

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## **Panama**

### **Food Service - Hotel Restaurant Institutional**

#### **HRI Report for Panama 2011**

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**Report Highlights:**

Panama is one of the most dynamic countries in Latin America, with an estimated growth of 7.5%, and an enormous increase in tourism, therefore the hotel and restaurant business represent a great opportunity for U.S. food exports.

## Post:

Panama City

## Executive Summary:

### I. Market Overview

#### Economic Situation

Panama has become the most dynamic country in Latin America. It ended 2010 with a very healthy economy and it is expected that this economic growth will continue or even surpass the 7% of 2010. The Economic Commission for Latin America and the Caribbean estimates a 7.5% growth for 2011.

Most of this growth is based in major works such as the Panama Canal expansion that has created more than 8,000 new jobs, the start of the construction of a major metro system for Panama that includes a complete reorganization of the road system that is expected to improve and change the face and the way of mobilization of Panama City.

Among those economic factors of growth, Tourism represents a high percentage of said growth of approximately 9.6 for 2008 and 9.7 for 2009 as per last available statistics below:



PARTICIPACION DEL GASTO TURÍSTICO EN EL PIB DE PANAMÁ.  
(en millones de balboas)

AÑOS	PIB A PRECIOS CORRIENTES	% DE CRECIMIENTO	GASTO TURÍSTICO	% DE CRECIMIENTO	PT/PIB
1999	11,456.3	4.8	503.6	2.7	4.4
2000	11,620.5	1.4	625.9	24.3	5.4
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	1,104.5	22.7	7.1
2006	17,133.8	10.8	1,445.5	30.9	8.4
2007 R/	19,793.7	15.5	1,799.2	24.5	9.1
2008 P/	23,183.9	17.1	2,217.0	23.2	9.6
2009 E/	23,349.4	0.7	2,268.8	2.3	9.7

(R): Cifra Revisadas  
(P): Cifra Preliminares  
(E): Cifra Estimadas

Fuente: Contraloría General de la República y Autoridad de Turismo de Panamá.

Even though world economic crisis lowered this increase to approximately 2% in 2009, the number of visitors has been increasing considerably and hotels and restaurants have experienced an increase of approximately 6.2% within the last year, and it is expected that this growth will continue throughout 2014. The various factors that have contributed to this increase are: 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; the improvement of world economic situation especially in the United States and Canada. Also the continuous immigration of American, Canadian and European retirees that

move permanently to Panama or live half a year in Panama and Venezuelans, Colombians that have made Panama their temporary residence. 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, earning high incomes, thus creating a good opportunity for variety and high value products. Examples of these companies are Dell, Maersk, Procter and Gamble, Caterpillar, Mars, Adidas, SAB Miller, among others. There is also a new category called medical tourism, comprised of foreigners that come to Panama to receive first class medical treatments at fairly reasonable prices as compared to the United States.

This 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 you may find restaurants of all kinds and 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 of December 30, 2010, Gain Report No. PN10009.

## II Market Structure

Panama has begun a very aggressive promotional campaign for Panama 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 their numbers 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 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 and building an airport city in a property of approximately 300 hectares adjacent to the airport. Also a new Convention Center, as Panama will host during the upcoming two years, approximately 48 international conventions and congresses, twenty of which will have more than one thousand participants.

Panama City currently has approximately 77 hotels, and six under construction. Total number of available rooms in the country, counting beach resorts is approximately 17,000. Most major U.S. and international hotels are present in Panama such as Marriott, Bristol, Country Inn, Sheraton, Radisson, Holiday Inn, Intercontinental, Riu, 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 increase in tourism and the large number of international immigration, and the fact that Panama's middle and high income population is pretty sophisticated, 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 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, Macarroni Grill, Little Caesars.

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 has few market access problems. U.S. products enjoy a high quality image and are well accepted. Import duties are reasonable and customs clearance is relatively fast and straightforward. Most of these 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 you may also read our 2010 Exporter Guide Report, GAIN Report No. PN10010.

#### 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.

#### V. Best Prospects

High value products offer good market opportunities in Panama, specially 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, wheat flour, as stated in our 2010 Export Guide Report of December 30, 2010, GAIN Report No. PN10010. 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  
Sea Food  
Cheese  
Vegetable Oil  
Frozen Vegetables  
Condiments  
Dressings  
Margarine  
Mayonnaise  
Mustard

As far as hotels and restaurants are concerned, Panama City is pretty well Developed; however, beaches and other smaller towns in the country still offer a great opportunity for growth and development in this area.

## 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 is 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.

Panama has the higher per capita income in Latin America, but while the majority of Panamanians are interested in quality, price still plays an important role in the purchase decision.

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

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