Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network

Required Report - public distribution

Date: 9/30/1999

GAIN Report #PN9011

Panama

Retail Food Sector Report

1999

Approved by:
Charles R. Bertsch
U.S. Embassy, Panama

Prepared by:
H. Salazar

Report Highlights:
Good business opportunities in the food sector lie ahead in Panama in spite of the economic dissacelerating world crisis. Panama moves into a period of great expectations and development, turning around U.S. Military infrastructure into businss and international commerce oriented areas, to serve Tourism and World Trade. The existing market, favoring U.S. foodstuffs, for three generations, is more than ever easy to enter. Panama conforms to current US mechanisms of distribution, employs the US dollar as the formal means of interchange, has curbed inflation to less than 3.8% in five years, and is enjoying a stabilized democracy since the outing of General Noriega ten years ago. Best products prospects include frozen and prepared seafood, grain, processed meat (pork), ready to eat foods, snacks, instant coffee and spices. Descending are cereal, dry fruits and nuts. "Funding for this research was provided through the Emerging Markets Program".

Includes PSD changes: No
Includes Trade Matrix: No
Annual Report
San Jose [CS1], PN

Retail Food Sector Report

TABLE OF CONTENTS

RSR / 1

I Market Summary

Eco/Demographic info at a glance (1998)

Currency: Balboa (Par) - US Dollar used for exchange	Population & Growth rate: 2.8 Million, 1.65%
Urban Bilingual rate: Better than 60% (Spanish / English)	Urban : Rural rate: 55.5% : 44.5%
Inflation rate: Less than 3.8%	Alphabetization index: 88%
PerCapita Income/Imp/Exp: $2,509 / $1,100 / $242	No. Cars / Telephone (per 100h.): 11 / 16
Panama levels it´s balance of trade deficit based on it's Service oriented Economy	

Source: Statistics & Census Directorate (DEC), Aug/99

Sinopsis 1994-1998

GNP Growth:	1994-98 Average: 3.3% per year	1999 Estimate: 3.2%	2000 Estimate: 3.5%
Main Increments	Ports: 20.6%	Fishery: 17.0%	HRI (Tourism): 5.9%
Main Decrements	Primary sector (Agriculture): - 3.7% (inc. Rural production, excludes Industry)		
Average Investment Outlays	Private investment: $387 Mill. per Year	Public investment: $345 Mill. per year	
Unemployment rate: Down from 14.1% to 13.4%	Poverty level: Decreased 3% (from 30% to 27%)		
Cash & Face value State funds: Up by +$1,700 Mill.	Public Debt: Held at $5,400 Mill. approx. (Down 1.2%)		

Source: Ministry of Economy & Finance (MEF), Aug/99.

- **Background**. Panama has always been ripe for American food products which are upheld at the top of the consumer's choice. This fact is by no means unknown: Panamanian's idiosyncrasy for three generations has been shaped along the U.S. brands, that are regarded as the true standards for the industry.

Since the early days of the Panama Canal construction *US foods, household products* and *dry goods* were brought in, thus a neatly organized infrastructure of commissaries, (forerunners of today's supermarkets), was devised to face an avid demand posed by thousands of canal workers, US civilians, military personnel, and their families.

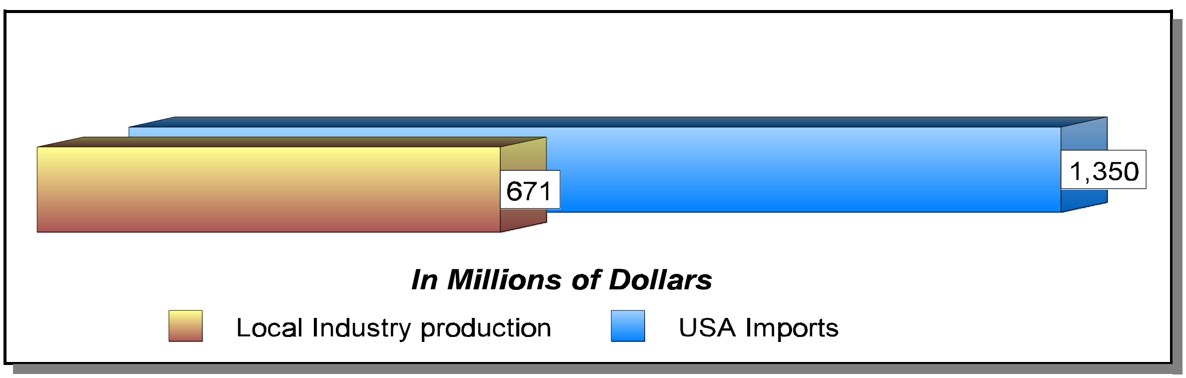
Soon popular food and beverage brands, such as *Del Monte, Coca-Cola, Kraft Foods, Heinz, Campbell's* and *General Mills,* among hundreds of others, stood in the preference of Panamanian tables throughout the country, strongly remaining to this day.

USA Products

SR / 2 DEC/1998

‘ ***Present View*. Currently several factors pinpoint to opportunities in *Food*, households, and other product importation lines, following Panama's entrance to the World Trade Organization:**

1. **Tariffs have been importantly steered down.**
2. **The country shows a steady increase in *GNP* and Discretionary Income figures, despite the ripple effects of the Asian and regional economic crises.**
3. **Panama is very sensitive to American marketing advances, interweaving the latest trends: Club warehouses, Malls, and Hypermarkets are in vogue.**
4. **Mega investments are taking place in the military reverted areas adjacent to the Panama Canal.**
5. **Urban, Turnpike, Hotel and Mall developments are at an all-time high.**



The following table relates to the geographical composition of the sector in 1996, both in terms of outlets and relative market share. The major trending Food, Alcohol and Tobacco combined imports and its estimated projections, are also depicted in the subsequent graph.

Total RSR Sales & Outlets per Provinces - 1996
(Factual Data / DEC)

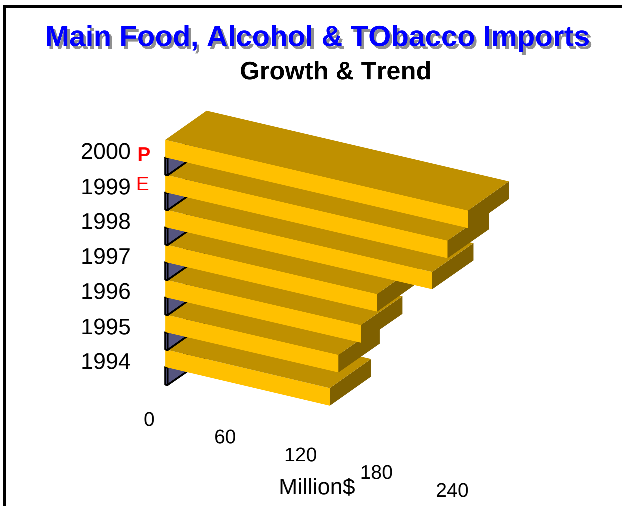
Provinces	Sales $	%	Outlets	%	A	B	C
Bocas del Toro	35,799,274	3.6%	546	4.8%	5	34	507
Coclé	39,824,553	4.0%	1,054	9.3%	47	160	847
Colón	88,830,720	8.9%	652	5.8%	20	114	518
Chiriquí	148,299,58	14.8%	2,198	19.4%	49	138	2,011
Darién	33,968,573	3.4%	156	1.4%	1	12	143
Herrera	35,353,772	3.5%	731	6.5%	14	64	653
Los Santos	26,338,072	2.6%	771	6.8%	29	57	685
Panamá	536,928,10	53.5%	4,210	37.2%	222	818	3,170
Veraguas	58,061,292	5.8%	1,004	8.9%	23	70	911
Totals	$1,003,403,	100.0	11,322	100.0	410	1,467	9,445

Explanation of
A - Hypermarkets, SuperCenters, and SuperMarkets
B - Convenience stores (Mini-Supers) and Marts
C - Grocery stores, wetmarkets, small meat outlets & Kiosks

Main Food, Alcohol, Tobacco Imp

	Growth & Trend $ Thousands	Trend	Annual% Change
1994	130,663	Actual	9.9%
1995	137,230	Actual	5.0%
1996	155,315	Actual	13.2%
1997	168,087	Actual	8.2%
1998	211,704	Actual	26.0%
1999	223,944	Estim	5.8%
2000	248,201	Proj	10.8%

Except for Tobacco, Food products Imports to Panama will likely double in less than eight years !



SWAT ANALYSIS

Strenghts & Advantages

- **The Panamanian food market is relatively easy, developed and convenient to enter.**
- **Market structures and consumer behavior mimic that of it's U.S. counterparts.**
- **Panamanian idiosyncrasy strongly favors U.S. brands and products.**
- **The US Dollar is the commercial currency used countrywide thus financial/accounting transactions are kept at no-added cost.**
- **An efficient international banking center, with over 100 banks, operates in Panama. A vast array of financial tools and services is found, facilitating business operations.**
- **Closely patterned, US-styled, distribution systems insure inventory rotation/mobility.**
- **In Nov/1997, following it's WTO inclusion, Panama lowered import taxes and banned existing market quotas. Food consumption lines are typically levied 2-5%. Top bracket items are levied at under 15%, (ceiling).**
- **Maritime communication links, due to it's geographic position and the Canal, insure enhanced shipping trade and transport.**
- **New reliable port systems and container centers, rivaled by none in Latinamerica, allow for fast freight transshipment.**
- **Existing familiarity of importing, merchand-izing, and retailing practices, poses low initial handling and training expenses.**
- **82% of total food purchases are made at some form of auto-service market outlet. Wet markets and old fashioned grocery stores are thus dying institutions. A more dynamic concept of retailing prevails.**

Weaknesses & Threats

- **The retailing activity is reserved by law to Panamanians. Ownership of stock can be attained, nonetheless, through formally incorporated local *anonymous societies*.**
- **Panama's population, of only 2.8 million, represent a small volume market.**
- **Heavy competition is found in the food retail sector, making the cost of doing business steep while keeping profits low.**
- **Since most outlets sell the same lines, due to effective distribution, buying habits shift towards *location convenience* rather than *establishment loyalty*. However, a degree of consideration is given to service quality, cleanliness, and product presentation.**
- **Price, as expected, is the most enduring concern of the marketing mix at the more densely populated areas.**
- **Brand promotion and advertising (outside the realm of retailers) is used widely. POS demonstrations are habitually sponsored, and expected of manufacturers, by most food chains, adding to business cost.**
- **Some products registration formalities, although speeded in recent years, can be regarded somewhat time consuming.**
- **Expedite distribution delivery is hampered because of crowded Panama city streets.**
- **Extreme poverty at 30% & unemployment at over 13.4%, limit the purchasing power capacity of nearly 1 million Panamanians.**
- **Due to producers complaints import tariffs may undergo upward revisions for yr2000, not to exceed the WTO agreements limits.**

II BLUE PRINT FOR MARKET ENTRANCE

‘ **Entrance Requirements**

The *Retailing* activity is reserved by law to Panamanian nationals. Ownership of retail out-fits requires a commercial license, type “B”, and a legal form of incorporation with a specified declared capital. Ownership of stocks, however, is not restricted, and is widely encouraged.

Because of the ease and flexibility it grants, the most common incorporated type of entity chosen by Panamanians and foreign investors is the *Corporation*, (legally referred to as an *anonymous society*). A corporation in form and structure is most similiar to its US counterpart

Importation of products in general requires the holding of a commercial license, usually type “A”, which is not limited to country nationals as the other. Distributors, wholesalers and commercial agents commonly operate under type “A” licences. In essence, the “B” type li-cense (called a ‘*B-Patent*’) permits to engage in both trade activities (retail and wholesale).

Importation to the free trade zone in Colón is exempted from these licences, duty and corporate taxes, and serves commercial customers all over the region.

A. Hypermarkets, Supermarkets, Superstores & Warehouse outlets

, **Entry Strategy**

The customary way of commercializing food products into Panamá is via the existing distribution channels: reflecting the importers, distributors and wholesalers. Approximatelly 85.7% of retail inventories are channeled through these sources. On the other hand, direct import by hyper, supermarkets, and (club) warehouses, is estimated at around 6% to 7%.

In 1985, Agency exclusive rights on imported goods was revised, allowing for a trade openning opportunity. It’s effect was really sensed years later as the winds of market global-ization arrived: the action permited rapid establishment of the warehouse concept in 1995.

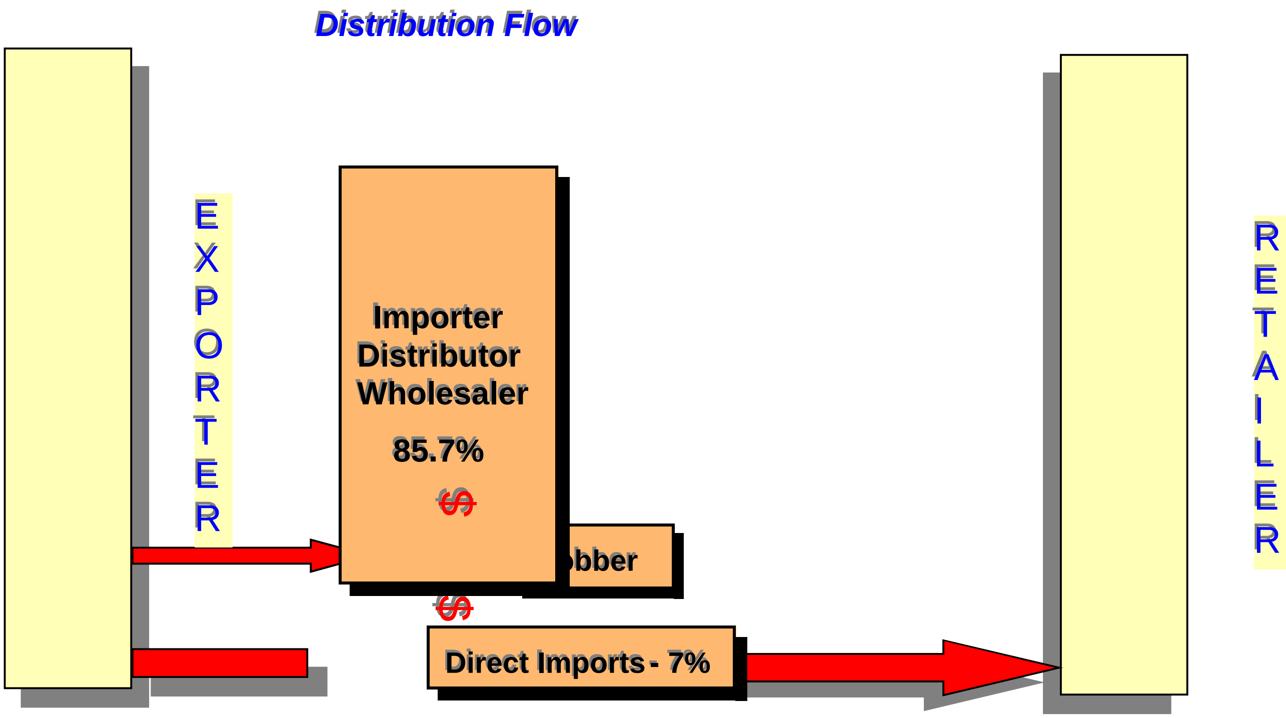
In November of 1997, following Panama’s full acceptance to the World Trade Council Organization, importation tariffs were significantly lowered, rendering imported food products taxation to be as low as 2% to 5% CIF value. More importantly, Quota schemes and existing trade restrictions were abolished.

Nonetheless, Panama food retail industry, inspite of the late clever market oriented techniques, is at the peak of its maturity life cycle, where competition is fierce, inventory stock is overly diversified, and markups and profit margins are kept low.

In view, however, of the current trend and considerable investment in eco-turism, urban infrastructure, and the turning around of the reverted military bases on behalf of regional trade and economic development, Panama is one place to watch for the next millenium.

RSR / 5

, **Market Structure**



‘ **Hyper & supermarkets usually carry the lowest prices, best offers and a larger variety.**

‘ **Imports are largely handled by distribution channel members that act as wholesalers or distributors. Local representation and direct contact is, nontheless, irreplaceable.**

‘ **Direct importation is moderate and hardly seen outside of hypermarkets, supermarket chains and warehouse outlet firms.**

‘ **It is estimated that direct importation has jumped from 4% to almost 7% of the total volumen, as a consequence of the fashion introduced by warehouse club stores as of the end of 1995. Relative market share by the latters is, however, not significant.**

‘ **Several Distributors have country-wide coverage capacity. However, they tend to concentrate primarily in distinct geographical segments. (*See the WSR report*).**

Typical of the food Industry, direct local representation is key to business success. An alternative is using the existing marketing structure of Distributors. However, the bulk of items commonly managed by these sources preclude a specially dedicated marketing effort.

The ATO in Panama can provide listings of channel members that are skilled in per-foming and assisting potential importers with their import and distribution needs, as well as activities and additional information pertaining to the issue at hand.

, **Major Supermarket Profiles**

Profile of Main Supermarket Establishments - 1999						
Retailer Name	Type	ESales	#	City	Province	Main Lines

Super 99	HyperMarket	+100M	24	Several	4 out of 9	Foodstuff & Household prods.
Supermercados REY	HyperMarket	±75M	16	Several	2 out of 9	Foodstuff & Household prods.
Total Hypermarkets		± $180M	40			
El Machetazo	SuperStore	+10M	5	Several	3 out of 9	Foodstuff & Household prods.
Price Costco Panamá	Warehouse	+3M	2	Panamá	Panamá	Foodstuff & Household prods.
Cosmark	Warehouse	±3M	2	Panamá	Panamá	Foodstuff & Household prods.
Foodmart	Warehouse	-3M	2	Panamá	Panamá	Foodstuff & Household prods.
Mega Depot	Warehouse	+1M	1	Panamá	Panamá	Foodstuff & Household prods.
Total Superstores & Warehouses		± $ 24M	12			
Supermercados Romero , S.A.	S/M Indep Chain	+15M	9	Several	Chiriquí	Foodstuff & Household prods.
Super Extra	S/M Indep Chain	+10M	5	Panamá	Panamá	Foodstuff & Household prods.
Casa de la Carne (M/H)	S/M Indep Chain	+8M	6	Panamá	Panamá	Foodstuff & Household prods.
Casa del Pan (Bakery) (M/H)	S/M Indep Oper	+1M	3	Panamá	Panamá	Bakery & Foodstuff prods.
Supermercados Riba Smith (R/S)	S/M Indep Oper	+3M	2	Panamá	Panamá	Foodstuff & Household prods.
Super Barú	S/M Indep Oper	+3M	3	David	Chiriquí	Foodstuff & Household prods.
Supermercado El Milagro	S/M Indep Oper	+2M	2	Panamá	Panamá	Foodstuff & Household prods.
Supermercados Pueblo	S/M Indep Oper	+2M	2	Chorrera	Panamá	Foodstuff & Household prods.
Lee Chang Hermanos	S/M Indep Oper	-2M	2	Concep.	Chiriquí	Foodstuff & Household prods.
New Win Group, S.A.	S/M Indep Oper	±1M	2	Panamá	Panamá	Oriental Foodstuffs & prods.
Park'n Shop, S.A.	S/M Indep Oper	500K	2	Panamá	Panamá	Foodstuff & Household prods.
Total Indep Chains/Operators		± $ 62M	38			
Super Kosher, S A.	Supermarket	+2M	1	Panamá	Panamá	Kosher & gnal. Food prods.
Supermercado Bella Vista (R/S)	Supermarket	+2M	1	Panamá	Panamá	Foodstuff & Household prods.
Supermercado Rio	Supermarket	+1M	1	Panamá	Panamá	Foodstuff & Household prods.
Supercentro La Prosperidad	Supermarket	+1M	1	Chorrera	Panamá	Foodstuff & Household prods.
Centro Comercial Masisa	Supermarket	+1M	1	Chitré	Herrera	Foodstuff & Household prods.
Supercentro La Luna	Supermarket	+1M	1	Aguadulce	Coclé	Foodstuff & Household prods.
Supermercado Colón	Supermarket	+1M	1	Colón	Colón	Foodstuff & Household prods.
Super Centro Don Bosco	Supermarket	+1M	1	Panamá	Panamá	Foodstuff & Household prods.
Centro Elite Kosher	Supermarket	+1M	1	Panamá	Panamá	Kosher & mid-east Food prod.
Ferretería y Super Centro Coronado	Supermarket	+1M	1	Coronado	Panamá	Hardware & Foodstuff prods.
Supermercado Lolita	Supermarket	+1M	1	Panamá	Panamá	Foodstuff & Household prods.
Supermercado Shalom Kosher	Supermarket	+1M	1	Panamá	Panamá	Kosher & gnal. Food prods.
Super Centro El Lago	Supermarket	+1M	1	Panamá	Panamá	Foodstuff & Household prods.
Supermercado Casa Yee	Supermarket	+1M	1	Panamá	Panamá	Foodstuff & Household prods.
Supermercado El Gigante	Supermarket	+1M	1	Panamá	Panamá	Foodstuff & Household prods.
Super Centro Cabuya	Supermarket	+1M	1	Panamá	Panamá	Foodstuff & Household prods.
Super 77	Supermarket	+750K	1	Chorrera	Panamá	Foodstuff & Household prods.
Supermercado How Wing	Supermarket	+750K	1	Panamá	Panamá	Oriental Foodstuffs & prods.
Supermercado Las Colinas	Supermarket	+750K	1	Panamá	Panamá	Foodstuff & Household prods.
Supermercado Tocumen	Supermarket	+750K	1	Panamá	Panamá	Foodstuff & Household prods.
Total of listed Supermarkets		± $ 32M	20			
GranTotal	± $ 300M	46.5%	110	25.0%		
Explanation: M=Millions, K=Thousands (U.S.Dollars)						
It's estimated that 46.5%, ($300M) sales, of the Hyper/Supermarkets category, is made by 25%, (110) retail outlets, listed above.						

RSR / 7

2. *Convenience Stores and Gas Marts (Inc. 24-hrs 'Quick' outlets)*

¨ Entry Strategy

The local distribution channels structure that effectively covers the Hyper/Supermarket outlets also keeps convenience and grocery stores supplied. To own one of these outfits a "B" type operating license, as previously mentioned, is required.

The only major difference that exists from Hyper/Supermarket outlets and convenience stores operation relates to importation capacity and product lines carried. It is estimated that 99%+ of imported items sold at these establishments is channeled through distributors.

As with the supermarket sector, local representation and direct contact is recommended to insure the success of your product in this market. The ATO office in Panama keeps listings of potential wholesalers meeting the needs of this sector, as well as information pertaining to activities and opportunities in this trade area.

Market Structure

Distribution Flow

The great majority of Convenience stores and Mart outlets are individually owned, limited in size and purchasing capacity, and are located in densely populated, low income areas.

- They massively depend on the Distribution channel members for their imports, as well as many locally manufactured products.

- Gas Marts, although introduced over ten years ago, have not been as popular as in the USA. Often, the lack of explicit parking places contributes to the problem.

The main difference between Convenience and Grocery stores lies in the way customers are serviced, (Auto-service Vs Over-the-counter). Yet, many so-labeled Grocery Stores have nowadays, and are continuing to, change to self-service stores.

Convenience and Self-service stores are found in all clusters of Panamanian suburbs, cities and towns. Their popularity in the great metropolitan (Panama-Colon-Chorrera cities) area is enhanced because of their proximity to consumers, that avoid the massive urban traffic in the crowded streets.

Prices, as expected, are somewhat higher than those of Supermarket chains. Product lines are limited, and, catering to the needs and wants of their particular segment.

RSR / 8

¨ Main Convenience Stores and Marts Outlets sample prototype profiles

1999

Retailer Name	Type	ESales	#	City	Province	Main Lines
Dulcería y Panadería Rio de Oro	Cake & Bakery	-500K	10	Panamá	Panamá	Confec, Cake & Dough prods
Dulcería Del Dorado (La Casa Redonda)	Cake & Bakery	-500K	4	Panamá	Panamá	Specialty Cakes
Mr. Pan	Cake & Bakery	-500K	4	Panamá	Panamá	Com. & fresh Baker prods
Panaderías Manolo (Sopama, S.A.)	Cake & Bakery	-500K	3	Panamá	Panamá	Confec. & Dough prods
Supermercado Chung	Med. S/Market	+500K	2	Arraiján	Panamá	Foodstuff & Household prods.
Supermercado La Victoria No 1 y 2	Med. S/Market	+500K	2	Panamá	Panamá	Foodstuff & Household prods.
Supermercado Enrique	Med. S/Market	+500K	2	Panamá	Panamá	Foodstuff & Household prods.
Casa Chen e Hijos	Med. S/Market	+500K	1	Panamá	Panamá	Foodstuff & Household prods.
Oriental Shopping	Med S/Market	+500K	1	Colón	Colón	Oriental Foodstuffs & prods.
Río Pak Chung, S.A.	Med. S/Market	+500K	1	Panamá	Panamá	Foodstuff & Household prods.
Supermercado Sam	Med. S/Market	+500K	1	Colón	Colón	Foodstuff & Household prods.
Shiva Trading, S A	Med S/Market	+250K	1	Panamá	Panamá	Foodstuff & Household prods.
Super Centro Nerei	Med. S/Market	+250K	1	Panamá	Panamá	Foodstuff & Household prods.
Supermercado Casa Li	Med. S/Market	+250K	1	Panamá	Panamá	Foodstuff & Household prods.
Supermercado Feuillet	Med. S/Market	+250K	1	Chorrera	Panamá	Foodstuff & Household prods.
Supermercado YoIy	Med. S/Market	+250K	1	Panamá	Panamá	Foodstuff & Household prods.
Carnicería Herbert	Delicattessen	+250K	1	Panamá	Panamá	Sausages & Meats
Centro Carne Balboa	Meat Store	+250K	1	Panamá	Panamá	Meat, Pork & Poultry
Super Carnes de La Chorrera	Med. Meat/Mkt	+250K	1	Chorrera	Panamá	Meats, Fish & Poultry
Casa de la Carne y Marisco	Med. Meat/Mkt	+250K	1	Colón	Colón	Meats, Fish & Poultry
Med sized S/Markets		± $ 13.2M	40			
Dulcería el Cake de la Novia	Cake & Bakery	+250K	2	Panamá	Panamá	Specialty Cakes
Momi	Cake & Bakery	+250K	2	Panamá	Panamá	Cake & Dough prods
Panadería y Dulcería La Flor Panameña	Cake & Bakery	+250K	2	Panamá	Panamá	Cake & Dough prods
Panadería y Dulcería Lupita	Cake & Bakery	+250K	2	Chorrera	Panamá	Confec. & Dough prods
Panadería La Venezolana	Bakery	+250K	2	Panamá	Panamá	Fresh & com. Baker prods.
Delicias de Francia	Cake & Bakery	+250K	1	Panamá	Panamá	Confec, Cake & Dough prods
Comisariato La Unión	Small S/Market	-200K	1	Panamá	Panamá	Foodstuff & Household prods.
Mini Mercado Chong	Small S/Market	-200K	1	Panamá	Panamá	Staples & Foodstuffs
Mini Shoppette Ancón	Small S/Market	-200K	1	Balboa	Panamá	Foodstuff & Household prods.
Mini Super Calle 60	Small S/Market	-200K	1	Panamá	Panamá	Foodstuff & Household prods.
Mini Super Centro Comercial	Small S/Market	-200K	1	Panamá	Panamá	Foodstuff & Household prods.
Mini Super Don Bosco	Small S/Market	-200K	1	Panamá	Panamá	Foodstuff & Household prods.
Mini Super Gatún	Small S/Market	-200K	1	Colón	Colón	Foodstuff & Household prods.
Mercadito y Carnicería Cristóbal	Small Meat/Mkt	-200K	1	Colón	Colón	Food, Meats, Fish & Poultry
Bodega Mi Amiga	Liquor Store	-200K	1	Panamá	Panamá	Liquor, Cigarrettes & Suchi
Candie`s Bazar	Candy Store	+100K	1	Panamá	Panamá	Chocolates & candy
Fruteria Minimax Paitilla	Fruits & Veg	+100K	1	Panamá	Panamá	Fruits & Vegetables
Frutas y Legumbres Minimax	Fruits & Veg	+100K	1	Panamá	Panamá	Fruits & Vegetables
Frutería Bal Harbour	Fruits & Veg	+100K	1	Panamá	Panamá	Fruits & Vegetables
Casa de Legumbres	Fruits & Veg	+100K	1	Colón	Colón	Fruits & Vegetables
Small Convenience & Bakery stores		± $ 6.25M	25			
Star Mart / (Galaxy/Jupiter/Alpha2000)	Gas Mart	+300K	3	Panamá	Panamá	Convenience Store / 24Hrs
Mini 24	24 hrs	-200K	1	Panamá	Panamá	Convenience Store
Mini Mercado Am Pm	24 hrs	-200K	1	Panamá	Panamá	Convenience Store
Servicentro Brasil	24 hrs	-200K	1	Panamá	Panamá	Convenience Store
Mini Super Mr Snopy	Small S/Market	-200K	1	Colón	Colón	Foodstuff & Household prods.
Total Gas Marts & 24Hrs Outlets		± $ 1.6M	7			
GranTotal	± $ 21M	5.3%	72	0.01%		

Explanation: M=Millions, K=Thousands (U.S.Dollars)

It is estimated that 24.2%, ($270M), of the total RSR food sector sales is made by Convenience Stores, represented by some 1,642 (E) Outlets, or 14% of the country's total food retail establishments, for a yearly sales average of $165K per outlet.

The above represents a small sample from the huge amount of convenience and self-service stores in Panama.

RSR / 9

3. *Traditional Markets*

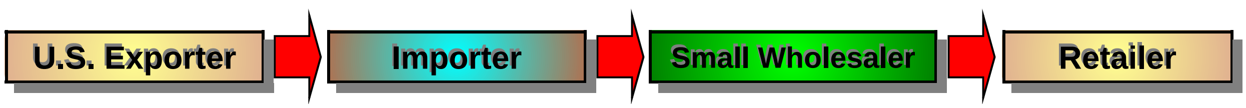
- **Entry Strategy**

Traditional markets rely on staple traders, agricultural producers, fresh meat, fish, fruit and local garden vegetables suppliers. Any small order for occasional processed foods is handled through the small wholesale entrepreneur that usually sells by the half dozen units.

This market is characterized by generic type, perishable and low cost products carried at the light of minimum conventional presentation and sanitation methods. The ATO office, nevertheless, maintains listings of potential small wholesalers that cater to the needs of this sector, as well as information relating to activities and opportunities in this market.

- **Market Structure**

Distribution Flow



- **Traditional markets are primarily supplied by agricultural sources (farmers, cooperatives and staple traders) and small wholesalers (light truck or van size operations) in the case of processed foodstuffs and imported fruit.**

- **Local fruits and vegetables are popularly sold in wet markets and road side stalls. Twenty years ago imported fruit, such as apples and grapes, were available. However, this is nowadays rare at these sites, except for the Christmas season. (During this time they are supplied by mobile fruit trucks, provided by the local wholesalers).**

- **In addition to the above, road-side stalls and rudimentary kiosks are great snack sellers and quick fried food providers (i.e.: Cookies, '*Tortillas*' and meat-filled *empanadas*).**

- **Traditional wet markets and kiosks are slowly disappearing in both: number and, more importantly, sales breadth (from 8.7% of relative market share in 1996 to 6.6% in 1999). Yet, they are still representing 28.7% of the total outlets in the retail sector.**

Generally, the old traditional wet markets and the 'Mom & Pop' type kiosks, do not appeal, with some exceptions, to the new style and comfort demanded by the emerging generations. Perishableness, lack of optimal sanitation, weather nuisance in the shelter- less areas, and over-the-counter delayed service account for the downsize of this sector.

Their massive number (estimated at around 3,365 outlets), will by no means vanish overnight, mainly because they appeal to the more needy classes. However, it is only a survival activity more than a business operation.

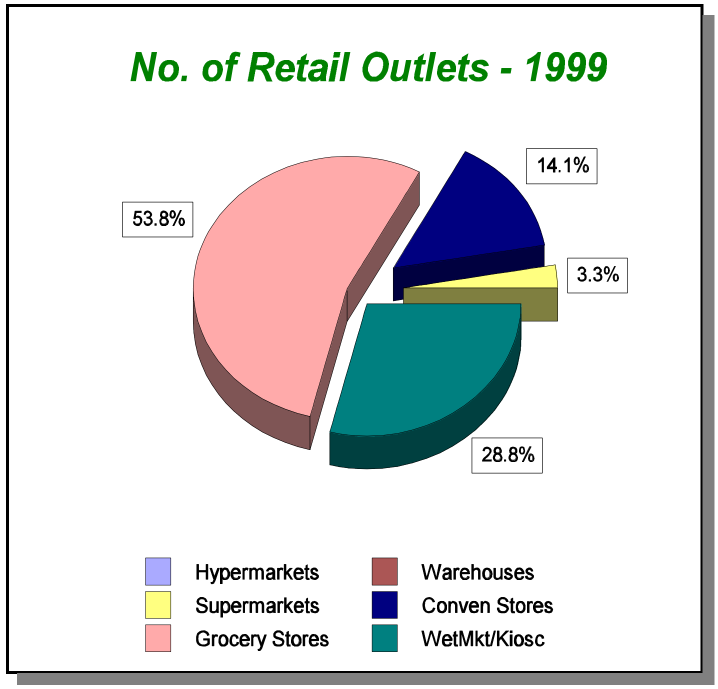
RSR / 10

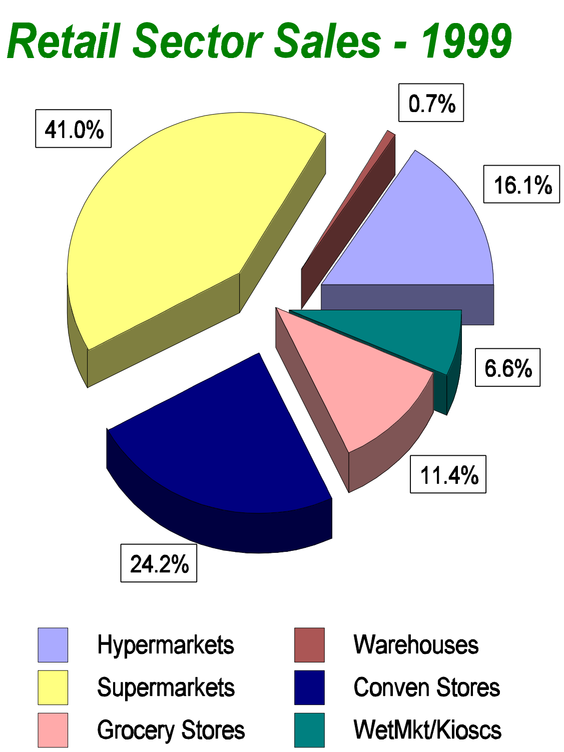
III Competition

q **At the Internal Market – Relative share.**

The following charts illustrate how the market is segmented, as regards to consumer buying preferences, per type, Number of outlets, Geo-areas, and the role of Distribution.

Breakdown of RSR Sales & Outlets, years '96 & '99								
	1996				1999			
Type	Sales $	%	Outlets	%	Sales $	%	Outlets	%
Hypermarkets	121,411,878	12.1%	32	0.3%	179,840,120	16.1%	40	0.3%
Warehouses	3,010,212	0.3%	3	0.0%	7,819,136	0.7%	7	0.1%
Supermarkets	413,402,428	41.2%	375	3.3%	457,977,946	41.0%	389	3.3%
Convenience Stores	218,742,062	21.8%	1467	13.0%	270,318,690	24.2%	1642	14.0 %
Grocery Stores	159,541,228	15.9%	5903	52.1%	127,340,209	11.4%	6286	53.6 %
Wetmarkets / Kiosks	87,296,144	8.7%	3542	31.3%	73,723,279	6.6%	3365	28.7 %
Totals	$10,034,039	100.0	11322	100.0	$1,117,019,3	100.0	11729	100.0


No. of Retail Outlets - 1999
53.8%
14.1%
3.3%
28.8%
Hypermarkets
Supermarkets
Grocery Stores
Warehouses
Conven Stores
WetMkt/Kiosc


Retail Sector Sales - 1999
41.0%
0.7%
16.1%
6.6%
11.4%
24.2%
Hypermarkets
Supermarkets
Grocery Stores
Warehouses
Conven Stores
WetMkt/Kioscs

Total RSR Sales & No. Of Outlets, per Provinces - 1996
(DEC)

Provinces	Sales $	%	Outlets	%	A	B	C
Bocas del Toro	35,799,274	3.6%	546	4.8%	5	34	507
Coclé	39,824,553	4.0%	1,054	9.3%	47	160	847
Colón	88,830,720	8.9%	652	5.8%	20	114	518
Chiriquí	148,299,589	14.8%	2,198	19.4%	49	138	2,011
Darién	33,968,573	3.4%	156	1.4%	1	12	143
Herrera	35,353,772	3.5%	731	6.5%	14	64	653
Los Santos	26,338,072	2.6%	771	6.8%	29	57	685
Panamá	536,928,107	53.5%	4,210	37.2%	222	818	3,170
Veraguas	58,061,292	5.8%	1,004	8.9%	23	70	911
Totals	$1,003,403,9	100.0	11,322	100.0	410	1,467	9,445

Explanation of codes: **A** - HyperMarkets, SuperCenters, SuperMarkets
B - Convenience stores (Mini-Supers)
C - Grocery stores, wetmarkets, small meat outlets & Kiosks

RSR / 11

It is estimated that the great Metropolitan Area, linking the cities of Panama, Chorrera and Colon have 62% of the total Retail sector sales. Hence, successful dealings can not bypass its importance. Second best, and with a powerful supermarket chains structure, is the province of Chiriquí (at the country's western border) with 15% of the total.

- **In the International Front – Imports.**

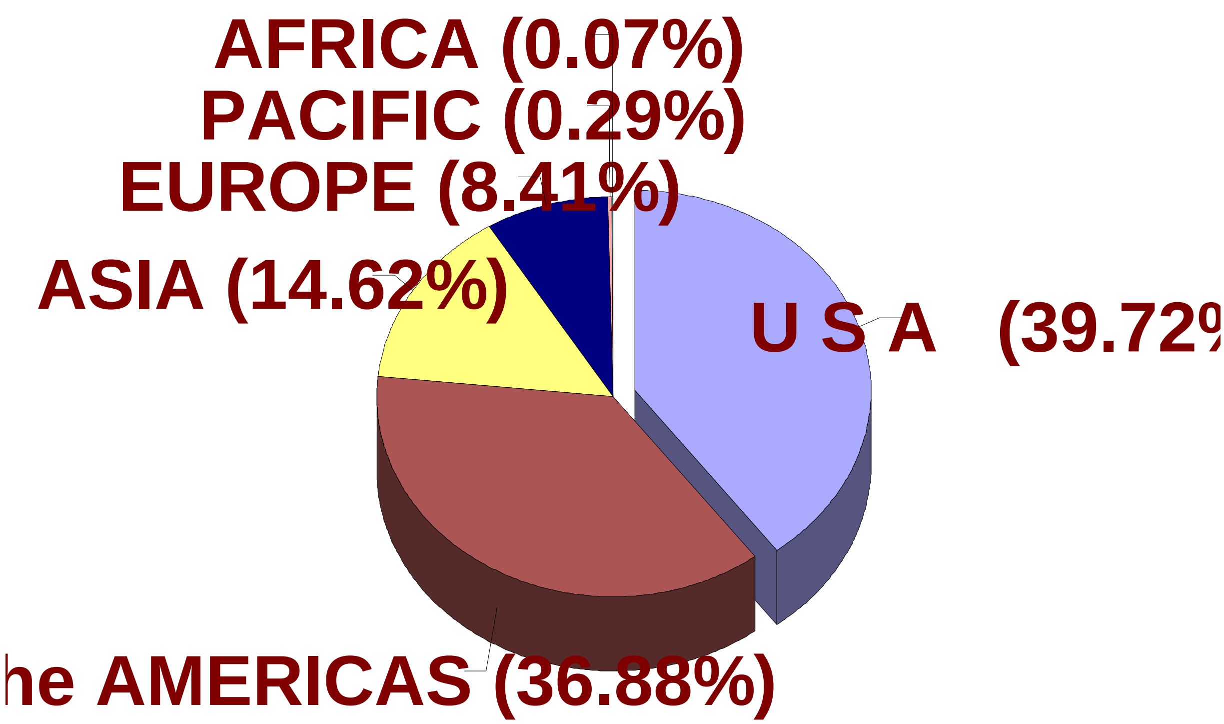
From a global point of view, the following graph depicts how imports to Panama originate. Main concern arises from imports of Latin American countries that in general maintain good trade ties with Panama, (i.e. CentralAmCom, Andine Pact, MercoSur and CariCom, markets). Yet, from a marketing perspective, they are no match for the U.S. enterprising force.

Imports to Panama

Country / Area	1994	1995	1996	1997	1998	%
U S A	907980	999,890	1,041,479	1,103,768	1,349,990	39.7%
Rest of the AMERICAS	954025	1,032,770	1,197,850	1,255,941	1,253,421	36.9%
ASIA	287836	258,982	295,717	356,021	496,843	14.6%
EUROPE	234,421	225,980	231,416	271,637	285,841	8.4%
PACIFIC	9280	12,440	11,813	15,859	9,997	0.3%
AFRICA	8542	5,227	2,797	3,139	2,251	0.1%
TOTAL	2402083	2535289	2781071	3006366	3398342	100.0%

Origin of Imports

1998



Almost 40% of all imports are USA products

Consumer preference, as stated before, is shifted towards U.S. products and brands. Hence, the issue of real competition arises in connection to monopolistic type of consum-able's competition, (not to be confused with Monopoly or it's practices), where prices and placing depth techniques are main components of an effective marketing mix strategy.

As also being the case in the U.S., Panamanian Retail Food Industry is at the peak of it's maturity life cycle. Many manufacturers are thus finding the competition over products fierce, and profits not so enticing. Better presentation and clever product tactics are thus needed.

RSR / 12

IV Best Products Prospects

Food Imports by Category 1999 vs 1998, & Changing Trend %							
CAT	IMPORT TITTLE	Idx	GrossWt/Kg	NetWt/Kg	CIF/$ Value	ImpTax/$	%Chg
1998 - Real figures							
Animal Prods	F/Frozen Meat & Slaughter by-products	02	9,381,778	8,909,407	12,701,258	1,708,654	
	Fresh/Frozen Seafood & related prods	03	1,369,262	1,306,538	3,455,647	409,462	
	Dairy prods, Eggs, Honey & sim	04	5,777,432	5,559,535	12,124,988	4,433,759	
	Other animal prods (not listed above)	05	123,427	122,747	400,611	12,697	
Vegetables	Live plants & Floral Produces	06	1,200,028	1,159,725	1,857,827	117,756	
	Garden, Hortstuffs & Eatable Roots	07	30,035,082	29,229,834	14,994,937	1,920,909	
	Fruits, Citrics, Nuts, Skins & Rinds	08	13,816,576	13,375,616	14,021,376	495,527	
	Coffee, Tea, herbs & spices	09	1,489,034	1,383,058	4,650,315	466,644	
	Cereals	10	398,718,494	397,795,780	72,393,744	4,384,776	
	Flour prods, Malts, Eatable Starches	11	22,666,644	22,365,333	9,177,875	371,738	
	Seeds, Grains, Herbs, Forage & sim	12	2,017,535	1,991,194	2,779,606	103,022	
	Gum, resin & other Juice/Veg Extracts	13	171,843	153,293	894,320	32,602	
	Braided plants & other unlisted Vegs	14	1,379,755	1,361,513	1,165,836	80,039	
Oils & Lard	Veg/Animal oils, by-products & Lard	15	39,800,832	39,228,532	30,570,669	2,050,395	
Food Industry	Meat & Seafood Industry prep prods	16	9,761,071	8,638,037	20,320,736	2,004,989	
	Sugar, Candy & sim Confectioner items	17	10,194,003	9,877,153	10,044,214	1,444,952	
	Cocoa & it's by-products	18	2,855,592	2,547,334	8,230,676	556,593	
	Bakery & prep Cereal/Milk/Confectionary	19	14,808,348	13,379,029	33,361,686	4,207,207	
	Fruit, Garden & Veg plants prep prods	20	24,105,475	21,707,054	25,595,688	3,032,280	
	Diverse prepared Foods	21	15,670,155	14,001,452	46,991,141	5,128,940	
	Beverages, Alcoholic spirits & Vinegar	22	20,660,180	11,644,485	17,593,322	2,522,547	
	Food Ind residues & Animal prep Foods	23	128,080,844	127,853,465	44,541,381	686,681	
	Tobacco & It's by-products	24	1,048,302	982,320	5,024,705	695,802	
	Total		755,131,692	734,572,434	392,892,558	36,867,971	
1999 - Extrapolated from Jan-Jun/99 actual figures							
Animal Prods	F/Frozen Meat & Slaughter by-products	02	12990284	12,575,142	15,628,196	2,154,088	23.0%
	Fresh/Frozen Seafood & related prods	03	1,531,248	1,480,680	4,711,750	515,566	36.3%
	Dairy prods, Eggs, Honey & sim	04	6,535,216	6,219,562	13,459,218	4,523,724	11.0%
	Other animal prods (not listed above)	05	4,194	3,940	316,772	2,906	-20.9%
Vegetables	Live plants & Floral Produces	06	328,602	324,070	907,874	94,746	-51.1%
	Garden, Hortstuffs & Eatable Roots	07	27,332,800	26,876,914	14,536,860	1,927,596	-3.1%
	Fruits, Citrics, Nuts, Skins & Rinds	08	11,873,096	11,270,564	11,445,326	433,006	-18.4%
	Coffee, Tea, herbs & spices	09	2,219,888	2,088,816	6,083,776	669,576	30.8%

	Cereals	10	356,193,664	356,059,050	53,056,486	6,211,286	-26.7%
	Flour prods, Malts, Eatable Starches	11	25,824,210	25,425,276	9,056,780	402,212	-1.3%
	Seeds, Grains, Herbs, Forage & sim	12	5,604,106	5,557,788	3,819,828	165,240	37.4%
	Gum, resin & other Juice/Veg Extracts	13	141,938	134,498	1,407,784	66,576	57.4%
	Braided plants & other unlisted Vegs	14	1,263,948	1,240,700	1,019,556	63,346	-12.5%
Oils & Lard	Veg/Animal oils, by-products & Lard	15	44,281,474	43,761,766	31,244,108	2,130,660	2.2%
Food Industry	Meat & Seafood Industry prep prods	16	13,940,518	12,577,130	25,991,422	2,349,606	27.9%
	Sugar, Candy & sim Confectioner items	17	8,553,182	8,220,350	9,753,234	1,306,828	-2.9%
	Cocoa & it's by-products	18	3,125,802	2,791,434	9,339,986	618,462	13.5%
	Bakery & prep Cereal/Milk/Confectionary	19	15,605,988	14,192,120	34,308,386	4,375,250	2.8%
	Fruit, Garden & Veg plants prep prods	20	26,535,408	24,059,566	27,782,914	3,378,154	8.5%
	Diverse prepared Foods	21	17,278,842	15,496,866	55,602,832	4,909,054	18.3%
	Beverages, Alcoholic spirits & Vinegar	22	31,685,754	17,854,984	18,678,510	2,727,236	6.2%
	Food Ind residues & Animal prep Foods	23	114,227,442	113,944,266	35,224,132	500,002	-20.9%
	Tobacco & It's by-products	24	1,111,882	1,044,446	5,643,818	843,294	12.3%
	Total		728,189,486	703,199,928	389,019,548	40,368,414	-1.0%

RSR / 13

The previous tables summarize the behavior of Food, Beverages, and Tobacco product imports by category, over the latest 18 months of factual available data, (up to June, 1999). The 1999 results were projected from real Jan-Jun figures, over a rationalized extrapolation.

1. **Best prospects include: Juices & Vegetables extracts, Seeds & Grains, Processed-Prep. Foods, Frozen Meat (Pork & Turkey), Instant Coffee, Tea & Spices, and, to a lesser extent: Cocoa products, Beverages and Alcoholic drinks.**

   On the other hand, new product concepts are generally well accepted, with the same '*Try-once*' mentality, as seen in the U.S.

2. **Decreasing prospects. On the Down side are life Plants & Floral produces, Cereal, Animal Prep. Foods, and, Dry Fruits, Citrics, Nuts and Rinds.**

3. **Products not showing important trends but estimated having good potential. Snacks, flavored medium drinks (Wine coolers, imported beer), Frozen desserts.**

D. **Products not referred to above (in point A) because of significant local production or custom preference, are: Regular Grain Rice, Beef, Fresh Shrimp, Fish, Lacteal products, Eggs, and fresh Brewed Coffee.**

V Post Contact and Further Information

Additional questions and comments concerning this report, or assistance needed, as in exporting to Panama, will be given upon request. Please contact the U.S. Agricultural Trade Office in Panama at the following address:

Agricultural Trade Office Panama.
U.S. Embassy
***FAS,* Junot Bldng 1, Ave. Balboa,**
Panama City.
Tel: (507) 227-1777 / 3281
Fax: (507) 225-4209
E-Mail: usembfas@cwp.net.pa
Home page: www.fas.usda.gov

U.S. Mailing address:
FAS
American Embassy Panama.
Unit 0945
APO AA 34002.

You may contact our home page for more information on exporting U.S. Food products to Panama as well as enhanced detailed information on trading activities. The "WSR" (Whole-sale Sector Report), and the "HRI" (Hotel / Restaurants / Institutional Food sector report), will provide further clues as to the market, business opportunities, and product potential of your Foodstuffs in this country.

For more information on exporting U.S. agricultural products into other countries, please visit the Foreign Agricultural Service home page: http://www.fas.usda.gov