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Honduras

Retail Foods

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Approved By:

Sean Cox, Regional
Agricultural Attaché

Prepared By:

Otho Pavon, Agricultural
Marketing Assistant

Report Highlights:

The implementation of CAFTA-DR and favorable market conditions have resulted in more franchises and supermarkets. The preference for U.S. products has risen steadily over the past few years and further increases are expected. Guatemala, Mexico and Costa Rica are the main competitors in the market.

Post:

Tegucigalpa

Executive Summary:**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 target markets are high, middle and low income families. The supermarket retail industry is expanding with new stores in various urban locations. The entry of wholesale clubs has forced supermarkets to conduct more aggressive advertising and discount promotions for U.S. products. Weekly sales in nationwide newspapers always include U.S. products.

Supermarkets and wholesale clubs carry a varied inventory of imported food products, accounting for the largest volume of sales of consumer-ready (canned, preserved, processed, frozen, and chilled) food products. Sales of fresh fruits and vegetables continue to rise, as increased investments in the cold chain allow for longer shelf life of perishable items, including sausages, hams, pork cuts, and other deli meat products, which are available year round. Smoked pork and ribs have successfully entered the market, as prices are extremely competitive compared to local products and the demand for this type of products has increased.

Convenience stores

Honduran convenience stores are the only businesses that offer late night services. Most of these stores are located on the main boulevards of major cities. Convenience stores specialize in fast foods, hotdogs, sandwiches, chicken, and pizza, but also carry high-quality imported goods such as snacks, cookies, assorted candy, chocolates, 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. One type is the open air farmers market, where growers and intermediaries sell their products directly to consumers. These markets primarily concentrate on local produce, farm fresh goods and processed food products where prices are much lower than supermarket prices. The second type of traditional market in the country is the mom and pop stores known as Pulperias. The small shops sell mostly snack and prepared foods at a much higher price than the supermarkets and the farmers 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 and other barriers for goods destined to the Central American market. It provides protection for investments and intellectual property, and creates more transparent rules and procedures for doing business.	Investment, macroeconomic stability, and increasing private sector competitiveness in order to benefit from free trade agreements', such as CAFTA-DR.
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 the year-round 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 investments in 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, 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.

Located in the heart of Central America, Honduras is only a two to three hour flight from several U.S. cities and 48 to 72 hours navigation time to 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, plus cargo from El Salvador and Nicaragua.

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 looser monetary policies and increased competition from regional and international banks. U.S. exporters who offer attractive financing terms have the best chance of gaining market share. Most non-agricultural duties were eliminated with the implementation of the United States – Central America – Dominican Republic Free Trade Agreement (CAFTA-DR). The duty assessed by the Honduran government at the time of customs clearance ranges from 0 to 15 percent for select items.

Market Structure

- There are four main food distributors: DIAPA, CODIS, Distribuidora Solis, 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. As U.S. products enjoy a high quality image, there is a growing demand 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. Consumers in urban areas shop at open markets, American-style supermarkets, mini-markets, specialty stores, convenience stores, and small local shops. 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. Therefore, sales have been categorized as follows:

A: More than \$150 million

B: \$101 - \$150 million

C: \$76 - \$100 million

D: \$26-\$75 million

E: \$11 - \$25 million

F: Less than 10 million

Name of Retailer	Ownership	Current Stores	Estimated annual sales	Locations	Purchasing Agent Type
La Colonia Supermarket	Local	38	A	Tegucigalpa, San Pedro Sula and other cities	U.S. Broker/Importers/Direct
Junior Supermarket	Local	2	F	San Pedro Sula	U.S. Broker/Importers/Direct
PriceSmart Wholesale Club	U.S.	3	A	Tegucigalpa, San Pedro Sula	U.S. Broker/Importers/Direct
Hiperpaiz/Hypermart / Despensas	Local/Wal-Mart Central America Group	110	A	Tegucigalpa, San Pedro Sula and other cities	U.S. Broker/Importers/Direct
Comisariato Los	Local	1	E	San Pedro	U.S.

Andes, Supermarket				Sula	Broker/Importers/Direct
Mas x Menos Supermarket	Local	1	F	Tegucigalpa	U.S. Broker/Importers/Direct
YIP Supermarket	Local	1	F	Tegucigalpa	U.S. Broker/Importers/Direct
Stock Wholesale Store	Local	1	E	Tegucigalpa	U.S. Broker/Importers/Direct
Colonial Supermarket	Local	4	F	San Pedro Sula	U.S. Broker/Importers/Direct
La Economica Supermarket	Local	1	F	San Pedro Sula	U.S. Broker/Importers/Direct
ELDON's Supermarket	Local	1	F	Roatan, Bay Island	U.S. Broker/Importers/Direct
Supermercados La Antorcha	Local	10	D	San Pedro Sula, Tegucigalpa and other cities	U.S. Broker/Importers/Direct
Supermercado Selecto	Local	1	F	San Pedro Sula	U.S. Broker/Importers/Direct

Trends and Highlights

- Supermarkets now 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 MARTS

Gas station chains in Honduras are reluctant to release exact sales information. Therefore, sales have been categorized as follows:

A: More than \$150 million

B: \$101 - \$150 million

C: \$76 - \$100 million

D: \$26-\$75 million
 E: \$11 - \$25 million
 F: Less than 10 million

Name of Retailer	Ownership (Local/Foreign)	Number of Gas Stations	Estimated Annual sales	Location	Purchasing Agent
TEXACO	Local & US	93	D	Tegucigalpa, San Pedro Sula and other cities	Direct Distributor
PUMA	Local	202	C	Tegucigalpa, San Pedro Sula and other cities	Direct Distributor
UNO	Local	133	C	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 the Honduran society 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 open-air markets. 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 couple of square meters in diameter and operate daily, while some are only open on Fridays and

Saturdays.

The second store type is the mom and pop stores. There are more than two thousand pulperias in the capital city and the wholesalers distribute products to these stores at least twice a week. Most products found on a Pulperias are non-perishable and low cost items, such as snack foods and processed products like milk, canned tuna, and cookies. Mom-and-pop store prices are usually higher than supermarket prices, but most customers are low income consumers who can only afford to buy small individually packaged quantities. Most mom-and-pop stores 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 \$ 586.5 million in 2015.

Product Category	Major Supply Sources	Strengths of Key Supplying Countries	Advantages and Disadvantages of Local Suppliers
Prepared Food Net imports: 173,111 MT World imports: US\$ 437 million Imports from the	1. Guatemala: 25% 2. Costa Rica: 21% 3. United	A. The free trade agreement has allowed Guatemala imports to increase their presence in the market with competitive prices. B. Close proximity to producers and exporters.	* Consumers are price sensitive. * There is a decrease in local investment for prepared foods due to high labor costs.

United States: US\$68 million	States: 16%		
Dairy Products Net imports: 31,916 MT World imports: US\$72 million Imports from the United States: US\$23 million	1. United States: 31% 2. Costa Rica: 17% 3. Guatemala: 14%	A. High-quality products are preferred by the consumers. High brand recognition. B. Close proximity to producers and exporters. C. Strong in ice cream, sweet condensed milk and canned milk powder.	* Local suppliers are trying to increase domestic production, but the prices remain high compared with neighboring countries.
Fresh Fruits Net imports: 123,826 MT World imports: US\$49 million Imports from the United States: US\$19 million	1. United States: 39% 2. Mexico: 25% 3. Chile: 10%	A. CAFTA-DR benefits imports from the U.S. and Mexico. B. Apples, grapes and pears have a strong position in the Honduran market.	* Most imported fruits is not produced locally like apples and grapes for example.
Condiments and Sauces Net imports: 25,304 MT World imports: US\$46 million Imports from the United States: US\$12 million	1. Costa Rica: 37% 2. United States: 26% 3. Guatemala: 21%	A. Sauces like ketchup have increased recently due to the growth in the fast food industry. B. Strong product recognition and presentation.	* Local Production insufficient to supply demand.
Snack Foods Net imports: 68,555 MT World imports:	1. Guatemala: 39% 2. El	A. CAFTA-DR has allowed El Salvador, Guatemala and Mexico imports to increase their presence in the market. B. Price is competitive.	* Local production is mainly to satisfy the demand of plantain chips and some potato-based snacks

<p>US\$136 million</p> <p>Imports from the United States: US\$10 million</p>	<p>Salvador: 30%</p> <p>3. México: 12%</p> <p>United States: 7 % market share on imports</p>	<p>C. Strong product recognition and presentation.</p>	
<p>Processed Vegetables</p> <p>Net imports: 38,295 MT</p> <p>World imports: US\$ 38 million</p> <p>Imports from the United States: US\$21 million</p>	<p>1. United States: 54%</p> <p>2. Costa Rica: 24%</p> <p>3. Guatemala: 2%</p>	<p>A. Proximity and quality is key for top imported processed vegetables (potatoes, tomatoes and beans).</p> <p>B. Price is competitive.</p> <p>C. Guatemala started to provide fresh vegetables such as carrots, broccoli, lettuce, tomatoes, cauliflower and cucumbers.</p>	<p>* Honduras does not produce frozen vegetables.</p>
<p>Chocolate & Cocoa Products</p> <p>Net imports: 5,048 MT</p> <p>World imports: US\$ 18 million</p> <p>Imports from the United States: US\$7.3 million</p>	<p>1. United States: 41%</p> <p>2. Mexico: 19%</p> <p>3. Guatemala: 15%</p>	<p>A. CAFTA-DR benefits imports.</p> <p>B. High quality of product preferred by the consumers</p> <p>C. Strong product recognition and presentation.</p>	<p>* Local production not enough to satisfy local demand.</p> <p>* New incentives are being proposed by the local government to produce high quality cacao for export.</p>
<p>Wine and Beer</p> <p>Net imports: 26,652 MT</p> <p>World imports:</p>	<p>1. United States: 51%</p> <p>2. Mexico: 21%</p>	<p>A. Imported beer has become a trend in the local market.</p> <p>B. Chilean wines enjoy an excellent reputation.</p>	<p>* Local beer production has not produced any new varieties and has maintained the same four beer brands for many years.</p>

US\$23 million Imports from the United States: US\$12 million	3.Chile: 6%	C. High quality of imported product preferred by the consumers	* Honduras does not produce wine in commercial amounts.
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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	2015 Imports Market Size (Volume)	2015 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
Pork and Pork Products	28,611 MT	66	9%	Pork carcass, jam, bacon and pork offal pay 9% tariff under CAFTA-DR and 0% Value added tax. Specialized cuts for pork products pay 9% tariff under CAFTA-DR and 15% Value added tax..	Competition from Canada, Guatemala and Costa Rica in a lesser scale.	* Consumers have strong preferences for U.S. products. * Rapidly developing retail & HRI sector.
Prepared Food	173,111 MT	437	4%	Prepared foods pay 0% tariff under CAFTA-DR and	Competition from Guatemala, Costa Rica, México, El Salvador,	* Consumers have strong preferences for U.S. products. * Rapidly

				15% Value added tax..	Uruguay, Chile and Denmark.	developing retail & HRI sector.
Dairy Products	31,916 MT	72	1%	Under CAFTA-DR Tariff Rate Quotas have zero in-quota percent tariff for Milk Powder, Butter, Cheese, Ice Cream, Butter and Other Dairy Products. Outside the Quotas all dairy products pay 13.5 % tariff Under CAFTA-DR and 0% to 15% depending on the product type for Value added tax.	Competition from Costa Rica, Guatemala, Nicaragua, New Zealand, El Salvador and Germany.	* Consumers have strong preferences for U.S. products. * Rapidly developing retail & HRI sector.
Fresh Fruits	123,826 MT	49	3%	Almost all U.S. fresh fruit products pay 0% tariff under CAFTA-DR and 15% Value added tax.	Competition from Chile, Mexico, Guatemala, Costa Rica, Nicaragua, Spain and Peru.	* Consumers have strong preferences for U.S. products. * Rapidly developing retail & HRI sector.
Poultry	18,804	36	8%	Under	Competition	* Consumers

Meat and Products	MT			Quota imports, whole chickens, chicken breasts and wings pay 0% tariff under CAFTA-DR and 0% Value added tax; MDM pay 0% tariff under CAFTA-DR and 15% value added tax.	from local production, El Salvador and Guatemala.	have strong preferences for U.S. products. * Rapidly developing retail & HRI sector.
Condiments and Sauces	25,304 MT	46	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.	* Consumers have strong preferences for U.S. products.
Snack Foods	68,5545 MT	136	4%	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.	* Consumers have strong preferences for U.S. products.
Processed	38,295	38	1%	Process	Competition	* Consumers

Vegetables	MT			vegetables pay 0% tariff under CAFTA-DR and 15% Value added tax.	from Costa Rica, Guatemala, Chile, México, China, Belgium, El Salvador, Canada, Netherlands and Spain.	have strong preferences for U.S. products. * Rapidly developing retail & HRI sector.
Chocolate & Cocoa Products	5,048 MT	18	8%	Chocolate & Cocoa Products pay between 1.2% and 4% tariff under CAFTA-DR and between 0% to 15% Value added tax depending on the product.	Competition from México, Guatemala, El Salvador and Costa Rica.	* Consumers have strong preferences for U.S. products.
Wine and Beer	26,652 MT	23	3%	Wines pay 0% under CAFTA-DR plus 18% Value added tax; Beer pay 4% tariff under CAFTA-DR and 18% Value added tax.	Competition from Mexico, Netherlands and Chile.	* Consumers have strong preferences for U.S. products. * Rapidly developing retail & HRI sector.

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

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

Tariff Rate: Customs and Tax Directorate (DARA)

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

SECTION V. POST CONTACT AND FURTHER INFORMATION

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