



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Required Report - public distribution

Date: 12/15/2000

GAIN Report #NA0001

Netherlands Antilles

Retail Food Sector

Report

2000

Approved by:

Margie Bauer

Caribbean Basin Agricultural Trade Office

Prepared by:

Sergio Tigera and Gregoire Metellus

Report Highlights:

This interesting group of Dutch islands import 90 percent of their food products. As a result, import costs have dramatically decreased and most tariffs are kept under 10 percent. The United States appreciates 80 and 60 percent market share in Sint Maarten and Aruba respectively. Both islands are enjoying a thriving economy which relies heavily on the tourism industry.

Includes PSD changes: No
Includes Trade Matrix: No
Annual Report
Miami[C11], NA

SECTION I: MARKET SUMMARY

The Netherlands Antilles, part of the Kingdom of the Netherlands, received full autonomy in internal affairs in 1954. The island of Aruba, also part of the Netherlands, received full autonomy in internal affairs in 1986 upon separation from the Netherlands Antilles. It is included in this report because of its proximity to the Netherlands Antilles in location, culture, and market opportunity.

The Netherlands Antilles consist of two island groups in the Caribbean Sea. One group is comprised of Saba, Sint Eustatius, and Sint Maarten, in the Leeward Islands. The other group includes Curacao and Bonaire, just north of Venezuela and east of the Virgin Islands. Aruba is located just east of Curacao and north of Venezuela's Peninsula de Paraguana. Sint Maarten/St. Martin is an island divided into north and south with French, St. Martin and Dutch, Sint Maarten respectively north and south.

The Netherlands Antilles is 960 square kilometers (more than five times the size of Washington, D.C.) and has a population of 210,134. Aruba is 193 square kilometers in size (slightly larger than Washington, D.C.) and has a population of 69,539 (July 2000 est.). All the islands are generally hilly with volcanic interiors with the exception of Aruba which is mostly flat with a few hills and scant vegetation.

The economy in Curacao, based on the oil sector, is not performing well and many businesses are experiencing very difficult times. The Aruban economy is doing well, as is the economy in Sint Maarten, considering continuous hurricane damage over the last five years. Both islands rely heavily on the tourism sector. The Netherlands Antilles has a population of 210,134 and a GDP per capita is \$11,800 as of 1998. The Aruban GDP per capita is \$22,800 as of 1998 with a population of 69,539 (July 2000 est.). The islands only have 10 percent arable land.

The largest markets of the islands for the Netherlands Antilles are Sint Maarten and Curacao. Sint Maarten imports 70-75 percent of their products from the United States while Curacao imports only 30-35 percent U.S. products. Aruba imports 60-65 percent U.S. products. The contrast of U.S. market shares in each of these islands can be directly contributed to current and historical ties.

The historical ties to the Netherlands and the unique Dutch and South American culture result in four languages spoken on the islands: Dutch, Spanish, English and Papiamentu. Papiamentu is a mixture of Dutch, Spanish, English and Portuguese. Sint Maarten and Aruba are significantly more "Americanized" because of the influx of U.S. tourism and volume of U.S. products entering the islands. The media brings American trends to Aruba, Curacao and Sint Maarten. However, organic or "healthy" foods which are popular in the United States are slow to catch on. Prepared foods and ready-to-eat/ready-to-cook are not popular with the natives of the islands.

With a GDP that is almost double, the purchasing power of consumers in Aruba is higher than in Curacao and Sint Maarten. However, all three islands have brand-loyal, yet price sensitive shoppers. In Aruba, brand loyalty is very evident. In a healthy economy such as that of Aruba, shoppers can be more selective and tend to target name brand items; as opposed to in Curacao, where shoppers are left with fewer options in which they lean toward non named brand items. Shoppers in Sint Maarten are willing to drive to the French side of the island to find the lower price depending on exchange rates determined by the N.A. florin and the French franc.

Advantages	Challenges
Historical ties are currently reflected in a U.S. market share of 75-80 % in Sint Maarten and 60-65 % in Aruba.	Historical European ties challenge U.S. exports to Curacao where the U.S. market share is 35%.
The high frequency of shipments, and proximity to Sint Maarten and Aruba have driven shipping costs down.	Shipments from Europe to Curacao are more frequent than from the United States accounting for lower shipping costs from Europe.
These islands import 90-95 % for their food needs.	Major U.S. and European brands are well established.
Import regulations are relatively open since imports are so important; most tariffs are between 0-10 % and labeling and ingredient regulations are similar to the United States.	Tariffs are typically higher for products produced locally. For example: grains are between 25-35%, yogurt 80%, beer 50%/per liter, water 25%, fruits and nuts 27%, and crustaceans and molluscs 30%.
Imports are distributed through a small number of well-established wholesale companies. Some retailers are starting direct importing.	It is difficult to introduce new brands especially for smaller companies since the wholesalers are likely to already represent major brands that would compete with not U.S. products and customers have high brand loyalty.

SECTION II: ROAD MAP FOR MARKET ENTRY

A. SUPERMARKETS

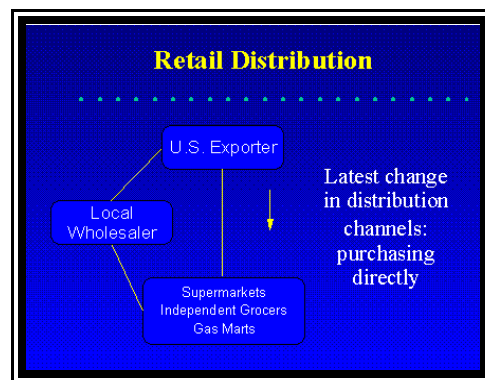
Entry Strategy

Reduced prices, sparked by a growing trend of direct importing by the supermarket industry, has threatened the once much stronger role of wholesalers. Local wholesalers are responsible for an estimated 40 percent of food imports from the United States a level much smaller than most other Caribbean Islands. A U.S. manufacturer has the choice of using either a local wholesaler, or selling directly to retailers. Penetrating the market however, can be difficult to do in Aruba, Curacao and Sint Maarten because of the high degree of brand loyalty. The best way for a U.S. manufacturer to enter the market with success is to first search the market for potential niches, develop an effective marketing plan, research the advantages vs. disadvantages of using a wholesaler or selling direct and make a decision. Researching the market structure and competition is key in assessing current market conditions and making sound decisions. If possible, travel to the islands to get a first-hand experience of the market. Sample the public's opinion and offer quality goods at a reasonable price. Consumers are willing to travel to find bargains.

Market Structure

All islands of the Netherlands Antilles are CARICOM observers. Shipping to the islands are 90 percent via Miami. Shipping costs are very expensive to Aruba and Curacao and cost roughly the same if not more than shipping from Europe.

Companies purchase their goods both locally and directly. Because of the lower cost of items available when buying direct, supermarkets are increasingly purchasing directly from the United States. Smaller companies have to combine forces with other small companies to increase their purchasing power. Some supermarkets have significant purchasing power and do not have to "team up" with other stores to purchase containers. In Sint Maarten, for example, the smaller Chinese markets all get together for purchasing power and order containers. The big markets order containers as well. The mid-size markets sometime order themselves or team up.



Company Profiles

Name of Retailer and type of retail outlet	Ownership (Local or Foreign)	Food Sales, CY98	Number of Outlets	Locations (Parishes)	Type of Purchasing Agent(s)
Consales (Cash & Carry)	Local	N/A	6	Curacao	Direct, Wholesaler
Cost U Less (Club Warehouse)	U.S.	N/A	1	Curacao	Direct, Wholesaler
Centrum (Supermarket)	Local	N/A	1	Curacao	Direct, Wholesaler
Posner	Local	N/A	plans for construction of a Club Warehouse outlet	Curacao	Direct, Wholesaler
Consales, (Cash & Carry)	Local	N/A	2	Aruba	Direct, Wholesaler
Certified Grocers (Cash & Carry)	Local	N/A	1	Aruba	Direct, Wholesaler
Ling & Sons (Supermarket)	Local	N/A	1	Aruba	Wholesaler, Direct
Kong Hing (Supercenter)	Local	N/A	1	Aruba	Direct, wholesaler
Consales (Cash & Carry)	Local	N/A	1	Sint Maarten	Direct, Wholesaler

Sang's Supermarket (Supermarket)	Local	N/A	1	Sint Maarten	Direct, Wholesaler
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MARKET SHARE

Supermarkets	80%
Independent Grocers, Gas Station Convenience stores	20%

Supermarkets as well as independent grocers and gasoline marts can be found in virtually every populated region on the islands. Villages and towns are usually supported by smaller local food stores. Large supermarkets however are but a short distance away for everyone.

The island of Aruba is divided into eight regions: Noord/ Tanki Leendert, Oranjestad-East, Oranjestad-West, Paradera, Santa Cruz, Savaneta, San Nicolas-North and San Nicolas-South. The business sector is mostly located in the area of Oranjestad-East/West. The capital city of The Netherlands Antilles is Willemstad and is the most populated city of the Netherlands Antilles.

The population in Curacao is more European oriented than American oriented. Retailers, therefore, carry more European products and may not carry even some of the most recognized and popular American brands. Sint Maarten is closer to Aruba's profile for products imported because of its proximity to the United States. The Esso (Exxon) Gasoline Oil Refinery brought 12,000 Americans onto the island in the early nineties contributing to the Americanization of Aruban tastes. In addition, Aruba has experienced rapid growth in the tourism sector over the last decade in which Americans have spread their influence over products chosen.

Tastes in Curacao are still not as mature as in Sint Maarten and Aruba, mainly because of the differing GDP per capita and economic conditions. The wealthier regions of the islands can afford to purchase more expensive, specific name brands. Other less financially established people on the islands will buy brands if possible but will first shop around for the bargain price of a second rate brand.

Current American trends such as a movement toward "healthy" organic foods, home-meal replacement and prepared foods are slowly making an impact on the tastes and lifestyle preferences of Arubans. However, in Curacao and Sint Maarten, these trends are not affecting buying habits of locals. The major internal drivers pushing the staggered success of U.S. goods are the availability, abundance and quality of the products imported.

B. GAS MARTS

Entry Strategy

Gas marts are found all over Aruba; six exist in Sint Maarten and several are operating in Curacao. Gas marts purchase 95-98 percent of their goods from local wholesalers. If a specialty item is not carried by a local company, they will try to buy it directly from the manufacturer. The best method of targeting gas marts is via a local wholesaler.

Company Profiles

Name of Retailer and type of retail outlet	Ownership (Local or Foreign)	Food Sales, CY98	Number of Outlets	Locations (Parishes)	Type of Purchasing Agent(s)
Shell, (Gas Mart)	U.S.	N/A	N/A	Sint Maarten	Wholesaler
Texaco (Gas Mart)	U.S.	N/A	N/A	Sint Maarten	Wholesaler
Esso (Exxon) (Gas Mart)	U.S.	N/A	N/A	Aruba, Curacao	Wholesaler
Curoil	U.S.	N/A	N/A	Curacao	Wholesaler

Convenience is the major driver behind the success and growth of gas marts in Aruba. Traffic is increasing and more families have two breadwinners. While on the road, more and more commuters are finding that stopping for gas and purchasing something to eat or drink is the best and easiest way to satisfy their needs. However, these gas marts are not targeting local residents; rather, they are after tourists. Local residents purchase their goods at the local grocery store; gas marts are expensive and they can find better bargains at the local grocery stores. Tourists can afford to trade off lower prices for convenience. Gas marts should definitely be an area of interest for U.S. manufacturers because of the recent rapid growth and future potential.

Curacao's economy and tourist industry is hurting. Very few of the more than twenty Curoil gas stations have gas marts for quick shopping. Sint Maarten has six gas stations and gas marts on the island. Tourism in Sint Maarten is picking up quickly. Three cruise ship ports are due to open in the near future.

Gas marts are well spread out around the islands. Located mostly on main roads and urban areas, they choose their location where traffic is the heaviest. This location in turn provides them with access to a large number of drivers, public visibility and presence in the community.

C. Traditional Markets- "Mom and Pop" Independent Grocery Stores**Market Strategy**

More and more independent grocers are combining forces with other small grocery stores and buying direct from the U.S. Small independent grocery stores tend to carry only the most demanded brand name products. They often try to carry specialty items that are not found in larger grocery stores. To distinguish themselves from larger competitors, the grocer, who has limited space, has to plan carefully what products they intend to carry.

Sub-Sector Profile

The traditional independent grocery stores in Aruba, Curacao, and Sint Maarten consist of one outlet located in

a rural area around the island 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 15-20 percent of the retail food sales in Aruba, Curacao and Sint Maarten

SECTION III: COMPETITION

U.S. manufacturers face difficult competition from other foreign producers because these islands are part of the Netherlands and still hold cultural ties to its homeland. For the most part, locals are 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; coffee and sugar from Colombia; and nonjuice beverages that account for 50 percent of consumer food and beverage product imports, 85 percent of which come from Europe.

Local competition can be gaged by those products that are subject to economic levy tariffs. These tariffs are designed to protect local producers by taxing imported foreign products to set prices at a level in which domestic producers will be able to compete with their foreign counterparts. Please see Advantages and Challenges table for more information on product tariffs.

SECTION IV: BEST PRODUCT PROSPECTS

The top selling products in the islands are beverages, meat (fresh/frozen/dried), dairy and eggs, and dry goods.

Because of the buying habits of consumers on the islands, the best selling items in the food retail industry are well known brand name items. However, consumers from these islands are also very price conscious and will shop around for the best price.

SECTION VI: POST CONTACTS

FOR MORE INFORMATION AND AN IMPORTER LIST, PLEASE CONTACT:

Caribbean Basin Agricultural Trade Office

Foreign Agricultural Service

United States Department of Agriculture

909 SE 1st Avenue, Suite 720

Miami, FL 33131

Phone: (305) 536-5300

Fax: (305) 536-7577

Email: cbato@attglobal.net

Please visit our website for more reports on the Caribbean Islands.

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Margie Bauer

Director

Email: mbaue02@attglobal.net

Jennifer Rousseau

Deputy Director

Email: rouseau@attglobal.net

Graciela Juelle

Administrative Assistant

Email: gjuelle@attglobal.net

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Central Intelligence Agency's World Factbook

<http://www.odci.gov/cia/publications/factbook/>

Country Commercial Guide

www.state.gov/www/about_state/business/com_guides/2001/wha/index.html

Caribbean Tourism Organization

<http://www.caribtourism.com/>

Curacao Chamber of Commerce

P.O.C. Mr. Paul Comenencia, Director

Kaya Junior Salas 1/P.O. Box 10

Curacao

Phone: 011 (599) (9) 461-1455

Fax: 011 (599) (9) 461-5652

e-mail: www.curacao-chamber.an