SMALL FARMER LIVESTOCK DEVELOPMENT PROJECT

Review of Beef Marketing and Pricing structure In Honduras

Prepared for:

U.S. Agency for International Development

Under Contract No. PDC-1406-1-22-1142-00

Work Order No. 22

by:

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June 1983

EXPERIENCE, INCORPORATED
MINNEAPOLIS MINNESOTA 55402

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I. A REVIEW OF THE FLOW OF ANIMALS FROM PRODUCER TO MARKET

A. Existing Program of Re-Pasturing Cattle

During the four years of 1979-1983 since the description of the livestock industry in Honduras in "Credito Agropecuario-Diagnostico y Recomendaciones" for the Banco Nacional de Fomento, October, 1979, there have been few or little changes in the production, calving rate, mortality rate of calves and mature animals, and the time to reach desirable marketing weight of cattle under the management of the small farmer.

There have been a number of changes in both the marketing structure and the prices offered for both mature animals and for calves that the small farmer would like to take to the market.

One of the most notable changes in the marketing structure in Honduras is the number of times that an animal changes hands between its birth and the time that it reaches 600/700 pounds average slaughter weight by the commercial slaughterhouses. Both in the public markets of the municipalities of

Tegucigalpa and San Pedro Sula and in the corrals of Commercial slaughter houses, the number of brands on the sides of an animal have decreased from a high of six to eight brands on an animal in 1979/80 down to as low as 2/4 brands in 1983. This is an indication that the animal has been on one farm or has been owned by each producer for a longer period of time in 1982/83 than was true in 1979/80.

One of the important factors in this slowing in the changes of ownership has been the quantity of animals purchased by the meat packing industry to insure that they will have enough animals to utilize their packing plants more efficiently. Purchasing animals to place in a program of re-pasturing, either through placing the animal with other selected growers by paying for the difference in weight at time of placing the animal and the time of taking the animal for slaughter and/or placing on pastures either owned by the company and/or rented and operated by the company, has almost doubled in the last four years.

The information that has been provided does not represent the entire numoer of head that is in the re-pasturing program. These figures do indicate that the marketing structure has been and is being changed in Honduras. The re-pasturing program is of sufficient size to make an economic impact on the market. The packing companies have indicated that they had approximately this number of cattle in their own programs at this time (June, 1983). See Table I.

TABLE I

Approximate Number of Cattle in Re-pasturing Program in Honduras - June, 1983

Name of Company	Number of Head of Cattle
Empacadora Alus, S. A., San Pedro Sula	11,000
Empacadora Cortes, S. A., San Pedro Sula	13,000
Grupo Ganadero	14,000
Oriente Industrial, Danli	
Catacamas International, Catacamas	
Empacadora del Norte, Puerto Castilla	5,000
TOTAL	43,000

These figures are approximate. They do not represent the many private individuals, both large and small operators, who are now carrying and are planning to carry all their cattle through October and/or November, 1983, before placing on the market. It does serve as a guide or a firm indication that the marketing structure of cattle in Honduras is changing, can change, and will continue to change, through the next five years. In general, this indicates trend to market cattle of a heavier weight both within Honduras and for the purposes of export.

All these companies indicated that there are more young cattle available (300 to 500 lbs.), and that there are more improved pastures available to rent. In addition, the companies indicated they have an additional capacity to stock 20/30% more cattle either in unused pastures of their own, or place in pastures they could rent, or place with either small, medium (up to 50/100 head), or on large scale haciendas. At the present time they are limited primarily by the availability of credit to purchase the animals or to reloan to producers to increase the number in the re-pasturing program.

The existing program of re-pasturing (purchasing light weight cattle and placing on better and/or improved pastures until an acceptable slaughter weight) is well established in Honduras.

The program, primarily fostered by the private-commercial sector, has made its impact on the market for 300/500 lb. animals owned by the small farmer. A wide range of prices is offered for these animals, but most farmers or producers owning only one or two animals are aware that L 0.60 per pound is the going rate.

Unfortunately, the small individual does or must sell his animal to the trucker or entrepreneur who is either buying for himself or is purchasing for a buyer. A man in the field every day can come within 3 to 8% of judging an animal's weight. Unfortunately for the small farmer, the buyer usually enters the negotiations not prepared to sell his animal at the existing market price. If they agree on the weight, it is usually at considerably below the animal's real weight. In addition, the animal has usually been held overnight in a dry lot, or walked to the nearest village or town on a selected day and held without either feed or water until sold. These two actions alone will cause the animal to lose a minimum of 10 to 12% weight, representing a 30/36 lb. weight loss, plus whatever else the buyer negotiates for the seller to pay as transportation and commission cost. Finally, the buyer is purchasing on his estimated weight basis, as that is the way he will be paid when he sells the animal or collects his commission. The seller (small farmer or producer) sells on a negotiated unit price for the animal. The normal loss on this type of sale by a small producer represents a minimum of 25/30% of the animal's actual worth on the day of sale.

B. Financing of Re-Pasturing Program

The financing of the cattle industry through private banks in Honduras indicates the following:

1. Both banks that participated in the interviews indicated that approximately 20% of their portfolio was loaned for the purpose of financing the livestock industry in Honduras.

2. The private banks loan the money to the livestock producers at the rate of 11% if the funds are from loan funds of the Central Bank of Honduras that was capitalized by the loan funds from the World Bank.

3. If the Banks are using their own capital, then the loan rate to the commercial slaughterhouses is generally at the rate of 17%.

4. The commercial slaughterhouses reloan and/or actually purchase and place the cattle with the small or independent operator for fattening the cattle at the rate 18 to 21% depending on the size (number of cattle) of the loan and condition of the pasture and facilities of the small producer.

5. The private banks indicated that of the 20% of their portfolio allocated to the livestock industry of Honduras, 80% of the allocated portfolio was loaned to the commercial meat packing plants. As can be seen in Table I, most of those funds represent direct investment by the meat packing industry either in animals which they purchase and place out for fattening, or which they purchase and place on their own haciendas.

6. Loans made by the banks directly to a livestock producer represent only 20% of their livestock portfolio, and interest rates to the individual borrower range from 18 to 20%

7. Both banks have indicated that the rate of default or failure to pay by the commercial meat packing industry has been zero. They also indicated that the rate of default by individual producers has been extremely low--less than loans for industry or mercantile loans.

8. Neither of the commercial banks are providing loans to the small farmer except from funds provided by the World Bank. These loans generally would not meet AID criteria for small farmers.

C. Flow of Cattle to Market

1. Small farmers with Few Cattle

The flow of cattle to the market--when the cattle originate on a small farm--is primarily to either a buyer for the meat industry to place on a re-pasture program and/or to his neighbor who may purchase primarily for re-pasturing, then to a re-pasture program owned by a large scale operator, and then to the slaughter plant. Only a very few cattle (cows that have aborted, are too old or sick, or have been injured) are sold by the small producer. Naturally, cows from small prodcers in this condition are going to bring less than the going market price. In addition, the distance to the market, the buyer, the trucking fees, and the shrinkage experienced enroute to the slaughter plant should be considered.

2. The Flow of Cattle from the Farm to the Market: Dual Purpose Farms

The flow of cattle to the market from almost any farm where the owner has twenty or more cows depends to a large extent on the type of operation he is trying to maintain. The owner who is operating a dual purpose operation "Beef/Milk" is generally restricted in his land area from 20 to 50 hectares and does not have enough land area to provide sufficient pasture and feed during the five or six months of dry season to retain his calves after weaning. Generally the calves will be weaned at the end of four to six months. If he is trying to secure more milk, he may wean earlier; but the custom or belief is held by this type of farmer that he must continue to give the calf part of the milk or the cow will not retain her milk flow and will go dry.

Generally calves that are sold from this type of operation will pass through the hands of his neighbors and then through three or more other owners prior to moving to the slaughterhouses. Sales of calves by operators of dual purpose are generally negotiated on an individual basis and have very little real relationship to current market prices. Depending on the operator, he may secure higher value or lower value, reflecting conditions in the community and current demand at the time of sale more than prices in the market.

D. Flow of Cattle to Market for Processing

1. Export Processing Plants

Approximately 20 to 30% of the cattle purchased for processing by the export processing plants have been purchased from one to two years before they are actually killed for slaughter. If credit were available, the export processing plants would either purchase more cattle to place under their own management or would purchase the cattle and place them in a re-pasture program with both the small and the large farmers.

Cattle weighing less than 700 lbs. cost the processing plant more to handle for the net amount of meat suitable for export than the heavier weight cattle.

Generally in Honduras, the net amount of meat suitable for export will vary in direct proportion to the weight of the animal. The following are some guideliness that have been developed from the written records of several of the slaughterhouses in Honduras. These guidelines will vary from animal to animal, but note in the tables for CORSA, S. A. of San Pedro Sula, and Table II 'Cuadro de Libras Producidas, Reses Sacrificadas y Libras Exportadas en el Ano 1981, and Table III 'Cuadro de Libras Producidas, Reses Sacrificadas y Libras Exportadas en el Ano 1982, increase in weight of twenty-one lbs. provided a one percent increase in the net amount of boneless meat for the year 1982 over the year 1981.

In the case of ALUS of San Pedro Sula, an increase in average weight of only four pounds brought about an increase in the net amount of boneless beef by one percent. See Table IV 'Cuadro Comparativo de Libras Producidas, Reses Sacrificadas y Libras Exportadas en los Anos 1981 y 1982. There are other factors that enter into this net increase in meat for export which are important, such as the percent of shrinkage the cattle have gone through before slaughter (hours without food and water and the percent of shrinkage that the carcass sustains in the overnight chilling prior to its processing in the packing plant.

Nevertheless, written records of groups of animals weighing the following are more representative than the annual averages in the attached tables:

Empacadora Cortés, S. A. de C. V.

Apartado Postal No. 255

San Pedro Sula, Honduras, C. A.

Cable "CORSA"

Tels: 54-26-73
54-47-51

TABLA II

CUADRO DE LIBRAS PRODUCIDAS RESES SACRIFICADAS Y LIBRAS EXPORTADAS EN EL AÑO 1981

M E S E S	RESES SACRIFICADAS	LIBRAS PRODUCIDAS	LIBRAS EXPORTADAS	PESO PROMEDIO	PROMEDIO PRODUCCION POR RE
ENERO	4,048	965,654	444,577	679	238
FEBRERO	4,477	1.014,425	969,581	655	227
MARZO	5,140	1.130,677	1,235,399	643	220
ABRIL	3,632	816,139	785,711	663	225
MAYO	5,561	1.262,362	1,278,207	662	227
JUNIO	5,642	1.240,806	1.168,737	634	220
JULIO	6,546	1.508,873	1.346,565	663	230
AGOSTO	5,006	1.155,604	1.008,233	690	231
SEPTIEMBRE	6,047	1.503,071	1.307,559	698	248
OCTUBRE	5,276	1.269,668	1.223,916	686	240
NOVIEMBRE	4,704	1.139,756	1.055,588	684	242
DICIEMBRE	1,000	230,484	593,336	661	230
	57,079	13.237,519	12.437,409	668	[illegible] *35%

* 35% representa el porcentaje neto promedio de carne deshuesada de ganado procesado por Empacadora Cortés, S. A. de C. V. en 1981.

Empacadora Cortés, S. A. de C. V.

Apartado Postal No. 255
San Pedro Sula, Honduras, C. A.

Cable "CORSA"
Tels: 54-26-73
54-47-51

TABLA III

CUADRO DE LIBRAS PRODUCIDAS RESES SACRIFICADAS Y LIBRAS EXPORTADAS EN EL AÑO 1982

M E S E S	RESES SACRIFICADAS	LIBRAS PRODUCIDAS	LIBRAS EXPORTADAS	PESO PROMEDIO	PROMEDIO PRODUCCION POR R
ENERO	3,635	889,784	59[illegible],158	669	245
FEBRERO	3,180	801,317	6[illegible]3,617	681	252
MARZO	3,453	830,957	[illegible]39,457	669	240
ABRIL	2,968	737,190	63[illegible],644	691	248
MAYO	3,884	912,434	[illegible],277	662	235
JUNIO	3,153	749,406	7[illegible],901	662	237
JULIO	3,891	928,618	[illegible],563	678	238
AGOSTO	3,837	945,749	[illegible],459	700	246
SEPTIEMBRE	3,922	991,123	[illegible],511	703	253
OCTUBRE	4,113	1.060,877	[illegible],406	714	258
NOVIEMBRE	4,893	1.246,249	1,[illegible],221	712	255
DICIEMBRE	2,048	534,475	[illegible]10,549	729	261
	42,977	10.628,179	[illegible],763	689	247 * 36

* 36% representa el porcentaje neto prome[illegible] [illegible] carne deshuesada de ganado procesado por Empacadora Cortés, S. A. [illegible] en 1982.

EMPACADORA ALUS, S.A. de C.V.
P.O. Box 605 Tel 523856
SAN PEDRO SULA, HONDURAS, C.A.

CUADRO COMPARATIVO DE LIBRAS PRODUCIDAS, RESES SACRIFICADAS Y LIBRAS EXPORTADAS EN LOS AÑOS 1981 y 1982

TABLA IV

MESES	1981 RESES SACRIFICADAS	1981 LIBRAS PRODUCIDAS	1981 LIBRAS EXPORTADAS	1981 PESO PROMEDIO	1981 PROMEDIO PRODUCCION POR RES	1982 RESES SACRIFICADAS	1982 LIBRAS PRODUCIDAS	1982 LIBRAS EXPORTADAS	1982 PESO PROMEDIO	1982 PROMEDIO PRODUCCION POR RES
ENERO	5,754	1,296,790.5	1,262,052.5	682	225	3,155	717,658.5	622,799.0	660	227
FEBRERO	5,009	1,087,958.0	1,052,926.0	665	217	2,988	661,862.0	635,979.0	648	222
MARZO	4,381	930,683.0	936,831.0	656	212	3,304	762,449.0	555,102.5	670	231
ABRIL	3,502	800,366.0	729,457.5	693	228	2,746	643,835.0	622,984.5	681	234
MAYO	5,224	1,182,856.5	1,278,171.0	692	226	3,662	820,563.0	923,371.5	661	224
JUNIO	4,982	1,135,965.5	1,068,936.0	681	228	3,336	751,562.5	625,542.0	653	225
JULIO	5,236	1,178,265.0	1,027,122.5	675	225	3,932	933,438.0	858,521.0	687	237
AGOSTO	5,689	1,295,866.0	1,344,658.0	683	227	3,409	806,023.0	848,503.5	690	236
SEPTIEMBRE	5,561	1,309,909.0	1,236,847.5	711	236	3,632	907,793.5	901,425.0	711	250
OCTUBRE	5,591	1,343,865.0	1,314,750.5	707	240	4,588	1,149,850.5	1,098,720.5	718	251
NOVIEMBRE	3,983	882,326.5	796,181.5	649	224	4,326	1,047,330.5	1,026,263.0	708	242
DICIEMBRE	600	133,391.0	280,888.0	661	222	2,410	608,838.5	645,068.5	727	253
	55,513	12,586,182.0	12,328,820.0	680	332 1/	41,488	9,811,204.0	9,363,280.0	684	236 352 2/

1. 332 representa la cantidad neta promedio de carne deshuesada por Empacadora Alus por ganado destazado en 1981

2. 352 representa la cantidad neta promedio de carne deshuesada obtenida por Empacadora Alus por ganado destazado en 1982.

TABLE V

ALUS, S. A. -- San Pedro Sula

BULLS

Average	Live Weight of Animals	Net Weight Boneless Meat	Percent
	643.63 lbs.	205.77	31.9
	685.00	225.50	32.9
	729.91	249.83	34.2
	845.57	307.99	36.4

generally speaking cows will average 3 to 5% less boneless meat than bulls or steers.

Killing cows weighing less than 700 lbs. will generally average only 29 to 31% net meat for export

2. Export Plants Marketing within Honduras

The export plants of Honduras would have no trouble meeting the requirements of marketing at a minimum of 10% of their edible meat products within the country. Actually, most of them could exceed this quantity in terms of hearts, tongues, and other cuts that would bring a higher price outside Honduras. It is easy to place the responsibility for a meat shortage in the retail market on the export plants, but they are not the source of the primary problem in the internal marketing of beef in Honduras.

3. Flow of Cattle to Municipal Plants

The Municipal Plant of Tegucigalpa slaughtered 43,949 cattle in 1982. At the time of review, the cattle being slaughtered in June, 1983, would have averaged less than six hundred pounds liveweight on foot. Nevertheless, the Tegucigalpa slaughterhouse was killing cattle averaging less than 600 lbs. which is considerably below the average weight of animals killed by the commercial export slaughterhouses. The Tegucigalpa slaughterhouse paid a net return of approximately six percent on the investment made by the municipality, though it processed only two of the by-products (meat and bone, meal and tallow).

The municipal plants of both Tegucigalpa and of San Pedro Sula render a slaughter service to the community--primarily to the mercantile restaurants, institutions, municipal and private markets, including the super markets.

The municipal slaughterhouses have no control over the size, weight, or condition of the animal; the animal is inspected by the Honduran Inspection Service, and if it passes inspection, it goes to market. These plants are able to process only a limited amount of the waste. See Table VI "Cuadro Comparativo de Ingresos: Ano 1982," Procesadora Metropolitana de Carnes (PROMDECA) which processes only meat and bone meal and tallow. It does not have the equipment to process blood meal. The blood is washed down the drain or sewers. Nor does it retain any of the by-products or offal.

TABLA VI

EMPACADORA METROPOLITANA DE CARNES (PROMDECA)

CUADRO COMPARATIVO DE INGRESOS AÑO 1982

MESES	BOVINOS		PORCINOS		HARINA		SEBO		OTROS	TOTAL INGRESOS	DEVOLUCIONES REBAJAS	INGRESOS NETOS
	CANT	VALOR	CANT	VALOR	CANT	VALOR	CANT	VALOR				
ENERO	3,693	66,474.00	4,788	47,880.00	41,760	12,068.00	23,200	11,600.00	789.00	138,811.00	210.00	138,601.00
FEBRERO	3,638	65.484.00	4,929	49,290.00	42,520	12,096.00	24,800	12,400.00	263.00	139,533.00	274.00	139,259.00
MARZO	4,031	72,558.00	5,387	53,870.00	33,300	9,970.00	27,200	13,600.00	594.00	150,592.00	119.00	150,473.00
ABRIL	3,227	58,086.00	3,974	39,740.00	60,025	17,034.50	7,120	3;560.00	252.00	118,672.50	346.00	118,326.50
MAYO	3,490	62,820.00	4,364	43,640.00	13,530	4,059.00	11,600	5,800.00	362.00	116,681.00	294.00	116,387.00
JUNIO	3,616	65,088.00	4,662	46,620.00	19,010	5,703.00	23,600	11,000.00	306.00	128,717.00	387.00	128,330.00
JULIO	3,759	67,662.00	4,397	43,970.00	64,140	19,242.00	23,200	10,500.00	716.00	142,090.00	1,039.00	141,051.00
AGOSTO	3,693	66,474.00	4,250	42,500.00	45,135	13,540.50	31,404	13,760.00	265.90	136,540.40	820.50	145,719.90
SEPTIEMBRE	3 560	64,080.00	4,756	47,560.00	49,140	14,742.00	32,400	14,780.00	808.50	141,970.50	473.00	141,497.50
OCTUBRE	3,775	67,950.00	4,863	48,630.00	31,225	9,367.50	23,200	10,440.00	802.00	137,189.50	691.00	136,498.50
NOVIEMBRE	3,603	64,854.00	5,557	55,570.00	34,685	10,405.50	34,400	15,480.00	692.30	147,001.80	703.00	146,298.80
DICIEMBRE	3,864	69,552.00	6,835	68,350.00	42,950	12,885.00	37,600	16,920.00	766.90	168,473.90	.920.00	166,553.90
TOTALES	43,949	791,082.00	58,762	587,620.00	477.420	141,113.00	299,724	139,840.00	6,617.60	1,66,272.60	7,276.50	1,658.996
PROMEDIO	3,662	65,923.00	4,897	48,968.33	39,785	11,759.42	24,977	11,653.33	551.47	138,856.05	606.38	138,249
PROMEDIO DIARIO	161	2,898	285	2,847.92	1,790	536.87	1,567	705.00	31.95	7,019.75	480.00	6,939.25

The Municipal Plant of San Pedro Sula provided only a limited amount of records. The records indicated it killed or processed into dressed carcasses animals with an average weight of 600 to 700 lbs. on foot. These animals average approximately 50 to 100 lbs. heavier than the animals killed in the Tegucigalpa plant.

The Municipal Plant of San Pedro Sula does process tallow; it does not process the trimmings or waste. It does wash the blood into a sump which is pumped into a tank truck and is sold to ALUS.

The most important factor that these two municipal plants contribute to the livestock industry in Honduras is providing meat for the internal market of Honduras, primarily the two cities. Since the owner of the animal at the time it is delivered to the municipal slaughterhouse pays only a service fee, he is entitled to and receives all offal, heart, stomach, intestine, head, hides and horns, and all by-products except that which is trimmed off, and the blood.

Generally speaking, the animals are brought to the slaughter house by a trucker or purchaser who is buying for an institution, meat market, or supermarket; or he may purchase the animal and then market sides or quarters, or any part of the carcass on his own.

The animal is generally slaughtered the day it is brought to the slaughterhouse. If the corrals are empty, it is slaughtered immediately. If brought in the afternoon, it is held over to the next day to kill.

Both plants reported that only large scale cattlemen who are selling their animals under a specific contract to a meat market normally bring their own cattle, have it butchered, and sell the carcass and offal to the buyer but retain title to the hides.

Very few of the small cattlemen who own only a few head of cattle bring these into the slaughterhouse and have the animals slaughtered and then try to market their own meat. Both slaughterhouses reported less than 10% of the cattle that they slaughtered are processed for owner-producer.

More than 60% of the cattle slaughtered at Tegucigalpa should have been placed in a re-pasturing program. At the San Pedro Sula the average weight of the cattle was heavier, and approximately 35 to 40% of the animals killed during the period of review should have been returned to a pasture program in order to gain more weight.

Both plants kill more than 60 to 80,000 beef animals a year at weights that average 50 to 100 lbs. less than those killed by commercial export slaughterhouses. The minimum amount of meat lose to internal market of Honduras is approximately 1,980,000 lbs. of boneless meat. This does not include the loss of blood, meat and bone meal, hides, offal, and other by-products.

Finally, in the flow of cattle from the farm to the market in Honduras, the municipal plants under their present method of operation are not an asset to the cattle industry of Honduras, but a liability. Certainly, they perform a service much better than was provided four years ago, but this service feature is in favor of the entrepreneur, merchant or person who brings the cattle to the slaughterhouse, and not to the small farmer.

The small farmer would or should be in a much better position to sell his animals at a minimum of 300 to 400 lbs. of weight to the buyer and/or directly to the commercial meat packing companies to place in a re-pasturing program.

4. Flow of Meat to the Consumer

The consumer purchases his meat in the central market of the town in which he lives, at the meat market, and/or a supermarket. The municipal slaughterhouses do not perform services other than to prepare the carcass by stripping the hides, cutting off the head, removal of the offal and drop, cutting off the shanks and horns, trimming the carcass, and washing it down. At the owner's stated desire, the slaughterhouse either refrigerates it overnight and/or delivers the hot carcass together with its hides and by-products to the owner.

In most cases when the animal has been purchased by the institution, restaurant, market or individual, the carcass is refrigerated overnight and delivered the following day in refrigerated trucks to its destination where it is broken down and processed. Most of the carcasses are broken down by the supermarket, but those reaching the central market or small individual meat market shop break down the carcasses into their own cuts. The bones are generally retained in the cuts or sold as part of the cuts bought by the low income sector.

II. EXPORT MARKETING - U. S. - PUERTO RICO - OVERSEAS

A. Equipment, Cleanliness, and Sanitation

The six operating meat packing plants comply with the regulations of the USDA as to their requirements for the equipment required to process the meat for export and for standards of cleanliness and sanitation. Generally speaking, the cleanliness and sanitation of the plants in Honduras not only equal but exceed that which is required from the same type of plants in the U. S.

B. Quota

Under the present regulations of USDA, there is no quota limitation to marketing in the United States. It is and will continue to be advantageous for Honduras to market as much of their beef as possible in the U. S. in order to establish a record for the purpose of securing the maximum quota, if it should be re-established.

C. Present Marketing Arrangements in the U. S. by Six of the Exporting Plants

The marketing arrangements for meat exported by Honduras is dominated by two of the four principal companies:

1. Grupo Ganadero
   Catacamas International, Catacamas
   Oriente Industrial, Danli

These two plants are a part of a Costa Rican holding company's investment in Honduras. These two plants

a. have their own herds,

b. purchase animals for their own program of re-pasturing,

c. loan funds and/or place cattle on private farms or ranches for fattening,

d. slaughter cattle from their own holdings and from contractors who are fattening cattle for them,

e. purchase 75 to [illegible]0% of the cattle which the plant process from the open market in Honduras,

f. process the cattle completely--including by-products, meat and bone meal, blood and tallow--which is sold in Honduras,

g. could easily meet their quota of meat to be sold in Honduras,

h. export their meat through United Beef Packers of Miami, Fla., which is part of the Costa Rican holding company,

i. sell approximately 15 to 20% of the hides they produce in Honduras,

j. sell another 10 to 15% of their hides to a shoe company not owned by the holding company in El Salvador

k. sell the remaining hides primarily to the shoe company in Costa Rica which is owned by the same holding company.

2. Empacadora Alus, S. A., San Pedro Sula and Carnelandia, Choluteca

These companies are also limited vertical integrated companies. They purchase more of the cattle they process than they hold or produce from their own holdings. Nevertheless, the companies are vertically integrated as follows:

a. They have their own herds.

b. They purchase cattle for their own program of re-pasturing.

c. They loan funds/or place cattle on private farms for fattening.

d. They slaughter cattle from their own holdings and from contractors who are fattening cattle for them.

e. They purchase 85 to 90% of the cattle processed on the open market through a purchasing organization jointly owned with CORSA which is CORRAL, S. A. de C. V. of San Pedro Sula.

f. Alus was the first slaughter plant to establish facilities for processing the cattle and the by-products completely. All meat and bone meal, blood meal and tallow are sold entirely in Honduras.

g. These companies could easily meet their quota of 10% of the meat processed to be sold in Honduras and they frequently exceed this limited amount.

h. These two companies maintain a meat broker's office in both Miami and San Juan, Puerto Rico, with most of the meat being shipped through their own brokerage office to Puerto Rico.

i. They do not sell their hides directly to a processing company They usually secure bids from the U. S., Europe, and Central America and sell through an international broker. They do sell a limited amount of hides in Honduras.

3. Empacadora Cortes, S. A. de C. V., San Pedro Sula

This is perhaps the only company where the majority of the stock or shares is owned by Hondurans. It would not be considered as a vertically integrated company; but it is slowly moving in that direction. This company follows the actions, marketing, and pricing structure of ALUS and CARNELANDIA fairly closely, but not completely. This company does do the following:

a. The owners and the company have their own herds.

b. The company purchases cattle and places them on its own or on rented land for the purpose of fattening the animals.

c. It loans funds or places cattle on private farms for fattening.

d. It slaughters cattle from its own herd and from contractors that are fattening cattle for them.

e. It purchases 80 to 90% of the cattle processed or placed in the re-pasturing program through CORRAL owned jointly with Alus.

f. This company could easily meet or exceed the government mandate to market 10% of its production in Honduras.

g. It markets most of its meat through the same broker's office that ALUS uses, but supposedly does not own or participate in the returns from the earnings of the brokerage office.

h. It markets its hides through international bids from principal hide brokers of U. S., Europe, and Central America; but prices they receive may be less than the current market.

i. This company has all the facilities to process the cattle completely, principally meat and bone meal, blood meal and tallow, but does not process all the minor meat cuts or bile, hooves, lungs, and many other by-products that may be processed. These by-products generally go into the cooker.

4. Empacadora del Norte, Puerto Castillo

This is an individual owned company. It is characterized by its extremely limted vertical integration.

a. The company does own a large ranch area near its installation at Puerto Castilla and rents or may own other land holdings for the purpose of growing or fattening cattle, but this is limited.

b. The company purchases the cattle itself or through local buyers, both for the purpose of processing and for the purpose of fattening.

c. This company carries on a limited re-pasturing program.

d. It maintains its own brokerage offices in Puerto Rico, but it exports more of its meat, or at least as much of its processed meat, to the United States and through its own brokerage office.

e. This company does not process meat and bone, meal, or blood. It does process tallow and trims the carcass more closely than the other companies, rendering more trim, from the same class of cattle.

f. In reviewing the price list of those cuts processed and exported, some of the prices this company receives were higher and some were lower than the current market.

g. The company markets its own hides through the U. S., European, and Central American brokers with a limited amount sold in the Honduras market.

h. In general the company buys heavier weight cattle and tries not to purchase cattle below a minimum of 700 lbs. and would prefer to limit this minimum to 800 lbs.

i. The company plans on a program of expansion, including:

(1) a rendering plant for meat and bone meal and blood meal, processing more of the by-products,

(2) plans to install a tannery and enter into a program of buying more of the hides from small municipalities' markets in the area. These plans depend on the availability of credit.

D. Proportional Share of the Meat Exported from Honduras

There are seven slaughtering plants equipped to meet USDA Standards for exporting meat to the United States. Industria Ganadera Hondurena, S. A., is closed at the present time. IGHSA operated for only two months in 1983 and did not export any meat to the U. S. or to Puerto Rico. The other six plants are owned by four companies. These plants reported the following exports to the U. S. in 1982:

TABLE VII

PROPORTIONAL SHARE MEAT EXPORTED FROM HONDURAS

Company	Metric Tons Exported	Percent of Meat Exported
1. Oriente Industrial	3,046	20
2. Catacamas Internacional	2,644	17
3. Empacadora ALUS	4,256	27
4. Carnelandia	1,119	7
5. Empacadora Cortes	4,387	28
6. Empacadora del Norte	177	1
Total	15,629	100%

These figures indicate that a total of 15,629 metric tons were exported from Honduras to the United States and Puerto Rico, which is only slightly lower than the adjusted figure of the USDA Agricultural Attache of 15,754 M. T.

As can be seen or deduced from the above figures, one company is exporting or brokering a minimum of 34% of the meat exported from Honduras by two plants (ALUS and Carnelandia). Empacadora Cortes (28%) may ship or broker a great deal of its meat through or in association with ALUS, but it is an independent company.

Grupo Ganadero, with Oriente Industrial and Catacamas International, exports approximately 37% of the meat from Honduras. This group (or the two slaughterhouses) has a record of paying a slightly higher price for the cattle produced in its area; and more important, the average weight of animals that it slaughtered in 1982 was 727 lbs. on foot, providing it with a higher dressing percentage.

All of thes companies are subscribers to the "Yellow Sheet. All of these companies have direct telex connections to their brokers. All are aware of the daily change in prices and changes in effective demand in the U. S. and Puerto Rico.

In discussing the details of their packing and shipping of cut that they pack and ship to the U. S. and to Puerto Rico, there was only light variation in the prices they were being quoted, and from the prices currently being quoted from processors of this type of meat in the U. S.

None of the representatives of the company or companies indicated interest in current prices from the U. S. other than what they had received, even though volumewise, it would have been or could have made a significant difference during an entire year.

The most significant difference in prices that was discussed was on the question of salted hides. Telex cables received by the companies indicated that they were currently aware of the demand and prices for hides on the international market. The companies had the volume and quality of hides for which international dealers were willing to pay top international prices.

The current prices for hides was not reflected in the current prices paid for cattle for slaughter.

Finally, it will be extremely difficult to change the marketing of meat exported from Honduras. One group is well managed with a flexible approach on prices which they pay for cattle in Honduras. This group is vertically integrated and well managed, with its own market outlets.

The second group is vertical integrated, but does not include as much or as many products as the first group in its vertical integrated buying, processing, and marketing of its products. This group purchases more cattle at lower prices and lower weights, but markets a greater percentage of the present tonnage of meat exported from Honduras.

The third individually owned company purchases heavier cattle, processes a good quality product, and has its own marketing facilities but is not at the present time a major factor affecting cattle prices in Honduras.

III. A REVIEW OF THE PRICING STRUCTURE IN HONDURAS FOR CATTLE

A. Current Prices for Live Cattle

First and foremost, there is very little current information on the prices paid for live cattle on foot, except that which is passed by word of mouth. The local press, radio, and television only mention local prices as related to cattle when the prices refer to the price of meat in the local market, meat market, and/or supermarket.

The commercial export oriented slaughterhouses have price lists which are released on request, but generally speaking, it is confined to a leaflet printed and published for the specific company in which the slaughterhouse is located.

The recent (last 12 months--June, '82 - May, '83) effective demand for lightweight (yearling or older calves) cattle weighting from 300 to 450 pounds has been constant, and such a large number has been placed on or in a program for re-pasturing that bull yearlings of this weight generally will bring very close to L 0.60 plus or minus L 0.05 depending on condition at time of purchase.

Female yearlings of good quality of similar weight will generally bring L 0.50 lbs.

The small farmer with only one or two animals is generally exploited and may or may not receive the above price which is explained in detail above.

Table VIII,"Precios Pagados en Honduras y Guatemala por Toros en Pie," consists of prices taken from the price sheets distributed by the listed companies. This price sheet represents a guideline. The current prices listed have been reviewed with small farmers, individual cattle owners owning from twenty to fifty cows, and with cattle owners owning from one hundred to one thousand cows. The actual price the cattleman receives in Honduras has little relationship to the announced public price list.

It would appear on the surface and from this price list that Guatemala prices are higher and the Guatemalan cattlemen are benefiting from a better price range.

TABLE VIII

1979 - 1983

Precios Pagados en Honduras y Guatemala* por Toros en Pié

Peso	1979 Honduras	1979 Guatemala	1983 Guatemala Vacas	1983 Guatemala Toros	1983 Corral Toros San Pedro Sula	1983 Toros Norte Castilla	1983 Toros en Pié	1983 Catacamas - Danlí 4/ Peso en Canal	1983 Catacamas - Danlí 4/ Vacas	1983 Catacamas - Danlí 4/ Toros
400-500	.46	.68	- 1/	-	.43 3/	.57	.53	175-229	1.10	1.10
500-600	.52	.70	.68	-	.55	.58	.60	230-279	1.20	1.30
600-700	.55	.72	.70	.72	.62	.58	.65	280-349	1.36	1.37
700-800	.57	.74	.74	.78	.65	.61	.68	350-399	1.38	1.40
800-900	.60	.76	- 2/	.82	.65	.61	.70	400-up	1.40	1.41
900 +	.62	.78		.83	.65	.63	.72			

* Precios convertidos a Lempiras L 2.00 = Q 1.00

1. En los mataderos comerciales en Guatemala no se ofrecen precios por vacas de menos de 500 Lbs. ni por toros de menos de 600Lbs

2. En Guatemala muy pocas vacas se ofrecen por 900 Lbs o más. Arreglos para precios especiales pueden hacerse para vacas de más peso.

3. L 0.05 por libra puede añadirse al precio dependiendo en la condición del ganado, distancia del transporte y la cantidad de la comisión.

4. Precios ofrecidos en canal por vacas y toros - dependiendo de la calidad y la condición puede ser una mejor ganancia por producto.

Essentially, there is no difference in the better quality animals of Guatemala and Honduras at weights averaging 800/900 lbs. In the weight range of 800/900, Honduran cattle averaged 36.4% net meat. At 900 lbs. and above, cattle from Honduras would probably dress out from 37/38%. The essential difference in the price structure in Guatemala and Honduras is not in the difference in the quality of the animals, but in the weight of the cattle brought to market. Note in the price Table VIII, that Guatemala does not even list prices for cows below 500 lbs. nor for bulls below 600 lbs

In Table VIII, note that the plants located at Catacamas and Oriente announce prices from L 0.03/.05 per lb. above those announced by Corral and Norte. Here again, Catacamas and Oriente are more flexible. If the producer sells his cattle on the hook, then the price may be closer to the Guatemalan price. At the weights listed, cattle (bulls) 800/900 lbs. will dress out carcass at 55/62%. Total net income to the producer will be much closer to the Guatemalan prices.

Essentially, the slaughterhouses of Honduras could meet or at least increase their prices by 10% and approach the prices paid in Guatemala. Generally the slaughterhouses in Honduras are receiving only an extremely limited amount of cattle in this weight group (800/900 and up).

Nevertheless, the weight of cattle moving through the export oriented slaughterhouses is increasing. In addition, note that the net amount of boneless meat obtained is increasing. The prices paid by export slaughterhouses have not changed, with the exception of Catacamas and Oriente which have announced a more flexible approach to offering the cattleman an opportunity to secure a higher net price for cattle with a higher dressing percentage.

The small farmer with lightweight cattle will receive the lower range of prices. For lightweight cattle the farmer would or should choose to sell on foot, the dressing percentage will not be to his advantage.

A detailed review of the purchase of heavier weight cattle has been made both in San Pedro Sula and in Tegucigalpa. Essentially, cattlemen with cattle weighing 800 lbs. or more are receiving better prices. See Table IX "Vacas Vendidas en Canal," 29 Marzo, 1983. Tegucigalpa.

TABLE IX

VACAS VENDIDAS EN CANAL

No. animales retirados (vaca)		33.
Peso total en libras (en canal)		15,309.
Promedio peso/animal (lbs. en canal)		464.
Precio a pagar/libra		1.40
Valor a pagar	L	21,432.60
Valor venta de cueros	L	556.60
Ingreso Total	L	21,989.20

In conclusion, the cattleman sold his heavy weight cows very near the price he would have received in Guatemala, but he did not have to haul them to Guatemala. He also chose the price, "en canal" on the hook, hauled the cattle to the slaughterhouse late in the afternoon (after the hot part of the day), the cattle were slaughtered early the next morning, and in addition, he received or retained ownership of the hides which he sold "green" (fresh) at the plant in Tegucigalpa. He also received an average price of L 16.85 (U. S. $8.42) for hides averaging 50 lbs. green weight (fresh). He did not have to haul the hides, salt them, or find a buyer. The company buying the cattle also paid him for the hides.

In summary, the cattle market in Honduras has the following characteristics:

1. Very little ready information is available to the public.
2. The small cattleman selling an individual animal does not have readily available sources of information on:

    a. current prices,
    b. how to sell his animal, the importance of condition or weight, and freedom from "Torsolo" (grubs),
    c. how rapidly an animal will lose weight when moved,
    d. the alternatives of selling by weight, on foot or on the hook (en canal), and how these alternatives can work either for him or against him.
    e. alternative markets: re-pasturing, if light weight; or if above 700 lbs, taking advantage of competitive pricing of the slaughterhouses for export or the price offered by the internal market.

f. trucking cost to market, time elapse, shrinkage, how it can be compensated for, or how/where shrinkage weight could be regained.

3. In investigating the current price structure and marketing conditions, even the medium size and large scale cattleman with more than 50 to 100 head sold their cattle the way they had been selling cattle for years. Very few cattlemen in Honduras are aware of the cost or loss that occurs in moving cattle, the condition of the cattle at time of sale, the alternatives of choosing other buyers (packers, slaughterhouses), time of year, or the spread in prices and methods of selling.

4. A series of seminars could be held which would include marketing cattle by the common or ordinary methods used in Honduras; and then showing the difference in weight and prices received by applying the knowledge that a well trained Honduran uses in selling his cattle.

5. Finally, participants in the Fondo Ganadero Program should permit collective grouping of the animals to be sold to insure:

a. uniformity in weight, size, and condition at time of sale.

b. selling at the time of year that is advantageous to the producer.

c. terms:

(1) condition of pastures

(2) availability of feed

(3) maturity of animal (has it reached it economically-- top weight in terms of gain per day.)

IV. REVIEW OF THE INSTALLED PROCESSING FACILITIES FOR BEEF AND THE PERCENT UTILIZATION OF THESE INSTALLATIONS

A. Capacity and Percent Utilization of the Export Slaughterhouses and of the two Municipal Processing Plants

The capacity of the six commercial slaughterhouses and the two municipal slaughterhouses and the present utilization of this capacity is as follows:

TABLE X

CAPACITY AND PERCENT UTILIZATION OF SLAUGHTERHOUSES

PLANT	LOCATION	RATED CAPACITY	PERCENT UTILIZED 1982
Oriente Industrial	Danli	100	80
Catacamas International	Catacamas	200	50
IGHSA (Closed)	Choluteca	200	0
Empacadora Alus	San Pedro Sula	300	53
CORSA	San Pedro Sula	300	55
Carnelandia	Choluteca	150	30
Empacadora Del Norte	Puerto Castilla	100	5
PROMEDCA	Tegucigalpa	200	85
San Pedro Sula	San Pedro Sula	200	60

Honduras has far more capacity to process meat for export than the present cattle population with its low rate of productivity justifies or requires.

The two municipal slaughterhouses, with very little modification, could increase their capacity by 50%. At the present time, additional capacity of slaughtering animals only for carcasses is not required.

Fondo Ganadero could use the municipal slaughterhouse at Tegucigalpa (PROMDECA) as an alternative method of marketing beef in order to secure more improved prices than are presently offered at the export slaughterhouses. There is a limited market for better quality meat in Honduras. Fondo Ganadero will only have or will be offering only 1,000 to 2,000 head of quality cattle per year in the first two years of operation. This quantity is equal to only five to ten days of operation of PROMDECA, and even all of those cattle will not be coming into market at the same time. The marketing of even this limited quantity at better prices will demonstrate how, when, where, and most importantly, the price differential that may be secured by improved marketing procedures.

The Municipal Plant of Tegucigalpa will only need to increase its facilities to break down the carcass and to increase its refrigeration facilities. One alternative would be to request or to negotiate with Ken Johnson to break down the carcasses into cuts acceptable to the market in Tegucigalpa; he has the facilities, and perhaps, may be willing to take on this additional processing.

Under this procedure, the restricted number of cattle of quality and heavier weight that are and will be available in Honduras could receive the same price that is paid for the cattle of this type in Guatemala. This type of marketing has been established and is being done by a restricted number of Hondurans and they have received prices close to that paid in Guatemala.

The restricted number of heavier cattle available in Honduras would, under ordinary marketing conditions, have forced the export-oriented slaughterhouses to meet or at least to pay the same price for the quality cattle processed in Guatemala. Unfortunately, the small farmer or very few cattlemen or any type have neither the know how, the long term credit, nor the information as to how, when, where, and what weight to market their cattle. Most importantly they are not in the position to secure the information, nor is the information published.

Because of the limited number of heavier cattle moving through the national market, Fondo Ganadero will only have to divert a very small percentage of cattle moving into the present market to secure a major change in the marketing structure in Honduras. Establishing an open market and securing the improved prices will assist in making the necessary changes in the marketing structure in Honduras.

V. REVIEW OF THE OWNERSHIP AND CONTROL OF SLAUGHTERHOUSES IN HONDURAS

Due to the extremely limited amount of time to review the industry, the amount of information on the ownership and control of the slaughter industry was limited; nevertheless, preliminary information provided the following information:

A. Export Slaughterhouses

1. Grupo Ganadero

    a. Oriente Industrial - Danli

    b. Catacamas International - Catacamas

    c. ICHSA - Choluteca - Closed

Sr. Jorge Diaz Coto, manager of the Grupo Ganadero, indicated that the three slaughterhouses were part of a vertical integrated holding company and were operated by a principal holding company in Costa Rica. These installations are rated as vertical integrated as they own and operate the following: ranches, cattle, and slaughterhouses that are completely integrated, processing all the cattle, hides, and by-products. They also market their beef products through a brokerage house and marketing agency in the United States known as United Beef Packers of Miami and forward most of their hides to a shoe manufacturing plant in Costa Rica.

B. Empacadora ALUS - S. A. - San Pedro Sula

Information provided indicates that this is a limited vertical integrated company owned by Honduran and U. S. citizens. It is a limited vertical integrated company, as it does own cattle, ranches, loans money to other cattlemen to produce or fatten cattle for them,and maintains offices in Miami and Puerto Rico to market their beef for them. This company markets its hides through other brokerage offices in Europe, the U. S., and in Central America.

C. Carnelandia - Choluteca

This is a small processing plant in Choluteca. The company has recently changed hands and information indicates that it is owned by the principal stockholders of Empacadora Alus of San Pedro Sula. Information is incomplete as time did not permit visiting Choluteca, nor was the principal stockholder available during the time period.

D. Empacadora Cortes - San Pedro Sula

One of the principal stockholders indicated that this was a limited vertical integrated company of which Sr. Jose Andonie F., was principal stockholder and president of the company, and that Sr. Augusto C. Vargas, general manager of the company, was the other principal stockholder. These stockholders own ranches and cattle, but primarily purchase cattle either for fattening and/or for pasturing through the jointly owned institution known as "CORRAL" of San Pedro Sula. This company indicated that most of its beef was marketed through the same brokerage company that ALUS uses in San Juan, Puerto Rico.

E. Empacadora del Norte

This is a small privately owned plant which purchases most of its animals in an area that is not competitive with the other plants in Honduras. This plant processes only one by-product--tallow--and does place a limited number out on contract for fattening, plus it does maintain and operate its own ranch. This company also markets its own beef and hides.

F. Municipal Slaughterhouse of Tegucigalpa - (PROMDECA)

This slaughterhouse was completed in 1980. It is modern, efficient, and well managed. The plant has been operated as an autonomous agency with its own board of directors. Though owned and by the Municipality of Tegucigalpa, it is separated legally and financially from the Municipality.

Table VI provides the basic information on the operation of the plant in 1982. Additional information indicates that the plant earned approximately 6% net return over and above its cost of operation, administration, and the retirement of the capital invested.

G. Municipal Slaughterhouse of San Pedro Sula

Detailed data on the operation of the slaughterhouse of San Pedro Sula was not available. In reviewing the available data at the plant at the time of the visit, the data was incomplete, piecemeal, and did not represent any certain period of time that could have been checked.

This slaughterhouse operates under the administration of the mayor of San Pedro Sula (Alcalde). Though this plant was completed in 1979, the plant was in extremely poor condition; the building, equipment, and corrals had not been maintained.

This plant could be rebuilt and brought up to its capacity. The Central Bank of Honduras has offered to provide funds for the rehabilitation of the plant, but was turned down by the Municipality of San Pedro Sula, as one of the principal conditions of the loan was the requirement to create a separate legal board of directors similar to the operation of the plant at Tegucigalpa.

VI. A Limited Oligopsonistic Market for Cattle and Beef in Honduras?

A limited oligopsonistic market for beef and cattle in Honduras may be indicated, but detailed investigation does not indicate that even a limited controlled market exists. A limited market does exist, but this is primarily caused from the domination of one company in the market due to a compilation of a number of factors that have contributed to establishing a marketing structure almost unique to Honduras. Perhaps good management, coupled together with capital available for long term loans to cattlemen, and knowledge of the trends in the market has enabled one or more companies to capitalize on their advantages; but there are too many other companies working, loaning, purchasing cattle at different prices, and marketing beef to say that the Honduran market is a controlled market.

The existing marketing structure of beef, cattle, hides, and the resultant by-products is limited by the number of people who have the market information, knowledge of how to secure capital, the trends in the international market, and how and where to market their products.

There are four companies purchasing cattle in Honduras for purposes of processing. These four companies control the seven export slaughterhouses. The four companies have a wide range of prices which they pay for cattle that are not shown in their public price list. The information secured in this review has shown that there are only a few cattlemen who are aware of how, when, and where to sell their cattle. Most of the producers are unaware of the existing alternatives, methods, and companies that are willing to pay better prices than are announced in the public price list.

The private export sector of beef processing is dominant in the existing marketing structure. There are several important factors that make this dominant role extremely important:

(1) The extremely limited amount of credit that is available for the livestock industry from the public and private banking sectors, with the capital available from the private banking sector being channeled through the export oriented slaughterhouses. Note that in section I-B, the two private banks that were interviewed indicated that 80% of their capital allocated for the livestock industry went to or through the export slaughterhouses.

Growing and producing cattle is a long term investment. The private sector banks have many other alternatives for their funds that are more lucrative (net return) than a large number of small scale (amount) loans would earn, and it would require more staff to initiate and supervise than the private banks are interested in employing.

(2) The private sector banks are not interested in long term financing of small farmers. This forces the cattlemen to turn to the export slaughterhouses for funds, cattle, and financing. If the slaughterhouses loan money either for breeding stock or for fattening, one of the requirements of their loans is that the cattle should be sold to or through them.

(3) In the last four years, the amount of selected or improved pastures in Honduras has expanded rapidly, but the common management techniques of breeding, worming, vaccination, use of salt and minerals, protein supplement during the dry season, and control of torsolo (grubs) has not kept up with the program of pasture improvement. More grass is available, but weight of animals passing through the slaughterhouses is still low with very little improvement. (See Tables II, III, and IV).

(4) The program outlined in the Fondo Ganadero offers to be an important factor which could contribute to changing the marketing structure for beef, cattle, and hides in Honduras. The following are a few of the essential points that Fondo Ganadero should consider:

a. The Fondo Ganadero should enter into an agreement with the borrower that if and when the animal is to be sold, the borrower provides Fondo with an opportunity to have the animals sold along with other animals being sold with and for other borrowers from the Fondo. The Fondo should endeavor to market the cattle in groups, never as just a single animal for slaughter. The animals should be grouped from one or more borrowers as to type, weight, size, age, quality, condition, and sex.

b. Bulls and steers that are in the fattening program should remain in the program until they reach a minimum weight of 750/800 lbs For most of the native animals under ordinary management in Honduras, this will also be at a time when the animal gain per day has dropped to an average of approximately one pound per day. The condition of the pasture, the management techniques, and the characteristics of the breed will contribute to the rate of gain. Maintaining the animal in the pasture at a lower rate of gain than one pound a day means a lower rate of return on the investment.

c. Market the animal under the best conditions that are possible to obtain, keeping in mind the distance to market, time of day, weather (heat), and water supply.

d. Consider any market available--internal market, Guatemalan market--to see which export slaughterhouse will pay the best price and which price will pay the highest return considering liveweight, on the hook, the cost of transportation to the house, and net return with or without the hide.

e. The National Office of the Fondo Ganadero should watch the "Yellow Sheet" and market the cattle on the rising prices in the United States. Generally, there are two periods of time when prices are rising in the United States for grinding meat. These are generally in the fall and again in the months of February, March, and April.

f. Fondo Ganadero should appear on TV, radio, and in the press at least once a week with a review of prices on cattle for liveweight, on the hook, and prices for yearlings for fattening, plus any changes in the internal and overseas market.

g. The Fondo Ganadero should plan with the borrowers and watch the changing trend in the market, what cattle and weights are passing through the slaughterhouses, and above all, plan with the cattlemen to sell their cattle--with a minimum of 60 to 90 days ahead of when the cattle are going to be ready for market.

As shown in Table IX, Good management in the marketing structure in Honduras may insure as good a price for the animal that can be secured. Good planning and marketing will avoid both the existing marketing structure and the low prices that are commonly being paid.

In the review above, the details of marketing cattle have been stated in order to indicate that a controlled market does not exist except where the borrower has been limited by borrowing from the export oriented slaughterhouses. Even in the case where the borrower may be fattening cattle for an export slaughterhouse, attention as to how, when, and where the cattle are to be marketed will contribute to a significant increase in income.

The marketing structure in Honduras could be changed, with or without Fondo Ganadero, but the leverage that the Fondo Ganadero has, even though small in the beginning, will enable all cattlemen to take advantage of the wide differences in prices. When even a small percent of the total cattle now being marketed changes from the present marketing system to the alternatives that are now available, the entire marketing structure will change.

VII. A REVIEW OF THE GRADES, STANDARDS AND SANITARY CONTROLS OF THE PROCESSING PLANTS

A. Export Slaughterhouses

1. Grades and standards

The meat export industry of Honduras endeavors to respond to the effective demand for utility grade cattle and the beef it produces for the fast food industry in the United States. All the export slaughterhouses export the meat they produce primarily as 80 to 85% lean which is primarily used for grinding meat. The primary cuts for this type of grinding meat are clods, trimmings, knuckles, cheeks, and other cuts. In addition, the fast food industry, along with a number of the companies marketing meat for hotel, restaurant, and institutional trade in the United States, uses this type of meat for the preparation of meals from cuts such as eye-of-round, insides, rounds, tenderloin, boneless strips, flank, and many other cuts.

The fast food industry and the HRI trade in the United States is very demanding and expects to purchase 80 to 90% of their meat through contracts with brokers by telephone. One bad shipment can effectively drop a meat packing plant in the United States and/or a company outside of the United States.

In reviewing their marketing procedures, all the companies indicated that they marketed through their brokerage offices. These companies would normally or should now consider marketing directly to the pre-fabrication plants of the fast food industry, to certain large restaurant chains, and certainly to the larger institutions that are in the market every day. Past experience in marketing this type of beef from other overseas plants has proven that the gain or improvement in prices, though small, in terms of thousands of pounds, can materially add to the net earnings of a meat packing plant.

A second unusual factor, reported by all the companies, was that though they marked their shipping boxes as bull meat and/or cow meat, none of the companies reported that they had tried or were trying to market their bull meat as a special product to the food industry in the United States. The U. S. Food Industry pays a premium price for bull meat. In making jerky, bologna, salami, or other mixed meats, bull meat will generally cause the product to have a longer shelf life (able to remain in the store's refrigerator or on the shelf of a store for a longer period of time).

Most of the cow meat or bull meat is shipped as utility grade, low fat content. It would be possible to upgrade some of the carcasses to higher classification. This would require the use of a well trained inspector for meat classification by grade. The companies interviewed indicated that so few carcasses entering their plants would not justify providing a full time, trained inspector of an acceptable standard of expertise to meet USDA requirements. The companies indicated it would be too costly. Certainly, this is true at the present time in Honduras. This should not be overlook d if and when the number and quality improve to such extent as to develop an alternative to the present type of processing and marketing.

2. Cleanliness and Sanitary Control

As stated earlier in this report, USDA requirements for cleanliness, sanitation, and meat inspection are met. The requirements must be met in order to maintain their permit to inspect and ship meat to the United States. USDA requires that they maintain an extremely high standard of cleanliness, adequate lighting, clean water supply, good equipment in good working order, and that the equipment is kept clean and sterilized and that the plants are cleaned and washed down at the end of the working day. In the two export plants that were reviewed, both plants would have passed inspection by a USDA team either during their working (slaughtering) period or at the close of the day. The refrigeration rooms were clean and at the correct temperature range. The working tables were also cleaned and washed down with hot water and steam at the end of the working period.

The USDA report--"Meat and Poultry Inspection, 1982, Report of the Secretary of Agriculture to the U. S. Congress, USDA, Food Safety Inspection Service, March 1, 1983" indicated that Honduras infractions were minor in type and number, none of which were serious enough to close down or suspend a plant's operation.

B. Municipal Slaughterhouses

1. Tegucigalpa

a. Grades

As reviewed above. The Municipal slaughterhouses prepare only carcasses. They do not break the carcass down into cuts; therefore, the municipal slaughterhouses are not concerned with grades.

b. Sanitation

The Municipal slaughterhouse at Tegucigalpa had good equipment in good working order, and the plant and surrounding area were clean.

This plant would not have passed an inspection team from USDA either during its working hours, and/or at the end of the working day when the plant was cleaned. Nevertheless, the plant, equipment, and area were sufficiently clean and the meat inspection crew was alert, clean, and capable. There is no question that meat slaughtered in the Tegucigalpa plant would be safe to consume.

2. San Pedro Sula

a. Grades

The Municipal plant or San Pedro Sula is not concerned with grades. The San Pedro Sula plant prepares carcasses only.

b. Sanitation

The Sanitation and cleanliness would not meet any standards. Certainly, if the Health Department and/or the Ministry of Natural Resources inspected for sanitation or cleanliness, this plant would have been closed. The plant, the crew, and the equipment were dirty, and the surrounding environment was dirty and ill kept. It is difficult to believe that two plants constructed within one year of each other could be so entirely different in standards of operation and maintenance.

First, the plant should be closed down and cleaned up. Second, it would be to the advantage of the people of San Pedro Sula if the plant were operated under an autonomous agency similar to the operation of the plant in Tegucigalpa. The two major plants, functioning in a limited market, could contribute substantially to changing the present marketing structure in Honduras.

VIII. BRIEF ASSESSMENT OF THE LABOR SUPPLY, EMPLOYMENT, WAGE INCOME AND ORGANIZATIONS (UNION) OF THE PROCESSING SECTOR IN TERMS OF IMPACT ON PRICES PAID TO THE PRODUCERS

Labor supply, employment, wage income, and the organization of labor through the unions and/or without the unions have not been a factor contributing to the low prices paid for cattle in Honduras. Unemployment in Honduras is extremely high. More than 60 to 70% of the employees working for the commercial. export oriented slaughterhouses are long term (by Honduran Standards) employees. If a vacancy occurs for any reason, an additional employee can be secured.

Productivity of the employees in terms of the number of pounds of meat processed in one day per man is low in comparison with similar employees for the same type of work in Costa Rica, Nicaragua, and Guatemala. Since the plants are operating at approximately 50 to 60% capacity, there are a number of factors contributing to the low productivity, such as equipment used, condition of the equipment, the fact that many of the plants are working less than 60% of capacity, and that there is a tendency to slow down in order to work longer hours in the days when they do work.

There is no question that the productivity per man hour could be improved by holding a series of training seminars in the use of air driven knives and equipment, by the employment of fewer people, and by establishing a higher wage rate per man hour based on productivity (an immediate threat to the unions and not likely to be considered).

Essentially, low cost of processing could or would materially contribute to increasing the net return to the meat processing industry. It is extremely doubtful under the present marketing structure that improvement in employment, training, and processing methods would result in contributing to an improvement in the prices paid to producers of cattle in Honduras.

IX. "WHAT TO DO AND HOW TO DO IT" IN ORDER TO IMPROVE MARKETING PROCESS AND PRICES FOR CATTLE IN HONDURAS

First, the export slaughterhouses are a dominant factor in marketing cattle in Honduras. Second, they do not control the market. Cattle may be bought and sold at prices both below and above the prices they pay. The existing marketing structure in Honduras is changing and will change from year to year under any circumstances, but at the present time, attention to the details of marketing could be a major contributing factor in assisting the livestock industry to secure better prices for their cattle.

A. "What to do" and "How to do it"

1. Most important is to secure a long term 2/4 years agricultural economist -- marketing (cattle, hides, by-products), to work with the Fondo Ganadero.

2. Subscribe to the "Yellow Sheet", International Airmail Addition, 15 West Huron Street, Chicago, Illinois 60610, Telephone (312) 944-3380.

3. The economist should place himself on the USDA mailing list to receive the monthly tabulation of meat imported from overseas. Generally, this data will be from one month to two months late, but

it is an excellent guide as to what country and/or countries are exporting to the United States, in what quantities, and what impact is being made on the prices paid in the United States for imported frozen beef.

4. Pay attention to the imports made by the Central American countries--Note Table X, Frozen Meat Impor ted from Central America, 1979-1982:

TABLE XI

Frozen Meat Imported into the United States from Central America--1979-1982*

(Metric Tons)

Year	Honduras	Guatemala	Nicaragua	El Salvador
1979	27,792	15,067	35,080	4,836
1980	25,082	8,038	18,871	1,431
1981	21,876	5,239	9,435	279
1982	15,754	3,012	14,519	1,210

*Data from USDA - Agricultural Attache - Guatemala.

The data indicating the total amount of frozen imported beef by all countries having approved, inspected plants around the world may be secured from USDA.

The important factor for Honduras is primarily the competition it has from its neighboring countries. The political unrest the countries are having will continue to have a factor in the prices paid for imported frozen beef. This same problem, or series of problems, will continue to have an important role in determining the supply of cattle within the respective countries, and how much or how many of the cattle will be exported or walked across the border of a neighboring country.

Many economists not watching the situation in Central America state that the primary problem for Guatemala was the low prices paid in the United States for frozen beef. Certainly, this was an important factor, but an equally important factor was that Mexico was paying higher prices for live cattle from Guatemala. As the world economy improves and international oil prices rise or lower, this will continue to affect the number of cattle that Mexico will import from Guatemala, and in turn, will determine how many cattle will talk across the border to Guatemala from Honduras to replace that supply of meat both for internal consumption and for export.

The export of frozen beef from Honduras above 15/16,000 metric tons represents to a very large extent the processing of Nicaraguan and El Salvadoran cattle. In 1982, Nicaragua exported 14,519 metric tons to the United States. This represents approximately 50% of the normal amount shipped before the revolution. The cattle are not there. It will take Nicaragua a long time to recover and rebuild its herds. Honduras will continue to receive a number of head walking across the border, but the total number will not be significant in the quantity of meat processed in Honduras.

5. Work with the slaughterhouses in Honduras, particularly the meat processing industry:

a. First endeavor to secure a volunteer cooperative agreement to stop slaughtering cattle at weights below 700 lbs. for export processing. This is a limited immediate goal--750 lbs. minimum weight would be a goal the program should try to establish within three years. If a cooperative agreement could not be obtained, then a joint executive decree issued by the Ministry of Economy and the Ministry of Natural Resources could stop the slaughter of cattle below 700 lbs. As shown in Tables II, III, and IV, this limitation would not work a hardship on the industry. The Grupo Ganadero-Oriente Industrial killed animals with an average weight of 747 lbs. for 1982.

6. Work with the meat processing industry to secure heavier weight animals, but to also announce to the public:

a. The export slaughterhouses are already paying better prices than are announced to the public for heavier weight animals.

b. Work with the meat processing industry to purchase the animals either on the hook or liveweight. If the process of purchasing animals on foot-liveweight is going to continue, then primarily and foremost, teach the cattlemen how to prepare their cattle for market. They should be taught:

(1) selection as to the time of year

(2) selection as to the animal's capacity to continue to gain weight. (Less than a gain of one pound per day is a money loser for the cattlemen and for the processing plant.)

(3) selection and choice of how, when, and where to market cattle (in terms of transportation cost, time of day, heat, feed, and water supply).

(4) prior agreement with the slaughterhouses on the amount of shrink-loss in weight. Present marketing methods indicate the animals are losing 12/15% of their weight in the 12/24 hours before they are sold--a 3/6% loss would be normal and expected.

(5) prior agreement on the price to be paid, including hides, offal, and by-products (except for the municipal slaughterhouses, this has been ignored). This condition of marketing is not going to be changed by the export slaughterhouses, but a change, both in prices to be paid and the weight of the animal at the time of slaughter, can be changed.

7. The normal time for the native cattle to reach slaughterweight of 650/700 lbs. is three years. The Fondo Canadero could work with the small farmer on pasture improvement, breed, breeding, worming, spraying, vaccination, and torsolo (grub) control. Most any program will include these, plus the use of salt, minerals, and protein supplement. The time could be cut in half to eighteen months or less if the farmer used the proper programs.

Sr. Edgardo A. Pascall M. of the Cia. Azucarera Hondurena, S. A., who also represents the Sugar Producers Association of Honduras reported the following:

TABLE XII

Gallons of Molasses Produced by the Members of the Sugar Producers Association of Honduras 1981/82

		Sold in Honduras		
Production & Inventory	Exported	Livestock	Industrial	Liquor
16,472,651	11,393,812	2,511,973	736,296	1,765,569

The use of molasses as a supplemental feed during the dry season in Honduras has been established. Fortunately, the Sugar Industry has subsidized the use of molasses by selling Industrial molasses to the livestock industry at L 0.42 a gallon while selling molasses for export at L 0.50 a gallon, to the industrial sector at L 0.50, and to the alcoholic producing sector at L 0.80.

It is recommended that the Fondo Ganadero program encourage the Sugar Industry to sell its molasses to the feed industry and to the livestock industry at the world market price FOB Honduras. This price is approximately U. S. $0.25 a gallon at the present time.

At L 0.50 a gallon, the cost per pound of molasses for feeding purposes at the Sugar Mills would be approximately L 0.0416 per lb. A standard ration of 4 lbs. of molasses, mixed with urea, salt, and sufficient water to place the urea into solution before mixing with the molasses, plus a mineral supplement, should still enable a farmer to use molasses during the dry season, provided that the cattle has a sufficient quantity of dry or green roughage available. A good supply of roughage, together with this supplement, should insure a weight gain of 1.5/1.75 lbs. a day. On better selected cattle with green pastures, weight gains of 2.0 lbs. per day have been established.

The small farmer does not have the facilities to make a standard molasses solution of this type, averaging 12/15% protein, but the Sugar Industry indicated that they would place the product on the market provided there was enough effective demand. Certainly, a mixing plant could be established with the Sugar Industry in the North Coast area. Above all, where transportation is not too costly and a small farmer is close to a Sugar Mill, this possibility to develop a protein supplement should not be overlooked.

8. The meat processing industry in Honduras has paid approximately the same price for cattle when trimmings (grinding meat) and other cuts have been sold in Miami for U. S. $0.98 per lb. and also when the price for this type of meat sold for U. S. $1.50 a lb. and higher.

In 1982 the prices varied from a low of U. S. $0.99 to a high of approximately U. S. $1.15. In 1983 it has varied from a low of U. S. $1.02 to a high of U. S. $1.16/.18. Processed meat prices will continue to rise and fall during the year, with prices tending downward until fall. The rise will start in September and will decline again during the Christmas season, before starting to rise again in January/February of next year to peak during April/May of 1984.

As mentioned earlier, the meat processing industry could improve its marketing process, but this will take a considerable period of time and attention as to where and how processed meat could be sold. Changing of markets, the marketing process, and brokerage are the other parts of this total process not intended to be included in this study. Unfortunately, better marketing means better pricing, and the meat processing industry has not indicated its willingness to enter into this process.

Nevertheless, some adjustment needs to be made in the pricing structure for cattle sold in Honduras. The following are a few suggested guidelines:

> When the frozen meat prices for trimmings (85% lean) drop below U. S. $1.02 per lb., Miami, then the meat processing plants should consider closing down and/or storing their processed meat until prices rise higher. Most of the plants have continued their operations by reducing the number of cattle they purchase, by purchasing at a lower price, and by purchasing lighter weight animals. Under market conditions in this price range, the producer has been taking the principal brunt of the low prices by taking or receiving less for his cattle. Note in Tables II, III, and IV, the lower weight cattle usually show up at the end of the dry season (April, May, and the beginning of June). Fondo Ganadero may assist the small producer by not marketing in those months.

b. Flexible Price Guideline--Based on Prices in the Yellow Sheet:

The Fondo Ganadero could work with the Ministry of Economy and the Ministry of Natural Resources and perhaps develop a flexible price guide line, paying a higher price for cows and bulls weighing over 700 lbs.

TABLE XIII

PRICE GUIDE LINE - BASED ON YELLOW SHEET - 85% LEAN

Miami Price	Lempiras Price for Cows per pound	Lempiras Price for Bulls per pound
U. S. $1.02	L 0.60	L 0.65
$1.04	0.62	0.67
$1.08	0.64	0.69
$1.12	0.68	0.72

This would not be an adjustment satisfactory to either the processor or the producer. Neither is it an attempt to follow the Guatemalan pattern. Five essential factors are important:

(1) The variation in the price of meat in the U. S. is going to affect the prices paid by the processing plants in Honduras.

(2) The variation in the price of hides and by-products from the processing of animals is going to or should affect the price to be paid for the animals in Honduras.

(3) When higher prices are paid in the U. S., a proportional share of that increase in price should be passed to the producer in Honduras.

(4) The above price guideline is based on one class weight (700 lbs.) Higher weights, with higher dressing percentage, should obtain higher prices.

(5) Until the producers can grow and place better quality animals with more weight which will result in higher dressing percentage and more meat with less waste, it will be difficult to expect to receive Guatemalan and Costa Rican prices except for animals of equal weight and quality as those found in Guatemala or Costa Rica. Remember, producers growing and marketing that class of animal in Honduras are already receiving prices close to that now.

9. Communication to the small farmer and/or livestock producer in Honduras is at an extremely low point. The Fondo Ganadero should work with the Ministry of Natural Resources to establish a weekly Farm-to-Market News Report, reporting on the changes in the prices of cattle, liveweight, by weight classification, significant changes in the prices of frozen meat in Miami, changes in prices paid by the slaughterhouses, what are the internal prices being paid for meat from the municipal slaughterhouses, and the number of cattle moving through the slaughterhouses both for export and through the municipal slaughterhouses each week.

These programs should feature at least once a month a movie or video tape on TV of the weight, grade, condition of cattle going to market. The report should include rainfall and the condition of pastures in various parts of the country. This weekly report should include current prices being paid by the slaughter industry for feed and calves by weight.

The present market reports are sketchy or incomplete and are not organized to explain the present or existing trend in the markets in Honduras.

10. Finally, the Fondo Ganadero and the agricultural economist marketing specialist should work with the slaughter industry to change the method of treating hides, either for use within the country or for export. Green hides may be placed in 98% solution of salt (24.2 Baume) for 18/24 hours, taken out, and dried. The dried hides then should be sprinkled with one or two pounds of finely ground salt, wrapped, and shipped. Hides treated in this manner may be kept for four to six months.

Mr. Jim Mitchell, Morton Salt Company, Atlanta, Georgia 30209, telephone (404) 394-6222 may be able to send or provide simple plans showing the type of construction that could be built in Honduras with native material.

The Scientific Glass Instrument Company, P. O. Box 6, Houston, Texas 77001, is able to provide a saltometer for approximately $3.55 plus the cost of packing and mailing. The telephone number for this company is (713) 868-1481.

Essentially, time is money. Treating hides in this manner shortens the time and improves the quality of the hide, with less loss or damage than the present system of packing hides in salt for three to eight weeks.

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Agricultural Economist-Marketing
June 30, 1983

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