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Caribbean Basin

HRI Food Service Sector

Bahamas

2003

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Report Highlights:

The Bahamas' food service sector imports nearly \$107 million in food and beverage products each year, of which the United States has a 98% market share. Since 3.5 million or 85% of the tourists to the Bahamas are Americans, the products preferred in the United States also appeal to the food service market in the Bahamas. Local patrons at Bahamian restaurants also prefer American brands due to influences from their exposure to U.S. culture.

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Miami [C1]
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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, over 308,000 people are permanent residents of the Bahamas. Most of the population resides near the capital, Nassau, on the island of New Providence. With the ever-present influence of American lifestyle and culture through television and frequent visits to south Florida, U.S. food and beverage products are also in demand with Bahamians. Tourism, the largest sector of the country's economy, constitutes nearly 60 percent of the Bahamas' Gross Domestic Product (GDP).

Visitors flock to the Bahamas for its year-round tropical weather, sandy beaches and relaxed atmosphere. In some cases tourists come for the attraction of some resorts, like Atlantis on Paradise Island. The proximity to the United States and other Caribbean Islands offers tourists a bargain in air/sea fare, and provide a very popular fishing ground for Florida boaters. While most Caribbean islands' high season is from Thanksgiving to Easter, the resorts and fishing extend the tourist season from Thanksgiving to the end of August. In addition, most travelers find that accommodations are up to American standards. There is a wide array of hotels and restaurants available on the larger islands like New Providence, Grand Bahama and Abaco. From the mega-resorts like Our Lucaya and Atlantis, to small hotels and timeshare properties, any style of vacation can easily be accommodated.

Americans account for 85% of all visitors, by air and sea, to the Bahamas for a total of 4.4 million in 2002. Those who are considered "stop-over" visitors are on the island for over 24 hours. Because lodging and meals are a necessity for these tourists, they account for most of the tourist dollars spent at hotels and restaurants. The Bahamas Ministry of Tourism estimated the average expenditure for stop-over visitors in 2001 to be \$964.80 per day. In total, tourist expenditures reached \$1.48 billion in 2001 of which over \$207 million was spent on food and beverage. After a brief downturn in tourism in the wake of September 11th attacks, the number of tourists has been steadily rising, and in some areas, even higher than before the attacks. And arrivals to the Outer Islands rose 35% since January 2002 (Bahamas Ministry of Tourism, 2002).

This demand, coupled with the lack of arable land for farming to support the food consumption of the population and tourists, has led the import of the agricultural goods to a staggering 80 percent, and over \$250 million is spent on these imports per year (Bahamas Country Commercial Guide, 2003). However, producers of local water and soft drinks in Nassau and Grand Bahama account for most of the supply for their respective markets. No beef or pork is produced; only one poultry producer remains and only few food manufacturers supply the market locally. In regards to the supply of local produce, the fruit and vegetable crop is seasonal and inconsistent in quality and quantity. Two local seafood companies meet most of the demand for some types of seafood like grouper, lobster and shrimp.

In an effort to protect local produce and poultry processors, the Bahamian government uses increased tariffs on the import of such goods. The tariffs on food items range from zero to 35 percent plus the two to seven percent stamp tax on

certain items. In addition, permits are required for imports of certain items like poultry and fruit. Usually, it is the importer who must personally visit the customs office each time an import is due to clear customs to file applications for the permits. At some brief point in time, the government did not allow the import of poultry when a local business was producing their highest yield in years. This was a rare occurrence, and there have been no “bans” on import in recent times. As expected, this has proven frustrating for local importers and businesses that find the local production of these protected commodities insufficient for consumption, making import still necessary, resulting in higher prices for the consumer. The increasing direct import by smaller retailers and businesses has reduced some cost involved in providing these protected products. This adds to the already fierce competition, which importers have experienced in recent years, all seeking ways to get better prices than their competitors.

The close proximity to the United States and specifically South Florida allows for quicker and less expensive means of transport of U.S. and European products. This is an advantage to the American company; although importers believe that price is very important, the American brands are often more sought after than products from other countries. Yet, in the case of beef and some other products, some other countries such as Canada are offering lower prices even with the added cost of shipping for longer distances.

Pork, beef and dry goods are mostly U.S. imports, while top brand soft drinks like Coke and Pepsi and bottled water are produced and bought locally. Cheese and butter are often European imports, though in most cases, still shipped from the United States.

Advantages	Challenges
The United States supplies 98 percent of food products imported for the HRI sector.	Importers are forced to purchase from local beverage, produce and poultry producers through taxes levied on imports of these products.
About 85 percent of tourists are Americans.	Importers already carry many major U.S. brands.
Locals are exposed to television direct from the United States and the commercials for American products.	Canada and Europe 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 will go through their corporate headquarters, usually located in the United States, to import products directly.
While brand is important, importers will also consider a competitor with lower prices.	U.S. suppliers with less than full containerload shipments may find it more effective to use the importer's South Florida consolidator.

SECTION II. ROAD MAP FOR MARKET ENTRY

A. ENTRY STRATEGY

In the HRI industry, four major importers dominate the distribution chain in New Providence and one major importer on Grand Bahama Island. For liquor distribution, only one major importer is present in the Bahamas, also representing local beer manufacturers. Most, if not all Bahamian importers have experience dealing with U.S. companies and have extensive knowledge of the U.S. food export system.

The main method of preferred contact is an in-office appointment to talk in person. Another preferred method is through various trade shows that are well attended by Bahamian importer, restaurant, and hotel management. Among the most frequented shows are the Americas Food and Beverage Show and the National Restaurant Association Show (NRA). Chefs also attend some of these shows, presenting another opportunity to enter the market. Commonly, larger hotels will direct import 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 either be made with 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 when orders are placed.

B. MARKET STRUCTURE

The distribution network in the HRI sector of the Bahamas is composed of the local importer and direct purchasing from the island or purchasing organization established in the United States. Through local importers, hotels and restaurants can source smaller quantities of various items. Smaller restaurants and hotels rely heavily on these importers for almost all of their supply. While this portion of the total imports is varied within industry, the larger establishments purchase 45% of food and beverage through these distributors. And about 55% is purchased directly from U.S. manufacturers. The large volume of imports sold through distributors consists of major American brands.

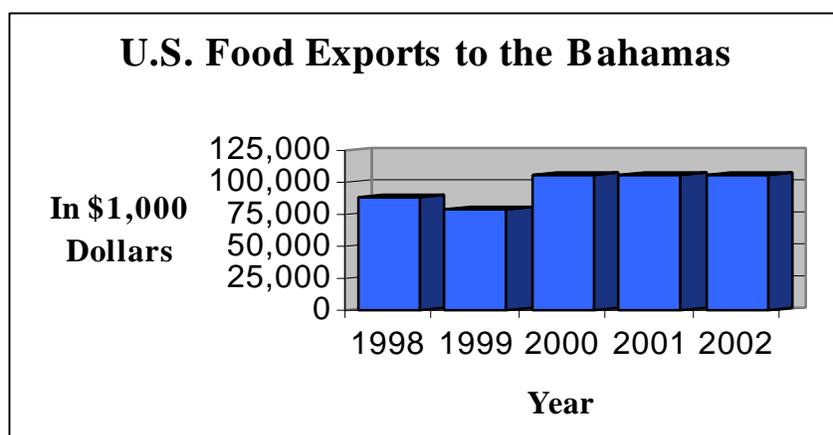
Most often an importer will use a few Florida suppliers to consolidate shipments that amount to less than a container load of products. One major importer, Bahamas Food Service, and larger hotels like Radisson and Sandals have even positioned offices in Florida to facilitate shipment to the seaports of the Bahamas.

The restaurants and hotels in the Outer Family Islands have found unique ways for procuring quality food at a decent price on a timely basis. It is a challenging process at best. Islands within ferry distance of the Abacos tend to buy their products from the two wholesalers in Marsh Harbour.

If restaurants are large enough, they tend to import and receive a weekly shipment from a Florida wholesaler. Smaller restaurants and hotels find it difficult to work directly with Florida wholesalers for a variety of reasons. They may not be able to fill minimum orders. They may get better prices from the large importers in Nassau, who send products by ferry, available one time per week to daily. Nassau importers

can generally ship out the next shipping day. The restaurants and hotels also do not need to clear and pay customs as necessary for direct shipments from the United States. In addition, they do not need to worry as much about spoilage. However, ferry service to many places is less than desirable. The chilling facilities may not be optimal and delays can result in product damage. If ferry service is not available daily, restaurants must anticipate their needs two weeks in advance and may need to fly in goods for last minute tourist arrivals.

Every hotel or restaurant seems to operate differently. A newly licensed pilot owns one hotel, so he flies weekly to Fort Lauderdale to pick up his supplies. One hotel uses Nassau importers for the bulk of their supplies and makes monthly trips to south Florida and shops in the supermarkets for specialty items. One small all inclusive hotel features local seafood; however, they must supply the boat and fuel to local fishermen and then pay them market price for their catch! Smaller local restaurants tend to buy from local retailers, who give them a discount.



Source: Foreign Agricultural Service, BICO Report, 2003

C. SUB-SECTOR PROFILE

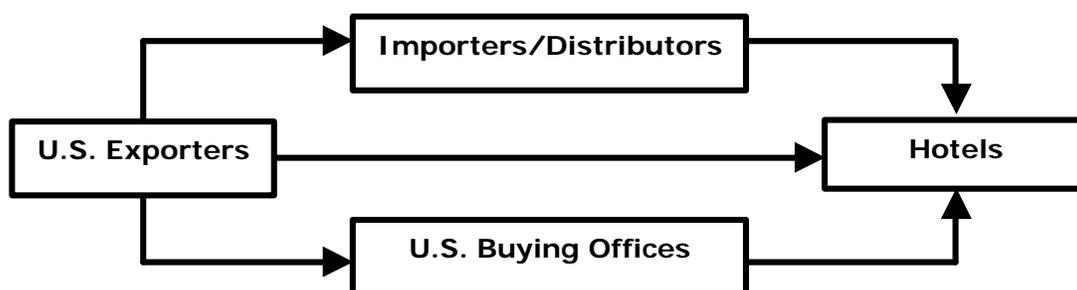
1. Hotels and Resorts

The economic downturn and declining travel after the September 11th attacks was not as hard hitting to the Bahamas as with other tourist locals across the world. Since the attacks took place in September, just before the low season for tourism in the Bahamas, the effects that year were minimal and visitor numbers have been steadily climbing ever since. Conversely, the smaller hotels on Nassau, Freeport and the Outer Islands especially, were harder hit. Most hotels did not lower rates during this time because of anticipated difficulty in re-establishing them as time passed.

Atlantis, a Sun International resort in Paradise Island, is the largest hotel in the Bahamas. With over 2,300 rooms, 20 restaurants and 13 bars, this theme-park type resort has an occupancy rate of 98% for 11 months of the year and 62% in September, their only month of low season. The expansion underway will bring the

total number of rooms to 3,500 by 2007. Moreover, the popularity of all-inclusive hotels has risen in recent years, bringing new resorts like SuperClubs Breezes and a trend of several large hotels also offering optional all-inclusive packages. Despite the great buying power of hotels of this size, wholesalers remain an important source due to both the ever-changing needs and limited storage space for dry and refrigerated goods.

Product Flow for Imported Products:



Major renovations in the past five years have transformed tourism in Freeport, Grand Bahama, the country's second major city, with the corporate acquisition of three government-owned hotels, the development of resorts and a large casino in Port Lucaya. The Out Islands have experienced a smaller boom in tourism related construction, but are reaping the benefits with a higher visitor return rate. The Club Med in San Salvador has picked up the European tourist market by scheduling chartered flights to/from Europe. And a new Four Seasons hotel on Great Exuma Island is set to open in January 2004.

Largest Hotels and Resorts in the Bahamas

Name	Location	Number Of Rooms	Purchasing Agent
Atlantis Resort	Paradise Island	2,317	Importers/Distributors, Direct Import
British Colonial Hilton	Nassau	291	U.S. Buying Office, Importers/Distributors
Our Lucaya Beach and Golf Resort	Freeport	1,271	U.S. Buying Office, Importers/Distributors
Radisson Cable Beach	Cable Beach	700	Direct Import Importers/Distributors
Sandals Royal Bahamian Resort	Cable Beach	405	U.S. Buying Office, Importers/Distributors
SuperClubs Breezes	Cable Beach	400	Direct Import Importers/Distributors
Wyndham Resort and Crystal Palace Casino	Cable Beach	743	U.S. Buying Office, Importers Distributors

Number of Hotel, Motel and Guesthouse Rooms

New Providence	12,093
Grand Bahama	2,667
Out Islands	2,079

Source: Bahamas Dept. of Statistics, 2001

2. Restaurants

The restaurants in Nassau do not experience much decline in clientele in the low season, from September to December, due to the fact that local residents also frequent these establishments. Few of the upscale restaurants are targeted to visitors, and are typically based in affluent resort areas like Cable Beach. Even centrally located restaurants have only around 60% tourist clientele.

Most restaurants turn to wholesalers to source their supply. Most 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 quality on the same level as U.S. restaurants. Restaurants are responsible for 30-35% of the HRI sector sales for the major wholesalers in the Bahamas.

Nassau and Freeport offer a wide variety of restaurants, ranging from upscale to fast-food, and cuisine that reflects American, Bahamian and international cultures. The increase in per capita GDP and employment of women in the workforce has facilitated the spread of fast food stores across urbanized areas. They are: Kentucky Fried Chicken, McDonald's, Burger King, Wendy's Dominoes Pizza, Dunkin Donuts, and Subway which mainly import directly from U.S. buying offices. Local chains of restaurants mainly consist of Chinese and Bahamian/ Seafood cuisine.

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.

Restaurants

Name	Location	Type Of Cuisine	Purchasing Agent
Cally's Restaurant	Port Lucaya	Greek	Local Importer
Europe Restaurant	Nassau	German	Local Importer
Ferry House Restaurant	Port Lucaya	Contemporary/ Bahamian	Local Importer
Gaylord's	Nassau	Indian	Local Importer
Graycliff Hotel and Restaurant	Nassau	French	Local Importer
Green Shutters	Nassau	American/English	Local Importer

Harbour Lobster & Fish Co.	Port Lucaya	Caribbean	Local Importer
House of Wong	Nassau	Chinese	Local Importer
Kentucky Fried Chicken	Nassau/Freeport	Fast Food	U.S. Agent
Oasis Café	Port Lucaya	Bahamian	Local Importer
Ruby Swiss	Freeport	Seafood/ Bahamian	Local Importer
The Poop Deck	Nassau	American/Bahamian	Local Importer
Villagio Restaurant	Cable Beach	Italian	Local Importer

Product Flow for Imported Products:



Number of Restaurants (incl. take-away)

New Providence	5,112
Grand Bahama	1,443

Source: Bahamas Dept. of Statistics, 2001

3. Institutional

The institutional sector involves distribution to the prisons, hospitals, nursing homes and entertainment facilities such as arenas and stadiums. It accounts for less than 3 to 4 percent of the HRI trade and is supplied by the local importers and to a lesser extent, one wholesale club outlet in Nassau. For events, the Chamber of Commerce lists twenty companies that provide catering services. 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, primarily buy their food and beverage stock through direct import from the United States.

SECTION III. COMPETITION

The Bahamian government protects local producers of poultry and produce. Although not preferred by local food outlets, a required amount of purchases of local goods means that they will be of some competition to U.S. exporters. The use of tariffs on imported goods serves to promote the use of local production, yet most would still prefer to import what they believe are far superior products from the United States and some other nations. Furthermore, the quantities of local

production, mainly of poultry and produce, are low. At the present time, any influence due to local competition is minimal.

Little competition for dry goods exists; however, importers have found lower prices for other products such as beef and pork in Canada and produce in South America.

The following countries compete with U.S. in several product categories:

- **Beef:** Argentina, Brazil, Canada and New Zealand
- **Pork:** Canada, Brazil and Denmark
- **Fresh Produce:** other Caribbean countries, Argentina, Brazil, Chile and Australia
- **Juice:** Canada, and Holland
- **Dry Goods:** other Caribbean countries, U.K., Canada, Denmark, Italy and Holland
- **Seafood:** Mexico
- **Dairy Products:** U.K., Canada, France, Holland, Denmark, and New Zealand
- **Specialty Foods:** U.K., France, and Canada

The competition with other nations varies between product categories. Even so, in 2002 the United States had more than 99 percent market share for fresh fruit and vegetables, poultry, red meats (fresh/chilled/frozen), processed fruits and vegetables, and salmon and several other food and beverage products (UN Trade Data, 2002).

SECTION IV. BEST PRODUCT PROSPECTS

A. Products present in the market which have good sales potential

Market opportunities exist for a wide array of products.

- Beef
- Poultry
- Pork
- Dairy Products
- Produce
- Fruit Juices
- High End Specialty Products
- High End Seafood Products

B. Products not present in significant quantities but which have a 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

Though the restricted import of chicken and produce through high tariffs and import licensure inhibits the supply of such products, there is sufficient demand to allow certain quantities to remain in the market.

SECTION V. POST CONTACTS

A. For More Information Or For An Importer List, Please Contact:

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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.

<http://www.cbato.fas.usda.gov>

Basic country information may be found in the Central Intelligence Agency's World Fact

Book under the Bahamas

<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

<http://www.export.gov>

Click on *Market Research* link, then select *Country & Industry Market Reports*.

B. Other sources of Information on the Bahamas:

American Embassy of the Bahamas

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