

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Required Report - public distribution

Date: 12/18/2015

GAIN Report Number:

Panama

Food Service - Hotel Restaurant Institutional

HRI Report for Panama 2015

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Report Highlights:

Despite a slowdown in the economy due to the change of government and reorganizing of state finances, Panama continues to be one of the healthiest economies of the region, with an average growth of 6% during 2015. Major infrastructure projects such as line two of the metro, a new bridge over the canal, and the completion of the canal expansion during 2016 are expected to boost to the economy for an estimated growth of 6.3% during the upcoming year. The amount of hotels continues to increase and restaurants are always on the rise. That, in conjunction with Panama's location and modern infrastructure and convenient laws makes it the perfect place for multinational companies, retirees and

holding international meetings and conventions.

Post:

Panama City

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

Panama has been the healthiest economy in the region during the last few years, with an average growth of 7.1% reaching its highest rates during 2011 and 2012, and the lowest in 2009, as shown in the following chart from Panama's national statistics (See attachment Chart 1)

Despite the latest deceleration of the local economy, Panama continues to Experience the greatest growth in the region, which has been estimated at 6% during 2015, and to increase up to 6.3% in 2016.

Panama has always benefited from its strategic geographical location and its service-oriented economy based on the many services that arise from being a natural

transit point for cargo and passengers. However, due to a remarkable increase in immigration, it is now looking to diversify in many areas, such as agriculture and education, to be able to compete and provide the necessary skills for the population. This increase is mainly due to the canal expansion, the opening of new company headquarters in Panama, the creation of industrial parks, tourism, and the influx of many foreign retirees and immigrants from neighboring countries such as Venezuelans and Colombians.

Activities that have contributed to the current growth are an increase in electricity, Gas and water supply, the financial center, construction, mining, wholesale and retail trade. Even though tourism has been of great importance to the local economy, and has been one of Panama's and the Central American region's top priorities during the last few years, it has shown a deceleration with some high seasonal peaks. Still there is constant growth in the restaurant business, which offers an ample array of gourmet, regional and international choices for the most demanding palates. Hence there is a steady demand for high quality U.S. food products.

Other factors that have contributed to Panama's growth are the Panama Canal expansion project, to finally be completed in 2016; the conclusion of line one of the first metro in Central America (with line two already in the works); a new bridge over the canal is also planned; as well as line three of the metro

alongside the new bridge. Also, some of the major ports have been expanded, and new popular housing projects are being built. Traffic is a concern, slightly solved by recently built overpasses, but still pending a substantial improvement once all new routes and metro lines are completed.

Panama recorded a total of 1,901,489 visitors up to September, 2015, Representing an increase of 15.1% from the same period last year with an absolute number of 250,033 additional visitors during said period.

From the above figure, a total of 1,444,129 entered through the main terminal, Tocumen International Airport, which registered an increase of 23.6%, or 275,717 additional passengers from last year. A total of 189,315 passengers entered through ports, representing a reduction of 27.1%, and a total of 115,662 entered through the border with Costa Rica (Paso Canoas), a decrease of 3.2% from last year. Visitors entering through other secondary ports reached 152,383, a significant increase of 46.6% or 48,431 additional passengers from last period, as per the graphic below:

Total Number of Visitors Entering Panama by main ports of entry Years 2014-2015				
Port of Entry	September		Variation	
	2014	2015	Absolute	Relative
TOTAL	<u>161,833</u>	<u>171,960</u>	<u>10,127</u>	<u>6.3</u>
Tocumen International Airport	117,948	142,281	24,333	20.6
Paso Canoas's Border	10,800	11,016	216	2
Cruise Ports	17,586	4,633	-12,953	-73.7
Others Ports	15,499	14,030	-1,469	-9.5
TOTAL	January to September		Variation	
	2014	2015	Absolute	Relative
TOTAL	<u>1,651,456</u>	<u>1,901,489</u>	<u>250,033</u>	<u>15.1</u>
Tocumen International Airport	1,168,412	1,444,129	257,717	23.6
Paso Canoas's Border	119,467	115,662	-3,805	-3.2
Cruise Ports	259,625	189,315	-70,310	-27.1
Others Ports	103,952	152,383	48,431	46.6

Major nationalities that visit Panama are Americans, Colombians, Venezuelans, Spanish, and Brazilians. Venezuelan immigration grew approximately 24.6 Percent while Colombians, which still make up the largest number of immigrants, saw a reduction of 10%. Colombian tourism as well has suffered a reduction, possibly due to the devaluation of their currency. Some other Latin and Central American visitors are attracted to visit Panama for shopping and other specific events such as Carnival in February, concerts, black Friday in November and the Christmas parade in December.

As a result of the continuous growth of tourism in the country, and other Related activities such as congresses, trade shows, international meetings and conventions, the hotel industry in Panama almost doubled its size during the last five years from an approximate of 5,863 rooms in 2011 to 10,455 as of September 2015, which in turn reflect a decrease in occupancy rates of 4.8%. Average occupancy rate at the moment is 53.4%.

New companies continue to move into Panama as a result of the many facilities offered by the country and the creation of Law 41 of 2007 relating to Multinational Enterprises. This creates not only new jobs, but a demand for high-end, quality food products, due to the high purchasing power of business executives and employees of the regional hubs or headquarters of very large companies established in Panama. Examples of these companies are Total, Unilever, Nike, Hyundai, Peugeot, Dell, Maersk, Procter and Gamble, Caterpillar, Mars, Adidas, and SAB Miller, Carolina Herrera, Hermes, Roberto Cavalli, among others. The newly added category called medical tourism, comprised of foreigners that come to Panama to receive medical treatments at lower prices than in the United States, has also contributed to this increase in visitors. International shows, conventions and international meetings are also very popular in Panama; more than 100 were held in Panama City in the last couple of years. This 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 conglomerate of different 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. New restaurants are constantly being opened in Panama City.

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. For more information on these two topics please refer to our FAIRS report within the GAIN system.

II. Market Structure

Panama started a campaign to promote Panama as a tourist destination, back in 2009. Even though said campaign is not as aggressive now, Panama is still an attractive tourist destination spot for foreigners. Tourists from different countries visit Panama for pleasure and/or to attend congresses and

conferences. Panama is a very convenient place, especially for U.S. travelers since the local currency is the dollar. The number of airlines that fly to Panama is constantly growing, and airlines already in the country are adding new direct flights. Panama's Copa Airlines' constant growth that has led to a 100 plane fleet and their association with Star Alliance contribute enormously to this growth. Also Air Panama, regularly a domestic airline, is promoting a few international flights to Costa Rica and Colombia. Most major airlines have a presence in Panama, including U.S. international airlines such as American Airlines, United, and Delta; Aero México, Air France, Aruba Airlines, Avianca, Avior Airlines, KLM, Tame from Ecuador, Conviasa, Condor from Germany, Geteca Aviation, Iberia from Spain, Curacao Antilles Express, Taca, West Jet, Spirit, Santa Barbara, Finnair, Lufthansa, SBA Airlines, Tap Portugal, Venezolana, Viva Colombia.

A brand new airport was built in the central provinces of Panama, near beach resorts and other amenities in the central and western area. It is able to receive direct charter and other international flights. So far, it has had slow traffic, and is only used for a limited number of charter flights and as a secondary airport. Major domestic airports have been remodeled and upgraded in order to be able to serve as international airports and secondary airports in case of need. These newly built and remodeled airports in the Central Provinces and David, will serve certain tourism spots on mountains and beaches towards the western side of Panama. The one in Colon, on the north of Panama where the Colon Free Zone is located, was remodeled to be able to receive international flights, but is not being used for that purpose yet.

Many beach resorts are located in the central provinces; an area that has received the major investment in the tourism sector, as well as towards the Southwest. However, new beach resorts are being developed in the Western part of Panama, in the province of Chiriqui which was mainly only focused on mountain resorts in the past. The province of Colon, towards the North of Panama is also developing new beach resorts on the Caribbean coast of the country.

A new Convention Center is being built in the Causeway area, near the Panama Canal. For the time being, all conventions and showcases are being done at the old Atlapa Convention Center and large hotels.

Due to this steady growth of tourism, the hotel industry has doubled its size during the last five years, as said, from 5,863 rooms in 2011 to 10,455 as of September 2015. U.S. and international hotel chains present in Panama include Waldorf, Hilton, Marriott, Bristol, Country Inn, Sheraton, Radisson, Holiday Inn, Intercontinental, Riu, Trump, Westin, Manrey,

Wyndham Garden, and Courtyard Marriott, Novotel, and Tryp. Relatively new tourism resorts are also established and being developed in the Panamanian coasts and islands such as Melia, Decameron, Avalon, Nikki Beach, etc. Major hotels such as Marriott and Sheraton have gone into resort facilities within the beaches in the central provinces. The overall increase in the hotel and restaurant business during 2015 has been 2%.

Restaurants in Panama City are 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 and international cuisine is good and ample.

For further reference and comments on the many restaurant options in Panama you may check the link www.degustapanama.com. This site provides information on dining by food type, location, with information on food quality, service, atmosphere of the restaurant, prices, and customer comments and recommendations.

There is a large number of catering service companies and approximately 111 local and international 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, Little Caesar's, Taco Bell, Hooters, Wing Zone, Rosa Mexicano, Pollo Tropical, Pio Pio, Juan Valdez, Hard Rock Café, Tamburelli's, Don Lee, and Tony Roma's. Starbucks just opened its first coffee shop in Panama this year, and will soon open new shops in the main malls of the city.

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

In addition to hotels and restaurants, Panama's food services sector also serves a large number of cargo and cruise 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 were reduced or will be phased

out after the implementation of the TPA between Panama and the United States in 2013. 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 even though price is an important factor to consider in the Panamanian market, there is an increasing number of the population more interested in quality, healthy and trend-setting goods. This is due to an increase in the acquisition budget of families, not only due to higher incomes at some instances, but the trend of younger professionals staying longer at home with their parents, which in turn increase the family budget for food products and specialties.

For further details please see our Exporter Guide Report within this GAIN reports system.

IV. Competition

The United States faces varying competition according to product type. 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 Trade Promotion Agreement between the United States and Panama enters completely into force.

In addition, the United States faces competition from countries that have free trade agreements with Panama. These countries include Canada, the European Union, Canada, Mexico, Colombia, Peru, Guatemala, Costa Rica, Chile and Taiwan.

The TPA will reduce or eliminate their competitive edge.

V. Best Prospects

High value products offer good market opportunities in Panama, especially ready-made or convenience foods, and 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 2015 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:

- Precooked potatoes
- Snacks
- Frozen or Ready-made Food
- Healthy choices
- Seafood
- Cheese
- Vegetable Oil
- Frozen Vegetables
- Condiments
- Dressings
- Margarine
- Mayonnaise
- Mustard
- Beer
- Dairy Products

As far as hotels and restaurants are concerned, Panama City is well developed, but new restaurants and ideas are always welcome and generally successful. Opportunities at the beaches and smaller towns in the country side are still good prospects for growth and development. Besides typical food restaurants at the countryside, several miscellaneous ethnic restaurants and franchises such as McDonalds, Subway, KFC, Domino's Pizza, etc. have opened in these areas.

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. Panama received an investment rating 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 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

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Website: <http://panama.usembassy.gov/fas.html>

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Ms. Candice Bruce, Regional Agricultural Attaché (based in San Jose, Costa Rica)

Miss Arlene Villalaz, Agricultural Specialist for Panama

Ms. Maria Victoria Guardia, Administrative Assistant for Panama

Economic Section, U.S. Department of State

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Tel: (507) 317-5301

U.S. Commercial Service

Tel: (507) 317-5000

Fax: (507) 317-1658

www.buyusa.gov/panama/en/

Mr. John Coronado, Senior Commercial Officer

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2. **Public Institutions:**

Autoridad Panameña de Seguridad de Alimentos (AUPSA)

Panamanian Food Safety Authority

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Ministerio de Comercio e Industrias,

(Ministry of Commerce and Industries)

Mr. Meliton A. Arrocha, Minister

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Ministerio de Desarrollo Agropecuario,

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Ministerio de Salud,
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3. American Chamber of Commerce and Industry of Panama (AmCham)

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Panama, Republic of Panama
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4. ACOVIPA - Panamanian Association of Importers and Distributors of Food Products

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