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Honduras

Exporter Guide

2010

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Report Highlights:
United States' exporters enjoy an enviable position in the Honduran market and it has improved after the implementation of the CAFTA-DR agreement in 2006. The Honduran retail sector is by far the largest market for imported food, due to the expansion of supermarkets in urban areas. The HRI sector is developing rapidly and has a tremendous potential for processed products.

Post:
Tegucigalpa

I. MARKET OVERVIEW

A. Economic Situation

The Honduran economy has diversified in recent decades and now has a strong export-processing (*maquila*) industry primarily focused on assembling textile and apparel goods for re-export to the United States, as well as automobile wiring harnesses and similar products. However, these industries were hit hard by the current international economic downturn, with about 30,000 workers losing their jobs in late 2009 alone. Despite the recent economic diversification, there continues to be a large subsistence farmer population with few economic opportunities. Honduras also has extensive forest, marine, and mineral resources; however, widespread slash-and-burn agricultural methods and illegal logging continue to destroy Honduran forests.

The value of remittances has been higher than the revenue generated from the *maquila* industry and tourism. The Central Bank of Honduras reported that remittances increased 3.1 percent as of August 2010, starkly different than the decrease of 11.8 percent registered in 2009. The overall drop in remittances is attributed to the economic crisis and to unemployment in the United States. Honduras' real GDP increased 3.6 percent as of June 2010, recovering some from the -2 percent decline experienced in 2009, which was largely because of external price shocks, the effects of the global economic slowdown, and the country's internal political crisis. Inflation has gone down substantially to 3 percent as of December of 2009, one of the lowest rates during the last two decades. Additionally, the banking system has been strengthened by alliances with international banks.

Foreign direct investment (FDI) was up 5.3 percent during the first semester of 2010, in comparison to the 3 percent declined experienced in 2009. The largest percentage of FDI flow registered in 2009 was directed towards telecommunication, food industry, and wholesale companies. The United States continues to be the largest investor in Honduras, followed by the United Kingdom and some Caribbean countries.

The United States is the chief trading partner of Honduras: the United State supplies 52 percent of Honduran imports and purchases approximately 70 percent of Honduran exports. 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. More than 108 American companies operate in Honduras, including U.S. manufacturing operations, U.S. franchises, and other types of industries.

B. Market Growth

Exporters from the United States enjoy a strong position in the Honduran market, a position which was improved by the Central American-Dominican Republic Free Trade Agreement (CAFTA-DR). Honduras was the second country to ratify CAFTA-DR, and it entered into force in Honduras on April 1, 2006, one month following El Salvador and the United States. CAFTA-DR eliminates most tariffs and other barriers for U.S. goods destined for the Central American market, protects U.S. investments and intellectual property, and creates more transparent rules and procedures for doing business in Central America. CAFTA-DR also aims to eliminate inter-Central American tariffs, which facilitates increased regional trade that benefits U.S. companies manufacturing in Honduras.

Honduran tariffs on most goods from outside the Central American Common Market (CACM) are currently within the zero to 15 percent range. With CAFTA-DR in effect, about 80 percent of U.S. goods can now enter the region duty-free, with tariffs on the remaining 20 percent to be phased out within 10 years. Enhanced by increased market access, U.S. exports over the past decade to Honduras have increased both in terms of absolute dollar value and in terms of market share. Strong prospects for exports of goods and services are extensive and include: franchising; food processing and packaging equipment; hotel and restaurant equipment; processed foods, auto parts and transportation machinery; travel and tourism services; printing and graphic arts equipment; safety and security equipment; electrical machinery; and electrical power generation/renewable energy equipment.

Overall, Central America and Honduras enjoy relative stability, growing economies, and proximity to the United States, all of which make these markets attractive for U.S. exports. Further, regional integration should spur investment, growth, trade, and continued market opportunities for U.S. firms in the coming years.

C. Market Opportunities and Competitiveness

The strengths, market opportunities and competitiveness 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 - 3 days. With the lowest logistical costs in the region, Honduras also serves as a distribution point for the rest of Central America.	Direct competition from other Central American countries, as well as Mexico and Chile.
CAFTA-DR eliminates most tariffs and other barriers to United States goods destined for the Central American market, protects U.S. investments and intellectual property, and creates more transparent rules and procedures for doing business.	Maintaining macro-economic stability and fostering an environment for investment.
Consumers have strong preferences for U.S. products. U.S. products enjoy a high-quality image among Hondurans. Importers prefer trading with U.S. exporters because of reliability.	The current economic situation in the country limits purchasing power and customers are price sensitive.
Among the leading sectors for U.S. exports and investment are fast food outlets, casual dining restaurants, and the introduction of new U.S. hotel chains--including investment in the Bay Islands and North Coast of Honduras (prime tourist areas)--food processing and packaging equipment, processed foods, and general consumer goods.	Relative high duties on some products, as well as inconsistent customs valuation practices and import procedures make it more difficult to enter the market.
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.	Unclear and occasionally restrictive sanitary and phytosanitary import requirements.

II. EXPORTER BUSINESS TIPS

A. **Business Customs**

The Honduran government is generally open to foreign investment and welcomes it. Restrictions and performance requirements are fairly limited. Relatively low labor costs, proximity to the U.S. market, and Central America's best Caribbean port (Puerto Cortés) have also made Honduras increasingly attractive to investors. Puerto Cortés, the largest deep-water port in the region, is the first port in Latin America to qualify under both the Megaports and Container Security Initiatives (CSI), which now make approximately 90 percent of all transatlantic and transpacific cargo imported into the United States subject to prescreening prior to import.

Under CAFTA-DR, U.S. investors enjoy, in almost all 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 (BIT). The local banking system is traditionally conservative and generally extends only limited amounts of credit; however, looser monetary policies and increased competition from regional and international banks, including HSBC and Citigroup, led to an expansion of consumer credit in 2007. As of fall 2010, the banking system has a liquidity of more than 33 million Lempiras (equivalent to US$1.7 billion dollars). Recently, the Honduran National Banking and Insurance Commission (CNBS) announced that it is considering increasing required reserves for banks which will lead to higher interest rates. United States exporters that offer attractive financing terms on sales to Honduran traders have the best chance of gaining market share.

As in most Latin American countries, a good personal relationship with prospective customers is basic 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

In recent years, Honduran preference for U.S. products has increased tremendously. The number of U.S. franchises operating in Honduras has grown rapidly. About 65 foreign firms now operate in Honduras. Most of these firms are U.S. fast-food and casual restaurants. In addition, Hondurans traditionally prefer the quality, convenience and wholesomeness of American products. Some companies are combining Honduran and American foods as an attractive tool in restaurants.

Some of the positive market entry factors found in Honduras includes a high receptivity to U.S. goods and services.

C. Food Standards and Import Regulations

The Honduran Government (GOH) agencies which are responsible for food safety matters are the Ministry of Agriculture and Livestock (SAG) and the Ministry of Health (MOH). The main regulatory agencies regarding food safety are SAG’s National Plant and Animal Health Service (SENASA) and the MOH’s Sanitary Regulation Directorate (SRD). As a general rule, SENASA is responsible for the inspection of agricultural products that enter Honduras, such as imports of raw materials and the process for consumer ready food products. The SRD is responsible for securing the safety of processed food products sold to the consumer.

Demonstrating Eligibility for Preferential Tariff Treatment

In relation to the United States-Central American-Dominican Republic Free Trade Agreement (CAFTA-DR), Honduras requires a special Certificate of Origin for imports from the United States to be submitted. The main purpose of the document is to certify that the product originated in the United States, which in turn allows the product to receive the preferential tariff treatment agreed upon in CAFTA-DR. The producer, exporter or importer could provide the certificate with all the required information. A sample of this certificate can be found at: http://www.sic.gob.hn/Libraries/Formularios_de_Exportacion/Certificado_de_Origen_RD-CAFTA_TLC_Estados_Unidos.sflb.ashx. The CAFTA-DR certificate is required by the Customs Tax Division (DEI).

In some situations, multiple shipments of identical goods are being sent to the same CAFTA-DR importer. In these cases, 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, if requested. The "blanket period" may not exceed one year.

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. It is not necessary to be a lawyer; however, it is suggested that if there is a problem during the process of registration, the importer should utilize a lawyer. The following information must be submitted to the SRD 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 SRD 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.

- **Certificate of Free Sale for processed food products**. The certificate indicates that the exporter has an annual food permit to produce, manufacture, distribute and pack food products for human consumption. It states that the plant where the product has been 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 Chamber of Commerce of the United States.

  The certificate is requested to register the processed food product with the SRD. 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 that certifies that the FSC has been signed by a notary public of the state of origin of the FSC or by an authentication of the FSC by the Honduran Consulate. In both cases, the apostille or authentication should be provided with an official translation from 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 high level 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.

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

  Category “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 SRD. The exporter should confirm that the importer complies with two SRD 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 SRD 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. SRD regulations allow up to 30 working days to provide a SRN. The importer's representative should regularly check with the SRD to verify the status of the process—regular checking will insure that importers know if a document is missing or if the SRD requires further information.

Central America Customs Union (CACU) members agreed that for the 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 U.S. 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 SRD. 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, the name of the manufacturer and the name of the processor or packer. Raw poultry sold at the retail level in packages or bags must have a SRN. The label on the boxes with the raw product should display the 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 and processed food products, additives, and inputs used in food processing must comply with SENASA requirements. In order to get an import permit, all importers should submit the request with the following documents to SENASA:

a. Phyto or Zoosanitary Certificate
b. Certificate of Origin
c. Photocopy of Pro-forma Commercial Invoice
d. Photocopy of Sanitary Registration document of the consumer-ready product issued by the SRD
e. Photocopy of Import License of the dairy product issued by the Ministry of Industry

and Trade

The above mentioned documents and the import request should be clear and show the same amounts, description, origin and point of departure of the products to be brought. The request of an import permit is done when the importer has already complied with the procedures of obtaining the SRN from the SRD.

The requirements and import permit application forms can be accessed at: http://www.senasa-sag.gob.hn. The import permit process in 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 requests that SENASA renew the import permit.

The documents required to submit with the import permit and the import process at the port of entry are described below.

a. Phyto or Zoosanitary Certificate

SENASA requests that the Phyto 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 Animal and Plant Health Inspection Service (APHIS), as well as the U.S. Food and Drug Administration (FDA). A Certificate of Free Sale issued by a state-level health authority or a chamber of commerce is accepted for other types of processed products. SENASA, however, does not accept documents from commercial trading companies.

The above mentioned documents certify the inspections done by federal or state authorities. Under CAFTA-DR, Honduras recognized the United States inspection services as equivalent to the one in Honduras. This equivalence eliminates the requirement of a pre-certification of the U.S. exporter's facilities.

Regarding imports of U.S. fresh/frozen poultry products, must come with an FSIS Certificate (Form 9060-5). SENASA has requested that USDA add an Additional Declaration (AD) to the phytozoo-sanitary 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". 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.

In addition, imports of cooked poultry products must come with an FSIS Certificate (Form 9060-5) which includes 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".

In the case of imports of animal products, SENASA's Food Safety Department (DIA) has a registry of Honduran import establishments which they have inspected (and have made eligible for the importation of these products). The Honduran establishments must comply with good agricultural and manufacturing practices (GAPs and GMPs) to keep the imported product safe.

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. 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. SENASA reports that often importers are confused about "origin" and "point of shipping". This might cause error in the documents presented for the import permit.

c. Photocopy of Pro-Forma Commercial Invoice

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

d. Photocopy of Sanitary Registration

SENASA and the SRD are working together to assure that imported consumer-ready products destined for consumers will be stored and handled properly, as stated by the Health Code. SENASA requires that the importer have a consumer-ready Sanitary Registration Number (SRN) to issue the import permit. SENASA needs a copy of this document only for imports of consumer-ready products.

e. 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 Ministry 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 a 60-day validity and can be extended at the request of the importer. In order to issue the import license, SIC needs to have copy of the Import Permit that SENASA issues to the importer.

For further information, please contact FAS Tegucigalpa at agtegucigalpa@fas.usda.gov. Alternatively, U.S. exporters may contact SENASA and the Ministry of Health offices by visiting the following websites: http://www.senasa-sag.gob.hn http://www.dgrs.gob.hn/

D. General Import and Inspection Procedures

Labeling Requirements

Labeling requirements are also set by the Ministry of Health through the Sanitary Regulations Directorate (SRD). 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. 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. The manufacturing and/or expiration date can only be displayed with stick-on labels authorized by the SRD.

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 SRD 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 SRD oversees that these products are properly labeled as fortified.

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, as well as processed foods imports at the time of entry.

SEPA and Customs inspectors are involved in clearing imports of these products. SEPA requires at the port-of-entry the documents indicated by SENASA in the import permit such as: the original import permit approved by SENASA, the original Phyto or Zoosanitary or Export Certificate, and the original Certificate of Origin. SEPA also requires a copy of any other document that the import permit indicates such as the Pro-Forma Commercial Invoice. In cases of consumer-ready products, a copy of the Sanitary Registration document, issued by the SRD at the Ministry of Health, should be included**.** Please note that SEPA reviews that the origin of the product, is the same in the documents and in the label of the product entering the country. This is required by SENASA since often importers are confused about "origin" and "point of shipping."

Prior to granting customs clearance, the SEPA inspector reviews all the documents provided and conducts an inspection of the product. 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 a couple of days.

In special cases, shipment of products that did not go through SENASA's import permit process are normally detained at the port of entry where product sampling is conducted. The samples are later subjected 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, re-exported, or tagged for animal consumption, depending on its condition and characteristics as determined by the authorities. An appeals system exists for disputed product rejections. The legal department within SENASA addresses these appeals.

For additional information on Import Permissions one can access the following websites: *http://www.senasa-sag.gob.hn:8080/senasaextranet* and *http://www.senasa-sag.gob.hn/index.php?option=com_content&task=view&id=112&Itemid=75*

III. 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 that influence the receptivity score of most Honduran imports. In many cases, Honduran business people buy directly 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 approach and market approach when making pricing decisions.

U.S. exporters that 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. The category of other consumer-oriented products comprises has witnessed significant increases in the past few years for products such as vegetable and animal oil/fats; pop corn; preparations for sauces; and sauces, spices, mustard. Other consumer-oriented products offering good export opportunities are snack foods, packaged and canned foods, breakfast cereals, food additives, dairy products, wine, and pet foods.

B. **Food Retail Market**

Honduras' 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 urban locations and 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 “summer vacation" time for the vast majority of Hondurans. This vacation period begins well before, and extends well beyond, the two-day holiday. Christmas gift baskets are also increasingly popular. In recent years, it has become common to include a high percentage of U.S. products in these baskets. Most commonly included are traditional favorites such as candy, nuts, whiskey, and wines. Easter and Christmas are the main peaks for retail sales. In addition, in June and December of every year the government and private sector by law provide a bonus to their employees. This bonus is equivalent to a month’s salary. Many families make special purchases or buy 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 that can provide 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 customers. They should work with their customers to satisfy local manufacturing and expiration date requirements, and additionally 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.

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.

- Total visitors increased from 1.34 million in 2007 to 1.59 million in 2008
- Food and drink establishments remained at 5,381 in 2008
- Hotels establishments remained at 949 in 2008
- US Dollar income from tourists increased from US$552 million in 2007 to US$630 million in 2008
- Cruise ship visitors increased from 297,000 in 2007 to 432,000 in 2008

Whether for interest in historic attractions, sporting activities, or relaxation, tourism plays a significant role in nearly all of the Central American 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.

The hotel industry is rapidly expanding into urban and rural tourism. Among the new projects include bungalow-type resorts, apartment-hotels, cabins, hostels, and inns. Convention traffic is also increasing, and the restaurant industry is growing at an even faster rate. Many first-class restaurants, fast-food chains, and franchises are opening due to attractive incentives. Honduras has the largest amount of established U.S. fast food and casual dining franchises in Central America. The development of modern shopping malls and commercial centers has prompted the establishment of an increasing number of restaurant businesses 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
America's Favorite Chicken
Applebee's
Burger King
Basking-Robbins
Bojangles
Cinnabon
Chilli's
Church's Chicken
Denny's
Domino's Pizza
Dunkin' Donuts
Espresso Americano
KFC
Little Caesar's Pizza
McDonald's
Papa John's
Pizza Hut
Popeye's
Price Smart
Quizno's
Ruby Tuesday's
Subway
Tony Roma's
T.G.I. Friday's
Wendy's
Marriott Hotel
Crown Plaza
Start Mart

Honduras is also carrying out projects to enhance tourism which may provide opportunities for U.S. food products. One example is the Tela Bay project which is a major priority in the country's tourism development strategy. The project, known as “Los Micos Beach and Golf Resort,” is located in Honduras within driving distance from San Pedro Sula and La Ceiba, two of its three largest cities. The property set aside for the project covers 312 hectares of land with beach, forest, and lagoon access. It is majority owned by the Honduran Institute of Tourism. The physical, social, and cultural characteristics of the project zone, in addition to its careful planning, give the Tela Bay project everything it needs to become a sustainable tourism destination where profitability and nature are well balanced. The first phase of the project consists of the construction of an international 250 keys four-star hotel, a 150 keys international five-star hotel, an eighteen-hole signature championship golf course and clubhouse (PGA grade), and real estate offerings consisting of 437 residential units. Additional amenities are include a retail village, an equestrian club, and private beach clubs for the real estate component among others. Areas have also been set aside for recreational activities, administration, and public services. All development criteria have been designed to remain flexible. Basic infrastructure is currently being developed for this project.

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 Honduras’ largest supplier of food processing ingredients enjoying a high level of acceptance and reputation for high quality.

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, mangoes, winter vegetables, shrimp, jalapeno peppers, fruits, and flowers. With CAFTA-DR, producers are looking forward to opportunities of exporting 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.

<table>
<tr><th>Product Category</th><th>2009 Imports (U.S.$ in thousands)</th><th>Import Tariff Rate</th><th>Key Constraints Over Market Development</th><th>Market Attractiveness for USA</th></tr>
<tr><td>Snack Foods</td><td>12,843</td><td>All U.S. snack foods are tariff free.</td><td>Competition from El Salvador, Guatemala, Mexico and Costa Rica</td><td rowspan="5">Close proximity
Consumers have strong preferences for U.S. products.
0% duty for U.S. premium meat cuts.
Rapidly developing retail & HRI sector.
Strong presence and growth of U.S. fast food outlets.
Tourism is growing at a fast pace.
A developing food processing industry in need of quality ingredients.</td></tr>
<tr><td>Red Meat, Fresh/Chilled/Frozen</td><td>30,797</td><td>Immediate tariff elimination of Prime and Choice cuts. All other tariffs on beef and beef products will be eliminated within 15 years.</td><td>Competition from: Nicaragua, Costa Rica, Guatemala and Canada.</td></tr>
<tr><td>Poultry Meat</td><td>7,607</td><td>All Central American tariffs on poultry and poultry products will be eliminated within 18 years. Chicken leg quarters are at 0% within quota.</td><td>Competition from: Costa Rica</td></tr>
<tr><td>Breakfast Cereals</td><td>5,695</td><td>All tariffs on breakfast cereals will be eliminated within 10 years, expect for rice cereals which are tariff free.</td><td>Competition from: El Salvador, Guatemala and Mexico</td></tr>
<tr><td>Fresh Fruit</td><td>12,977</td><td>Almost all U.S. fresh fruits are</td><td>Competition from: Chile, Mexico,</td></tr>
</table>

		tariff free, except for Oranges (10 yrs).	Guatemala, and Nicaragua	
Processed Fruit & Vegetables	14,004	All U.S. vegetables are tariff free, except for the following: Frozen Vegetables (10 yrs) and Mixed Vegetables (5 yrs).	Competition from: Costa Rica, Guatemala, Chile, El Salvador and Mexico Customers are price sensitive	
Wine and Beer	3,660	All tariffs on wine will be eliminated within 5 years. Tariffs on beer will be eliminated within 15 years.	Competition from: Mexico, El Salvador, Chile and Argentina	

Source: USDA-BICO Report

V. POST INFORMATION

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For more information on exporting U.S. agricultural products, please visit the Foreign Agricultural Service home page: http://www.fas.usda.gov

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