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Caribbean Basin

Post: Miami ATO

Caribbean Tourism Begins to Rebound

Report Categories:

Agriculture in the Economy

Market Development Reports

Competitor

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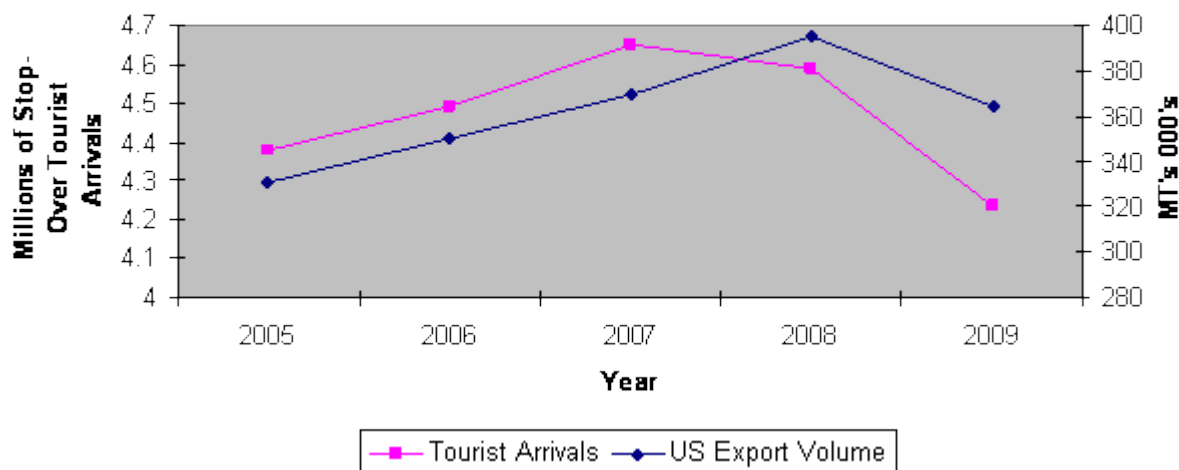
Report Highlights:

The global economic recession diminished tourism activity in most Caribbean islands in 2009, weighing down Caribbean demand for U.S. agricultural products in the process. U.S. agricultural exports to the CBATO islands of coverage dropped by 4.2 percent in terms of value and 7.5 percent in terms of volume in 2009. However, Caribbean tourism is slowly regaining momentum and so too could U.S. agricultural exports to the region. While U.S. exporters can look at the prospect of gradually improving export sales to the region in 2010, they should also be aware that competitors are beginning to crowd the Caribbean playing field.

General Information:

With the exception of Trinidad and Tobago, practically all 21 island markets^{1/} covered by the Caribbean Basin Agricultural Trade Office (CBATO) rely on tourism as their main economic engine. Of course, other economic activities contribute to the region's GDP, such as Trinidad and Tobago's energy sector and the financial services industry which plays an important role in many islands as well. However, tourism is truly the backbone of most island economies in terms of employment, income generation, and overall economic well-being. This is significant for U.S. suppliers because there is a strong correlation between tourism activity and U.S. agricultural exports to the region (see Figure 1).

Figure 1: Stop-Over Tourist Arrivals & U.S. Agricultural Exports to Selected CBATO Islands*



* Antigua & Barbuda, Aruba, The Bahamas, Barbados, Bermuda, Cayman Islands, Grenada, Martinique, and St. Lucia.
Source: Tourist data from Caribbean Tourism Organization, U.S. export data from Dept. of Commerce, U.S. Census Bureau.

The Downturn

As deteriorating world economic conditions began to set in during 2008 and carry over into 2009, the impact was hard felt in the Caribbean as visitor inflows began to take a downward turn, particularly during the December 2008/April 2009 main tourist season.

1/ - The CBATO islands of coverage include Anguilla, Antigua and Barbuda, Aruba, The Bahamas, Barbados, Bermuda, British Virgin Islands, Cayman Islands, Dominica, Guadeloupe, Grenada, Montserrat, Martinique, Netherlands Antilles, St. Barthelemy, St. Kitts & Nevis, St. Lucia, St. Martin, St. Vincent and The Grenadines, Trinidad and Tobago, and the Turks and Caicos Islands.

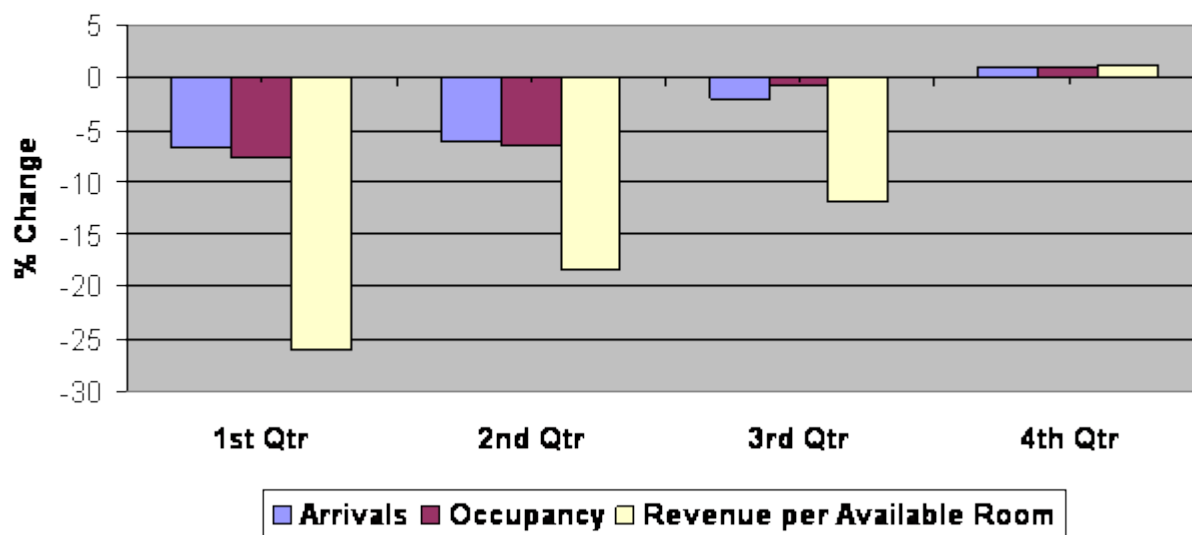
Preliminary data indicate that virtually all islands experienced reductions in stop-over tourist arrivals

in 2009. The Bahamas, which attracts the largest number of tourists in the CBATO's region of coverage, reported a 9.3 percent reduction in stop-over arrivals in 2009. Diminished tourist activity means less direct demand for food products in the HRI food service sector. It also means decreased overall tourism receipts for the islands, which translate into unemployment in the sector, less disposable income for the local population, and thus reduced demand for food products at the retail level as well. Consequently, in 2009 U.S. agricultural exports to the CBATO region dropped to \$1.23 billion (900,989 MT). This represents a decline of 4.2 percent in terms of value and 7.5 percent in terms of volume, and the first drop in U.S. agricultural exports to our region in six years.

The Upswing

Although overall tourist arrivals to the broad Caribbean region fell from 22.9 million in 2008 to 22.1 million in 2009, a look at quarterly numbers reveals that the situation gradually improved throughout the year. As shown in Figure 2, key tourism indicators (arrivals, occupancy and revenue per available room) progressively recovered from their dismal 1st quarter performance according to the Caribbean Tourism Organization (CTO).

**Figure 2: 2009 Quarterly Percentage Change in Caribbean*
Key Tourism Indicators**



* Refers to all 33 CTO member nations, including CBATO islands of coverage and others.

Source: Caribbean Tourism Organization, Caribbean Tourism Overview-2009.

As the world economy, particularly the U.S. economy, slowly regains strength, tourism activity in the Caribbean is also expected to slowly improve. Preliminary information from several islands indicates that the 2009/2010 tourist season is already showing signs of modest growth when compared to the previous period. Other factors also point to improving conditions in 2010. Beginning on April 30, 2010 Barbados, St. Lucia, St. Kitts, and Guyana will host an international cricket tournament which promises to attract visitors from around the world. Airline capacity to the Caribbean is also on the

rise, particularly from the United States, the region's main source of tourists. Both U.S. and Canadian air carriers are adding seats and new routes to the region. In May 2010 a new Canadian airline (West Jet) is scheduled to begin service to Trinidad and Tobago.

With a modest 2-3 percent improvement in tourist arrivals expected in 2010, a similar rebound in U.S. agricultural exports to the region can also be expected. However, U.S. exports lag behind tourist activity by a few months. Preliminary U.S. trade data for 2010 (January thru February) still show a 10 percent decline in U.S. export value to the CBATO region when compared to the same period in 2009. U.S. suppliers should also be mindful that the Caribbean market as whole is becoming more competitive. In 2009 the Caribbean began implementing an Economic Partnership Agreement (EPA) with the European Community (EC) which will effectively reduce duties for EC goods to zero for a large share of agricultural goods over the next 25 years. The Caribbean Community has also initiated negotiations of a free trade agreement with Canada. Therefore, in the future U.S. exporters will have to work harder at maintaining their leading market position and growing their exports to the Caribbean.