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Report Highlights:

U.S. exporters enjoy a strong position in the Honduran market, thanks to the CAFTA-DR agreement. More than 95 percent of U.S. industrial and commercial goods can enter the country duty free, with the remaining tariffs to be phased out by 2025. Close proximity to the United States and one of the lowest logistical costs in the region positions Honduras as a distribution point for Central America. In 2019, total U.S. agricultural, fish, and forestry exports to Honduras were \$745 million, a four percent increase from 2018. The top U.S. agricultural exports to Honduras are: corn, soybean meal, wheat, pork and pork products, wine and beer. In 2019, The United States had a leading 36 percent (\$347 million) market share for consumer-oriented products. Beer, vegetables, milk, cream, cheese and pork meat are the products with the highest export growth potential.

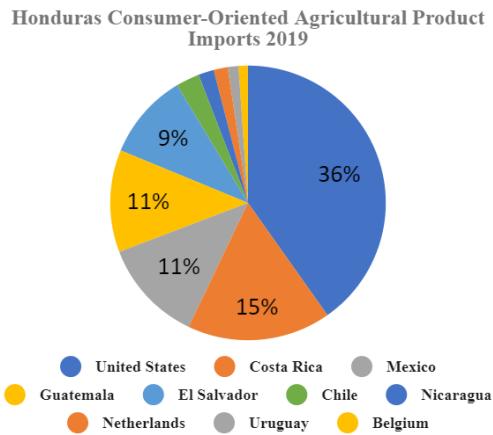
Market Fact Sheet: Honduras

Executive Summary

The United States is Honduras's main trading partner in total trade and in agricultural products. U.S. agricultural exports increased with the implementation of the Dominican Republic-Central America-Free Trade Agreement (CAFTA-DR) in 2006. Most U.S. agricultural products have duty-free access to Honduras. In 2019, total U.S. agricultural, fish, and forestry exports to Honduras were \$745 million, a four percent increase from 2018.

Imports of Consumer-Oriented Products

In 2019, Honduras imported about \$1 billion of consumer-oriented products from the world. The United States had a leading 36 percent (\$347 million) market share.



Food Processing Industry

The total market for food processing in Honduras has increased steadily over the past few years. The United States continues to be the largest supplier of food processing ingredients, and enjoys a high level of acceptance and a reputation for high quality products for human and animal consumption.

Food Retail Industry

Honduras's retail food sector is by far the largest market for imported food. Retail sales of imported consumer-oriented products are mostly in supermarkets, mini-markets and convenience stores. The two leading chains are La Colonia and Walmart.

Quick Facts CY 2019

Imports of Consumer Oriented Products from U.S.: \$347 million.

List of Top 10 U.S. Products in Honduras:

- 1) Corn
- 2) Soybean meal
- 3) Wheat
- 4) Pork and Pork Products
- 5) Wine & Beer
- 6) Rice
- 7) Prepared Foods
- 8) Dairy Products
- 9) Poultry Meat & Prods.
- 10) Other Intermediate Prods.

Top 6 Honduras Retailers:

- 1) El Corral
- 2) El Colonial
- 3) Junior
- 4) Los Andes
- 5) La Colonia
- 6) Walmart

Honduras Agricultural Imports from the U.S.: \$773 million

Honduras Agricultural Imports from the World.: \$1.7 billion

Honduras Agricultural Exports to the World.: \$2 billion

GDP/Population

Population (millions): 9.2

GDP per capita (USD): 2,742

Advantages	Challenges
CAFTA-DR eliminated most tariffs and other barriers to United States goods, protects U.S. investments and intellectual property, and creates more transparent rules and procedures.	Maintaining macroeconomic stability and fostering an environment for investment.
U.S. products enjoy a high-quality image among Hondurans. Importers prefer trading with U.S. exporters because of reliability.	The current economic situation in the country limits purchasing power and customers are price sensitive.
Infrastructure improvements have permitted the year-round availability of U.S. fruits such as apples, grapes, and pears. Direct imports by warehouse outlets have diversified food imports.	Occasionally restrictive sanitary and phytosanitary import requirements.

SECTION I. MARKET OVERVIEW

The United States is Honduras's main trading partner, both in terms of total trade and in agricultural products. The population of Honduras is 9.2 million people, of which 55% live in urban areas.

Honduras's economic activity is directly linked to the United States as follows:

- The United States accounted for 46 percent of total agricultural imports in 2019. Honduran agricultural exports to the United States were 36 percent of all Honduran exports in 2019. Exports have diversified from bananas and coffee to non-traditional products.
- Per capita Gross Domestic Product (GDP) was \$2,742 in 2019, up 2.8 percent from 2018. Inflation was 4.08 percent in 2019, down 0.22 percent from 2018.
- The main economic sectors that contributed to GDP were financial activities (19.4 percent), manufacturing (19.2 percent), agriculture (13.9 percent) and communications (10 percent).
- The agricultural sector was the largest employer of all sectors with 31 percent (1.3 million people) in 2019. Despite the recent economic diversification, there continues to be a large subsistence farmer population with few economic opportunities.
- The value of 2019 remittances was \$5.5 billion, up thirteen percent from 2018. Remittances accounted for 22 percent of GDP, more than coffee exports and tourism combined.
- U.S. foreign direct investment (FDI) reached \$1.3 billion in 2019, a 50.7% increase from 2018. The United States is the largest investor in Honduras.
- The largest U.S. investments are in the garment assembly sector, tropical fruit production (bananas, melons, and pineapple), tourism, energy generation, shrimp farming, animal feed production, telecommunications, fuel distribution, cigar manufacturing, insurance, leasing, food processing, and furniture manufacturing.

U.S. exporters enjoy a strong position in the Honduran market thanks to the CAFTA-DR agreement. As of December 2019, U.S exports of agricultural and related products to Honduras had a 24 percent increase compared to December 2015, but a 5% decrease from 2018.

U.S. agricultural exports are stable despite a 15 percent sales tax on all imports imposed by the local government in 2013. The top ten U.S. agricultural exports to Honduras are: corn, soybean meal, wheat, pork and pork products, wine and beer, rice, prepared foods, dairy products, poultry meat and products, and other intermediate products.

Honduras's tariffs on most goods outside the Central American Common Market (CACM) are currently within the zero to 15 percent range. Under CAFTA-DR, more than 95 percent of U.S. industrial and commercial goods can enter the region duty-free, with the remaining tariffs to be phased out from 2020 to 2025. Pork and yellow corn entered duty-free starting in January 2020.

Under CAFTA-DR, Honduras recognizes the U.S. inspection services as equivalent. This equivalence eliminates the requirement of a certification by Honduras of the U.S. plant to export to the Honduran market. The strengths, market opportunities, and challenges of U.S. suppliers are illustrated in the following table:

Advantages	Challenges
Close proximity to the United States allows containerized cargo from gateway cities to be transported to Honduras in 2 to 3 days. With one of the lowest logistical costs in the region, Honduras also serves as a distribution point for Central America.	Direct competition from other Central American countries. FTAs have been signed with the Dominican Republic, Mexico, Chile, Colombia, Panama, Canada, European Union and Taiwan.
CAFTA-DR eliminated most tariffs and other barriers to United States goods destined for the Central American market, protects U.S. investments and intellectual property, and creates more transparent rules and procedures for doing business.	Maintaining macroeconomic stability and fostering an environment for investment.
Consumers have strong preferences for U.S. products. U.S. products enjoy a high-quality image among Hondurans. Importers prefer trading with U.S. exporters because of reliability.	The current economic situation in the country limits purchasing power, and customers are price sensitive.
Among the leading sectors for U.S. exports and investment are fast food outlets, casual dining restaurants, and the introduction of new U.S. hotel chains-including investment prime tourist areas-food processing and packaging equipment, processed foods, and general consumer goods.	Relative high duties on some products that are not under the CAFTA-DR agreement.
Increases in infrastructure and facilities have permitted the year-round availability of U.S. fruits such as apples, grapes, and pears. Direct imports by warehouse outlets have diversified foods imports.	Occasionally restrictive sanitary and phytosanitary import requirements.

SECTION II. EXPORTER BUSINESS TIPS

Local Business Customs and Trends

The Honduran government is generally open to foreign investment. Restrictions and performance requirements are limited. Relatively low labor costs, proximity to the U.S. market, and the Caribbean port (Puerto Cortés is the largest deep-water port in the region) make Honduras attractive to investors.

Under CAFTA-DR, U.S. investors enjoy, in most circumstances, the right to establish, acquire, and operate investments in Honduras on an equal footing with local investors. In the investment chapter of CAFTA-DR, Honduras committed to provide a higher level of protection for U.S. investors than under

the 2001 Bilateral Investment Treaty. Exporters who offer attractive financing terms on sales have the best chance of gaining market share.

As in most Latin American countries, a good personal relationship with prospective customers is required in order to penetrate the market. While it may take a little longer to establish a business relationship than is customary in the United States, the investment in time can pay off in long-lasting and mutually profitable alliances. Although a U.S. firm may export directly to Honduran companies, U.S. suppliers are strongly recommended to have a local representative or a distributor who can personally travel to Honduras. For further information please refer to the Honduras Country Commercial Guide:

https://www.export.gov/article?series=a0pt000000PAtwAAG&type=Country_Commercial_kav

Consumer Tastes and Trends

Honduran preference for U.S. products has increased steadily over the years. The number of U.S. franchises and subsidiaries or affiliates operating in Honduras has grown rapidly. About 215 U.S. firms now operate in Honduras; 34 of these firms are U.S. fast-food and casual restaurants with more than 345 establishments in the country. In addition, Honduran consumers traditionally prefer the quality, convenience, and value of U.S. products. Some companies are combining Honduran and American foods as an attractive tool in restaurants.

SECTION III.

IMPORT FOOD STANDARDS & REGULATIONS AND IMPORT PROCEDURES

The institutions responsible for food matters are the Secretariat of Agriculture and Livestock (SAG) and the Sanitary Regulatory Agency (ARSA). The National Plant, Animal Health and Food Safety Service (SENASA) is SAG's regulatory agency. SENASA establishes regulations, procedures, and oversees compliance regarding plant, animal health, and the food safety of agricultural products imported and exported. SENASA issues import permits for plant, animal, processed, and consumer ready food products and inputs used in food processing that enter Honduras. The Customs Administration of Honduras oversees fiscal and administrative harmonization of customs processes in Honduras. The Customs Administration collects customs taxes and looks for voluntary compliance of customs obligations, in order to reduce tax fraud through security controls.

In 2017, the Honduran Government created ARSA. ARSA issues product sanitary registration, licenses, and other sanitary authorizations for food and beverages, medicines, natural products, cosmetics, medical devices and hygiene products. ARSA oversees supervision, review, control surveillance and inspection of processed products that are sold to consumers at the retail and wholesale levels.

The standards and import regulations of the above-mentioned institutions are found in the following GAIN reports for Honduras: Food and Agricultural Import Regulations and Standards (FAIRS) Country Report Number HO1905, and FAIRS Export Certificate Number HO1906.

Information on import regulations, customs procedures, and other requirements for exporting to the Honduran market are detailed in our annual Food and Agricultural Import Regulations and Standards Report (FAIRS) and FAIRS Export Certificate report. Please review the latest edition, available at our Global Agricultural Information Network: <https://www.fas.usda.gov/regions/honduras>

For further information please refer to the Honduras Country Commercial Guide:
https://www.export.gov/article?series=a0pt000000PAtwAAG&type=Country_Commercial_kav

SECTION IV. MARKET SECTOR STRUCTURE AND TRENDS

Entry Strategy

U.S. exporters should keep in mind the relatively small size of the Honduran market and the high elasticity of demand for consumer products when devising marketing strategies. Price is one of the most important elements for Hondurans. In many cases, purchasers buy from abroad if they feel that the cost of imports available in the local market is too high. U.S. exporters should carefully analyze both their cost and market approaches when making pricing decisions.

U.S. exporters who offer attractive financing terms on sales to Honduran traders have the best chances of gaining market share. This is particularly true for large-scale projects. It is important to emphasize, however, that international firms must exercise due caution when granting credit to Honduran trading partners. U.S. firms should investigate the creditworthiness and reputation of potential partners before granting credit. Under CAFTA-DR, tariffs on a wide range of consumer-oriented products for U.S. products were eliminated, and market demand for U.S. products in this sector looks promising. Consumer-oriented products have witnessed significant increases in the past few years.

Food Retail Market

Honduras's retail food sector is by far the largest market for imported food. Retail sales of imported consumer-oriented products are conducted mostly by supermarkets, mini-markets, and convenience stores. The supermarket retailing industry is growing rapidly. Supermarkets have opened stores in various medium and large urban locations and most populated cities in the country. Most of the regularly employed population takes advantage of promotions and buys their food at these supermarkets. Many supermarket chains are also expanding, remodeling, and modernizing.

Easter, besides being a religious holiday and "Semana Morazanica" a Honduras national holiday are also "vacation" time for the vast majority of Hondurans. These vacation periods begin well before and extend beyond the two to three-day holidays. Christmas gift baskets are also increasingly popular. In recent years, it has become common to include a high percentage of U.S. products in these baskets. Most commonly included are traditional favorites such as candy, nuts, whiskey, and wines. Easter, Semana Morazanica, Christmas, and Mother's Day are the main peaks for retail sales. By law, in June and December of every year, the government and private sector must provide a bonus to their employees. This bonus is equivalent to a month's salary. Many families make special purchases or buy high quality products at this time.

Various marketing approaches could be developed for the different sectors. It is always important to appoint a local distributor in Honduras who can provide a good market presence. However, many U.S. suppliers are discouraged by small initial volumes, and do not provide the needed support. U.S. exporters looking to establish and maintain a share of the market should be willing to go the extra mile in developing sales from the ground up and servicing their growing markets. They should work with their customers to satisfy local manufacturing and expiration date requirements and provide their customers with competitive pricing, credit alternatives, catalogs, and samples to test the market. They should be willing to consider sharing advertising costs for launching new brands. Moreover, they should be willing to provide technical and sales support, as well as training in various areas such as category

management, merchandising, and product handling. There are franchises owned by the same company, which makes it easier to approach a wide market. For more information about the Food Retail Report, please visit the latest version: <https://gain.fas.usda.gov/#/search>

Hotel, Restaurant and Institutional Sector

The tourism industry in Honduras has experienced substantial growth, supported by the interest of the Government of Honduras (GOH) and the private sector in developing the industry. Whether for interest in cultural and historic attractions, sporting activities or just relaxation; tourism plays a significant role in nearly all of the Central American countries' economies, something which has stimulated growth in the hotel and restaurant industries. U.S food products geared toward the hotel, restaurant, and institutional (HRI) sector are therefore increasing in demand for high quality products.

The hotel industry is rapidly expanding into urban and rural tourism. Among the new projects are those with bungalow-type resorts, ecological type hotels and resorts, apartment-hotels, cabins, hostels, and inns. Convention traffic is also increasing, and the restaurant industry is growing at an even faster rate. Many high-end restaurants, fast-food chains, and franchises are opening due to attractive incentives. Honduras has the largest number of U.S. fast food and casual dining franchises in Central America with more than 345 establishments in two major cities. The increase of modern shopping malls and commercial centers has prompted the establishment of an increasing number of restaurants as well. The U.S. franchises are in need of raw materials, and the local market cannot always fulfill their needs. Also, some of the franchise agreements require U.S. raw materials as part of the contract. For more information about the Hotel, Restaurant & Institutional Report, please visit the latest version:

<https://gain.fas.usda.gov/#/search>

Honduras is also carrying out projects to enhance tourism which will provide opportunities for U.S. food products in a high-end resort sector. The Tela Bay project is a major priority in the country's tourism development strategy. The property covers 312 hectares of land with beach, forest, and lagoon access. The project already has an international hotel with an eighteen-hole championship golf course. The total area of the Tela Bay project is: 250 four-star rooms, 150 five-star rooms, and 437 residential units. Additional amenities include a retail village, an equestrian club, and private beach clubs. Areas have also been set aside for recreational activities, administration, and public services.

Food Processing Sector

The total market for food processing in Honduras has increased steadily over the past few years. The United States continues to be the largest supplier of food processing ingredients enjoying a high level of acceptance and reputation for high quality products for human and animal consumption.

Honduran exporters are pursuing expansion plans to increase production and improve the quality of their exports, particularly non-traditional agricultural products such as melons, watermelons, oriental vegetables, okra, winter vegetables, shrimp, jalapeno peppers, and flowers. With CAFTA-DR, producers are looking for opportunities to export new products to the U.S. market. More companies are offering processed products such as tortillas, processed wheat, soy or oats, dehydrated fruits and vegetables.

Central American Customs Union (CACU) members agreed that for products produced or processed in their countries, when a product obtains a Sanitary Registration Number (SRN) in a CACU country, it

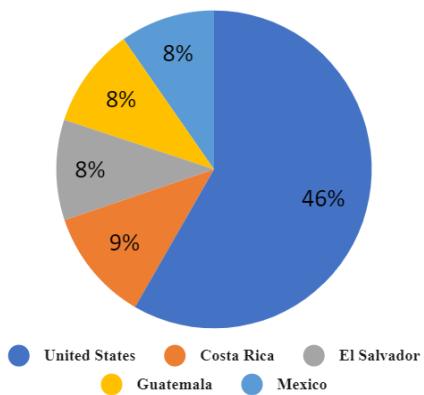
does not need to be registered in another. Products produced in the United States are not eligible for the registration exemption. However, it is important to note that the origin of the product is considered to be a CACU country if the product is processed in a CACU country, even if the raw material is not from a CACU member country. For more information about the Food Processing Report, please visit: <https://gain.fas.usda.gov/#/search>

Competitive Situation

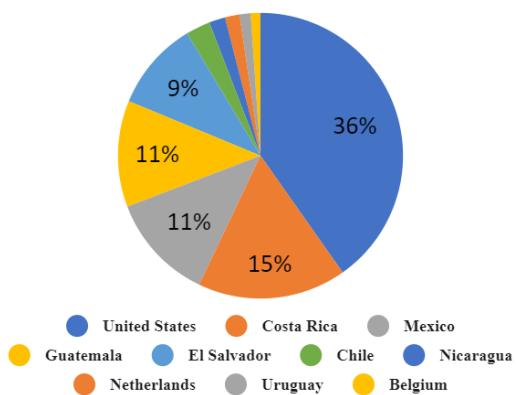
The main trade competitors in agricultural products for the United States are Costa Rica, El Salvador, Guatemala and Mexico. The United States has a leading 46 percent market share.

In 2019, Honduras imported about \$1 billion of consumer-oriented agricultural products from the world. The United States was the largest supplier with 36 percent (\$347 million) market share.

Honduras Top 5 Market Share Agricultural Imports from the World 2019



Honduras Consumer-Oriented Agricultural Product Imports 2019



Sources: BICO, Trade Data Monitor

SECTION V. AGRICULTURAL and FOOD IMPORTS

Agricultural and Food Imports Statistics (in millions of dollars)

Product	2015	2016	2017	2018	2019
Consumer Oriented Total	215	222	235	264	306
Bulk Total	205	258	203	263	257
Intermediate Total	160	162	154	181	174
Agricultural Related Products	7	7	8	8	7
Grand Total	587	649	599	716	744

Top Consumer-Oriented Product Prospects Categories (in thousands of dollars)

Product Category	2015	2016	2017	2018	2019
Food Preparations	65,951	58,592	48,532	57,397	56,693

Processed/Prepared Dairy Products	17,790	12,536	21,637	38,168	29,735
Beer & Wine	6,248	8,390	14,239	24,151	52,978
Fats & Oils	13,420	14,780	17,153	16,028	15,225
Condiments and Sauces	12,100	12,565	12,010	12,885	14,273
Other Processed Food Total	54,290	60,851	57,195	51,654	56,374
Grand Total	169,799	167,715	170,766	200,283	225,278

Sources: BICO, U.S. Trade Data Monitor

For detailed reports, please visit: www.fas.usda.gov/gats/BicoReport.aspx?type=country

SECTION VI. KEY CONTACTS AND FURTHER INFORMATION

Secretariat of Agriculture and Livestock (SAG):

National Plant, Animal Health and Food Safety Service (SENASA)

Name: Dr. Juan Ramón Velásquez

Title: General Director

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Post Information

If you have any questions regarding this report or need assistance exporting to Honduras, please contact the USDA's Foreign Agricultural Service (FAS) at the following addresses:

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Attachments:

No Attachments