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Prepared By: Francisco Bueso Ucles

Approved By: Andrew Hochhalter

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 2020, the COVID-19 pandemic did not reduce total U.S. agricultural and related exports to Honduras, which totaled \$774 million, a four percent increase from 2019. However, the pandemic did cause severe losses in the tourism and restaurant industry, and recovery has been slower than in neighboring countries. The top U.S. agricultural exports to Honduras are: corn, soybean meal, pork and pork products, wheat, and rice. Beer, pork meat, dairy, chocolate and cocoa and non-alcoholic beverages are the products with the highest export growth potential.

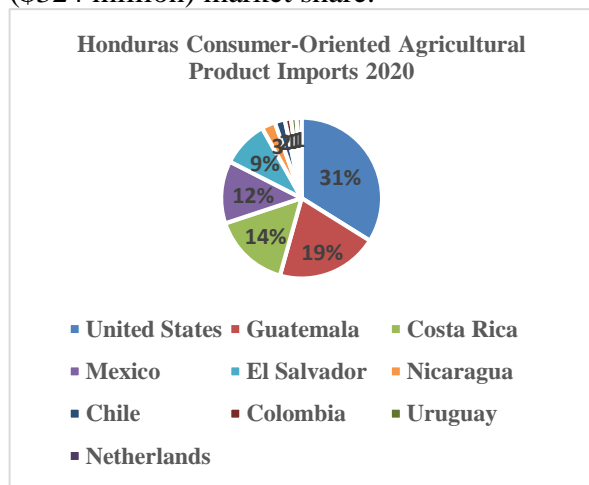
Market Fact Sheet: Honduras

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 2020, total U.S. agricultural, fish, and forestry exports to Honduras were \$774 million, a four percent increase from 2019 despite the COVID-19 pandemic.

Imports of Consumer-Oriented Products

In 2020, Honduras imported about \$1 billion of consumer-oriented products from the world. The United States had a leading 31 percent (\$324 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 2020

Imports of Consumer Oriented Products (US \$324 million)

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

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

Top 6 Honduras Retailers:

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

Honduras Agricultural Imports from the U.S.: \$752 million

Honduras Agricultural Imports from the World.: \$1.8 billion

Honduras Agricultural Exports to the World.: \$2.5 billion

GDP/Population

Population (millions): 9.3

GDP (billions USD): 24.1

GDP per capita (USD): 2,594

Sources: BICO, Trade Data Monitor and Honduras Central Bank

Strengths/Weaknesses/Opportunities/Challenges

Strengths	Weaknesses
<i>Expedited on-line import process</i>	<i>Socio-political instability, weak institutions and rule of law</i>
Opportunities	Challenges
<i>Growing demand for US pork, traditional and craft beer</i>	<i>Volatile market due to increased vulnerability to natural disasters</i>

Data and Information Sources: BICO, Trade Data Monitor and Honduras Central Bank

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 9.3 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 43 percent of total agricultural imports in 2020. Honduran agricultural exports to the United States were 39 percent of all Honduran exports in 2020. Imports from the United States were not significantly reduced by the COVID-19 pandemic restrictions.
- Per capita Gross Domestic Product (GDP) was \$2,594 in 2020, down 5.4 percent from 2019. Inflation was 4.08 percent in 2019, down 0.22 percent from 2018.
- The main economic sectors that contributed to GDP were manufacturing (16 percent), commerce (14 percent), agriculture (12 percent) and financial activities (6 percent).
- The agricultural sector was the largest employer of all sectors with 23 percent (0.9 million people) in 2020. Despite the recent economic diversification, there continues to be a large subsistence farmer population with few economic opportunities.
- The value of 2020 remittances were \$5.6 billion, up 3.4 percent from 2019, COVID-19 pandemic notwithstanding. Remittances contributed 23 percent of GDP, about 40% more than agriculture, mining and the hospitality industry combined.
- U.S. foreign direct investment (FDI) reached \$248 million in 2020, a decrease from \$42.5 million compared to 2019. The United States is the largest investor in Honduras, with 59% share of total FDI.
- 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 2020, U.S exports of agricultural and related products to Honduras had a 16 percent increase compared to December 2016, but a 6% decrease from 2018. The Honduran economy shrank 9% in 2020 as consequence of the COVID-19 pandemic and the impact of two hurricanes. However, it is expected to rebound by 2022, fueled by strong coffee exports and an estimated 30% increase in remittances by the end of 2021.

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. Rough rice will be duty-free starting in January 2023.

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
<p>Close proximity to the United States allows containerized cargo from gateway cities to be transported to Honduras in 2 to 3 days. New public-private logistical hubs at Puerto Cortes have increased refrigerated/frozen storage capacity and reduced customs clearance time.</p>	<p>Direct competition from other Central American countries. FTAs have been signed with the Dominican Republic, Mexico, Chile, Colombia, Panama, Canada, European Union, Republic of Korea and Taiwan.</p>
<p>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.</p>	<p>Maintaining macroeconomic stability and fostering an environment for investment.</p>
<p>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 and quality consistency.</p>	<p>The current economic situation in the country limits purchasing power, and customers are price sensitive.</p>
<p>Honduras is not self-sufficient in food supply, and reliance on American suppliers for pork, rice, corn and other foods has increased in 2021.</p>	<p>Relatively high duties on some products that are not under the CAFTA-DR agreement.</p>
<p>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.</p>	<p>Regulatory compliance with local labeling requirements: manufacture and expiration dates</p>

SECTION II. EXPORTER BUSINESS TIPS

Market Research

In the past five years, consumption habits and the Honduran market have been changing significantly towards more international trends. Concern for health, more nutritious consumption and increased purchasing power are some of the variables that set the pace for the commercialization of edible products. However, advances in the production of processed and semi-processed products in the domestic market are not keeping pace with market demands, making it necessary to import products that meet these requirements.

The economic impact of the Coronavirus pandemic (COVID-19) is not likely to be conducive to private sector investment to streamline these production processes at the national level, on one hand; and on the other hand, as economic conditions reduce income and increase household spending, quality-price and private label variables will gain ground.

In this context the top ten best prospects for import of U.S. consumer-oriented products are beer, pork and pork products, dairy products, chocolate and cocoa products, non-alcoholic beverages (especially waters), sauces and condiments, bakery goods, cereals and pasta, processed vegetables, confectionery, and prepared/preserved meat products.

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=a0pt0000000PAtwAAG&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.

In response to the COVID-19 pandemic, both ARSA and SENASA enabled online services platforms by the end of 2020 that have significantly reduced the time to obtain import permits and sanitary registrations to an average of four hours and ten working days, respectively.

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=a0pt0000000PATwAAG&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 most 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 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 of the year.

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 was severely hit by the measures imposed by the Government of Honduras (GOH) to control de COVID-19 pandemic. Airports, hotels, restaurants, bars and tourist sites remained closed from March 14th to August 22nd, 2020, and public gatherings were forbidden. Reopening has been gradual and more cautious than in Guatemala and El Salvador during 2021 and biosafety measures that limit the number of persons in a facility remain in place. The Honduran Chamber of Tourism (CANATURH) estimates the tourism sector lost \$ 1.3 billion and about 100,000 jobs in 2020. In addition, ECLAC reported that hurricanes Eta and Iota damaged tourism infrastructure valued at \$107 million in November 2020. The one-two punch impact of the pandemic and the

hurricanes, coupled with delayed vaccination efforts made recovery in 2021 very limited so far. The industry is expected to fully recover by the end of 2022.

Because of the COVID-19 pandemic changes in consumer behavior, the hotel industry had a limited number of new projects focused on rural tourism with cabins, bungalow-type resorts, ecological type hotels and resorts, apartment-hotels, hostels, and inns. No major urban hotel projects are currently under construction.

Before the COVID-19 pandemic, Honduras had a large number of U.S. fast food and casual dining franchises with more than 345 establishments in three major cities. The pandemic forced several U.S. franchises (Carl's Jr., Uno Chicago Grill) out of business nationally while others (Subway) have lost presence in Tegucigalpa. The U.S. franchises need 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>

Food Processing Sector

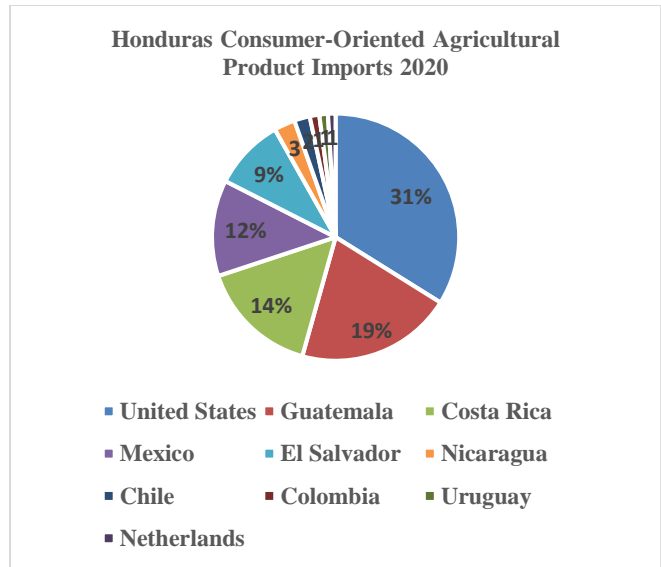
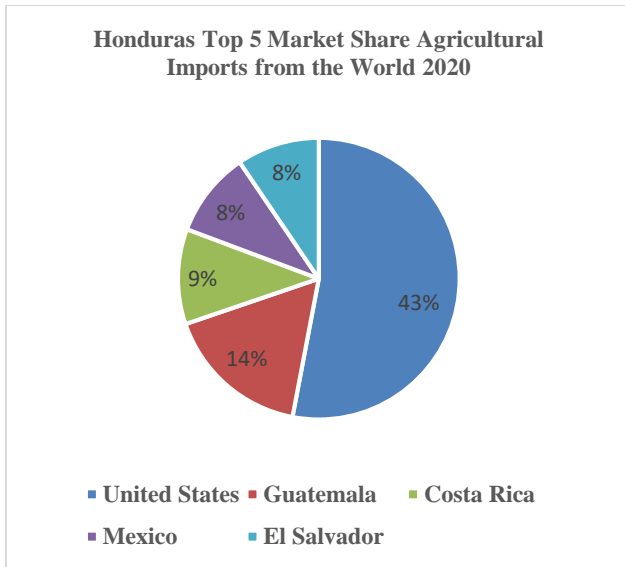
The total market for food processing in Honduras has increased steadily over the past few years and has not been slowed down by the COVID-19 pandemic. The United States continues to be the largest supplier of food processing ingredients enjoying a high level of acceptance and reputation for high quality products for human and animal consumption. Demand for U.S. pork is expected to increase 50% in 2021 due to the impact of Hurricanes Eta and Iota on local production.

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 Guatemala, Costa Rica, Mexico and El Salvador. The United States has a leading 43 percent market share. In 2020, Honduras imported about \$1 billion of consumer-oriented agricultural products from the world. The United States was the largest supplier with 31 percent (\$323 million) market share.



Sources: BICO, Trade Data Monitor

SECTION V. AGRICULTURAL and FOOD IMPORTS

Agricultural and Food Imports Statistics (in millions of dollars)

Product	2016	2017	2018	2019	2020
Consumer Oriented Total	215	222	269	282	281
Bulk Total	264	223	242	249	279
Intermediate Total	166	157	177	168	191
Agricultural Related Products	8	9	10	10	12
Grand Total	587	649	599	716	744

Imports of U.S. consumer-oriented food products was not significantly reduced by the COVID-19 pandemic in 2020 compared to 2019, while bulk (especially corn) and intermediates (soybean meal) total imports significantly increased.

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

Product Category	2016	2017	2018	2019	2020
Pork & Pork Products	50,642	57,853	66,300	72,297	77,357
Dairy Products	15,821	21,540	46,202	36,481	37,864
Soup and Other Food Preparations	32,792	32,287	33,504	34,022	31,296
Beer & Wine	15,776	19,449	28,379	38,678	29,931
Poultry Meat & Products (ex. Eggs)	24,630	26,473	26,985	29,701	25,395

Sources: BICO, U.S. Trade Data Monitor

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

The COVID-19 pandemic caused a change in import patterns of the top five categories of consumer-oriented products during 2020 compared to 2019: basic basket foods (pork and dairy) increased, while food preparations, beer and wine decreased. According to the Honduran Council of Private Enterprises, 600,000 were lost in 2020 due to the pandemic and hurricanes, which might explain the change in pattern, including the reduction in poultry meat imports.

U.S. Pork, beer, non-alcoholic beverages, poultry meat and products, condiments and sauces imports are the consumer-oriented food categories expected to grow at least 30 percent by the end of 2021. Beer is forecast to show the biggest growth (240%) among consumer-oriented categories in 2021 with sales of about \$130 million.

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

Servicio Nacional de Sanidad e Inocuidad Agroalimentaria (SENASA)

(National Plant, Animal Health and Food Safety Service)

Secretariat of Agriculture and Livestock (SAG)

Address: Blvd. Miraflores, Avenida La FAO, Tegucigalpa, Honduras

Phone: (504) 2232-6213, 2235-8425

Fax: (504) 2231-0786

E-mail: direccion.senasa@senasa.gob.hn

Sanitary Regulations Agency (ARSA):

Name: Dr. Francis Contreras
Title: President Commissioner
Agencia de Regulación Sanitaria (ARSA)
Address: Calle Los Alcaldes, frente a City Mall
Comayagüela, D.C. Honduras
E-mail: franciscontreras@arsa.gob.hn

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:

USDA Foreign Agricultural Service, U.S. Embassy
Avenida La Paz, Tegucigalpa, Honduras
Phone: (504) 2236-9320, Ext. 4544, 4354
Fax: (504) 2236-8342
Email: AgTegucigalpa@fas.usda.gov

Attachments:

No Attachments