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HRI Food Service Sector Report

Report Categories:

Food Service - Hotel Restaurant Institutional

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Report Highlights:

Jamaica is one of the main tourist destinations in the Caribbean region, with just under two million tourist arrivals in 2012. Over one million of these tourists were from the United States. Total food consumption in the HRI sector is estimated at $600 million. In the Jamaican hotel and restaurant sub-sectors, fruits and vegetables, lamb, specialty cuts of beef and veal, cheeses and other dairy products, French fries, snack products, sauces, and wines are high in demand.

General Information:
Market Summary

A. **The Economic Situation**

Currently the Jamaican economy is operating in a challenging global and macroeconomic environment. The economy recorded a contraction in real Gross Domestic Product (GDP) of 0.3 percent in 2012 and the IMF projects that GDP growth for 2013 will be only 0.4 percent. The Hotels and Restaurants sector was one of the few sectors of the economy that grew in 2012, recording a 1.8 percent increase over 2011 and contributed 5.5 percent to overall GDP.

The main dynamics depressing economic growth include the slow recovery of the world economy, slow growth over several years by the Jamaican economy, and the country's high debt burden. However, there have been some positive developments over the last year or so. These include the signing of an International Monetary Fund (IMF) agreement to stabilize the economy, the reduction of the national debt and continued growth of the tourism and agriculture sectors.

The Jamaican tourism sector has shown tremendous resilience over the last five years, growing at an average annual rate of 2.0 percent. In 2012, 1.986 million stop-over tourists visited Jamaica generating revenues of US$1.94 billion. The Jamaican tourism outlook for 2013 and beyond is for continued growth of the sector with the expansion of rooms in the resort areas by Spanish investors.

Source: Planning Institute of Jamaica (PIOJ) Annual Report 2012
Website: www.pioj.gov.jm
International Monetary Fund (IMF)
Website: www.imf.org/external/data.htm

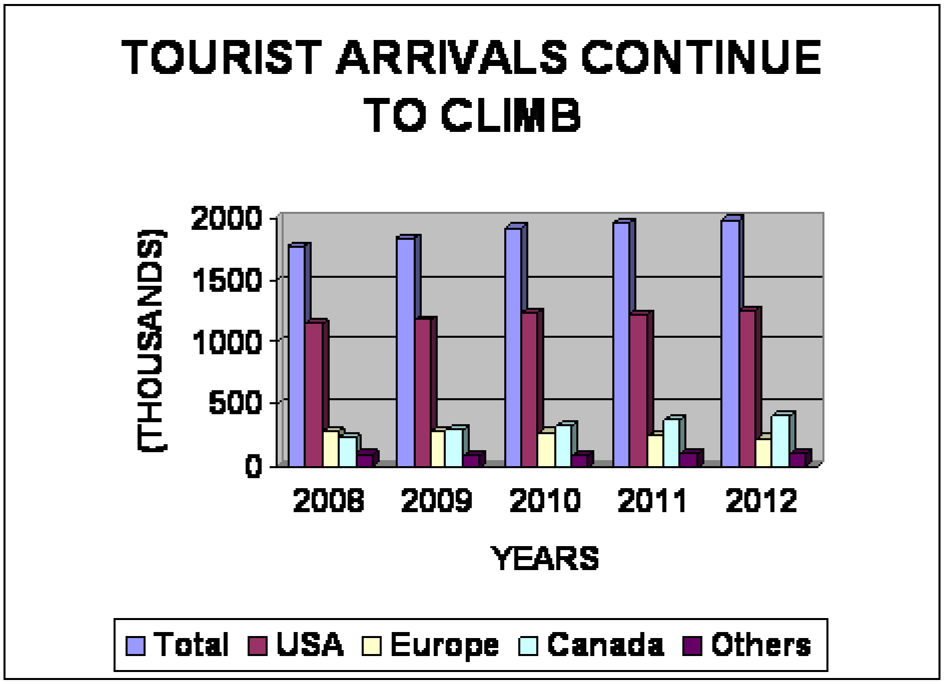
B. **Overview of the HRI Food Service Market**

Jamaica is one of the main tourist destinations in the Caribbean region, with just under two million visitor arrivals in 2012. It should be noted that approximately 1.3 million of these tourists were from the United States, and tend to demand the same high quality food products that they have at home. Only Dominican Republic and Cuba receive more tourist than Jamaica (Caribbean Tourism Organization, 2012). The hotel sub-sector makes up approximately 70 percent of the total HRI market, followed by the restaurant sub-sector at 28 percent and the Institutional subsector at 2 percent. Jamaica has an estimated 2,097 tourist accommodation establishments, including 175 hotels. In addition, numerous restaurants are located throughout Jamaica that caters for both locals and tourists.

While no reliable data is publicly available on the turnover and growth of the individual HRI sub-sectors, industry sources estimate that Jamaica's total consumer food service sector generated US$600 million in 2012 sales, 5 percent higher than 2011. Independent foodservice establishments constituted about 60 percent of those sales, while chain establishments contributed the remaining 40 percent. In

2012, Jamaica imported a total of $959 million worth of food and beverages, of which approximately 60 percent was destined for the hotel, restaurant, and institutional (HRI) sector, while the remaining 40 percent was channeled to household consumers via retail outlets such as supermarkets and small moms & pops.

FIGURE 1: Tourist Arrivals to Jamaica (2008 – 2012)



Source: Jamaica Tourist Board – Annual Travel Statistics 2012
Website: www.jtbonline.org

TABLE 1: Advantages and Challenges Facing U.S. Products in the HRI Sector

ADVANTAGES AND CHALLENGES FACING U.S. PRODUCTS IN THE HRI SECTOR IN JAMAICA	
Advantages	**Challenges**
The United States accounts for approximately 65 percent of Jamaica's annual tourist arrivals, creating a demand for U.S. food and beverage.	Certain products, particularly pork, poultry, and fresh vegetables are restricted by strong government support in protecting/favoring domestic agriculture.
The proximity of Jamaica to the United States and the exposure to the U.S. culture	There are overly strict sanitary/phytosanitary requirements, burdensome labeling and other

create a distinct preference for U.S. foods and other goods by the Jamaican consumer.	standards by regulatory agencies.
The growth of the tourism industry has increased the demand for imported products.	Higher prices for U.S. products (e.g. wines, beers and frozen French fries) have resulted in U.S. products losing market share to cheaper products from EU, Canada and Latin America.
Proximity and ease of shipment work to the advantage of U.S. suppliers.	With a population of approximately 3 million people, imports orders tend to be relatively small and favor mixed rather than full container load for most products.
The seasonality of domestic food production and also the inconsistent quantity and quality of local food products creates opportunity for imports to fill these gaps.	The lack of a vibrant economy limits the disposable income of the Jamaican consumer and hence the demands for U.S. products
U.S. fast food franchises make up approximately 50 percent of Jamaica's fast food subsector and continue to expand.	The all-inclusive resort subsector of the HRI industry is very aggressively focused on price-based purchasing. Quality and product consistency are not strong considerations in sourcing.

SECTION II: Road Map for Market Entry

A. Entry Strategy

The importer/distributor serves as the principal intermediary between suppliers and buyers. Therefore, U.S. suppliers wishing to enter the HRI food service market in Jamaica should start by contacting local importers/distributors. These importers/distributors have wide access to the food and beverage markets, possess their own warehouse facilitates and carry a relatively large inventory of products.

Most independent hotels either do not import directly or import only small quantities of specialty products, and it would generally not be economical to do business with them directly. However, direct sales to local hotel chains can be successful, and in some cases the local purchasing department acts on behalf of branches in other parts of the Caribbean as well (See Table 4).

It should be noted that the fast food segment offers some limited opportunities for direct sales while traditional restaurants procure a wide array of imported products from local distributors. In addition to appropriate pricing strategies and product support on the part of the US exporter, the success of imported products in the HRI sector depends largely on the importer/distributor selected. The intermediary's knowledge of the local market and distribution networks are critical factors.

B. Market Structure

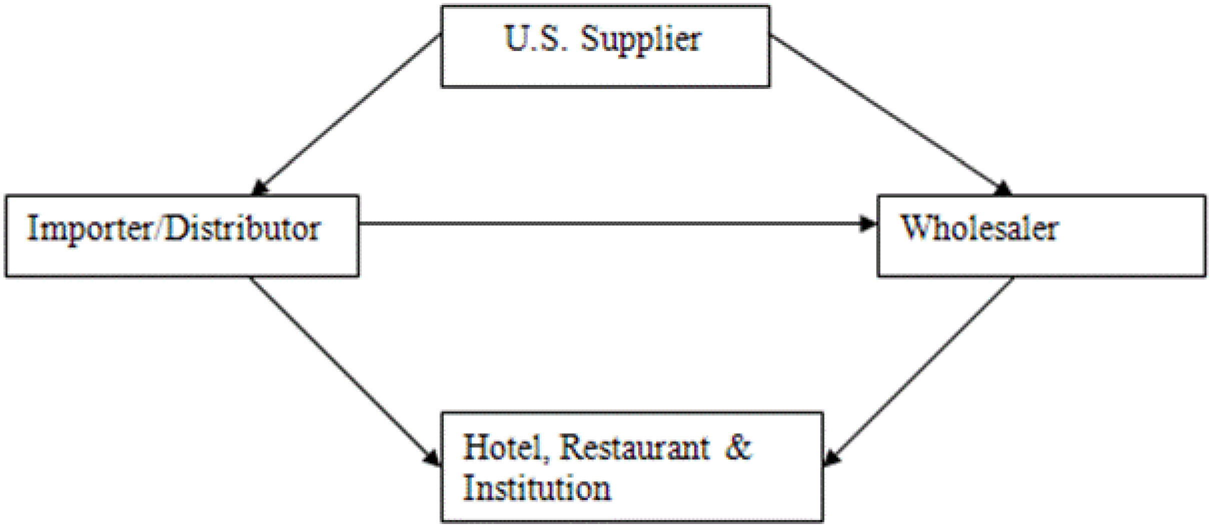
The market structure of Jamaica's HRI food service sector has remained unchanged over the past five year and is relatively straightforward. In general, importers/distributors who supply products to the HRI sector specialize by category: fresh fruits and vegetables; meats; seafood; fruit and vegetables juices; or alcoholic beverages. However, a few large importers/distributors carry a much wider range of the product types.

These local importers/distributors bring in supplies and serve buyers across the HRI spectrum. In addition, they also sell to the wholesale trade which supplies smaller restaurants and institutions. Industry contacts estimate that the HRI sector buys approximately 70 percent of their food and beverage products from the local importer/distributor (imported products), while local farmers and processors supply 15 percent of their food and beverage needs, 10 percent is obtained from local wholesale/retail outlets, and the remaining 5 percent is estimated to be imported directly from overseas suppliers.

TABLE 2: Major Importers/Distributors servicing the HRI Sector:

Importer/Distributor	Location	Segment of HRI Served
Caribbean Producers Jamaica Limited	Montego Freeport, Montego Bay	Resort hotel
WISYNCO Group Limited	Portmore, St. Catherine	Resort hotel and restaurant
Chas. E. Ramson	Kingston and Montego Bay	Smaller hotels and restaurant
Rainforest Seafoods	Montego Bay and Kingston	Resort hotel and restaurant
H. D. Hopwood & Company Limited	Kingston	Smaller Hotels and Institutions
T. Geddes Grant Limited	Kingston	Smaller hotels and Institutions

FIGURE 2: STRUCTURE OF THE HRI SECTOR IN JAMAICA



C. **Sub Sector Profiles**

Hotels and Resorts

Accommodations in Jamaica include all-inclusive resorts, luxury hotels, affordable family hotels, self-catering apartments and villas, and intimate guest houses. Overall, Jamaica boasts over 2,000 accommodation establishments and approximately 32,000 rooms. According to the Jamaica Tourist Board Annual Report 2012 the total hotel rooms during 2012 were 31,826 with all-inclusive, partially-inclusive and other accommodation accounting for 49%, 17% and 34% respectively. The major hotels as shown in Table 4 account for 35 percent of total room count, but over 70% of all-inclusive accommodations. Total room capacity is expected to expand significantly during 2013 and beyond. The Spanish Groups RIU and Fiesta/Palladium are planning new all-inclusive resorts on Jamaica's North Coast. In addition, local entrepreneurs are planning on opening new business hotels in Kingston. In both areas, total capacity should increase by more than twenty percent.

Most accommodation establishments have at least one restaurant on property, frequently offering a fine dining restaurant, a casual beach grill, and /or a family style/buffet breakfast or lunch eatery. It is not unusual for the large-scale all-inclusive hotels and resorts to have as many as seven or more restaurants. In general, large-scale hotels and resorts possess their own warehouses and typically import and receive weekly shipments of food and beverage products from US suppliers. However, it should be noted these establishments rely on local importers/distributors for most of their food and beverage needs. In addition, local farmers and to some extent local processors/agro processors also supply the hotel sub-sector.

The majority of the other accommodation establishments, which include small hotels, plantation inns, guest houses, and bed & breakfast facilities, purchase a substantial amount of their food and beverage needs from local farmers and processors. They also tend to purchase imported products at 2nd or 3rd hand, from local suppliers who, in turn, source products from the local importer/distributor.

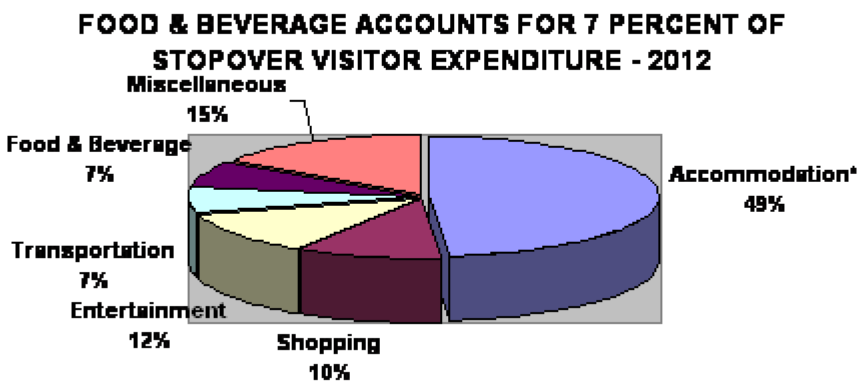
US products represent the majority of the total food and beverage purchases made by the accommodation sector. Industry contacts estimate that the hotel subsector source between 60 -70 percent of total food and beverage purchases from the US while the other origins supplied 30 to 40 percent.

TABLE 3: Tourist Accommodation for the Period 2008 to 2012

Tourist Accommodation Continue To Increase				
Year	Total Number of Rooms	% Change	Occupancy Rate	% of Rooms in Hotel/Resort
2008	29,794	-	60.4	67
2009	30,347	2.0	59.0	68
2010	31,478	4.0	60.5	66
2011	31,585	-	60.5	65
2012	31,826	0.01	62.3	66

Source: Jamaica Tourist Board - Annual Travel Statistics 2012
Website: www.jtbonline.org

FIGURE 3: Distribution of Tourist Expenditures for 2012



Source: Jamaica Tourist Board - Annual Report 2012
Website: www.jtbonline.org
Note: *Accommodation includes food & beverages at all-inclusive resorts

TABLE 4: Major Hotels in Jamaica

MAJOR HOTELS IN JAMAICA				
Name of Hotel/Resort	**Location**	**Number of Hotels**	**Total Rooms**	**Purchasing Agents**
Sunset Beach Resorts	Ocho Rios/Montego Bay/Negril	3	1158	Importer
Breezes Resorts	Montego Bay/Runaway Bay/Negril	4	982	Importer
Sandals Resorts	Ocho Rios/Montego Bay/Negril	7	2315	Direct/Importer
Beaches Resorts	Ocho Rios/Negril	3	460	Direct/Importer
Couples Resorts	Ocho Rios/Negril	4	577	Importer
Riu Hotels & Resorts	Negril/Montego Bay/Ocho Rios	4	2393	Importer
Iberostar	Montego Bay	3	978	Importer
Hedonism	Negril/Runaway Bay	2	490	Importer
Holiday Inn	Montego Bay	1	524	Importer
Half Moon Hotel	Montego Bay	1	398	Direct/Importer
Franklyn D. Resorts (FDR)	Runaway Bay/Trelawny	2	172	Importer
Royalton White Sand	Trelawny	1	350	Importer
Braco Hotel	Trelawny	1	226	Importer

2. **Restaurants**

In general, Jamaica has a relatively large number of independent restaurants compared to chain establishments. These restaurants cater to both local and tourist populations. At these restaurants, all types of cuisines are available and they mainly use local food products. However, they also procure imported food and beverage products from the importer/distributor channel. These restaurants do not import products directly from overseas suppliers due to their small size. US products are believed to represent between 30 and 40 percent of the total food and beverage purchases made by the independent restaurants in Jamaica.

Chain food service outlets present in Jamaica include restaurants such as T.G.I Friday's, and several US fast food chains such as Burger King, Kentucky Fried Chicken, Domino's Pizza, Pizza Hut, Wendy's and Subway. Major Jamaican fast food chains include Juici Patties, Tastee Limited and Island Grill. The fast food restaurants are the fastest growing segment of the restaurant sub-sector and provide excellent opportunities for US exports. Most U.S. franchisees have modified their menu to meet Jamaican consumers' taste preferences. The amount of U.S products used by the fast food franchises varies between 20-50 percent. The major local products that are used by local/independent fast food franchises include: beef, chicken, fruit juices, vegetables, eggs and pork products. The major imported products are potatoes, french fries, vegetable oils, ketchup, sauces, bakery products, chicken fillet and cheeses. High duties and questionable application of sanitary/phytosanitary regulations have made it more favorable for local meats, dairy products, fruits and vegetables and eggs in the restaurants sub-sector.

TABLE 5: Restaurant Profiles

Restaurant Profiles (2012)				
Name of Restaurant	**Type**	**Locations**	**Number of Outlets**	**Purchasing Agents**
Burger King	Fast Food	Country wide	26	Direct/Importer
Kentucky Fried Chicken	Fast Food	Country wide	33	Direct/Importer
Domino's Pizza	Fast Food	Country wide	11	Direct/Importer
Pizza Hut	Fast Food	Country wide	7	Direct/Importer
Wendy's	Fast Food	Kingston and Montego Bay	4	Importer
Subway	Fast food	Kingston	2	Direct/Importer
Island Grill	Fast Food	Country Wide	18	Importer
Rib Kage	Steak House	Kingston	2	Importer
Norma's	Traditional Family Type	Kingston	2	Importer
TGI Friday's	Chained Family Type	Kingston	1	Direct/Importer
Juici Patties	Fast Food	Country wide	61	Direct/Importer
Tastee Limited	Fast Food	Country wide	32	Direct/Importer

3. Institutions

The institutional food service sub-sector does not present substantial opportunities for U.S. exports. This subsector is dominated by public institutions. Foods consumed in public institutions, (i.e. hospitals, infirmaries, schools and prisons) are mainly supplied through government contracts with domestic producer groups, including the Jamaica Dairy Farmers Federation, the Beef Farmers Association, Jamaica Agricultural Society Farmers Groups, and Rural Agricultural Development Authority Farmers

Groups. However, bulk, unbranded commodity-type products and nutritionally enhanced lower-cost products can find opportunities in this segment.

Generally, local farmers and food processors supply this sub-sector's food and beverages needs. In addition, these institutions are also supplied by local importers/distributors channel.

III Competition

In general, the primary competition to U.S. products in the HRI food service sector is from local production. Most hotels and fast food franchises source beef, chicken, pork, fruits and vegetables from the domestic market. The government restricts the import of these products and local producers would likely lose market share—due to inconsistency quality and availability - if imports were allowed, even if sold at a higher price.

U.S. wines have captured only a very small share of the estimated US$30 million market for wines and other alcoholic beverages in the hotels sub-sector, and are generally considered to be expensive. The major competitors to U.S. wines are very low cost wines from Chile, Argentina, South Africa, Italy, France and Spain.

In addition to local production, high-end U.S. beef, lamb and specialty dairy products face competition from Australia and New Zealand. Guyana is the major competitor for U.S. seafood. French fries and whole potatoes from the U.S. have lost substantial market share to lower cost products from Canada and the Netherlands. Most sauces, salad dressings, some fruits, vegetables, bakery products and nuts are imported from the United States. Imported food and beverages in the hotel sub-sector varies between 40 and 60 percent of total food and beverage consumption, with the U.S. presently accounting for approximately 55 percent of all imports. The relative size of the restaurant sub-sector and its high consumption of local products have drastically reduced the position of U.S. products in the overall HRI food service sector.

IV Best Product Prospects

(a) Products present in the market with good sales potential

In the Jamaican hotel and restaurant sub-sectors, fruits and vegetables, lamb, special cut of beef and veal, cheeses and other dairy products, French fries, potatoes, snack products, sauces, and wines are high in demand.

(b) Products not present in significant quantity but which have good sales potential
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Specialty cheeses are not available in sufficient quantities to hotels and restaurants. Seafood has good sales potential in the hotel sub-sector.

(c) Products not present because they face significant barriers

Significant barriers restrict sales of the following products: poultry (whole, leg quarters, etc), pork and pork products, meat, dairy, eggs, and processed food products. The poultry market is protected by high tariff rates while pork and pork products are restricted by the local veterinary authorities. The other products are partially restricted in the market due to the difficulties and arbitrary requirements as demanded by the Jamaican veterinary authorities.

U.S. Products with Good Sales Potential

Product Category	**2012 Imports ($ value)**	**5-Yr. Avg. Annual Growth**	**Import Tariff Rate (Average)**	**Key Constraints Over Market Development**	**Market Attractions for USA**
Fresh fruits and vegetables	10,802,862	4.0	70%	Government of Jamaica promotion of local production (import substitution program)	High quality, consistent supplies and good valve
Processed fruit & Vegetables	47,982,694	6.0	20%	Increased competition from Canada, EU and Caricom	A wide range of high quality products
Snack Foods	21,999,586	7.6	20%	Competition from Trinidad & Tobago due to Caricom's CET and relatively cheap products	A wider variety of products
Dairy Products	49,641370	5.2	50%	High duties on selected products and SPS trade restrictions	High quality of products
Fruit and Vegetable Juices	16,560,213	3.0	40%	Dependent on the continued expansion of the tourism sector	A wide variety of products at competitive prices
Meats (excluding poultry)	32,200,859	7.7	86%	High duties and SPS trade restrictions	Consistent supplies of high quality products
Wine and Beer	7,228,233	13.0	30%	Small market size and relatively cheap wines from South America	High quality of products

Sources: Statistical Institute of Jamaica (Statin) Annual Report 2012 and Customs Department of Jamaica
Website: www.statinja.gov.jm

www.jacustoms.gov.jm

V. Post Contact and Further Information

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