

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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Voluntary - Public

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## Jamaica

**Post:** Kingston

### 2018 Jamaica HRI Food Service Sector

**Report Categories:**

Food Service - Hotel Restaurant Institutional

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**Report Highlights:**

In 2017, U.S. exports of consumer-oriented products to Jamaica reached a record level of US\$173.9 million, representing a 38 percent market share. Jamaica is one of the main tourist destinations in the Caribbean region, with 2.35 million visitor arrivals in 2017. Almost 65 percent of these tourists are from the United States, and they demand the same high quality food products that they have at home. The Ministry of Tourism is pushing to double the number of hotel rooms in Jamaica over the next several years, which provides opportunities for the following U.S. agricultural products: steakhouse-quality beef, cheese, fruit and vegetable juices, processed fruit and vegetables, wheat and wheat products, sauces, frozen French fries, tree nuts, and wine. However, the Jamaican government continues to maintain both formal and informal mechanisms to restrict imports and protect local industry.

## Market Fact Sheet: Jamaica

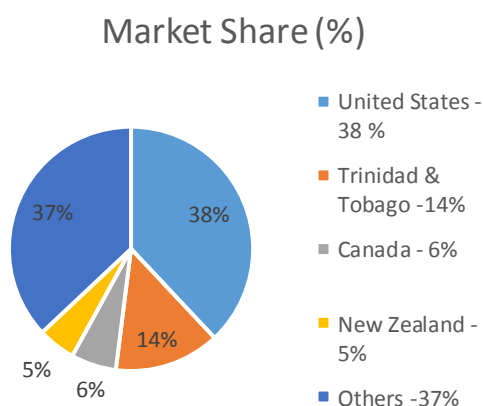
### Executive Summary:

Jamaica is the largest English speaking Caribbean island, with a population of approximately 3 million people. It is one of the main tourist destinations in the Caribbean region, with 2.35 million visitor arrivals in 2017. The Ministry of Tourism is pushing for a doubling of the number of hotel rooms over the next several years.

In 2017, Jamaica's GDP was estimated at US\$15 billion with a GDP per capita income of US\$5,000. The Jamaican economy is heavily dependent on services, which accounts for 70 percent of GDP. The country derives most of its foreign exchange from tourism, remittances, and bauxite/alumina. Earnings from tourism and remittances account for 20 percent and 14 percent respectively.

Agriculture accounts for only 7 percent of GDP, and the main farming activities are sugar cane, coffee, citrus, vegetables and poultry. Jamaica's primary trading partner is the United States, which supplies the country with wheat, corn, soybeans, and consumer-oriented products.

### Imports of Consumer-Oriented Products



## Quick Facts CY 2017:

### List of Top 10 Growth Products

- |                         |                   |
|-------------------------|-------------------|
| 1) Beef                 | 6) Wheat/products |
| 2) Cheese               | 7) Sauces         |
| 3) Fruit and Veg Juices | 8) Frozen Fries   |
| 4) Processed Fruit      | 9) Tree Nuts      |
| 5) Processed Vegetables | 10) Wine          |

### Consumer-Oriented Trade (U.S. million) 2017

Jamaica Imports (all sources)	454.7
Jamaica Imports (from U.S.)	173.9
Jamaica Exports (all dest.)	186.7
Jamaica Exports (to U.S.)	112.0

### Top 10 Jamaica Importers/Distributors

- 1) Progressive Grocers of Jamaica
- 2) Hi-Lo Food Stores
- 3) Mega Mart Supermarkets
- 4) Spanish Grain Stores Group
- 5) Sampars Cash & Carry
- 6) Super Plus Supermarkets
- 7) PriceSmart
- 8) McMasters Limited
- 9) Master Mac Enterprises
- 10) General Food Supermarkets

### Strengths/Weaknesses/Opportunities/Threats

<u>Strengths</u>	<u>Weaknesses</u>
Proximity to the United States	Higher prices for some U.S. products compared to competitors.
Strong demand for U.S. products	
<u>Opportunities</u>	<u>Threats</u>
Seasonality of domestic production.	Competition from EU and Caricom trade agreements.
Growth in Jamaica's HRI/tourism sector.	Overly strict import requirements that protect local industry.

## **Section I. Market Summary**

The hotel and restaurant sector, fueled by tourism, grew 3.9 percent in 2017 and contributed 6.5 percent to Jamaica's Gross Domestic Product. Jamaica is one of the main tourist destinations in the Caribbean region, with 2.35 million visitor arrivals in 2017<sup>1</sup>. Almost 65 percent of these tourists were from the United States. The visitors tend to demand the same high quality food products that they have at home. Among Caribbean destinations, only the Dominican Republic and Cuba received more tourists than Jamaica. Occupancy rates were high (70 to 100 percent) in 2017, partially due to an intense hurricane season that affected other Caribbean destinations. The hotel sub-sector makes up approximately 70 percent of the total hotel, restaurant, and institutional (HRI) market, followed by the restaurant sub-sector (28 percent) and the institutional sub-sector (two percent). Jamaica has an estimated 2,494 tourist accommodation establishments, including 198 hotels. In addition, numerous restaurants are located throughout Jamaica that cater to both locals and tourists.

Approximately 80 percent of the hotel rooms in Jamaica use the all-inclusive model, where the daily rate covers the room and all food and beverages, including alcoholic beverages. These large resorts are centered in Montego Bay (served by an international airport) and Ocho Rios (between the Montego Bay and Kingston international airports) and have several restaurants and bars on their properties. While the 36 all-inclusive resorts offer a range of service levels, each has a per person/per night budget for food and beverages. This highly price-sensitive model awards 3-, 6-, or 12-month contracts largely based on price, with quality and product consistency as secondary considerations when sourcing products. In many resorts, visitors have the option to pay for premium dinners, such as Certified Angus Beef or lobster, and premium bottles of wine. The Ministry of Tourism is pushing to double the number of hotel rooms in this region over the next several years, which provides opportunities for U.S. agricultural products. Hotels in Negril and other beach areas are generally smaller, a-la-carte (hotel room only included, with an on-site restaurant), and cater to tourists seeking a more laid-back travel experience with more local flavor. Such properties are increasingly competing with accommodation-sharing sites, such as Airbnb and VRBO. Hotels in Kingston serve both business travelers and tourists and generally operate on the a-la-carte model.

The consumer food service sector in Jamaica generated sales estimated at US\$700 million in 2017, five percent higher than 2016. Independent foodservice establishments constituted about 60 percent of those sales, while chain establishments contributed the remaining 40 percent. In 2017, Jamaica imported US\$890 million worth of consumer-ready food and beverages, of which approximately 60 percent was destined for the HRI sector, while the remaining 40 percent was channeled to household consumers via retail stores such as supermarkets and smaller outlets. A small but growing subsector is catering, which supplies food and beverages to airlines and event venues.

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<sup>1</sup> Jamaica Tourist Board, 2018

## ADVANTAGES AND CHALLENGES

Advantages	Challenges
1. Proportion (65%) of tourists from the United States, which creates a demand for U.S. food and beverages.	1. Government restrictions on the importation of certain products, particularly pork, poultry, and fresh vegetables, in order to protect local production.
2. Proximity and ease of shipment, which work to the advantage of U.S. suppliers. U.S. exporters, particularly South Florida consolidators, are well positioned to serve the market.	2. Overly strict and inconsistently applied sanitary/phyto-sanitary requirements, burdensome labeling, and other requirements, which cause uncertainty and trade disruptions.
3. The growth of the tourism industry (with huge growth planned in the future), which increases the demand for imported products.	3. High tariffs for imported products, especially beef, which increase food costs and reduce Jamaica's competitiveness among other Caribbean destinations.
4. The seasonality and inconsistent quantity of domestic food production, which creates opportunities for imports.	4. Higher prices for U.S. products (e.g. wine, beer, and frozen French fries) compared to other imports, which has resulted in a loss of market share.
5. Exposure to U.S. food and culture.	5. The aggressive price-based purchasing focus of all-inclusive resorts. Quality and product consistency are not strong considerations in sourcing products.
6. U.S. fast food franchises, which make up approximately 50 percent of Jamaica's fast food subsector and continue to expand.	6. Relatively small import orders, which favor mixed rather than full container loads.
7. English-speaking country, which incentivizes U.S. tourism.	7. The lack of a vibrant economy, which limits the disposable income of the Jamaican consumer and hence the demand for U.S. products.

## 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. (FAS Kingston can provide a list upon request; see section V below.) These importers/distributors have wide access to the food and beverage markets, possess their own warehouse facilities, and carry a relatively large inventory of products. Most hotels are supplied by local importers/distributors and do not import directly. However, some hotel chains import directly and, in some cases, have local purchasing departments, which act on behalf of other properties in the Caribbean.

While traditional restaurants procure a wide array of imported products from local distributors, the fast food segment offers limited opportunities for direct sales. In addition to the appropriate pricing strategies and product support on the part of the U.S. exporter, the importer/distributor's knowledge of the local market and distribution networks are critical factors.

For additional information, please refer to Post's 2017 Food and Agricultural Import Regulations and Standards report (<https://www.fas.usda.gov/data/jamaica-fairs-country-report-0>) and Exporter Guide (<https://www.fas.usda.gov/data/jamaica-exporter-guide>).

## **B. Market Structure**

The market structure of Jamaica's HRI food service sector has remained unchanged over the past five years 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 vegetable juices; or alcoholic beverages. However, a few large importers/distributors carry a much wider range of product types.

Importers/distributors carry both local and imported products in their category(ies), sourcing locally when available and importing to fill the gaps. This is in part due to a "Buy Jamaica" campaign, which is intended to extend the benefits of tourism to Jamaica's agricultural producers. However, both formal and informal import restrictions regularly limit the importation of certain products, such as certain pork cuts (ribs, bellies, tails, and charcuterie), even when local production has been exhausted. Importers/distributors also sell to the wholesale outlets, which supply smaller restaurants and institutions. Smaller distributors only operate locally, sourcing products from hundreds of small producers and delivering them to hotels and restaurants.

Depending on the establishment and season, between 40 and 60 percent of food and beverages consumed in the HRI sector are imported, with U.S. products accounting for approximately 55 percent of all imports. Industry contacts estimate that the HRI sector sources approximately 70 percent of its food and beverages from importers/distributors (which provide both imported and local products), 15 percent from local farmers and processors, ten percent from local wholesale/retail outlets, and five percent directly from overseas suppliers. (More information on the statistics given above can be found at GTIS official site [www.gtis.com](http://www.gtis.com) and the Government of Jamaica Statistical Institute site [www.statinja.gov.jm](http://www.statinja.gov.jm)).

## **Section III. Competition**

Most hotels and fast food franchises source beef, chicken meat, pork, eggs, fruits and vegetables from the domestic market when available. As noted above, the Jamaican government restricts the imports of these products to protect local industry, even when the local supply has been exhausted. Key competitors are identified for each of the categories below:

**Beef:** In 2017, U.S. beef exports to Jamaica were valued at US\$16.7 million, representing almost total market share of imported beef. Key products include steakhouse-quality cuts and beef trimmings, which are used in the traditional Jamaican patties (a popular fast food item). Sources indicate that local beef is not of steakhouse quality and is predominantly used for soups and stews. However, an 89 percent tariff

applies to steakhouse-quality beef, which reduces the amount and quality of steakhouse-quality beef on menus, as restaurants seek to stay within cost targets. This reduces the competitiveness of Jamaica's HRI sector compared to other Caribbean destinations. For example, U.S. beef has duty-free access to the Dominican Republic, which receives three times the number of tourists as Jamaica.

**Pork:** Jamaica is self-sufficient in most pork cuts. However, growing tourism and local consumption patterns require Jamaica to import certain cuts, especially bellies/bacon, ribs, pig tails, and charcuterie. These cuts are currently supplied by Canada. Industry sources indicate that the true demand for such cuts exceeds the current supply, requiring the HRI sector to limit the amount of pork products, especially ribs, on its menus. FAS Kingston continues to seek market access for non-hermetically-sealed U.S. pork to Jamaica in order to supply the cuts for which demand cannot be met by local production.

**Poultry:** The HRI sector's demand for poultry products is largely met by local production. While the United States supplies chicken necks and backs, these cuts have limited use in the HRI sector. Both formal and informal restrictions regularly restrict imports of other poultry products.

**Seafood:** Local industry and Guyana supply the majority of seafood products to Jamaica's HRI sector. The United States supplies limited amounts of shrimp (\$1.5 million), seafood soups and broths (\$1.3 million) and other seafood products (\$7.3 million).

**Cheese:** In 2017, the United States exported US\$8.53 million of cheese to Jamaica, representing a 38 percent market share. Its main competitor is New Zealand, which had a 52 percent market share. Cheeses are widely used in the food service sector, regularly offered separately and as ingredients (e.g., pizza and pasta toppings, sauce ingredients, and in sandwiches). Increased education regarding the uses of U.S. cheeses in the HRI sector could provide additional opportunities for the United States.

**Potatoes:** The local industry supplies the majority of the sector's fresh potatoes. U.S. frozen French fries have lost substantial market share due to lower-cost products from Canada and the Netherlands.

**Wheat Products:** Due to its tropical climate, Jamaica does not produce significant volumes of wheat, corn, rice, or other grains and is entirely dependent on imports. Jamaica's milling industry sources almost entirely U.S. wheat for the production of bread, crackers, pasta, cookies, and other products, which provides additional opportunities given rising tourism levels. In addition, the HRI sector is increasingly importing baking and other wheat-based flour products and breakfast cereals.

**Wine and other Alcoholic Beverages:** In 2017, U.S. wine exports were valued at US\$3.3 million, representing a 35 percent market share. Key competitors include the European Union (44 percent), Chile (9 percent), Argentina (7 percent), and Australia (5 percent). The United States largely competes with local distilled spirits (especially rum) and beer.

**Other products:** While local production can supply much of the HRI sector's fruit and vegetable needs, Jamaica is dependent on imports of several fruit and vegetable products (e.g., apples, grapes, fruit juices, corn, fresh vegetables, and processed vegetables) due to its tropical climate. The United States holds the majority of the market share of such imports. In addition, most sauces, salad dressings, bakery products, and nuts are imported from the United States. Therefore, growth in the HRI sector provides opportunities for these products. There is also a general shortage of locally produced citrus fruits for the

HRI sector, but imports are not permitted from any source, reportedly due to disease concerns.

#### **Section IV. Best Product Prospects**

Especially if Jamaica reaches its target of doubling the number of hotel rooms over the next several years, a wide range of opportunities exist for U.S. products. Key products include steakhouse-quality beef, cheese, fruit and vegetable juices, processed fruit and vegetables, wheat and wheat products, sauces, frozen French fries, tree nuts, and wine.

As noted above, significant barriers restrict exports of the following U.S. products: chicken meat (high tariffs and inconsistent issuance of required import permits, except for backs and necks), pork and pork products (lack of access, excluding hermetically sealed products), beef (high tariffs), eggs, and dairy products (especially milk).

#### **Section V. Key Contacts and Further Information**

##### **United States Department of Agriculture, Foreign Agricultural Service (USDA/FAS)**

##### **United States Embassy in Jamaica**

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Telephone: 876-702-6142

Email: [agkingston@fas.usda.gov](mailto:agkingston@fas.usda.gov)

Web site: [www.fas.usda.gov](http://www.fas.usda.gov)

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##### **Jamaica Tourist Board (JTB)**

64 Knutsford Boulevard, Kingston 5,  
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##### **Jamaica Hotel and Tourist Association (JHTA)**

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