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Caribbean Basin

Retail Food Sector

St. Martin

2001

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Report Highlights:

St. Maarten/St. Martin's \$68 million food retail sector offers great opportunities for U.S. retail products across the board. The islands's relatively large population base, it's duty free status, it's dependence on U.S. and European tourist and it's role as a distribution hub for surrounding islands make it one of the best markets in the Caribbean.

Includes PSD changes: No
Includes Trade Matrix: No
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SECTION I: MARKET SUMMARY

Sint Maarten/Saint Martin's estimated \$68 million food retail sector is dynamic, expanding, and maturing. The "Friendly Island" of St. Maarten/St. Martin is the smallest landmass shared by two separate governments. The 37 square mile island is divided between the Netherlands and France. St. Maarten is one island of the Netherlands Antilles (Bonaire, Curacao, Saba, St. Eustatius, and St. Maarten) which is part of the Dutch realm. St. Martin is one of the dependencies of Guadeloupe, an overseas department of France. Even without border control, each half retains its own distinctive personality.

The growth of the retail market is driven by the relatively well off and highly diversified population base, a well developed infrastructure and the island's almost total dependence on food imports to meet local demands. The Netherlands Antilles has a GDP per capita of U.S. \$11,400 (2000 est.), while Guadeloupe and her dependencies have a GDP per capita of U.S. \$6,075 (2000). Please note that the significant difference between the GDP per capita on the two sides is largely due to the exchange rates. The Netherlands Antilles guilder is tied to the U.S. dollar, while the U.S. dollar is currently very strong against the French Franc.

The duty-free status of the island has encouraged its development into a distribution hub for Anguilla, Saba, St. Barthelemy, St. Kitts & Nevis, and St. Eustatius. In addition, consumers from neighboring islands travel to St. Maarten/St. Martin to take advantage of the duty-free prices and the larger selection of goods. The poor soil, high salt content and limited water supply in St. Maarten/St. Martin and the surrounding islands support only minimal agricultural production. With the exception of locally bottled water, all food products are imported.

Retail outlets offer a variety of food products to meet the demands of the island's 80 different nationalities. Claimed by Columbus in the 15th century for Spain, it was the French in 1629 and the Dutch in 1631 that settled the island. Though largely influenced by its African, French and Dutch heritage, the beginning of the tourist boom in the 1970's created an influx of job seekers from other parts of the world. Only about 20 percent of all citizens were born on the island.

Indirectly, the health of St. Maarten/St. Martin's tourism sector plays a key role as it directly affects the income level of most of the 76,000 residents. With 1.3 million visitors in 2000, the island is one of the top ten Caribbean destinations in both air and cruise line arrivals. Damage from three hurricanes in 1995, 1996 and 1998 resulted in extreme hardships for the island's tourism sector. Not only did the sector face damaged hotels, restaurants and other infrastructure, tourists took their business to islands not hit by the hurricanes and it will take considerable effort to win them back. It is doubtful if the island's hopes to reach pre 1995 tourist figures will be realized in 2001, with the events of September 11.

The \$68 million food retail sector accounts for approximately 65 percent of St. Maarten/St. Martin's total imports of food. The remaining 35 percent is used by the food service sector. The island has 12 supermarkets, 68 grocery stores, five gas marts, and an open market. Supermarkets account for about 85 percent of the retail sector sales, grocery stores sales account for about 10 percent and the gas marts, mini marts and the open market account for about 5 percent. On the Dutch side, about 85 percent of food imports come from the United States. However, on the

French side, wholesalers only purchase approximately 35 percent from the United States. Florida companies account for most exports to both sides.

Supermarkets import directly for about 60 percent of their sales. They also rely on three major wholesalers and the four supermarkets that also wholesale their imports. In general, wholesalers import and distribute their product as well. Almost all the brands represented by the major wholesalers, excluding the supermarkets that wholesale, are well known U.S. or international product brands. Supermarkets import products to ensure more variety for their customers.

The multi cultural residents of St. Maarten/St. Martin and the tourists demand a wide range of ethnic products. In general, higher end consumers are not as price sensitive and look for new products. Middle and lower end consumers tend to be brand loyal. However, when the economy is down, consumers are more willing to switch to lower cost brands. Retailers on the Dutch side report increased interest in convenience and value-added products. On the French side retailers find more consumer interest in low fat and health foods. Only one store expressed interest in private label products.

Table 1. Advantages and Challenges of Exporting U.S. Food Products to St. Maarten/St. Martin

Advantages	Challenges
The island's 100 percent duty free status encourages imports and the islands development into a distribution hub to other islands.	The high dependence of the local population on the tourism sector and the economic hardships as a result of damage from three hurricanes since 1995 have slowed consumer retail sales.
Consumers are knowledgeable about U.S. brands from T.V. advertisements, tourist demands, and travel to the United States.	Wholesalers typically already represent major brands; it may be difficult to find a wholesaler not representing a competing brand.
Food import demand is fairly even throughout the year as tourism is relatively constant.	Some consumers are hesitant to change from their traditional product brands.
St. Maarten has strong product influence from and purchasing ties to the United States.	St. Martin has strong product influence from and purchasing ties to Europe, especially France.
The island enjoys an efficient and well established distribution infrastructure.	Private label is not yet a significant category of sales.

SECTION II: ROAD MAP FOR MARKET ENTRY

A. Supermarkets

Entry Strategy

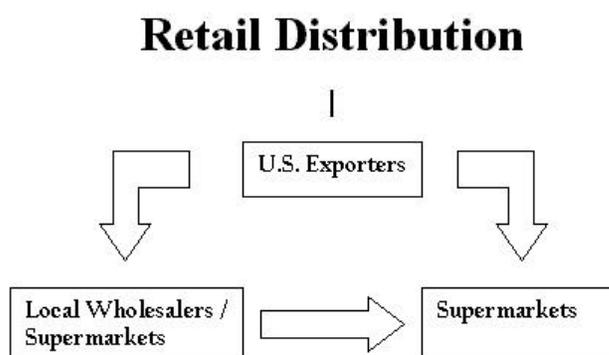
Importers are well accustomed to doing business with U.S. companies. They vary in their new product purchasing decisions. Most importers prefer receiving product catalogues with pricing and samples. Some importers prefer meeting with a product representative. Most importers also attend trade shows to find new products. They have attended the Food Marketing Institute (FMI) Exhibition, the Americas Food and Beverage Show, the Boston Seafood Show, SIAL (France),

and ANUGA (Germany).

The three major wholesalers are primarily interested in major brands that do not compete with their existing lines. On the other hand, supermarkets, who import competing brands to offer choices to their customers, may be the most receptive to small and medium sized U.S. companies. When introducing new products, supermarkets tend to rely on special pricing to attract customers. Most supermarkets introduced 10 or more new products lines last year and wholesalers imported between 5 and 20 new product lines.

Market Structure

Flow Chart:



Wholesalers
wholesale and

typically import,
distribute their product.

Supermarkets import 20 to 95 percent of their products directly, with the percentage increasing with the size of the retail outlet. Because of the perceived lower cost of buying items directly and desire for a larger product range, supermarkets are increasingly directly importing. Most of the major supermarkets represent particular brands and wholesale their imports. Therefore, the wholesale operation of one supermarket may supply another supermarket.

Table 2. Supermarket Profiles

Retailer Name & Outlet Type	Ownership	Annual Sales	Number of Outlets	Locations	Purchasing Agent Type
Food Center, supermarket	Curacao	N/A	Two	St. Maarten	Direct, Wholesale
Rams Food World, supermarket	Local	N/A	Two	St. Maarten	Direct, Wholesale
Afoo Group, supermarket	Local	N/A	Five	3, St. Maarten 2, St. Martin	Direct, Wholesale
Cost U Less, club	USA	N/A	One	St. Maarten	Direct, Wholesale
Match, supermarket	France	N/A	One	St. Martin	Direct, Wholesale

Food Fair, supermarket	France	N/A	One	St. Maarten	Direct, Wholesale
U.S. Import Export, supermarket	France	N/A	One	St. Martin	Direct, Wholesale

The largest supermarkets are located in the capital cities of Philipsburg, Dutch St. Maarten, and Marigot, French St. Martin. Mid-sized supermarkets are located in smaller urban areas. Most supermarkets offer a small selection of ready-to-eat foods in the deli section. Unique features found in different supermarkets were a small indoor café, a place to buy CD's, and a flower shop. Supermarkets reported that the majority of their customers live close by. Five to 10 percent of purchases are from tourists and 10 to 15 percent are from residents on the other side of the island. Match and Food Fair are owned by the same French company, but are operated separately. Food Center just closed the majority of its wholesale department, called Consales. Recently the family operated Prime Distributors and Ram's Food World separated amicably. Prime Distributor's facilities burnt down this summer. However, they were able to purchase Consales' wholesale facilities and plan to take over most of the brands that Consales represented. Afoo supermarkets are associated with ITC wholesalers.

Ram's Food World, Food Center, U.S. Import/Export and Match focus on the higher income level consumer. Food Fair attracts the middle income consumers. Roughly 80 percent of Afoo's customers have lower income levels. Cost-U-Less, an American club store that purchases primarily from its parent company in Seattle, has customers of all income levels and also supplies smaller outlets.

Florida plays a major role in exporting food products to the Caribbean. St. Maarten imports approximately 90 percent of all food products out of Florida. St. Martin imports approximately 50 percent of all goods out of Florida. European containers en route to St. Maarten/St. Martin may travel direct or arrive via ports in Florida. Philipsburg, the capital of St. Maarten, receives more than 90 percent of all ocean traffic coming to the island.

B. CONVENIENCE STORES, GAS MARTS, AND KIOSKS

Entry Strategy

Typically owned and operated by individuals, gas marts and convenience stores rarely import directly; almost all products are purchased through wholesalers. Therefore, the best point of entry is through local wholesalers.

Market Structure

Gas marts and convenience stores purchase product from local distributors. Gas marts and convenience stores are constantly introducing new items to be more competitive. Still relatively new, there is potential for further development.

Table 3. Gas Mart Profiles

Retailer, type of outlet	Ownership (Local or Foreign)	Annual Sales	Number of Outlets	Locations (Parishes)	Types of Purchasing Agents
Shell, Gas Mart	U.S. Franchise	N/A	One	1 St. Maarten	Wholesale
Texaco, Gas Mart	U.S. Franchise	N/A	Two	1 St. Maarten 1 St. Martin	Wholesale

Gas marts are a relatively new concept and not everyone has bought into the concept of paying more for convenience. Gas marts are located near intersections, main roads and urban areas, where traffic is heaviest. Mini marts and kiosks play a minute role in the retail sector with stores all over. No chains are present yet.

C. Traditional Markets, “Mom & Pop” Independent Grocery Stores

Market Entry

The most effective way to introduce new products into independent grocery stores is through a local wholesaler since they import very little directly. These stores rely on the wholesaler’s knowledge of new products in relation to other brands, pricing and packaging.

Market Structure

Independent grocery stores rely on local wholesalers for 80 to 100 percent of their purchases. They are located in towns and neighborhoods. More than 60 grocery stores are located on the island, with twice as many found in Dutch St. Maarten as in French St. Martin. Independent grocers sometimes combine their purchasing power with other stores to import directly. As a result of the limited shelf space, product selection is carefully planned. Therefore, stores often try to distinguish themselves from their competitors by selecting specialty items and ethnic foods that reflect the tastes of the neighborhood’s residents.

In the main tourist area of Marigot, the French capital, a small open market offers fresh produce, spices and seafood. The main market days are Wednesday and Saturday mornings.

SECTION III: COMPETITION

For the most part, locals hold European and American products in the same regard. U.S. exporters have a major advantage due to the strong distribution channels and frequent shipping accessibility into St. Maarten. Goods coming from Europe typically take four weeks compared to one week from Miami. Food from the United States faces the strongest competition from France, which has 60 percent of the French St. Martin market and the highest market share of wines throughout the island. Brazil has a growing percentage share of whole chicken imports. Pork ribs are primarily purchased from Holland and Brazil. A limited range of Canadian products are found on the shelves, such as bottled juices. Goya and Grace Kennedy brands sell well to Caribbean households.

Table 4. Percentage Share of Retail Sales by Product Category

Products	Percentage Average of Dutch St. Maarten's Total Sales	Percentage of U.S. Origin
Meat	16	85
Seafood	3	92
Fresh produce	9	84
Dry goods	37	75
Dairy products	12	64
Specialty foods	2	49
Alcoholic beverages	9	23
Non-alcoholic beverages	12	56

On the French side, similar percentages of U.S. origin are found in the meat, seafood and fresh produce categories. However, in all other categories French and European products dominate.

The Netherlands Antilles' Gild is pegged to the U.S. dollar. Currently, the strong dollar is making exports from Canada, Mexico, and Central and South America very attractive

SECTION IV: BEST PRODUCT PROSPECTS

A. Products Present in the Market Which Have Good Sales Potential

Wholesalers are primarily interested in national brands, while supermarkets seek to offer a good choice of products to their customers. Best opportunities are for U.S. fresh produce, fresh juices, soft drinks, dairy products, meat, seafood, dry goods, specialty food and pet food. Wholesalers are looking for more variety and better quality fresh produce.

B. Products Not Present in Significant Quantities but Which Have Good Sales Potential

Currently, the majority of milk is sold in powder form. Several wholesalers have indicated an interest in attaining fresh milk.

One lower end food supermarket, which introduced a few private label brands two years ago, has just recently seen the products really start to move off the shelves. With the economy slumping, low income households are the first group to become more price sensitive.

Dry products sales within French St. Martin would be substantially enhanced if U.S. manufacturers would be willing to meet French packaging requirements for expiration dates. Although St. Martin purchases U.S. meat, especially in light of the BSE and the Foot & Mouth problem, it does so in violation of French regulations. It is a constant issue between importers and the French authorities.

C. Products Not Present Because They Face Significant Barriers

St. Maarten follows the agricultural regulations established by the Netherlands and St. Martin follows the agricultural regulations established by France. However, regulations are not as well enforced as within the European countries. It is best to work closely with your importer to

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Central Intelligence Agency's World Factbook:

<http://www.odci.gov/cia/publications/factbook>

Minimal information on St. Maarten may be found under the Netherlands Antilles.
Minimal information on St. Martin may be found under Guadeloupe.

Caribbean Tourism Organization:
<http://www.caribtourism.com>