Investment Forum Honduras

BEAN SEEDS, COFFEE, COCOA and HONEY
Population Estimates p/2022
9,628,433 Inhabitants
47.7% Male, 52.3% Female
44.6% Rural, 55.4% Urban
0.1% Rural Population Growth
65% Population 15 to 64 years old

Source: EPHM, INE 2022

Sector Relevance (2020)
12.1% of GDP
3.4% average growth in the last 15 years
US$ 2.0 billion in agricultural exports
US$ 1.7 billion in agricultural imports

Agricultural Trade / Total Trade (2021)
Exports: 54.4%
Imports: 29.8%

Non-Oil (2021)
Imports: 86.7%

Labor Market (2021)
35% Employed in Agriculture
71% Family Farming (<5 ha)
38.37% Rural/National EAP
23.4% Employed in the agricultural sector vs total employed

Land Area (INE/ICF. 2019)
47.9% Forestry
30% Agricultural
18.4% Other Uses
2.2% Agroforestry
1.6% Water Body
Located in the heart of the Americas, it can connect in a short time with key markets, facilitating the movement of people, products and services nationally and internationally.

4 Ports:
3 in the Caribbean and 1 in the Pacific

Puerto Cortes is the largest and most efficient port in Central America, with a customs office of the United States of America

4 international airports:
Comayagua, San Pedro Sula, La Ceiba and Roatan
- 13 international airlines
- 5 cargo airlines

Road Network (16,893 Km)
(19.6% Primary, 17.6% Secondary and 62.8% Neighborhood)
Transfer of goods and merchandise from north to south, in a time span of 6 to 8 hours.

Commercial Agreements
Legal Security
Tax Benefits
Qualified Workforce
Consolidated Financial System
Institutionality SDE-SAG-SENPRENDE
INVESTMENT NOTE
STRENGTHENING BEAN SEED PRODUCTION

**Starting Point**

Bean
- 158,000 Ha planted
- 114,000 producers for market sale
- 220,000 producers for own consumption

**Seeds**
- Demand (Tn/year): 6,124
- Seed Availability (Tn): 986
- Use of certified seed: 12%
- Average Yield: 0.9 Tn/Ha
- Yield increase by improved seed: 1.36 Tn/Ha

**Business Vision**

Satisfy 84% of the bean seed production deficit in the domestic market (high dependence on imports)

**Objective**

Increase bean seed availability at the national level by increasing production, productivity and implementation of processing centers

**Incentives**

- Captive market; including public network supply (e.g. IHMA, Banasupro, Bono Tecnológico...)
- High quality validated genetic material in the bean chain
INVESTMENT NOTE
STRENGTHENING BEAN SEED PRODUCTION

Description

Opportunity 1: Processing

Destination of the Investment
- Design, construction, operation and maintenance of 3 bean seed processing plants (5,000 ton/year capacity)
- Strengthening of the processing center’s technical management capabilities

Opportunity 2: Technical Assistance and Training

Destination of the Investment
- Technical assistance to seed producers and support to become government-sponsored seeds producer

Potential Sources of Financing
- Secretariat of Agriculture and Livestock (SAG) and the Directorate of Agricultural Science and Technology (SAG-DICTA).
- Loans through domestic banks
- Multilateral Development Banks
- External Cooperation
- Investors

Investment Plan

Total Investment: US$ 8.9 M
Government Investment: US$ 4.2M
External Financing: US$ 4.7 M
IRR (%): 39.3%
NPV (12%): US$ 5.8 M
B/C Ratio: 1.10

Sustainable Benefits
- 110,000 hectares
- 110,000 families benefited
- 50% increase in bean yields
- Annual income increase US$ 431/ha
- Creation of 12,000 permanent jobs
STRENGTHENING THE COFFEE VALUE CHAIN

Starting Point

- 5% of GDP; 35% of Agricultural GDP
- US 1,500 M
- Production (92% small, 7% medium, 1% large)
- > 120,000 producer families
- ± 1 Million jobs

- 309 associations ↔ 682 intermediaries ↔ 59 exporters
- 380,442 mz production
- 43,276 mz of seedlings
- 7.6 millions qq produced
- 21 qq /mz yield
- > 92% under shade

Business Vision

- Increase productivity and technology adoption
- Improve quality standards and impacts on sales price
- Strengthen associativity

Objective

Strengthen the coffee value chain, implementing a climate-inclusive production and transformation model that includes mitigation actions throughout the chain.

Incentives

- Expanding market (e.g. China, US, Europe)
- Niche market in specialty coffee
- Farms under agroforestry systems facilitating due diligence
- Developed Export Agro-logistics
- High quality validated genetic material in the coffee chain
InVESTMENT NOTE
STRENGTHENING THE COFFEE VALUE CHAIN

Investment Plan
Total Investment: US$ 20.8 M
Government Investment: US$ 2.2 M
Private Investment: US$ 2.1 M
External Financing: US$ 16.6 M

IRR (%): 20.1%
NPV (12%): US$ 16.1 M
B/C Ratio: 3.5

Sustainability Benefits
- Beneficiaries: 2,110 producers managing agroforestry systems to diversify their income
- 4,230 ha of coffee renewed
- 50 improved processing facilities
- 1,200 producer members of the cooperatives gaining access to market benefits
- 5,000 quintals of organic fertilizers from by-products
- Net increment of annual income of US$ 1,231/household
- 2,110 new permanent jobs
- Potential Mitigation: -184,657 tn CO2e

Opportunity 1: Environmental Sustainability in Coffee Farms

Destination of the Investment
- Renovation of coffee plots with agroforestry systems to achieve environmental sustainability.
- Diversification of the income of coffee growing families through wood and fruit production.

Opportunity 2: Efficient and Sustainable Processes in Coffee Processing

Destination of the Investment
- Improvement of the infrastructure of the processing plants
- More eco-efficient equipment
- Efficient treatment systems for the management of coffee by-products.
- Centers for the production and elaboration of organic fertilizers using coffee by-products

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Hand-in-Hand Initiative
INVESTMENT NOTE
STRENGTHENING THE COCOA VALUE CHAIN

Starting Point

- 6000 hectares of cocoa
- Annual production in MT: 2,100 (2020), 1,700 (2021), 2,300 (2022, projected)
- 40% of farms under development
- Average Yield: 310-495 kg/ha

Certification:
- 12 organizations
- 1087 producers
- 2091 hectares
- 1132 MT

Genetic Material:
- 35 clones registered at SENASA
- 15 clonal gardens
- 25 nurseries to produce between 300,000 to 1M plants

Capacity
- 28 collection centers (2019)
- 2682 MT fermented
- 899 MT natural drying and 881 MT artificial drying

Business Vision

- Positioning the country brand as a producer of fine cocoa and exquisite aroma
- Strengthen associativity

Incentives

- High quality validated genetic material in the cocoa chain
- Enabling policy environment (e.g. agri-food sector)

Objective

Development and establishment of agroforestry systems with high productivity genetics, disease resistance and high sensory quality.
INVESTMENT NOTE
STRENGTHENING THE COCOA VALUE CHAIN

Investment Plan
Total Investment: US$ 12.2 M
Government Investment: US$ 0.6 M
Private Investment: US$ 2.3 M
External Financing: US$ 9.3 M

IRR (%): 20.9%
NPV (12%): US$ 3.8 M
B/C Ratio: 2.4

Sustainability Benefits
1,000 hectares
2,000 direct beneficiaries and 8,000 indirect beneficiaries
Annual increment of net income US$ 1651/household
188 direct permanent jobs created

Description
Opportunity 1: Technological Innovation

Destination of the Investment

• Development of 18 superior cocoa clones with high productivity and organoleptic quality (genetic mapping).
• Establishment of new areas, technical assistance and training for cocoa producers.

Opportunity 2: Strengthening production and productivity

Destination of the Investment

• Strengthening of organic and fair-trade certification processes
**IMPROVING THE COMPETITIVENESS OF THE HONEY VALUE CHAIN**

**Starting Point**
- 3,835 beekeepers
- 80,000 hives in production
- Annual production 1356 MT
- Estimated demand of 1752 MT
- Yield of 17 kilos per hive
- 21 hives per production unit
- 1 kilo of honey consumption per household
- 32 collection centers, 3 certified processing plants; there is no traceability system.
- Imports from El Salvador, Guatemala (95%) valued at US$1 M.

**Business Vision**
Satisfy 100% of the national demand for honey in the country.

**Objective**
Improve the competitiveness of the honey value chain by increasing production and productivity

**Incentives**
- Exploitation of growing niche market
- Unmet domestic demand (23% imported)
- Enabling policy environment (e.g., agri-food sector)
**Investment Plan**

- Total Investment: US$ 7.3 M
- Government Investment: US$ 0.56 M
- Private Investment: US$ 1.1 M
- External Financing: US$ 5.6 M

**IRR (%):** 24%

**NPV (12%):** US$ 10.3 M

**B/C Ratio:** 1.19

**Sustainability Benefits**

- 2,000 beekeepers benefited
- 10 Associations
  - Productivity of 47% (from 17 to 25 Kilos per hive, minimum)
  - 500 MT of honey at the end of the 5th year
  - Increase in family income by US 686/household

**Opportunity 1: Strengthening entrepreneurship and production**

**Destination of the Investment**

- 2,000 beekeepers receiving technical assistance and knowledge transfer
- 4,000 beekeepers registered in traceability system
- 10 Associations strengthened through technical assistance and training
- 20 Beekeeping Farmer Field Schools (FFS)

**Opportunity 2: Financial access**

**Destination of the Investment**

- 2 Funds for 2000 beekeepers

**Opportunity 3: Improved infrastructure**

**Destination of the Investment**

- 10 improved collection centers
- 20,000 new hives
**Institutional Ownership**

Leadership and coordination of the Government of Honduras through PRONAGRO and AGRONEGOCIOS of SAG; support from CNI.

*Eventos Nacionales exitosos de fomento a la inversión para el sector agrícola*

**National Forums**

- Support through constant dialogue with the GoH, the Ministry of Foreign Affairs and the **FAO Investment Center**.
- Successful forum in Santa Barbara, with purchases and negotiations established for the German market.

**Value Chains and Prioritized Territories**

- Alignment of chains prioritized by HIH in Honduras with items under flagship programs (COMRURAL/WB, PRO-OCCIDENTE/IDB).
- Potential for national synergies with international cooperation agencies such as AECID, Swisscontact, Heifer, Ayuda en Acción, IICA, etc.

**Dynamic and interactive Process**

- The investment notes have been updated to 2023 and formulated with the support of the main national counterparts: SAG, IHCAFE, FHIA, DICTA/SAG; PRONAGRO/SAG, CNI, Chambers of Commerce.
## BEAN SEEDS

**Investments (USD)**
- Total Investment: US$ 8.9 M
- Government Investment: US$4.2 M
- External Financing: US$ 4.7 M

**IRR (%)**: 39.3%
**NPV**: US$ 5.8 M

**Sustainability Benefits**
- Beneficiaries: direct 110,000; indirect 440,000
- 110,000 ha
- 100 ha planted with certified seed production
- Annual income increase of US$431/direct beneficiary
- 12,000 new jobs
- Public-Private Partnerships for the establishment of Processing Centers

## COFFEE

**Investments (USD)**
- Total Investment: US$ 20.8 M
- Government Investment: US$ 2.2 M
- Private Investment: US$ 2.1 M
- External Financing: US$ 16.6 M

**IRR (%)**: 20.1%
**NPV**: US$ 16.1 M

**Sustainability Benefits**
- Beneficiaries: direct 2,110; indirect 8,440
- 4,230 ha
- 50 improved processing facilities
- 1,200 producer cooperative members accessing market benefits
- 5,000 quintals of organic fertilizer from by-products
- Annual income increase of US$1,231/direct beneficiary
- 2,110 new permanent jobs

## COCOA

**Investments (USD)**
- Total Investment: US$ 12.2 M
- Government Investment: US$ 0.6 M
- Private Investment: US$ 2.3 M
- External Financing: US$ 9.3 M

**IRR (%)**: 20.9%
**NPV**: US$ 3.8 M

**Sustainability Benefits**
- Beneficiaries: direct 2,000; indirect 8,000
- 1,000 ha
- Annual income increase of US$1,651/direct beneficiary
- 188 new permanent jobs

## HONEY

**Investments (USD)**
- Total Investment: US$ 7.3 M
- Government Investment: US$ 0.6 M
- Private Investment: US$ 1.1 M
- External Financing: US$ 5.6 M

**IRR (%)**: 24%
**NPV**: US$ 10.25 M

**Sustainability Benefits**
- Beneficiaries: direct 2,000; indirect 8,000
- 20,000 new hives with yields from 17 to 25 kilos per hive
- 300 MT of honey
- Annual income increase of US$686/direct beneficiary
- 10 collection centers with production infrastructure