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Honduras

Poultry Annual Report

1999

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Report Highlights:
- The economic downturn keeps poultry consumption and production in check.
- Less expensive broiler imports from regional sources continue to make inroads in the Honduran market.
- Opportunities for U.S. suppliers appear positive despite trade restrictions.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Annual Report
Tegucigalpa, HONDURAS

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Executive Summary

The Honduran poultry industry seemed to stall in 1999 as hurricane Mitch drove the Honduran economy into a deep recession. Production is expected to remain relatively stagnant in 1999 and 2000 at approximately 60,000 MT. Although the industry's productive capacity was not affected too severely by the storm, the economic downturn has weighed down demand from its robust growth in recent years. With demand only inching forward and neighboring suppliers increasing their presence in the Honduran market, local poultry producers are encountering a more competitive market situation. Imports of U.S. poultry products, although restricted by high duties and non-tariff barriers, continue to expand as well given their rather large price advantage over domestic product.

PSD Table						
Country:	Honduras					
Commodity:	Plty, Meat, Chicken -16 wks					
		1998		1999		2000
	Old	New	Old	New	Old	New
Calendar Year Begin		01/1998		01/1999		01/2000
Inventory (Reference)	0	0	0	0	0	0
Slaughter (Reference)	0	0	0	0	0	0
Beginning Stocks	0	0	0	0	0	0
Production	58	59	63	60	0	61
Whole, Imports	1	2	1	2	0	3
Parts, Imports	3	2	1	2	0	2
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	4	4	2	4	0	5
TOTAL SUPPLY	62	63	65	64	0	66
Whole, Exports	0	0	0	0	0	0
Parts, Exports	0	0	0	0	0	0
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	0	0	0	0	0	0
Human Consumption	62	63	65	64	0	66
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	62	63	65	64	0	66
TOTAL Use	62	63	65	64	0	66
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	62	63	65	64	0	66
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0

Production

In Honduras, chicken represents 98.5 percent of total poultry population. Therefore, any reference in this report to poultry meat, for all practical purposes, is to be considered chicken meat and total poultry.

Prospects of sustained double-digit growth in Honduras' poultry meat production came to an abrupt end in late 1998 when hurricane Mitch slammed into Honduras. Although Honduras' poultry sector escaped relatively unscathed in comparison to other industries, the ensuing economic recession has practically closed the door on any possibilities of significant growth in the near future. Because the storm took place in late October and early November of 1998, overall production volume in 1998 was not affected too drastically. However, production is expected to remain nearly flat in 1999 and 2000 at approximately 60,000 MT (RTC basis).

Nationwide production capacity is approximately 168,000 broilers per day. Of this amount, ALCON (a Cargill subsidiary) and CADECA (a Guatemalan-owned firm) each control approximately 42 percent, CORTIJO (a locally-owned firm) controls about 6 percent, and the remainder is produced by a handful of small producers. As a result of Mitch, ALCON suffered flooding in its main processing facility which halted production for a few days. CADECA also suffered relatively minor damage to its production infrastructure which also caused it to temporarily shut down. However, Cortijo did suffer extensive flood damage to practically all of its operation. Fortunately the company was insured and has since resumed production as well. The industry estimates overall direct damages of approximately Lps. 40 million ($2.8 million) and a similar amount in lost revenue as a result of production delays.

Besides the effects of Mitch, the Honduran poultry industry is also facing increased competition from neighboring countries. With higher import duties on inputs such as corn and lending rates ranging between 30 and 38 percent, the Honduran poultry industry is at a competitive disadvantage. Moreover, the Central American Free Trade Agreement allows neighboring countries to export less expensive broilers to Honduras practically unrestricted. Given the difficult economic reality facing Honduras and the increasingly competitive situation, the 3 to 5 year outlook calls for only moderate growth.

The average grow-out period for broilers is 38 to 42 days. The average slaughter weight is approximately 4 pounds and the average weight when marketed is approximately 3.2 pounds. During the holiday season, larger broilers (known locally as “pavipollos”) are grown for up to 50 to 54 days and may way up to 5 lbs. when marketed.

Consumption

Although poultry meat remains the least expensive and most widely consumed of all meats in Honduras, the Mitch-induced reduction in disposable income for most Honduran families has considerably slowed demand in 1999. Given the economic outlook of the country, demand is only forecast to inch forward in 2000. The industry estimates annual per capita demand of 123 lbs. in 1999. However, this figure is based on domestic product only. When taking into account imports, this figure may near 130 lbs. The price table in this report shows a comparison of average retail prices of selected meats in the capital city of Tegucigalpa in 1998 and 1999. In Honduras the vast majority of poultry meat is sold through small mom and pop' stores (known locally as pulperias) in the form of whole broilers. A smaller share of poultry meat sales are carried out through supermarkets. Value added chicken products represent only a minute share of the market.

Export Trade Matrix			
Country:		Units:	Metric Tons
Commodity:			
Time period:	Jan-Dec		
Exports for	1998		1999
*U.S.	20	U.S.	20
Others		Others	
Costa Rica	16		16
Total for Others	16		16
Others not listed			
Grand Total	36		36

*Note: Honduran trade figures indicate fresh frozen poultry exports to the U.S.; however, Honduras does not have permission to export. This is probably an error in product destination or classification.

Import Trade Matrix			
Country:		Units:	Metric Tons
Commodity:			
Time period:	Jan-Dec		
Imports for	1998		1999
U.S.	1550	U.S.	1700
Others		Others	
Guatemala	693		700
El Salvador	721		750
Panama	258		260
Costa Rica	197		200
Total for Others	1869		1910
Others not listed	326		325
Grand Total	3745		3935

TRADE

General

With the establishment of free trade within the Central American region a few years back, intra-regional trade of poultry meat (virtually unheard of in the past) has become quite common. Honduras now imports a steady amount of broilers from its Central American neighbors. Although trade is still quite small at the moment, less expensive imported product is already making inroads into supermarket and small store sales. For instance, Salvadoran chicken sells in a local supermarket chain at Lps. 8.75 ($0.61) per pound compared to Lps. 11.00 ($0.77) per pound for local product. One of Honduras' leading supermarket chains also imports chicken directly from El Salvador on a regular basis. The 1998 trade matrix in this report shows official GOH trade numbers. If the existing price differential between local and imported product persists, regional imports should escalate in the coming years. Imports from the United States, should also continue to grow in spite of relatively onerous tariffs and non-tariff barriers. According to Honduran trade data, the United States has a 19 percent share of the poultry meat import market. However, this figure may be closer to 30 percent when taking into account that a large share of U.S. poultry meat enters as contraband to avoid government duties and restrictions. According to U.S. trade data, the United States exported a record high $1.44 million in poultry meat to Honduras in calendar year 1998, an increase of 26 percent from the previous period. Opportunities for U.S. poultry suppliers seeking to export to Honduras remain positive. The market potential is relatively large, and trade restrictions are likely to be relaxed gradually.

POLICY

Tariff Changes

As part of Honduras' GATT accession protocol, Honduras negotiated a 100 percent tariff binding for poultry parts that would be gradually reduced by 10 percent per year over a 5 year period. In 1999 the duty was reduced to its lowest level of 50 percent.

As mentioned earlier, local poultry producers are finding it increasingly difficult to compete head to head with their neighbors because Honduras has higher duties for several key ingredients, particularly for corn. Imports of corn are subject to a variable levy price band mechanism in which duties range from 5 percent to 45 percent depending on the import price. With the exception of Nicaragua, neighboring countries have corn duties ranging from 1 to 5 percent. In mid 1999 the poultry industry, corn farmer organizations, and the GOH reached an agreement which would have eliminated the price band. As part of the agreement poultry producers promised to buy a fixed amount of the domestic corn and sorghum crops at the international price plus a 20 percent premium which would then be used to establish a trust fund for farmers. In exchange, the GOH and farmers agreed to a 1 percent import duty on yellow corn and sorghum. However, the agreement was never implemented because of a renewed a regional interest in returning to price bands. Honduras is currently the only country in the region which has a price band in effect for certain grain products. Although the GOH appears legitimately interested in doing away with such a system, this will surely remain dependent on the grain import policies of neighboring countries. With input duties in flux, the competitiveness of the Honduran poultry industry remains questionable for the future.

Non-Tariff Barriers

Although in recent years the GOH has loosened its zoosanitary import requirements for poultry meat in an effort to comply with its WTO commitments, current regulations continue to pose barriers to U.S. poultry imports, as USDA animal health authorities cannot issue certification that U.S. poultry complies with all of the requirements written. These regulations require that imports be from countries or areas free of Newcastle disease, avian influenza, laryngotracheitis, salmonella (zero tolerance no longer a requirement for salmonella), and other diseases. Moreover, the zoosanitary certificate from the exporting country must state that the farms of origin have not been subject to sanitary restrictions and have tested negative for the same diseases as well as hepatitis.

Recognizing that it cannot continue to block imports indefinitely with these types of measures, the GOH is now seeking to implement animal health programs in the poultry sector which would provide a scientific basis for any zoosanitary restrictions. It is expected that this would lead to a more relaxed and transparent import regime for poultry products.