

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Panama

Food Service - Hotel Restaurant Institutional

HRI Annual

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Report Highlights:

According to major economic forecasts, Panama is expected to experience the greatest growth in the region during 2014, at an expected rate of 7.2 %, despite delays in the canal expansion project that was scheduled to be completed by 2015. Growth for 2015 is estimated at 6.9 %. The tourist sector continues to increase, not only with regular tourism but through the advantages offered by Panama's location and modern infrastructure, as the perfect place to hold business meetings and regional conventions. Consequently the hotel, institutional and restaurant business benefits from this growth which in turn increases the demand and opportunity for U.S. food exports.

Post:

Panama City

Executive Summary:

I. Market Overview

Economic Situation

Panama is expected to experience the greatest growth in the region, estimated at 7.2 % during 2014 and 6.9 % in 2015.

Panama has always benefited from its strategic geographical location and its service-oriented economy based on the many services that arise from being a natural transit point for cargo and passengers. Panama has a service based economy. However, due to a remarkable increase in immigration, it is now looking to diversify in many areas, such as agriculture and education, to be able to compete and provide the necessary skills for the population. This increase is mainly due to the canal expansion, the opening of new company headquarters in Panama, the creation of industrial parks, tourism, and the influx of many foreign retirees and immigrants from neighboring countries such as Venezuelans and Colombians.

Tourism has also been of great importance to the local economy. It has been one of Panama's and the Central American region's top priorities during the last couple of years, with the consequent increase in demand for hotels, restaurants and amenities, hence an increase in the demand for high quality U.S. food products.

Other factors have also contributed to this steady growth over the last few years. The Panama Canal expansion is expected to be completed by 2016. Some of the major ports have been expanded. The first metro system in the area was recently inaugurated, and additional lines will be built shortly. Many overpasses have been completed, improving to some extent the busy traffic within Panama City.

A new government was recently elected and will take office in July. The new Administration is expected to continue the current policy course.

Tourism statistics for 2014 are not yet available, but the trend during the first quarter of this year has shown an increase of approximately 7% in the number of passengers arriving into the country. Hotels and restaurants also sustain a continuous growth, in accordance with the growth in tourism and related activities such as congresses, trade shows, international meetings and conventions.

New companies continue to move into Panama as a result of the many facilities offered by the country and the creation of Law 41 of 2007 relating to Multinational Enterprises. This creates not only new jobs, but a demand for high-end, quality food products, due to the high acquisition level of business executives and employees of the regional hubs or headquarters of very large companies established in Panama. Examples of these companies are Total, Unilever, Nike, Hyundai, Peugeot, Dell, Maersk, Procter and Gamble, Caterpillar, Mars, Adidas, and SAB Miller, Carolina Herrera,

Hermes, Roberto Cavalli, among others. The newly added category called medical tourism, comprised of foreigners that come to Panama to receive medical treatments at lower prices than in the United States, has also contributed to this increase in visitors. International shows, conventions and international meetings are also very popular in Panama; more than 100 were held in Panama City in the last couple of years. This number is expected to increase due to a clause in the recently approved Agreement between Panama and the United States on Financial Information Exchange that allows American companies tax deductions on all expenses incurred in conventions held in the Republic of Panama.

The large conglomerate of different nationalities that either visit or live in Panama as tourists or temporary residents also creates the framework for a wide variety of restaurants with an ample offering of international and ethnic foods. In Panama there are restaurants offering all kinds of specialties as in any major cosmopolitan city in the world. New restaurants are constantly being opened in Panama City.

As far as import requirements are concerned, there is a Sanitary and Phytosanitary Equivalency Agreement that was approved as part of the TPA negotiations that has substantially reduced import requirements for U.S. food products. For more information on these two topics please refer to our FAIRS report within this GAIN system.

II. Market Structure

The very aggressive campaign to promote Panama as a tourist destination, which started back in 2009, has borne fruit. Tourists from different countries are visiting Panama for pleasure and to attend congresses and conferences. Panama is very convenient, especially for U.S. travelers since the local currency is the dollar. The number of airlines that fly to Panama is constantly growing, and airlines already in the country are adding new direct flights. Panama's Copa Airlines' constant growth and association with the Star Alliance contribute enormously to this growth. It is even expected that an agreement will be signed to allow Singapore Airlines to start flying to Panama International airlines with a presence in Panama include U.S. international airlines such as American Airlines, United, and Delta; Air France, KLM, Tame from Ecuador, Condor from Germany, Iberia from Spain, Curacao Antilles Express, Taca, West Jet, Spirit, Santa Barbara, Finnair, Lufthansa. There are conversations with Qantas from Australia, Air India, and All Nippon Airways to schedule flights to Panama City.

A brand new airport was built in the central provinces of Panama, near beach resorts and other amenities in the central and western area. It is able to receive direct charter and other international flights. So far, it has had slow traffic, which is expected to increase throughout the year. Major domestic airports were improved; the one in David, close to the Costa Rican border, was remodeled and upgraded to become an international airport. This airport will serve certain tourism spots on mountains and beaches towards the western side of Panama. Also, the one in Colon, on the north of Panama where the Colon Free Zone is located, was remodeled to be able to receive international flights.

Many beach resorts are located in the central provinces; this is the area that has received the major investment in the tourism sector, as well as towards the Southwest. However, new beach

resorts are now being developed in the Western part of Panama, in the province of Chiriqui which was mainly only focused on mountain resorts in the past. The province of Colon, towards the North of Panama is also developing new beach resorts on the Caribbean coast of the country.

A new Convention Center is being built in the Causeway area, near the Panama Canal, as the country expects to host approximately 48 international conventions and congresses during the upcoming two years, twenty of which will have more than one thousand participants.

Due to this steady boom in tourism, the hotel industry has shown one of the greatest growths in the country, from 59 in 1999 to 627 today. U.S. and international hotel chains present in Panama include Waldorf, Hilton, Marriott, Bristol, Country Inn, Sheraton, Radisson, Holiday Inn, Intercontinental, Riu, Trump, Westin, Manrey, Wyndham Garden, and Courtyard Marriott, and Tryp. Relatively new tourism resorts are also established and being developed in the Panamanian coasts and islands such as Melia, Decameron, Avalon, Nikki Beach, etc. Major hotels such as Marriott and Sheraton have gone into resort facilities within the beaches in the central provinces. According to general statistics for 2012-2013, hotels and restaurants represent 5.1% of the Panamanian GNP. Statistics for 2013-2014 are not yet available.

Restaurants in Panama City are well developed and highly ranked. There are no statistics as to the current amount of restaurants in Panama, but as mentioned before due to increased tourism and international immigration, and that Panama's middle and high income population has sophisticated dining tastes, the selection of restaurants and international cuisine is good and ample.

For further reference and comments on the many restaurant options in Panama you may check the link www.degustapanama.com. This site provides information on dining by food type, location, with information on food quality, service, atmosphere of the restaurant, prices, and customer comments and recommendations.

There is a large number of catering service companies and approximately 111 local and international food franchises such as T.G.I. Friday's, Bennigan's, KFC, Domino's Pizza, Pizza Hut, Dairy Queen, Crepes & Waffles, Church's, Dunkin' Donuts, McDonald's, Burger King, Popeye's, Subway, Quiznos, Wendy's, Baskin Robbins, Sbarro's, Sushi Itto, Cozi, Salad Creations, Papa John's, Pizzeria Uno, Macaroni Grill, Little Caesar's, Taco Bell, Hooters, Wing Zone, Rosa Mexicano, Pollo Tropical, Pio Pio, Juan Valdez, Hard Rock Café, Tamburelli's, Don Lee, and Tony Roma's. Starbucks is also planning to open in Panama in 2015.

The institutional segment includes hospitals, school cafeterias, correctional facilities and government institutions, which are privately owned or under concessions.

In addition to hotels and restaurants, Panama's food services sector also serves a large number of cargo and cruise ships that transit the canal and purchase food supplies in Panama.

III. Market Access

Panama has an open economy and few market access problems. U.S. products enjoy a high quality image and are well accepted. Customs clearance is relatively fast and straightforward. Most of the import duties were reduced or will be phased out after the implementation of the TPA between

Panama and the United States in 2013. It has a dollar based economy, good transportation infrastructure and telecommunications systems, modern ports and excellent access to shipping and air transportation.

One of the most common market entry options is to appoint an agent or distributor or finding a local partner who can provide market knowledge and contacts. Licenses or franchises are also popular in Panama. There are no strict distributor protection laws. General commercial law will govern contracts or relations between vendors or suppliers and the local company, person or distributor. Distribution services are mostly governed by private agreements among the parties. Local laws also allow companies and individuals to import directly with no intervention from agents or distributors. Most Panamanian importers are fully bilingual, and business practices in Panama are very similar to those in the United States. Business tends to be direct and straightforward. It is advisable to have a distributor and/or a customs broker with experience. The exporter should coordinate with the importer how to protect and register the product and/or trademarks.

It is worth noting that price is an important factor to consider in the Panamanian market. Even though there is a small percentage of the population more interested in quality and trend-setting goods, price is still an important factor for the great majority of the population.

For further details please see our Exporter Guide Report within this GAIN reports system.

IV. Competition

The United States faces varying competition according to product type. Strong competitors for snacks and processed foods are Central America and China. For fruits and other products: Chile, Mexico, and Peru. For grains and oils: Argentina, Canada, and Brazil. For meat: Canada. For dairy products: Costa Rica, Argentina, New Zealand, and Australia. A great deal of this competition may be significantly reduced when the Trade Promotion Agreement between the United States and Panama enters completely into force.

In addition, the United States faces competition from countries that have free trade agreements with Panama. These countries include Canada, the European Union, Canada, Mexico, Colombia, Peru, Guatemala, Costa Rica, Chile and Taiwan. The TPA will reduce or eliminate their competitive edge.

V. Best Prospects

High value products offer good market opportunities in Panama, especially ready-made or convenience foods, and wholesome and healthy products. As a whole, best prospects for U.S. food exports to Panama are bulk commodities such as yellow corn, paddy rice, soybean meal, and wheat flour, as stated in our 2011 Export Guide Report. Fresh fruits such as apples, grapes, peaches, nectarines and pears, organic foods, processed fruits and vegetables, such as mixed vegetables, mixed fruits, yellow sweet corn, peas, mushrooms, and beans are also very popular in the Panama market.

A list of favorite imports from the HRI sector includes:

- Precooked potatoes
- Snacks
- Frozen or Ready-made Food
- Healthy choices
- Seafood
- Cheese
- Vegetable Oil
- Frozen Vegetables
- Condiments
- Dressings
- Margarine
- Mayonnaise
- Mustard

As far as hotels and restaurants are concerned, Panama City is well developed, but new restaurants and ideas are always welcome and generally successful. Opportunities at the beaches and smaller towns in the country side are being developed, but they still offer good prospects for growth and development. Besides typical food restaurants at the countryside, several miscellaneous ethnic restaurants and franchises such as McDonalds, Subway, KFC, Domino's Pizza, etc. have opened in these areas

VI. Entry Strategy and Recommendations

Appointing a local representative, distributor or commission agent may be a good option to enter the market. They could carry product promotions, follow-up orders, etc. Direct sales to smaller importers/retailers are another option. Panama is the region's major banking center with more than 70 national and foreign banks, and credit may be obtained at competitive market rates. U.S. vendors will usually grant credit terms of 30 to 60 days net to established companies with at least three U.S. trade references. Other payment methods are letters of credit and advance payment via wire transfers or bank drafts. There are several international credit information services such as Dunn & Bradstreet with updated ratings of major distributors. Local credit references can be obtained from the *Asociacion Panameña de Credito* (APC) by affiliation or a service fee. Sales are conducted with a variety of payment terms including 30 to 90 days credit. Most commercial establishments accept credit cards for retail sales.

There are no exchange rate risks in Panama because Panama is a dollarized economy since 1904. Panama received an investment rating from Fitch Rating of BBB-, Moody's Baa3, Standard and Poor's BBB-.

The marketing channel structure in Panama is simple. Direct importers act as wholesalers and sometimes even as retailers.

Most of Panama's trade moves through the Atlantic ports of Manzanillo, Cristobal or Evergreen, on the Pacific through Balboa, and air cargo is handled through Tocumen International

Airport.

Television and newspaper advertising are the best promotion tools for the promotion of U.S. products. E-mail marketing is also becoming increasingly popular. Trade shows, seminars and exhibitions are very effective tools for trade promotion.

Major local newspapers recommended for promotions are:

- La Prensa: <http://www.prensa.com>
- Panama America: <http://www.pa-digital.com.pa>
- La Estrella de Panama: <http://www.estrelladepanama.com>

Import product prices are based on CIF value plus any existing import taxes, custom agent fees, in-country transportation costs, and other product-related costs such as change of label. The pricing usually excludes U.S. domestic marketing costs, allowing more competitive and attractive prices in the Panamanian market.

VII. Contact List

1. U.S. Embassy Commercial, Agricultural and Trade-Related Contacts

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www.buyusa.gov/panama/en/

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