

Employment Generation & Import Substitution: The CDA Onion Program

- January to June 2004 onion results: sales of 52,000 bags (62 containers) worth \$325 thousand
- Currently 65 growers participating with 46 hectares under production in 10 departments
- Equivalent of 300 permanent jobs created to date
- Average yields of 1,300 bags/hectare with average net incomes of \$3,416 per hectare
- 8 buyers involved with local market sales and regional exports.
- 2004 Projections: \$1 million in sales (170 containers), new employment equivalent to 300 permanent positions
- 2005 Projections: \$1.8 million in sales (306 containers), additional employment equivalent to 240 permanent positions

Background

CDA's analysis of the Honduran import market for horticultural products in 2002 revealed that yellow onions ranked amongst the top five import crops into Honduras (8,000 metric tons or 425 containers imported in 2002). CDA contacted the leading onion importers and distributors, who were offered a domestic calendarized production program to supply a portion of their current demand. The importers agreed to establish contracts with independent growers as long as the Honduran growers could provide onions at competitive prices and with the same or better quality standards. If Honduran growers could produce good quality onions with a unit cost low enough to make a profit at US\$ 4.50 per 50-pound bag, they would be more competitive than the existing overseas suppliers (the Netherlands, Spain & Canada). Previously, local growers had not been able to supply year-round nor in a coordinated fashion, both of which resulted in the preference for imported products by distributors. Tradition had dictated that it was not possible to produce onions year-round due to variety and weather limitations. CDA's experience with year-round production of other crops indicated that these problems could be overcome and that growers could compete successfully with imported product in price, quality and service.

Fintrac CDA started a pilot calendarized onion program in early 2003, expanding into a formal and nationwide program in July 2003. The program has continued to expand in 2004 and is set to increase a further 80 percent in volume in 2005. The following summarizes activities and results over the latest 6-month period (January to June 2004):

- **Production:** Participating growers have produced and sold 52,000 bags (2.6 million pounds), substituting an estimated 62 containers of imports during the 6-month period.
- **Gross sales** totaled \$325,000 from a total of 40 hectares harvested in the first half of 2004.
- A total of 65 **lead partners** located in 10 Honduran departments are currently participating in the onion program.
- Plantings for the period have totaled 46 hectares.
- **Competitiveness:** Current yields average 1,300 bags/hectare; with costs of \$4,700/hectare, the average unit cost of production is \$3.62 per bag. Traditional onion yields in Honduras are 800 to 1,000 bags/hectare. Despite the high fluctuations in market prices, it is possible to achieve



profitability with the current unit cost of production. As CDA's production manager explains: "Our goal is to produce excellent quality onions with costs of under US\$3.00 per bag. This goal will be achieved as growers gain experience with this new crop, and adopt improved production technologies."

- **Employment:** Onion production requires an average of 580 person days of labor per hectare. With annual plantings of 120 hectares for 2004, this represents 69,600 person days of employment, equivalent to 300 permanent positions and \$230,000 paid in salaries. This is all new employment as onions were not previously being grown.
- **Production Systems:** As Eddy Flores, CDA Agronomist and onion program leader, explains: "Our lead partners produce onions as part of the crop rotation program using the most current production technologies, including pest & disease scouting, appropriate land preparation, seedling production technology, customized daily fertilization programs, integrated pest management practices, and the implementation of cultural practices such as weed control programs and crop rotation."
- **Profitability:** Gross sales for the period have averaged US\$8,116 per hectare (US\$ 6.24 per bag). With costs averaging US\$4,700 per hectare (\$3.62 per bag), growers have earned an average net income of \$3,416 per hectare (\$2.62 per bag) – a 73 percent return on investment.
- **Exports:** Two of the local buyer/distributors work regionally; through them, onion exports have been made to Costa Rica and Nicaragua (13 containers to date).
- **Institutional Collaboration:** The research and development component of the onion program is being done in collaboration with FHIA and several seed companies, who are carrying out variety trials in Comayagua and La Esperanza with plantings throughout the year in order to determine the best varieties to use in each month. Cohorsil Siguatepeque has been providing finance to onion growers in the Siguatepeque area.
- **Training:** More than 600 people have been trained in the different aspects and technologies involved in onion production and postharvest requirements.


Targets and Projections

The 2004 onion program is expected to achieve gross sales for growers of \$1 million (145,000 bags or 170 containers). Onion imports are expected to be reduced by 35 percent, although this will depend on demand from regional markets. With the completion in September of one full year-round production cycle and the research results, volumes will increase in 2005 to at least 270,000 bags resulting in farmer gross income of \$1.8 million. Trials and negotiations are also being held with buyers in El Salvador for production of white onions that should begin in late 2004.

2004 In Brief

# of Buyers:	8 (all new)	# of Growers:	65
# of Distribution Centers:	2	Area Planted:	46 hectares
Grower Sales:	\$325,000 (2.6 million pounds)	Zones:	10 departments
Employment:	equivalent of 300 permanent positions	Average Yields:	1,300 bags/hectare



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