



3. FOOD INDUSTRY

[#INVESTINGUATEMALA](#)

Industry in Guatemala

General information of the country

Capital City	Guatemala
Currency	Quetzal
Exchange Rate (2013)	1US\$ = 7.86 quetzales
Official Language	Spanish
Population	15,438,384
Labor Force (2013)	5.9 Million
GDP (2013)	US\$53.8 Billion
FDI inflows (2013)	US\$1.3 Billion
Exports (2013)	US\$10.0 Billion

Source: Bank of Guatemala and National Institute of Statistics

FOOD INDUSTRY in Guatemala

Guatemala's food industry offers excellent investment opportunities, due to the fact that is one of the biggest industries in the country, and the logistics and other supporting activities that have been developed around it have high excellence levels. Success stories like Ambev, Bimbo, Lala and others are clear examples of the scope of this sector in terms of investment attraction.

The immense natural richness of Guatemala in terms of microclimates, fertile lands and work force at competitive costs are clearly unmatched advantages for the country.

The agriculture sector represents 14% of the GDP and the manufacture of food, beverages and tobacco represents 11.3%. It also stands out for its exports, US\$443 million in 2012, mainly destined to USA, Central America and Mexico.

FOOD INDUSTRY

at Glance

Total revenue (2012)	US\$11.7 Billion
Total employment	75,000 direct / 353,000 indirect
Foreign Direct Investment (2003-2012)	US\$195.5 Million
Exports (2012)	US\$4,953 Million
Main markets	USA, Central America, Mexico
Main products	Tropical fruits, vegetables and legumes, cattle, beverages, canned goods and confectionery

Why invest in this industry?

- Proximity and rapid access to North American markets: USA and Canada with 325 million people, Mexico with 100 million people; and the Central American market with 37 million people.
- More than 360 microclimates, located inside the tropical zone of the Northern hemisphere, which allows the crop of a high variety of agricultural products.
- Abundant workforce at competitive costs.
- Efficient ports for imports and exports both in the Atlantic and Pacific Oceans.
- Outstanding quality-price ratio
- Availability of raw materials due to the high diversity of agricultural products in stock in the country. This facilitates several processes and reduces costs significantly.
- Support system of the local sugar industry, which is recognized as the number one in the world in terms of efficiency and productivity, mainly due to the technology used in sugar mills.
- Large technological advances in the entire industry (especially in the sugar sector), achieving the highest standards required by international markets.
- Success cases show Guatemala's excellent performance in bushels per acre in products like: cocoa, sugar cane, coconut, strawberries, apples and black pepper among others.

Key sector for the Guatemalan economy, generating 75,000 direct jobs and more than 350,000 indirect jobs

Guatemala stands out as the country with best performance in Latin America and the Caribbean in terms of sugar cane production, and also stands out as the fourth largest sugar exporter in the world and the second in the Latin American region, according to information of the Economic Commission for Latin America and the Caribbean (ECLAC) and the Food and Agriculture Organization (FAO).

Guatemala stands out in the production of several agro-industrial products, such as:

- Tropical fruits: Southern Coasts, Central and Northwestern regions of the country.
- Vegetables and legumes: Highlands, Central and Southwestern regions.

- Cattle: All around the country. Main departments for this product: Escuintla, Izabal, Santa Rosa, Peten and Alta Verapaz (covers 66% of the total cattle in Guatemala).

Guatemala has an approximate surface area of 11 million hectares, of which just near 12% is being cultivated. The main cultivation surfaces, by size, are located in Alta Verapaz (156 thousand hectares), Jutiapa (119 thousand hectares) and Peten (103 thousand hectares).

Beverages

In Guatemala there are 39 companies in this subsector with approximately 18,000 employees, generating around US\$200 million annually in exports.

Big multinational corporations like Ambev, Big Cola, Fersán and others have decided to invest in Guatemala, taking advantage of its geographical location and of the related industries already installed within the country, such as plastic packaging, cardboard, glass and lids.

Guatemalan beverages exports have developed a constant growth since 2005. In 2011, this growth was above the global growth, around 10%, according to information published by Deloitte in 2012.

Key Facts:

- Guatemala is a net exporter of beverages, presenting a positive balance of trade. Countries like El Salvador, Honduras, Mexico, Nicaragua, the United States, Panama and Italy are the main importers of Guatemalan beverages.
- Main beverage products are: water, ethyl alcohol, liquors, soft drinks, fruit beverages (juices and nectars), and beer.
- Guatemala is the highest exporter of liquors in the Central American region.
- Beer represents 78% of the total volume of alcoholic beverages sold in the country.



Source: Bank of Guatemala

Canned Goods

It shows a continuous growth rate of around 2.5% per year and represents an endless potential growth for the following years.

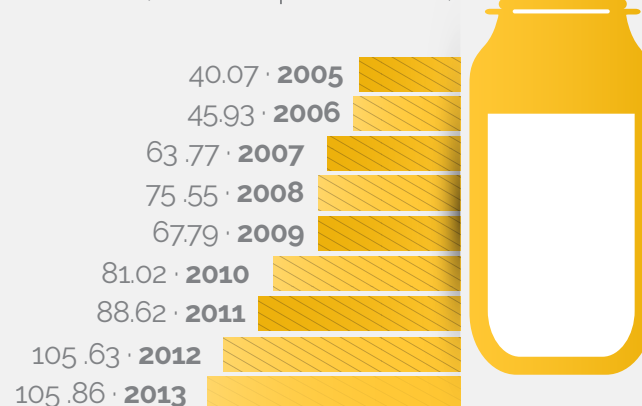
Guatemala offers competitive costs, especially in terms of labor force and supplies (without packaging), thanks to the abundant quantity of raw materials like fruits and vegetables.

To solve the packaging needs, Guatemalan entrepreneurs have developed a manufacturing cluster that provides this and other relevant services.

It is also important to mention that a high number of multinational companies have established their regional headquarters in Guatemala, and are able to supply the entire Central American region plus the Southern part of Mexico.

Emerging companies could enjoy an excellent location within Guatemala, taking advantage of the country's excellent geographical location and high competitiveness, enjoying low production costs and a continuously growing demand.

Export of Canned Goods (In US\$ million)



Source: Bank of Guatemala

Confectionery

Products like chocolate, candies, lollipops, gum products and mints are the main articles produced in Guatemala.

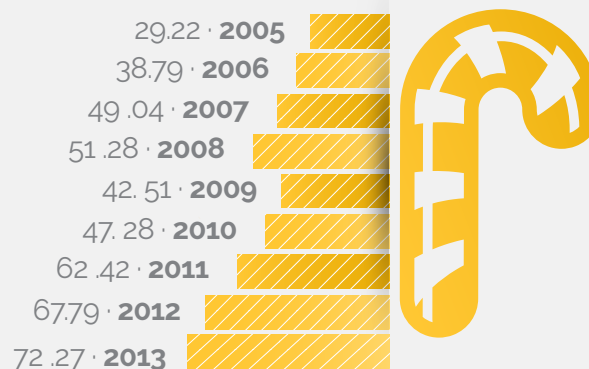
Guatemala is the 4th biggest sugar exporter in the world, and the 2nd in the Latin American region. It also boasts the most competitive price of the Mesoamerican region and the maximum performance in Latin American and the Caribbean, according to data from the ECLAC (Economic Commission of Latin America and the Caribbean).

Guatemalan confectionery exports have grown 19% in 2012 a tendency that has been present since 2005 (except in 2009, due to the financial crisis).

The competitive prices and efficiency offered by the Guatemalan sugar industry, along with its weather, infrastructure and fiscal incentives for investors, have permitted a great growth for this subsector. The main markets for these products are: Central America, Dominican Republic and Mexico, markets of more than US\$130 billion. The United States is an important market as well.

The diet candies category has also experienced important sales growth, at a rhythm of almost 23% each year, mainly due to the increasing demand in North American countries, which spend around US\$93 million in diet chocolates, candies and gum each year.

Export of Confectionery (In US\$ million)



Source: Bank of Guatemala

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Key Facts:

- Guatemala exports 70% of its entire sugar production, being the 4th biggest exporting country in the world and the 2nd biggest in Latin America; its production is destined to markets like USA, Canada and Chile. Asian and Caribbean markets are also important for this product.
- 5 out of 15 sugar mills produce ethanol: 203 million liters in 2011.
- Sugar mills have registered an annual growth of 11% during the past 20 years.
- 4.4 million bushels was the 2011-2012 harvest, a record for Guatemala.
- This sector also contributes to the electricity sector, with an installed capacity of 311 MW as of 2010.
- Opportunity for investment: Guatemala has Approximately 11 million hectares of fertile soil and only 12% is cultivated.



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Some foreign companies that have trusted in Guatemala:



Key incentives for this sector

Guatemala has developed several incentives to make the country attractive for foreign investment. For investors interested in Guatemala's food and beverages industry, laws like the "Free Trade Zones Law", "Promotion and Development of Exports and Drawback (Maquila) Activity Law", and "Free Trade Zone for Industry and Commerce Law" offer incentives for foreign companies, as they are exonerated of Rent Taxes, Value Added Taxes (VAT) and import taxes.

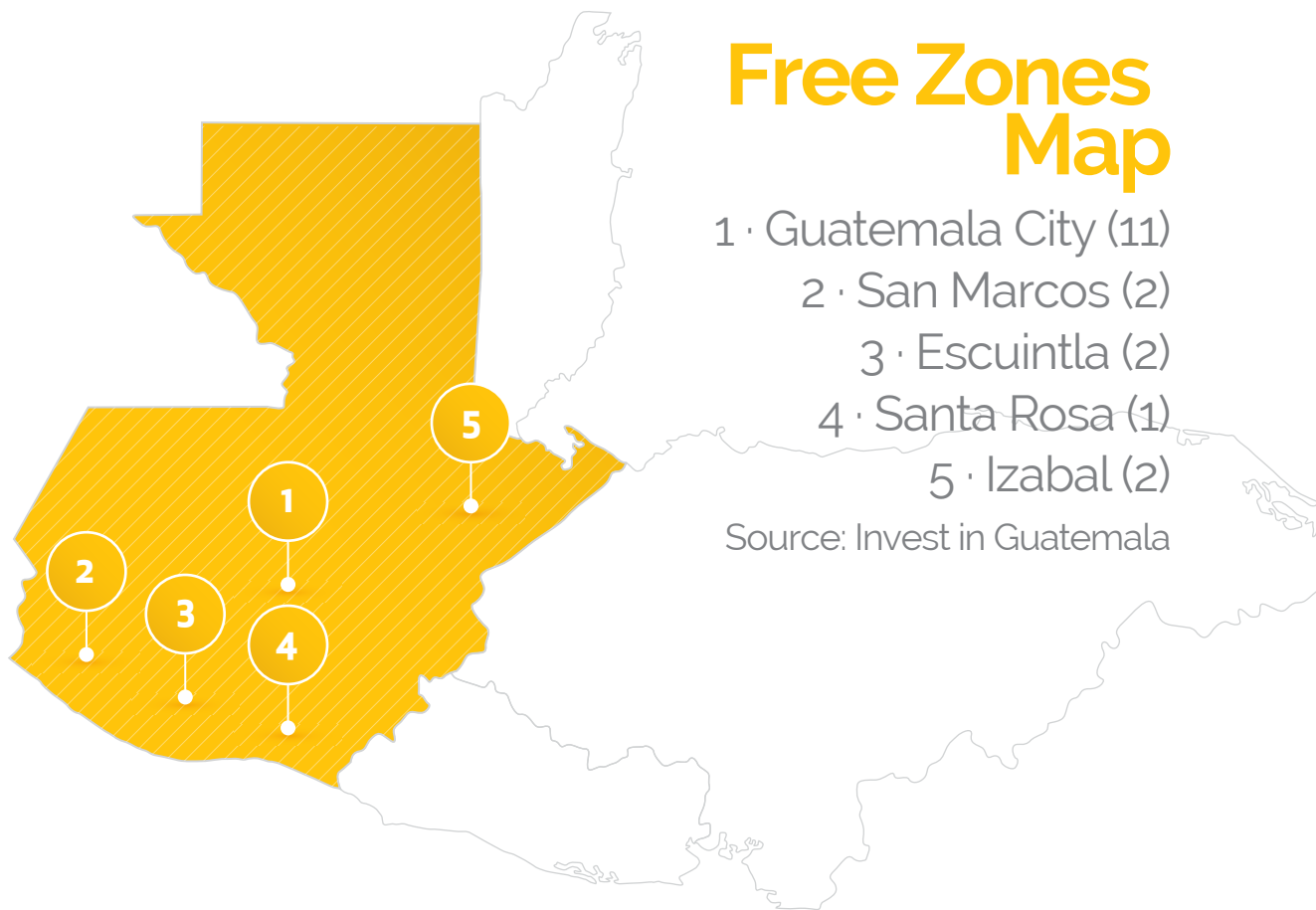
- "Free Trade Zones Law" (Decree 65-89): This law establishes that, by locating a company in one of the existing "Free Trade Zones", it can enjoy the following benefits: exonerated of the company's customs duties and value added tax (VAT) for all machinery, equipment, furniture, tools and other materials destined mainly for the construction of infrastructure. Also, this law offers 100% exemption of Rent Tax for up to 10 years, 5-year exonerated of Property Tax for all properties used in the "Free Trade Zone", and the exemption of all other taxes existing and to be created that could affect the equity and profits of the company, for this specific period of time.

There are currently in Guatemala a total of 18 "Free Trade Zones" located in Guatemala City (11), San Marcos (2), Escuintla (2), Santa Rosa (1) and Izabal (2).

- "Promotion and Development of Exports and Drawback (Maquila) Activity Law" (Decree 29-89): This law seeks to boost the exports of Guatemalan products and services by offering tax incentives to both national and foreign companies. Without any location requirements, it offers a temporary exonerated of customs duties, VAT, and the complete exonerated of Rent Taxes for up to 10 years and any ordinary and/or extraordinary export taxes for this period of time.

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• "Free Zone for Industry and Commerce Law" (Decree 22-73): This law, commonly known in Guatemala as ZOLIC, for its acronym in Spanish) offers about the same incentives as the other laws in terms of tax exemptions. The main difference is that it seeks to develop big territories that would be dedicated to Industry and Commerce (a bigger concept of the "Free Trade Zones"). Nowadays, there is one ZOLIC located in the department of Izabal, near the Santo Tomás de Castilla port in the Caribbean Sea.



Relevant legal framework

Labor Law and Minimum Wage

The Guatemalan Government establishes the monthly minimum wage. For 2014, the monthly minimum wage is set on Q.2,280.34 + Q.250.00 = Q.2,530.34 (approximately US\$325.00). In addition to this, the employer also needs to add the costs for: Social Security, training and recreation, as follows:

- IGSS (Guatemalan Social Security Institute): By law, employers are required to contribute to this institution with an amount equivalent to 10.67% of the monthly salary of their employees. Also, each employee contributes with 4.83% of their own monthly salary. IGSS is the institution in charge of offering Social Security (mainly health and retirement) to all workers in Guatemala.

- INTECAP (Technical Institute of Training and Productivity): Employers are required to contribute to this institution an amount equivalent to 1% of the monthly salary of their employees. This institution offers, throughout its more than 30 campuses and delegations, training and certified studies for the Guatemalan labor force in a wide range of areas and with the objective of raising the employment opportunities for Guatemalans and help boost the nation's competitiveness and development.

- IRTRA (Institution of Recreation for the Employees of the Private Sector in Guatemala): This institution receives an equivalent of 1% of the monthly salaries of the employees of all private companies in the country. IRTRA is in charge of providing recreation opportunities for the employees of the private companies in the country through different parks and recreational centers throughout the country, including the theme parks Xetulul and Xocomil, the biggest theme parks in the entire Central American region.

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Other relevant information that the Labor Code establishes in Guatemala includes working shifts, schedules and restrictions, and employment benefits.

Working Hours	Schedule	Can't Exceed
Regular Shift	6:00 to 18:00	8 hours per day / 44 hours a week
Night Shift	18:00 to 6:00	6 hrs per day / 36 hours a week
Over Time	One regular shift can be extended with a mutual agreement between the employer and the employee, up to 4 more hours per day. Each hour of "overtime" has to be paid 1.5 times the regular hour wage	A regular shift cannot exceed (normal plus overtime) 12 hours per day.

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Benefits	Description
Weekly Day Off	The employee has the right for one day off after 6 consecutive workdays. If the employee works during this day, those hours have to be paid as "overtime".
National Holidays	Guatemala has 13 national holidays, which are: January 1st, Holy Thursday, Good Friday, Holy Saturday, May 1st, June 30th, September 15th, October 20th, November 1st, December 24th (Half Day), December 25th, December 31st (Half Day), and the day of the local festivity (for Guatemala City is August 15th). If the employee works during these days, employer has to pay as overtime.
Vacations	Minimum of 15 days after one consecutive year of work. The employee acquires the right for vacations after 150 workdays.
Annual Bonus	Annual bonus equivalent to a monthly salary for employees that have worked during one consecutive year. This bonus has to be paid during the first 14 days of July.
Christmas Bonus	Annual bonus equivalent to a monthly salary for all employees that have worked for one consecutive year. This bonus has to be paid 50% during the first 15 days of December and the other 50% during the first 15 days of January.
Severance Payment	Only applicable in case of dismissal, when the employee had a contract of indefinite duration. The severance payment is equivalent to one monthly salary per year of work for the same employer. If the employee did not finish one consecutive year, the payment has to be proportional to the time worked for the employer.

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Other Institutions that offer support for this sector are:



Guatemalan Exporters
Association
www.export.com.gt



National Competitiveness
Program
www.pronacom.org



Guatemalan Chamber of
Industry
www.industriaguatemala.com



Ministry of Agriculture,
Livestock and Food
www.maga.gob.gt



Association of Sugar
Producers of Guatemala
www.azucar.com.gt

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