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Annual Report

2008

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Report Highlights:

This report covers the retail sector of the Dutch Caribbean. By most accounts the islands of the Dutch Caribbean are quite small, totaling less than 500 square miles and supporting a population under 350,000. Yet these small islands offer considerable opportunities for U.S. suppliers. With nearly 4 million tourists visiting the islands annually and no significant domestic food production, the islands rely heavily on food imports. The retail food market is estimated at approximately \$300 million, and U.S. exports of consumer-oriented & seafood products grew to nearly \$100 million in 2007 and could expand by another 15-20 percent in 2008. Looming ominously over the Caribbean, however, is an anticipated downturn in tourist inflows resulting from difficult economic conditions around the world. While U.S. exports are expected to be adversely affected to some extent, the islands' dependence on imports to satisfy their food needs should help minimize any contraction in demand.

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SECTION I: MARKET SUMMARY

The term “Dutch Caribbean” refers to the five islands of the Netherlands Antilles (Curaçao, Bonaire, St. Maarten, Saba, and St. Eustatius) and Aruba. Geographically the islands are divided into two separate groups. Aruba, Bonaire and Curacao (also known as the “ABC Islands”) are located just off the coast of Venezuela. St. Maarten, Saba, and St. Eustatius (also known as Statia) are located in the northeastern Caribbean. Aruba seceded from the Netherlands Antilles in 1986 and now the Netherlands Antilles are in the process of further political change. Bonaire, Saba, and St. Eustatius are set to become public entities (municipalities) of the Kingdom of Netherlands, while Curaçao and St. Maarten are seeking autonomy within the Kingdom, similar to the current status of Aruba. This change is scheduled to take place in 2010. Despite these changes, all the islands of the Dutch Caribbean retain close ties with the Netherlands.

The Dutch Caribbean At A Glance

	Land Area	Population 1 /	GDP per Capita 2 /
Aruba	193 sq km / 75 sq miles	101,541	\$21,800
Netherlands Antilles	960 sq km / 371 sq miles	225,369	\$16,000

1/ - July 2008 estimate.

2/ - Purchasing power parity, 2004 estimate.

Source: CIA World Factbook.

As a whole, the islands are less than a third the size of Rhode Island and have a population of less than 350,000. Yet these small islands receive nearly 4 million visitors per year, making tourism the main industry of the economy. The United States is the main source of tourists to the islands, accounting for 52 percent of stop-over visitors and the vast majority of cruise ship passengers as well. Off shore banking/finance and oil refining in Aruba and Curaçao are also important economic activities. Aruba, St. Maarten and Curaçao are the largest and most developed islands. Bonaire, St. Eustatius, and Saba are quite small in terms of size, population and economic activity and they rely almost exclusively on tourism.

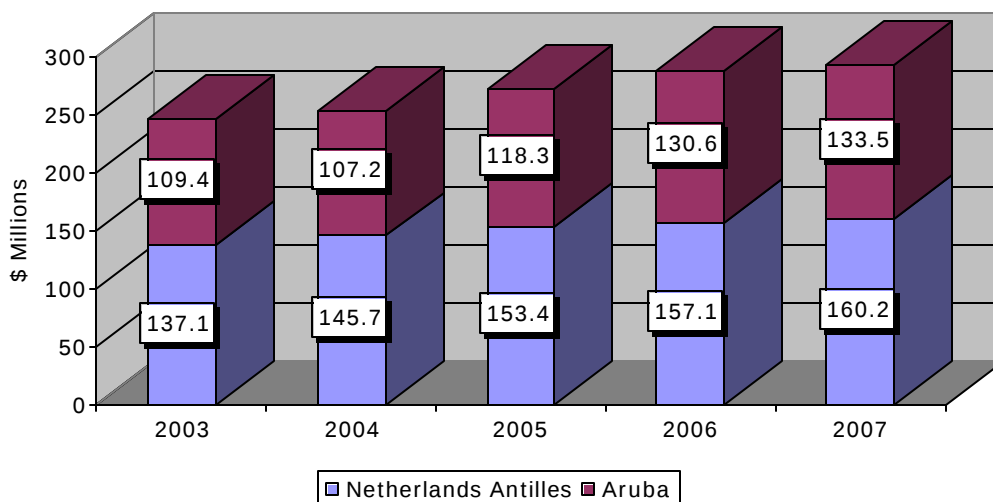
Tourist Arrivals to the Dutch Caribbean, 2007

	Stop-Over Tourists	Cruise Ship Passengers	TOTAL
Aruba	772,073	481,775	1,253,848
Bonaire	74,309	97,635	171,944
Curaçao	299,782	340,907	640,689
Saba	11,673	0	11,673
St. Eustatius	11,568	0	11,568
St. Maarten	469,407	1,421,906	1,891,313
TOTAL	1,638,812	2,342,223	3,981,035

Source: Caribbean Tourism Organization.

With practically no agriculture to speak of, the Dutch Caribbean is fully dependent on imports to satisfy its food needs. An estimated 50-60 percent of imported foods are channeled thru the retail sector, which is composed of an estimated 300-350 retail outlets, and the remaining 40-50 percent thru the food service sector. As shown in the following graph, the retail food market is estimated at nearly \$300 million in 2007, averaging about 5 percent growth over the past 3 years.

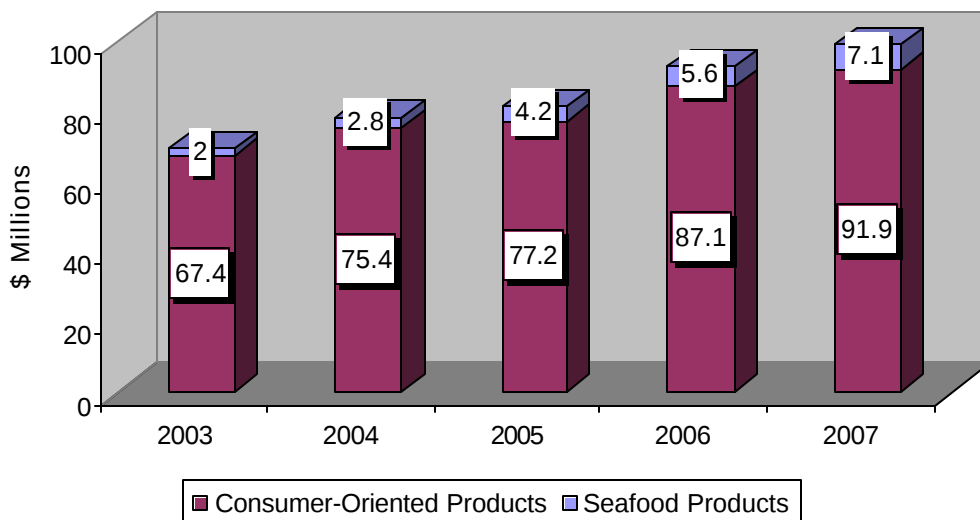
Value of Sales (excl. sales tax) of Grocery Retailers in the Dutch Caribbean



Source: Derived from modeled data from Euromonitor International.

Real GDP growth was 2.1 percent in Aruba and 1.0 percent in the Netherlands Antilles in 2007 (Euromonitor International from IMF, and World Economic Outlook/UN/national statistics). While the Dutch Antilles' conservative financial sector has greatly limited exposure of the islands to the recent financial woes being experienced around the world, the overall economy of the islands is expected to slow in 2008 and 2009 as difficult economic conditions in key markets (the U.S. and Europe) take their toll on tourist inflows. This could adversely impact U.S. food exports to the Dutch Caribbean, which have grown steadily over the past several years in response to swelling tourism, strong local demand for U.S. products, and a very receptive regulatory environment. On the other hand, the islands' dependence on imports to satisfy their food needs should counter the downturn in tourism to some degree and help minimize any contraction in import volume.

US Exports of Consumer-Oriented and Seafood Products to the Dutch Caribbean



Source: Derived from Department of Commerce, U.S. Census Bureau, Foreign Trade Statistics.

Advantages	Challenges
? With virtually no agriculture, the islands of the Dutch Caribbean must import all of their food needs.	? Given the small and fragmented nature of the islands, individual orders tend to be small.
? Nearly 4 million tourists visit the islands annually, fuelling further demand for food products.	? The islands are highly dependent on tourism and remain very susceptible to any world events that may disrupt tourist activity (i.e. downturns in the world economy, war, terrorism, etc.).
? Proximity and ease of shipment work to the advantage of U.S. suppliers.	? In some cases there are cheaper transportation rates from Europe than from the United States.
? Exposure to U.S. media as well as language, cultural, and commercial ties with the United States all contribute to consumers having a positive attitude toward U.S. products.	? The islands also have strong cultural, economic, and political ties with the Netherlands, the U.S.' main competitor in this market.
The ABC islands (Aruba, Bonaire and Curaçao) are just below the hurricane belt and are largely spared from severe tropical weather affecting the region annually.	? St. Maarten, Saba, and St. Eustatius are subject to hurricanes during half the year, which may lead to temporary declines in tourism and food demand.
? The regulatory environment is fairly open to all types of U.S. products.	? Local wholesalers already carry many major U.S. and international brands. It may be difficult for new products to compete with these brands and it may be hard to find a local importer who does not carry competing brands.
? Three of the islands (St. Maarten, Saba, and St. Eustatius) are duty free.	? Impending political changes in the Netherlands Antilles add a degree of uncertainty to the overall economic outlook for this market.

SECTION II: ROAD MAP FOR MARKET ENTRY

Entry Strategy

The best way for a U.S. manufacturer to enter the market with success is to first research the market for potential niches, develop an effective marketing plan, and weigh the advantages and disadvantages of using a wholesaler versus selling direct prior to making a decision. The decision will not be the same for all U.S. exporters. For instance, those with a dedicated sales force who can travel to the islands periodically to service their customers may find it advantageous to work directly with different retail customers. Exporters who are not able to do so will find it easier to work with an importer/distributor. The latter, is in fact the easiest and preferred method of most U.S. exporters.

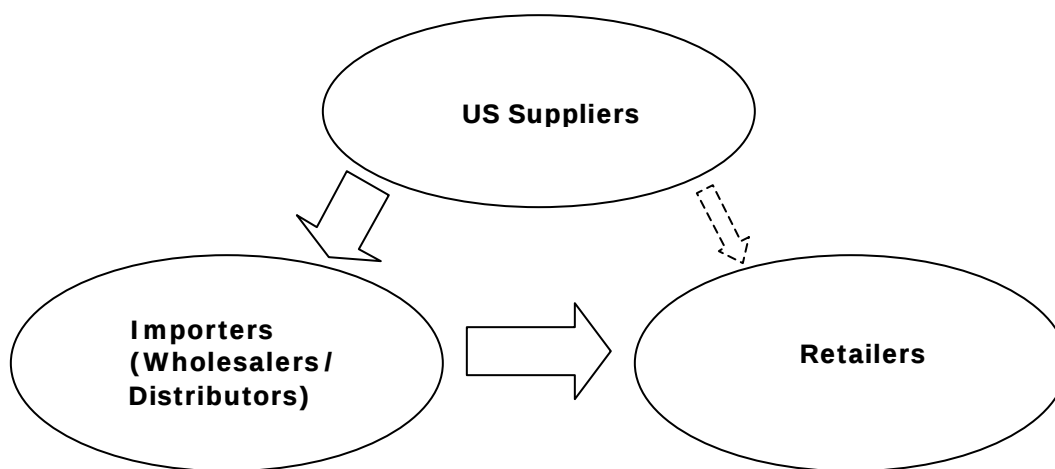
Overall there is strong appeal among local residents for U.S. products. This is primarily due to the exposure to U.S. products through visits that many make to the United States and through television channels that are broadcast to the islands by major U.S. networks. This is more evident in Aruba and St. Maarten which are more 'Americanized' and receive a larger number of U.S. tourists. The trade is also very receptive toward U.S. products due to quality and price reasons, although less expensive ocean freight rates from Europe can at times

offset the price advantage of U.S. products. From a regulatory standpoint, the Dutch Caribbean is a wide open market. U.S. standards for food and agricultural products are fully accepted. Import licenses and permits are not required although standard health certificates are required for imports of plant and animal products. U.S. exports generally clear customs quite quickly and without obstacles. The islands of St. Maarten, Saba, and St. Eustatius are also duty free.

Market Structure

In the larger markets of Aruba, St. Maarten, and Curaçao approximately 70 percent of the retail food business moves thru the major stores (supermarkets, super centers, club warehouses, etc.), 25 percent thru small independent grocers, and about 5 percent thru convenience stores, gas marts and kiosks. In the smaller islands of Bonaire, St. Eustatius, and Saba where there are less large stores, the majority of the retail food business is handled by small independent grocers. The larger retailers usually buy direct from foreign supplies and source products from local importers/distributors as well. The level of direct purchases by retailers varies by island and by store, but in general the retailers engaged in direct purchasing do not import more than 30-40 percent of their product mix. Some of the larger retailers who buy direct from foreign sources may even wholesale product to smaller stores. The smaller independent grocers and convenience stores rely almost exclusively on importers/distributors. This is especially true for the islands of Saba and St. Eustatius, which channel practically all of their purchases thru importers/distributors in St. Maarten.

Product Flow for Imported Product



A. Super stores, supermarkets, Hyper Markets or Super Centers, Club and Warehouse Outlets

The islands of Aruba, St. Maarten and Curaçao have fairly developed retail sectors with large, modern stores. In fact, Seattle-based Cost-U-Less operates a warehouse club store in both St. Maarten and Curaçao. Similarly, San Diego-based PriceSmart operates a warehouse club in Aruba. A Dutch supermarket chain, Albert Heijn, has also recently opened a store in Curaçao. In addition, there are several locally-owned supermarkets in each of the three islands which rival stores in the United States in terms of infrastructure and assortment. Most of the larger stores are located in the capital cities, near tourist areas, or near the major airports. Interestingly, the four major stores in Aruba are located next door to each other just outside the capital city of Oranjestad.

Aruba has experienced rapid growth in the tourism sector over the last decade and Americans tourists, who account for the lion's share of all stop-over visitors to the island, demand U.S. products to a large extent. This has largely "Americanized" local tastes and has a major impact on overall import demand. The Esso (Exxon) Gasoline Oil Refinery brought 12,000 Americans onto the island in the early nineties contributing to the Americanization of Aruban tastes as well. St. Maarten has a more international import profile than Aruba, but American products are present in a big way given the large influence of U.S. tourists. On the other hand, the population in Curaçao is more European oriented. Curaçao receives only 15 percent of its stop-over tourists from the United States, as opposed to Aruba and St. Maarten where U.S. visitors account for 67 percent and 54 percent of total stop-over tourists, respectively. Therefore, retailers in Curaçao carry more of a European product mix and some of the most recognized and popular American brands may not necessarily be as common as in other islands.

With higher GDP per capita and more influx of tourists, the import mix in Aruba and St. Maarten is also more varied and to some extent more high-end. St. Maarten (including the French side of the island known as St. Martin) is home to over 300 restaurants and boasts the highest concentration of fine restaurants per square mile in the entire Caribbean. Consequently, the retail sector on the island carries a wide assortment of gourmet products from around the world.

Given the large amount of influence from the United States thru tourism, media, and business, most of the Dutch Caribbean markets tend to follow U.S. retail trends to some degree, albeit with a certain lag time and within the limitations of local income levels. The most obvious of these trends is the movement toward healthy products. In St. Maarten, catering to yachts is also an important niche. Le Grand Marché, the main retailer there, caters to this market segment through stores strategically located near large marinas, an on-line catalog, and free delivery to all marinas.

Given difficult economic conditions around the world and expectations of reduced tourist arrivals during the 2008/09 winter tourist season, sluggish retail activity is anticipated in 2009. Some importers and retailers alike are beginning to scale back on inventory. Also, retailers are expected to cut back on direct purchases to some degree and shift some of the burden of carrying inventory over to local importers.

Company Profiles

Retailer Name & Market Type	Ownership	Sales (\$ Mil) / Yr	No. of Outlets	Locations	Purchasing Agent Type
Mangusa (Supermarket)	Local	n/a	2	Curaçao	Direct, Wholesaler
Centrum (Supermarket)	Local	n/a	2	Curaçao	Direct, Wholesaler
Best Buy (Mini-Club)	Local	n/a	1	Curaçao	Direct, Wholesaler
Albert Heyn Zeelandia (Supermarket)	Dutch	n/a	1	Curaçao	Direct, Wholesaler
Cost U Less (Wholesale Club)	U.S.	n/a	1	Curaçao	Mostly Direct, Wholesaler
Le Grand Marché (Supermarket)	Local	n/a	3	St. Maarten	Direct, Wholesaler

Sang's (Supermarket)	Local	n/a	1	St. Maarten	Direct, Wholesaler
Afoo Group (Supermarket)	Local	n/a	4	St. Maarten	Direct, Wholesaler
Sunny Food (Supermarket)	Local	n/a	1	St. Maarten	Direct, Wholesaler
Cost U Less (Wholesale Club)	U.S.	n/a	1	St. Maarten	Mostly Direct, Wholesaler
Duggins (Grocery Store)	Local	n/a	1	St. Eustatius	St. Maarten Wholesalers
Tropical Flamingo (Supermarket)	Local	n/a	1	Bonaire	Direct, Wholesaler
Cultimara (Supermarket)	Local	n/a	1	Bonaire	Direct, Wholesaler
More For Less (Supermarket)	Local	n/a	1	Bonaire	Direct, Wholesaler
Ling & Sons Supercenter	Local	n/a	1	Aruba	Direct, Wholesaler
Kong Hing Supercenter	Local	n/a	2	Aruba	Direct, Wholesaler
Certified Cash & Carry (Supermarket)	Local	n/a	1	Aruba	Direct, Wholesaler
Super Food (Supermarket)	Local	n/a	1	Aruba	Direct, Wholesaler
Price Smart (Wholesale Club)	U.S.	n/a	1	Aruba	Mostly Direct, Wholesaler
Johnson Supermarket	Local	n/a	1	Aruba	Wholesaler
New Food Center (Supermarket)	Local	n/a	1	Aruba	Wholesaler

B. Convenience Stores, Gas Marts, Kiosks

As with all other places around the world, the need for convenience is the major driver behind the success and growth of gas marts, convenience stores and the like. Several of these outlets, particularly gas marts, are present in the larger islands. For the most part, gas marts target tourists, who are generally in a better position to afford the higher prices usually associated with convenience. Local residents tend to favor supermarkets and/or local grocery stores where they can usually find better bargains. Gas marts and convenience stores purchase the vast majority (95-98 percent) of their goods from local importers/distributors. As mentioned earlier, this market segment is relatively small and estimated to account for only about 5 percent of the total retail market. For U.S. exporters targeting this sector, the best method of entry is thru local importers/distributors.

Company Profiles

Retailer Name & Market Type	Ownership*	Sales (\$ Mil) / Yr	No. of Outlets	Locations	Purchasing Agent Type
Texaco (gas mart)	Local	n/a	4	St. Maarten	Wholesaler
Shell (gas mart)	Local	n/a	4	St. Maarten	Wholesaler

Curoil (gas mart)	Local	n/a	5-10 est.	Curaçao	Wholesaler
Vanddis (gas mart)	Local	n/a	5-10 est.	Curaçao	Wholesaler
Valero (gas mart)	Local	n/a	5	Aruba	Wholesaler
Texaco (gas mart)	Local	n/a	5	Aruba	Wholesaler
Circle K (convenience st.)	Local	n/a	2	Aruba	Wholesaler
U Convenience Store (conv. st.)	Local	n/a	1	Aruba	Wholesaler

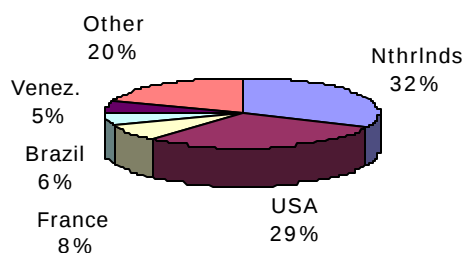
* Most of the international oil company gas marts are franchised out to local companies.

C. Traditional Markets – “Mom & Pop” Small Independent Grocery Stores and Wet Markets

The traditional independent grocery store generally consists of one outlet located on the outskirts of an urban area or in a rural area to support the local neighborhood needs. On average the stores are usually 6,000-8,000 square feet in size. The traditional customers are lower-middle class neighborhood mothers. Independent stores account for roughly 20-25 percent of the retail food sales in Aruba, Curaçao and St. Maarten, and the lion's share of the retail business in the smaller islands that lack larger stores to a large extent. As mentioned above, most of these outlets source their imported products from importers that wholesale and distribute. Wet markets tend to be very small.

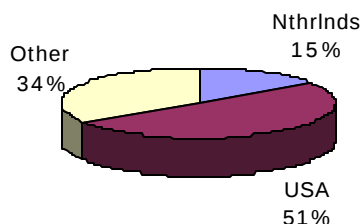
SECTION III: COMPETITION

Netherlands Antilles: Imports of Consumer Oriented Products by Country, 2003



Source: FAS' Global Agricultural Trade System using data from the United Nations Statistical Office

**Aruba: Imports of Processed Food &
Bev. (primarily for household cons.)
by Country, 2007**



SOURCE: UN Trade Data

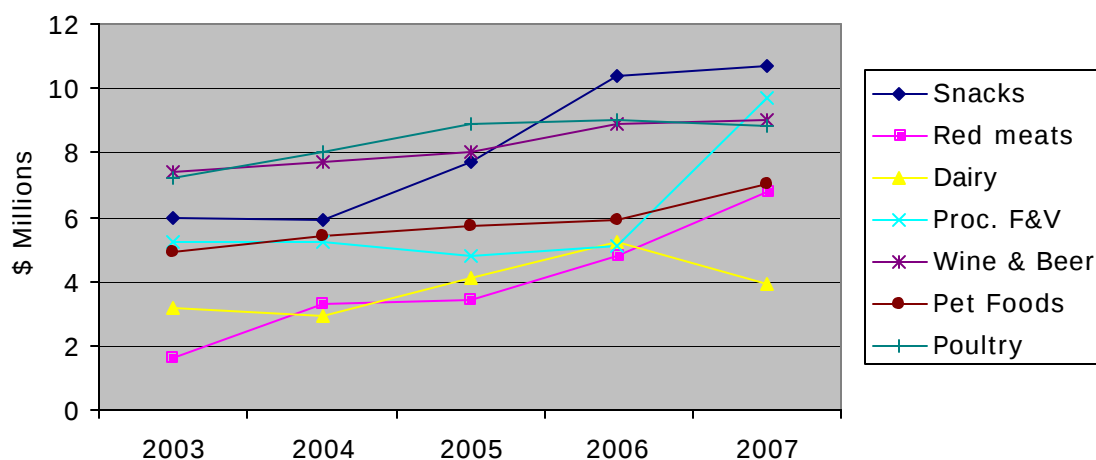
The main competitor of the United States in the Dutch Caribbean is the Netherlands. All the islands hold close ties with the Netherlands at varying degrees. For the most part, the local population is brand loyal and hold European and American products in the same regard. Also, all the major brand name food products already have their feet in the market. Some other product competitors include: beef from Argentina and Brazil; lamb from Australia and New Zealand, coffee and sugar from Colombia; produce from Venezuela; and non-juice beverages from Europe.

SECTION IV: BEST PROSPECTS

As outlined earlier, the islands of the Dutch Caribbean have practically no agriculture to support the food needs of the local population and the millions of tourists which descend on the islands annually. Thus, all food products must be imported and the islands place practically no restrictions on imported products. Under these circumstances, the vast majority of products are already present in the market and exhibit excellent potential for sales.

The graph below, based on U.S. export data, illustrates some of the key product categories which have exhibited healthy growth in recent years and will continue to offer good export potential. Similarly, the table that follows, which is based on modeled data from Euromonitor International, also shows product categories with good sales potential.

U.S. Exports to the Dutch Caribbean of Selected Consumer-Oriented Products



Source: Derived from Department, U.S. Census Bureau, Foreign Trade Statistics.

Key Product Categories With Good Sales Potential in the Dutch Caribbean

Product Category	Market Size (000's MT)	Imports, 2007 (\$ Millions)	Avg. Annual Import Growth, 2004 thru '07
Beer	14.8 1/	20	4.7
Meat	11.9	n/a	2.9 2/
Vegetables	12.7	n/a	3.0 2/
Fruit	15.1	n/a	3.0 2/
Confectionery	1.2	9.0	3.0
Bakery Products	11.9	23.7	2.6
Dairy Products	n/a	32.3	3.6
Sweet & Savoury Snacks	0.7	6.1	3.1
Carbonates	32.2 1/	20.3	3.4

1/ - Millions of Liters

2/ - Based on volume

Source: Derived from modeled data from Euromonitor International.

SECTION V: POST CONTACT AND FURTHER INFORMATION

For more information on the Dutch Caribbean, see the following reports on the FAS website (www.fas.usda.gov):

GAIN report #NA8001 – Netherlands Antilles Food Service Sector Report

GAIN report #NA8002 – Netherlands Antilles FAIRS Country Report

GAIN report #AA8002 – Aruba FAIRS Country Report

GAIN report #C18001 – Caribbean Basin Regional Exporter Guide

A. U.S. Government Contacts

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Willemstad, Curaçao
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Email: acscuracao@state.gov

B. Non-U.S. Government Contacts

It should be noted that the websites of the organizations listed below are provided for the readers' convenience; USDA does NOT in any way endorse and/or guarantee the accuracy of the information contained in these websites.

Curaçao Chamber of Commerce & Industry
Kaya Junior Salas 1
PO Box 10
Curacao, Netherlands Antilles
Tel: 011 (599-9) 461-1451, 461-3918
Fax: 011 (599-9) 461-5652
E-mail: management@curacao-chamber.an, businessinfo@curacao-chamber.an
Website: www.curacao-chamber.an

St. Maarten Chamber of Commerce & Industry
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