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Guatemala

Poultry and Products

Production and Consumption

2006

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Report Highlights:
Since the tariff reduction for poultry imports took effect in 2001, U.S. exports to Guatemala have increased on average 10% each year, reaching their highest value ever in 2005 at $44.8 million. Within CAFTA, chicken leg quarters were assigned a 21,810 MT tariff rate quota with a maximum 164.4% out-of-quota tariff. However, Guatemala announced it will apply only a 15% duty on out of quota product. For the first two years of CAFTA, Guatemala will accept the entire TRQ amount. Subsequently, Guatemala's TRQ amount will decline as the amount for other CAFTA countries increases. U.S. poultry exports to Guatemala in 2007 are forecast to maintain a constant 10% increase.

Includes PSD Changes: Yes
Includes Trade Matrix: No
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I. SITUATION AND OUTLOOK

Before 2001 Guatemala maintained a 7,000 MT quota with a 15% tariff. The previous government, run by the populist Frente Republicano Guatemalteco (FRG), increased the quota to 39,452 MT and applied a 5% tariff, intending to reduce prices for consumers. This greatly stimulated U.S. exports, and by 2005 poultry exports reached the highest value ever reported ($ 44.8 million).

In the course of the CAFTA negotiations, the U.S. and Central American poultry industries agreed to liberalize the poultry trade over 18 years. They agreed to establish a tariff-rate quota (TRQ) for chicken leg quarters (CLQs) of 21,800 MT, with an out of quota duty of up to 164.4%. Guatemala agreed to accept the entire CLQ TRQ in the first two years of implementation, with its share declining in subsequent years as other countries increased their TRQ. The over-quota duty should slowly be reduced and eliminated over an 18-year period. All other poultry products are subject only to tariffs of 15% or less, which will be reduced to zero in fewer years.

The Guatemalan industry asserts that it has the productive capacity to satisfy all domestic demand for poultry, although local prices for Guatemalan poultry products have historically been well above world-price levels. In its recent announcement regarding the applicable duty of 15% for CLQs for 2006, the Government of Guatemala (GOG) based its decision on the need for access to lower-priced imports. In any case, imported poultry from the U.S. now represents approximately 30% of local consumption and the majority of these imports are highly competitive and less expensive leg quarters.

An export trading company was created (Central America Poultry Export Quota, Inc. - CA-PEQ) to administer the CAFTA quotas. CA-PEQ is responsible for issuing Import Quota Certificates to would-be importers through an auction. Unlike other CAFTA TRQ procedures, that for CLQs does not differentiate between historical and new importers. The first auction took place in August 2006 for 10,900 MT of quota eligibility, and the winning bids ranged from $66.14 to $68.71 per metric ton. These bids are roughly equal to the 15% duty charged on CLQs. Auction proceeds will be divided between the U.S. and Central American poultry industries for improvements to the industries. The second auction in 2006 will take place in September, also for 10,900 MT. The whole quota must be imported by the end of the year. In future years there will be three auctions. The website for CA-PEQ is http://ca-peq.org/index.html.

Despite CAFTA commitments to discipline the use of sanitary and phytosanitary (SPS) measures, 2006 saw a movement among Central American poultry producers to block entry of U.S. poultry and products through the use of sanitary technical barriers. Guatemala is the only Central American country that has been importing significant quantities of poultry from the United States in recent years, as well as the first one to open the market for U.S. table eggs.

Guatemala has the productive capacity to cover all domestic demand, and U.S. exports have been able to provide almost 30% of the local consumption due to the highly competitive, less expensive leg quarter. Seventy-eight percent of the Guatemala's broiler production plants are technically advanced. Guatemala's biggest producer, Multi Inversiones (which includes the highly successful Pollo Campero fast food franchise) also owns the biggest Costa Rican broiler plant, thus covering the Central America market.

Guatemala recognized the U.S. meat and poultry inspection and food safety system as equivalent, under Ministerial Agreement 340-2006, published on June 15, 2006. The U.S. government committed itself under CAFTA to give support through trade capacity building to improving the Guatemalan meat inspection and food safety system, so that Guatemala can achieve meat exporter status. Once Guatemala achieves equivalence, it will be able to export poultry, beef, and pork not

only to the U.S. but also to many other countries of the world that accept FSIS recognition and certification.

Production

Guatemala's poultry production is managed exclusively with local investment. Three main groups make up the industry: Multi Inversiones (owner of Campero restaurants in Central America and franchises in other countries, controlling poultry production and feed formulation); Pesca, Areca y FRISA (PAF); and small producers. Small producers account for 22% of poultry production. All groups are represented in the National Poultry Producers' Association (ANAVI). ANAVI started working closely with the Ministry of Agriculture, Livestock and Food (MAGA) in 2003 to ensure both meat and eggs were produced under a sanitary program that would assure long-term stability for the poultry sector. Egg production also runs under local investment for the most part, except for Julia Farm, which is owned by a firm from El Salvador.

Poultry meat production in 2005 was 151.0 thousand MT. Production was expected to increase to 181.44 TMT in 2006, assuming imports would drop 50% due to the 164.4% out-of-quota tariff for CLQ. However, with the out-of-quota CLQ tariff set at 15%, local production is forecast to keep a steady 3% increase, while imports continue to grow at a 10% rate. Before trade barriers were eliminated in 2002, local production had already reached 145.15 TMT/year, and imports have added 50.3 TMT by 2006, to provide a total supply of 201.3 TMT. Ninety-three percent of chicken imports are U.S. products (mainly Tyson and Hudson brands), and 75% of the turkey imports are also American. Potential competitors to the United States are Nicaragua (TIP-TOP brand) and Panama (MELO).

There are 10 registered slaughtering facilities in Guatemala and around 300 broiler producers throughout the country. Seventy-eight percent of the chicken meat production comes from modern vertically integrated operations to increase production yields, improve food quality and control diseases. Modern technology has been introduced from the U.S., Israel, Europe, Mexico and Brazil. The average live weight is 4.0 pounds. The average broiler weight is 3.2 pounds. The average grow-out period is 6 to 7 weeks (40 days average), with a feed conversion ratio, according to ANAVI, of 1.85:1 in the modern farms and 2.00:1 in the minor ones. The conversion ratios in the past were 2.25:1. The 2 main reasons for higher efficiency in today's production are improved genetics and improved feed formulations.

Genetics have been imported from the U.S. and Europe, introducing Arboracress, Hubbard, Hybro, Avian Farm and Ross mix races. Feed formulation is based primarily on yellow corn and soybean meal imported from the U.S. In 2005, Guatemala imported $68 million of yellow corn and $61 million of soybean meal from the United States. Feed formulation is technically advanced as well, providing for exact amounts of macro and micronutrients (including minerals and vitamins) using lab composition analysis to provide specific formulations.

No hormones are allowed for poultry production. All veterinary drugs and vaccines have to be approved by the Avian Technical Commission, composed of MAGA, the College of Veterinarians, the Veterinary Faculty of the Universidad de San Carlos de Guatemala (state university), and ANAVI. This commission is also responsible for planning the country's poultry and egg production strategy. Plans for 2007 are focused on working closely with APHIS to request certification for free areas of purollosis (Salmonella pullorum) and avian typhoid (Salmonella gallinarum). Salmonella has tested negative (i.e., no presence) for the last 2 years under the surveillance program. The sanitary and surveillance programs at MAGA are supported by ANAVI, with 22 permanent veterinarians under the sanitary program and some extra ones working in the surveillance.

In 2003 a project was carried out to locate by GPS means all farms under production, both for meat and egg, and a distribution map is now available. The private avian disease diagnosis laboratory is one of the best in the region. A private local university, Mariano Galvez, has recently made a considerable investment and has the needed infrastructure (Biosafety Level 3 laboratory) to do research on avian influenza.

Although poultry production is distributed throughout the country, the majority of the meat is produced in the Department of Escuintla (south) and egg production is mainly concentrated in the central region (Guatemala, Chimaltenango and Sacatepequez Departments). Programs to eradicate low pathogenic avian influenza (LPAI, H5N2) are focused on the central region at egg production farms, where serological activity is still present with 30% incidence. This is a major accomplishment since the incidence for LPAI in 2000 was at 70%. In the poultry production farms, avian influenza was detected at 4% incidence in 2005. Highly pathogenic avian influenza has not been reported in the country. By 2007 ANAVI estimates that the rest of the country (besides Peten in the north) might also be declared a free area for avian influenza, salmonella, and Newcastle disease.

Egg production is estimated at 1,750 million units/year, with an average yield of 275 eggs/year/hen. There are close to 350 egg producers in Guatemala, accounting for a total of 7.0 million layers and 4.0 million hens raised for laying purposes. A 3% increase for 2007 has been estimated, based on population growth and consumption. Races used for egg production include: Highline, Lohmann, DeKalb, and Babcock.

The sanitary program in place includes vaccination against Newcastle disease, avian influenza, salmonella, and laryngotracheitis. All farms under the GPS program are continuously monitored and official authorities are informed immediately of any suspicious disease for control. The surveillance program includes disease detection in backyard poultry production, which accounts for 8% of the country's production at the small farmer level. This amount has dropped from 30% in 2003. Of this 8% (approximately 9.45 million birds), hens and chicken represent 85% of the birds, ducks 13%, and turkeys 2%.

Consumption

Almost all poultry and egg production is directed to local consumption. Per capita consumption of poultry meat is estimated at 33.5 pounds/year and 19.0 pounds of eggs/year. According to ANAVI 90% of poultry consumers prefer whole fresh or refrigerated meat over frozen, though imported leg quarters are very popular due to their lower price. There are no major variations of preferences by socioeconomic sectors, but only 20-30% of the population can afford chicken breasts. Processed products such as ready-to-fry filets and patties are starting to build a market for a small but select sector of society.

Meat from layers and spent hens has a niche in Guatemala since it is greatly appreciated for its intense flavor and is traditionally prepared in soup on Mondays. Though its major consumption is in the interior of the country, wholes can also be found at markets and supermarkets. Consumption of this meat accounts for 6% of poultry production (4.0 million hens to be renewed annually for laying purposes), while the rest is consumed from broilers.

Egg consumption in Guatemala is on a fresh basis. In the wet market, eggs are neither washed nor refrigerated. For the supermarket, eggs are washed and securely packed, though they won't be refrigerated. Guatemala cannot support a cold chain for eggs.

Poultry meat consumption is still the highest of all meats in the country. Guatemalans consume 33.5 pounds/year per capita of poultry, compared to 8 pounds/year of red meat

and 3.5 pounds/year of pork. From the 33.5 pounds of poultry consumption, 27 pounds come from local production and 7 pounds from imported leg quarters.

People show little awareness or concern for food safety and sanitary issues. Consumption is not sensitive to reports of disease outbreaks in the media. Poultry and eggs are still a major protein substitute for red meat and the population is more concerned about price shifts.

Turkey consumption is met primarily by imported product. The window for this market is November-December, since turkey is becoming more popular for Christmas dinner. In 2003, 215 MT of whole turkeys were imported, all coming from the U.S.

Trade

Prices are directly related to input costs, varying considerably depending on price movements for fuel and feed. The wholesale price is generally 30% less than retail. Supermarkets now account for 15% of the total distribution, rising from 5% in 2000. Poultry meat has a very efficient distribution chain, being sold directly to wet markets, hotels, restaurants, and supermarkets. Most of the product is bought at wet markets. Egg distribution is not as efficient, having at least 2 middlemen in the chain.

The current price of poultry meat on a whole fresh basis, i.e. local production, is $ 0.64/ pound, with an average $ 0.46/pound production cost. The price of imported CLQs varies greatly, in response to factors outside Guatemala. The GOG's decision to maintain the CLQ tariff at 15% represents a great opportunity for imported CLQs to remain competitive. In 2005, poultry imports from the U.S. were $ 44.8 million, the highest export levels reported since 1970.

ANAVI represents the industry in lobbying for changes in Government policies, with great support from Multi Inversiones. The owners of this company have great political influence due to their wealth. In 2005, Multi Inversiones bought Propokodusa, the biggest poultry plant in Costa Rica, with the aim of exporting poultry meat from that country to the rest of Central America. Pollo Campero has more than 175 restaurants in 9 countries and is expanding by 200 restaurants in new countries, foreseeing China as a new market for 2006.

Egg prices are less stable than poultry meat prices. Egg prices vary among sizes, with extra large earning a 5% premium. In 2006, the highest price has been $ 30/box of 360 units ($ 0.08/unit or $ 1.00/dozen). Guatemala opened its borders to U.S. eggs in June 2005, which have found a niche in restaurants and hotels that can support a cold chain. U.S. eggs are sold at $ 25/box of 360 units ($ 0.07/unit or $ 0.84/dozen). There have been contraband imports of fresh eggs at the Mexican border, placing eggs at $ 20/box of 360 units ($ 0.06/ unit or $ 0.72/dozen). Local authorities are greatly concerned about this contraband, roughly 360,000 eggs/month. Confiscated product has been burned to avoid cross contamination of local eggs with Salmonella, since Mexico has a high prevalence of the disease while Guatemala is already in a very low prevalence status.

II. STATISTICAL INFORMATION

PSD Table						
Country	Guatemala					
Commodity	Poultry, Meat, Total			(1000 MT)	(MIL HEAD)	
	Revised	**2005**	Preliminary	**2006**	Forecast	**2007**
	Old	New	Old	New	Old	New
Market Year Begin		Jan-05		Jan-06		Jan-07
Inventory (Reference)	100	104	125	105	0	105
Slaughter (Reference)	100	104	125	105	0	105
Beginning Stocks	0	0	0	0	0	0
Production	145.15	150.96	181.44	151	0	155
Whole, Imports	0	0	0	0	0	0
Parts, Imports	43.54	43.54	21.8	50.3	0	55
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	43.54	43.54	21.8	50.3	0	55
TOTAL SUPPLY	188.69	188.69	203.24	201.3	0	210
Whole, Exports	0	0	0	0	0	0
Parts, Exports	0	0	0	0	0	0
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	0	0	0	0	0	0
Human Consumption	188.69	188.69	203.24	201.3	0	210
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumptio	188.69	188.69	203.24	201.3	0	210
TOTAL Use	188.69	188.69	203.24	201.3	0	210
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	188.69	188.69	203.24	201.3	0	210
Calendar Yr. Imp. From	43.54	43.54	21.8	50.3	0	55

PSD Table						
Country	Guatemala					
Commodity	Eggs, Total			(1000 MT)	(MIL HEAD)	
	Revised	**2005**	Preliminary	**2006**	Forecast	**2007**
	Old	New	Old	New	Old	New
Market Year Begin		Jan-05		Jan-06		Jan-07
Inventory (Reference)	4.00	4.00	4.12	4.12	0.00	4.24
Slaughter (Reference)	4.00	4.00	4.12	4.12	0.00	4.24
Beginning Stocks	0.00	0.00	0.00	0.00	0.00	0.00
Production	109.80	109.80	113.10	113.10	0.00	116.50
Eggs, Fresh, Imports	0.60	0.60	0.70	1.35	0.00	1.70
Eggs, Others, Imports	0.07	0.07	0.08	0.08	0.00	0.09
Intra EC Imports	0.00	0.00	0.00	0.00	0.00	0.00
Other Imports	1.20	1.20	1.30	0.50	0.00	0.40
TOTAL Imports	1.87	1.87	2.08	1.93	0.00	2.19
TOTAL SUPPLY	111.67	111.67	115.18	115.03	0.00	118.69
Whole, Exports	0.00	0.00	0.00	0.00	0.00	0.00
Eggs, Fresh, Exports	0.00	0.00	0.00	0.00	0.00	0.00
Eggs, Others, Exports	0.00	0.00	0.00	0.00	0.00	0.00
Other Exports	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL Exports	0.00	0.00	0.00	0.00	0.00	0.00
Human Consumption	111.67	111.67	115.18	115.03	0.00	118.69
Other Use, Losses	0.00	0.00	0.00	0.00	0.00	0.00
Total Dom. Consumption	111.67	111.67	115.18	115.03	0.00	118.69
TOTAL Use	111.67	111.67	115.18	115.03	0.00	118.69
Ending Stocks	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL DISTRIBUTION	111.67	111.67	115.18	115.03	0.00	118.69
Calendar Yr. Imp. From U.S.	0.67	0.67	0.78	1.43	0.00	1.79