

FOOD AND BEVERAGES



GOBIERNO *de*
GUATEMALA
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Importance of the **Sector in Guatemala:**

USD\$ 11.0 billion

production in all the food and beverage sectors, as of 2018.

16.8% of GDP

and 397,404 jobs generated in 2018.

USD\$ 2.25 billion

in quetzales paid as salaries in 2018, representing 5.6% of the total paid that year in the whole economy.

5.1%

of the total jobs in the economy belong to this sector.

USD\$ 12.3 billion

is the market size of the food and beverage sector in Guatemala.

Source: Banco de Guatemala for the data on production, jobs, and salaries paid, from documents on the job matrix and the production account. Market size data from Euromonitor, in its reports on Soft Drinks, Packaged Food and Alcoholic Drinks.

Food and **BEVERAGES**



Foreign **Trade:**

The market size of the food and beverage sector in Guatemala is US\$12.3 billion. An average 15% of the country's exports are from this sector, and in 2019, they reached an amount of US\$1.6 billion. Imports for that year totaled US\$2.6 billion. Commercial exchange reached nearly US\$4.3 billion in 2019, equivalent to 14% of the total trade of the country.



Exports 2019

**US\$ 1.6 mil
millones de
dólares**

Crec.Vs AA = -4.4%
CAGR* 19-15 = 4.8%



Imports 2019

**US\$ 2.6 mil
millones de
dólares**

Crec.Vs AA = -4.4%
CAGR* 19-15 = 4.8%



Main Purchasing Countries 2019

El Salvador: 19%
Honduras: 14%
Mexico: 12%



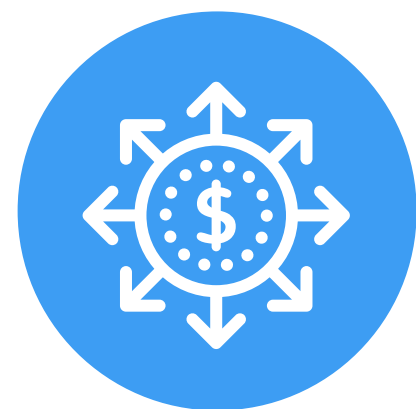
Main Selling Countries 2019

United States: 46%
Mexico: 12%
Costa Rica: 10%



Accumulated Trade 15-19

Exports.: US\$8.0 billion
Imports.: US\$11.7 billion



Trade Agreements in Force:

Guatemala is a signatory to various trade agreements that allow it to have preferential access to the following markets.



CAFTA



MEXICO



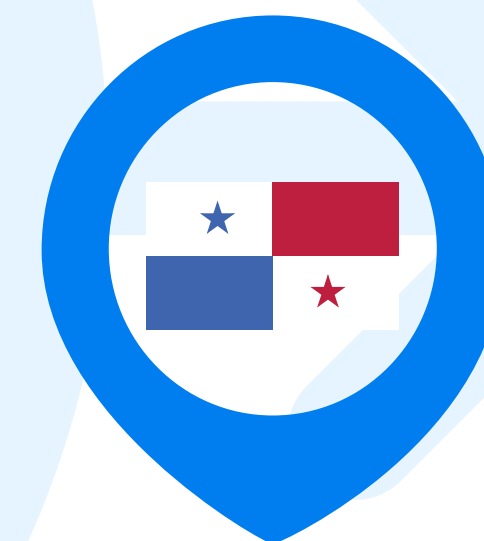
UE



COLOMBIA



CHILE



PANAMA

Food and **BEVERAGES**



Operative Costs:



Main Operating Costs:

Ingredients for production:

- Sugar and glucose - **USD\$11.45 cts/lb.**
- Secondary containers and packages
- Labels (flexible)
- Milk and derivatives
- Flavors and concentrates

Administrative costs:

- Business startup costs - **USD\$655**
- Average sector salary - **USD\$604.45**



Electricity and Gas

Guatemala has the **most competitive electricity costs for businesses in the region.** A comparative chart for Central America shows that the cost per kWh in Guatemala is US\$0.16 versus USD\$0.22 in Costa Rica, US\$ 0.19 in El Salvador, US\$ 0.24 in Nicaragua, US\$ 0.22 in Honduras, and US\$0.20 in Panama.

Fuente: Global Petrol Prices, 2020



Water

In the municipality of Guatemala, if the service is provided by the municipal government:

- The cost of purchasing the right to water service ranges from: **USD\$779.22 to USD\$6493.50**
- The fee for private water consumption varies, depending on the range of consumption: from 1 to **20 m3, a fixed rate of USD\$ 2.07 plus USD\$ 0.29 per m3 used.** For 121 m3 and up, a fixed rate of **USD\$ 2.07 plus USD\$ 1.45 per m3 used.**

*The cost of municipal potable-water services is set by each local government and it varies in each municipality.



Routes and **Estimated Logistics Costs** (40-foot container)

Sea:

Port of Departure	Port of Destination	Cost (USD\$)
Long Beach, California, USA	Puerto Quetzal Guatemala	2,521
Shanghai, China	Puerto Quetzal Guatemala	428
Rotterdam, Netherlands	Puerto Santo Tomas de Castilla, Guatemala	3,733
Miami FL, USA	Puerto Santo Tomas de Castilla, Guatemala	2,953
Santo, Brasil	Puerto Quetzal Guatemala	7,256
Puerto Buenaventura, Colombia	Puerto Quetzal Guatemala	1,475
Puerto Buenaventura, Colombia	Puerto Santo Tomas de Castilla, Guatemala	1,650
Heroica Veracruz, Mexico	Puerto Quetzal Guatemala	1,914
Manzanillo, Colima, Mexico	Puerto Quetzal Guatemala	548

Land:

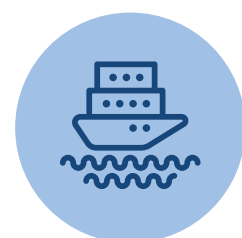
Customs Office	Suggested Cost (USD\$)
Tijuana - Tecún Umán	7,748.32
Tecún Umán - Pedro de Alvarado	710.68
Pedro de Alvarado - El Amatillo	794.37
El Amatillo - Guasaule	364.24
Guasaule - Peña Blanca	691.21
Peña Blanca - Paso Canoas	1,099.93
Paso Canoas - Zona Libre de Colón	1,142.74

Source: Cámara de Transportistas Centroamericanos (Chamber of Central America Carriers –CATRANSCA—)

Food and **BEVERAGES**



Infrastructure:



Commercial Operation of Seaports and Roads Connecting the Pacific and Atlantic Coasts

Commercial operation of **seaports in the Pacific coast** (Puerto Quetzal) **and the Atlantic coast** (Puerto Santo Tomás de Castilla). Road network connecting the **Pacific and Atlantic coasts, 249 miles.**



Land, Sea, and Air Export Infrastructure

Air:
2 international airports, 9 local airfields, 22 commercial airlines and 11 cargo airlines operating, 3 ports. A competitive reference price of US\$0.70 per kilogram, daily flights to USA.

Sea:
The second largest sea cargo operation in Central America (17.89%) after Panama, in 3 seaports: Santo Tomás de Castilla and Puerto Barrios in the Atlantic Ocean, and Puerto Quetzal in the Pacific Ocean.



Electric Power Availability and Rates

Guatemala has the largest installed capacity for energy production in Central America: 4,073.8 MW/a. It has the most competitive energy price: \$ 55.20 / MWh (average for the last three years). 98 hydroelectric plants installed. A differentiated rate for large users (over 100 Kw).

According to the answers to a survey performed in various agro-industrial firms, electric power provision is one of the most important infrastructure elements and there is high certainty of said provision.



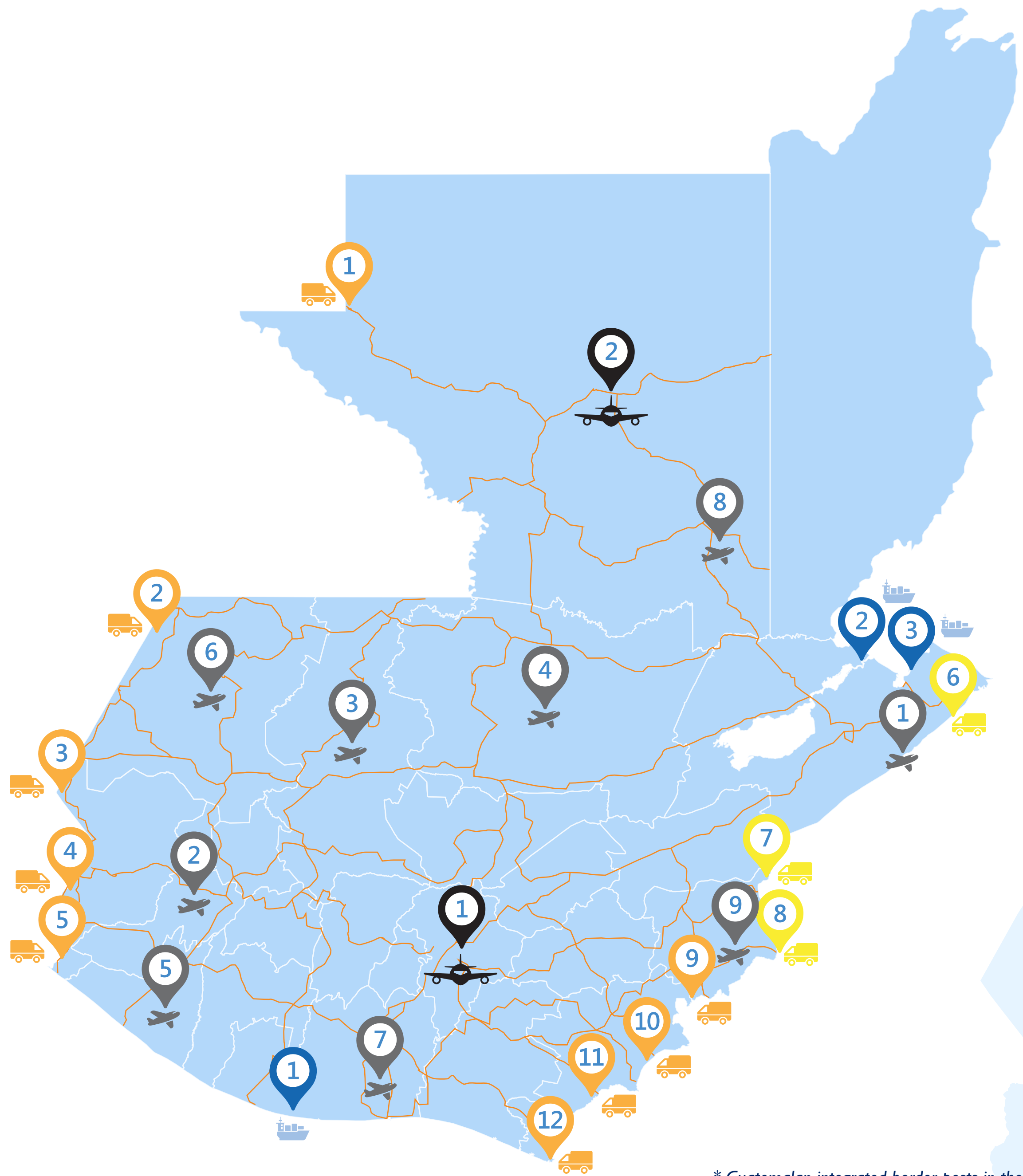
Availability of Potable Water

According to a survey performed among the sector's businesspersons, more than half of those surveyed agreed that **the cost of water is the lowermost cost category, after the internet.**



Availability of Land

Areas with the connection and road infrastructure leading to the main ports and intermediate cities for distribution and commercialization purposes. Availability of land in areas connected to the road network leading to **the main ports and intermediate cities for distribution and commercialization purposes.**



International Airports

1. La Aurora en Ciudad de Guatemala
2. Mundo Maya en Petén



Main Highway System



Ports

1. Puerto Quetzal
2. Puerto Santo Tomás de Castilla
3. Puerto Barrios



Local Airfields

- | | |
|-------------------|-----------------------|
| 1. Puerto Barrios | 6. Huehuetenango |
| 2. Quetzaltenango | 7. Puerto de San José |
| 3. Quiché | 8. Poptún |
| 4. Cobán | 9. Esquipulas |
| 5. Retalhuleu | |



Land Customs Offices

- | | |
|------------------|-----------------------|
| 1. El Ceibo | 7. Agua Caliente* |
| 2. La Mesilla | 8. El Florido* |
| 3. El Carmen | 9. La Ermita |
| 4. Tecún Umán II | 10. San Cristóbal |
| 5. Tecún Umán I | 11. Valle Nuevo |
| 6. Corinto* | 12. Pedro de Alvarado |

* Guatemalan integrated border posts in the Customs Union with Honduras



COMPETITIVE Advantages:



Inputs and Their Nature

Availability of local supply of main inputs and raw materials at competitive prices. The inputs that are not available in the country are imported from main trade partners that have preferential access.



Quality of Available Products and Services

Quality national inputs, such as sugar, cacao, and cardamom, as well as the quality provision of basic services, such as electric power.



Production Capacity and Variety

The sector has high production capacity and variety.



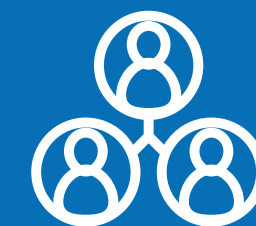
Sector Competitiveness

Proximity to the world's largest market and preferential access to more than 12 markets. Macro-economic stability of the country. Fiscal incentives to exports.



Sound Industry; Representation at the Trade Level

Sound sector with long-term growth, well organized, and with trade-organization and chamber representation.



Wide Range of Suppliers Available to Industries

The assortment of input suppliers makes the sector more competitive, as it allows for fair competition and compels producers to provide high-quality products. It also has preferential access to input exports and imports for the sector's supply chain.



Freight Brokers for the Trade Process

Availability of various national and international providers of logistics services for land, sea, and air trade.



Doing **BUSINESS:**

Guatemala is among the 10 leading countries with the highest ranking in the Doing Business Index 2020 in Latin America and the Caribbean.



Opening a Business

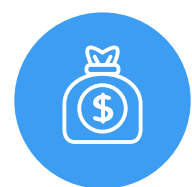
Guatemala placed first among Latin American and Caribbean countries in regard to improving its competitiveness to open a business.

6 is the average number of steps required to open a business in Guatemala, and the estimated time to undertake those steps is 15 days.



Electric Power Procurement

Second place among the countries of the region regarding its rating for energy supply reliability and the transparency of its rates.



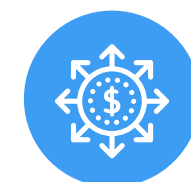
Securing Credit

Insofar as the strength of legal rights, Guatemala ranked second among the countries of the Central American region, and it is above the indicators for Latin America and the Caribbean.



Paying Taxes

Guatemala ranks second among the countries in the Central American region for the number of tax payments that must be made. The country has the lowest rate of taxes and contributions levied as a percentage of earnings in the Central American region.



Cross-Border Trade

The country ranks second among Central America countries for having the lowest export and import costs (border and documentary compliance).



Construction Permit Management

The country ranks first in the ratings for the number of procedures and the second most inexpensive country in the region.



REGULATORY Framework:

1 Health Code Decree Number 90-97

Document:

- Decree 90-97 Health Code

2 Government Agreement No. 97-2006 Fees for services rendered by the departments of the General Directorate of Health Regulation

Document:

- Government Agreement No. 297-2006

3 Food Safety Regulation

Document:

- Set of Norms 969 99

4 Law on the Specific Tax on the Distribution of Carbonated Drinks, Isotonic or Sports Drinks, Juices and Nectars, Yogurts, Concentrates or Powders for Beverages, or Natural Bottled Water

Document:

- Set of Norms 09 2002

5 Law on Plant and Animal Health

Document:

- Set of Norms 36 98

6 Amendments to Government Agreement 137-2016

Document:

- Set of Norms 137 2016



FISCAL AND NON-FISCAL Incentives:

Law on Unrestricted Currency Trade (94-2000):

The disposal, holding, contracting, remittance, transfer, purchase, sale, collection, and payment of foreign currency is unrestricted, and the risks inherent in them will be borne by the individual or legal, national or foreign person.

Law on Foreign Investment (Decree 9-98):

- Equal acknowledgement of foreign and local investors.
- The law does not allow the State to expropriate, directly or indirectly, any investment that has been made.

Law Promoting and Developing Export and Maquila (Outsourcing) Activities

- Firms could claim the benefits generated by this law by being designated as export firms or as maquila companies under the temporary admission regime.
- Temporary cessation of payment of customs duties and import taxes.
- Temporary cessation of DAI (customs duties) and VAT payments levied on raw materials, samplers, components, and accessories that are necessary for the productive process.

Regulation on Authorizing and Implementing the Special Public Economic Development Zones, Decree No. 30-2018

- Income Tax (ISR) exemption for 10 years.
- Temporary cessation of VAT, customs duties, and other charges on imports of raw materials, inputs, materials, machinery, equipment, accessories, etc.
- Exemption of fiscal stamps on documents containing acts or contracts on goods and business in the Special Public Economic Development Zones.



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