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Caribbean Basin

HRI Food Service Sector

Sint Maarten/Saint Martin

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Report Highlights:

Sint Maarten/St. Martin's \$37 million food market for its hotel, restaurant and institution(HRI) sector is dynamic and eclectic. As a result of the islands's duty free status and the relatively large population base, the island has developed into a distribution hub for the food service sectors on the surrounding islands of Anguilla, Saba, St. Batherlmey, St. Kitts & Nevis, and St. Eustatius. With poor soil and a limited water supply, the island must import nearly all of its food needs.

Includes PSD changes: No
Includes Trade Matrix: No
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SECTION I: MARKET SUMMARY

Sint Maarten/Saint Martin's hotel, restaurant and institution (HRI) or food service sector is as dynamic as its dependence on the tourism market and as eclectic as its multi-cultural population base. As a result of the island's duty free status and the relatively large population base, the island has developed into a distribution hub for the food service sectors on the surrounding islands of Anguilla, Saba, St. Barthelme, St. Kitts & Nevis, and St. Eustatius. St. Maarten/St. Martin wholesalers import an estimated \$37 million in food service products. With poor soil and a limited water supply, the island must import nearly all of its food needs.

The "Friendly Island" of St. Maarten/St. Martin is the smallest landmass to be shared by two separate governments. The 37 square mile island is divided between the Netherlands and France. St. Maarten is one island in the Netherlands Antilles (Bonaire, Curacao, Saba, St. Eustatius, and St. Maarten), which is part of the Dutch realm. St. Martin is one of the dependencies of Guadeloupe, which is an overseas department of France.

The United States enjoys an estimated 80 to 85 percent share of the \$37 million of food service imports on both sides of the island. St. Maarten/St. Martin imports another \$68 million of food products for the retail sector. Florida companies supply most of the U.S. products exported to St. Maarten/St. Martin. Hotels and restaurants account for about 85 percent of the total food service sales, fast food chains account for about 10 percent, and institutions account for the remainder.

St. Maarten/St. Martin is one of the most sophisticated and best developed islands within the Caribbean. It boasts more than 6,500 rooms in 100 hotels and resorts and more than 500 restaurants. More than 90 percent of the hotels and restaurants are independently owned. The Caribbean flavor of the 37 white sand beaches and rolling hills combine the two sides. Yet, it is the charm of each side that brings the island to life. French St. Martin offers an intimate and relaxed atmosphere in their accommodations, excellent food, and high end boutiques. On the other hand, Dutch St. Maarten entertains with casinos, major resorts, shopping and night life.

The growth rate of food service sales is directly related to the success of the tourist season. In 2000, the tourism industry had an overall increase of 9 percent and importers reported a similar increase in sales. With 1.3 million visitors last year, the island is one of the top ten Caribbean destinations in both air and cruise line arrivals. Stay-over tourists add much more to the economy and account for almost all of the tourist food service purchases since cruise passengers typically eat their meals aboard their ship.

St. Maarten/St. Martin's tourism sector is very concerned about the current economic and political conditions in the United States and the EU. Over the past 20 years, the number of U.S. tourists to the Caribbean has increased during downturns or international crisis since the Caribbean is perceived as an inexpensive vacation in a safe environment. However, moderately priced Caribbean islands, such as St. Maarten/St. Martin, have had fewer stay-over U.S. visitors during these periods as the middle-income families they typically attract tend to seek cheaper islands. In addition, more affluent individuals maintain their current high end destinations.

An unfortunate string of natural disasters greatly hindered tourism growth in St. Maarten/St.

Martin. Major hurricanes in 1995, 1996 and 1999 resulted in a significant loss of tourists and substantial damage to hotels, restaurants and other infrastructure. Not only did the island suffer from fewer tourists immediately after the hurricanes, it has been very difficult to entice tourists to return to the island after they had to cancel their vacation plans. They are much more likely to choose an island they feel is "safer" from hurricanes.

Slowly recovering from the hurricanes, the number of cruise passengers finally surpassed the 1994 level in 2000. Unfortunately, the number of stay-over tourists had not quite rebounded to the 1994 level. In 2000, 37 percent of the stay-over tourists were from the United States, followed by the EU (primarily France and the Netherlands) with 24 percent, Latin America and the Caribbean with 10 percent, and Canada with 5 percent. The French side is said to recover more quickly after natural disasters as a result of greater assistance from the French government.

Claimed by Columbus in the 15th century for Spain, it was the French in 1629 and the Dutch in 1631 that settled the island. Though largely influenced by its African, French and Dutch heritage, the beginning of the tourist boom in the 1970's mobilized an influx of job seekers from all over the world. Today, the population hails from 80 different countries and only about 20 percent of all citizens were born on the island. While tourists and Western expatriates account for the majority of food service sales, the variety and high level of cuisine in restaurants reflect the residents' cultural background.

Table 1. Advantages and Challenges of Exporting Food Products to St. Maarten/St. Martin

| Advantages | Challenges |
|--|---|
| The island enjoys an efficient and well-established distribution infrastructure. | Wholesalers typically already represent major brands; it may be difficult to find a wholesaler not representing a competing brand. |
| Food imports are fairly even throughout the year as tourism fluctuates little from month to month. | Slow economic and tourism recovery after the hurricanes in 1995, 1996 and 1999 slowed food service sales. |
| St. Maarten has strong product influence from and purchasing ties to the United States. | St. Martin has strong ties to product influence from and purchasing ties to France. |
| Wholesalers have strong distribution links to the food service sectors in surrounding islands. | Restaurants, feeling the hard times, are taking longer to pay their wholesalers. |
| Thirty-seven percent of the stay-over tourists are Americans who demand U.S. food products. | The larger number of cruise passengers and their positive growth rate does little to spur food sales as most passengers eat on board. |

SECTION II: ROAD MAP FOR MARKET ENTRY

A. Entry Strategy

The best entry strategy to introduce new products is to work directly with the local wholesalers. Food service operations depend on wholesalers for their products except for some specialty items that a chef or food and beverage manager may import directly. Hotels and restaurants look for

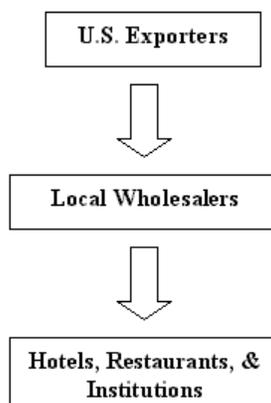
consistency in quality, price, and delivery and tend to be brand loyal.

All major importers are well accustomed to doing business with U.S. companies. Most wholesalers prefer to receive product catalogues with samples. A few importers prefer meeting face-to-face with a product representative. The major wholesalers are primarily interested in well known brands that do not compete with their existing lines. Most importers travel to the following trade shows to look for new products: the Food Marketing Institute (FMI) Show, the Americas Food and Beverage Show, the Boston Seafood Show, SIAL (France), and ANUGA (Germany).

B. Market Structure

Flow Chart:

HRI Distribution



Wholesalers typically import, wholesale and distribute their product. Hotels and restaurants import a few specialty items directly. Fast food chains tend to import most of their products directly.

Florida plays a major role in exporting food products to the Caribbean. In Dutch St. Maarten, approximately 90 percent of all food products are shipped out of Florida. St. Martin receives approximately 50 percent of all its food imports from Florida. Some Florida companies will consolidate other suppliers' products for their good customers. European containers en route to St. Maarten/St. Martin may also arrive via ports in Florida.

Philipsburg, the capital of St. Maarten, receives more than 90 percent of all ocean traffic coming to the island. Products face no customs duties. Wholesalers usually receive their goods the day of their arrival.

C. Sub-Sector Profiles

1. Hotels and Resorts

St. Maarten/St. Martin boasts almost 6,500 rooms in 100 resorts, hotels, timeshares, condos,

private villas, inns, and guesthouses. As of July 1, 2001, Dutch St. Maarten had 1,670 timeshare units, 1,473 hotel rooms and 95 condo units for a combined total of 3,238 units. According to the Association des Hoteliers de St. Martin (AHSM), St. Martin has 3,225 rooms. Prices range from U.S. \$35 to more than \$1,000 a night.

As outlined below, the 20 largest hotels and resorts account for two thirds of the total rooms on the island. The remaining 80 hotels are relatively small. The largest hotels and resorts are equally divided by the Dutch and French sides. Outside of Le Meridien and the Radisson, no international chains are present on the island. Each hotel has just one outlet.

Table 2. Twenty Largest Hotels and Resorts

| Name of Hotel or Resort | Side of Island | Rooms | Purchasing Agent |
|---|-----------------------|--------------|-------------------------|
| Atrium Resort | Dutch | 87 | Local wholesalers |
| Anse Margot | French | 96 | Local wholesalers |
| Blue Bay Village | French | 394 | Local wholesalers |
| Divi Little Bay Beach Resort | Dutch | 245 | Local wholesalers |
| Grand Case Beach Club | French | 77 | Local wholesalers |
| Great Bay Beach Hotel & Casino | Dutch | 285 | Local wholesalers |
| Hotel Beach Plaza | French | 144 | Local wholesalers |
| La Samanna | French | 81 | Local wholesalers |
| Le Meridien | French | 396 | Local wholesalers |
| Le Flamboyant Resort | French | 272 | Local wholesalers |
| Maho Beach Hotel & Casino | Dutch | 600 | Local wholesalers |
| Marquis Resort & Spa | French | 178 | Local wholesalers |
| Mercure Simson Beach Coralia | French | 175 | Local wholesalers |
| Nettle Bay Beach Club | French | 169 | Local wholesalers |
| Oyster Bay Beach Resort/Radisson | French | 124 | Local wholesalers |
| Pelican Resort & Casino | Dutch | 342 | Local wholesalers |
| Princess Port de Plaisance Hotel & Casino | Dutch | 88 | Local wholesalers |
| Sapphire Beach Club | Dutch | 169 | Local wholesalers |
| Sunterra Flamingo Beach Resort | Dutch | 211 | Local wholesalers |
| Sunterra Royal Palm Beach Resort | Dutch | 140 | Local wholesalers |
| Total number of rooms for top 20 hotels and resorts | | 4273 | |

U.S. and Dutch tourists tend to favor Dutch St. Maarten, while the French prefer French St. Martin. Hotel occupancy rates for Dutch St. Maarten after Hurricane Louis in 1995 dropped to 54.8 percent. The industry was hit with massive hurricane damage again in 1996 and 1999. The industry saw an increase of close to 8 percent from 1999 to 2000, bringing the annual occupancy rate to 67 percent.

Although the occupancy rate is near the pre 1995 annual average, one should note that not all accommodations were reopened after the damage from the hurricanes. Both sides are building

more condos and timeshares. With more than 90 percent of the hotels independently owned, many importers feel that attracting more international hotel chains would increase the number of tourists significantly.

2. Restaurants

The island's selection of restaurants is impressive. Whether the food is Italian, French, Indian, American, Argentine, Chinese, Middle Eastern or Caribbean, the chefs are usually natives from where the cuisine originates. The restaurants are typically owned by Western or Caribbean expatriates and are staffed with employees from all over the Caribbean. With more than 500 restaurants, tourists find a wide range of local beach bars, fast food, family style and exquisite restaurants.

In general, the type, quality, and cost of food served, as well as the level of service, are remarkably different on each side of the island. The Dutch side caters more to U.S. and Dutch tourist expectations while the French side offers typical French fare. Downtown Philipsburg and Simpson Bay are where most restaurants are found on the Dutch side. Grand Case is the culinary highlight of the French side. Many restaurants are found in Marigot as well.

Restaurants in the main business district in Philipsburg face a unique dilemma with the varied needs of their clientele. Cruise passengers and local business employees crowd the streets during the day and the activity is much quieter in the evening when the locals have returned home and the cruise passengers are back on their ship. The local employees are looking for quick and inexpensive lunches. The cruise passengers want a snack or something light to tide them over until their next meal on the ship. The stay-over tourists, in much more limited numbers, avoid the crowds during the day and want a nice meal at night.

Table 3. Fast Food Chain Restaurant Profiles

| Company Name | Sales | Outlet Type & Number | Location | Purchasing Agent |
|------------------------|-------|----------------------|---------------------------------|------------------|
| Subway | N/A | Fast food, 3 | St. Maarten | U.S. Agent |
| McDonald's | N/A | Fast food, 1 | St. Maarten | U.S. Agent |
| Burger King | N/A | Fast food, 3 | St. Maarten | U.S. Agent |
| Kentucky Fried Chicken | N/A | Fast food, 3 | St. Maarten | U.S. Agent |
| Pizza Hut | N/A | Fast food, 1 | St. Maarten | U.S. Agent |
| Domino's | N/A | Fast food, 5 | St. Maarten, 3 St. Martin, 2 | U.S. Agent |

Only six international and zero local restaurant chains are found on the island. Since the six U.S. fast food chains, with a total of 16 outlets, account for less than 5 percent of the total 500 restaurants, St. Martin restaurants are virtually all independently owned. The U.S. chains import most of their food needs directly from the United States.

3. Institutional Sales

With only two major hospitals, no school lunch program, few prisons and no large sports facilities, institutions play a very minor role for food imports. The hospitals buy food based on bids and importers shy away from the business as payments are reported as late.

SECTION III: COMPETITION

For the most part, chefs on the Dutch side and to a limited extent on the French side hold European and American products in the same regard. Strong ties between U.S. exporters and St. Maarten/St. Martin importers and relatively short and frequent shipping times from Florida keep U.S. products flowing. Container ships from Europe typically take four weeks to arrive compared to one week travel time from Miami. Goods shipped by air are limited to highly perishable goods and urgently needed products.

The United States faces the strongest competition from France, whose food imports account for about 15 to 20 percent on the French side. On the Dutch side 85 to 90 percent of food products are from the United States. France has the highest market share of wines throughout the island. Dairy products are primarily French and Dutch. Brazil has a growing percentage share of whole chicken imports. Pork ribs are primarily purchased from the Netherlands and Brazil.

The Netherlands Antilles' Gild is pegged to the U.S. Dollar while the French Franc is used in St. Martin. Currently, the strong dollar is making Canadian, European and Latin American products more attractive. To some extent, food service customers will change to an importer on the opposite side of the island, if the exchange rate makes enough difference in price.

SECTION IV: BEST PRODUCT PROSPECTS

A. Products Present in the Market Which Have Good Sales Potential

Wholesalers import the full range of U.S. food service products on the Dutch side. On the French side, U.S. meat, poultry and fresh produce are almost all U.S. origin. Wholesalers are looking for more variety of and better quality fresh produce.

B. Products Not Present in Significant Quantities but Which Have Good Sales Potential

Dry products sales within French St. Martin would be substantially enhanced if U.S. manufacturers would be willing to meet French packaging requirements for expiration dates. Although St. Martin purchases U.S. meat, especially in light of the various problems plaguing the EU meat industry, it does so in violation of French regulations. It is a constant issue between importers and the French authorities.

C. Products Not Present Because They Face Significant Barriers

Since St. Maarten/St. Martin is a duty free island and the Dutch and French food product regulations are loosely enforced, no trade barriers or restrictions exist for U.S. food products. U.S. pork and poultry face considerable competition from lower cost Brazilian products. On

both the French and Dutch sides, chefs prefer EU dairy products.

SECTION V: POST CONTACTS

A. For More U.S. Government Information for St. Martin and other Caribbean Islands, please contact:

1. The Caribbean Basin Agricultural Trade Office
Foreign Agricultural Service
United States Department of Agriculture
909 SE 1st Avenue, Suite 720
Miami, FL 33131
Phone: (305) 536-5300
Fax: (305) 536-7577
Email: cbato@attglobal.net

Margie Bauer Director
Email: cbato@attglobal.net

Omar Gonzalez Deputy Director
Email: omarg01@attglobal.net

Graciela Juelle Administrative Assistant
Email: gjuelle@attglobal.net

2. Please visit our website for promotional activities, trade statistics and more reports on the retail and food service sectors and the food import regulations for the Caribbean Islands:

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

3. Basic country information may be found in the Central Intelligence Agency's World Factbook under Guadeloupe (St. Martin) and the Netherlands Antilles (St. Maarten):

<http://www.odci.gov/cia/publications/factbook>

B. Other Sources of Information on St. Maarten/ St. Martin:

1. St. Maarten Hospitality & Trade Association
P.O. Box 486
Philipsburg, St. Maarten, Netherlands Antilles
Telephone: (599) 542-0108
Fax: (599) 542- 0107
Email: info@shta.com
Website: www.shta.com

2. St. Maarten Tourist Bureau

Vineyard Park Bldg. W.G. Buncamper Rd. 33
Philipsburg, St. Maarten, Netherlands Antilles
Telephone: (599) 542-2337
Fax: (599) 542-2734
Website: www.st-maarten.com

3. St. Martin French Caribbean Office du Tourisme
Route de Sandy Ground
Marigot - 97150, St. Martin
Telephone: (590) 87-57-21 / 87-57-23
Fax: (590) 87-56-43
Email: sxmt@aol.com or xmto@wanadoo.fr
Website: www.st-martin.org

4. Bank Van De Nederlands Antillen
Quarterly Bulletin 2001 – I
Breedestraat 1 (P)
Willemstad, Curacao, Netherlands Antilles
Email: info@centralbank.an
Website: <http://centralbank.an>

5. St. Maarten Chamber of Commerce & Industry
C.A. Cannegieter St. #1
P.O. Box 454
Philipsburg, St. Maarten, Netherlands Antilles

Telephone: (599) 542-3590/ 542-7691
Fax: (599) 542-3512
Email: coci@St.maarten.net

6. Caribbean Tourism Organization:
<http://www.caribtourism.com>

7. A listing of hotels and restaurants in St. Maarten/St. Martin:
<http://www.sxm-info.com>

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