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## **Barbados**

### **Retail Food Sector**

### **Report**

## **2002**

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#### **Report Highlights:**

**On the "Pearl of the Caribbean" Barbados, the relative affluence of the population and the large tourism sector has cultivated an increased demand for consumer food products. Barbados, one of the most promising markets for U.S. exporters in the Caribbean, imported approximately \$ 131 million in total food products, with 70 percent of the imports destined for the retail sector.**

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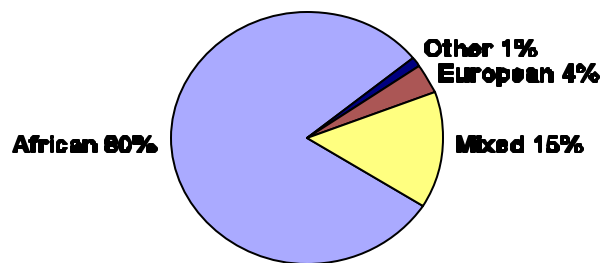
Includes PSD changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Miami [C11], BB

## I. MARKET SUMMARY

### Country Snapshot

On this island referred to as the "Pearl of the Caribbean," the strength of the British legacy and its enduring influence on Barbadian culture and society are unmistakably present. Indeed, the country often colloquially referred to as "Little England" is the easternmost island of the Caribbean and despite its small size (161 sq. miles), its 275,330 inhabitants make it one of the most densely populated countries in the world. Barbados features a highly developed business infrastructure that includes an international airport, major harbor (with full cargo handling facilities), and internal paved highways.

### **Population Breakdown**



### Market Overview

The relative affluence of the population and the high level of development of the tourism sector has cultivated a need for a wide variety of culinary choices. This in turn has resulted in an increased demand for consumer food products making Barbados one of the most promising markets for U.S. exporters in the Caribbean. Interestingly, its consumer food market tends to follow the trends of the U.S. market due to its consistent flow of travelers between the United States and Barbados and its exposure to U.S. media through cable television. Many popular U.S. brands are already very well known and established in the marketplace. Although Barbadians prefer proven brand names, price, quality, and habit influence purchasing decisions as well. Longstanding connections with the United Kingdom and Canada have tended to favor exporters from those countries. However, consumer demands, proximity to the United States, as well as competitive pricing, excellent quality and vast selection of U.S. food products have induced Barbadian businesses to focus increasingly on U.S. providers.

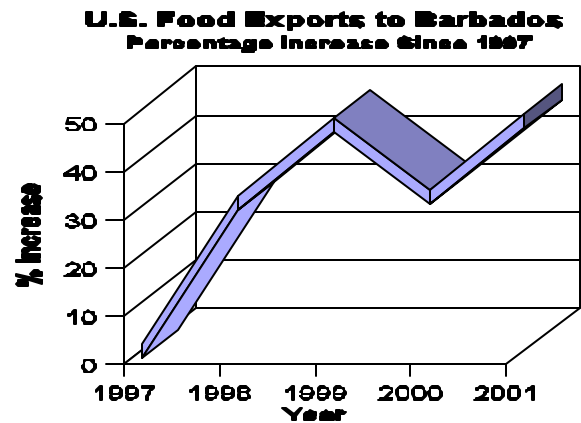
With little local agricultural production outside of sugar, poultry, and pork, Barbados must import most of its consumer food needs. Last year, Barbados imported approximately \$131.4 million in total food products, with 70 percent of the imports destined for the retail sector. Although over 200 companies are listed as food manufacturers, U.S. exporters face competition primarily from local poultry and pork processors, ice cream, soft drink, juice, beer manufacturers and vegetable producers. Producers have convinced the government to protect them with prohibitive duty rates of 123 to 243 percent for these items in place since April 2000.

According to 2001 U.N. trade data:

- Barbados imported approximately \$131.4 million in total consumer food products with an expected growth rate of 3 percent for 2002.
- U.S. market share of total food products (imports and local production) in 2001 was 36.3 percent, or \$47.7 million, and is expected to climb approximately 2-3 percent in 2002.

According to the Barbados Trade:

- U.S. exports reached a record level in 2001 and are expected to reflect a new record level for 2002 in spite of the effects of a worldwide economic downturn and fewer tourists since the September 11<sup>th</sup> terrorist attacks.
- Approximately 70 percent of total imported food product is destined for the retail sector.
- U.S. market share of food imports in the retail sector exceeds 60 percent.



Source: Derived from U.S. Trade Data

According to the Barbados Statistical Service data:

- Estimates in 2000 reveal that GDP per capita reached its highest level of \$14,500.
- Per capita food expenditures were \$5,713 (39.4 percent of per capita GDP) in 2001.

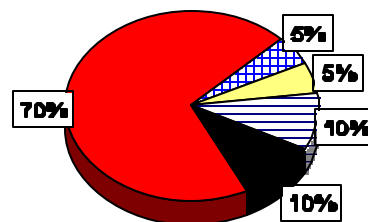
**Retail Profile**

Retail food stores are spread out all over the island. In urban and suburban areas, the population has a wide variety of choices, but supermarkets are still the most favored shopping outlets for packaged food products. The upper socio-economic strata usually make their purchases in supermarkets since they value variety and service. The middle class usually shops in small supermarkets and convenience stores, while the lower-income consumers typically choose mom & pop shops and traditional outlets to meet their food needs.

TYPE OF STORE & NUMBER OF OUTLETS	
Supermarkets	25
Club Outlets	1
Convenience Stores	40+
Gas Marts	18
"Mom & Pop" Shops	125+

**Retail Sales Per Sector**

- Supermarkets / Club Outlet
- Convenience Stores
- Gas Marts
- Mom & Pop Stores
- Wet Market / Produce Stands



<b>TYPE OF STORE &amp; NUMBER OF OUTLETS</b>	
Wet Markets	5
Produce Stands	100+

### **Trends in Services**

- Large retailers are expanding into urban areas (exterior of the country) where local and tourist traffic is highest.
- Supermarkets have increased their use of scanners, debit card machines, and ATM facilities.
- Supermarkets are offering more incentives to consumers such as banking services, film developing, printing, courier services, and free customer shuttles.
- Faster checkout and extended hours are in effect to compete with gas mart convenience.
- Large supermarkets are in the process of expanding their private label lines, while minimizing variety and number of SKU's.
- Coupons & Senior Citizen Discount Days are being incorporated in an attempt to increase sales.
- Rapid communication (E-Mail) has been the main technological benefit for most retailers. Some larger retailers are also exploring internet merchandising, billing, and inventory control as well as intranet capabilities.
- Popularity is increasing for phone and internet purchases among the more affluent consumers.
- Purchases are usually on a cash basis, but credit and debit cards are becoming more common.
- Larger space is being devoted to prepared foods, deli, and bakery items.
- Thematic shelves are starting to be adopted. Although the offering is small, supermarkets carry some ethnic foods and organic products.
- Home delivery is expanding in all formats. However, office delivery is mainly provided by convenience stores.

<b>Advantages</b>	<b>Challenges</b>
Barbados depends heavily on imports to meet most of its food needs.	Local agricultural and food processing sectors are heavily protected with prohibitive duty rates ranging from 123 percent to 243 percent for competing products.
A large number of Barbadians travel to the United States and are exposed to American culture and products.	Lack of specific knowledge of U.S. products may limit the diversity of imports.
Language, culture and proximity enhances market accessibility.	Limited market awareness of Barbados and the Caribbean region prevents U.S. exporters from increased trade opportunities.
U.S. food and beverage products enjoy a high quality image.	Extensive labeling requirements, although not fully enforced, require certain U.S. products to be re-labeled.

Barbadian consumers, especially the younger generation, are rapidly adapting to more international ways-of-life and are purchasing more imported items.	Relatively small volume purchases by importers discourages U.S. suppliers and increases unit costs.
	Because of size constraints, smaller importers may have difficulties establishing credit with U.S. suppliers.
	Duty free imports from CARICOM countries places certain U.S. products at a competitive disadvantage.

## II. ROAD MAP FOR MARKET ENTRY

### A. SUPERMARKETS, CLUB & WAREHOUSE OUTLETS

#### Entry Strategy

Between 60 and 85 percent of food products destined for the supermarket sector are imported by local distributors/wholesalers. Therefore, they represent the best avenue to accessing this market segment. A distributor that has a wide customer base and that can provide extensive penetration and distribution support is essential to the success of a product. To improve the odds of success in entering the market, U.S. suppliers should be prepared to provide:

- < Catalogues
- < Samples
- < Competitive pricing
- < Credit
- < Sales & advertising support for new brands

U.S. trade shows are a key vehicle for market entry. The Food Marketing Institute (FMI) Show in Chicago and the Americas Food & Beverage Show in Miami are generally the events of choice among most Barbadian distributors. The FMI show remains popular given its size and variety while the Americas Food & Beverage show is growing in popularity given its international trade orientation and its location. For a majority of distributors, these shows are the primary means for finding new products. U.S. companies may also send product information and samples to distributors who, if interested, will take the lead in launching the product in the market. Some distributors also search the Internet for new products.

PriceSmart, the only international retail outlet on the island, is perhaps the one exception to the rule in terms of entry strategy. PriceSmart, a club store, imports a large share of its food products through its own corporate buying structure in the United States. Therefore, U.S. suppliers seeking to gain access to PriceSmart in Barbados should approach the company's buying operations in Florida.

**' HIGHLIGHTS '**

- In 2001, supermarket industry reported sales of \$200+ million (U.S.).
- The top 4 outlets account for almost 75 percent of supermarket food sales.
- 70 percent of total food products on the island are imported.
- The U.S. market share of "imported" food products increased to 60 percent.
- 15-20 percent of supermarket customers are tourists.

**Market Structure**

The overwhelming majority of importers/wholesalers in Barbados supply both the retail and the food service sectors. The 15 competing companies typically import, wholesale, and distribute their product. The 4 largest retailers account for about 75 percent of all food imports (the remainder being effectuated by small wholesalers, supermarkets and other retailers).

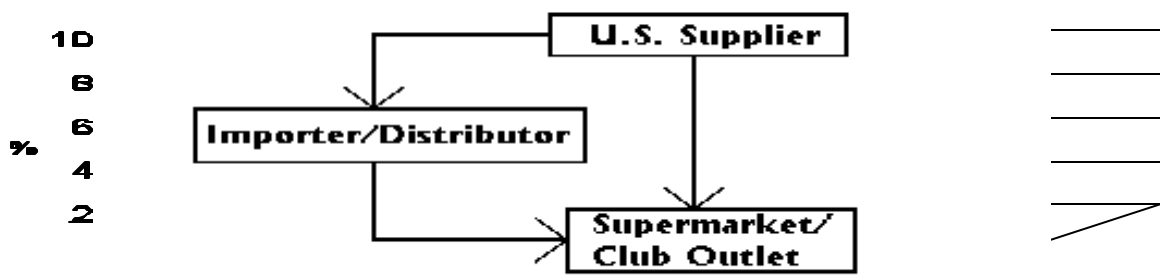
Wholesalers undertake their own delivery service. Deliveries are weekly to most retailers, but they may be more frequent to the larger supermarkets. On average, it takes less than one hour to reach any area of the country.

- < Large retailers have modern centralized warehouses, whereas smaller stores and mom-pop shops suffer from an inefficient and, in many cases, obsolete distribution and logistical systems.
- < Because sales volumes are relatively small and storage space is limited, it is common for Barbadian businesses to purchase smaller lots of goods more often than is the norm in larger markets.
- < Prices in Barbados are relatively high in comparison to U.S. prices primarily as a result of high tariffs and secondly the dependence on imports for a relatively small market. These large differences in prices have also led to the creation of a "barrel industry" whereby individuals residing or traveling in the United States ship large barrels of consumer goods to Barbados as a means of saving money on what otherwise would be local purchases.

**Almo:**

**PRODUCT FLOW FOR IMPORTED PRODUCTS**

**hows**



### **Company Profiles**

The Barbadian retail market was characterized by acquisition and consolidation during 2001. In response to market competition from international chains, PriceSmart and K-Mart (currently in development), stores have consolidated in an effort to improve efficiency and customer service. Most significant has been the consolidation of two of the largest distributors (Spring Garden & MER Bourne), two of the largest supermarkets (Big B & JB's), and the Super Centre Group chain which consists of 3 supermarkets and a few convenience stores. All are now a part of the conglomerate, Barbados Shipping and Trading Company, Ltd. (BS&T), which also holds partial ownership of PriceSmart's Barbados operations.

Consolidation and further development in the sector continue as BS&T premieres a Super Centre Superstore which will offer an array of products, a bright and modern interior, and an enormous centralized warehouse. In response to the BS&T expansion, the struggling Julie'N chain is reappearing, under new local ownership, to compete in the marketplace. Although the retail market is in a state of flux, opportunities are still attractive enough to encourage further investment.

<b>Retail Name &amp; Outlet Type</b>	<b>Ownership</b>	<b>No. of Outlets</b>	<b>Locations</b>	<b>Purchasing Agent Type</b>
PriceSmart (club outlet)	Foreign (U.S.) & Local (BS&T)	1	Warrens	Mostly own distribution for imported products
Super Centres (SCG) (supermarket)	Local (BS&T)	3	Oistins, Sunset Crest Rock Dundo	Distributor
J.B's (SCG) (supermarket)	Local (BS&T)	1	Sargeant's Village	Distributor
Big B (SCG) (supermarket)	Local (BS&T)	1	Worthing	Distributor
Julie'N (supermarket)	Local	2	Haggatt Hall Rendezvous	Distributor

Budg' Buy (supermarket)	Local	4	Black Rock C'more Rock Harbour Road Michael's Row	Distributor
Jordan's (supermarket)	Local	3	Fitts Village Baxters Road Speightstown	Distributor
Rick's (supermarket)	Local	1	Bridgetown	Distributor
Carlton's A1 (supermarket)	Local	1	Black Rock	Distributor
Emerald City (supermarket)	Local	1	St. Phillip	Distributor
E D's (supermarket)	Local	1	St. Joseph	Distributor

**B. CONVENIENCE STORES AND GAS MARTS**

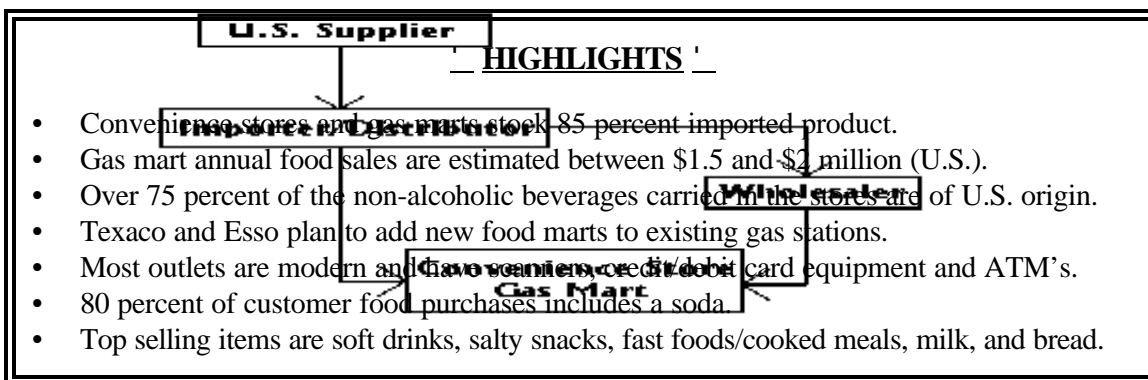
**Entry Strategy**

Competition amongst these outlets has fostered an environment that welcomes new product options. The common denominator in this market segment continues to be "convenience at affordable prices."

Since nearly all of their imported product is purchased through distributor/wholesalers, the entry strategy is the same as for supermarkets. U.S. companies trying to penetrate the market would be best advised to introduce their products through a local distributor much the same as in the supermarket sector.

**PRODUCT FLOW FOR IMPORTED PRODUCTS**

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**arket Structure**



Due to difficulties in collecting payment from smaller retailers, imports sometimes pass through an independent wholesaler before ending up in the smaller outlets.

### **Company Profiles**

The number of medium-sized convenience stores, larger than a traditional shop and smaller than a supermarket, have not escaped the acquisition/consolidation trend. Many of the 40+ outlets are being bought out by larger entities and transformed into larger outlets to better compete with the current conditions of the marketplace.

Convenience stores tend to stock dry goods but also offer a small selection of fresh and frozen items. These outlets can be found alongside heavily commuted roads and congested urban areas. They cater primarily to the middle class with a special focus on the business sector.

Located near intersections and main roads where traffic is heaviest, the number of gas marts has been growing to respond to the increasing pace of life in Barbados. Few people share the time or desire to prepare a full meal every night. With supermarkets closing between 8-10 pm, gas marts, which are usually open 24 hours a day, have stepped into a comfortable niche that offers Barbadians meal options without forfeiting choice or convenience.

<b>Name of Retailer</b>	<b>Ownership</b>	<b>Number of Outlets</b>	<b>Location</b>	<b>Type of Purchasing Agent</b>
Shell	Local (franchise)	10	Throughout Barbados	Distributor
Texaco	Local (franchise)	6	Throughout Barbados	Distributor
Esso	Local (franchise)	3	Oistins, Black Rock Paynes Bay	Distributor

## **C. TRADITIONAL MARKETS**

### **Entry Strategy**

Throughout Barbados, numerous small and independent grocery stores are present. These stores purchase what they sell directly from local distributors and usually concentrate on dry, basic food items and canned goods. Therefore, the most effective approach to introduce new products into independent grocery stores is through a local wholesaler since they do not import.

### **Market Structure**

Due to difficulties in collecting payment from smaller retailers, imports generally pass through an independent wholesaler before ending up in the smaller outlets.

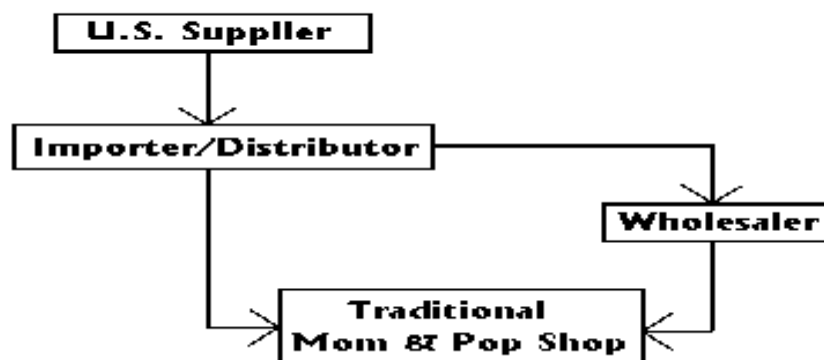
**Sub-Sector Profile**

There are currently 5 farmer’s markets, where growers’ and intermediaries sell their products directly to consumers. Typically, each merchant has a make-shift stand and sells his product every day. Almost all the products sold in these markets are produced locally and include fish, fruits, vegetables, and meat. Any imported food product, such as beans and rice, is purchased from a local distributor or wholesaler.

Mom and Pop shops are found on practically every street corner in Barbados. Unlike the larger stores, these shops are nestled in the community, away from major streets and tourist environments. They cater to the basic needs of the local neighborhood by offering specialty items and ethnic foods that reflect the tastes of the local residents. In general, small shops generally carry very limited supplies of

fresh  
meat  
mainly  
g on dry  
such as  
foods and  
beverages.  
they have  
refrigerator  
cold drinks  
treats.

**PRODUCT FLOW FOR IMPORTED PRODUCTS**



produce or  
products,  
concentratin  
products  
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bottled  
Many of  
a  
/freezer for  
and frozen  
Most of

these shops are owned by individuals or are part of a family business.

**III. COMPETITION**

The United States accounts for the largest share of Barbados' food imports, with a 36.3 percent market share of consumer-oriented food products. Nonetheless, the United States faces strong competition from a number of other suppliers.

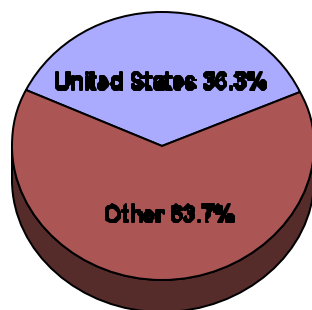
In general, the major commercial exporters to Barbados in order of importance are: the United States, CARICOM\*\* (primarily Trinidad and Jamaica), the United Kingdom, and Canada.

Source: United Nations Trade Data

For the most part, Barbadians hold American products in high regard. U.S. exporters have a major advantage due to the close proximity and strong media influence.

*\*\*The Caribbean Community and Common Market (CARICOM) was the result of a fifteen year effort to fulfill the hope of regional integration by forming an economic/trade block. As a part of this 14-member economic/trade block, most food products coming into Barbados from member islands are not subject to any import duties, license restrictions, quotas or other barriers to entry.*

**The United States recorded the largest market share of Barbadian food products in 2001**

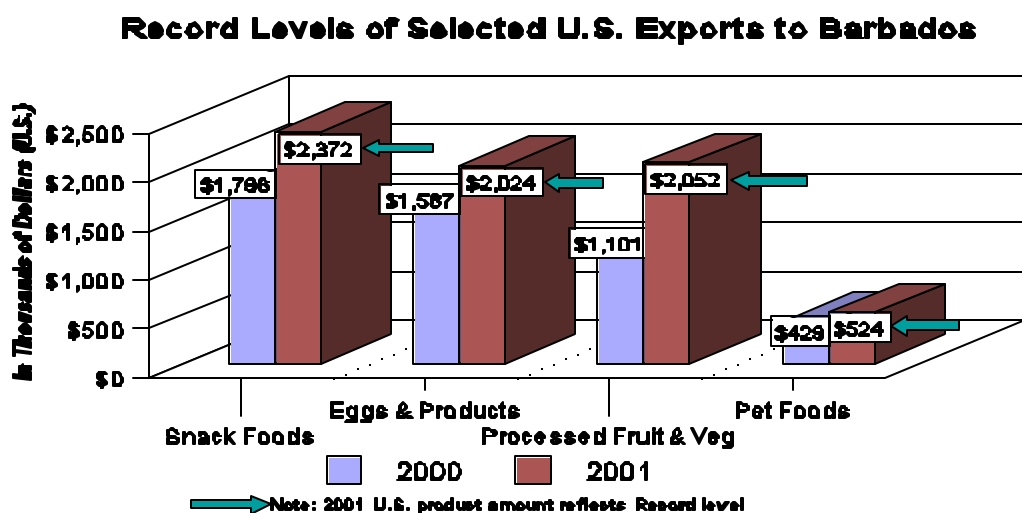


The following countries and products compete with U.S. products.

- < **Trinidad and Tobago:** soft drinks, juices, beer, snack products, canned meats and fish, cereals, and condiments.
- < **United Kingdom:** chicken leg quarters, tea, and sauces.
- < **Canada:** pork, wheat flour, and Christmas trees.
- < **New Zealand:** lamb, cheese, and other dairy products.
- < **France** remains the most favored purveyor of wines, although U.S. and Chilean wines are increasing in popularity
- < Competition from **local production** of poultry, pork, soft drinks, juices, beer, and vegetables is significant due to the prohibitive duty rates of 123 to 243 percent, put in place to protect these local industries.

#### IV. BEST PROSPECTS

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



Source: U.S. Bureau of Census Trade Data

Market opportunities exist for a wide array of retail products. , Snac k foods (both sweet and salty)

- , Baby foods
- , Confectionary products
- , Condiments
- , Cereals
- , Canned vegetables
- , Low-fat and low-sodium foods
- , Ready to eat meals
- , Pet foods

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

Food items that carry a high price tag will usually sell sluggishly, especially if lower price substitutes are available in the market. However, U.S. suppliers seeking to sell these type of products should target supermarkets that cater to middle-upper class buyers and that carry a wide variety of high-end products.

- , Low-fat / Health-foods (the Caribbean has a relatively high rate of diabetes)
- , Organic food
- , Convenience food
- , Ethnic food, such as Indian, Chinese, Italian, Mexican, and Kosher products
- , Fruit juices
- , Processed meats, such as sausage, pepperoni, and hot dogs
- , Margarine
- , Specialty mushrooms
- , Spray starch
- , Sport shakes & performance drinks
- , Specialty seafood, such as mussels, shrimp, and salmon

## **C. Products Not Present Because They Face Significant Barriers**

Some imports that are hampered by significantly high duties are:

- , Beer
- , Malt beverages
- , Mineral waters and aerated beverages
- , Milk and cream
- , Ice cream
- , Eggs
- , Beef
- , Fresh or frozen poultry and poultry products, including turkey
- , Pork products
- , Processed and canned chicken
- , Speciality fresh fish, such as dolphin, flying fish, marlin, swordfish, and spearfish
- , Jams and fruit jellies, including puree and paste
- , Tropical and exotic fruits
- , Selected vegetables, such as lettuce, cabbage, pumpkin, cauliflower, corn, sweet potato, red bell peppers, tomatoes, onions, carrots, beets, cucumbers, sweet peppers, and melons

For a complete explanation of Barbados Import Regulations and Standards, please refer to the Food & Agricultural Import Regulations & Standards (FAIRS) Report # BB2002.

## V. CONTACT INFORMATION

**A. For more information on Barbados and a list of importers for your U.S. product, please contact:**

**Caribbean Basin Agricultural Trade Office  
Foreign Agricultural Service  
United States Department of Agriculture**  
909 SE 1<sup>st</sup> Ave, Suite 720  
Miami, FL 33131  
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Please visit our website for more reports on Barbados and other Caribbean Islands.

<http://www.cbato.fas.usda.gov>

### **B. Other Sources of Information on Barbados:**

Central Intelligence Agency's World Factbook

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

Country Commercial Guide

[http://www.state.gov/www/about\\_state/business/com\\_guides/2001/wha/index.html](http://www.state.gov/www/about_state/business/com_guides/2001/wha/index.html)

Barbados Tourism Authority

<http://www.barbados.org>