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Caribbean Basin

Retail Food Sector

Bahamas

2003

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Report Highlights:
With the continued external investment into the Bahamian economy, the third highest number of stop-over visitors in the Caribbean, and the resulting high per capita GDP, the Bahamian consumer has the benefit of more variety and quality in food purchases. The Bahamas imports nearly $107 million in food and beverage products each year from the United States. This is mainly due to the influence of American culture, which has made U.S. food products preferred and most commonly visible on supermarket and gas mart shelves in the Bahamas.

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SECTION 1: MARKET SUMMARY

Combined, the 700 islands and 2000 cays that make up the Bahamas have an area slightly smaller than that of the state of Connecticut, which is inhabited by over 308,000 people. The majority of the population resides on the island of New Providence around the nation's capital, Nassau, and Freeport, on Grand Bahama Island. With one percent arable land and zero percent permanent crops and pastures, tourism is by far the largest industry in the Bahamas. Since 1851, tourists from the United States have been drawn to these islands, located just 45 miles from the southeast Floridian coastline. The country's economy and its continued growth, is dependant on economic conditions in the United States largely due to the fact that 85 percent of visitors to the islands are U.S. residents. In total, the Bahamas attracted 4.4 million tourists in the past year, which accounts for about 60 percent of the national GDP. Furthermore, roughly two-thirds of jobs are supplied by tourism and related services.

Most Bahamians buy their basic food necessities from the well established supermarket industry with outlets ranging from over 200 small independent grocers in New Providence, and Grand Bahama two major supermarket chains, hypermarket chains, two club stores, several small market "mom and pop" chains and the growing number of gas marts. While these outlets are doing well, there is a disparity between the quality of the appearance and efficiency of these stores, which are both still below American standards.

The Bahamian tourism sector and overall economy is doing very well and is forecasted to continue. Second to tourism, the offshore banking industry, a sector promoted by the free trade zone in the Bahamas, accounts for 15 percent of the GDP and employs over 3,800 Bahamians. The Bahamian per capita GDP, $17,500, up 15 percent from 2000, is among the highest in the Caribbean (U.S. Commercial Service, 2003).

The island of Grand Bahama is also experiencing its own growth and has pulled out of a recession with the aid of the tourism sector and shipyards. The construction of a new Japanese owned Freeport container transshipment facility has impacted the local and overall Bahamian economy significantly. Japanese investors have also purchased and renovated three previously government-owned hotels. Along with these major changes, the Our Lucaya resort at Port Lucaya also opens a new Royal Oasis Casino to increase tourism-related jobs in Freeport, the Bahamas' second major city. And as incomes rise, it is expected that Bahamians will venture to try more new food and beverage products; although price is still an important factor in many of their purchasing decisions.

Bahamians cling to their traditional "made from scratch" diet of rice, beans, evaporated milk, corned beef, flour and homemade macaroni and cheese. Bahamians also purchase cheeses, sweets and occasionally fruits. Generally, the Bahamian retail market follows American brand and product trends because of the traditional ties, frequent travel to the United States, exposure to U.S. tourists and access to U.S. television advertising. "Hot" items right now are processed chicken pieces, hot dogs, salty snacks and individually packaged cookies and candies for school lunch programs. In addition, food purchasing from gas marts is on the rise due to this increasingly disposable income and the need to save time. While convenience foods and home-meal replacements seem to gradually increase in popularity, other trends such as organic, “healthy” low-fat and organic meals are somewhat lagging in demand.

In recent years health-food trends have been present in the Bahamian food market, to a varying extent. Some of the more affluent areas of the Bahamas, like Cable Beach, on New Providence Island, have had small surges of health and gourmet food store openings. Several factors have contributed to the increasingly health-conscious Bahamian consumer including: An alarming number of adult Bahamians have recently been diagnosed and are living with diabetes that has been attributed to the high sugar intake of the traditional Bahamian diet. Also, a large number of Bahamians are members of the Seventh-day Adventist church, which adopts a lifestyle of healthy eating. Both these and other influences have resulted in a rapidly growing interest in healthy foods, particularly soy products. Tofu and soy milk are the most sought after “health food” products; where variety is desired, but not present in the Bahamian marketplace. The Bahamian retail food customer profile is a married woman with children and relatives. They are usually low middle-income families with private transportation.

In an effort to protect local fruit, vegetable and poultry farms, the Bahamian government uses increased tariffs and stamp taxes on the import of such goods. The tariffs on consumer food items range from zero to 35 percent plus the two to seven percent stamp tax on certain items. While there is no duty on market basket items, which include breads, rice, sugar, and baby foods, the 70 percent duty on bottled water is a good example of the protection for local manufacturers of certain goods. Permits are also required for imports of certain items like poultry and fruit. Usually, it is the importer who must personally visit the customs office to file applications for these permits each time an import is due to clear customs. This has proven frustrating for Bahamian importers and businesses that find the local production of these commodities insufficient for consumption, making import still necessary, resulting in higher prices for the consumer. The increasing direct import by smaller retailers and businesses has reduced some cost involved in providing these protected products.

However, given the proximity and historical business ties, U.S. manufacturers will find that Bahamian import policies and procedures compliment and are in accord with U.S. export regulations. The often-difficult process of exporting becomes relatively easy for exporters because of the familiarity of documentation and the efficiency in which it can be processed. All business orders on the islands are placed by telephone or fax. A select few importers are operating web sites. Online ordering via a web site however, has not yet begun.

Although larger chain supermarkets are slowly replacing some independent grocers, independent grocers will always remain to some extent. Solomon’s Hypermarket and Cost Rite’s Wholesale Club outlets, the only two club type stores, are doing well but are not expected to open new outlets in this saturated market.

Of the total retail market in food, 65 to 80 percent of products imported are shipped directly from the United States and, 50-98 percent of U.S. manufactured items are acquired from local wholesalers. In large part, this is due to the positive attitude Bahamians have towards U.S. goods. Most major U.S. food products and labels are already represented in the market, presenting some challenges for new product penetration. However, industry leaders predict that the American domination of the market will continue to expand. The major internal drivers pushing the success of U.S. goods are the availability, abundance and quality of the products imported. U.S. products are also competitively priced when compared to local goods.

Advantages	Disadvantages
U.S. exports dominate the food retail industry with 85% percent of the market share.	New product introduction can be as difficult as it is in the United States because of the extensive establishment of major brands.
Distribution systems, health and safety regulations, tariff and duty regulations compliment U.S. systems making exporting easy.	Tariffs on a several select products are high because of the government's role in protecting local businesses. The protected food listing includes: fruits and vegetables, sodas, bottled water, juices, fresh poultry, eggs, live fish, nuts, crustaceans/mollusks, prepared meats and spirits. And tariffs range from zero to 35 percent.
The tourist industry attracts 4.4 million tourists a year, mostly from the United States.	Tourists typically eat at restaurants, rather than purchase food at retail stores while visiting.
Many local wholesalers are well established with proven track records. In addition, distributors offer competitive pricing, a working distribution network and marketing support.	It may be difficult for supermarkets to purchase directly because of the small size of the market and the resulting lower purchasing power.

SECTION II: ROAD MAP FOR MARKET ENTRY

A. SUPERMARKETS, HYPER MARKETS AND WHOLESALE CLUBS

Entry Strategy

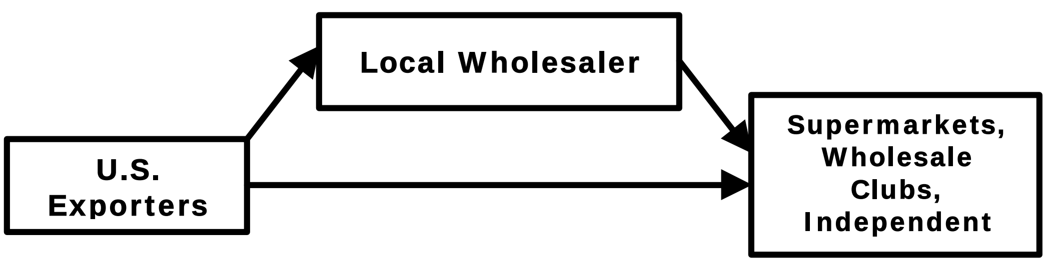
Breaking into the market in the Bahamas can be difficult because of the extensive presence of many well-known brands already established in the market. The best way for a U.S. manufacturer to enter the market with success is to first search the market for potential niches, develop a customized marketing plan, followed by initiating export via a local distributor. Researching the market structure and competition is key in assessing current market conditions and making sound decisions. Travel to the Bahamas is recommended for a first-hand view of the market.

Market Structure

The club warehouse type stores and the two largest supermarket chains have been selling enough volume to buy direct from U.S. wholesalers, resulting in a partial loss in market share for importers/ distributors. However, distributors continue to dominate the retail import industry. Because of the limited number of total retail outlets that are necessary to serve the relatively small population, prospects for further development and growth in direct purchasing from a U.S. wholesaler is slim. Therefore, using a local Bahamian distributor will ensure maximized brand distribution and effective product management.

Nassau, the capital city of the Bahamas, is home to the majority of retail outlet stores in the Bahamas. Supermarket outlets are spread across the main island (New Providence) with locations in downtown Nassau and in the center of outlying towns. The average supermarket size is between 25,000 and 30,000 square feet. The wholesale club outlets and the three hypermarkets are located in shopping centers that have a significant amount of traffic and public visibility.

Product Flow for Imported Products:



Company Profiles

Name of Retailer and type of retail outlet	Ownership (Local or Foreign)	Food Sales, CY02	Number of Outlets	Locations (city or islands)	Type of Purchasing Agent(s)
City Market (Supermarket)	U.S. (Winn Dixie and local)	N/A	10	New Providence Island	Distributor, Direct/Wholesaler
Super Value (Supermarket)	Local	N/A	10	New Providence Island	Distributor, Direct/Wholesaler

Solomon's (Hyper Market)	Local	N/A	3	Nassau-1, Freeport-2	Direct/ Wholesaler
Cost Rite, Wholesale Club (Club Outlet)	Local	N/A	2	Nassau	Direct/ Wholesaler
John Chea & Sons, (Independent Grocer)	Local	N/A	8	Nassau	Distributor, Direct/Wholesaler
Harding Food Sales (Independent Grocer)	Local	N/A	1	Nassau	Distributor
Winn Dixie (Supermarket)	U.S. (Winn Dixie and local)	N/A	3	Freeport	Direct
Grand Union (Supermarket)	Local	N/A	1	Freeport	Distributor, Direct/ Wholesaler
Food World (Supermarket)	Local	N/A	1	Freeport	Distributor, Direct/Wholesaler
Gourmet Market	Local	N/A	1	Cable Beach	Distributor, Direct/Wholesaler
Organic Store	Local	N/A	1	Nassau	Distributor, Direct

B. GAS MARTS

Entry Strategy

Independent grocers purchase their items through local wholesalers. Small independent grocery stores carry less selection and quantity then the chain outlets. Stores are smaller, often less sanitary and are not as modern.

Wet market vendors either grow or purchase their goods from a local farm, or purchase them from a local wholesaler. These market vendors have very little purchasing power because of the low volume they purchase and sell. These vendors have to compete with larger supermarket prices, product freshness and variety of choices. The best method for penetration would be via a local distributor.

Sub-Sector Profile

The traditional "mom and pop" stores in the Bahamas usually consist of one outlet located in rural areas around the island to support the local neighborhood needs. There are over 220 independent stores in the Bahamas today. On average the stores are usually 6-8000 square feet in size. Independent stores account for roughly 20-25 percent of the retail food sales in the Bahamas.

Section III: Competition

Bahamian supermarkets look very similar to U.S. markets. Very little competition exists for the U.S. manufacturer from local or other foreign countries. The only reason a U.S. manufacturer may find it difficult to export a product into the Bahamas is if there already is an established competing American product in the market. Most major brands are already licensed and distributed. The only items not from the United States that were consistently seen were flour from Canada, lamb from New Zealand, several pork items from Venezuela, canned beef from Argentina and certain jams and cookies from the United Kingdom. Little competition for dry goods exists, however importers have found lower prices for other products such as beef and pork in Canada and produce in South America.

The following countries compete with U.S. in these product categories:

- **Beef:** Argentina, Brazil, Canada and New Zealand
- **Pork:** Canada, Brazil and Denmark
- **Fresh Produce:** other Caribbean countries, Argentina, Brazil, Chile and Australia
- **Juice:** Canada, and Holland
- **Dry Goods:** other Caribbean countries, U.K., Canada, Denmark, Italy and Holland
- **Seafood:** Mexico
- **Dairy Products:** U.K., Canada, France, Holland, Denmark, and New Zealand
- **Specialty Foods:** U.K., France, and Canada

Even with competition over various products, in 2002 the United States had more than 99 percent market share for fresh fruit and vegetables, poultry, red meats (fresh/chilled/frozen), processed fruits and vegetables, and salmon and several other food and beverage products (UN Trade Data, 2002).

Section IV: Best Product Prospects

A. Products present in the market which have good sales potential

Market opportunities exist for a wide array of products.

- Beef

- Poultry
- Pork
- Dairy Products
- Produce
- Fruit Juices
- High End Specialty Products
- High End Seafood Products

B. Products not present in significant quantities but which have a good sales potential

It has been difficult for interested consumers to find a variety of the soy-based products, which have recently become very popular in the Bahamian diet.

- Soy Milk
- Tofu
- Soy-based and related products

C. Products Not Present Because They Face Significant Barriers

Though the restricted import of chicken and produce through high tariffs and import licensure inhibits the supply of such products, there is sufficient demand to allow certain quantities to remain on the market.

Section V: Post Contacts

A. For more information and importer list, please contact:

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Please visit our website for promotional activities, trade statistics and more reports on the retail and food service sectors and on food import regulations for several Caribbean islands.
http://www.cbato.fas.usda.gov

Basic country information may be found in the Central Intelligence Agency's World Fact Book under the Bahamas.
http://www.odci.gov/cia/publications/factbook

Department of Commerce
U.S. Commercial Service
Information on marketing U.S. products and services is in the Country Commercial Guide for the Bahamas.
http://www.export.gov
Click on *Market Research* link, then select *Country & Industry Market Reports*.

B. Other sources of Information on the Bahamas:

American Embassy of the Bahamas
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