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Food Service - Hotel Restaurant Institutional

Cayman Islands HRI Food Service Sector Report

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Report Highlights:
With tourists flocking to the Cayman Islands in greater numbers than prior to the recession of 2008-2009, and the islands relying heavily on imports of food and beverage products from the United States, the opportunities for U.S. food service suppliers are looking up in this small island paradise. The Cayman Islands Hotel, Restaurant and Institutional (HRI) food service sector is expected to grow by 3-4 percent over the next five years

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SECTION I. MARKET SUMMARY

The Cayman Islands, an overseas territory of the U.K., is located in the western Caribbean Sea, 240 km. (149 miles) south of Cuba and 268 km. (167 miles) northwest of Jamaica. The territory is comprised of three islands: Grand Cayman, Cayman Brac, and Little Cayman. The total land area of the islands is only 264 sq. Km (102 sq. miles), roughly 1.5 times the size of Washington, D.C. Over 95 percent of the 57,000 inhabitants and practically all the economic activity are concentrated on Grand Cayman. Cayman Brac and Little Cayman, also known as the Sister Islands, are home to only about 2,500 inhabitants.

Despite its small size, the Cayman Islands is one of the most stable and prosperous places in the Western Hemisphere. With a per capita GDP of $43,000, Caymanians enjoy a standard of living comparable to that of Switzerland. The economy is largely dependent on tourism, which accounts for roughly 70 percent of GDP and 75 percent of foreign exchange earnings. Tourism is largely geared toward the high-end luxury market, attracting 320,000 stop-over visitors (2012) primarily from North America and Europe. Approximately 1.5 million cruise ship passengers visit the Cayman Islands annually as well. Another important sector of the economy is offshore financial services. Attracted by the absence of direct taxation, over 93,000 companies are registered in the Cayman Islands, including 300 banks, 800 insurers and 10,000 mutual funds.

With only about 1 percent of its minute land area being arable, agricultural production is quite limited. Consequently, the Cayman Islands relies almost entirely on imported foods to meet the demands of its population and tourists. According to Cayman Islands statistics, food and beverage imports from all sources have grown on average 6 percent over the past 5 years, reaching $185 million in 2012.

Cayman Islands Imports of Food and Beverages, 2008-2012
(Millions of U.S. Dollars)

	2008	**2009**	**2010**	**2011**	**2012**
Food 1/	115.4	110.1	137.7	145.0	155.0
Beverages	32.4	33.4	30.4	28.9	30.8
TOTAL	147.8	143.5	168.1	173.9	185.8

1/- Includes fish and preparations.
Source: Cayman Islands Foreign Trade Statistics, 2012.

Although a significant portion of these imports are channeled through the HRI food service sector, the exact size of the HRI market is not entirely clear. Euromonitor estimates the value of the overall HRI food service sales at $10.5 million in 2012. However, this estimate may be understated. Given the amount of food and beverages imported into the country, the number of tourists visiting the island, the number of restaurants (estimated at 200), and the relative size of the retail market, the CBATO estimates that HRI food service sales may be at least 5 times as much. Average annual growth in the sector is expected to be between 3-4 percent over the next 5years.

Market Characteristics

• The Cayman Islands economy is recovering from several years of negative growth following the world economic recession. In 2012 real GDP growth was 1.6 percent.
• Grand Cayman is fairly developed. Port, distribution, and food service facilities are quite modern.
• In 2012 there were 24,164 households with an average size of 2.35 people per dwelling.
• Expatriates from 135 countries live in the Cayman Islands and make up 44 percent of the population.
• The population is highly educated. Twenty percent of Caymanians 15 years or older have a bachelor's or higher degree.
• In 2012 U.S. visitors made up 78.7 percent of all visitors arriving by air, followed by Canadian visitors (7.5 percent), and U.K. visitors (4.2 percent).
• Only about half of all visitors arriving by air stay at hotels or guest houses. The other half stay at apartments, condos, private homes and time share accommodations.
• There is a growing demand for organic and healthy products.

Advantages	**Disadvantages**
With limited agricultural production, the Cayman Islands must import most of its food needs.	Individual orders tend to be relatively small and favor mixed rather than full container loads.
The United States is the Cayman Islands' main trading partner.	With the economy being so reliant on tourism, any disruption to tourist inflows can have an impact on food demand.
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.	Relatively high tariffs can make prices on some food and alcohol products quite high. With no income taxes, tariffs represent a major source of government revenue.
The regulatory environment is very import-friendly and receptive toward U.S. products.	It may be difficult to introduce new products/brands to a limited pool of importers and retailers who already carry many major U.S. products/brands.
Proximity is a big plus. US exporters, particularly south Florida consolidators, service the market very well and are in many ways better positioned to supply the Cayman Islands than competitors.	Ties to the U.K. and the British Commonwealth partners means there is competition, particularly from the U.K. , Canada and Jamaica.
The import infrastructure in the Cayman Islands is one of the most developed in the Caribbean, allowing for safe and efficient handling and delivery of imported products.	

SECTION II. ROAD MAP FOR MARKET ENTRY

A. Entry Strategy

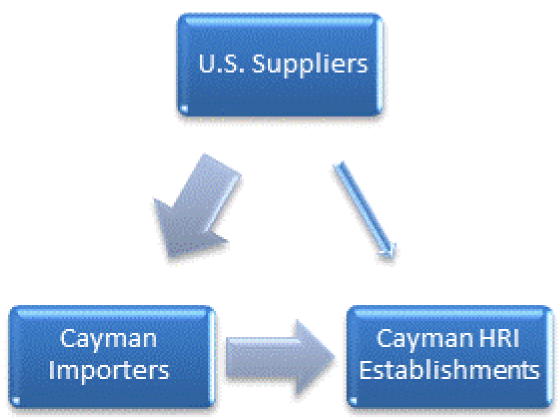
The best method for U.S. suppliers to enter the Cayman Islands food service market is via local importers/distributors that service many HRI accounts. Local importers/distributors have a wide access to the food and beverage markets, possess adequate warehouse facilities, and carry a large inventory of products.

Thus, U.S. suppliers will be able to achieve maximum sales volume by working with local importers. On average, food service operators buy approximately 95 percent of their food and beverage products from local importers. In a few cases where food service operators need specialty items not carried by local suppliers, they may import those items directly. Even products that are not of U.S. origin are usually shipped from the United States since U.S. suppliers carry a wide variety of specialty foods.

While importers prefer to respond to chefs' and food and beverage managers' requests, the first step for new product introductions is to have product samples tested in hotels or restaurants. However, importers are always interested in learning about high quality and good value products and take the initiative to introduce products to their customers, given promotional incentives from the supplier. If feasible, traveling to Grand Cayman to meet with potential customers and see the market first-hand offers the best results. Alternatively, many local importers and food service professionals also travel to U.S. trade shows such as the Americas Food and Beverage Show in Miami and the NRA Show in Chicago. Good follow-up with prospective clients after the trade show is essential in order to develop a successful business relationship.

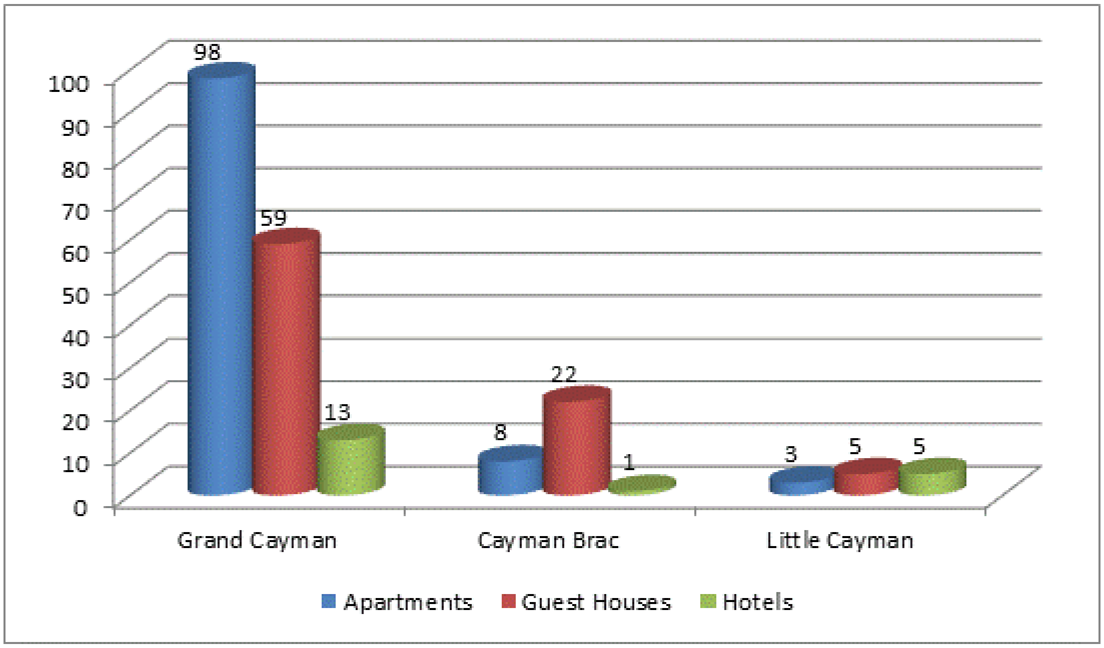
B. Market Structure

The flow chart below illustrates how products move from U.S. suppliers to different HRI outlets in the Cayman Islands. U.S. suppliers (mainly South Florida exporters) ship product to importers and distributors in Grand Cayman, who in turn sell to hotels, restaurants, and other eateries throughout the islands. The overwhelming volume of food and beverages sold in the Cayman Islands HRI sector is channeled through importers/distributors. Some of the larger restaurant chains and occasionally some hotels will import specialty items directly.



An interesting characteristic of the Cayman Islands is that only half of all visitors arriving by air stay at hotels or guest houses. The other half stay at apartments, condominiums, time share units, and other accommodations which often have kitchens. This contributes to a large share of tourists buying foods from the retail sector and cooking on their own rather than eating all their meals at restaurants and other outlets. Hence, the size of the HRI food service market relative to the number of stop-over tourists may not be as large as in other Caribbean islands where the vast majority of tourists consume their meals at food service establishments.

Licensed Tourist Accommodations, 2012



Source: Cayman Islands Department of Tourism.

C. Sub-Sector Profiles

1. Hotels & Resorts

Over the past decades the Cayman Islands has made efforts to transform its tourism image from a family style destination to a more upscale vacation destination. While still family-friendly, much of the hotel/resort and restaurant development in recent years has been on the upper end of the luxury scale. A case in point is the Ritz Carlton Grand Cayman, one of only seven AAA Five Diamond properties in the entire Caribbean. Many of the other hotels and resorts offer luxury accommodations and cater to the high-end tourist. Following is a list of the some of the major hotels and resorts in the Cayman Islands.

Company Profiles

Name	Location	Type, Number of Rooms	Sales	Purchasing Agent
Ritz-Carlton Grand Cayman	Seven Mile Beach, Grand Cayman	365	n/a	Local Distributors
Westin Grand Cayman	Seven Mile Beach, Grand Cayman	343	n/a	Local Distributors
Grand Cayman Marriott Beach Resort	Seven Mile Beach, Grand Cayman	305	n/a	Local Distributors
The Reef Resort	East End, Grand Cayman	152	n/a	Local Distributors
Sunshine Suites Resort	Seven Mile Beach, Grand Cayman	130	n/a	Local Distributors
Holiday Inn Resort Grand Cayman	Crystal Harbour, Grand Cayman	117	n/a	Local Distributors

Comfort Suites Seven Mile Beach & Resort	Seven Mile Beach, Grand Cayman	108	n/a	Local Distributors
Grand Cayman Beach Suites	Seven Mile Beach, Grand Cayman	53	n/a	Local Distributors
Seven Mile Beach Resort & Club	Seven Mile Beach, Grand Cayman	38	n/a	Local Distributors
Cobalt Coast Dive Resort	West Bay, Grand Cayman	37	n/a	Local Distributors
Alexander Hotel	West End, Cayman Brac	31	n/a	Local Distributors
Sunset Cove	Little Cayman	10	n/a	Local Distributors

2. Restaurants

The Cayman Islands restaurant scene is made up of approximately 200 restaurants. Given the many nationalities present in the islands and the large influx of tourists, the diversity of restaurants, both in terms of cuisine and style, is quite impressive. The Cayman Islands is home to a rich mix of popular U.S. fast food franchises, casual eateries and bars, and a wide assortment of upscale, eclectic restaurants which offer world class dining. In fact, Grand Cayman has the only AAA five star restaurant in the Caribbean, and two of only 27 AAA four star restaurants in the region. It is no surprise that Caymanians tout their island home as being the "culinary capital of the Caribbean."

The Cayman Islands Tourism Association (CITA) helps promote this image by celebrating an annual "Cayman Culinary Month" from mid-January to mid-February. Many gastronomy events take place during this time, beginning with the Cayman Cookout, which is held at the Ritz Carlton and attracts world renowned Chefs and foodies from around the world. Another significant event is the "Taste of Cayman Food and Wine Festival," in which approximately 35 participating restaurants offer tastings and wine pairings with featured dishes. The following list is a sample of some of the major restaurants operating in the Cayman market.

Company Profiles

Name	**Location**	**Type, Number of Outlets**	**Sales**	**Purchasing Agent**
Blue	Seven Mile Beach (Ritz Carlton)	International Gourmet, 1	n/a	Local Distributor
Seven	Seven Mile Beach (Ritz Carlton)	International Gourmet, 1	n/a	Local Distributor
Casa Havana	Seven Mile Beach (Westin Grand Cayman)	International Gourmet, 1	n/a	Local Distributor & U.S. Agent
Solana	Seven Mile Beach (Grand Cayman Marriott)	International Gourmet, 1	n/a	Local Distributor & U.S. Agent
Blue Cilantro	Seven Mile Beach	International Gourmet, 1	n/a	Local Distributor
Margaritaville	Georgetown	Casual, 1	n/a	Local Distributor & U.S. Agent
Lone Stay Bar & Grill	Seven Mile Beach	Casual, 1	n/a	Local Distributor & U.S. Agent

Subway	Island-wide (Grand Cayman)	Fast Food, 6	n/a	Local Distributor & U.S. Agent
Burger King	Georgetown, Seven Mile Beach	Fast Food, 4	n/a	Local Distributor & U.S. Agent
KFC	Georgetown, Seven Mile Beach	Fast Food, 3	n/a	Local Distributor & U.S. Agent
Wendy's	Seven Mile Beach, Bodden Town	Fast Food, 2	n/a	Local Distributor & U.S. Agent
Pizza Hut	Seven Mile Beach, Savannah	Pizza, 2	n/a	Local Distributor & U.S. Agent

3. Institutional

The institutional sub-sector in the Cayman Islands plays a minimal role in food imports and does not represent a significant source of market opportunity for U.S. suppliers. Hospitals, schools and other institutions buy their food products mainly from importers/distributors.

SECTION III. COMPETITION

Country-by country market share statistics for food and beverage products are unavailable. According to the Cayman Islands Foreign Trade Statistics Report for 2012, 89 percent of all goods imported into the country came from the United States. However, the report also notes that this percentage may be overstated due to the fact that the overwhelming amount of goods exported to the Cayman Islands from third countries are transshipped through the United States. Tropical Shipping's twice-a-week service to Grand Cayman from Miami represents the main import avenue for most goods, even for European products.
U.S. statistics indicate that in 2012 the United States exported $58.4 million in food and beverages to the Cayman Islands. U.S. market share is estimated to be in excess of 50 percent. Competition exists in the processed products category (canned goods, biscuits, snacks, sauces, specialty items, etc.) primarily from Europe, Canada and Jamaica. New Zealand is also present in the market with dairy products and lamb.

SECTION IV. BEST PRODUCT PROSPECTS

Products Present in the Market Which Have Good Sales Potential

Market opportunities exist for virtually all high-value, consumer-oriented foods/beverages and seafood products. Some of the most prominent categories with excellent sales potential are listed below.

Product Category (SITC Classification)	**Market Size (millions of US$)**	**Imports (2012, millions of US$)**	**5-Yr. Avg. Annual Import Growth (%)**	**Import Tariff Rate (%) 1/**	**Key Constraints Over Market Development**	**Market Attractiveness for USA**
Beef, fresh, chilled, frozen	4.7	4.7	14.1	17	Competition from U.S. brands already present	• Per capita income and disposable income
Poultry	8.5	8.5	7.8	0-17		

carcasses and parts					in the market.	are relatively high. • Consumers have a strong preference for U.S. Products. • The United States is the leading supplier in practically all major product categories.
Fish & preparations	11.6	11.6	0.5	0-12		
Vegetables & fruit	33.3	33.3	2.5	0-22		
Breakfast cereals	3.5	3.5	5.9	0		

Source: Trade data from The Cayman Islands' Foreign Trade Statistics Report 2012, tariff rates from Cayman Islands Customs website (Schedule I of the Customs Tariff Law).

Products Not Present in Significant Quantities but that Have Good Sales Potential

• Healthy food products (e.g. organic products)
• Gourmet items

Products Not Present Because They Face Significant Barriers

n/a

SECTION V. POST CONTACT AND FURTHER INFORMATION

A. FOR MORE INFORMATION PLEASE CONTACT:

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B. LINKS TO OTHER USEFUL REPORTS:

Food and Agricultural Import Regulations and Standards (FAIRS) – Cayman Islands Country Report
click here

Cayman Islands Retail Sector Report
click here

Export Guide-Caribbean Basin
click here

Caribbean Environment for U.S. Agricultural Exports
click here