

The Palms of Tela

A January 2009 report from the US Embassy Tegucigalpa, Honduras

Summary: *The palms of Tela could hold the key to this Honduran coastal city's future development. African palm is already lucrative for production of palm oil and could also be a profitable source of renewable energy. Meanwhile, the more common native palms hold sway over current and future beach resort schemes that promise to expand Tela's tourism potential. If Tela can harness these assets to good effect, it could be a major boost to the region and prove that Tela has truly put the banana era behind it.*

Tela

Tela, a city of 200,000, is located about 40 miles east of San Pedro Sula and 215 miles from the capital, Tegucigalpa. Tela is a popular seaside tourist destination for residents of those two cities. It is also traditionally a center for tropical agricultural production, including bananas, other fruits and, more recently, African palm.

African Palm

Agrotor is the largest African palm company in Honduras. *Agrotor* is part of *Grupo Jaremar*, which is a sister organization of the Costa Rican conglomerate *Grupo Numar*. It is the largest Honduran exporter of palm oil to the United States and Europe. Palm oil is used in a number of products, such as cooking oil, soap, and margarine. *Agrotor* produces 140,000 tons of palm fruit a year on 14,000 hectares and acquires another 60,000 tons from independent producers, who receive training and assistance from the company. The fruit is used to produce crude palm oil that is partly refined at the Tela plant and then sent to San Pedro Sula for refinement into the final product. *Agrotor* has 100 permanent workers and hires an extra 200 seasonal workers per year, with high season in the months of September, October, and November.

The company also uses byproducts from its palm oil production to produce organic fertilizer, biomass that is used to produce energy to power part of the production process, and biogas. The oxidation lagoons for the biogas plant, which went into operation in March 2008, consist of huge green tarps used to trap the gas. The company is unique in having the 400,000 square meter lagoons 1,300 meters away from the main production facilities.

At the lagoons, two biodigesters transform waste material into biogas using anaerobic bacteria which are fed effluent chilled to 35-40 degrees, after which the bacteria then emit gas. The gas is 60 percent methane, 38 percent carbon dioxide, and two percent hydrogen sulfide. Filters add one molecule of oxygen and subtract one molecule of hydrogen so that the gas becomes soluble in water. The bacteria's own waste material can also be used as fertilizer. *Agrotor* says that it is currently producing so much fruit that it hopes to eventually devote 200 hectares of fruit production to fertilizer as well.

Energy and Environmental Considerations

African palm biomass is 50 percent water, which makes it hard to burn. Nonetheless, Agrotor uses the biomass to supply 90 percent of its electricity, replacing 300,000 gallons of bunker fuel (heavy fuel oil) a year. With the recent purchase of two biomass boilers for San Pedro Sula's operations, Agrotor expects that 1 million gallons of bunker a year will be replaced and that the company will be entirely energy self-sufficient, assuming the biogas project can supply 40 percent of the electricity.

These renewable energy projects would not have been possible without the Kyoto Protocol's carbon-credit scheme, under which *Tricorona*, a Belgian firm, paid for some of Agrotor's investments. Agrotor has also signed an agreement with the World Wildlife Federation to collect data to improve agricultural practices, reduce pesticide use, and protect biodiversity. A sophisticated SCADA computer system is already in place to monitor all farm areas in real time, and Agrotor has managed to remove 99.9 percent of all organic material from the liquid waste that flows into the Zanalea River. It also exports improved GMO seeds to Mexico, Ecuador, and Guatemala to reduce pesticide use there.

The Other Palms

Tourism is the other mainstay of Tela's economy. Honduran investors are putting \$730 million into renovating the Telamar Hotel – built on what was once a residential compound for executives of the United Fruit Company (forerunner of Chiquita Brands). United Fruit abandoned the site in 1980. The houses – built on stilts – were converted to individual hotel rooms and villas, some of which face the ocean.

Another up-and-coming hotel complex, the Ensenada Disk Club, enjoys the best beach in Tela and is creating dock space for yachts. Ensenada is building a convention center for 600 people, a discotheque, and four five-floor hotel towers to complement the villas and enormous outdoor pool complex, which opened in December. The hotel is also considering selling some future villas as time-shares.

The most ambitious new tourism investment is the Los Micos Beach Resort, being financed by some of the biggest business names in Honduras, along with the Honduran Tourism Institute, which contributed the land. The project envisions a 25-hole golf course and three-, four-, and five-star hotels. Hilton has already agreed to build four hotels on two miles of beachfront.

The Tela Chamber of Commerce notes that tourism incentives initiated by the government of Ricardo Maduro (2002-2006) and continued under President Zelaya have been important in making these projects a reality.

Challenges and Opportunities

However, several challenges need to be overcome if Tela is to realize its tourism potential. While it has a (disused) landing strip, it does not have a functioning airport, and the hour-long taxi ride from San Pedro Sula (the nearest city with international air service) adds an extra hour and \$80-100 to travel from Tegucigalpa or overseas for those unwilling to hazard a Honduran intercity bus. In contrast, Honduras's other major beach resort areas – La Ceiba and the Bay Islands – have regular commercial air service, including direct flights from the United States and Europe in the case of Roatan. A more pressing problem is that half the city has no solid waste management.

But Tela clearly has potential. Both *Agrotor* and the various tourism projects are thinking creatively about how to exploit their resources in a sustainable, profitable way. If Tela can overcome the challenges it faces, primarily by improving its infrastructure, the twin growth engines of agriculture and tourism could significantly boost employment and incomes for the region's poor inhabitants.



The Agrotor Biomass Plant



Econ/Commercial Officer Rebecca Morgan is shown the biogas tarp



The beach of Ensenada Disk Club