

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Honduras

Retail Foods

2017

Approved By:

Sean Cox, Regional
Agricultural Attaché

Prepared By:

Otho Pavon, Agricultural
Marketing Assistant

Report Highlights:

U.S. consumer-oriented agricultural products exports to Honduras in 2016 were \$234 million, a five percent increase from 2015. The main competitors in the market for consumer-oriented products are Guatemala, Mexico and Costa Rica.

Post:

Tegucigalpa

SECTION I. MARKET SUMMARY

Supermarkets

The retail sector in Honduras is dominated by three supermarket chains: La Colonia, PriceSmart, and Walmart (Paiz/Maxi Despensa). The supermarket retail industry is rapidly expanding with new stores throughout the country. The entry of wholesale clubs has pushed supermarkets to conduct more aggressive advertising and discount promotions of U.S. products. Weekly ads in national newspapers always include U.S. products.

Supermarkets and wholesale clubs account for the largest sales volume of consumer-ready (canned, preserved, processed, frozen, and chilled) food products. Sales of fresh fruits and vegetables continue to increase, as improvements in cold chain technology allow for longer shelf life of perishable items, including sausages, hams, pork cuts, and other deli meat products.

Convenience stores

Honduran convenience stores are the only businesses that offer late night services. Most of these stores are located on high-traffic areas in major cities. Convenience stores specialize in fast foods like hotdogs, sandwiches, chicken, and pizza, but also carry high-quality imported snacks, candy, ice cream, soda, beer, deli meats, and fruits. Pricing strategies vary among convenience store chains and location, with prices typically ranging from the same as supermarkets to 10 percent higher.

Traditional markets

There are two types of traditional markets in Honduras: the open air markets and the small convenience stores. The open air markets are where growers and intermediaries sell their products directly to consumers. These markets primarily sell local produce, farm fresh goods and processed food products and prices are lower than in the supermarkets. The small convenience stores known as pulperias mostly sell snack and prepared foods at a much higher prices than supermarkets and the open air market.

RETAIL SECTOR ADVANTAGES AND CHALLENGES

ADVANTAGES	CHALLENGES
Close proximity to the United States. Containerized cargo from U.S. ports arrives in Honduras in two to three days. With the lowest logistical costs in the region, Honduras also serves as a distribution platform for the rest of Central America.	Direct competition from other Central American countries, as well as Mexico and Chile.
CAFTA-DR eliminates most tariffs. It provides protection for investments and intellectual property, and creates more	Macroeconomic stability and increasing local private sector

transparent rules and procedures for doing business.	competitiveness.
Consumers strongly prefer U.S. products because of their high-quality. 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, U.S. hotel chains, tourism (to include investment in the prime tourist areas of the Bay Islands and the northern coast of Honduras), food processing and packaging equipment, processed foods, and general consumer goods.	Relative high duties on some products, inconsistent customs valuation practices, and import procedures make it more difficult to enter the market.
Increases in infrastructure and facilities have permitted extended availability of U.S. fruits such as apples, pears, and grapes. Direct imports by warehouse outlets have diversified foods imports.	Unclear and occasionally restrictive sanitary and phytosanitary import requirements.

SECTION II. ROAD MAP FOR MARKET ENTRY

Distribution channels in Honduras are similar to those in the United States. Honduras has fewer levels of distribution and a more limited number of specialty, chain, and department stores. New construction of large shopping malls and other smaller mixed-use commercial centers in strategic urban areas, as well as big retail stores such as PriceSmart and HyperPaiz (Walmart), are good indicators of increasing opportunities in the retail distribution sector.

The market for food processing and packaging equipment 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 Honduras's largest supplier of food processing materials, enjoying a high level of acceptance and reputation for high quality.

Entry Strategy

For marketing purposes, Honduras can be divided into two regions: the northern coast, including San Pedro Sula, the country's commercial and industrial capital; and the Central region, where Tegucigalpa, the political capital and largest city, is located. Tegucigalpa and San Pedro Sula are the major distribution centers for imported goods. A single distributor or representative is sufficient to cover all of Honduras, and they tend to carry broad lines of products on a non-exclusive basis.

Honduras is only a two to three hour flight from several U.S. cities and around 72 hours navigation time from ports in the southeastern United States. With some of the lowest logistical costs in the region, Honduras is also a distribution platform for the rest of Central America. Honduras has ports on both the Atlantic and Pacific Oceans that are served by a number of shipping companies linking the country with the United States, Europe, Asia, and the rest of the Western Hemisphere. The northern port of Puerto

Cortés, located 34 miles from the industrial city of San Pedro Sula on the Caribbean coast, is Honduras' principal seaport and the largest deep-water port in the region. It manages over 80 percent of the maritime traffic handled by Honduras.

Price is among the most important selling factors in Honduras. In many cases, Honduran business people buy directly from the source if they feel that the cost-savings is sufficiently advantageous. The local banking system is traditionally conservative and generally extends only limited amounts of credit, though recently there is increased competition from regional and international banks. Most duties were eliminated with the implementation of CAFTA-DR. The duty assessed by the Honduran government at the time of customs clearance ranges from 0 to 15 percent for select items.

Distribution Channels

- There are five main food distributors: DIAPA, BOGA, SOLIS, FARINTER and DIMERC.
- The target population is concentrated in Tegucigalpa and San Pedro Sula. Together, the population of these cities consumes roughly 80 percent of food imports. There is a growing demand for U.S. products in smaller cities such as El Progreso, La Ceiba, Choluteca, Comayagua, Danli, and in the tourist resort areas of the Bay Islands.
- Honduras' retail food sector is the largest market for imported food. Retail sales of imported consumer-oriented products are conducted mostly by supermarkets, mini-markets, and convenience stores. However, small shops in Tegucigalpa and San Pedro Sula also sell imported products, mostly snacks.

A. SUPERMARKET PROFILE

Supermarkets in Honduras are reticent to release exact sales information, but sale are estimated.

Name of Retailer	Ownership	Current Stores	Estimated annual sales	Locations	Purchasing Agent Type
La Colonia Supermarket	Local	38	More than \$150 million	Tegucigalpa, San Pedro Sula and other cities	U.S. Broker/Importers/Direct
Junior Supermarket	Local	2	Less than \$10 million	San Pedro Sula	U.S. Broker/Importers/Direct
PriceSmart Wholesale Club	U.S.	3	More than \$150 million	Tegucigalpa, San Pedro Sula	U.S. Broker/Importers/Direct
Hiperpaiz/Hypermart / Despensas	Local/Wal-Mart Central	110	More than \$150 million	Tegucigalpa, San Pedro Sula and	U.S. Broker/Importers/Direct

	America Group			other cities	
Comisariato Los Andes, Supermarket	Local	1	\$11 - \$25 million	San Pedro Sula	U.S. Broker/Importers/Direct
Mas x Menos Supermarket	Local	1	Less than \$10 million	Tegucigalpa	U.S. Broker/Importers/Direct
YIP Supermarket	Local	1	Less than \$10 million	Tegucigalpa	U.S. Broker/Importers/Direct
Stock Wholesale Store	Local	1	\$11 - \$25 million	Tegucigalpa	U.S. Broker/Importers/Direct
Colonial Supermarket	Local	4	Less than \$10 million	San Pedro Sula	U.S. Broker/Importers/Direct
La Economica Supermarket	Local	1	Less than \$10 million	San Pedro Sula	U.S. Broker/Importers/Direct
ELDON's Supermarket	Local	3	Less than \$10 million	Roatan, Bay Island	U.S. Broker/Importers/Direct
Supermercados La Antorcha	Local	10	\$26-\$75 million	San Pedro Sula, Tegucigalpa and other cities	U.S. Broker/Importers/Direct
Supermercado Selecto	Local	1	Less than \$10 million	San Pedro Sula	U.S. Broker/Importers/Direct

Trends and Highlights

- Supermarkets offer a variety of services, from banking and pharmacies to food courts and dry cleaning. La Colonia Supermarket is the only supermarket in Honduras that offers credit card services to their customers. When using the store-issued card, the customer receives a 10-percent discount on all store-related purchases.

B. CONVENIENCE STORES/ GAS STATIONS

Gas station chains in Honduras are reticent to release exact sales information, but these are estimates.

Name of Retailer	Ownership (Local/Foreign)	Number of Gas	Estimated annual sales	Location	Purchasing Agent
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		stations			
TEXACO	Local & US	93	\$26-\$75 million	Tegucigalpa, San Pedro Sula and other cities	Direct Distributor
PUMA	Local	202	\$76 - \$100 million	Tegucigalpa, San Pedro Sula and other cities	Direct Distributor
UNO	Local	133	\$76 - \$100 million	Tegucigalpa, San Pedro Sula and other cities	Direct Distributor

Trends and Highlights

- Larger convenience store chains now lease space to fast-food restaurants, such as Wendy's and Express Americano coffee shops for drive-thru and carry-out services.
- Stores carry a greater variety of basic groceries, such as milk, cheese, eggs and bread, and ready-made dinner items, in an effort to appeal to working parents with limited time to cook meals at night.
- Wines and spirits are being promoted at individual stands and kiosks throughout the stores.

C. TRADITIONAL MARKETS

There are two types of traditional markets in Honduras; the open air markets and the small shops also known as pulperias. Both traditional markets have played an important role in Honduras because they are the preferred place to buy goods for middle and lower-income consumers.

Each town has at least one open air market; Tegucigalpa has sixteen and San Pedro Sula has seventeen. These markets are primarily focused on the distribution of local products, such as farm fresh fruits, vegetables, staple grains, red meats, pork, poultry, eggs, and fish products. Major distributors also offer t processed products, such as breakfast cereals, canned tuna, ketchup, mayonnaise, cookies, and milk at prices much lower than the supermarkets. Most open air market stands are only a few square meters in size and operate daily, while some are only open on Fridays and Saturdays.

The second store type is the small convenience stores (pulperias). There are more than two thousand pulperias in the capital city and wholesalers distribute products to these stores at least twice a week. Most products found at these stores are non-perishable and low cost items, such as snack foods and processed products like milk, canned tuna, and cookies. The prices at pulperias are usually higher than supermarket prices, but most customers are low income consumers who can only afford to buy small individually packaged quantities. Most pulperias are open every day, and carry an average inventory of \$500 to \$1,000 USD.

Trends and Highlights

- Products entering the open-air markets should be low cost and handled through a wholesaler.
- Products entering the small shops must be relatively non-perishable and low-cost.
- Traditional markets pull much of their product from farmers and small wholesalers.
- Small shops have a higher price per unit than supermarkets.

SECTION III. COMPETITION

U.S. total agricultural exports to Honduras were valued at \$649 million in 2016.

Product Category	Major Supply Sources	Strengths of Key Supplying Countries	Advantages and Disadvantages of Local Suppliers
<p>Prepared Food</p> <p>Net imports: 130,135 MT</p> <p>World imports: US\$ 363 million</p> <p>Imports from the United States US\$ 56 million</p>	<p>1. Guatemala: 23%</p> <p>2. Costa Rica: 21%</p> <p>3. United States: 15%</p>	<p>A. The Central American Common Market has allowed Guatemala to increase exports with competitive prices.</p> <p>B. Close proximity to producers and exporters.</p>	<p>Consumers are price sensitive.</p> <p>There is a decrease in local investment for prepared foods due to high labor costs.</p>
<p>Snack Foods</p> <p>Net imports: 67,773 MT</p> <p>World imports: US\$135 million</p> <p>Imports from the United States US\$12 million</p>	<p>1. Guatemala: 39%</p> <p>2. El Salvador: 29%</p> <p>3. México: 11%</p> <p>United States: 9 % market share on imports</p>	<p>A. FTAs have allowed El Salvador, Guatemala and Mexico to increase their presence in the market.</p> <p>B. Competitive pricing.</p> <p>C. Strong product recognition and presentation.</p>	<p>Local production is mainly to satisfy the demand of plantain chips and some potato-based snacks</p>

<p>Dairy Products</p> <p>Net imports: 31,359 MT</p> <p>World imports: US\$91 million</p> <p>Imports from the United States US\$27 million</p>	<ol style="list-style-type: none"> 1. United States: 30% 2. Mexico: 18% 3. Costa Rica: 16% 	<p>A. High-quality products are preferred by the consumers. High brand recognition.</p> <p>B. Close proximity to producers and exporters.</p> <p>C. Strong in ice cream, sweet condensed milk and canned milk powder.</p>	<p>Local suppliers are trying to increase domestic production, but prices remain high compared to neighboring countries.</p>
<p>Condiments and Sauces</p> <p>Net imports: 27,934 MT</p> <p>World imports: US\$52 million</p> <p>Imports from the United States US\$13 million</p>	<ol style="list-style-type: none"> 1. Costa Rica: 35% 2. United States: 25% 3. Guatemala: 23% 	<p>A. Sauces like ketchup have increased due to the growth in the fast food industry.</p> <p>B. Strong product recognition and presentation.</p>	<p>Local Production insufficient to meet demand.</p>
<p>Fresh Fruits</p> <p>Net imports: 122,986 MT</p> <p>World imports: US\$47 million</p> <p>Imports from the United States US\$14 million</p>	<ol style="list-style-type: none"> 1. United States: 30% 2. Mexico: 23% 3. Chile: 11% 	<p>A. FTAs benefit imports from the United States and Mexico.</p> <p>B. Apples, grapes and pears have a strong position in the Honduran market.</p>	<p>Most imported fruits are not produced locally (i.e. apples and grapes).</p>
<p>Processed Vegetables</p> <p>Net imports: 33,817 MT</p> <p>World imports: US\$ 41 million</p>	<ol style="list-style-type: none"> 1. United States: 39% 2. Costa Rica: 20% 3. 	<p>A. Proximity and quality is key for top imported processed vegetables (potatoes, tomatoes and beans).</p> <p>B. Competitive Pricing.</p>	<p>Honduras does not process these types of vegetables.</p>

Imports from the United States US\$ 16 million	Guatemala: 2%	C. Guatemala is now providing fresh vegetables such as carrots, broccoli, lettuce, tomatoes, cauliflower and cucumbers.	
Wine and Beer Net imports: 35,154 MT World imports: US\$29 million Imports from the United States US\$ 15 million	1. United States: 52% 2. Mexico: 21% 3. Chile: 3%	A. Imported beer is a growing trend in the local market. B. Chilean wines have a strong reputation. C. High quality of imported product preferred by the consumers	Local beer production has not produced any new varieties and has maintained the same four beer brands for many years. Honduras does not produce wine in commercial amounts.
Chocolate & Cocoa Products Net imports: 5,248 MT World imports: US\$ 18 million Imports from the United States US\$ 8 million US\$7.3 million	1. United States: 44% 2. Mexico: 17% 3. Guatemala: 17%	A. FTAs benefit the U.S., Mexico, and Central America. B. High quality of product preferred by the consumers C. Strong product recognition and presentation.	Local production not enough to satisfy local demand. New incentives are being proposed by the local government to produce high quality cacao for export.

Source: SIECA, Sistema de Estadística de Comercio de Centroamérica, SECRETARIA DE INTEGRACION ECONOMICA CENTROAMERICANA.

<http://www.sieca.int/General/Default.aspx>

SECTION IV. BEST PRODUCT PROSPECTS

Product Category	2016 Imports Market Size (Volume)	2016 Total Imports US\$ (Millions)	5-Yr. Avg. Annual Import Growth	Import Tariff Rate per CAFTA-DR	Key Constraints Over Market Development	Market Attractiveness for USA

Prepared Food	130,135 MT	363	1%	Prepared foods pay 0% tariff under CAFTA-DR and 15% Value added tax.	Competition from Guatemala, Costa Rica, México, El Salvador, Uruguay, Chile and Denmark.	<ul style="list-style-type: none"> • Consumers have strong preferences for U.S. products. • Rapidly developing retail & HRI sector.
Snack Foods	67,773 MT	135	3%	Snack foods pay 0% tariff under CAFTA-DR and 15% Value added tax.	Competition from, El Salvador, Guatemala, México, Costa Rica, Colombia, Nicaragua, Argentina and China.	<ul style="list-style-type: none"> • Consumers have strong preferences for U.S. products.
Condiments and Sauces	28,246 MT	52	2%	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, Costa Rica, Guatemala, Mexico, El Salvador, Spain, United Kingdom and Honk Kong.	<ul style="list-style-type: none"> • Consumers have strong preferences for U.S. products.
Pork and Pork Products	24,638 MT	49	15%	Pork carcass, jam, bacon and	Competition from Canada, Guatemala	<ul style="list-style-type: none"> • Consumers have strong preferences for U.S.

				pork offal pay 6.75% tariff under CAFTA-DR and 0% Value added tax. Specialized cuts for pork products pay 6.75% tariff under CAFTA-DR and 15% Value added tax.	and Costa Rica in a lesser scale.	<p>products.</p> <ul style="list-style-type: none"> • Rapidly developing retail & HRI sector.
Fresh Fruits	63,513 MT	46	0%	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.	<ul style="list-style-type: none"> • Consumers have strong preferences for U.S. products. • Rapidly developing retail & HRI sector.
Processed Vegetables	32,642 MT	38	1%	Process vegetables pay 0% tariff under CAFTA-DR and 15% Value added tax.	Competition from Costa Rica, Guatemala, Chile, México, China, Belgium, El Salvador, Canada, Netherlands and Spain.	<ul style="list-style-type: none"> • Consumers have strong preferences for U.S. products. • Rapidly developing retail & HRI

						sector.
Dairy Products	11,761M T	37	-3%	Under CAFTA-DR Tariff Rate Quotas have zero in-quota duty for Milk Powder, Butter, Cheese, Ice Cream, Butter and Other Dairy Products. All dairy products pay 12 % out-of-quota tariff under CAFTA-DR and 0% to 35% depending on the product type for Value added tax.	Competition from Costa Rica, Guatemala, Nicaragua, New Zealand, El Salvador and Germany.	<ul style="list-style-type: none"> • Consumers have strong preferences for U.S. products. • Rapidly developing retail & HRI sector.
Wine and Beer	35,117 MT	29	3%	Wines pay 0% under CAFTA-DR plus 15% value added tax; Beer pays 3% tariff under	Competition from Mexico, Netherlands and Chile.	<ul style="list-style-type: none"> • Consumers have strong preferences for U.S. products. • Rapidly

				CAFTA-DR and 15% Value added tax.		developing retail & HRI sector.
Poultry Meat and Products	17,294 MT	28	10%	Under Quota imports, whole chickens, chicken breasts and wings pay 0% tariff under CAFTA-DR and 0% to 35% Value added tax; MDM pay 0% tariff under CAFTA-DR and 5% value added tax.	Competition from local production, El Salvador and Guatemala.	<ul style="list-style-type: none"> • Consumers have strong preferences for U.S. products. • Rapidly developing retail & HRI sector.
Chocolate & Cocoa Products	5,396 MT	19	6%	Chocolate & Cocoa Products pay between 0% and 3% tariff under CAFTA-DR and between 0% to 15% Value added tax depending on the	Competition from México, Guatemala, El Salvador and Costa Rica.	<ul style="list-style-type: none"> • Consumers have strong preferences for U.S. products.

				product.		
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Source: SIECA, Sistema de Estadística de Comercio de Centroamérica, SECRETARIA DE INTEGRACION ECONOMICA CENTROAMERICANA.

<http://www.sieca.int/General/Default.aspxImport>

Tariff Rate: Customs and Tax Directorate (DARA)

web site <http://sarahweb.dei.gob.hn/SarahWeb/default.aspx>

Author Defined:

If you have any questions or comments regarding this report, or need assistance exporting to Honduras, please contact:

USDA Foreign Agricultural Service
Office of Agricultural Affairs
U.S. Embassy- Tegucigalpa
Avenida La Paz
Tegucigalpa M.D.C., Honduras
Tel: 011 (504) 236-9320
Fax: 011 (504) 236-8342
Email: agtegucigalpa@fas.usda.gov