

## ***Executive Summary Honduras***

A detailed analysis of the Ornamental Plant Sector shows that Honduras has vast potential to increase its share in the world market. In 2001, the estimated export value of Ornamental Plants and Plant Material from Honduras was US\$ 2.6 million. Developments on the world market, including strong growth expected from the former East Block countries in Central and Eastern Europe, and regular growth of the markets in the USA and Europe, indicate that there is sufficient room for expansion of the total global production area. Honduras has the potential to benefit from this growth.

### **COSTA RICA**

In particular, present developments in Costa Rica, will have implications in the short run. Costa Rica is by far the largest producer of Ornamental Plants in the region of Central America. The cost factors labor, land and higher import levies especially for Costa Rican products entering the EU are becoming a threat though to Costa Rica. As a direct result, companies in Costa Rica, several of whom are joint ventures with Dutch parties, are looking for alternatives nearby.

Honduras is a good candidate to take over part of the production. Factors like low labor costs, a variety of climate zones and very good harbor facilities are important factors. For Honduras this process could result in a boost of the export value of Ornamental Plants of tens of millions of dollars.

### **FORWARD INTEGRATION**

A crucial development in the Ornamental Plant Sector world-wide is the choice for Forward Integration and the shortening of the Production Chain. Forced by rising production costs in Europe and the USA, importers and retailers try to shift (parts of the) production process to low cost countries. Honduras can benefit strongly from this trend. Employment for labor will increase substantially when new investments are made and major parts of the production process will be shifted to Honduras. Profit margins will increase strongly for Honduran producers through Forward Integration.

### **WEAK POINTS AND THREATS**

At present, the major shortcomings and threats in the sector in Honduras are:

- ◆ Insufficient financial facilities
- ◆ The threat of natural disasters
- ◆ Insufficient knowledge and understanding of the sector with Honduran banks
- ◆ The present government legislation is not facilitating exports and development of private enterprise enough
- ◆ Companies are not equipped to serve markets and adapt to changes in the world market
- ◆ Producers have insufficient in-depth knowledge of the world-wide Ornamental Plant Market
- ◆ The producers in Honduras are (almost completely) dependant on a small number of buyers
- ◆ The Ornamental Plant Sector in Honduras at present has insufficient critical mass
- ◆ The environmental measures taken at many individual farms will not be acceptable for buyers in the near future.

### **REQUIRED INITIATIVES**

In order to develop the Floriculture/ Ornamental Plant Sector in Honduras to its full potential, the following initiatives will have to be taken:

- ◆ Increase the knowledge about and understanding of the sector among banks and government
- ◆ Increase the awareness of the government of the (day-to-day practical) needs of export companies
- ◆ Simplification of government procedures, related to exports of Ornamental Plant products
- ◆ Initiate the introduction of Forward Integration and shortening of the Production Chain
- ◆ Credit lines should be made available for investments on farms, aimed at Forward Integration
- ◆ Investments should be made in polyhouses and farm equipment, appropriate for Honduran conditions
- ◆ The risks of natural disasters should be covered or mitigated by way of the creation of insurance facilities
- ◆ Companies should be certified in accordance with demands of European buyers/retailers in the fields of environment and social issues
- ◆ Increase the knowledge of Honduran producers in Marketing, Finance, Environment and Management
- ◆ Implementation of environmental protection measures at farms
- ◆ Establishment of an Extension Service for day-to-day technical support of producers in the field
- ◆ Promotion among foreign companies to start operations in Honduras.

### **TRAINING PROGRAM**

A Training Program has been formulated, focussing on a better perception of and improvement of skills related to:

- ◆ Developments on the World Market of Ornamental Plants/Floriculture
- ◆ The necessary investments

- ◆ Requirements of modern entrepreneurship in the broadest sense.

The Training Program is aimed at economic growth and sustainable development, and is meant for 3 categories involved: bankers, government employees and producers.

## **INTEGRATED APPROACH**

It is recommended to execute the Training Program on the basis of an Integrated Approach. Some parts of the program will be necessary even when no investments for Forward Integration are made, to ensure continuity of delivery and quality. Other components of the Training Program would lose (part of) their importance when no capital investments are made.

The impact on the Ornamental Plant Sector of Honduras will reduce when only parts of the Training Program are executed.

## **INVESTMENTS**

Some recommendations are made regarding investment requirements aimed at facilitating Forward Integration. A detailed study at farm level is required to establish the exact capital requirements for each individual farm. A separate study should determine the ways to improve the cold storage facilities at the airport of San Pedro Sula.

## **RECOMMENDATIONS**

In a separate chapter, recommendations are made on issues that do not fall within the scope of the Training Program or the original scope of the assignment. In a Memorandum of Recommendations, important issues are raised that should be addressed to improve the environment in which producers in Honduras have to operate, in the fields of: Finances, Insurance Facilities, reorganization of the Plant Health Service and the improvement of other government services, more notably Customs.

## **TIME TABLE, BUDGET AND ORGANIZATION**

It is envisaged that the entire Training Program can be completed within two years. The sequence in which the various training components are executed is of great importance, as well as the implementation of the investments as proposed.

The costs of the Training Program aimed at the producers are estimated at approx. [REDACTED] including all costs. The Training Program for government officials are estimated at approx. [REDACTED] and the Training program for bankers at approx. [REDACTED].

Further research into the exact requirements of investments in individual farms in Forward Integration, the possibilities for coffee growers to enter the Ornamental Plants Sector/Floriculture, the formulation of a Promotion/Marketing Communication Plan, the set-up of a Market Information System and the reorganization of the Plant Health service would cost approx. [REDACTED].

It is advised to let PLANTAFLOH take the responsibility of the day-to-day organization and co-ordination of the Training Program.