

GUATEMALA Food Security Outlook Update

September 2011

Food security situation improves with quality harvest

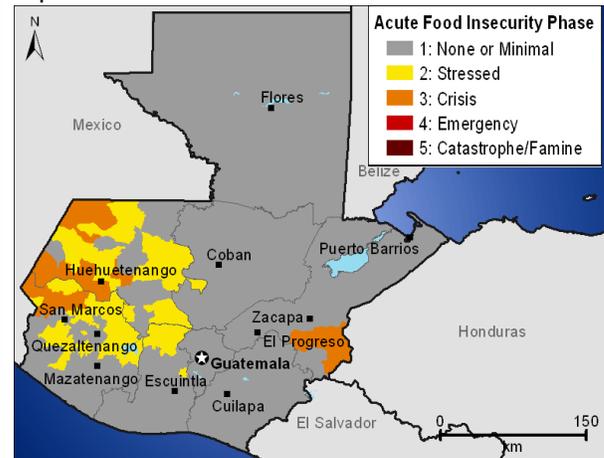
- Harvesting of basic grain crops from the first production cycle has now begun (particularly in the case of maize), and from all indications will produce good yields with minimal damage. The onset of the harvest brings an end to the annual hunger season, thereby increasing food availability for very poor households. Unfortunately, the situation has not yet improved in the altiplano, as the production cycle in that region is longer and harvesting will not take place until November/December.
- The price of maize has begun its seasonal decrease, although it will not reach the levels recorded prior to the 2008 crisis. This price reduction improves access to maize for very poor households, which do not plant their own crops and accordingly must rely on purchases to meet their food needs. The price of black beans remains stable.
- The beginning, in October, of the period of increased demand for unskilled labor will improve access to food by increasing income in wage-dependent households. The volume of unskilled labor to be hired this year is projected to fall within normal ranges.
- Although they must be verified, there are reports of a possible deterioration in the food and nutritional security situation in communities located in certain municipalities in the department of Chiquimula, in the eastern region of the country.

Food Security Outlook Update through December 2011

The hunger season affecting Guatemala's very poor has now ended, with the first harvest of basic grains now underway in virtually all areas of the country with the exception of the altiplano, an area which, because of its temperature and altitude extremes, has only one production cycle, which concludes in November.

The forecast for rainfall in the period between August and October, prepared in July, indicated that accumulated precipitation would very likely be above normal for the entire country, with the exception of the eastern region, which includes the departments of Izabal, Baja Verapaz, Zacapa, Chiquimula and Jutiapa, where accumulated rainfall is expected to be at normal levels. In late July, INSIVUMEH weather stations in the Northern Transverse Strip and the southern portion of Petén reported lower levels of accumulation, leading to the possibility that basic grain crops, and particularly maize, could be at risk. However, on-site field studies determined that, although some damage had indeed occurred, it was not considered representative, with a good harvest thereby ensured. This favorable situation is attributable to the fact that this

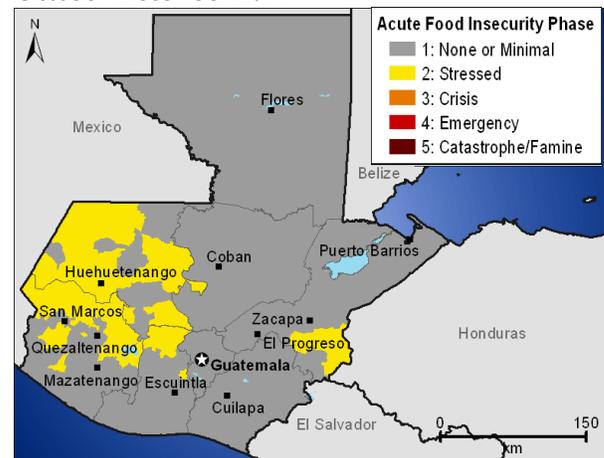
Figure 1. Estimated acute food insecurity outcomes, September 2011



Source: FEWS NET

For more information on the FEWS NET Scale of Food Insecurity Severity, please visit www.fews.net/FoodInsecurityScale

Figure 2. Most likely food insecurity scenario, October-December 2011



Source: FEWS NET

This report is an update of the Food Security Outlook published in July 2011 by FEWS NET, which provides the food security outlook through December 2011. The next Outlook Report will be published in October and will cover the period between October 2011 and March 2012.

year farmers staggered their planting, with most crops having already reached a stage in their development where rainfall irregularities would not affect them significantly. In addition, cumulative totals for August exceeded historical averages by 40 to as much as 100 percent (1970-2000). It should be noted that crop success in those areas having the highest production levels, such as the Northern Transverse Strip, the southern portion of Petén and the south coast, is key to ensuring an adequate supply to the national market and reducing somewhat the price of cereal grains, such as maize, which in recent months has shown significant increases with prices reaching levels never before observed, a phenomenon attributable to the influence of grain prices being quoted in the international market, as well as to a decrease in supply at the national level resulting from losses caused by last year's weather-related events. Rainfall to date in the month of September has been within normal ranges, with only a few highly localized cases of crop loss, which, although such losses are certainly not without importance to the households affected, do not significantly impact grain availability nationally.

Prior to the harvest, Guatemala's very poor households were dependent almost entirely on purchases to meet their food needs, a situation that has rendered them extremely vulnerable to the increase in grain prices. However, those households that have already begun to harvest their crops will begin to shift their dependence to their own production, generating only a minor impact on the market dynamic. At present, maize prices have been gradually decreasing, while prices for beans remain unchanged. This trend is expected to hold steady over the coming weeks as harvested crops reach markets. The Basic Food Basket for August shows an increase of 1.15 percent over July of this year; however, the increase is greater (19.14 percent) as compared to August of 2010.

The second production cycle for basic grains has also now begun. In this cycle, beans account for the greatest share of production activity. Moisture is sufficient to ensure successful seed germination and initial plant growth. A good harvest for these second-cycle crops is expected, unlike last year's harvest.

As a result of sufficiently favorable weather conditions, projections of the amount of unskilled labor required for the harvest of agroindustrial products such as coffee, sugar cane, tobacco, cantaloupe and cardamom remains unchanged. This means that the assumptions that (a) producers will require on average the same number of workers as in prior years, and (b) the daily wage rate will not vary significantly vis-à-vis other normal years remain in effect. This season will begin in October with the harvesting of coffee beans and will not conclude until March of 2012. This will lead to enhanced income generation in very poor households in all areas of the country, in contrast with the situation in recent months, where employment opportunities were seasonally low.

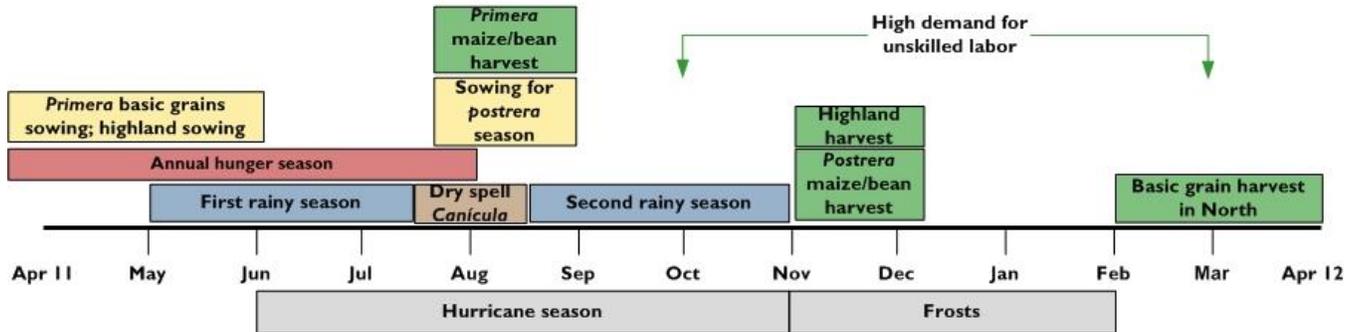
Records for remittances entering the country during the month of August show significant improvement, with an increase of 17 percent over the preceding month, which will also contribute to increases in the availability of cash for recipient households, most of which are located in the Guatemala's central and western regions (departments of San Marcos, Huehuetenango and Quetzaltenango). Almost half of this income is earmarked for consumption, and of this amount, 41.8 percent will go for food, according to International Organization for Migration Handbook No. 28.

Over the remainder of the year it is expected that food insecurity among the country's population will decrease, as the harvested crops from the first planting will restore supply to both households and the national market as a whole, by increasing the availability of grains. Households will then be able to turn to their reserves and prices will begin to decrease in response to the combination of lower demand and increased supply. In addition, the onset of this period marks the greatest demand for unskilled labor. Since conditions are favorable for crops planted during the second production cycle, this will complete the replenishment of basic grain reserves at the household level, when crops are brought in in November/December. Households in the altiplano region, on the other hand, will have to wait until November to replenish their supply of grains from their harvested crops. Nevertheless, a seasonal reduction in the price of maize and an increase in opportunities for day labor will lead to increased purchasing power, and for the last quarter of the year it is projected that these households will move from Crisis level to Stress level, with a gradual improvement in late November and early December, when the harvest is in.

With the hurricane season still in effect until November, and with projections still calling for greater than normal tropical storm activity, the potential for crop damage from one or two such storms in the northern portion of Central America cannot be ruled out. Should such an event take place, crops from the first production cycle in the altiplano, or from the second cycle in the rest of the country, could conceivably suffer damage, thereby counteracting to an extent the current downward trend observed in prices and jeopardizing the status of household reserves.

The August report mentioned the likelihood of a flow of maize to El Salvador due to the price differential existing at that time. However, maize prices in El Salvador have decreased considerably since that report, with the result that this flow has not materialized.

Seasonal Calendar and Critical Events



Source: MFEWS