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Retail Foods

The Bahamas 2011 Retail Food Sector Report

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Report Highlights:

U.S. exports of consumer-oriented products to The Bahamas hit an all-time high of $184 million in 2010 and are on track to surpass that level in 2011. With the United States commanding a 95 percent share of the Bahamian import market for consumer-oriented products, opportunities are plentiful for U.S. suppliers in practically all product categories. The strong influence of American lifestyle and culture on Bahamians has led to U.S. food products and brands being the most preferred and commonly visible products in retail outlets. As disposable incomes continue to increase, the Bahamian consumer has a greater opportunity to purchase a wider variety of high-quality food products.

Post:
Miami ATO

Author Defined:

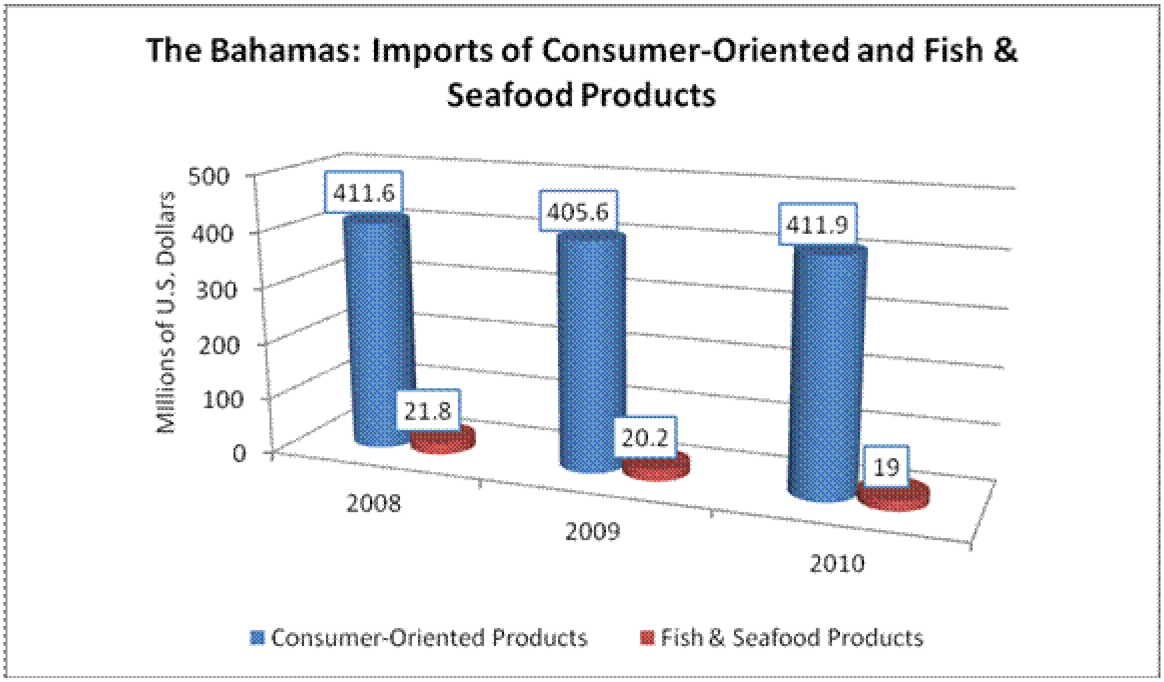
SECTION I. MARKET SUMMARY

Combined, the 700 islands and 2,000 cays that make up The Bahamas have an area slightly smaller than that of the state of Connecticut. Although only about thirty of the islands are inhabited, 313,312 people make their home in The Bahamas. The majority of the population resides on the island of New Providence around the nation's capital, Nassau, and in Freeport, on Grand Bahama Island. The Bahamian per capita gross domestic product (GDP) purchasing power of parity (PPP) of $28,700 is among the highest in the Caribbean (2010 est.).

With less than one percent arable land and permanent crops, agriculture accounts for only 1.6 percent of the national GDP. Tourism and tourism related construction and manufacturing, the country's largest economic sector, account for approximately 60 percent of GDP and employ over half of the Bahamian workforce. In 2010, 1.37 million stop-over visitors and 3.8 million cruise ship passengers visited The Bahamas. Approximately 80 percent of all tourists visiting The Bahamas are from the United States. Financial services are the second most important sector of the economy, which together with business services account for approximately 36 percent of GDP.

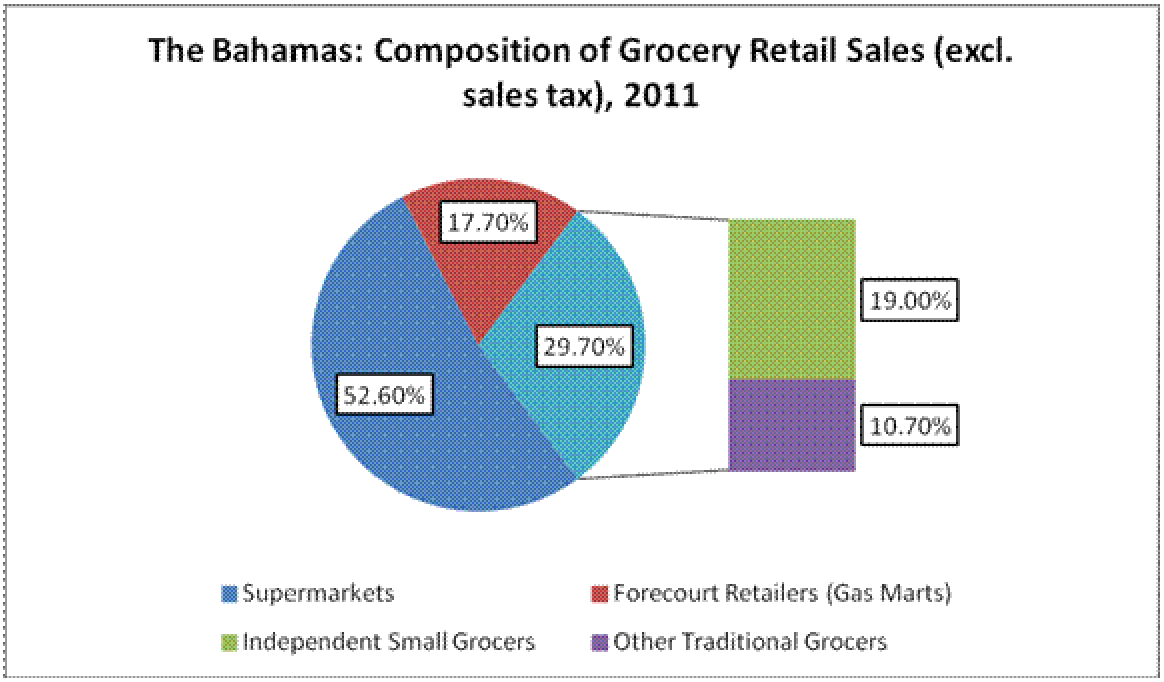
The Bahamian economy was hit hard by the global recession of 2009. With its dependence on tourism, particularly from the United States, the economy took a downturn as inflows of stop-over visitors diminished. Stop-over tourist traffic has since improved but remains sluggish. The Bahamas is bullish on tourism, nonetheless. In 2011 a $2.6 billion tourism development project got underway in New Providence and the government is greatly improving and expanding the Nassau airport as well. The country's economy and its continued growth are largely dependent on the tourism sector regaining its strength.

The lack of arable land for farming to support the food consumption of the local population and tourists has led to the importation of over 80 percent of the Bahamas' agricultural needs. In 2010, The Bahamas' consumer-oriented food imports were valued at $411.9 million, a 1.6 percent increase from the previous year. Of the total amount of consumer-oriented food products imported into The Bahamas, approximately 60 to 70 percent is channeled toward the retail sector, while the remaining 30 to 40 percent is directed toward the hotel, restaurant, and institutional (HRI) food service sector.



Source: Global Trade Atlas

Most Bahamians buy their basic food necessities from the well-established retail food industry with outlets ranging from small "mom and pop" shops, gas marts, and independent grocers, to large supermarket chains, hypermarket chains, and wholesale club stores. There are approximately 200 retail stores specializing in the sale of food and beverage located on New Providence Island, and roughly 70 located on Grand Bahama Island. According to Euromonitor data, in 2011 total retail sales (excluding sales tax) of the grocery retail industry were $284.4 million, of which roughly half were channeled through supermarkets and the other half mostly through small independent grocers and gas marts. Overall growth of the industry is estimated at 1.5 percent in 2011.



Source: Derived from Euromonitor data.

Overview of the Market Advantages and Challenges Facing U.S. Exporters in The Bahamas	
Advantages	**Challenges**
With little arable land and food production, The Bahamas must import most of its food needs.	Economic well-being is highly dependent on tourism, particularly from the United States. Hence, The Bahamian economy remains very susceptible to factors that may disrupt tourism (i.e. the world economy, terrorism, more active hurricane seasons, etc.).
U.S. exports dominate the retail food industry with a 90+ percent market share in all major product categories.	New product introductions can be difficult due to the extensive establishment of major brands already in the market.
Exposure to US 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.	The 2008 trade agreement between the Caribbean and the EU has set the stage for increased competition from Europe. CARICOM is also negotiating a free trade agreement with Canada. The expansion of the Panama Canal, which is expected to be completed in 2014, may also pave the way for greater competition from Asia.
The regulatory environment at present is fairly open to U.S. products.	In an effort to promote the use of local agricultural and food products, the Bahamian government uses a licensing system on the import of goods such as poultry and fresh produce.
Proximity is a big plus. US exporters, particularly south Florida	Due to the small size of the market and low

consolidators, service the market very well and are in many ways better positioned to supply The Bahamas than competitors.	purchasing power, it is difficult for many retail outlets to purchase products directly from U.S. suppliers.

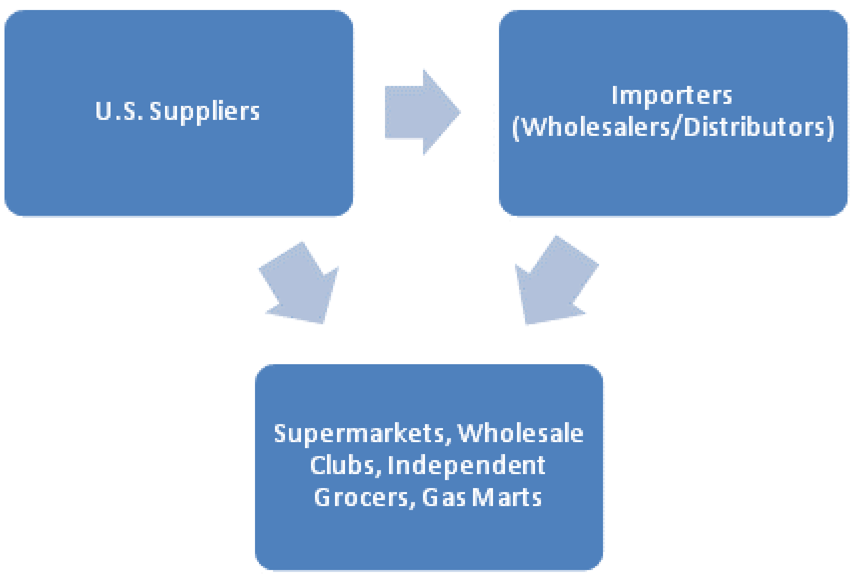
SECTION II. ROAD MAP FOR MARKET ENTRY

Entry Strategy

Breaking into the market in The Bahamas can be somewhat difficult because of the extensive establishment of many well-known U.S. brands already in the market. The best way for a U.S. manufacturer to enter the market with success is to first search the market for potential niches, develop a customized marketing plan, and follow by initiating export. Researching the market structure and competition is key in assessing current market conditions and making sound decisions. Travel to The Bahamas is recommended for a first-hand view of the market.

Market Structure

Product Flow of Imported Products



Of the total grocery retail food sales in The Bahamas, the lion's share of products are imported from the United States, with the majority of these imports being channeled through local importers (which also typically serve as wholesalers/distributors). There are around 30 importers of food and beverage products located on the islands of New Providence and Grand Bahama.

The club warehouse type stores and the large-chain supermarkets sell enough volume and have enough storage space to buy direct from U.S. suppliers. However, the prospects for further development and growth in direct purchasing are slim. This is due to the fact that a limited number of total retail outlets are necessary to serve the relatively small population of The Bahamas. Therefore, using a local Bahamian importer will ensure maximized brand distribution and effective product management.

In addition, gas marts obtain 95-98 percent of their products from local importers. However, if there is a specialty item that is not carried by a local distributor, they will attempt to buy directly from the manufacturer. The best method of targeting gas marts is via a local Bahamian importer.

A. SUPERMARKETS, HYPER MARKETS, AND WHOLESALE CLUBS

Company Profiles

Name of Retailer & type of Retail Outlet	Ownership (Local or Foreign)	Number of Outlets	Locations (city or islands)	Type of Purchasing Agent(s)
City Market (Supermarket Chain)	Local	12	Nassau-6, Freeport-3	Distributor, Direct/Wholesaler
Super Value (Supermarket Chain)	Local	10	New Providence Island	Distributor, Direct/Wholesaler
Solomon's (Hyper Market)	Local	2	Nassau-1, Freeport-1	Direct/ Wholesaler
Cost Rite, Wholesale Club (Club Outlet)	Local	3	Nassau-1, Freeport-1, Abaco-1	Direct/ Wholesaler
John Chea & Sons, (Supermarket Chain)	Local	8	Nassau	Distributor, Direct/Wholesaler
Harding's Food Store	Local	1	Nassau	Distributor
Grand Union (Supermarket)	Local	1	Freeport	Distributor, Direct/ Wholesaler
Food World (Supermarket)	Local	1	Freeport	Distributor, Direct/Wholesaler
Gourmet Market	Local	1	Cable Beach	Distributor, Direct/Wholesaler
The Organic Store	Local	1	Nassau	Distributor, Direct

The majority of supermarkets in The Bahamas are located in Nassau, which is home to 80 percent of the country's population. Supermarkets are also spread across the island of New Providence and are located in Freeport on Grand Bahama Island. Deli counters are present in most supermarkets, and a few supermarkets have bakeries and seafood departments.

Although large-chain supermarkets can be found in the populated areas, smaller independent grocers maintain a strong presence in the market. While these retail outlets carry a more limited inventory than the larger supermarkets, they are conveniently located throughout the main islands of The Bahamas and typically offer products at lower prices.

Wholesale club stores and hypermarkets in Nassau, Freeport, and Abaco are usually located in major shopping centers. These outlets carry a full line of food products in club and institutional-sized packs, in addition to apparel, appliances, and home furnishings.

The Bahamian retail food customer profile is typically a married woman with children and relatives. They are usually low to middle-income families with private transportation. Price is still an important factor in many of their purchasing decisions. However, as personal incomes continue to rise, Bahamians are expected to try more new food and beverage products. Nonetheless, Bahamians typically cling to their traditional "made from scratch" diet of rice, beans, evaporated milk, corned beef, flour, and homemade macaroni and cheese (a Bahamian favorite). Bahamians also frequently purchase cheeses, sweets, and fruits.

Generally, the Bahamian retail market follows American brand and product trends because of the traditional ties, frequent travel to the United States, exposure to U.S. tourists, and access to U.S. television advertising. "Hot" items include processed chicken, hot dogs, salty snacks, and individually packaged cookies and sweets used in the school lunch programs. The major internal drivers pushing the success of U.S. goods in the market are the availability, abundance, and quality of the products imported. U.S. products in the retail market are also competitively priced when compared to local and foreign goods.

The health-food trend has recently been on the rise in the Bahamian food market. Some of the more affluent areas of The Bahamas, like Cable Beach, on New Providence Island, have witnessed a small surge in health and gourmet food stores openings. The building of a new "Whole Foods-like" retailer in Nassau is a prime example. One factor in particular that has contributed to the increasingly health-conscious Bahamian consumer is the high incidence of diabetes among the population. This, among other factors, has resulted in a growing interest in healthy foods. Tofu and soy milk are among the most sought after "health food" products in the Bahamian marketplace.

B. GAS MARTS

Company Profiles

Name of Retailer and type of Retail Outlet	Ownership (Local or Foreign)	Number of Outlets	Locations (city or region names)	Type of Purchasing Agent(s)
Shell	U.S.	11	Nassau	Wholesaler
Esso, Gas Mart	U.S.	8	Nassau	Wholesaler
Texaco, Gas Mart	U.S.	6	Nassau	Wholesaler

Gas marts have been present in Nassau since 1986. However, in recent years, larger populated areas have seen an increase in their existence. The Bahamian economy is doing well and is demanding convenience shopping. More Bahamians are able to purchase an automobile, which in turn has caused the increase in vehicle traffic in Nassau. The added traffic has spawned the convenience shopping outlets because in one stop, consumers can purchase gas and something to eat and drink for immediate consumption. Gas marts are well spread around Nassau and Freeport. Positioned mostly on main roads in more urban locations, they are more concentrated where traffic seems to be the heaviest.

C. TRADITIONAL MARKETS - "MOM AND POP" SMALL INDEPENDENT GROCERY STORES AND WET MARKETS

Sub-Sector Profile

The traditional "mom and pop" stores in The Bahamas usually consist of one outlet located in rural areas around the islands to support local neighborhood needs. There are over 220 independent stores in The Bahamas today. Independent stores account for roughly 20 percent of the retail food sales in The Bahamas.

Independent grocers purchase their items through local wholesalers. Small independent grocery stores carry less selection and quantity then the chain outlets. Stores are smaller, often less sanitary, and are not as modern as the larger supermarkets.

Wet market vendors either grow or purchase their goods from a local farm, or purchase items from a local wholesaler. These market vendors have very little purchasing power because of the low volume they purchase and sell. These vendors have to compete with larger supermarket prices, product freshness and variety of choices. The best method for penetration would be via a local distributor.

SECTION III. COMPETITION

Bahamian supermarkets look very similar to U.S. markets. Very little competition exists for the U.S. manufacturer from local or other foreign countries. The only reason a U.S. manufacturer may find it difficult to export a product into The Bahamas is if there already is an established competing product in the market. Most major brands are already licensed and distributed. Non-U.S. items consistently seen in local stores include lamb from Australia and New Zealand, bottled and canned beverages from Canada and Trinidad, flour from Canada, wine from Italy and France, certain jams and cookies from the United Kingdom, and jams, pepper sauces, and other specialty items from the Caribbean. Little competition for dry goods exists; however importers have found lower prices for other products such as beef and pork products from Canada, dairy products from New Zealand, and produce from the Caribbean and South America.

With regards to local competition, there are approximately 20 food and beverage processors of notable size located in The Bahamas. Approximately 50 percent of these processors are manufacturers of soft drinks and producers of mineral water. The remaining 10 processors specialize in the production of fish and fish products, poultry, fruit and vegetable products, dairy products, and sugar products. No beef or pork is produced locally, and only one major poultry producer remains. Two local seafood companies meet most of the demand for some types of seafood like grouper, lobster, and shrimp. In regards to the supply of local produce, the fruit and vegetable crop is seasonal and inconsistent in quality and quantity. However, "protected" production of vegetables has had some success in recent years. In terms of beverages, local water and soft drink manufacturers in Nassau and Grand Bahama supply most of the demand for these products in their respective markets. All in all, local competition is minimal.

Product Category & Import Value (2010)	Major Supply Sources (2010)	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
Red Meats, FR/CH/FR Imports: $46.39 million	U.S. – 96.6% Australia – 1.5%	The United States has a dominant market share in all consumer-oriented and seafood product categories. Key U.S. advantages include: • Proximity • Exposure to US 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. • The United States is the source of over 80 percent of tourists visiting The Bahamas	Very limited land resources preclude most farm activity. Food processing is also quite limited.
Poultry Meat Imports: $29.87 million	U.S. – 92.7% Brazil – 6.1%		
Dairy Products (Excl. Cheese) Imports: $25.1 million	U.S. – 86.3% Peru – 8.2% U.K. – 2.1%		
Cheese Imports: $12.54 million	U.S. – 97% U.K. – 1.5%		
Snack Foods Imports: $14.18 million	U.S. – 88.5% U.K. – 8.9%		
Fruit & Veg. Juices Imports: $18.83 million	U.S. – 97.9% Mexico – 1.6%		
Processed Fruit & Veg. Imports: $23.73 million	U.S. – 91.5% Canada – 5.1%		
Fish & Seafood Products Imports: $20.1 million	U.S. – 94.8% Antigua – 1.8% Canada – 1.8%		
Red Meats, Prep/Pres Imports: $35.90 million	U.S. – 94.7% Brazil – 2.2% Canada – 1.9%		
Breakfast Cereals & Pancake Mix	U.S. – 94.7% Panama –		

Imports: $9.0 million	5.1%		

Source: Trade numbers are from Global Trade Atlas.

SECTION IV. BEST PRODUCT PROSPECTS

A. Products present in the market which have good sales potential:

Market opportunities exist for practically all high-value, consumer-oriented foods/beverages and seafood products in The Bahamas. Some of the most prominent growth categories include:

Product Category	2010 Market Size	2010 Imports (millions)	5 Yr. Avg. Annual Import Growth	Import Tariff Rate
Dairy Products (Excl. Cheese)	*Total Market size data is unavailable. However, minimal local production suggests total market size is roughly equivalent to imports in most cases.	$25.1	27%	0-35%
Cheese		$12.54	17%	10%
Fish Products		$20.70	12%	0-35%
Snack Foods		$14.17	10%	30-60%
Red Meats, Prep/Pres		$35.89	9%	0-25%
Poultry Meat		$29.87	7%	10-30%
Red Meats, fresh, chilled & frozen		$46.39	5%	0-25%
Fruit & Vegetable Juices		$18.83	3%	0-10%
Processed Fruit & Vegetables		$23.73	2%	10%

Notes: For precise tariff rates, refer to The Bahamas Tariff Schedule. See Section V.(C). for link.
Source: Import data from Global Trade Atlas. Average annual import growth refers to U.S. exports only, based on U.S. Bureau of the Census trade data.

B. Products not present in significant quantities but which have a good sales potential:

Tofu
Products that contain no trans fats
Sugar-Free products
Fat-Free products
Organic products

C. Products Not Present Because They Face Significant Barriers:

In general, U.S. suppliers find it relatively easy to comply with Bahamian import regulations and encounter few if any restrictions. However, in an effort to promote the use of local agricultural and food products (even though quantities are relatively low), the Bahamian government uses a licensing system on the import of goods such as fresh produce and poultry. Usually, it is the importer who must personally visit the customs office to file applications for these permits each time an import is due to clear customs. Nonetheless, given the proximity and historical business ties, U.S. suppliers will find that the Bahamian regulatory environment is quite import-friendly.

SECTION V. POST CONTACT AND FURTHER INFORMATION

A. FOR MORE INFORMATION OR FOR AN IMPORTER LIST, PLEASE CONTACT:

Caribbean Basin Agricultural Trade Office (CBATO)
Foreign Agricultural Service
United States Department of Agriculture
909 SE 1st Ave, suite 720
Miami, Florida 33131
Phone: (305) 536-5300
Fax: (305) 536-7577
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B. U.S. GOVERNMENT INTERNET SOURCES:

Foreign Agricultural Service (FAS), USDA
This site provides extensive information on FAS programs and services, trade statistics, market research, trade shows and events, and much more.
http://www.fas.usda.gov

U.S. Department of State
This site provides valuable information on travel & business in foreign countries, information on U.S. Embassies and Consulates around the world, and country background notes.
http://www.state.gov

Central Intelligence Agency
The CIA's on-line World Factbook provides useful and up-to-date guides for practically every country in the world.
https://www.cia.gov/library/publications/the-world-factbook/

More information on marketing U.S. products and services is available in the Country Commercial Guide for The Bahamas
http://www.buyusainfo.net/docs/x_2219349.pdf

C. OTHER NON-U.S. GOVERNMENT INTERNET SOURCES:

The websites below are provided for the readers' convenience; USDA does NOT in any way endorse, guarantee the accuracy of, or necessarily concur with the information contained in such websites.

Tariff rates are available at The Bahamas Customs Department website:
http://www.bahamas.gov.bs/customs