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Caribbean Basin

Food Service - Hotel Restaurant Institutional

The Bahamas HRI Food Service Sector Report

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Report Highlights:
The strengthening of Bahama's tourism sector bodes good news for U.S. food exports to The Bahamas. With nearly 80 percent of tourists to The Bahamas originating from the United States and with a location within the U.S. telecommunications umbrella, Bahamian food service outlets and consumers readily identify with U.S. branded products. In U.S. fiscal year (FY) 2017 (Oct-Sep) , the United States exported a record US$228 million in consumer-oriented foods to The Bahamas, making it the number one market for U.S. consumer-oriented foods in the CBATO region.

Post:
Miami ATO

Executive Summary:

With a well-developed tourism infrastructure, proximity to the United States (with direct flights from multiple U.S. metropolitan areas), incredible natural beauty, and a friendly English-speaking population, The Bahamas is the perfect Caribbean playground for U.S. tourists. Nearly 1.5 million stop-over tourists (with nearly 80 percent coming from the United States) and over 4.5 million cruise passengers visit The Bahamas annually. For U.S. food service suppliers, this translates into excellent opportunities in the HRI food service sector, especially since The Bahamas has very little domestic food production of its own. Recent large scale hotel and resort investments are adding over 2,000 rooms and other attractions to The Bahamas, promising to continue to fuel the growth in the HRI food service sector, which is valued at an estimated $196 million in 2017. U.S. exports of consumer-oriented agricultural products to The Bahamas reached a record high $228.1 million in FY 2017.

Author Defined:

SECTION I: MARKET SUMMARY

The Bahamas is an archipelago of over 700 islands located off the southeast coast of Florida. Although only about thirty of the islands are populated, approximately 330,000 people permanently reside in The Bahamas. Most of the population lives on the island of New Providence where Nassau, the capital, is located or on Grand Bahama Island. The Bahamian gross domestic product (GDP) per capita of $24,500 is among the highest in the Caribbean (CIA World Factbook). The more lucrative market in the Bahamas is the tourism sector, as the average visitor to the islands has an annual income of over $70,000.

Tourism, which constitutes between 75-80 percent of GDP, is a main driver of the food service market in The Bahamas. The Bahamas' proximity to the United States, and other Caribbean islands, offers tourists a bargain in air/sea fare and provides a very popular sportfishing ground for Florida boaters. While the high season of most Caribbean islands is from Thanksgiving to Easter, the popularity of the resorts and sportfishing in the Bahamas extends the tourist season from Thanksgiving to the end of August. This report focuses mainly on stopover visitors (air arrivals). While sea arrivals (cruise lines and private craft) bring triple the number of visitors to the islands, stopover visitors are much more important to the islands' economy as they spend five times as much as other types of tourists.

Bahamian tourism was hard hit by the recession in 2008-2009. Stopover visitors fell from 1.6 million in 2006 to 1.3 million in 2009, a drop of 17 percent. This, combined with the loss of global tourism market share for the Caribbean as a whole, reflected a struggling sector. However, tourism numbers are recovering slowly from their nadir in 2009 to a respectable 1.48 million in 2016. Furthermore, there has been a significant investment in increasing the hotel stock on the island of New Providence, which will boost the nation's hotels room total to over 17,000 rooms in 2018. Clearly, the Bahamians are betting on the recovery to continue and for the number of stopover visitors to continue its steady climb.

The spike in hotel room inventory is largely due to the Baha Mar project, a $4.2 billion tourism development with over 2,285 new rooms on the island of New Providence. Marred by construction delays and bankruptcy over the last few years, the three luxury hotel brand (Grand Hyatt, SLS and Rosewood) development finally began to open in stages in 2017 and is expected to be fully operational by April 2018. The development includes a Jack Nicklaus-designed 18-hole golf course, the only ESPA (a line of Natural Skincare & Luxury Beauty Products) branded luxury spa in the Caribbean, the region's largest casino, a 200,00 sq. ft. performing arts center and convention center, and over 20 restaurants and bars. Several other new hotel projects and refurbishments on New Providence, and on the islands of Grand Bahama, Bimini, and San Salvador, are nearing completion. These investments in the tourism infrastructure, along with an excellent international airport, maintain the Bahamas' position as tourist friendly destination. The country's economy and its continued growth are largely dependent on the tourism sector regaining its strength.

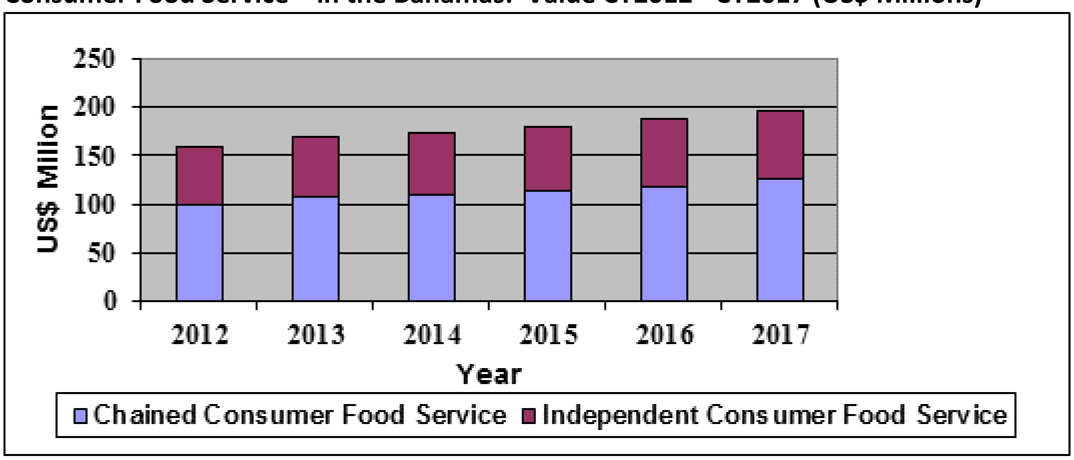
Development of the Out Islands has fueled part of the recent growth in stopover visitors. These islands have grown in popularity over the years, leveraging their remoteness to attract upscale, exclusive resorts with their pristine, deserted beaches. While the smaller, outer islands of the Bahamas, known as the "Out Islands" or "Family Islands," show tremendous promise for resorts and yachts, until transportation and logistic support to these islands improves, they will not be able to support large numbers of tourists.

Tourists from the United States accounted for 78 percent of the 1.48 million stopover visitors in 2016. Because meals are a necessity for stopover tourists (as opposed to cruise ship passengers who eat their meals on the ship), they account for a large share of the dollars spent by tourists. Food and beverages represent the fastest growing sector in tourism.

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 FY2017, the United States exported a record $255 million in agricultural products to The Bahamas. Of the total amount of consumer-oriented food products imported into The Bahamas, approximately half is directed toward the hotel, restaurant, and institutional (HRI) food service sector, while the remaining half is channeled toward the retail sector.

The hotel sub-sector makes up roughly 65 percent of the total HRI market, followed by the restaurant sub-sector at 32 percent, and the institutional sub-sector at 3 percent. There are 315 hotels, and approximately 17,000 hotel rooms in the Bahamas. Moreover, there is a wide array of restaurants located on the larger islands, such as New Providence and Grand Bahama, which have more than 430 restaurants. In addition, over 20 companies provide institutional catering services in the Bahamas. While there is no data available on the value and growth of the individual HRI subs-sectors, according to Euromonitor International, The Bahamas' total consumer food service sector is valued at $196.3 million dollars in 2017, 4.9 percent higher than in 2016. Chained establishments contributed approximately 63 percent of the total value of sales, while independent food service establishments accounted for the remaining 37 percent.

Consumer Food Service * in the Bahamas: Value CY2012 - CY2017 (US$ Millions)



* Consumer food service is composed of cafés/bars, full-service restaurants, fast food, 100 percent home delivery/takeaway, self-service cafeterias and street stalls/kiosks.
Source: Euromonitor International

Advantages	Challenges
The United States supplies over 90 percent of food products imported for the HRI sector.	In effort to promote use of local agricultural and food products, the Bahamian government uses a licensing system on the import of goods, such as whole poultry and fresh produce and may stop issuing licenses during harvest.
Approximately 78 percent of stopover tourists are from the United States.	Importers already carry many major U.S. brands and the market is already saturated with goods.
Locals are exposed to television from	Although the United States has a dominant market share, Canada,

the United States and the commercials for American products.	Europe, and Brazil offer competitive prices for similar quality products.
A wide range of restaurants and menus, to meet demands of tourists, requires a wide variety of products.	Large resorts and restaurant chains typically go through their corporate headquarters (the majority of which are located in the United States) to import products, making it difficult for new suppliers to penetrate the market.

SECTION II: ROAD MAP FOR MARKET ENTRY

A. ENTRY STRATEGY

U.S. exporters interested in entering the HRI food service market in the Bahamas should begin by contacting local importers (which also typically serve as wholesalers/distributors). Local importers have wide market access for imported products, have relatively large warehouse facilities which are computerized and mechanized, and possess their own fleets of trucks and vans for distribution. Most importers carry a full line of fresh, frozen, and dry products, while a few of the importers specialize in providing fresh produce, seafood, and alcoholic beverages.

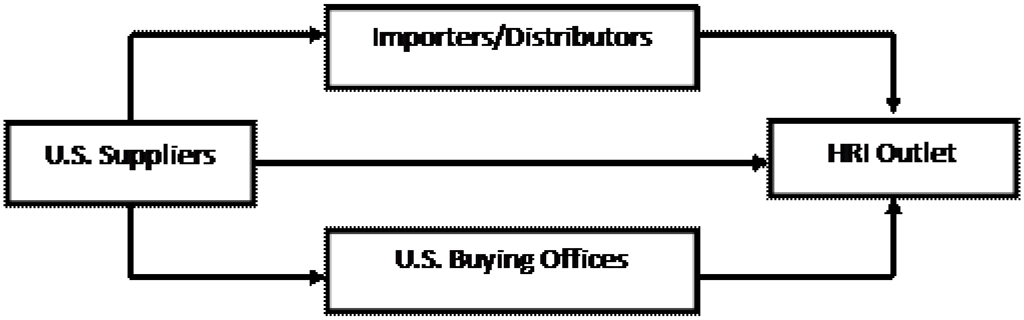
The Bahamas' food and beverage importers are primarily located on the islands of New Providence and Grand Bahama. While there are approximately 30 importers of food and beverage products on these two islands, a handful of major importers dominate the distribution chain in the Bahamas' HRI sector.

Due to the geographic proximity of the United States, U.S. food products represent the majority of the foreign food products imported into the Bahamas. Bahamian importers have considerable experience working with U.S. companies and have extensive knowledge of the U.S. food export system. Importers hold U.S. products in high regard with respect to quality, price, and packaging.

The main method of preferred contact is through e-mail. If the importer is interested in your product, they will usually schedule an in-office appointment to talk in person. Another preferred method is through various trade shows that are well attended by Bahamian importers, as well as by restaurant and hotel management. Among the most frequented shows are the Americas Food and Beverage Show (AFB) in Miami and the National Restaurant Association Show (NRA) in Chicago. Chefs also attend some of these shows, presenting another opportunity to enter the market. Commonly, larger hotels will import directly, as well as purchase from a distributor, due to the specific request of a head chef. In some cases, the head chef will refer a potential U.S. supplier to their local importer. Negotiations can be made with either the importer or the purchasing manager depending on the circumstances. An important deciding factor for the food service industry is quality of product and reliability of supply.

B. MARKET STRUCTURE

Product Flow of Imported Products:



The distribution network in the HRI sector of the Bahamas is comprised of the local importer and direct purchasing from the island or purchasing organization established in the United States. Smaller restaurants and hotels rely heavily on local importers for almost all of their supply. Through local importers, these establishments can source smaller quantities of a variety of items. Most often, importers in the Bahamas will use suppliers located in south Florida to consolidate shipments that amount to less than a container load of products.

The larger hotels and resorts purchase roughly 40 percent of their food and beverage needs through local importers, while 60 percent is purchased directly from U.S. suppliers. Some hotels have even positioned offices in south Florida to facilitate shipment to the seaports of the Bahamas. Moreover, the chained food service establishments located in the Bahamas typically import directly from U.S. buying offices. The restaurants and hotels located on the Out Islands struggle to procure food products at a decent price and on a timely basis. Products are typically shipped from New Providence Island to the outer islands by means of “mail boats,” or government operated barges that run from New Providence to the islands once or twice a week.

Overall, every hotel or restaurant in the Bahamas operates differently. For example, a licensed pilot who owns a hotel in the Bahamas flies weekly to Fort Lauderdale to pick up his supplies. Another hotel in Nassau, which uses local importers for the bulk of their supplies, makes monthly buying trips to south Florida and shops in the local supermarkets for specialty items. Another small all-inclusive hotel features local seafood; however, they must supply the boat and fuel to local anglers and then pay them market price for their catch. Smaller local restaurants tend to buy from local retailers, who give them a discount.

C. SUB-SECTOR PROFILES

1. Hotels & Resorts

Selected Hotels and Resorts in the Bahamas:

Name	Location	Number Of Rooms	Purchasing Agent
Atlantis Resort	Paradise Island	4,000	Direct Import/ Local Importers
Grand Hyatt at Baha Mar	Cable Beach	1,800	U.S. Buying Office/ Local Importers
SLS at Baha Mar	Cable Beach	300	U.S. Buying Office/

			Local Importers
British Colonial Hilton	Nassau	291	U.S. Buying Office/ Local Importers
Four Seasons	Exuma	350	Local Importers
Our Lucaya Beach and Golf Resort	Freeport	1,271	U.S. Buying Office/ Local Importers
Sheraton Cable Beach	Cable Beach	700	Direct Import/Local Importers
RIU	Paradise Island	400	Local Importers
Sandals Royal Bahamian Resort	Cable Beach	405	U.S. Buying Office/Local Importers
SuperClubs Breezes	Cable Beach	400	Local Importers
Wyndham Resort and Crystal Palace Casino	Cable Beach	743	U.S. Buying Office/Local Importers

Number of Hotels and Hotel Rooms: 2016

Island	No. of Hotels	No. of Hotel Rooms
Nassau, New Providence	38	3,162
Paradise Island	15	4,844
Grand Bahama	25	2,307
Out Islands	235	4,491
Total	313	14,804

Note:The Grand Hyatt at Baha Mar added 1,800 rooms and the SLS at Baha Mar added 300 rooms in 2017. The Rosewood at Baha Mar, opening in 2018, will add another 185 rooms to the national inventory.
Source: Ministry of Tourism.

There are currently 315 hotels and nearly 17,000 rooms in The Bahamas. From mega-resorts such as Atlantis and Baha Mar, to small hotels, any style of vacation can easily be accommodated. The popularity of large resorts has risen in recent years, spurring the construction of new properties and the renovation and expansion of older properties. In addition, there has been a trend of several large resorts offering optional all-inclusive packages.

The Grand Hyatt at Baha Mar.

Despite the great buying power of the larger establishments, local importers, which also serve as wholesalers/distributors, remain an important supplier due to both the ever-changing needs and limited storage space for dry and refrigerated goods of these establishments. Moreover, by using local importers for perishable products such as fresh produce, these establishments do not need to worry as much about spoilage as they would by importing directly from the United States.

Atlantis, a Kerzner International resort located on Paradise Island, is the largest hotel in the Bahamas. The resort's billion-dollar, third phase of expansion was completed in 2007. Included in the third phase expansion project are a 21-story hotel with 600 suites and a 21-story condominium/hotel tower with nearly 500 units. Atlantis now has a room inventory of approximately 4,000 rooms and over 50 food outlets on its property. Atlantis also recently expanded its warehouse storage to 50,000 square feet, of which 45 percent is refrigerated storage and the remaining is dry storage.

In addition to these projects on Paradise Island and New Providence Island, there are two large-scale development projects taking place on Grand Bahama Island, and another half dozen development projects (with 200 rooms or less) in the works in the outer islands of the Bahamas.

2. Restaurants

Selected Restaurants in The Bahamas:

Name	Location	Type Of Cuisine	Purchasing Agent
Cally's Restaurant	Port Lucaya	Greek	Local Importer
Capriccio	Cable Beach	Italian	Local Importer
Cricket Club	Nassau	Bahamian/English	Local Importer
Europe Restaurant	Nassau	German	Local Importer
Flying Fish Restaurant	Port Lucaya	Contemporary/ Bahamian	Local Importer
Gaylord's	Nassau	Indian	Local Importer
Graycliff Hotel and Rest.	Nassau	French	Local Importer
Harbour Lobster & Fish Co.	Port Lucaya	Caribbean	Local Importer
House of Wong	Nassau	Chinese	Local Importer
Ruby Swiss	Freeport	Seafood/ Bahamian	Local Importer
The Poop Deck	Nassau	American/Bahamian	Local Importer

Most restaurants turn to local importers, which also serve as wholesalers/distributors, to source their imported food and beverage supply, while the majority of the seafood, bottled beverages, and seasonal fruits and vegetables tend to be bought directly from vendors on the island. For the most part, customers do not inquire about the brands used in their dishes; nevertheless, they expect the quality of products to be on the same level as those offered in U.S. restaurants.

Nassau and Freeport offer a wide variety of restaurants, ranging from upscale to fast food, and cuisine that reflects American, Bahamian, and international cultures. Local chains of restaurants mainly consist of Chinese and Bahamian cuisine and seafood. The independent restaurants in Nassau, which are located outside hotels, do not experience much decline in clientele in the low season (which lasts from April to August) because local residents also frequent these establishments. Even centrally located restaurants have only around 60 percent tourist clientele. The increase in per capita GDP and employment of women in the workforce has facilitated the spread of fast food eateries across urbanized areas. Kentucky Fried Chicken, McDonald's, Burger King, Wendy's Domino's Pizza, Carl's Jr., Dunkin Donuts, and Subway, typically import directly from U.S. buying offices. Shopping center developments near resorts like Atlantis and Our Lucaya also provide prime locations for independently owned restaurants. These restaurants have about 70 percent tourist clientele and rely heavily on local importers to provide their food and beverage supplies.

In 2017 fast food restaurants accounted for the largest percentage of consumer food service sales in the Bahamas with 56 percent of the market, followed by full-service restaurants with 30 percent, cafes and bars with 7 percent, home delivery/takeaway with 4 percent, and street stalls/kiosks with 3 percent of the market. (Source: Euromonitor International).

3. Institutional

The institutional sector involves distribution to the prisons, hospitals, nursing homes, schools, and entertainment facilities such as arenas and stadiums. It accounts for less than 4 percent of the HRI trade and is supplied by the local importers and to a lesser extent, one wholesale club outlet in Nassau. Many of the local importers are involved in supplying the local banks, hospitals, and other institutions with a coffee program. In addition, over twenty companies provide catering services in the Bahamas. These businesses mainly buy food products from local wholesalers and seafood from local fisheries. However, airline caterers that service carriers with flights to both Nassau and Freeport airports directly import food and beverage products from the United States.

SECTION III: COMPETITION

Concerning 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, in an effort to promote the use of local agricultural and food products, specifically produce and poultry, the Bahamian government uses a licensing system on the import of such goods. While the quantities of local food and agricultural production are low, any influence due to local competition is minimal. Yet, it is important to point out those producers of local water and soft drinks in Nassau and Grand Bahama account for most of the supply for their respective markets.

Although the United States has traditionally been the main supplier of food and beverage products to The Bahamas, the competition with other nations varies between product categories. It is also worth noting that many products from other countries are transshipped through the United States, meaning the market share of other countries may be understated. The close proximity of the United States to The Bahamas allows for quicker and less expensive means of transport of U.S., as well as other foreign products. Nevertheless, it is assumed that the United States dominates in all major food categories.

In FY2017, the United States exported $255.7 million worth of agricultural products to The Bahamas. Of this amount, consumer-oriented agricultural products comprised 89 percent (a record high $228.1 million), bulk products 3 percent, and intermediate agricultural products 8 percent. U.S. trade statistics also indicate that the United States exported $5.8 million worth of edible fish and seafood products to The Bahamas in FY2017.

Overview of the Competitive Situation Facing U.S. Products in the Bahamas			
Product Category	Import Value ($ Millions) (2016)	U.S. Market Share (Percent) (2016)	Other Exporters
Red Meats (fresh, chilled, and frozen)	43.9	81.1	Australia, Brazil, Denmark, U.K.
Fish and Seafood Products	11.7	58.3	Thailand, China, Philippines, Taiwan
Poultry Meat	35.9	59.2	Brazil, Panama, Finland, China
Dairy Products	23.4	67.3	Peru, Ireland, Germany, Canada
Fresh Vegetables	8.1	95.8	Netherlands, India, U.K., Canada
Fresh Fruit	7.5	98.1	Greece, Chile, Netherlands, Norway
Processed Fruit & Vegetables	19.8	59.2	Canada, Ghana, Belgium, Ecuador
Snack Foods	9.2	66.3	U.K., Malaysia, Netherlands, Canada
Wine and Beer	20.2	67.8	France, Italy, Chile, Argentina
Eggs and Products	3.8	99.0	Greece, Ukraine

Source: Global Trade Atlas. Based on reporting countries export statistics.

SECTION IV: BEST PRODUCT PROSPECTS

A. Products present in the market that hold good sales potential:

Product Category	Export Value ($ Millions (FY2017)	5-yr. avg. ANNUAL export growth (Percent)
Poultry Meat & Prod. (excl. eggs)	31.4	2
Beef & Beef Products	21.5	1
Fresh Fruit	8.8	4
Condiments & Sauces	10.2	5
Prepared Food	16.3	4
Wine and Beer	14.8	11
Non-Alcoholic Beverages	9.1	10
Eggs & Products	3.9	8
Other Consumer-Oriented Products	10.4	7

Source: Department of Commerce, U.S. Census Bureau, Foreign Trade Statistics

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

The Bahamas has a wide variety of products available. However, importers and consumers are always interested in new food and beverage alternatives.

C. Products Not Present Because They Face Significant Barriers:

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 whole poultry and fresh produce. However, there is sufficient demand to allow certain quantities to remain in the market.

SECTION V: POST CONTACT AND FURTHER INFORMATION

A. For More Information, Please Contact:

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United States Department of Agriculture
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Please visit our website for promotional activities, trade statistics, and more reports on the retail and food service sectors and on food import regulations for several Caribbean islands.
Website: http://www.cbato.fas.usda.gov

Basic country information may be found in the Central Intelligence Agency's World Fact Book under the Bahamas
Website: http://www.odci.gov/cia/publications/factbook

Department of Commerce
U.S. Commercial Service
Information on marketing U.S. products and services is in the Country Commercial Guide for the Bahamas
Website: http://www.export.gov
Click on Market Research link, and then click on Market Research Library

B. Other sources of Information on the Bahamas:

U.S. Embassy in The Bahamas
Economic/Commercial Section
P.O. Box N-8197
Nassau, Bahamas
Phone: (242) 322-1181

Fax: (242) 328-3495
Website: https://bs.usembassy.gov/embassy/

Bahamas Department of Statistics
Clarence A. Bain Building
P.O. Box N-3904
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Fax: (242) 325-5149
Website: http://www.bahamas.gov.bs/statistics

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Fax: (242) 502-4220
Website: www.bhahotels.com

Bahamas Ministry of Tourism
P.O. Box N-3701
Nassau, Bahamas
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Website: http://www.tourismtoday.com/bahamas-ministry-tourism

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Comptroller of Customs
Thompson Boulevard
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Website: www.bahamas.gov.bs/customs/

Bahamas Chamber of Commerce
P.O. Box N-665
#2 Shirley Street and Collins Avenue
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Fax: (242) 322-4649
Website: http://www.thebahamaschamber.com/divisions