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Required Report - public distribution

Date: 12/17/2014

GAIN Report Number: CB1418

Caribbean Basin

Retail Foods

The Bahamas 2014 Retail Food Sector Report

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Report Highlights:
The Bahamas source 90 percent of its consumer-ready products from the United States creating an environment of opportunity for U.S. suppliers of retail products in practically all product categories. Bahamians high demand for U.S. products and brands is driven by their close observation of the American lifestyle and culture. The country's tourism sector, starting to pick-up as new infrastructural projects of recent years come on-line, should supply the average Bahamian with resources sufficient to continue pursuit those interests.

Post:
Miami ATO

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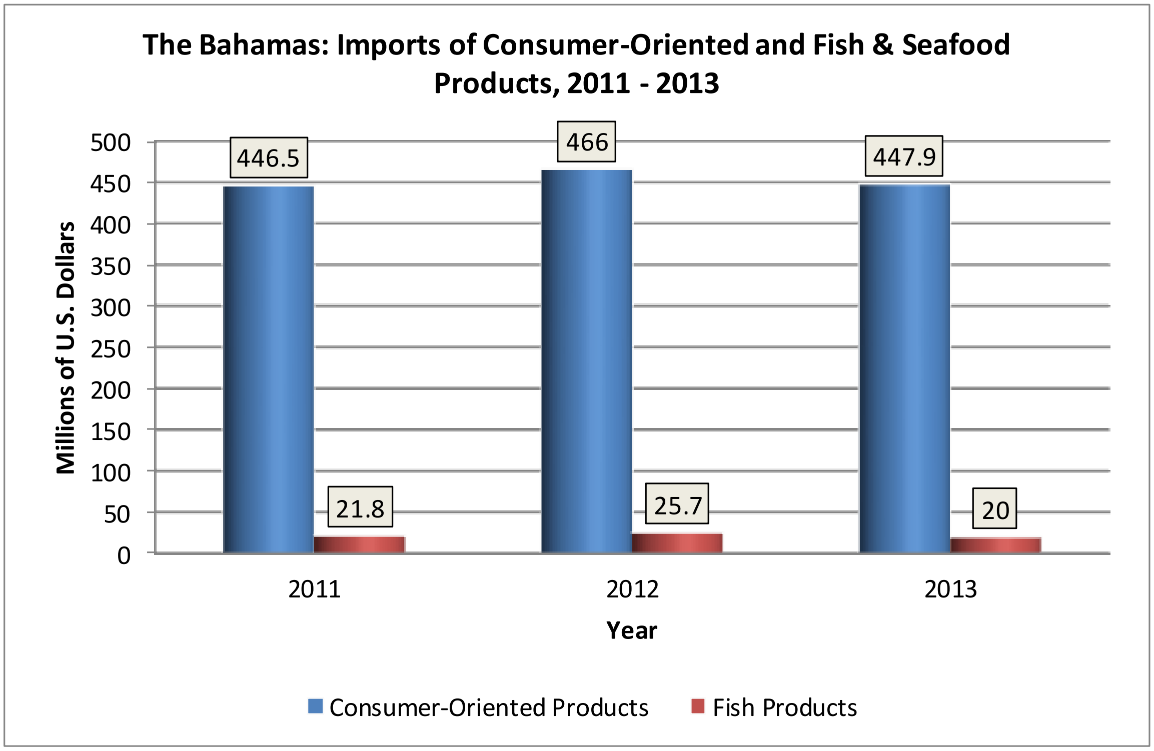
Section I. Market Summary

Combined, the 700 islands and 2,000 cays that make up The Bahamian archipelago have an area slightly smaller than that of the state of Connecticut. Although only about thirty of the islands are inhabited, 321,834 people (Jul. 2014 est.) 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 $32,000 is among the highest in the Caribbean (2013 est.).

With less than one percent arable land and permanent crops, agriculture accounts for only 2.1 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 2013, 1.36 million stop-over visitors and 4.7 million cruise ship passengers visited The Bahamas. Nearly 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 35 percent of GDP.

The Bahamian economy has begun to rebound, albeit slowly, from the global recession. Tourism, the main economic driver of The Bahamas, is showing signs of improvement. Preliminary numbers for 2014 (Jan-Jul) indicate a 3.5 percent increase in stop-over arrivals and a 2.4 percent increase in cruise ship passengers when compared to the same period in 2013. This upswing in tourist numbers is good news to many investors who have bet big on The Bahamas' tourism sector. Multiple large scale tourism infrastructure projects promise to secure The Bahamas' position as one of the premier tourist destinations in the world. Baha Mar, a $3.5 billion tourism development project on New Providence, is expected to open its doors in 2015. Albany, a $1 billion private resort/vacation home community (also on New Providence), is being completed in 2014. Several other new hotel projects and refurbishments on Grand Bahama, Bimini, and San Salvador were recently completed or are also underway. A $410 million comprehensive redevelopment of Nassau's Lynden Pindling International Airport (LPIA) has recently been completed as well, greatly facilitating tourist traffic to and from The Bahamas. The country's economy and its continued growth are largely dependent on the tourism sector regaining its strength.

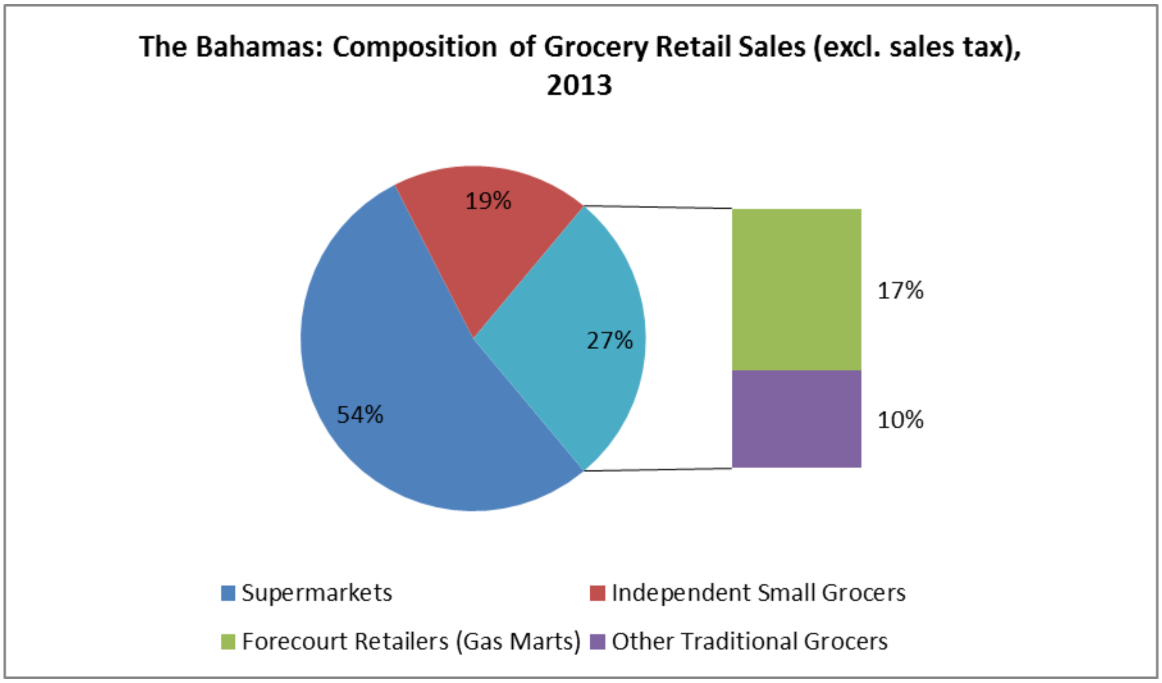
The lack of arable land for farming to support the food consumption of the local population and tourists has led to the importation of over 80 percent of the Bahamas' agricultural needs. In 2013, The Bahamas' consumer-oriented food imports were valued at $447.9 million. Of this amount, approximately 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 and wholesale club stores. There are an estimated 146 grocery retailers in The Bahamas, with the majority concentrated in the main islands of New Providence and Grand Bahama. The other inhabited islands have mostly small independent grocers. According to Euromonitor data, in 2013 total retail sales (excluding sales tax) of the grocery retail industry were $571.6 million, of which roughly half were channeled through supermarkets and the other half mostly through small independent grocers and gas marts. The industry is estimated to have grown by 1.7 percent in 2013 and is expected to exhibit similar annual growth over the next five years.

On January 1, 2015 a new 7.5 percent value added tax (VAT) is set to go into place. The Bahamas sees this as a necessary step as part of its WTO accession process and also to broaden its tax base, which is largely dependent on import duties. Despite opposition from many business sectors, the government is moving forward with its VAT implementation plan. Price levels are expected to move upward as the economy adjusts.



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 U.S. 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 most 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 Caribbean - EU trade agreement has set the stage for increased competition from Europe. CARICOM and Canada are negotiating a free trade agreement. The Panama Canal expansion, expected to be completed in 2015, 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 consolidators, service the market very well and are in many ways better positioned to supply The Bahamas than competitors.	Due to the small size of the market and low purchasing power, it is difficult for many retail outlets to purchase products directly from U.S. suppliers.

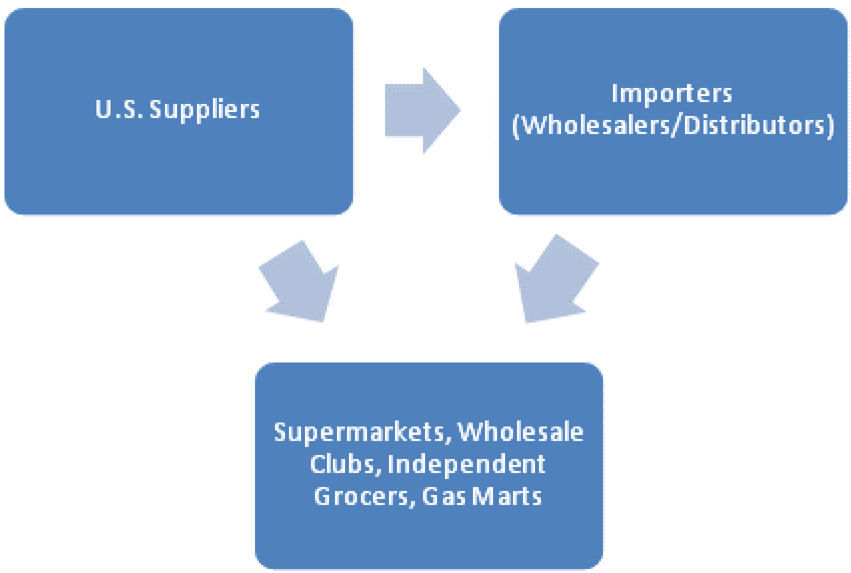
Section II. Road Map for Market Entry

Entry Strategy

Breaking into The Bahamas retail market can be somewhat challenging because of the extensive establishment of many well-known U.S. brands already in the market. The best way for a U.S. supplier to enter the market with success is to first search the market for potential niches and then develop a customized marketing plan. Researching the market structure and competition is key to 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 approximately 30 importers of food and beverage products located on the islands of New Providence and Grand Bahama.

Large retailers with sufficient sales volume and storage space will often buy some of their product mix from U.S. suppliers. However, for U.S. suppliers using a local Bahamian importer will ensure maximized brand distribution and effective product management.

In addition, gas marts obtain practically all of their products from local importers/distributors. In the rare case that there is a specialty item that is not carried by a local distributor, they will usually request that they seek to source the product for them. Seldom will convenience stores buy direct from overseas suppliers as their limited product mix is usually readily available from local distributors. The best method of targeting gas marts is via these local distributors.

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)
Super Value (Supermarket)	Local	10	New Providence	Distributor, Direct/Wholesaler
Quality Market/Super Value (Supermarket)	Local	3	Nassau	Distributor, Direct/Wholesaler
Solomon's Super Center (Supermarket)	Local	3	Nassau-1, Grand Bahama - 1	Direct/ Wholesaler
Solomon's Fresh Market (Supermarket)	Local	2	New Providence	Distributor, Direct/Wholesaler
Cost Rite, Wholesale Club (Club Outlet)	Local	3	Nassau-1, Freeport-1, Abaco-1	Direct/ Wholesaler
John Chea & Sons, (Supermarket)	Local	8	Nassau	Distributor, Direct/Wholesaler
Gourmet Market (Specialty)	Local	1	Nassau	Distributor, Direct/Wholesaler
The Organic Store (Specialty)	Local	1	Nassau	Distributor, Direct
Balduccino Fine Foods (Specialty)	Local	1	Nassau	Direct/ Wholesaler
Harding's Food Store	Local	1	Nassau	Distributor, Direct/Wholesaler
Centerville Food Market (Traditional Grocer)	Local	1	Nassau	Distributor, Direct/Wholesaler
Meat Max & Grocery (Traditional Grocer)	Local	1	Nassau	Distributor, Direct/Wholesaler
Lucky's Food Store (Traditional Grocer)	Local	2	Nassau	Distributor, Direct/Wholesaler
Phil's Food Service (Traditional Grocer)	Local	1	Nassau	Distributor, Direct/Wholesaler
Courtesy Food Store (Traditional Grocer)	Local	1	Nassau	Distributor, Direct/Wholesaler
Butler's Food World (Supermarket)	Local	1	Freeport	Distributor, Direct/Wholesaler
Sawyer's Fresh Market	Local	1	Freeport	Distributor,

(Supermarket)				Direct/Wholesaler
Grand Union (Supermarket)	Local	1	Freeport	Distributor, Direct/Wholesaler
Maxwell's Supermarket	Local	1	Abaco	Distributor, Direct/Wholesaler
Price Right (Traditional Grocer)	Local	1	Abaco	Distributor, Direct/Wholesaler
Save-A-Lot (Traditional Grocer)	Franchise	1	Abaco	Distributor, Direct/Wholesaler

The majority of supermarkets in The Bahamas are located in Nassau, which is home to roughly 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 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. Price is remains an important factor in many of their purchasing decisions. However, as personal incomes continue to rise, Bahamians are open 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 customer tends to follow American brand and product trends because of the traditional ties and frequent travel to the United States, exposure to U.S. tourists, and access to U.S. television advertising. Items in high demand include processed chicken, hot dogs, salty snacks, and individually packaged cookies and sweets. The major internal drivers pushing the success of U.S. goods in the market are the availability and quality of the products. U.S. products in the retail market are also competitively priced when compared to local and other 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 Solomon's Fresh Market stores in recent years, which rival any organic/gourmet style store in the United States in terms of overall quality and assortment, is a prime example. One factor in particular that has contributed to the increasingly health-conscious Bahamian consumer is the high incidence of obesity and diabetes among the population. This, among other factors, has resulted in a growing interest in healthy foods.

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

Due to the limited storage space that convenience stores and gas marts have, these operations require frequent deliveries of small orders from local importers/distributors and local manufacturers/producers. Therefore, they will seldom import the products directly. They choose instead to source all their food and beverage products from local distributors. Thus, the best point of entry is by making contact with the distributors that service these stores and market new goods to them.

C. Traditional Markets - "Mom and Pop" Small Independent Grocery Stores, and Wet Markets

Sub-Sector Profile

"Mom and Pop" shops, independent grocery stores, and wet markets source their products through local importers/distributors, wholesalers, and local farmers. Because of the small nature of their operations, traditional market storeowners like to buy from local importers/distributors that can provide them with reasonable prices and regular delivery and service. Most small independent grocery stores operate their stores out of small neighborhood outlets. These operations typically cater to the micro-community (people who live in and around a particular community). Customers receive personalized service and tend to be loyal. 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 at times 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 Latin 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 in US$ Millions (2013)	**Major Supply Sources By Percent (2013)**	**Strengths of Key Supply Countries**	**Advantages and Disadvantages of Local Suppliers**
Red Meats, FR/CH/FR Imports: $45.7	U.S. – 89.0 Australia – 3.1	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: $36.9	U.S. – 84.6 Brazil – 13.8		
Dairy Products (Excl. Cheese) Imports: $27.5	U.S. – 75.7 Peru – 13.8 Ireland – 3.4		
Cheese Imports: $15.1	U.S. – 96.5 Canada – 2.4		
Snack Foods (excl. nuts) Imports: $16.4	U.S. – 82.2 U.K. – 14.5		
Fruit & Veg. Juices Imports: $18.0	U.S. – 95.6 Thailand – 1.4		
Processed Fruit & Veg. Imports: $27.4	U.S. – 80.8 Canada – 8.4 Belgium – 5.6		
Fish & Seafood Products Imports: $20.0	U.S. – 71.0 Thailand – 7.9		

	D.R. – 6.8		
Red Meats, Prep/Pres Imports: $38.7	U.S. – 93.3 Canada – 2.9		
Breakfast Cereals & Pancake Mix Imports: $8.3	U.S. – 98.9 Mexico – 0.4		

Source: Trade numbers are from Global Trade Atlas

Section IV. Best Product Prospects

A. Products present in the market that 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	**2013 Market Size**	**2013 Imports (US$ Millions)**	**5 Yr. Avg. Annual Import Growth (Percent)**	**Import Tariff Rate (Percent)**
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.	$27.5	2	0-35
Cheese		$15.1	5	10
Fish Products 1/		$20.70	0	0-35
Snack Foods		$16.4	2	30-60
Red Meats, Prep/Pres		$38.7	2	0-25
Poultry Meat		$36.9	5	10-30
Red Meats, fresh, chilled & frozen		$45.7	3	0-25
Processed Fruit & Vegetables		$27.4	3	10

1/- Deep water fish not found in more shallow Bahamian waters are gaining popularity.
Note: For precise tariff rates, refer to The Bahamas Tariff Schedule. See Section V.(C). for link.
Source: Import data from Global Trade Atlas.

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

- Gourmet Foods
- Asian Products

- Tofu
- Products that contain no trans fats
- Sugar-Free products
- Fat-Free products
- Organic products
- Low-calorie products
- All-natural 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, 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
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CBATO reports of interest include our Caribbean Basin Exporter Guide (11/21/2014), Caribbean Environment for U.S. Agricultural Exports (6/6/2014), and Hotel Developments in The Bahamas Increase Demand for U.S. Foods (3/3/2014).

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://buyusainfo.net/docs/x_1176839.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