



USDA Foreign Agricultural Service

# GAIN Report

Global Agriculture Information Network

Template Version 2.08

Required Report - public distribution

**Date:** 9/30/2004

**GAIN Report Number:** JM4005

## Jamaica & Dep Exporter Guide Annual 2004

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**Report Highlights:**

Modest rebound in the Jamaican economy, coupled with increasing remittances will support consumption of food and beverages in Jamaica's non-tourism market. The strong service orientation of the Jamaican economy and changing consumer demographics will strengthen the demand for imported food and beverages in Jamaica.

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Includes PSD Changes: No  
Includes Trade Matrix: No  
Annual Report  
Kingston [JM1]  
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## 1.0 MARKET OVERVIEW

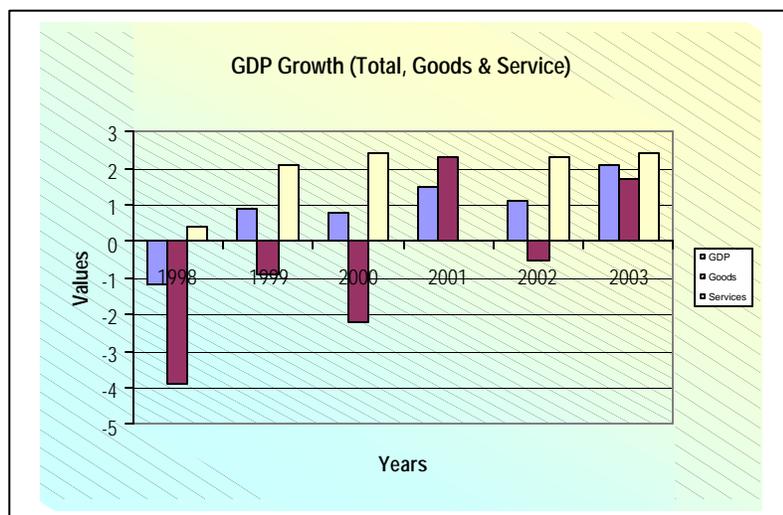
### 1.1 ECONOMIC FACTORS

Several recent developments in the macro economy will affect disposable income and food and beverage consumption in the Jamaican market.

#### 1.1.1 GDP Growth

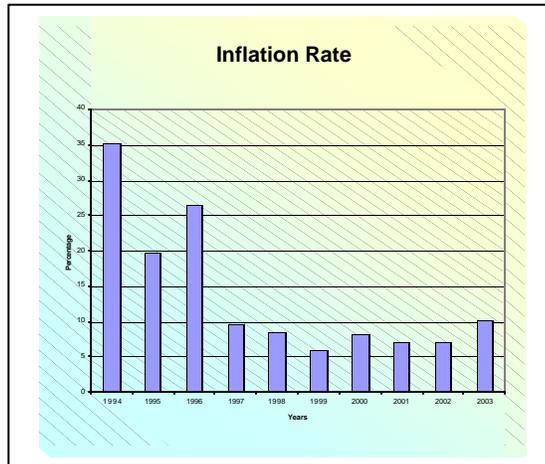
Following four consecutive years of contraction (1996-1999), the Jamaican economy returned to a modest growth trajectory, expanding by 0.7 percent during 2002 and by a further 1.1, 1.5 and 2.1 percent over the three ensuing years. The recent IMF Country Report has conditionally sanctioned the economic authorities' projections that the economy will expand by 2 percent during FY 2004/05, and in the range of 2 to 3 percent over the medium-term. However, annual growth in the last quarter will be restricted by the widespread damages to economic infrastructure from hurricane Ivan during September.

Since the 1980's Jamaica's economic performance has been characterized by an intensifying policy-driven structural shift from the productive to the services sector. The services sector-- driven primarily by telecommunication, tourism, and transportation and storage-- has consistently out performed the goods sector, and its contribution to GDP increased from 65 percent to 85 percent. This asymmetric pattern of performance should strengthen as public and private investments continue to emphasize a "new" service-oriented economy.



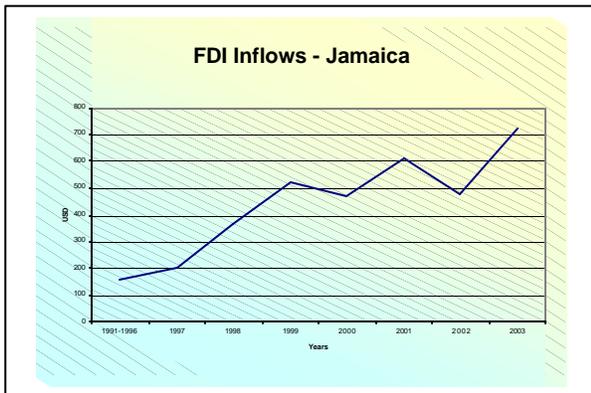
#### 1.1.2 Interest Rate and Inflation

In response to the acute pressures in the foreign exchange market during late 2002 to early 2003, the Bank of Jamaica steeply increased interest rate to almost 35 percent, which, coupled with increasing international oil prices, pushed inflation to double digit during 2003. However, the authorities have subsequently stabilized the foreign exchange market (which presently reflect market forces), decreased interest rate to per-FY2002/03 levels, decelerated inflation, and in general stabilized the economy and restored investors confidence.



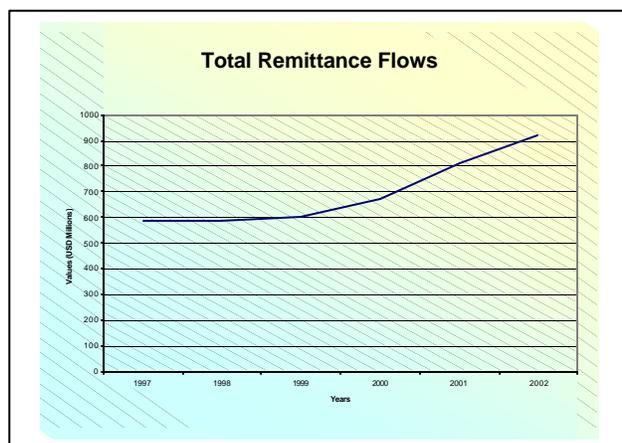
1.1.3 Foreign Direct Investment

Although exhibiting significant annual variations, FDI flows into the Jamaican economy have shown a moderately strong increasing trend over the last six years. The expected continued stability in the Jamaican economy, prudential labor market and fiscal reforms, and improved business climate could support this trend in FDI inflows over the short-term, particularly in bauxite/alumina, tourism, communication, and other service industries. The commitment of over USD 60 million for expansion in Bauxite/alumina and acquisition of properties in Jamaica by at least three large Spanish hotel chains harbingers the direction of FDI inflows.



1.1.3 Remittances

Although registering a persistent deficit over the last five years, Jamaica's current account position benefited significantly from the exponential growth in remittances over the period. The importance of remittances to the household economy will remain strong over the medium-term.



### 1.1.4 Fiscal Regime

Despite the positive short-term outlook, the Jamaica economy remains vulnerable to certain external shocks, adverse terms of trade developments, domestic dislocations (social unrests, crime and violence) and interest and exchange rate volatility. Further, the high public debt, persistent fiscal deficit, labor market rigidities and business climate are major hindrances to economic growth. Against this background, the GoJ has embarked on an ambitious strategy of fiscal adjustment, aimed at gradual reduction in the debt ratio and accelerated economic growth. Specifically, the fiscal strategy calls for balancing the budget by FY 2005/06, sustaining a small surplus from FY05/06 onward, and gradually reducing the debt-to-GDP ratio. In order to achieve these targets, the GoJ is expected to, inter alia, reform the tax system and improve tax collection; stringently discipline public expenditure; restrain the public sector wage bill through freezes in salary increases and employment rationalization; and reform the labor market.

These reforms, while critical to the country's economic survival, will inherently affect household income and consumption over the periods of adjustments.

## 1.2 EMPLOYMENT AND DEMOGRAPHICS

Over the last decade, the proportion of women employed in the labor force has remained stable, fluctuating in the narrow range of 41 to 44 percent. However, the proportion of women employed in managerial/professional capacities has grown astronomically, and has influenced household demographics and lifestyles, particularly in the large middle-income stratum of the society. As the educational attainments of males in the society lag behind their female cohorts, this pattern is expected to intensify.

One of the most obvious demographic changes in the society is the decline in mean household sizes. Approximately 42 percent of households in the Kingston Metropolitan Area (KMA) and Other Towns have no more than two persons, and about 63 percent of households in KMA and 57 percent in other town have a maximum of three persons. Noticeably, more than 81 percent of households in the wealthiest one-fifth of the population and 63 percent of households in the second wealthiest quintile have no more than three members.

Smaller households have supported the consumption of meals-away-from-home and convenience foods.

A second important demographic characteristic is the relative youthfulness of Jamaica's population. More than 64 percent of the 2.6 million persons in Jamaica are below 35 years

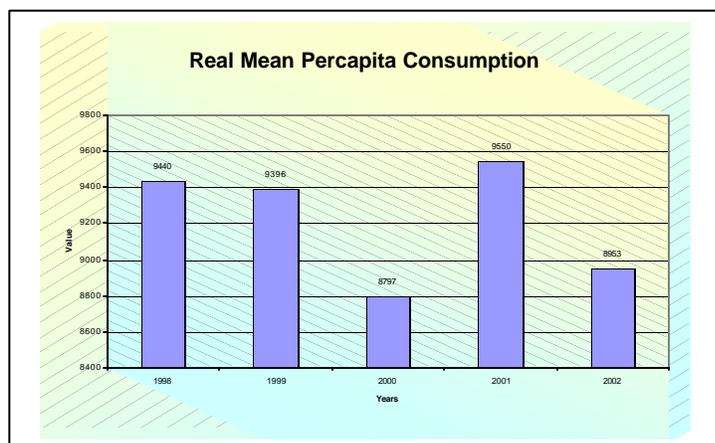
old and 57 percent below 30 years of age. Only a mere 18 percent of the population is above 50 years old.

The younger segments of the population are generally more receptive to cultural integration and electronic marketing.

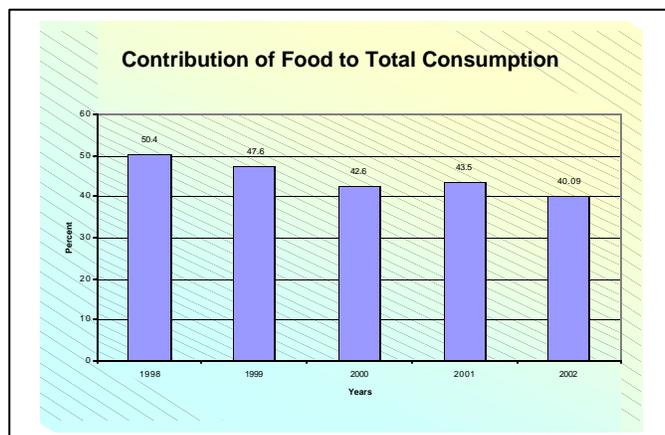
Wealth disparity in Jamaica has fostered the presence of distinct social groups within the Jamaican society, dictating different norms in communication, social appreciation and consumption patterns among groups. The mean per capita annual consumption expenditure of the wealthiest 10 percent of the population is 12.5 times that of the poorest 10 percent. In this respect, the Jamaican market is readily segmented and targeted along socio-economic lines.

### 1.3 CONSUMPTION PATTERNS

Over the last five years, real per capita consumption expenditure in the Jamaican market has varied within the range of JM\$9440 (US\$194) and JMD8953 (US\$184). During 2002 per capita consumption declined by over 6 percent to US\$184, almost reaching its five-year low. The central government's economic program is expected to exert further consumption pressures in the medium-term. Particularly, consumption expenditure could reach a five-year low during 2003 due to the effects of the GOJ's tax policy that was implemented during that year.



Despite a rapidly declining trend, food and beverages continues to account for the largest percent of per capita expenditure in Jamaica. During 2002, the proportion of expenditure that was committed to food and beverages declined by three percentage points to 40.9 percent. With both per capita consumption and the share of food and beverages to total expenditure declining during 2002, total food expenditure in the market shrank from JMD 11 billion (US\$226 million) to JMD 9.5 billion (US\$195 million).



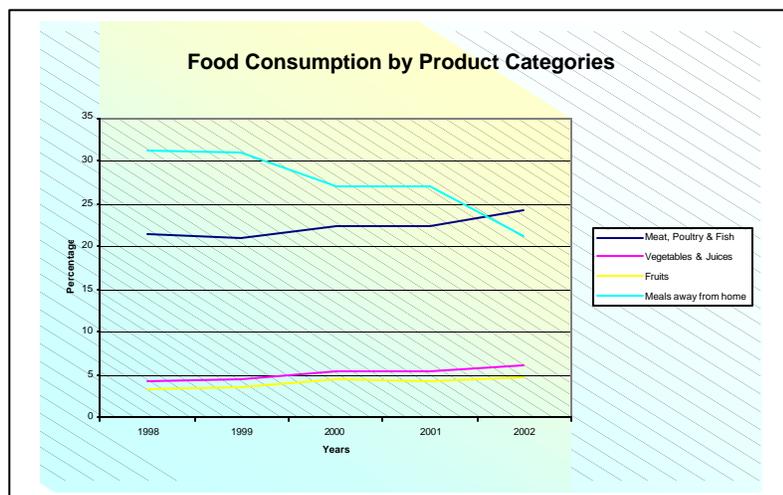
### 1.3.1 Changes in Consumption Pattern

When examined across consumption groups only the wealthiest, and less price sensitive, one-fifth of the population recorded increased (4%) food consumption expenditure during 2002, albeit significantly below the annual inflation rate. The magnitudes of declines in food consumption expenditure were almost identical across the other four consumption groups, perfectly representing the overall decline.

The decline in consumption expenditure during 2002 is indicative of depressed per capita income, increased price sensitivity of the Jamaican consumer market, a movement toward "value" (price/benefit) purchase, and possibly consequential adjustments in retailers pricing strategies and product portfolio.

As the realities of adjustments in the macro and microeconomic environments are felt at the household level, Jamaican consumers are expected to modify their consumption and buying behaviors. Most analyses of food and beverage consumption in Jamaica up to 2000 concurred on the relative permanence of the pattern of food consumption. However, the subtle changes in consumption that were observed during 2000 have quickly become apparent and are attracting the attention of larger and more aggressive food and beverage distributors. One of the most obvious changes in consumption pattern is the sharp reversal of the decade-long increasing trend in the proportion of food and beverage expenditure spent on meals-away-from-home. Although meals-away-from-home accounted for the overwhelming majority of food and beverage expenditure up to 2001, the relative proportion has declined by an alarming 10.1 percentage points over only a five-year period, and more ominously, by 6 percentage points during 2002. When analyzed across consumption groups, all five groups have shown a downward trend in the consumption of meals-away-from-home since 1999, notwithstanding annual fluctuations among four of the groups. For the wealthiest segment (one-fifth) of the population, consumption of meals-away-from-home has shown radical and consistent annual declines since 1999.

The decline in expenditure on meals-away-from-home during 2000 and the subsequent plateau over the two ensuing years were interpreted by most industry players as a maturing of the existing market segments that are served by fast food restaurants. However, the further decline during 2002 coupled with the gradual increase in the consumption of animal protein (prepared-at-home) to historic levels could be a possible signal of a reversal in consumers' preferences.



A combination of several plausible factors has been used by industry experts to explain the presumed beginning of a consumption change in the Jamaican market. Some experts believe that given the dichotomous structural arrangement of the Jamaican restaurant industry into a few higher end specialty/fine dining restaurants and a preponderance of Quick Service Restaurants, it is not unexpected that under a situation of depressed real disposable income a significant proportion of the large middle-income segment of the market would revert to meals-prepared-at-home, as neither the QRS or the specialty restaurants would provide an appealing value. Another school of thought extends this argument to include the increasing health consciousness of Jamaican consumers as an endogenous influencing on the presumed consumption shift. Under this explanation, it is believed that the depressed disposable income of the middle-income stratum naturally diminished its purchasing power and propensity to consume at specialty restaurants. Additionally, increasing health consciousness would reduce purchasing frequency and quantities at QSRs, which are generally perceived as unhealthy. The direct relationship between disposable income and specialty dining is well established in Jamaica.

There is also sufficient empirical justification that Jamaican consumers are becoming more health conscious. In addition to an increasing gymnasium registration and exercise equipment sales, consumers have appreciably increased the proportion of fruits, vegetable, complex carbohydrates, cereal products, plant extracts, and other natural "health-oriented" products in total food consumption. In fact, the contributions of fruits, vegetables, and cereals to total consumption have increased over the last four years by 10, 9.3 and 3 percent per year, respectively.

The consistent declines in the consumption of meals-away-from-home by the wealthiest, and least price sensitive in the population, and the acceleration in their consumption of the "health-indicative" products confers credibility on the health awareness justification of the consumption change. Also, the strong positive correlation between income and expenditure on meals-away-from-home among the other four consumption groups justifies the price sensitivity and value purchase logic. Further, gymnasium registration is increasing among the middle-income population.

The logical conclusion therefore is that:

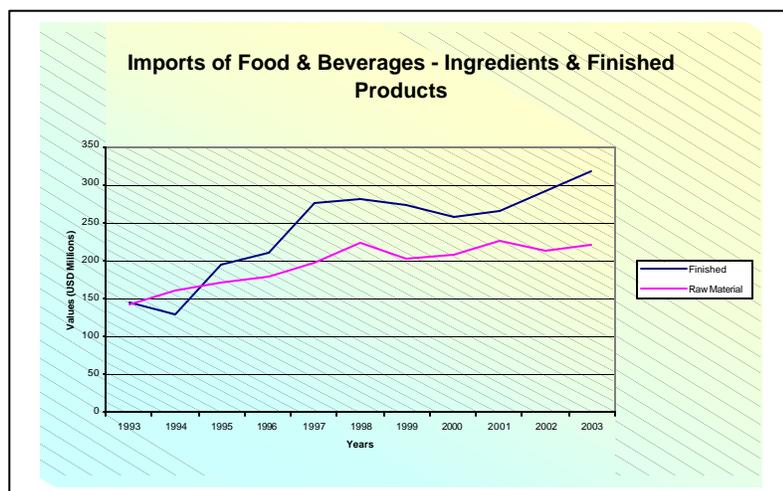
- The Jamaican consumer market is very price sensitive, and as such, marketing efforts and product benefits should concentrate on value (price/benefit relationship).
- On the basis of value, there is significant opportunity for food establishments to occupy the market space between the specialty restaurants and the QRS.
- There is a significant and growing market in Jamaica for health-oriented food products.

#### 1.4 EXTERNAL TRADE OVERVIEW

During January-August 2003, Jamaica's Merchandise Trade deficit widened by 6 percent to USD 1627.1 million when compared to the corresponding period of 2002. The larger deficit resulted from a 5.5 percent increase in merchandise imports to US\$ 22421.4 million, which overshadowed the 4.6 percent increase in export earnings to US\$794.3 million.

Both traditional and non-traditional exports rose by 3.8 percent and 6.7 percent to USD628.1 and USD149.9 million, respectively. Most of the major primary agricultural products enjoyed export growths. However, the traditional manufactured products, such as rum and sugar experienced declines during the period.

Imports of all categories of consumer goods declined during 2003, with food and beverages registering the lowest decline of 1.6 percent. However, imports of food ingredients increased by a creditable 5.5 percent during 2003. During the first eight months of 2003 imports of food and beverages and food ingredients totaled US\$188 and 148.1 million, respectively. Over the last decade, the imports of food and beverages (finished) and food ingredients into Jamaica have grown considerably, with finished food products growing almost twice as fast as food ingredients. The more rapid pace in the importation of finished food and beverages is consistent with the high level of service-orientation of the Jamaican economy. As the asymmetric growth of the economy intensifies, Jamaica will fulfill an increasing proportion of its food demands from imports.



The major suppliers of agricultural products to Jamaica are the United States, United Kingdom, Canada, New Zealand, Guyana and Trinidad and Tobago. The United States is the primary supplier of food products to Jamaica, accounting for approximately 48 to 50 percent of total imports. U.S. exports of agricultural products (excluding fish and forestry) to Jamaica increased for 14 percent for the first six months of 2004. The increase was driven primarily by a 32 percent change in the value of intermediate agricultural products and a 16 percent change in bulk agricultural products. Consumer-oriented products show an inappreciable change.

Under duty-free access, total exports of food and beverages from CARICOM to Jamaica continue to increase. Guyana and Trinidad and Tobago are Jamaica's major CARICOM trading partners. Major imports from CARICOM include rice and fish from Guyana and cereals and cereal preparations, snack foods, cocoa products, soft drinks, nuts, margarine and fish from Trinidad and Tobago.

### 1.5 OPPORTUNITIES

Despite the weak economy, prospects for the sale of US food products are still attractive. Key food product categories that are growing are fish, beverages (particularly fruit juices), vegetable oils, dairy products, fresh fruit and vegetables, wines, confectionery and snacks, and general grocery products. In addition to the very active food retail sector, the hotels and restaurants (fast food franchises) segment present excellent marketing opportunities for consumer-oriented products.

Jamaica's persistent income disparity and associated social stratification have created a lucrative and sustainable market for high-value consumer-oriented products. Private and public policies do not adequately address social integration and as such these segments are

expected to be relatively permanent. On the other hand, the relatively lower purchasing power of a significant proportion of Jamaica's population provides an opportunity for the sale of low priced, generic, (unbranded), bulk packaged food products such as; rice, wheat and derivatives, red meats, cereals, canned and dried/preserved fish, powdered dairy products and nutritionally enhanced foods.

The low productivity of the good sector and increasing service orientation of the economy means Jamaica will fulfill an increasing proportion of its goods demands from imports.

Jamaican consumers have developed a preference for North American products, lifestyle and cultural values.

Generally, in the middle and upper-income strata, there is a decline in household sizes, and greater emphasis on recreation/ leisure, convenience and health. This has helped to influence the demand for convenience products and various types of health foods.

The relative youthfulness of the population has also influenced the adoption of North American values and lifestyle in Jamaica.

There is a significant opportunity for restaurateurs to target the large-middle income segment of the population.

## 1.5.1 Summary of Opportunities and Threats

<i>Advantages of U.S. Food Products</i>	<i>Disadvantages / Challenges</i>
<i>U.S. products benefit in the local market from advertisement on cable TV.</i>	Relatively high tariffs on products that compete with local production.
<i>Jamaicans, particularly in the younger age groups, have a strong affinity to U.S. cultural values and lifestyle.</i>	High unemployment and government fiscal regime affect consumption.
<i>Reliability of production and distribution of U.S. products.</i>	Substantially lower tariff for competing products that originate within CARICOM.
<i>Quality image and acceptance of U.S. food products in Jamaica.</i>	Sanitary / phytosanitary barriers on specific imported products.
<i>Geographic proximity of Jamaica to the U.S. benefits ultimate end prices of U.S. products vis-à-vis Asian and European Imports.</i>	Increased price competition from cheap labor market, e.g. Far East and Central America.
<i>Increasing proportion of U.S. tourist to Jamaica benefits U.S. products in the HRI sector.</i>	Inadequate cold storage facilities and indiscriminate handling of perishable products at the port of entry.
<i>Dominance of U.S. fast Food franchise replicates U.S. consumption patterns in Jamaica.</i>	
<i>Increased emphasis on the service sector and reduced competitiveness of domestic goods favor imports.</i>	

**2.0 EXPORTER BUSINESS TIPS**

Jamaica has a very long and mutually beneficial trading relationship with the United States. Many U.S. brands are household names in Jamaica.

2.1 *Distribution / Representation*

Most U.S. manufacturers/suppliers market their products through distributors/manufacturers representatives, or recently, sell directly to large supermarket and hotel chains. In the majority of cases, distributors are exclusive agents of the U.S. brand that they represent.

Distributors/Importers normally import, clear, and deliver goods nationally. Typically, importers operate on credit terms ranging from 30 – 45 days date of invoice. It is not unusual for importers to request 60 days credit. Credit terms to the Retail/Wholesale sector range from 15 – 30 days officially but in reality are 30 – 60 days. Credit terms to hotels in most cases exceed 30 days.

## 2.2 Margins on food products:

Margins in the distributive sectors are as follows:

Distributor:	10 – 20% mark-up on landed warehouse cost
Wholesaler:	10 – 15% on distributor selling price
Retailer:	25 – 30% markup on distributor price

Margins are currently under pressure due to the fiercely competitive environment in the retail market. With consumers becoming more price conscious, retailers importing an increasing proportion of inventory, and wholesalers targeting the retail segment, margins along the distribution channel will decrease.

## 2.3 Advertising/ Promotion

Costs of promoting imported products are usually paid for by the brand owner or supplier, either fully or shared with distributors in accordance to terms of agreement. It is particularly important that suppliers provide technical and promotional support during the launch, introduction and early growth stage of their brands. Exclusive distributorship is common, and, in a market with a fairly large number of new products, brand retention depends on its relative strength in the product portfolio.

## 2.4 Consumer Tastes

The proliferation and success of a large number of U.S. fast food franchises in Jamaica truly reflect the overwhelming acceptance and preference for U.S. products among Jamaica consumers. This preference has emerged over decades of vacation and business travel, Jamaicans studying in the U.S., returning or vacationing U.S. residents, immigrants from Jamaica, the awareness of U.S. products advertised on Cable TV and the Internet, and a general entrenched perception of U.S. quality standards.

## 2.5 Customs Duties

As a member of the Caribbean Community, Jamaica applies a Common External Tariff (CET) on all extra-regional products. Customs duties on food products range from 0 –100% on CIF values. In specific cases there are Additional Stamp Duties (ASD) up to 80 percent on “sensitive” products that competes with domestic production. A 15 percent General Consumption Tax is applied to most products, both domestic and imports, and certain products, such as alcoholic beverages and tobacco products attract one or a combination of Special Consumption Taxes. Individual taxes are compounded to derive aggregate import duty. Consistent with the government’s pro-manufacturing thrust, products that are classified as raw materials are exempted from import duties.

Under the amended Customs Act, Jamaica has adopted WTO-prescribed valuation methods and has also, as part of the modernization process, modified its structure and information system to improve efficiency, accuracy, and transparency. Import duties are now levied on the transnational cost of a product rather than on values arbitrarily determine by the Customs Department. However, due to deliberate under invoicing by importers and exporters to evade customs duties, Jamaica Customs Department still depends on valuation based on “identical” and “similar” products in suspected cases. The “deductive” and “fall-back” methods of valuation have not yet been employed.

## 2.6 *Inspection of Imports*

One of the primary objectives of the GOJ's food safety and inspection policy is to establish a single food safety and inspection agency by 2005. As the system presently stands, several agencies are involved in the inspection process. The Ministry of Agriculture (Plant Quarantine Division) is responsible for inspecting all imported fruits, vegetables, plants and plant-parts. The Ministry of Health and the Veterinary Services Division inspect all imported meat products and by-products. Bulk agricultural products are inspected primarily by the Food Storage and Prevention of Infestation Division. The Bureau of Standards inspects processed and packaged products at the ports of entry, and at the retail level in accordance with the Standards, Process Foods and Weight and Measurements Acts. Coordination difficulties among the several regulatory agencies can severely compromise the quality of perishable food products.

## 2.7 *Clearance/Costs*

All costs for clearing products at the port of entry are incurred by the importer. These include container fees, storage, demurrage, haulage, etc, which contribute to part of the total cost in their pricing structure.

## 2.8 *Import Permit and Inspection of Products*

All food products exported to Jamaica must be accompanied by a supplier's invoice showing value (cif/fob), quantity, etc. Most categories of food products can be imported freely into Jamaica. However, an import permit is required from the appropriate government agency in cases where there is a threat to human, domestic animal or plant health. All fresh fruits and vegetables, plants and plant-parts must be accompanied by an import permit from the Plant Quarantine Division. Meats, dairy products and highly processed products that contain animal ingredients must be accompanied by a local veterinary import permit and an export certificate issued by the competent authority of the exporting country. In the case of highly processed products, a certificate from an authorized state or county agency, which speaks unambiguously to safety and wholeness of a product, would constitute an appropriate export certificate. A special permit is also required for products that are monitored by a domestic commodity board, such as vegetable oils and cocoa.

## 2.9 *Food Standards/Regulations*

Under the Standards Act, Jamaica has established standards for over 34 specific categories of foods, governing processing, labeling and packaging. Where national standards do not exist, the Bureau of Standards adopts appropriate language developed by the Codex Alimentarius Commission. Guide lines developed by the Codex Committees on Food Labeling (CCFL) and Food Hygiene (CCFH) are used to inform Jamaica's standards governing the food processing industry. Specific standards are available from the Bureau.

The Bureau of Standards does not recognize the United States' conventional "mm/dd/yy" or the Julian date format for the purpose of trade and commerce in Jamaica. Manufactured, expiry and other date marks must conform to the traditional European "dd/mm/yy", the ISO's "yy/mm/dd" or full (May 2, 2003) or partial (Apr. 2, 2003) text. Jamaica has not yet developed any definitive standards to regulate Genetically Modified and Living Modified Organisms, but present discussions are skewed towards adopting mandatory labeling and other regulations consistent with the obligations of the Cartagena Protocol on Biosafety.

### 3.0 MARKET SECTORS AND TREND

The following comments seek to address the various sub-sectors in the Food Sector in respect of size, growth, trends, development, promotional / marketing strategy and threats and opportunities for the US supplier, new and existing.

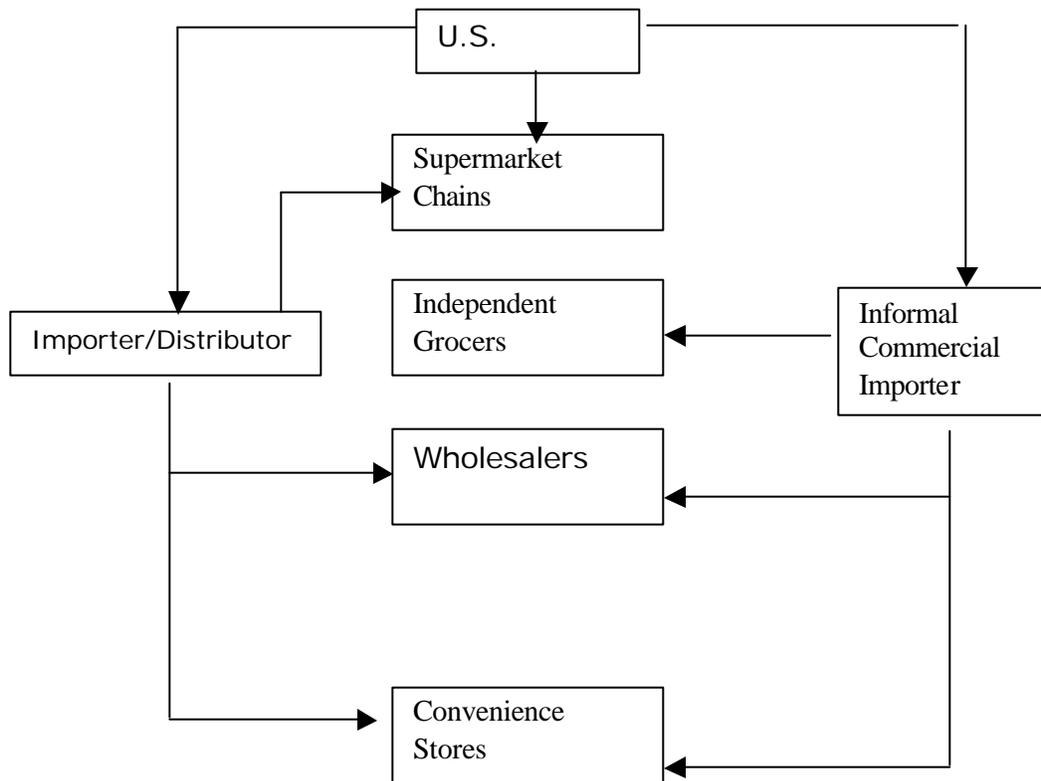
#### 3.1 *Food Retail Sector*

##### 3.1.1 *Structure*

Businesses within the food retail sub-sector are differentiated on the bases of service, quality, price and convenience (time and location), giving rise to a retail sector structurally composed of; upscale, conventional and convenience supermarkets, wholesalers, informal commercial importers, farm markets (green grocers) and, recently, convenience stores (mini-marts). Upscale supermarkets, which flourish on Jamaica's income disparity, are very few in numbers, carry an appealing array of high quality, specialty products and offer outstanding customer services. They target middle to high-income consumers who are less price sensitive, but are motivated by service and/or perceived social status.

At the other extreme, conventional supermarkets target the general public and are positioned almost exclusively on the basis of price. Basic food items are low priced to attract consumers while margins are disguised on other products to compensate. This is the most competitive segment of the retail food market. The two largest and rival conventional supermarket chains, SuperPlus and HiLo Food Stores, extensively advertise discount coupons in the print media, a strategy apparently aimed at undercutting prices and expanding / retaining customer base. Convenience supermarkets rely on location as their primary strength. They showcase the best perishable products and provide fast friendly services.

Recently, there is an escalation in convenience stores (mini-marts) in Jamaica, providing consumer convenience by virtue of their locations and times of operation. Mini-marts are typically located along high ways, in or close proximity to service stations or close to middle-class residential settlements. They stock a wide variety of snack foods, confectionery, juices / drinks and dairy products. Those located at service stations usually operate on a 24 hours basis.



### 3.1.2 Performance

In terms of contribution to GDP, distribution is the single largest sector in the economy, accounting for approximately 20.2 percent of GDP during 2003. Over the past decade, the contribution of the distributive sector to GDP has expanded by 2.3 percent, reflecting the strong growth in the sector following accelerated trade liberalization of the Jamaican economy through the 1990's. The distributive sector continued robust performance during 2003 with overall sales expanding in real terms for the third consecutive year. However, sale of food and beverages in the wholesale segment of the distributive trade contracted by 4.2 percent during 2003. Sales of food and beverages by retailers declined by 7.5 percent during 2003.

### 3.1.3 Size

There are approximately 1,642 firms in the Food and Beverage sub-sector, comprising of 1,486 retail and 162 wholesale operations. This represents a 7 percent and 11 percent decline in the number of retail and wholesale operations resulting from widespread retrenchment and consolidation in the sub-sector. Total sales from the Food and Beverage sub-sector amounted to approximately US\$768 million during 2002.

### 3.1.4 Industry Trends

The three fastest growing trends in the Jamaican retail food sector are the direct importation of products by retailers, the targeting of the retail segment by wholesalers, and increasing use of information technology as a competitive tool. Changes in the domestic economy such

as liberalization, the maintenance of a relatively stable exchange rate and domestic supply shocks have resulted in many firms in the food retail sub-sector increasing the import content of their business, including; fresh fruits and vegetables, meats and processed products. Domestic supply shocks in particular have diverted retailers' interest to imported food products to secure against supply uncertainty. Under depressed economic climate, retailers have started aggressive direct importation of products to avoid distributor's margin and offer more prices competitive products in an increasingly price sensitive Jamaican retail market. To protect market share, wholesalers have started targeting the retail segment, blurring the distinction between retail and wholesale operations.

Advances in information technology set the stage for e-commerce (inventory procurement and sales) in the retail market. As a strategy to capture a share of the lucrative remittance service, while simultaneously entering new segments with minimal capital outlays, large supermarket chains are establishing online stores that are targeted at Jamaicans living in the U.S. Such facility provides the convenience for consumers (Jamaicans) in the U.S. to purchase products for delivery to households in Jamaica. Products are extensively advertised on websites of local media and advertising agents. Electronic payment and inventory management/control systems are typical features of Jamaican supermarkets. With most supermarkets operating fully electronic inventory control/management system, it is inevitable that, in the near future, supermarkets will implement automatic electronic reordering (procurement) systems. In this environment, relationship market, inventory management and marketing efficiency will become substantial differentiating variables.

Other trends are: the inclusion of Strategic Business Units (e.g. deli, restaurants and pharmacy) in large conventional supermarkets; expansion of larger supermarket chains into rural areas to expand market coverage; alliance of domestic supermarkets with foreign retail chains (e.g. TESCO a U.K. based retail chain); major supermarket chains are engaging in exclusive distributorship arrangements; local supermarkets are merging to increase efficiency and competitiveness.

### *3.1.5 Opportunities*

The relatively modern Jamaican retail sector, with several well-established conventional and upscale supermarkets, is equipped to carry an appealing array of fresh, frozen and specialty food products. The healthy competitive environment of Jamaica's retail sector provides an opportunity for U.S. distributors to form strategic alliances with Jamaican retail chains. Also, where there are no contractual restrictions, U.S. companies can sell directly to large supermarket chains. Medium-sized U.S. firms with the flexibility and international interest can benefit significantly from supplying private labeled products to Jamaican supermarkets. The robust performance of the retail food sector over the last five years signals increasing consumer demands for imported products. While general food and beverage demand increases, U.S. companies can concentrate their marketing effort on building selective demand for specific brands. Since supermarkets are targeting the Jamaican community in the U.S., this segment forms an appropriate test market for U.S. products that will be exported to Jamaica. The introduction of independent Strategic Business Units in supermarkets creates an opportunity for the sale of specialty, health and convenience products.

### *3.2 Hotel Restaurant and Institutions (HRI) Sector*

As the goods producing sector of the Jamaican economy languished under changing international trading environment, the services sector, and particularly, the tourism industry, will remain the impetus to Jamaica's economic growth.

### 3.2.1 Size

The HRI sector, influenced almost entirely by the hotel industry, fueled Jamaica's economic growth over the last three years. Total hotel rooms during 2000 were 16,986 with all inclusive and non all-inclusive hotels accounting for 59 and 41 percent, respectively. Since the late 1990's, all-inclusive hotels have outstripped regular properties by an average annual 4.25 percent growth rate compared to 2.3 percent. The planned entry of another Spanish chain and the completion of expansion by RIU Hotels in Montego Bay and Ocho Rios will significantly expand the total stock of hotel rooms. Total room capacity is projected to expand by a further 4 percent during 2004. Hotels are mostly located along the North coast, from Negril (West) to Port Antonio (East), including, Montego Bay, Ocho Rios and their environs.

### 3.2.2 Growth

Jamaica's tourism market has made steady recovery from the fallouts resulting from September 11, 2001 terrorist attacks in the United States. During 2002, tourist arrivals were only 4.5 percent below the per-September 11<sup>th</sup> figures. Total stopover arrivals for 2003 increased by 6.6 percent to 1,350,285, while cruise ship passenger arrivals increased by a massive 30.9 percent to 1,132,596. This pattern of increase has implications for food consumption in the HRI sector as cruise ship passengers tend to spend a very small proportion of expenditure on food and beverages. However, prudent marketing efforts aimed at converting cruise ship passengers to stopover visitors will, if successful, have longer-term effects on revenues and consumption in the HRI sector.

The U.S. accounts for the largest proportion of tourist to Jamaica, approximately 71 percent of total arrivals during 2003. Canadian and British tourists collectively account for 18.3 percent of total arrivals. The entry / expansion of Spanish hotel chains into Jamaica will help to diversify source markets, as well as the domestic tourism product.

With average length of stay of 10.2 nights, average nightly stopover expenditure of US\$98.10 per capita, and average daily cruise ship passenger expenditure of US\$80.6 per person, total food expenditure in Jamaica's tourism market is estimated at US\$85 million per year. The inclination of U.S. visitors to purchase food items with which they are accustomed, has skewed approximately US\$62 million of Jamaica's total tourist expenditure towards the purchase of U.S. food products.

### 3.2.3 Industry Trend

The three major changes in the structure of the HRI sector – the increasing direct importation by larger hotels, increased proportion of all-inclusive hotels in the total hotel stock, and the increased emphasis on environmental/eco-tourism – result from three major factors:

1. Market liberalization and increasing price competition from all-inclusive hotels.
2. The continuous aggressive expansion, promotion and positioning of the all/super inclusive concept by Jamaica's two largest hotel chains, and the increasing demand for these products/services by North American visitors.
3. The introduction of Green Globe Certification as a strategic marketing tool.

### 3.2.4 *Opportunity*

The HRI sector provides the best growth potential for the sale of U.S. high-end products in Jamaica, including wines, cheeses, meats, fruits, juices, vegetables, seafood, sauces, salad dressings, French fries, alcoholic beverages, breakfast cereals, and dairy products. In addition, since Jamaica's tourism is almost exclusively marketed in the United States, U.S. visitors will remain the largest proportion of tourist arrivals to Jamaica. This trend will continue to influence HRI demand in favor of U.S. products. However, if U.S. products are to exploit their inherent advantage in the tourism sector, they must be competitively priced to match lower priced imports, particularly from Europe, Canada and Chile. With large all-inclusive chains having their own procurement departments, there is a window of opportunity to sell directly to these chains, develop long-term relationships and take advantage of their Caribbean-wide network.

### 3.3 *Fast Food Sector*

Fast food franchises, which account for the largest proportion of sales in the restaurant segment of the HRI market is an attractive market for certain consumer-oriented products. The tendency for Jamaicans to have meals away from home is associated with the proliferation of U.S. fast food franchises across the country, the growth in single occupancy households, increasing number of mature students, and the over all influence of North American culture.

#### 3.3.1 *Size*

Fast food restaurants account for an estimated 48 percent of total expenditure on meals-away-from-home, amounting to approximately US\$263 million per years. For some U.S. franchises, demand customarily exceeds supply during peak hours, limiting the availability of certain augmented services such as home delivery. In Jamaica, fast food restaurants, with relatively less expensive products, provide a convenient and cost effective alternative to certain types of traditional restaurants. The maturing of the fast food market in certain segments will affect growth in fast food sales. However, it is a general belief that there is significant unmet demand in certain geographic areas, particularly the North-central and Northeast provinces. Further, the large middle-income consumer group is left untargeted by restaurateurs.

Over the last five years more than 30 restaurants have being added to the total stock of fast food restaurants in Jamaica, and a further ten restaurants are expected to be added within the next two years. U.S. fast food franchises are well represented in Jamaica, including: Wendy's, Burger King, Kenny Rogers, Kentucky Fried Chicken, Pizza Hut, Domino's Pizza, Churches Chicken, Subway and McDonald's. One of the most successful local fast food chains, Island Grill, has experienced enormous success and expansion. Other local brands have recently entered the market and are capturing market share by virtue of their delivery services. Most U.S. franchises have modified their menu to meet Jamaican consumers' taste preferences.

#### 3.3.2 *Food Processing Sector*

Over the past decade, the manufacturing sector, including food processing, has declined both in output and contribution to GDP. Despite continuous retooling and modernization, output from manufacturing grew by a mere 0.9 and 2.4 percent during 2000 and 2001, the only years of positive growth since 1994. All sub-categories of food processing, except rum and alcohol, carbonated beverages, and poultry meat, contracted significantly during 2002. The

overvalued exchange rate, low labor productivity, high interest rates, domestic labor laws and increasing international competition will continue to impact negatively on the manufacturing sector.

Alcoholic and non-alcoholic beverages and poultry meat are the most promising food processing activities in Jamaica. Output of manufactured goods will remain low over the short to medium-term.

### 3.3.3 Industry Trend

The Food Processing (beverages and poultry) sub-sector is the major contributors to growth in the manufacturing sector. There is extensive production retooling, expansion and competitive pressures in the Alcoholic and Non-alcoholic Beverage sub-sector. New companies are entering the segment, and established companies are trimming product lines and specializing in specific established brands. Exclusive distributorship is the norm in this sub-sector. Many companies that specialized in primary production or value addition are integrating along the value chain to enhance efficiency and competitiveness. This is especially evident in poultry, bananas and its derivatives, non-traditional fruits and condiments. There is extensive research in new product development by academic, public and private institutions to support the strategic development of the lackluster manufacturing sector. The smaller, less efficient processors are exiting the industry.

The low productive capacity of the manufacturing sector means goods consumption will have to be fulfilled from imports. There is excellent opportunity for the sale of U.S. food products in Jamaica, including: natural juices, canned vegetables, fruits, snack foods and general grocery products. Output of primary agricultural products are limited and characterized by alternating periods of shortages and gluts.

## 4.0 BEST HIGH VALUE PRODUCT PROSPECTS

In the Jamaican hotel/restaurant and retail markets there is high demand for wines, lamb, seafood (fish, lobster, shrimp), special cut beef and veal, pork products, pasta, nuts, cheeses, French fries, potatoes, bakery products, sauces, vegetables and fruits (apples, grapes, peaches, pears, etc.). Hotels are targeting particular groups that will create seasonal demand for certain products, such as kosher. General grocery products and fruits and vegetables can be targeted at the retail market

The following is a list of products with the best potential for sale in the Jamaican market.

- Fresh, processed and frozen vegetables
- Meats, including beef and lamb.
- Breakfast Cereals
- Wines and other alcoholic beverages:
- Seafood
- Snack foods, including dried nuts and fruits
- Dairy products, including yogurt, ice cream, cheeses, non-fat dried milk
- Table potatoes and French fries
- Fresh fruits and vegetables
- Fruit and vegetable juices and drinks
- Confectionery products, including chocolate
- Soy drinks and other soy derivatives
- Meal supplements
- Health foods.

- General grocery products, including bakery products

## 5.O KEY COUNTRY CONTACTS

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**APPENDIX I**  
**STATISTIC DEMOGRAPHIC INFORMATION**

Total Population / Annual Growth Rate	2.6 million
Urban Population / Annual Growth Rate	1129200 / 0.63
Number of Major Metropolitan Areas	N/A
Size of Middle Class (millions) / Growth Rate (%)	770000/1% p.a
Per Capita Gross Domestic Product	2,646
Unemployment Rate	15.5%
Per Capita Food Expenditure (US\$)	844
Percent female population employed	78
Exchange Rate	J\$59.35 = US\$1.00

Source of data: Statistical Institute of Jamaica (STATIN), Planning Institute of Jamaica (PIOJ) and Bank of Jamaica.

