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Honduras

Exporter Guide

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Report Highlights:

The growth of the food processing industry, the expansion of supermarkets in urban areas, in addition to the developing hotel, restaurant, and institutional sector have advanced U.S. agricultural products to Honduras.

Post:
Tegucigalpa

Executive Summary:

The United States is the main trading partner with Honduras, both in terms of total trade and in agricultural products. U.S. agricultural exports increased with the implementation of Dominican Republic-Central America (CAFTA-DR) trade agreement. A wide variety of U.S. agricultural products have duty-free access with CAFTA-DR. In 2014, the total U.S. agricultural, fish, and forestry exports to Honduras were valued at $644 million. Regional integration should spur investment, growth, trade, and continued market opportunities for U.S. exporters in the coming years.

I. MARKET OVERVIEW

A. Economic Situation

Honduras's agricultural exports to the United States have diversified from mainly bananas and coffee to non-traditional products. The estimated economically active population in 2014 was 3.6 million people (1.8 million are located in the rural areas and 1.7 million in urban areas). The United States is the main trading partner with Honduras, both in terms of total trade and in agricultural products. U.S. agricultural exports increased with the implementation of Dominican Republic-Central America (CAFTA-DR) trade agreement. A wide variety of U.S. agricultural products have duty-free access with CAFTA-DR. In 2014, the total U.S. agricultural, fish, and forestry exports to Honduras were valued at $644 million. Regional integration should spur investment, growth, trade, and continued market opportunities for U.S. exporters in the coming years. Economic activities are distributed as follows: 36 percent agriculture, 24 percent trade related activities, and 13 percent the industrial sector.

Honduras's economic activity is directly linked to the United States. Imports from the U.S. were 43 percent of total imports in 2014. Honduras exports to the United States were 34 percent of total exports. The country's per capita Gross Domestic Product (GDP) was $2,236 in 2014, with 3.1 percent growth. Additionally, the inflation rate in 2014 was 5.8 percent. Despite the recent economic diversification, there continues to be a large subsistence farmer population with few economic opportunities.

The Central Bank of Honduras reported the value of 2014 remittances at $3.5 million, an increase of nine percent from the previous year. Remittances generated higher revenue to the GDP than coffee exports and tourism combined.

The level of U.S. foreign direct investment reached $153 million in 2014**.** The United States is the second largest investor in Honduras after Mexico. CAFTA-DR free trade agreement entered into force in 2006 and has helped foster foreign direct investment. The banking system has been strengthened by alliances with international banks.

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.

B. Market Growth

U.S. exporters enjoy a strong position in the Honduran market; a position which was improved by the CAFTA-DR agreement. Honduras was the second country to ratify CAFTA-DR, and it entered into force on April 1, 2006. U.S exports of agricultural and related products to Honduras increased by 10 percent to $ 644 million in 2014 from $ 586 million in 2013. It should be noted that U.S. agricultural exports increased even when faced with a 15 percent value added tax on all imports imposed by the local government. The top ten U.S. agricultural exports to Honduras are as follows: soybean meal, corn, wheat, rice, pork & pork products, prepared food, dairy products, fresh fruit, animal fats, and poultry meat and products.

Honduras's tariffs on most goods outside the Central American Common Market (CACM) are currently within the zero to 15 percent range. The exceptions are white and yellow corn, as well as rice which has an in-quota tariff rate quota of zero. However, the out-of-quota tariff was 45 percent for white corn and rice; and 30 percent for yellow corn in 2014. Under CAFTA-DR, about 80 percent of U.S. industrial and commercial goods can enter the region duty-free, with the remaining tariffs to be phased out from four to nine years. Enhanced by increased market access, U.S. agricultural exports over the past decade to Honduras have increased both in terms of value and market share.

C. Market Opportunities and Competitiveness

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 the lowest logistical costs in the region, Honduras also serves as a distribution point for Central America.	Direct competition from other Central American countries. Central America FTAs have been signed with the Dominican Republic, Chile, European Union Mexico and Panama. Honduras has bilateral FTAs with Canada, Colombia, 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	Maintaining macro-economic stability and fostering an environment for investment.

business.	
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. The restructuring of the major ports of entry and the training of new government personal has caused the importation process to slow.
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.

II. EXPORTER BUSINESS TIPS

A. Business Customs

The Honduran government is generally open to foreign investment. Restrictions and performance requirements are fairly 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.) have made 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. The local banking system is traditionally conservative and generally extends only limited amounts of credit. 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.

B. Consumer Tastes and Preferences

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 162 U.S. firms now operate in Honduras; fifty-four of these firms are U.S. fast-food and casual restaurants with more than 200 establishments in the country. In addition, Honduran consumers traditionally prefer the quality, convenience, and wholesomeness of U.S. products. Some companies are combining Honduran and American foods as an attractive tool in restaurants.

C. Food Standards and Import Regulations

The institutions responsible for food matters are the Secretariat of Agriculture and Livestock (SAG) and the Secretariat of Health (MOH). The National Plant and Animal Health Service (SENASA) is SAG´s regulatory agency. SENASA establishes regulations, procedures, and oversees compliance regarding plant health, animal health, and the food safety of agricultural products imported and exported. This includes diagnosis and epidemiological surveillance of pests and diseases, quarantine control and coordination of various activities. SENASA issues import permits for plant, animal, processed, and consumer ready food products and inputs used in food processing that enter Honduras.

The MOH agency responsible for the sanitary registration of foods approved to be sold in Honduras was previously known as Sanitary Regulation Directorate (SRD). The GOH changed the name of the SRD to "General Directorate of Surveillance of the Health Normative Framework" (Direccion General de Vigilancia del Marco Normativo en Salud) (DGVMN) through Executive Decree PCM-2013. The objective of the DGVMN is to secure the safety of processed food products that are sold to the consumers, through sanitary registration, surveillance, and inspection of such products.

Demonstrating Eligibility for Preferential Tariff Treatment

In relation to CAFTA-DR, Honduras requires a special Certificate of Origin for U.S. imports to be submitted in writing or electronic form. The purpose of the document is to certify that the product originated in the United States, which in turn allows it to receive the preferential tariff treatment agreed upon in CAFTA-DR. The producer, exporter, or importer is to provide the requested information. The CAFTA-DR certificate is required by the Customs Tax Division (DEI). A suggested sample of this certificate can be found at: http://www.prohonduras.hn/dgiepc/formulario-de-origen.html

In situations where multiple shipments of identical goods are being sent to the same CAFTA-DR importer, it is not necessary to create a new written or electronic certification for each individual shipment. The importer may maintain one "blanket" certificate to be presented to the customs authority. The "blanket period" may not exceed one year from the date signed in the Certificate of Origin.

Sanitary Registration for Products

The Sanitary Registration Number is the established procedure through which processed foods are approved to be sold, i.e., is the processed product registration. Procedures to obtain the Sanitary Registration Number (SRN), as well as sanitary inscription or renewal, can be carried out by any person or company. The following information must be submitted to the DGVMN to obtain a SRN:

- **Applicant's information**: Name, Honduran ID or passport number (in the case of Honduras); name of legal representative, Honduran ID or passport number, address, phone, fax, e-mail, and address; phone, fax, and e-mail of the warehouse or distributor.

- **Sanitary License:** The Sanitary License applies only to Honduran establishments. Through the license, the DGVMN authorizes the establishments to manufacture or import and store processed food products, based on their compliance with food safety and hygiene requirements.

- **Manufacturer's information**: Name of factory or warehouse in the United States, address, phone, fax, and e-mail.

- **Product Information**: Name of product to be registered, product trademark, type of product, net content**,** sanitary registration number for renewals, and country of origin.

- **Free Sale Certificate for processed food products**. The certificate indicates that the exporter has permit to produce, manufacture, distribute, and pack food products for human consumption. It states that the plant where the product was produced or processed is regularly inspected for compliance with all health and sanitation requirements. It also certifies that the products are freely sold and consumed in the United States, as well as exported. The certificate is issued by the appropriate state-level health authorities or the U.S. Chamber of Commerce.

The certificate is requested to register the processed food product with the DGVMN. For registration purposes, the Free Sale Certificate (FSC) should be accompanied by a document that provides an endorsement of the signatures that appear on the FSC. This document can be any of the following: An apostille certifies that the FSC has been signed by a notary public of the state of origin of the FSC. The importer should bring the translation of the FSC and the apostille for review and certification of the Translation Office of the Ministry of Foreign Affairs. If an exporter cannot obtain an apostille, he could request an *autentica* from the FSC at the nearest Honduras Consulate in the United States. The importer must bring the document to the Autentica Section at the Ministry of Foreign Affairs in Honduras.

- **Original label of the imported product**. If the label is not in Spanish, a complementary label with the translation must accompany.

- **Proof of payment of the laboratory analysis.**
- **Sample of the product when analysis is done prior to registration.** Products are divided in three risk areas:

Category “A” for products is the highest risk. These products are the easiest to contaminate and are consumed by a majority of the population. The category includes the following products: raw and processed meats of all kinds, eggs (powder and liquid), milk (powder and liquid), cheese, cream, butter, yogurt, bottled water, ice, and raw and processed seafood of all kinds.

ry “B” is medium risk, such as flour, sugar, and salt.

ry "C" has the least risk, such as candy and cookies.

Sample analysis is conducted only on Category A products. The registration of products under the B and C categories does not need a sample of the product. Samples are required only in cases when there is an alert or outbreak of a B or C category product.

All processed food products imported into Honduras must be registered with the DGVMN. The exporter should confirm that the importer complies with two DGVMN requirements: 1) the importer must have a valid Sanitary License, and 2) the importer must register the product and obtain a SRN or Sanitary Inscription.

Processed products must have a SRN issued by the DGVMN prior to entering the country. Only food samples to be used for the registration process will be allowed to enter the country without such a number. DGVMN regulations allow up to 30 working days to provide a SRN. The importer’s representative should regularly check with the DGVMN to verify the status of the process—regular checking will insure that importers know if a document is missing or if the DGVMN requires further information.

Central American Customs Union (CACU) members agreed that for products produced or processed in their countries, when a product obtains a 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.

Unlabeled containers of food inputs waiting to be processed, labeled, or repacked, do not need SRNs. However, the packer or processor has to have a Sanitary License issued by the DGVMN. When the processed or packed food product is to be sold to the consumer, it needs a SRN. It should also have the expiration date, lot number, production date, the name of the manufacturer, and the name of the processor or packer. Meat products (processed or raw) are sold at the retail level in packages or bags must have a SRN.

The Sanitary Inscription is the authorization granted to an importer or distributor of a previously registered product.

Food Product Import Permits

Import permits of raw meat, seafood, dairy, processed food animal products, and inputs used in food processing are controlled and must comply with SENASA's provisions. SENASA requires that previous to issuing an import permit, the importer that handles and stores food products of animal origin should first be registered with SENASA's Food Safety Division (known as DIA). DIA has a registry of Honduran import establishments which they have inspected and have made eligible for the importation of these products. The Honduran import establishments must comply with all the requirements to keep the product under food safety conditions.

In order to obtain an import permit, the importers of raw and processed animal food products and inputs used in food processing should submit the import request with a copy of the following documents to SENASA:

a. Zoosanitary Certificate
b. Certificate of Origin
c. Pro-Form Commercial Invoice

Importers of plant products do not need to register their facilities with SENASA's DIA. The import permit request should be submitted only with the Pro-form Commercial Invoice. However, when the product arrives to the port of entry in Honduras the original of the Phytosanitary Certificate and Certificate of Origin documents are required for the inspection.

The import permit application forms can be accessed at: http://www.senasa-sag.gob.hn under "Permisos, and then Formularios de Importacion y Solicitud de Permisos" (Permits, and then Import Forms and Import Requests). If there are problems in downloading the form, the importer could obtain it at the SENASA's Office. The import permit process of SENASA takes from 24 to 72 hours if all documents are in order. The permit is applied to one shipment and is valid for 30 days. In case the permit is not used within 30 days of issuance, the importer should request a renewal five days before or five days after the expiration day of the import permit. SENASA will renew the import permit for an additional 30 days. However, after five days of the expiration date the importer has to submit a new import permit application.

The above mentioned documents and the import request should be clear and show the same amounts, description, country of origin and point of shipping of the products to be brought. A description of these documents is the following:

a. Phytosanitary or Zoosanitary Certificate

SENASA requests that the Phytosanitary or Zoosanitary Certificate be issued by the U.S. federal government authority that inspects the conditions of the plant where the product has been produced or processed such as: the United States Department of Agriculture's (USDA) Food Safety Inspection Service (FSIS) and the Animal and Plant Health Inspection Service (APHIS), the U.S. Food and Drug Administration (FDA) as well as the U.S. Department of Commerce's, National Oceanic and Atmospheric Administration (NOAA).

The Phytosanitary or Zoosanitary Certificates officially state that the inspections were done by federal or state authorities. Under CAFTA-DR, Honduras recognized the U.S. inspection services as equivalent to the ones in Honduras. This equivalence eliminates the requirement of a certification by Honduras of the U.S. plant to export to the Honduran market.

Imports of U.S. fresh/frozen poultry products must come with an USDA's FSIS Certificate (Form 9060-5). SENASA has requested that USDA add an Additional Declaration (AD) to the Phyto-Zoosanitary Certificates. The AD should indicate that "All fresh/frozen poultry meat, including mechanically deboned meat (MDM), comes from an area free of high or low pathogenic Avian Influenza." The World Organization for Animal Health (OIE) and APHIS provides updates to SENASA concerning outbreaks by state as well as their current status. However, SENASA has emphasized that it is the importers' as well as the exporters' responsibility to stay abreast of outbreaks so they can assure SENASA of the health status of the area of origination.

Imports of cooked poultry products must come with an USDA's FSIS Certificate (Form 9060-5) which should include also the AD indicating that "All fresh/frozen poultry meat, including mechanically deboned meat (MDM), comes from an area free of high or low pathogenic Avian Influenza".

b. Certificate of Origin

The certificate is from the place where the product was produced or manufactured. Products made in the United States, and shipped from any port must have a certificate indicating the United States as the country of origin. The producer, manufacturer or exporter could issue the Certificate of Origin and should have the seal of the area's U.S. Chamber of Commerce.

In the case of products not made in the United States, but distributed by U.S. companies, the United States Chambers of Commerce can issue a Certificate of Origin which indicates the country of origin of the product.

When similar products come from different countries, three options could be used. The first one will be to submit separate Certificates of Origin for each country. The second one will be to submit the information in the same Certificate of Origin, indicating the quantity of the product that is brought from each country. The third one will be that the Certificate of Origin be issued by competent authority that the product originated. SENASA reports that often importers are confused about "country of origin" and "point of shipping", this might cause errors in the documents presented for the import permit.

The main purpose of the document is to certify that the product imported originated in the United States, which in turn allows it to receive the preferential tariff treatment agreed upon in CAFTA-DR. Further information about the preferential treatment is found in section C above "Demonstrating Eligibility for Preferential Tariff Treatment".

c. Photocopy of Pro-Form Commercial Invoice

SENASA requires that this document shows the same amounts, description, country of origin and point of shipping.

Other Documents Required:

Photocopy of Sanitary Registration

The Customs and Tax Directorate (known as DEI in Spanish) requires by Law that all local, importing and food distributors have a Sanitary Registration Number with the Secretariat of Health.

Photocopy of Import License

Importers of dairy products with the Harmonized Code (HC) from 04.01 to 04.06 and 1901.10.1 and 1901.90.20 should have an import license issued by the Economic Development Secretariat previously known as Secretariat of Industry and Trade **(**SIC**).** The HCs are for milk, cream, butter, yogurt, cheeses, baby formula and powdered milk. Importers will need to register only once. The license will have 60-days validity and can be extended at the request of the importer.

For further information, please see the Honduras GAIN Report on Food and Agricultural Import Regulations and Standards (FAIRS) Country Report at www.fas.usda.gov or contact FAS Tegucigalpa at agtegucigalpa@fas.usda.gov. Alternatively, U.S. exporters may contact SENASA and the Secretariat of Health offices by visiting the following websites: http://www.senasa-sag.gob.hn and http://www.dgrs.gob.hn/.

d. General Import and Inspection Procedures

SAG has delegated the responsibility of all quarantine inspections and treatments of agricultural imports to the International Regional Organization for Plant and Animal Health (OIRSA). OIRSA's Plant and Animal Protection Service (SEPA) inspectors are located at the borders, ports, and airports. They follow SENASA's instructions to enforce the import requirements of raw animal and plant products, processed and consumer ready foods, as well as inputs used in food processing imports at the time of entry.

SEPA inspects that the expiration date, lot number and production date appear in Spanish on the shipping carton(s). The requested dates must be provided in the Day/Month/Year format (DD/MM/YYYY). If the products do not comply with this requirement, they are not allowed entry and must be returned.

Suppliers or Manufacturers Export Declaration as proof of compliance is not accepted.

Operators of Container and Bulk Cargo Terminal

On February 1st, 2013, the International Container Terminal Services, Inc. (ICTSI) a multinational company won the international bid for the design, financing, construction, maintenance, managing and operating the Specialized Container and Cargo Terminal in Puerto Cortes, Honduras.

The “Operadora Portuaria Centroamérica” (OPC) took over the terminal’s operations, specifically loading and unloading containers in dock No.4; and “Terminal Especializada de Honduras” (T.E.H) manages the bulk cargo in dock No.3.

Labeling Requirements

Labeling requirements are also given by the Secretariat of Health through the General Directorate of Surveillance of the Health Normative Framework (DGVMN). In general, labels of all consumer-oriented products are required to include the following basic information:

1. Name of the product
2. Name of the manufacturer or distributor
3. Country of origin
4. List of ingredients
5. Net content
6. Lot number
7. Manufacturing and expiration dates
8. Complementary labeling
9. Sanitary registration number
10. Any applicable health warnings

Food products must also adhere to the following labeling requirements:

1. Labels may be made of paper or any other material that can be attached or permanently printed on the package or container.
2. All writing on labels shall be made in a clear and legible manner and shall not fade under normal use.
3. The label must be translated into Spanish with the same information that is given in the foreign language label.

4. When applicable, the label must state: “refrigerate after opening”, "for immediate consumption after opening”, "keep frozen", "artificial", and "treated with radiation".
5. The “Recommended Daily Allowance” (RDA) of certain additives may be included on the label. RDA standards may vary from those in the United States since Honduras follows those of Codex.
6. Labels must be affixed prior to customs clearance and at the time of product registration in the way the product will be sold.

Legally, products cannot be imported into Honduras with just the standard U.S. label. Stick-on labels are allowed to fully comply with Honduran labeling requirements on product information, but not to indicate the manufacturing or expiration date. Stick-on labels for the manufacturing or expiration date are not accepted because they can easily be altered. These dates should be printed with indelible ink. In some cases, the manufacturing and/or expiration date can only be displayed with stick-on labels authorized by the DGVMN.

Labels should not indicate the product has therapeutic, healing, or any other attributes not normally associated with the product. While enforcement of such health claims is often difficult, the DGVMN takes special care in ensuring this is the case with products that are widely used by the population and require added ingredients to increase their nutritional value such as the case of flour, salt, and sugar. By law, sugar for human consumption must be fortified with vitamin A. Salt must be fortified with iodine, and wheat flour with iron, folic acid, vitamins B1 and B2, and niacin. The DGVMN oversees that these products are properly labeled as fortified.

Inspection Procedures

SEPA and inspectors from the Customs and Tax Directorate (DEI) are involved in customs clearance of the products. The SEPA inspectors review all the documents and conduct an inspection at the port-of-entry of the following: the original import permit approved by SENASA, the original Phytosanitary or Zoosanitary Certificate and a copy of the Pro-Form Commercial Invoice. SEPA evaluates the compliance of requirements indicated on the import permit such as: if the Additional Declarations requested is included in the Phyto or Zoosanitary Certificates, if the country of origin of the product is the one authorized on the import permit; and if it is the same origin in the label of the product entering the country.

SEPA consults additional supporting papers during the inspection to collate data of the shipment’s content, verifies amounts and the documents submitted. The documents are the Bill of Lading, Commercial invoice and the Packing list. This help to streamline the entry process.

The entry of animal products and by-products depends on the food safety conditions of the product itself. It also depends on the exporting country’s current animal health status. The customs clearance is usually granted within a short period of time; however, depending on the work load at the port and whether or not all of SENASA's requirements are complete, the time period can range from a few hours to five days.

SENASA modified its Quarantine Procedures Manual in March 2014. The new Manual indicates that when a non-quarantine pest is found live or death, the quarantine treatment will not be applied. The modification saves importers time and money that would have been used on the treatment.

In cases that a quarantine pest is found, a treatment will be applied prior allowing the product to enter the country. SENASA indicates that the exception is with pests that due to their biology they could enter in a diapause stage such as the Trogoderma Granadium and Trogoderma Glabrun. In this situation, the treatment is not applied and the product is returned to the country of origin.

In the case of the arrival of shipments that did not go through SENASA's import permit process, they are detained at the port of entry. The entrance is authorized until all the requirements of the import permit are completed and complied with.

Product's sampling is done randomly. It is mainly taken from animal products origin, seeds that the import permit requires it, and when bacteria or fungi are found. Samples are then submitted to laboratory analysis to check the physical, chemical and biological characteristics of the product. If the laboratory analysis indicates that the product does not meet acceptable standards, the product may be confiscated and later destroyed or re-exported depending on its condition and characteristics as determined by the authorities.

III. MARKET SECTOR – STRUCTURE AND TRENDS

A. 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 that influence the receptivity score of most Honduran imports. 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.

B. 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, is also “vacation" time for the vast majority of Hondurans. This vacation period begins well before and extends beyond the two-day holiday. Christmas gifts 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, 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 also be willing to consider sharing advertising costs for launching new brands. Moreover, they should also 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 make it easier to approach a wide market.

C. 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 of 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 200 establishments in two mayor 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. The following U.S. franchises and casual dining establishment operate in Honduras:

Antonino's Pizza	Denny's	PriceSmart
America's Favorite Chicken	Domino's Pizza	Quiznos
Applebee's	Dunkin' Donuts	Ruby Tuesday
Auntie Anne's	Hilton Princess Hotels	Subway
Burger King	Holiday Inn	Tony Roma's
Baskin-Robbins	Johnny Rockets	T.G.I. Friday's
Bojangles	KFC	Wendy's
Cinnabon	Little Caesar's Pizza	Marriott Hotel
Circle K	McDonald's	Crown Plaza
Chester's	Pizza Hut	Start Mart
Chili's	Popeye's	
Church's Chicken	Pretzels	

Honduras is also carrying out projects to enhance tourism which will provide opportunities for U.S. food products in a high quality resort sector. The Tela Bay project is a major priority in the country's tourism development strategy. Tela is within driving distance from San Pedro Sula and La Ceiba, two of three largest cities. The property covers 312 hectares of land with beach, forest, and lagoon access. It is majority owned by the Honduran Institute of Tourism, but the Honduran private sector has also made large investments in the project. The physical, social, and cultural characteristics of the zone, give the Tela Bay project everything it needs to become a sustainable tourism destination where profitability and nature are well balanced. The project already has an international hotel with an eighteen-hole signature championship golf course (PGA grade). The total area of the Tela Bay project is: 250 rooms four-star hotel, 150 rooms international five-star hotel, and real estate offerings consisting of 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.

D. Food Processing Sector

The total market for food processing in Honduras has increased steadily over the past few years and further increases are expected in the years to come. 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 forward for opportunities to export new products to the U.S. market. Every day, more and more companies are offering processed products such as tortillas, processed wheat, soy or oats, and dehydrated fruits and vegetables.

IV. BEST CONSUMER ORIENTED PRODUCTS PROSPECTS

The following is a list of product categories with the best export potential for U.S. suppliers based on recent export performance, relative ease of entry, and developing trends.

Product Category	2014 Exports (US$ in millions)	Import Tariff Rate	Key Constraints Over Market Development	Market Attractiveness from USA
Pork and Pork Products	45.5	Pork Carcass, jam, bacon and pork offal pay 10.2% tariff under CAFTA-DR and 0% Value added tax. Specialized cuts for pork products pay 10.2% tariff under CAFTA-DR and 15% Value added tax.	Competition from Nicaragua and local production in a lesser scale.	• Consumers have strong preferences for U.S. products. • Rapidly developing retail & HRI sector.
Prepared Food	37.5	Prepared foods pay 0% tariff under CAFTA-DR and 15% Value added tax.	Competition from Guatemala, El Salvador and Costa Rica	• Consumers have strong preferences for U.S. products.

				• Rapidly developing retail & HRI sector.
Dairy Products	25	Under CAFTA-DR Tariff Rate Quotas have zero in-quota percent tariff for Milk Powder, Butter, Cheese, Ice Cream, Butter and Other Dairy Products. Outside the Quotas all dairy products pay15% tariff Under CAFTA-DR and 0% to 15% depending on the product type for Value added tax.	Competition from New Zealand, Costa Rica, Australia, Guatemala, El Salvador and Nicaragua.	• Consumers have strong preferences for U.S. products. • Rapidly developing retail & HRI sector.
Fresh Fruits	15.6	Almost all U.S. fresh fruit products pay 0% tariff under CAFTA-DR and 15% Value added tax.	Competition from Chile, Mexico, Guatemala, Costa Rica, Nicaragua, Spain and Peru.	• Consumers have strong preferences for U.S. products. • Rapidly developing retail & HRI sector.
Poultry Meat and Products	15.2	Under Quota imports, whole chickens, chicken breasts and wings pay 0% tariff under CAFTA-DR and 0% Value added tax; MDM pay 0% tariff under CAFTA-DR and 15% value added tax.	Competition from local production and Costa Rica.	• Consumers have strong preferences for U.S. products. • Rapidly

				developing retail & HRI sector.
Condiments and Sauces	11.5	Condiments and spices pay 0% tariff under CAFTA-DR and 15% Value added tax; Sauces pay 0% tariff under CAFTA-DR and 15% Value added tax.	Competition from local production, Guatemala, El Salvador and Costa Rica	• Consumers have strong preferences for U.S. products.
Snack Foods NESOI	10.2	Snack foods pay 0% tariff under CAFTA-DR and 15% Value added tax.	Competition from Guatemala, El Salvador and Mexico	• Consumers have strong preferences for U.S. products.
Processed Vegetables	9.6	Process vegetables pay 0% tariff under CAFTA-DR and 15% Value added tax.	Competition from Costa Rica, Guatemala, Chile, El Salvador and México	• Consumers have strong preferences for U.S. products. • Rapidly developing retail & HRI sector.
Chocolate & Cocoa Products	8	Chocolate & Cocoa Products pay between 2.5% and 5% tariff under CAFTA-DR and 15% Value added tax.	Competition from Switzerland and Guatemala	• Consumers have strong preferences for U.S. products.
Wine and Beer	5.3	Wines pay 0% under CAFTA-DR plus 18% Value added tax; Beer pay 5% tariff under CAFTA-DR and 18% Value added tax.	Competition from Chile, Argentina, Spain, France and Italy**.**	• Consumers have strong preferences for U.S. products.

				• Rapidly developing retail & HRI sector.

Sources: BICO, U.S. Census Bureau Trade Data, United Nations Commodity Trade Statistics
Import Tariff Rate: Customs and Tax Directorate (DEI) website:
http://sarahweb.dei.gob.hn/SarahWeb/default.aspx

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