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Panama

Food Service - Hotel Restaurant Institutional

Growing Opportunities in Panama's HRI Sector

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Report Highlights:

Panama's economy continues to show healthy growth, estimated at over 10% throughout 2011, which is expected to continue into year 2012. After great efforts were made towards increasing tourism, Panama is now considered a popular destination that received an accounted two million visitors during 2011 with a subsequent increased demand and opportunity for the hotel and restaurant business and U.S. food exports.

Post:

Panama City

Executive Summary:**I. Market Overview****Economic Situation**

Tourism is one of the Central American region top priorities for 2009-2013, and Panama has certainly grown a great deal in that area, with a record rate of 2 million visitors in one year, and the opening of 7 new hotels over a one year period. Panama's economy expanded 10.4% in the first three quarters of 2011 compared with the same period in 2010.

Most of this growth is based in major works such as the ongoing Panama Canal expansion scheduled to be completed by October 2014, the construction of a major metro system for Panama City that is now 23% completed and will include a complete reorganization of the road system, which is expected to improve and change the face and the way of mobilization in Panama City. Large telecommunication projects, the expansion of the local airport and ongoing construction projects also contribute to Panama's booming economy.

Statistics of tourism contributions to gross national product, as per Panama's Tourism Authority, are as follows:

SHARE OF TOURISM IN PANAMA'S GDP

(in millions)

YEARS	GDP CURRENT PRICES	% OF GROWTH	TOURISM DOLLARS SPENT	% OF GROWTH	TE/GDP
2001	11,807.5	1.6	662.7	5.9	5.6
2002	12,272.4	3.9	706.9	6.7	5.8
2003	12,933.2	5.4	800.9	13.3	6.2
2004	14,179.3	9.6	900.5	12.4	6.4
2005	15,464.7	9.1	1,104.50	22.7	7.1
2006	17,133.8	10.8	1,445.50	30.9	8.4
2007	19,793.7	15.5	1,799.20	24.5	9.1
2008	23,183.9	17.1	2,217.00	23.2	9.6
2009 (P)	24,080.1	3.9	2,268.80	2.3	9.4
2010 (E)	26,777.1	11.2	2,552.50	12.5	9.5

(P): Preliminary Amount

(E): Estimated Amount

Despite the reduction of visitors during 2009 due to the world economic crisis, the number of visitors has been increasing. Hotels and restaurants have experienced a boost of approximately 12.3% within the last year (2010), and it is expected that this growth will continue through 2014. Various factors that have contributed to this increase. The creation of new ports, the designation of Panama as a home port for several cruise companies such as Royal Caribbean and the Spanish cruise line Pullmantur (resulting in more cruises arriving and/or departing from Panamanian ports), and the improvement of world economic situation, especially in the United States and Canada, have all contributed to more tourism. Also the continuous immigration of American, Canadian and European retirees that move permanently to Panama or live half a year in Panama, as well as Venezuelans and Colombians who make Panama their temporary residence are contributing to growing immigration numbers. With the creation of Law 41 of 2007 relating to Multinational Enterprises, companies from these countries have established their regional hubs or headquarters in Panama, bringing in their executives and other employees with their families and earning high incomes, thus creating a good opportunity for a variety of high value products. Examples of these companies are Dell, Maersk, Procter and Gamble, Caterpillar, Mars, Adidas, and SAB Miller, among others. There is also a new category called medical tourism, comprised of foreigners that come to Panama to receive medical treatments at reasonable prices as compared to the United States. Panama also grants tourists free medical and accidental insurance upon their arrival into the country. Conventions are also very popular in Panama and even though more than 100 international conventions were held in Panama City in 2010 and 2011, the 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 variety of 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.

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. Also, very few labeling requirements are enforced in Panama. For more information on these two topics please refer to our FAIRS report.

II. Market Structure

Panama started a very aggressive promotional campaign for Panama in 2009-2010 to position itself as a tourist destination and infrastructures are being improved and developed to accommodate the expected increase of visitors. Panamanian airline Copa has the only hub of the Americas in Panama City managing connections throughout the region from Panama City, and they are constantly opening new routes. Besides that, the number of international airlines with a presence in Panama is increasing. Most U.S. international airlines such as American Airlines, Continental and Delta, fly to Panama. KLM increased the number of flights from Amsterdam to Panama. Other international airlines with presence in Panama are Tame from Ecuador, Condor from Germany, Iberia from Spain, and Curacao Antilles Express, which have direct flights to

Panama, and next year it is expected that Qantas from Australia, Eva Air from Taiwan, and All Nippon Airways from Japan will also be flying to Panama City.

A new multimodal hub center will also be built by Gulf Coast Biloxi at the Panama airport. The Government of Panama is also remodeling the airport, as we previously mention, and there are plans to build an airport city in a property of approximately 300 hectares adjacent to the airport. A new Convention Center is also in the plans, as Panama expects to host during the upcoming two years, approximately 48 international conventions and congresses, twenty of which will have more than one thousand participants. Domestic airports, such as the one in David, close to the Costa Rican border, are also being remodeled and enlarged so they can become international airports closer to the beach and other tourism spots within the country. A brand new airport will be built in the middle of the country to be able to receive direct charter and other international flights closer to places of special interest.

Currently there are approximately 97 hotels in Panama with 19,412 hotel rooms. U.S. and international hotels present in Panama are: Marriott, Bristol, Country Inn, Sheraton, Radisson, Holiday Inn, Intercontinental, Riu, Trump, Westin, Manrey, Wyndham Garden, and Courtyard Marriott, to mention a few. Relatively new tourism resorts are also established and being developed in the Panamanian coasts and islands such as Melia, Decameron, Avalon, Nikki Beach, Breezes, Bristol, etc.

Restaurants in Panama City are very 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 is ample with cuisine specialties such as:

- Argentine
- Colombian
- Chinese
- German
- Spanish
- International and Spanish
- Fusion
- International and Italian
- Indian
- Japanese
- International and French
- International and Seafood
- International and Swiss
- Mediterranean
- Mexican
- Authentic Panamanian and International
- Portuguese
- Venezuelan

There is a large number of catering service companies and approximately 111 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, and Little Caesar's.

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

An interesting note on Food Service in Panama is that besides supplying hotels and restaurants they also serve a large number of 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 will be reduced when the TPA between Panama and the United States is approved. 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 2011 Exporter Guide Report.

IV. Competition

Major competitors for U.S. Products may be divided by product and/or better tariffs due to Free Trade Agreements signed with other countries such as Canada, European countries, Peru, Guatemala, Costa Rica, Chile and Taipei China (Taiwan).

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 recently approved Free Trade Agreement between the United States and Panama enters completely into force.

V. Best Prospects

High value products offer good market opportunities in Panama, especially ready-made or convenience food, 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:

- Pre-cooked potatoes
- Snacks
- Frozen or Ready-made Food
- 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. Greater opportunities may be found at the beaches and smaller towns in the country side that still need to be developed and offer good prospects of growth.

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. It is also worth mentioning that Panama received an investment rate 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 also 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

U.S. Department of Agriculture (USDA)

Foreign Agricultural Services (FAS)

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2. Public Institutions:

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3. American Chamber of Commerce and Industry of Panama (AmCham)

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