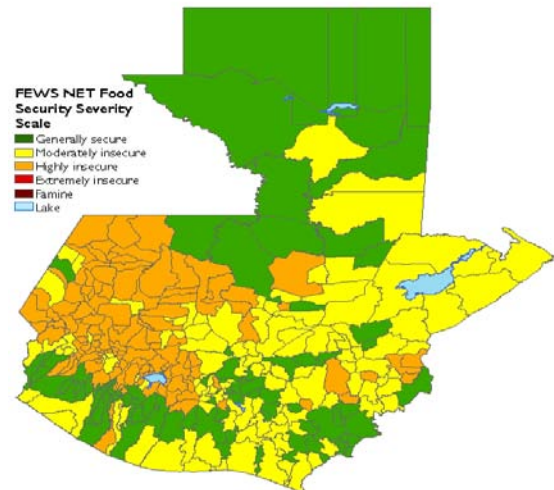


GUATEMALA Food Security Situation

March 2009

- The food security situation in the country could be affected by an early annual season of food shortages in the West and East. This situation can be mitigated with a timely, focused, and targeted intervention through the government's contingency plan.
- An irregular start of the rains could affect the sowing of the first crops (*primera*). We recommend a follow-up of INSIVUMEH's periodical forecasts and proper guidance to farmers in accordance with these.
- To ensure a good crop yield, immediate distribution of subsidized fertilizer in parts of the West during the second half of March and mid-April in the rest of the country is necessary.
- The availability of food in the North could improve with the crop that is soon to come out. Damages due to the *Mancha de Asfalto* plague have not yet been assessed. If the magnitude is not severe, we would expect the prices of maize and beans to drop in the coming weeks due to the increased supply in the market.

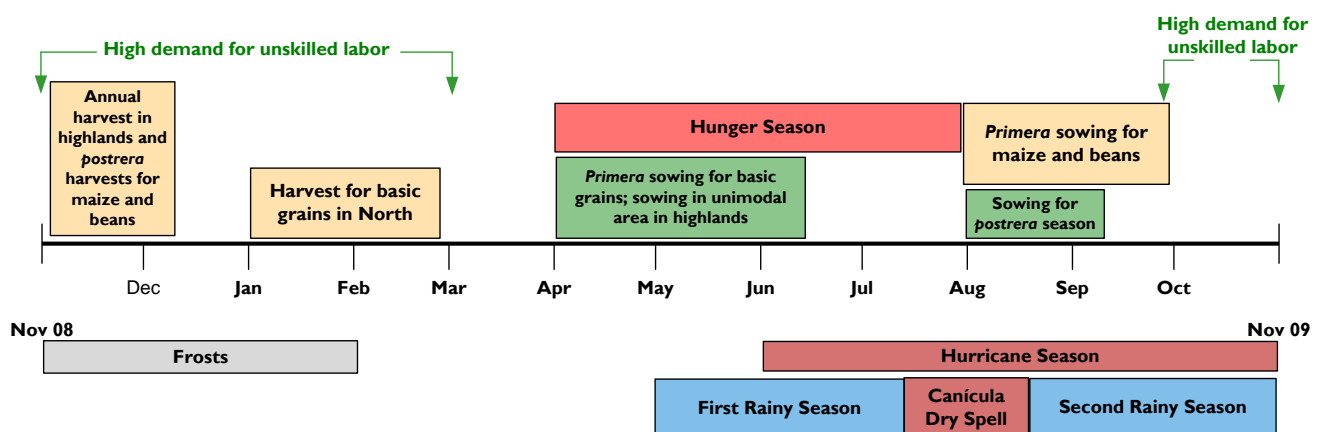
Figure 1. Current food and nutritional security conditions, January – March 2009



Source: MFEWS

For more information on FEWS NET's Food Insecurity Severity Scale, please see: www.fews.net/FoodInsecurityScale.

Seasonal calendar and critical events



Source: FEWS NET

Food security situation

Even though the food security and nutrition situation in the country has not shown critical signs, it has started to deteriorate because the annual period of food shortages began a month earlier than anticipated. This early onset of the hunger season was a result of the low harvest yields of the *primera* and *postrera* season last year due to poor fertilization and damage caused by heavy rains and winds. The reduction of available food in the reserves of subsistence farmers is leading to rapid consumption of these, and at most, will last up to March for departments of the west (Huehuetenango, Quiché, and San Marcos) and a month more for those in the east (Jutiapa and Chiquimula). Usually these stocks deplete in April or May, depending on the region.

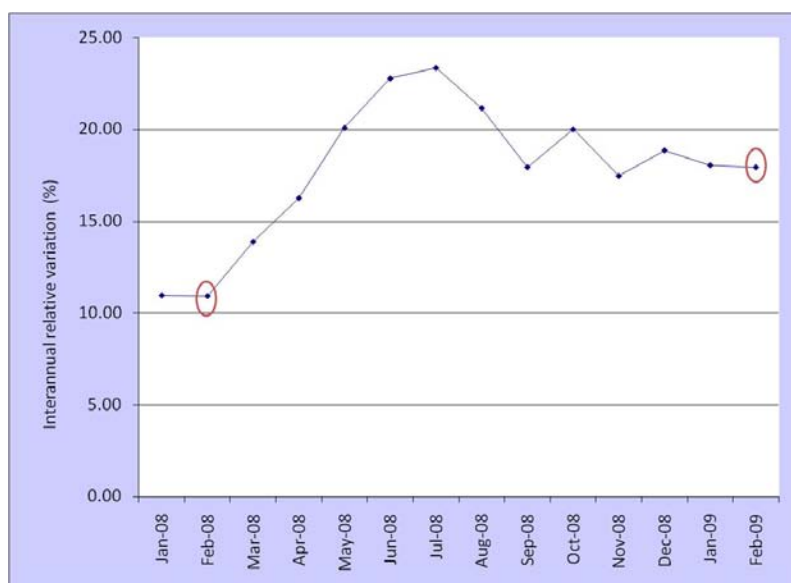
For the households in the north affected by floods caused by Tropical Depression 16, the case is different. After the losses of the first harvest, people sowed again, hoping to harvest between February and March. However, the irregularity of rainfall and temperature changes at the end of the year, as well as the humidity, caused the proliferation of fungi called *Mancha de Asfalto* (*Phyllachora maydis* and *Monographella maydis*). Although no large areas of affected crops were reported, a slight reduction in yields is expected, which would result in lower reserves in homes that were already experiencing problems of food availability.

The government has a Contingency Plan for communities identified as high and very high risk, which aims to cover one million families for three months with a monthly ration of maize, beans, and oil. If the plan is activated in the next month, it would help avoid a further deterioration of the food and nutritional security situation in the country.

When their reserves run out, poor families throughout the country will depend more on purchases to obtain food in the coming months. Access has been compromised because the cost of the basic food basket and prices of basic grains are well above the values reported last year during the same month. In the case of the basic food basket, the increase is 17.9 percent, while for grains the increases range from 17 percent for white maize and 57 percent for black beans.

Prices remaining stable during the next quarter would be expected if the damages by *Mancha de Asfalto* in the North do not affect the crop significantly. The employment situation during this period is also a factor to take into account to analyze the purchasing power of the population. The season of high demand for unskilled labor in agricultural activities related to the coffee and sugar harvests is now completed, which reduces the options for earning an income. In addition, fewer jobs in the tourism, construction, and textile sectors have been reported, which also affect the availability of cash to purchase food. The latter affects the population of the central area (Guatemala, Chimaltenango, and Sacatepéquez). Since October 2008, there has been a drop in remittances entering the country. This drop has a direct impact on the economy of many households that depend on remittances, particularly in the departments of Huehuetenango, San Marcos, Quetzaltenango, and the metropolitan area of Guatemala City.

Figure 2. Nominal cost of the basic food basket (2008-2009)



Source: INE

Seasonal progress

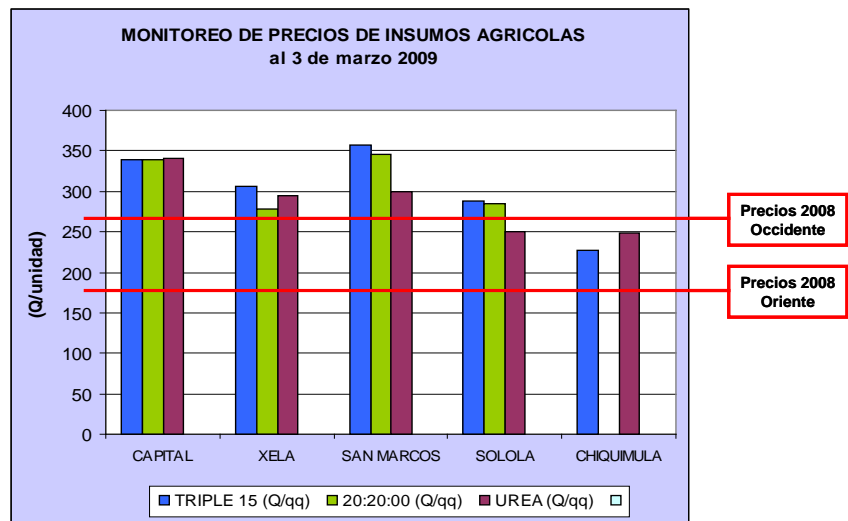
It is vital that the first cycle of basic grain crops be conducted in the best way possible to prevent further erosion of food and nutritional security in the country. This will avoid a continuation of an annual season of scarcity, which began early.

There are two elements to take into consideration: the onset of the rains and the amount and distribution of them, as subsistence farmers do not have irrigation systems or available agricultural supplies.

As far as the first factor, INSIVUMEH forecasts that some rain could start between April 16 and 20, although there will likely be a temporary cessation during the first half of May to resume in the second half, formally setting the rainy season. This rainfall irregularity could have important consequences for sowing, as farmers, especially in the southwest of the country could start with the first rains in April, affecting seed germination due to lack of water in the next few weeks. To prevent seed loss, actions toward keeping track of weekly and monthly forecasts issued by INSIVUMEH and informing farmers of potential irregularities at the beginning of the rainy season are suggested so they can delay the planting until late May.

The second factor to consider in the first sowing is the availability of agricultural supplies, which include fertilizer and seeds. The price of fertilizer rose considerably last year, which limited the ability of subsistence farmers to purchase it. This year, prices have not decreased, showing values similar to those of June 2008 (Figure 3). Since it is essential to increase food availability at the household level and prevent farmers from leaving their crops without fertilizing this year again, we would expect the delivery of products subsidized by the government. This delivery should be done on time, with good coverage and targeted to the neediest. According to the sowing dates, it is recommended that the first product reach the plateau areas (in the second half of March), and in the second half of April for the rest of the country. If the fertilizer is not delivered in this period, the application will not have positive results in the development of crops. Although some farmers use Creole seeds, others require improved and subsidized seeds. For it to be useful for subsistence farmers who will begin planting crops shortly, its quantity should be increased and be made available in early April.

Figure 3. Prices of agricultural supplies. Monitoring of retail prices in agroservices in departmental capitals.

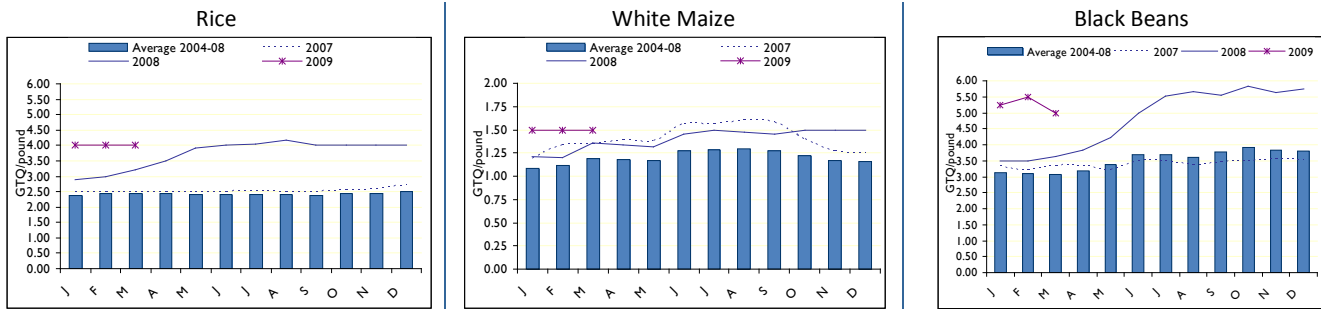


Markets and trade

According to information generated in the Terminal market in Guatemala City (Figure 4), prices have been stable for rice and maize since January. However, rice is 23 percent higher and maize is 15 percent higher compared to the same month last year. In the latter case, the price has remained stable due to the entry of maize from Mexico.

The price of beans has dropped by 11 percent during the last month. This is due to the entry of beans from Mexico and Argentina. The prices of maize and beans are expected to fall in the coming weeks if there are no problems with the harvest in the North, as mentioned above.

Figure 4. Nominal consumer prices for staple cereals. Guatemala City, March 09, 2009, "La Terminal" Market, Quetzal/pound.

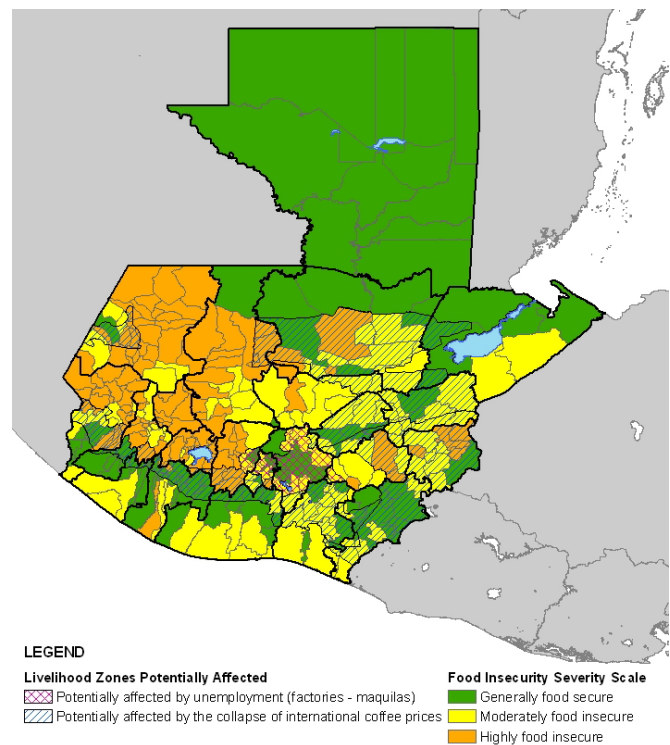


Source: Prepared by MFEWS with data provided by MAGA, UPIE/Area of Information. Exchange Rate: US\$ 1 = Q 8.08, March 16, 2009

During this time each year, the coffee price is critical because it determines the forecast performance, and therefore the demand for labor during harvest. Because the international economic situation has been volatile, we especially recommend monitoring the international price of grain to determine its impact in the future. If the price were to decrease significantly, below \$90.00 — the minimum price to ensure a profit for the producer — livelihood zones 14, 11, 7, and 8 would be affected (Figure 5). During this time, the incentive price for the care of plantations and their subsequent performance is defined. The poor and extremely poor population in the mentioned areas derives part of their income from wages during the harvest season. Constant monitoring of prices for this grain in order to predict demand during the 2009/2010 cycle is recommended.

If job losses continue, especially in the textile sector (contract manufacturers), the population of livelihoods zone 10 will be particularly affected, as they depend on this income for their food and nutritional security.

Figure 5. Livelihood zones potentially affected by unemployment in factories or the collapse of international coffee prices.



Source: Livelihoods Study, 2007