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Caribbean Basin

HRI Food Service Sector

Aruba

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Report Highlights:
Aruba's food service sector is slightly over $30 million with the U.S. boasting a 70% market share. U.S. and Italian cuisines are the most favored and many U.S. family style and fast food chains are thriving. Not surprising, U.S. tourist make over 60% of the 1 million tourists. This relatively high market is a great opportunity for U.S. companies willing to provide a high level of service and product quality to a very competitive market.

Includes PSD changes: No
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SECTION I: MARKET SUMMARY

This tiny island in the southern Caribbean is a tourist "Mecca", which offers opportunities in its food service sector to U.S. companies that are willing to provide a high level of service to a very competitive market. With virtually no agricultural production except for a small amount of locally produced fresh chicken, eggs, fruits and vegetables for the retail market, Aruba depends on imports to satisfy its food requirements. The only other local producers of significance are the Coke and Pepsi manufacturer that supplies the majority of the soft drink market and three beer manufacturers that supply 25 percent of the beer market. In 1999, Aruba imported a total of $154.7 million of food and agricultural products. Of the total amount imported, $63.3 million were consumer-oriented and seafood products, 40 percent of which came from the United States.

It is estimated that fifty percent of Aruba's food imports goes to the food service sector. The United States supplies 70 percent of the products that go to this sector. Tourism is the mainstay of the Aruban economy accounting for 44 percent of Aruba's GDP and contributing positively to the economic growth as the main employer and foreign exchange earner. Visitor arrivals have increased by 17 percent since 1995. The United States continues to have the largest share accounting for 62% of the 721,224 stay-over visitors in 2000. 340 cruise ships, with 289,052 passengers, visited Aruba in 1999, and 362,321 visited between January and October, 2000, representing a 104% increase.

Aruba is a gourmet's delight and boasts that it is "an international celebration of gourmet dining." The Aruba Tourism Authority lists 151 restaurants, from snack counters to fine dining that cater to the local population and tourists.

Within the last ten years, as the economy expanded, more women entered the workforce, some working two jobs, to fill the growing demand in hotels, cruise lines and allied businesses. Workers from Colombia, the Philippines, Venezuela and the Dominican Republic and young Dutch citizens are filling the demand in construction, tourism and management. This has fueled a boom in take-out counters and snack bars.

Arubans tend to eat most meals at home. Arubans are expanding the range of special occasions for eating out to not only birthdays and anniversaries, but for Mother's Day, Valentine's Day, Christmas and for the new year. Restaurants have special menus for those occasions. Some hotels and Casino's offer catered Bingo parties which are becoming more popular, especially for the local population.

Aruba's tourist industry faces a government-imposed moratorium on hotel construction for a variety of reasons. The government is trying to address the growing infrastructure and social problems. For example, Aruba needs to increase the airline seat capacity to increase tourism. Hotel construction is a major pull on Aruba's water and electrical capacity. Social problems are the result of the dramatic increase in the number of foreign workers and illegal Colombian immigrants entering Aruba in recent years. Until these issues are resolved, tourism expansion is expected to slow and could limit growth within the food service sector.

Advantages	Challenges
The United States supplies almost 70 percent of food products imported for the HRI sector.	Competition remains from traditional European and South American suppliers of dairy and meat, and new poultry suppliers from the Far East.
U.S. products are associated with high quality and safety.	Price is a determining factor in choice of products.
Importers are loyal to suppliers who provide regular and consistent servicing.	As in all Caribbean islands, ocean or air transportation is a major factor in cost since the islands total market is relatively small.
The majority of imports are distributed through a small number of well-established companies.	Importers already represent mayor U.S. suppliers, it is challenging for new companies to enter the market.
The wide range of restaurants demands a wide range of food and beverage products.	U.S. suppliers with less than full containerload shipments may find it most effective to use the importer's South Florida consolidator.
Niche markets exist for some high-end, value-added and speciality products.	Most ocean container service is only one time per week.

SECTION II. ROAD MAP FOR MARKET ENTRY

A. ENTRY STRATEGY

Five importers dominate the HRI distribution chain. While they promise the largest distribution network, smaller importers may also fill a U.S. supplier's needs. All the major importers are well accustomed to doing business with U.S. companies and are knowledgeable of the U.S. food distribution system. A commitment to provide strong support to the importer is crucial. Importers "stay loyal to exporters that stay close".

The importers vary in how they wish to be contacted by new companies. Typically, importers prefer to meet one-on-one with new companies to see, discuss, sample the product and propose marketing ideas. Some prefer to receive a product catalogue, samples and a price list to show to clients, and will place an order if there is an interest. At that point, the importer will ask the supplier to visit Aruba to discuss marketing and other product support. Most of the companies attend the National Restaurant Association (NRA) Show, usually every other year. Some also attend the Food Marketing Institute (FMI) show and the Americas Food & Beverage Show.

Companies can also show their product directly to chefs who, if interested, will refer you to their local importers. Reliability of supply is important to chefs, who expect the product to be available when orders are placed. The chef and the purchasing manager coordinate on purchasing decisions.

B. MARKET STRUCTURE

The distribution network for Aruba's HRI sector is fairly straightforward. Local importers handle an estimated 75 percent of food imports and distribution for the sector. The other 25 percent represents direct purchasing by a few U.S. hotel and fast-food restaurant chains with well established purchasing organizations. Although about 40 companies are said to be involved in distributing varying amounts of different products to the sector, the majority of products from major brands are handled by the top five importers. These companies are well equipped with large warehouses, refrigerated storage and trucks. The container ship arrives every Thursday.

They buy products direct from U.S. manufacturers, wholesalers and brokers, and are thus able to supply a complete range of product to their customers. Typically, the importer will rely on one or two major U.S. suppliers in Florida to consolidate all the less than full container load products. One importer has decided to open their own warehouse in Miami to handle the buying and consolidation. The institutional trade which purchases from Aruban importers, accounts for less than 10 percent of the total food service sector, and consists of the prison, hospital, event and airline catering and ship chandelling.

C. SUB-SECTOR PROFILE

1. Hotels and Resorts

The hotel sector is the leading market segment for food service, accounting for over 50 percent of the HRI sales of the five main importers. In 1998, there were 25 hotels with 6,619 rooms and 2705 time share properties, with an average occupancy rate of 77.6 percent. These rates generally remain fairly steady throughout the year, ranging from 85 percent during the winter to a low of 67 percent in June. In both 1998 and 1999, 53.4 percent of visitors stayed in hotels. Total visitor nights in 1999 was 5,143,302. Most hotels have at least one fine-dining restaurant, a casual beach grill and a family-style/buffet breakfast and lunch eatery. Since 1996, the percentage of visitors staying in hotels has decreased as more visitors are using timeshare, guesthouse and apartment accommodation. Accomodation prices may rise as growth slows as a result of the moratorium on hotel construction.

The major hotels in Aruba include the Aruba Marriot Resort & Casino (631 rooms), the Aruba Sonesta Beach Resort (556 rooms), the Aruba Sonesta Hotel Beach Club & Crystal Casino (302 rooms), the Hyatt Regency Aruba Resort & Casino (360 rooms), the Radisson Aruba Caribbean Resort (358 rooms), the Wyndham Aruba Beach Resort & Casino (486 rooms), the Holiday Inn Sunspree Resort (600 rooms), the Divi Aruba Beach Resort and the Divi Village (203, 250 rooms), Best Western Manchebo Beach Resort (71 rooms), Allegro Aruba Beach Resort (419 rooms), Aruba Grand Beach Resort (173 rooms), Playa Linda Beach Resort (194 rooms) and the Costa Linda Beach Resort (155 rooms).

2. Restaurants

Type of Restaurant	Number of outlets	Price range (food only per person)

Fast Food/Snack Bar	20	< $6
Cafe/Bistro	50	$7 - $15
Family Style	30	$16 - $19
Exclusive/Upscale	51	> $20

Restaurants account for 40 to 45 percent of the HRI sales of the five main importers. Tourists account for 44 percent of all restaurant clientele and 77 percent of the clientele of the more up-scale, full-service restaurants, most of which are concentrated in the hotel areas. Rapid expansion over the past two years is evident. The number of restaurants in the popular Seaport Plaza doubled during that period, and three were established just to service new time share resorts. Fast food and snack bars, cafes and bistros and full-service restaurants abound serving over 20 different cuisines. Italian and American, followed by seafood and steakhouse grills, are the most popular. Sixteen U.S. fast food and chain restaurants are present in Aruba, including Baskin Robbins, Benihana's, Burger King, Domino's Pizza, Dunkin Donuts, Iguana Joe's, KFC, McDonald's, Nathan's, Outback Steakhouse, Pizza Hut, Sbarro's, Subway, Taco Bell, Tony Roma's and Wendy's. Many of these bring in their food products on their own, buying only fresh produce and some condiments from local importers. They also use the local importers when they run short.

The Aruban Government estimated that visitors spent an average of $22.28 per day on food and beverage in 1999, a 28 percent decrease since 1996. This is attributed to the growth in the number of all-inclusive hotels, time-share properties which offer kitchen facilities, and an increase in spending in supermarkets and other food stores. The decrease may be a warning sign that the restaurant industry may soon face a problem of over-capacity.

In 1998, the average Aruban household spent $520 on take-out and snack foods, and $221 on restaurant meals. Chinese and other ethnic take-out counters have boomed. Many Arubans enjoy the lower cost, larger portion size and salty and fried foods prepared by fast food restaurants and take out counters. Most of these take-out establishments, which have sprung up over the past few years to satisfy this market, operate at night and are not registered. Arubans traditionally prepare and eat their three meals at home, with a mid-morning and late night snack eaten from a take-out snack bar. With the abundance of fast-food available, Aruban workers now eat out for lunch rather than at home.

3. **Institutional**

The institutional sector involves distribution to the prison, hospital, home for the elderly, event and airline catering, and ship chandelling. It accounts for between 5 and 10 percent of the HRI trade and is supplied directly by the food service importers. The Chamber of Commerce lists twenty companies that provide catering services. Hotels and restaurants also cater for special events and Bingo. One company has catered the airlines for the past 20 years with an excellent safety and quality record. Ship chandelling is not well developed, involving mainly the supply of fresh produce. Local importers are interested in this market.

SECTION III. COMPETITION

U.S. products dominate Aruba's HRI sector and account for almost 70 percent of the market. Brand loyalty is important for certain products such as bacon, corned beef and chicken tenders, where consistency and quality are critical. U.S. companies face some competition from other countries for varying reasons, such as: historical ties with dairy and speciality products from Holland; taste preference with beef from Argentina and Brazil and lamb from New Zealand; low priced chicken breasts from China, pork from Holland and tenderloins from Australia; and proximity with seafood from Guatemala and Venezuela and produce from Venezuela.

SECTION IV. BEST PRODUCT PROSPECTS

Products most in demand are beef (fresh beef, hamburgers, tenderloins, steaks), chicken, seafood, canned vegetables and fruits, sauces and condiments, pastries and baked goods and fresh produce-everything that the food sector needs. Competition and price concerns suggest that value-added and cost effective products in the categories listed above could do well in this market. The U.S. Meat Export Federation and the U.S.A. Poultry and Egg Export Council are very active in Aruba.

SECTION V: POST CONTACTS

FOR MORE INFORMATION OR FOR AN IMPORTER LIST, PLEASE CONTACT:

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http://www.cbato.fas.usda.gov
Bermuda Retail Food Sector Report: http://www.fas.usda.gov/gainfiles/200012/60679075.pdf
A Food and Agricultural Import Regulations and Standards (FAIRS) Report for Aruba (NA1001) is available on the FAS web-site: http://www.fas.usda.gov

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Foreign Agricultural Service web-site
http://www.fas.usda.gov

Central Intelligence Agency's World Factbook
http://www.odci.gov/cia/publications/factbook/

Country Commercial Guide
www.state.gov/www/about_state/business/com_guides/2001/wha/index.html

Carribean Tourism Organization
http://www.caribtourism.com/

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