food commodities came from abroad. Cereals represented over half of the total volume of imported food. The second group in importance was the oil crops that made a 20 percent of the total volume imported. Other food groups with important volume of imports were fresh whole milk, meat and fruits.

Main Market Trends

Corn

Without doubt the most salient trend in food markets in Guatemala is the rise in corn prices that took place during the last year or so. Corn prices in Guatemala have been steadily rising since 2006. The current consumer price of \$ 0.21 (Q1.60) per pound is a 50% increase over the price registered in early 2006. This is in despite of a record harvest of almost 1.5 million metric tons in 2006. The main drivers behind this trend are the raise of oil prices and the related increase in demand and price for corn to distill ethanol.

Nominal maize consumer prices in quetzals/lb, La Terminal Market, Guatemala City



Source: USAID/MFEWS Monthly Report 10/09/07

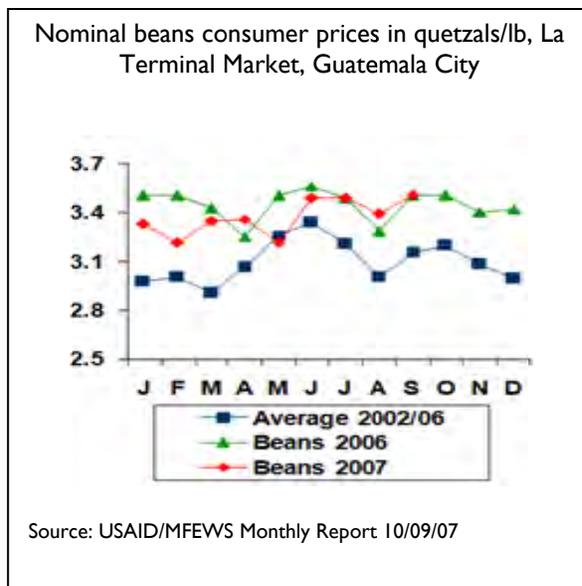
Fiscal benefits for production of ethanol as part of an oil dependency reduction strategy in the USA have had the effect of tying the prices of corn to those of the crude oil; and, at the same time, world prices of corn largely depend on U.S. prices. Since 2005, even when somewhat erratic, oil prices have had an upward trend increasing from \$45 to our days \$70 per barrel, which drove a surge in ethanol production installed capacity of 3.5 times, from 3.5 billion gallons in 2005 to 12.5 billion forecasted by the

end of 2007, and a three-fold increase in corn consumption to produce the combustible. The net effect has been a downward trend in corn volumes going to the feeding and food industries and for exportation with the correspondent price increase as demand in these sectors has been stable or even growing.

At this point in time, it seems very likely that corn prices will keep a growing trend, at least during the next five years. Nothing stimulates supply like a good price does. Therefore, one can expect that corn planted area will increase in Guatemala along with use of fertilizers and improved seeds; but, due to industrial demand, corn imports will still play the dominant role. Another important trend will (or is) the substitution of corn by cheaper commodities in the animal feeding formulas as corn availability becomes tighter.

The main use of corn in Guatemala is to make tortillas,⁴⁰ which are immensely popular throughout the Country. Tortillas are made almost exclusively from white corn, which explains why it makes around 80 percent of Guatemala's total corn production. Notwithstanding the mentioned record harvest of the 2005/06 season, white corn imports jumped high in 2006 to over 80 thousand MT from 35 thousand MT in 2002.⁴¹

The other important variety is Yellow corn. Representing the other 20 percent of total Guatemalan corn production, it is preferred for making tortillas only in a small area to the south of the Country. While there are other minor industrial uses like production of snack foods and breakfast cereals, it is the poultry feed industry that uses the bulk of the grain traded each year. Demand from this industry is going up as exports of processed animal feed skyrocketed to 57,000 MT in 2006.



Pulses

About 80 to 85 percent of the local production of pulses is made of black beans. The rest, mostly red beans, is produced for exporting to neighbor countries. Local consumption is almost exclusively made of black beans. There is also a minuscule consumption of other colored beans, mainly red and white, for regional food specialties. Regarding other pulses, like yellow or green split or whole peas and lentils, although there is some trade for these products its

⁴⁰ kind of thin, unleavened flat bread

⁴¹ Source: BANGUAT: Guatemalan Imports years 2002 - 2006

importance is negligible. Local farmers are the main suppliers of black beans. MAGA's data shows that, for 2006, imports of black beans amounted to less than six percent of the total apparent consumption (production + imports – exports).

The consumer price of beans remained relatively stable between 2006 and 2007 around \$0.44 (Q.3.4) per pound. Prices in 2007 have been on average 20 percent higher than the average price from 2002 – 2006.

Rice

Local production of rice amounted to 26.2 thousand MT in 2006.⁴² About 60 millers buy and process the whole local production. Milling facilities are mostly concentrated in the industrial surroundings of Guatemala City and in the department of Jutiapa, especially around the town of El Progreso. Rice processing plants have drying, milling and packaging facilities as well as laboratories to analyze paddy characteristics (humidity, purity, percentage of broken kernels, whiteness of polish, milling yields and presence of contaminants such as weed seeds). Millers' purchases of paddy rice take place in different ways: directly from farmers, through farmers associations that work as assemblers in rural areas or via intermediaries and transporters. Because local production only meets about 20 to 25 percent of national demand for processing, millers import over 80,000 MT of paddy per year.⁴³ With very little amounts coming from El Salvador, these imports come almost entirely from the United States. Once processed, millers sell the rice to wholesalers, supermarkets and retailers in urban areas or to regional and national intermediaries that supply deficit and remote areas. Very limited amounts of processed rice are imported and exported to neighboring countries.

Oil Crops

The FAO FBS for 2005 reports a total consumption (production plus importations) of 1.3 million MT for oil crops. Out of that, local production made over 716 thousand MT and, out of the domestic production, African palm accounts for 83 percent. On the other hand, soybeans account for over 73 percent of total imports, which amounted to more than 595 thousand MT. Industry uses oil crops for animal feed, food products and cooking oils and fats. Local production of vegetable oil has been increasing as local consumption and exports of refined vegetable oil, shortening, and margarine increases.

Domestic producers of palm oil have been gaining market share both internally and externally. Due to competitive price, frying stability and nutritional properties, palm oil is displacing soybean oil and lard in the food industry and tallow in the cosmetic

⁴² MAGA/UIPE: Market Information System.

⁴³ Source: Bank of Guatemala.

industry.⁴⁴ It has also gained a place in the feed industry where it is one of the preferred oil meals. The food industry is the major consumer of palm oil. Big companies in Guatemala, like Frito Lay and Bimbo, have shifted entirely their consumption of soybean oil to palm oil. Margarine producers have been also using more palm oil in their formulas due to its low trans-fatty acid and antioxidant characteristics.⁴⁵

However, refined palm oil is not available for retail sale because consumers reject it due to its red color and its stearin content, which forms a solid film around the liquid oil at room temperature. From a nutritional health perspective, it has the disadvantage of high saturated fat content. Therefore, oils for home consumption are mainly refined from soybean and sunflower oils and then packed in a variety of blends. Both palm oil and Guatemalan brands of refined vegetal oil have found good demand in Mexico and Central America.

By now, it seems that soybean and palm oils have found its respective market niches as both imports of CDSO and production of palm oil have been growing. CDSO imports almost doubled from 2002 to 2006 going from 46,954 MT to 87,560 for an average annual growth rate of 22%.⁴⁶ On the other hand, the National Statistics Institute estimates that African palm plantations more than doubled from 2002 to 2006 from 30.7 thousand HA to 78.2 thousand HA. This implies that palm oil production increased from 49.4 thousand MT to 125.9 thousand MT.⁴⁷

The animal feed industry used around 284,000 MT of meals in 2005, almost exclusively devoted to the poultry industry. Local production of soybean and palm kernel meals amounted to 46,200 MT (15%) and, the rest (241,400 MT), were imported.⁴⁸

Soy is a minor crop in Guatemala, it is produced mainly in the South Coast and is sold for meal production; the oil is considered a by-product. Guatemala produced about 35,000 MT of soybeans and 7,000 MT of soybean oil in 2005. On the other hand, imports of soybean oil amounted to about 70,600 MT with the lion's share (92%) coming from the U.S.⁴⁹

Local production of sunflower oil is nil, so it almost comes entirely from the exterior, mainly the U.S., imports amounted to 14,200 MT in 2005.

As is the case with most imported industrial input commodities, the marketing structure for soybean oil is concentrated. There are four companies processing imported soybean

⁴⁴ USDA/FAS 2006 GAIN Annual Report on Oilseeds and Products

⁴⁵ Ibid.

⁴⁶ Source: BANGUAT Volume and Value of Guatemalan Imports from 2002 to 2006

⁴⁷ INE: 2003 National Agricultural Census and 2006 National Agricultural Survey.

⁴⁸ USDA/FAS: GAIN Report. Guatemala – Oil Seeds and Products. 2006.

⁴⁹ Ibid.

oil and two of them are the major players with large investments in infrastructure and working capital.

Wheat

Although calorie availability from wheat grew in the 1991 to 2005 period, it did so very modestly at a 7 percent rate. Rice, for example, did much better with a 380 percent increase. Nevertheless, wheat consumption grew importantly in the same period. Consumption, as shown in FAO's respective Food Balance Sheets, more than doubled from 290,000 MT in 1991 to 619,000 MT in 2005. Virtually all the wheat consumed in Guatemala is imported. While, thanks to a policy of tariff protection, Guatemala used to produce about 60,000 MT until the mid 1980s, since then, as trade liberalization measures took place, local production decreased to about 2,268.2 MT in 2006.⁵⁰ The local production is now mainly used for baking regional bread specialties that require the variety of soft wheat produced in the Country. Therefore, at pace with consumption, imports have been steadily growing making up 99 percent of the total consumed in 2005.

The marketing structure for wheat is concentrated. The very successful Multi-Inversiones Holding, owner of "Pollo Campero" the largest restaurant chain in Central America, commands the market. Multi-Inversiones also owns the largest milling infrastructure in Guatemala and has reached a market share of about 85 percent. In fact, the Holding originated from the milling industry 71 years ago when Molinos Modernos (MM) started operations with a single wheat mill in Quetzaltenango. Over that time, MM became a relatively huge operation acquiring or building small to medium-size mills as market needs dictated. During the last decade or so, MM consolidated its milling facilities into a unit with operations in Central America, the Caribbean, Mexico and USA. MM has grown from its initial single mill operation into four core business units: Industrial Flour Milling (wheat and corn), Pasta, Cookies & Crackers, and Flexible Packaging Production. The company currently operates 16 large-scale manufacturing plants and its business vision is to become the Latin American largest business in the sector. As huge as MM may seem to the average Guatemalan citizen, they are still subject to the herculean international market forces determining commodities prices.

In Guatemala, MM allied with the smaller millers and organized the Guatemalan Millers Association. To gain in negotiation power and to improve cost-efficiency, the Millers Association consolidated procurement of wheat. Therefore, for all practical effects, this Association is the sole market in the Country.

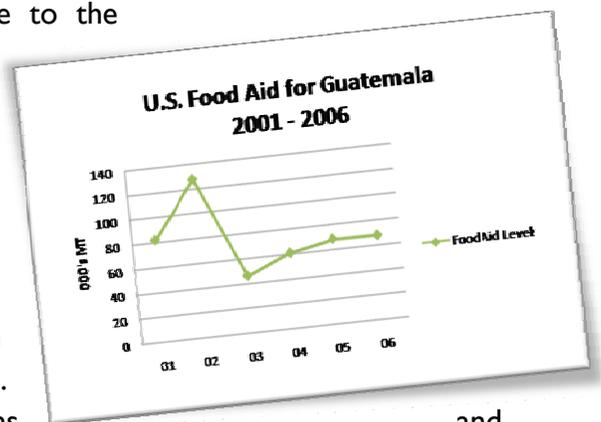
⁵⁰ BANGUAT: Volumen y Valor Bruto de la Producción Agrícola, Años 2000 - 2006

Estimated annual purchases are around \$100 million. The Millers Association demand is stable throughout the year; however, they are permanently watching the market and try to purchase at the best perceived opportunities. According to BANGUAT data, quarterly purchases average \$20 to \$23 million with a peak around the last quarter of the year. They purchase mainly from Canada and the US; however, due to the reduction of production in Canada, US wheat has predominated in Guatemala's imports in the last few years.

Food Aid

At least on average, Guatemala has been improving during the last years. The Country has made its way out of the low income ranks and poverty, in relative terms, has descended a little. For most Guatemalans, however, the indications of economic growth and progress amount to little less than statistical mumbo jumbo as they cannot see that improvement translated to their everyday lives. Over six million people living under the poverty line and, among them, two million suffering extreme poverty, and a rural infant population affected with total stunting rates as higher as 80 percent in some places, qualify the Country under the food insecure nations of the world. Furthermore, these social conditions make people more vulnerable to the recurrent natural disasters that take place in the Country. Humanitarian assistance to help these populations to cope with these problems continues to be justified. In this effort, the U.S. is the leading donor providing over 90 percent of all food donations to Guatemala.

The U.S. Department of Agriculture's Foreign Agricultural Service (FAS) helps provide U.S. agricultural commodities through direct donations

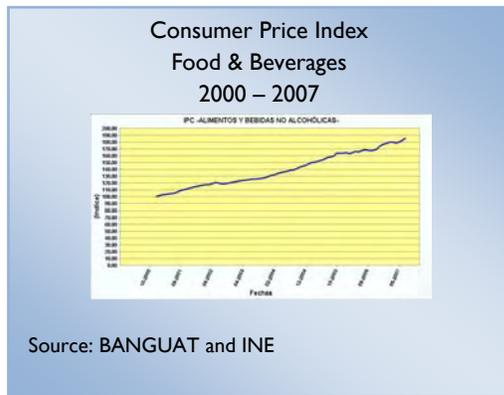


and concessional programs. Food aid may be provided through four program authorities: Public Law 480 (P.L. 480), also known as Food for Peace; Food for Progress; Section 416(b); and the McGovern–Dole International Food for Education and Child Nutrition Program (FFE program). P.L. 480 has three titles, and each title has a specific objective and provides assistance to countries at a particular level of economic development. USDA administers Title I, and the U.S. Agency for International Development (USAID) administers Titles II and III. The food is channeled via grant agreements with the GOGT, the WFP and private voluntary organizations.

In the period from 2001 to 2006, commodity assistance programs have oscillated from a high of 127.5 thousand MT in FY 2002 through a stable average of about 65 thousand MT for the other years. The unusually high figure for 2002 was the U.S. assistance

response to the severe food crisis that developed from the coffee prices slump and a drought in the northwest, both events in 2001.

On average, participation of food aid in the total food consumption was about one percent for the period; while participation of food aid in total food imports was about 3 percent. If the outlier 2002 was not considered, the averages descend to 0.8 and 2.45 percent respectively.



These amounts of food assistance do not seem to have had a depressing effect on market food prices. The CPI for food & beverages during the 2000 – 2007 (base year: 2000) shows a constant upward trend throughout the period. Furthermore, producer prices for locally produced food commodities like corn, black beans and rice had a similar upward trend.

Overall, the outlook for non-emergency food aid is to go downwards. The estimated levels for 2007, for example, amount to about 56,000 TM (WFP 15,939 MT + FFE 19,820 + Title II 20,272), which is almost 14% less than the 2001 to 2005 average.⁵¹

DIRECT DISTRIBUTION DISINCENTIVE ANALYSIS

From FY 2007 to 2011, under the P.L. 480 Title II program, USAID will provide around \$15 million a year in food assistance to address elevated levels of chronic malnutrition in Guatemala—the highest in the hemisphere. Roughly forty percent of this assistance will be directly delivered to the participant families in the form of food rations made of pinto beans, corn/soy blend, refined vegetable oil and rice.

Supplementary Feeding Rations (SFR) provide an incentive for participant families to get involved in educational activities like nutritional cooking classes, hygienic food preparation and feeding practices, growth monitoring of small children and disease prevention. At the same time, the SFR supplements with nutritious food the family diet, thus helping them improve their nutritional status. Families that have a pregnant/lactating mother and/or a child under the age of 36 months receive an SFR.

These programs also support small community projects aimed at reducing communities' vulnerability to food insecurity and to mitigate potential shocks. Examples of these projects are tree nurseries, reforestation, soil conservation activities, protection of water sources, construction of water systems and rural road rehabilitation. Participants

⁵¹ Food aid levels in this section were estimated using data from USDA/FAS, USAID and WFP.

receive food rations (Food for Work —FFW) in exchange for time working on these projects. The parameter to calculate the FFW ration is the value in food, at retail prices, of legal minimum wage per day (US\$5.50). At any given time, only one person per family can earn the FFW ration.

Current planned food levels for direct distribution won't have a discernible impact upon domestic production or commodity marketing in Guatemala. There are several arguments that sustain this opinion. First, the overall amounts of food aid to Guatemala do not exceed one percent of the total food consumption and 2.5 percent of the total food imports;⁵² second, the overall regular amounts of food aid to Guatemala are on a downward trend, while both food consumption and food imports are on an upward trend; third, at a national level, food aid does not appear to depress food prices as these prices have been steadily increasing during the 2000 – 2007 period⁵³ notwithstanding food commodity assistance levels of up to five percent of total food imports in 2002; fourth, due to a relatively small and open agricultural economy, global commodity markets are, in essence, driving the price of the main food commodities in Guatemala; fifth, communities and families receiving food commodities are carefully targeted, selecting the poorer and most needy; by definition, these families lack the purchasing power to constitute an effective demand in the regular market; sixth, down to community level food markets, potential entry of food aid into the regular markets are very unlikely because of three reasons: one, some of the commodities like pinto beans and CSB do not have a regular market demand; two, rations size and distribution criteria do not allow for accumulation of any surpluses and three, due to characteristic social homogeneity in these marginalized rural areas, bartering opportunities are very scarce.

CONSIDERATIONS ON MONETIZATION

All food aid authorities allow some portion of the commodity assistance provided to be monetized (sold). As part of the Food Security Act of 1985, Congress mandated that 5 percent of all Section 416(b) and non-emergency Title II commodities be monetized. The use of monetized proceeds was initially limited to paying for administrative costs related to direct food distribution for humanitarian purposes. In 1988, the minimum level was increased to 10 percent and the permissible use of monetized proceeds expanded to include broad development purposes, including agricultural development. In 1996, the minimum monetization level was increased to 15 percent for Title II.

Under Title II programs, Cooperating Sponsors (CSs) are responsible for marketing and selling the food commodities in the local markets. Even though it is widely recognized

⁵² Based on FAOSTAT and USDA/FAS data. Refer to Annex 2 page 16.

⁵³ Source: BANGUAT

that for PVOs to take the role of commodity brokers is a diversion of their missions, the importance of getting the funding to finance development programs that ultimately will help poor and food insecure families to overcome their limitations, makes them to actively embrace this function. Such a role requires these organizations to seek experience in all facets of commodity sales and cope with price, exchange rate, and other uncertainties.

In Guatemala, a consortium of the PVOs led by CRS has handled the monetization during more than ten years. Each consortium member has an active part in decision-making on which products to monetize, the amounts to sell, and methods of negotiation. A fee of one percent (1%) is levied on sales amounts realized to cover the operating costs of the consortium. This scheme has ensured the generation of a maximum amount of funds with a minimum of transaction cost as it allows negotiating larger quantities of commodities with individual buyers, reduced transportation costs through simultaneous Call Forwards, and reduced administrative burden for each organization for a very low fee.

Notwithstanding, it has been frequently suggested that monetization should be contracted out to professional traders. This would allow the PVOs to focus their attention on their primary interests, i.e., humanitarian assistance and economic development; and, would convert monetization transactions into regular commercial transactions, avoiding negative perceptions associated with donated food commodities. Large commercial trading companies can offer a number of advantages, including tools to manage price and currency risk, ability to provide credit terms, an established logistical, marketing and transportation network, and commercial interest in back hauling products from the recipient country for export elsewhere on the international market without disturbance to local markets. It seems obvious, but some questions must be answered before this happens for the first time. Foremost is the question about the legal framework to govern these contracts. The fact that government funding is involved obliges to carefully and clearly set the legal implications. Another challenge is to identify the adequate procedures to contract such services to guarantee competitive pricing and transaction transparency. It is clear that these answers should come from the policy/decision makers and that only then we will find answer to other questions like the cost-benefit of such arrangements as compared to the current system.

On other issues, there has been considerable criticism to the monetization activity pointing mainly at the fact that monetization sales are closed at prices lower than regular commercial prices or “market prices”. This criticism disregards the fact that each and every transaction is affected by a wide variety of factors that taken in conjunct define the opportunity cost for each party. A “market price” only exists for past transactions and it is no more than historical data indicative of market trends. Even

when nowadays one can obtain up-to-the-minute prices there is no guaranty for getting similar prices in one's transactions if one is substandard in relation to competition. Buyers and sellers develop a relationship of trust and confidence based on each other reiterated compliance with contractual terms of quality, timeliness, good service, payment, financing, and a wide variety of elements that add value to the transaction and find its expression in the agreed price. Business managers are held accountable for their companies' bottom-line, so they are very sensitive to any advantage that would help them to reduce costs or increase profits. "Just in Time", "Total Quality", etc. are business management concepts that remind us of the importance of having reliable input sources. To gain market share, competitors must offer better terms in quality, price, service, or whatever the element or combination of elements that would lessen the other party's opportunity cost, thus making their business attractive.

U.S. government laws and policies affecting the availability, pricing and transport of food commodities leave little space to maneuver in this respect. When dealing with monetized commodities, buyers expect lengthy delays between the signing of the contract and the delivery. The worst part of this, contrary to commercial shipments, is that the actual arrival date is unreliable. This uncertainty spoils buyers' attempts to plan the commodity into their production chain. Therefore, there is a high risk of getting a jump in inventory levels when the commodity arrives with the ensuing extra storage and financing costs. Commercial shipments would arrive in self-geared bulk carriers if specified in the contracts, while monetized commodities quite often arrive in barges. Not only does this slow the discharge, causing extra costs, but also the barges are much more vulnerable to damage due to water entering through the hatches. Even though, the buyer won't bear the cost of water damaged commodities, time lost at the production chain amount to higher costs. The shipping of monetized commodities is done without relationship between seller and receiver. Therefore, the quality of such shipments tends to be as low as possible while still meeting the required specifications. All these factors increase the buyer's opportunity cost that would have to be defrayed by, what else, price cuts.

MONETIZATION UNDER USAID/GUATEMALA TITLE II PROGRAM

With the turn of the century, monetization in support of Title II activities became increasingly challenging for the CSs implementing food security programs in Guatemala. Before the year 2000, monetized commodities used to be animal feeds, mostly yellow corn and soybean meal. Then, FFP/W indicated that monetization of animal feed would not be allowed after Fiscal Year (FY) 2001. In addition, FFP/W expressed a preference for monetizing value-added products through small lot auctions and use of the Bolsa

Agricola Nacional (BAN –the agriculture commodity exchange, founded in 1991) for monetizing.

A market study conducted by Cargill Technical Services found that monetizing value-added products⁵⁴ was not viable due to market conditions; that small lot auctions were not recommendable, given the characteristics and needs of the Title II program activities; and, that the BAN was not an effectively functioning marketplace that could be used for monetization. Regarding commodities alternative to animal feed, they recommended wheat, rice, and nonfat dry milk powder. However, the authors learned that rice and milk powder would not be available so the only alternative would be wheat.

Given those complex conditions, monetization of animal feed commodities continued until the year 2002. Meanwhile, through an intense process of market exploration and negotiation, the CSs' Consortium identified CDSO as a viable alternative commodity to achieve monetization goals and meet program policy requirements. Then, from FY 2003 through FY 2006, the Consortium successfully phased-out monetization of animal feeds and carried on the activity based solely on sales of CDSO. Nevertheless, reliance on just one commodity raised concerns about associated market risks and prompted recommendations for the CSs to move toward a basket approach. Then, for the newly approved 2007-2011 Title II Program the CSs' Consortium is monetizing a two-commodity basket (CDSO and wheat).

Monetization Feasibility

The Consortium plans to generate 75% of its monetization budget requirements via the sale of CDSO and the remaining 25% via wheat. CDSO is preferred over wheat because it is more cost efficient and generates a cost recovery above 80%.

On average, this plan requires sales of 8.4 thousand MT of CDSO and 7.8 thousand MT of wheat every year. These amounts are modest compared with imports of each commodity. Wheat imports averaged over 383 thousand MT from 2002 to 2006 with a peak of over 417 thousand MT in 2005. CDSO imports almost doubled during the same period going from 46,954 MT in 2002 to 87,560 in 2006 for an average annual growth rate of 22%.⁵⁵ In 2007, commodity prices have tended upward; if this trend keeps pace, the monetized volume would decrease.

Neither commodity is significantly produced in Guatemala so potential disincentive to local production would be negligible. Concerning substitute commodities, only CDSO

⁵⁴ ARD-RAISE Consortium. Guatemala: PL 480 Title II Monetization Market Analysis. May 2000. This Study considered refined vegetable (soybean) oil in 4L or 20L containers, wheat flour, potato flakes, black beans, soy-fortified products, beans, sorghum, and corn products.

⁵⁵ Source: BANGUAT Volume and Value of Guatemalan Imports from 2002 to 2006

has a locally produced substitute, i.e., palm oil. However, as observed above, in spite of an increase in CDSO imports, local production of palm oil is growing and, due to its price, frying stability and nutritional properties, is displacing soybean oil from some market niches. Additionally, the financial conditions for negotiating the sale of donated CDSO (cash, LOC backed, marked against international prices) are not competitive with private suppliers who usually offer some financing to boost their sales. Therefore, impact of Food Aid CDSO imports on local production of palm oil would not be significant either. Even when it has not been the case up to now, the CSs' consortium should be alert to possible CDSO demand downturns as a consequence of the current trend in some sectors of the food industry that are using more palm oil and less soybean oil.

Monetization options

The Title II Program has been carrying out a Bellmon Analysis every two years. Over the last few years, these studies and the policy realities affecting the Program have determined the viable short list of commodities to be used both for direct distribution and for monetization. Currently, the short-listed products for monetization are crude degummed soybean oil (CDSO) and wheat.

Current market trends sustain the monetization strategy. In spite of palm oil increased market share, soybean oil consumption has been on the rise during the last five years; in addition, the Consortium has been able to work out a stable relationship with the current buyer who has demonstrated a capacity to purchase up to 18,000 MT of CDSO per year,⁵⁶ which makes it feasible to realize the planned sales. If something goes wrong with forecasted CDSO demand, proceeds may be generated by raising the proportion of wheat in compensation.

Nonetheless and given that there is only one buyer for wheat in Guatemala, it would be ideal if the Consortium could have additional recourses to mitigate market risks associated to monetization. Renewed market research efforts have resulted in conclusions similar to those of previous market analyses: first, because of large markets, high and increasing demand, high relatively value and practically no risk to disincentive local production, animal feeds continue to have the most potential for monetization; second, available value-added commodities for monetization are not viable in the local market either because of their potential to cause significant disincentives to local production, wheat flour for example, or the lack of a market as in the case of bagged sorghum or potato dehydrated flakes for instance; and third, commodities for direct human consumption that fulfill all policy requirements are scarce.

⁵⁶ In FY 2005 this buyer acquired 15,080 MT of CDSO from the Consortium and, in the four fiscal years from 2003-06, the annual average buying was of 9,790 MT.

Both yellow corn and soybean meal have a relatively large demand, which is satisfied mainly through imports. In 2006, for instance, imported volumes of yellow corn and soybean meal amounted to 686.0 thousand MT and 229.0 thousand MT respectively.⁵⁷ Experience from monetization processes in the past indicates that animal feeds attract more bidders, among them at least one or two cooperatives that have small farmers in their membership. Therefore, in light of the advantages that modifying the “only for direct human consumption” policy would bring for the Title II Program in the Country, it is recommended that USAID reconsider resuming monetization of animal feeds, at least partially as a measure to diversify the monetization basket or as an option of last resort. It is still extremely likely that these feeds would anyway end up transformed in food, mainly poultry.

Beyond that, the only other commodity that may be part of the monetization basket is paddy rice. With rice imports amounting to over 80 thousand MT annually and growing, there is some room for selling rice without causing market disturbances; however, because of local politics around rice imports, it could be relatively hard getting enough market share to generate a significant percentage of the required monetization resources. In any case, if the CSs’ Consortium would like to keep its options open, it would be good to keep tabs on the rice market and stakeholders.

Sales Method

About the sales method: market realities do not leave much of an alternative to negotiated sales. In the case of CDSO there are only two prospective buyers capable of purchasing the volumes that the Consortium needs to monetize; and, during the past five years, only one of them has been actually buying while the other has not been interested in bidding. For wheat, the Miller’s Association is the market. Because of the large investments needed to profitably operate with commodity inputs and the small scale of the Guatemalan economy, small numbers will be found in the demand of other commodity markets like rice and feeds too. In any case, the Consortium can keep the strategy of publishing its offerings as widely as possible to always investigate the market status and attract the maximum number of bidders.

Regarding the suggestions for engaging a major trader for handling the monetization, it seems that the legal framework is not clear enough to realize such a contract by now. If legal counsel determined that it is doable, then the challenge would be to demonstrate the cost-benefit advantage to the Program.

⁵⁷ Source: BANGUAT.

PORT, TRANSPORT & STORAGE FACILITIES

PORTS

There are three major ports handling cargo, one on the Pacific Ocean shores and two on the Atlantic Ocean side. These ports handled a total cargo of 13,612,404 MT In 2006. Puerto Quetzal is the port on the Pacific coast and the busiest, handling over 50 percent of the total cargo; it primarily handles bulk cargoes and is the main port for sugar exports. Puerto de Santo Tomas de Castilla is the main port on the Atlantic coast; it ranks fifth in terms of total tonnage in Central America; however, it handles only a third of the cargo. Both ports are connected with the capital city by a well-maintained paved highway. A third minor port is Puerto Barrios, also on the Atlantic Ocean and very close to Puerto de Santo Tomas, handling mostly banana exports.

Puerto Quetzal

Located 91 km (60 miles) away from Guatemala City, over a good all weather, four to six lane highway, Puerto Quetzal is the busiest port in Guatemala with an 81 percent occupancy rate. Its principal wharf is 810 meters long and can berth four ships. Additional berthing is available on a secondary pier. Current maximum depth is 14 meters. The port has 13,600 square meters of covered warehouse and 48,613 square meters of exposed storage, including 21,280 square meters of container space. Maximum discharge rate is 8,000 metric tons per day. The port's facilities have successfully handled both bulk and container imports of Title II commodities in the past, and are fully capable of handling these in the future. Private sector companies have built a number of grain silos and tanks near the port. In terms of tonnage, it ranks 4th in Central America.

Puerto de Santo Tomas de Castilla

Puerto de Santo Tomas de Castilla's main pier is 914.5 meters in length and can berth 6 ships. Maximum draft is 9.5 meters alongside the pier. Additional berths are available on a secondary pier, mostly for liquids and petroleum. The port has about 46,650 square meters of covered warehouse, and more than double that area in exposed storage space. Discharge rates are from about 500 to 625 metric tons per hour. The experience in handling Title II commodities has been overall positive. It is 295 kilometers away from Guatemala City and connects to it through a two-lane, well

maintained, asphalt highway. Due to the greater distance, the cost of transportation is about double the cost from Puerto Quetzal to Guatemala City.

TRANSPORT

The Guatemalan railroad network used to be the largest and most important of Central America with more than 900 kilometers of track connecting the ports on Atlantic and Pacific coasts, the capital city, El Salvador and Mexico. Built at the beginning of the 1900s, and nationalized in 1968, neglect and incompetent administrations doomed the railroad. Passenger service was discontinued in 1995 and cargo service halted in 1996. In 1997, a new concession was granted to a private company who reopened the line between Guatemala City and the Atlantic ports of Puerto Barrios and Puerto Santo Tomas for freight service, hauling cement, imported coil and steel bar, sugar from Cuba, native coffee and other goods in 1999. However, over a legal quarrel with the government, the company recently halted operations again.

Therefore, domestic transportation of cargo is entirely based on trucking. The Guatemalan national road network is made of about 15,000 kilometers of roads, of which over 40 percent is paved. Although the country has a low density of classified roads, with an estimated 13 percent of the population lacking access to road ways, roads connections between ports and main towns to the Capital City work well, enjoy good maintenance and serve the most populated areas.

Regarding transportation of Title II commodities for direct distribution, paved all-weather and well-maintained roads connect the ports of entry to the Cooperating Sponsors' main warehouses, which are located in the outskirts of Guatemala City. From there, the commodities travel to regional or local warehouses where they are repackaged into individual ration volumes and distributed to beneficiaries. There are plenty of private transportation companies offering the service. Overall, the in-country transportation system provides effective and secure services from port of entry to final destination, without any significant losses.

STORAGE

Cooperating Sponsors handle commodities for direct distribution through a well designed and maintained network of warehouses. The major warehouse is conveniently located in the outskirts of Guatemala City to avoid traffic jams.

Three CSs' Guatemala City and regional warehouses were inspected for this report: the main warehouse, located in Villa Nueva, on the Guatemala City – Puerto Quetzal Highway's roadside; of the regional warehouses, one located in Rabinal, Alta Verapaz and, the other, in San Martin Jilotepeque, Chimaltenango. During the inspection all these warehouses were found clean, well maintained, and secure. Food bags and cans were

adequately stacked and stored on pallets.⁵⁸ There were not any filtrations or damp signs in despite of the current heavy raining season. There were preventive rodent control traps, and inventories are up to date. There was only food in storage, and there is policy prohibiting handling/storage of potential contaminants, such as fertilizers, pesticides, etc. Finally, the warehouse personnel are well qualified and inspect commodities regularly to detect any risk of pest infestation.

⁵⁸ The regional warehouse in Rabinal had no food stocks at the moment of the visit, but it was clean, dry, spacious and equipped with pallets.

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ANNEX 1: MAP OF GUATEMALA



ANNEX 2: STATISTICAL TABLES AND CHARTS

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GUATEMALA
POPULATION BY DEPARTMENT
2002

Department	Population
Guatemala	2,541,581
Huehuetenango	846,544
San Marcos	794,951
Alta Verapaz	776,246
Quiché	655,510
Quetzaltenango	624,716
Escuintla	538,746
Chimaltenango	446,133
Suchitepéquez	403,945
Jutiapa	389,085
Petén	366,735
Totonicapán	339,254
Izabal	314,306
Sololá	307,661
Chiquimula	302,485
Santa Rosa	301,370
Sacatepéquez	248,019
Jalapa	242,926
Retalhuleu	241,411
Baja Verapaz	215,915
Zacapa	200,167
El Progreso	139,490
COUNTRY TOTAL	11,237,196

Source: INE - Population Census 2002

GUATEMALA
GDP BASE 2001
GROWTH RATES 2001 - 2007

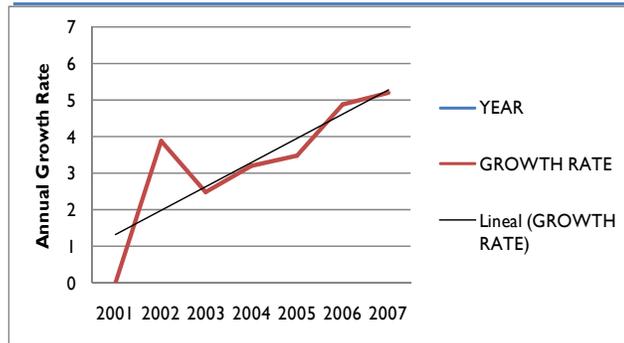
YEAR	GDP GROWTH RATE
2001	-
2002	3.9
2003	2.5
2004	3.2
2005	3.5
2006*	4.9
2007**	5.2

Source: BANGUAT

* Preliminary figures

** Estimated figures

GUATEMALA
GDP BASE 2001
GROWTH RATE CHART
Years 2001 – 2007



Source: BANGUAT

GUATEMALA

GDP CURRENT PRICES

MAIN ECONOMIC ACTIVITIES' RELATIVE PARTICIPATION IN 2005

DESCRIPTION	\$ Millions	Percentage
Light Manufactures	5,054.9	18.7%
Commerce	3,996.0	14.8%
Agriculture, forestry, fishing and hunting	3,343.1	12.4%
Private services	3,208.6	11.9%
Public administration and defense	1,974.9	7.3%
Transportation, Warehousing and communications	1,635.2	6.0%
Construction	1,162.6	4.3%
Hotels and restaurants	795.3	2.9%
Banking, insurance and real state	726.6	2.7%
Water and Electricity	709.5	2.6%
Mining	311.3	1.2%
All other, including not for profit and self consumption	4,133.2	15.3%
TOTAL 2005 GDP	27,051.2	100.0%

Note: Exchange rate: Q.7.70 = \$1.00

Source: BANGUAT

GUATEMALA

AGRICULTURE ACTIVITIES AS A PERCENTAGE OF TOTAL GDP

Figures in Quetzales Millions at Current Prices

DESCRIPTION	2001	%	2002	%	2003	%	2004	%	2005	%
Traditional Crops	4,563.7	3.1%	4,838.0	3.0%	4,704.6	2.7%	5,307.8	2.8%	5,996.5	2.9%
Non Traditional Crops	9,718.5	6.6%	10,807.5	6.7%	11,105.4	6.4%	11,559.2	6.1%	11,907.9	5.7%
Livestock, Forest and Fishing	6,216.3	4.2%	7,014.0	4.3%	7,267.4	4.2%	7,627.2	4.0%	7,837.4	3.8%
Total	20,498.5	13.9%	22,659.5	14.8%	23,077.4	13.3%	24,494.2	12.9%	25,741.8	12.4%
Agriculture Growth rate				10.5%		1.8%		6.1%		5.1%
GDP	146,977.8		162,506.8		174,044.1		190,440.1		208,293.9	

Source: BANGUAT

GUATEMALA

EXPORTS BY TYPE - YEAR 2006

FIGURES IN DOLLAR THOUSANDS

Description	000s Dollars	Percentage
Agriculture	1,281,705.0	21.3%
Mining	531,308.8	8.8%
Manufactures	4,199,848.2	69.8%
Total	6,012,862.0	100.0%

Source: Banguat

GUATEMALA

IMPORTS BY TYPE - YEAR 2006

FIGURES IN DOLLAR THOUSANDS

DESCRIPTION	000s Dollars	Percentage
AGRICULTURE	415,111.90	3.5%
MINING	2,541,578.50	21.3%
MANUFACTURES	8,961,114.70	75.2%
TOTAL	11,917,805.1	100.0%

Source: Banguat

GUATEMALA	
GDP PER CAPITA 2001- 2005	
2001 PRICES	
Year	\$ PER CAPITA
2001	1,659.3
2002	1,789.9
2003	1,870.0
2004	1,996.1
2005	2,129.9

Note: Exchange rate: Q.7.70 = \$1.00
Source: BANGUAT

GUATEMALA		
LAND TENURE BY FARM SIZE		
2003 AGRICULTURE CENSUS		
Farm Size Range (Ha)	Number of Farms (%)	Total Extension (%)
Under 0.7	45	3
0.7 – 3.5	41	13
3.5 – 22	10	18
22 – 44	1	9
Over 44	2	57

Note: 1 Ha is equal to 2.4 acres
Source: INE IV Agriculture Census (2003)
Total Farm Area in 2003 was 3.7 million Ha

GUATEMALA				
POSITION IN HDI, EFI, CI, AND CPI INTERNATIONAL INDEXES COMPARED TO USA AND HONDURAS				
Country	HDI	EFI	CI	CPI
USA	8	4	6	20
Guatemala	118	68	75	112
Honduras	117	76	93	124

Note: HDI means the 2006 United Nations Human Development Index, includes 177 countries
 EFI means the 2007 Heritage Foundation and the Wall Street Journal's Economic Freedom Index, includes 157 countries
 CI means the 2006-2007 World Economic Forum's World Competitiveness Index, includes 125 countries
 CPI means the 2006 Transparency International's Corruption Perceptions Index, includes 163 countries

Sources: UNDP – the Heritage Foundation – WEF – Transparency International

GUATEMALA		
TOTAL CROP AREA AND AREA FOR SELECTED CROPS IN 2006 AREA IN HECTARES*		
Crop	Area	Percentage
TOTAL	2,337,066	
White Corn	312,006	13.4%
Yellow Corn	60,948	2.6%
Black Beans	96,340	4.1%
Rice	7,516	0.3%
Coffee	319,640	13.7%
Sugar Cane	240,644	10.3%
Rubber	84,979	3.6%
African Palm	78,163	3.3%
Bananas	60,470	2.6%
Cardamom	32,122	1.4%

* One Ha is equal to 2.4 acres
 Source: INE - 2006 National Agriculture Survey

GUATEMALA

FOOD APPARENT CONSUMPTION (CALORIES/PERSON/DAY PERCENTAGE) BY
FOOD ITEM
YEARS 1991 AND 2005

1991		2005		Change	
Description	Percentage	Description	Percentage	Description	Percentage
corn	54.2	corn	29.6	corn	-45%
sugar	17.4	sugar	22.0	sugar	26%
wheat	8.4	oils & fats	12.7	oils & fats	170%
oils & fats	4.7	wheat	9.0	wheat	7%
beans	4.6	rice	4.8	rice	380%
dairy	2.9	poultry	3.2	poultry	256%
eggs	1.2	bananas	3.0	bananas	900%
rice	1.0	plantains	2.6	plantains	2500%
poultry	0.9	beans	2.3	beans	-50%
sorghum	0.8	dairy	1.9	dairy	-34%
beef	0.7	beef	1.4	beef	100%
other veggies	0.6	other fruits	1.4	other fruits	1300%
pork	0.5	eggs	1.0	eggs	-17%
bananas	0.3	pork	0.8	pork	60%
tomato	0.3	potato	0.8	potato	300%
potato	0.2	citrics	0.8	citrics	300%
citrics	0.2	tomato	0.4	tomato	33%
avocado	0.2	avocado	0.4	avocado	100%
cassava	0.2	other veggies	0.3	other veggies	-50%
plantains	0.1	onion	0.3	onion	200%
other fruits	0.1	sorghum	0.2	sorghum	-75%
onion	0.1	cassava	0.2	cassava	0%
pineapple	0.1	pineapple	0.2	pineapple	100%

Source: INE: 2005 Food Balance Sheet.

GUATEMALA

FOOD COMMODITIES PRODUCTION, IMPORTATIONS, EXPORTATIONS, USES AND CONSUMPTION

YEAR 2005

FIGURES IN THOUSANDS OF METRIC TONNES

DESCRIPTION	PRODUCTION	IMPORTATIONS	EXPORTATIONS	FEED AND SEED USES	OTHER NET USES	CONSUMPTION
Cereals	1,075.1	1,524.3	210.5	467.7	141.7	1,779.4
Starchy roots	286.5	27.5	61.4	3.8	147.4	101.4
Sugarcrops	19,071.6	68.8	12,224.9	892.6	2,521.2	3,501.8
Honey	0.8	-	1.3	-	(0.5)	0.1
Pulses	125.3	11.9	4.1	7.2	3.4	122.6
Nuts	26.3	0.3	3.1	-	(2.3)	25.8
Oilcrops	716.6	595.2	503.5	5.3	326.8	476.2
Vegetables	1,059.0	72.4	822.9	0.2	(234.2)	542.6
Fruits	2,112.8	184.8	1,418.0	127.5	(51.9)	803.9
Stimulants	259.0	12.6	241.3	-	17.9	12.5
Spices	21.1	2.2	29.0	-	(7.2)	1.5
Meat	275.3	190.9	15.2	-	160.4	290.6
Edible offals	9.3	0.8	2.8	-	(3.2)	10.4
Animal fats	4.0	18.1	1.9	-	4.7	15.5
Milk, whole, fresh	283.1	262.8	12.8	28.4	(17.3)	522.0
Bird eggs (incl. hen eggs)	91.3	2.0	0.6	7.8	2.2	82.8
Fish	30.5	9.7	15.5	-	0.0	24.7
TOTALS	25,447.5	2,984.1	15,568.7	1,540.4	3,009.0	8,313.6

Source: FAO/STAT

GUATEMALA

FOOD COMMODITIES PRODUCTION, IMPORTATIONS, EXPORTATIONS, USES AND CONSUMPTION

YEAR 2004

FIGURES IN THOUSANDS OF METRIC TONNES

DESCRIPTION	PRODUCTION	IMPORTATIONS	EXPORTATIONS	FEED AND SEED USES	OTHER NET USES	CONSUMPTION
Cereals	1,172.2	1,265.0	176.8	476.7	79.1	1,704.6
Starchy roots	300.0	24.8	53.7	4.1	173.3	93.5
Sugarcrops	18,000.0	81.6	10,357.6	879.9	3,316.1	3,528.0
Honey	1.1	0.0	1.5	-	(0.6)	0.1
Pulses	133.8	9.6	6.6	7.3	5.3	124.2
Nuts	25.5	0.4	2.3	-	(1.5)	25.1
Oilcrops	694.1	457.8	473.1	5.9	220.9	452.0
Vegetables	1,023.3	67.5	859.5	0.2	(286.2)	517.3
Fruits	2,051.3	152.5	1,295.8	129.8	(3.2)	781.4
Stimulants	219.1	10.3	222.7	-	(9.3)	16.0
Spices	20.7	1.6	32.2	-	(11.3)	1.4
Meat	264.2	183.5	4.8	-	165.9	277.1
Edible offals	9.2	1.2	0.1	-	-	10.3
Animal fats	4.0	19.3	0.1	-	6.4	16.7
Milk, whole, fresh	279.1	237.9	13.9	28.8	(36.5)	510.8
Bird eggs (incl. hen eggs)	89.1	1.1	0.3	7.4	1.5	81.0
Fish	30.5	9.7	15.5	-	0.0	24.7
TOTALS	24,317.0	2,523.7	13,516.5	1,539.9	3,620.1	8,164.2

Source: FAO/STAT

GUATEMALA

FOOD COMMODITIES PRODUCTION, IMPORTATIONS, EXPORTATIONS, USES AND CONSUMPTION

YEAR 2003

FIGURES IN THOUSANDS OF METRIC TONNES

DESCRIPTION	PRODUCTION	IMPORTATIONS	EXPORTATIONS	FEED AND SEED USES	OTHER NET USES	CONSUMPTION
Cereals	1,146.7	1,215.7	176.4	483.9	67.3	1,634.8
Starchy roots	264.0	20.5	60.9	5.0	132.7	86.0
Sugarcrops	17,400.0	102.3	7,166.9	870.4	5,908.0	3,557.0
Honey	1.5	0.0	1.8	-	(0.4)	0.2
Pulses	129.7	7.8	0.7	7.5	4.5	124.8
Nuts	24.0	0.4	1.8	-	(1.9)	24.5
Oilcrops	677.5	461.9	452.4	7.0	260.1	419.9
Vegetables	973.9	63.0	790.9	0.2	(246.6)	492.4
Fruits	1,955.5	133.0	1,184.3	132.3	16.4	755.5
Stimulants	246.8	8.9	250.4	-	(14.3)	19.6
Spices	20.3	1.7	26.4	-	(5.9)	1.5
Meat	248.6	181.7	4.9	-	162.6	262.8
Edible offals	9.1	0.8	0.0	-	(0.3)	10.1
Animal fats	3.9	20.8	0.1	-	7.5	17.2
Milk, whole, fresh	270.0	244.9	11.8	29.3	(26.2)	500.0
Bird eggs (incl. hen eggs)	85.0	1.3	0.1	7.0	(0.4)	79.6
Fish	30.5	9.7	15.5	-	0.0	24.7
TOTALS	23,487.0	2,474.3	10,145.3	1,542.6	6,263.1	8,010.3

Source: FAO/STAT

GUATEMALA

FOOD COMMODITIES PRODUCTION, IMPORTATIONS, EXPORTATIONS, USES AND CONSUMPTION

YEAR 2002

FIGURES IN THOUSANDS OF METRIC TONNES

DESCRIPTION	PRODUCTION	IMPORTATIONS	EXPORTATIONS	FEED AND SEED USES	OTHER NET USES	CONSUMPTION
Cereals	1,154.9	1,316.8	139.8	484.4	277.0	1,570.5
Starchy roots	264.0	13.6	61.8	5.0	131.4	79.4
Sugarcrops	17,489.9	78.1	10,419.4	873.5	2,690.9	3,584.3
Honey	1.5	0.0	1.4	-	(0.0)	0.2
Pulses	129.4	9.5	1.9	7.2	5.2	124.6
Nuts	24.0	0.4	1.3	-	(0.9)	24.0
Oilcrops	683.4	440.3	346.9	6.7	387.5	382.5
Vegetables	976.9	56.5	763.4	0.2	(197.6)	467.4
Fruits	1,995.5	145.1	1,237.8	136.0	37.0	729.7
Stimulants	224.4	9.4	219.3	-	(8.7)	23.1
Spices	20.3	1.7	20.2	-	0.3	1.5
Meat	247.5	169.9	5.4	-	164.1	247.9
Edible offals	9.1	1.1	0.0	-	0.2	10.0
Animal fats	3.9	22.0	0.2	-	8.5	17.2
Milk, whole, fresh	270.0	230.5	10.8	29.7	(29.1)	489.0
Bird eggs (incl. hen eggs)	85.0	2.4	0.6	6.5	2.1	78.2
Fish	32.1	12.0	16.5	-	0.0	27.7
TOTALS	23,611.8	2,509.2	13,246.7	1,549.3	3,467.9	7,857.2

Source: FAO/STAT

GUATEMALA

FOOD COMMODITIES PRODUCTION, IMPORTATIONS, EXPORTATIONS, USES AND CONSUMPTION

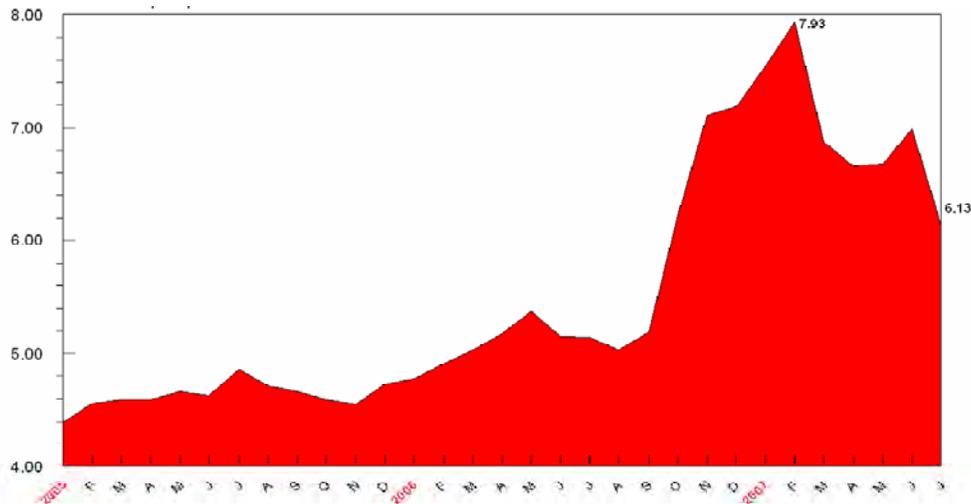
YEAR 2001

FIGURES IN THOUSANDS OF METRIC TONNES

DESCRIPTION	PRODUCTION	IMPORTATIONS	EXPORTATIONS	FEED AND SEED USES	OTHER NET USES	CONSUMPTION
Cereals	1,198.6	1,174.2	142.8	469.3	248.7	1,512.0
Starchy roots	242.6	11.2	81.5	5.0	93.7	73.7
Sugarcrops	16,934.9	175.3	10,258.2	904.1	2,352.2	3,595.7
Honey	1.5	0.1	1.0	-	0.3	0.3
Pulses	129.4	9.8	5.1	7.2	5.4	121.4
Nuts	23.2	0.5	1.0	-	(1.0)	23.7
Oilcrops	573.4	446.4	339.8	7.7	322.0	350.3
Vegetables	976.6	58.6	677.5	0.2	(86.2)	443.7
Fruits	1,875.1	152.0	1,200.8	142.8	(26.5)	709.9
Stimulants	278.5	8.2	262.9	-	(2.6)	26.4
Spices	17.3	1.5	16.2	-	1.0	1.5
Meat	235.0	157.9	6.3	-	152.2	234.4
Edible offals	8.9	1.1	0.1	-	0.1	9.8
Animal fats	3.9	18.1	0.1	-	4.8	17.0
Milk, whole, fresh	270.0	222.8	6.6	29.4	(21.1)	477.9
Bird eggs (incl. hen eggs)	82.5	1.8	0.1	6.1	2.0	76.2
Fish	35.6	9.3	23.5	-	0.0	21.4
TOTALS	22,886.8	2,448.5	13,023.3	1,571.8	3,045.2	7,695.0

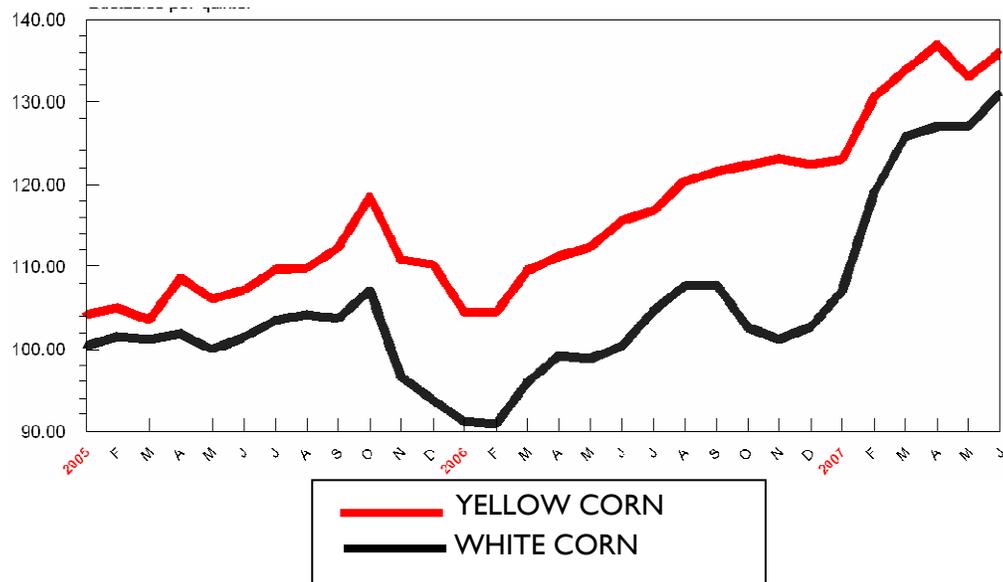
Source: FAO/STAT

CHICAGO BOARD OF TRADE
 CORN PRICES JANUARY 2005 – JULY 2007
 DOLLARS PER 100 POUNDS



Source: BANGUAT

GUATEMALA
 CORN CONSUMER PRICES
 QUETZALES PER 100 POUNDS



Source: BANGUAT

GUATEMALA

AVERAGE PRODUCER PRICES 2000 - 2006 FOR SELECTED
COMMODITIES.

QUETZALES PER METRIC TON

Year	Corn	Black Beans	Wheat/Rough	Rice/Paddy
2000	1,403	5,772	3,649	3,234
2001	1,509	6,211	3,926	3,479
2002	1,632	6,715	4,245	3,762
2003	1,732	7,128	4,506	3,993
2004	1,849	7,609	4,810	4,263
2005	1,998	8,222	5,199	4,606
2006	2,121	8,731	5,515	4,891

Source: BANGUAT

GUATEMALA

PALM OIL MAIN VARIABLES

2005

AREA IN 1000 Ha - VOLUME IN 1000 MT

Market Year Begin	October
Area Planted	37.5
Beginning Stocks	7.0
Production	98.9
Imports	19.3
Imports from U.S.	0.0
TOTAL SUPPLY	125.2
Exports	76.3
Domestic Consumption	41.9
Ending Stocks	7.0
TOTAL DISTRIBUTION	125.2

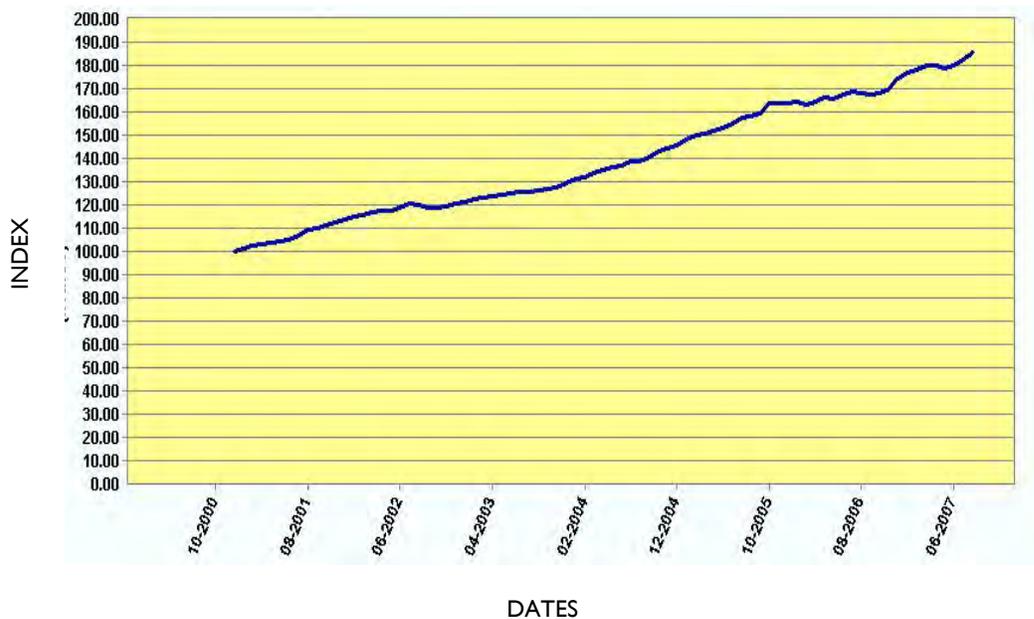
Source: USDA/FAS

GUATEMALA
SOYBEAN MEAL MAIN VARIABLES
2005
AREA IN 1000 Ha VOLUME IN 1000 MT

Market Year Begin	October
Area Planted	13.0
Beginning Stocks	0.0
Production	31.1
Imports	230.0
Imports from U.S.	169.5
TOTAL SUPPLY	261.1
Exports	1.1
Domestic Consumption	260.0
Ending Stocks	0.0
TOTAL DISTRIBUTION	261.1

Source: USDA/FAS

GUATEMALA
CONSUMER PRICE INDEX
FOOD & BEVERAGES
2000 -2007



Source: BANGUAT

GUATEMALA

PROGRAMMED U.S. FOOD AID BY FISCAL YEAR

FISCAL YEARS FROM 2001 TO 2006

	1*	2**	3**		
	FOOD AID	FOOD CONSUMPTION	FOOD IMPORTS	RATIO 1/2	RATIO 1/3
FISCAL YEAR	TOTAL TONNAGE	TOTAL TONNAGE	TOTAL TONNAGE	%	%
	000s MT	000 MT	000 MT		
2001	82.2	7,695.0	2,448.5	1.1%	3.4%
2002	127.5	7,857.2	2,509.3	1.6%	5.1%
2003	46.1	8,010.2	2,474.2	0.6%	1.9%
2004	60.8	8,164.2	2,523.7	0.7%	2.4%
2005	68.4	8,313.5	2,984.1	0.8%	2.3%
2006	67.7	8,471.2	2,913.6	0.8%	2.3%

* Source: USDA/FAS.

** Source for 2001 - 2005 is FAO/STAT. Figures for 2006 are projection estimates

ANNEX 3

Public Law 480 Title II Eligible Commodity List

PULSES

Beans, Black *
Beans, Great Northern*
Beans, Kidney (dark & light)*
Beans, Navy*
Beans, Pinto *
Beans, Small Red*
Chickpeas*
Peas, Green *
Peas, Split Green *
Peas, Yellow *
Peas, Split Yellow*
Lentils*

FEED GRAINS

Corn, bagged*
Corn, bulk
Corn, bulk, w/bags*
Cornmeal *
Cornmeal - SF *
Corn Soy Blend *
Corn Soy Masa Flour*
Corn Soy Milk *
Corn Soy Milk (Instant)*
Rice, bulk, w/bags*
Rice, bagged *
RiceX*
Sorghum, bagged*
Sorghum, bulk
Sorghum, bulk, w/bags*
Sorghum Grits - soy fortified (SF)*

VEGETABLE OIL

Vegetable oil, 4 Ltr *
Vegetable oil, 20 Ltr *
Vegetable oil, 208 Ltr*
Vegetable oil, refined bulk *
Vegetable oil, (crude de-gummed) bulk

WHEAT/WHEAT PRODUCTS

Bulgur *
Bulgur – SF*
Buckwheat-wheat blend*
Buckwheat Groats*
Buckwheat Supreme Flour*
Wheat, Hard, Red, Winter, bagged *
Wheat, Hard, Red, Winter, bulk
Wheat, Hard, Red, Winter, bulk, w/bags*
Wheat, Hard, White, bulk
Wheat, Hard, White, bagged*
Wheat, Hard, Red, Spring, bulk
Wheat, Hard, Red, Spring, bagged*
Wheat, Northern, Spring, bulk
Wheat, Northern, Spring, Dark, bulk
Wheat, Soft, Red, Winter, bagged*
Wheat, Soft, Red, Winter, bulk
Wheat, Soft, White, Winter, bulk, w/bags*
Wheat, Soft, White, Winter, bulk
Wheat, Soft, White, Winter, bagged*
Wheat Flour, AP*
Wheat Flour, bread *
Wheat Soy Blend *
Wheat Soy Milk *

OTHER

Mainstay 3600*
Mainstay Complete*
Non-fat dry milk*
Potato, Dehydrated Flakes*
Peanut Butter Paste
Raisins (California)*
Salmon (canned)*
Soybeans, bulk
Soybean meal, bulk*
Soy Protein, textured*
Soy Protein, concentrate*
Soy Protein, isolate*
Soy Flour, defatted*
Steel Cut Barley
Vitameal*
Whole Milk Replacer*

*Value-added commodities processed, fortified or bagged in the U.S.

Photos



Main warehouse located in Villa Nueva, Guatemala. Food shipments come here from the ports first and then they are distributed to regional and local warehouses.





Warehouse in San Martin Jilotepeque, Chimaltenango.





Regional Warehouse in Rabinal, Alta Verapaz. There were no food stocks at the moment of the visit. The warehouse is clean, well maintained and equipped. Caritas Verapaces is the organization that keeps the warehouse.