

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## Caribbean Basin

### HRI FOOD SERVICE SECTOR

#### Bermuda 2010 HRI Food Service Sector Report

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**Report Highlights:**

Bermuda continues to be a key tourist destination with a vibrant hospitality industry that has battled with a decrease in tourist arrivals over the last three years. Visitors spent over \$60 million in food and beverage products in 2008. Despite its small size (a mere 54 sq. km), the island enjoys one of the highest per capita incomes in the world and demand for high-quality food products is on the rise. U.S. suppliers will find that Bermuda is very open to their products, but must be willing to develop strong relationships with both local importers and large hotels/restaurants to be successful.

**Post:** Miami ATO

**Author Defined:****Section I. Market Summary****A. Country Snapshot**

Bermuda is an overseas territory of the United Kingdom with internal self-government. It is located about 600 miles off the coast of Cape Hatteras, North Carolina. With approximately 54 sq. km. (21 sq. miles) in size and a population of 67,837 (2009 est.), Bermuda has one of the highest population densities in the world. The island is divided into nine parishes: Devonshire, Hamilton, Paget, Pembroke, Saint George's, Sandy's, Smiths, Southampton, and Warwick. Pembroke, which includes the nation's capital, Hamilton City, has the most inhabitants of any parish (nearly 11,500) and Paget the least (under 5,000). The rest of the population is evenly distributed throughout the other parishes.

With a per capita GDP of \$91,477 (2008 est.), Bermuda has one of the wealthiest populations in the western hemisphere. Unemployment is virtually nonexistent at 2.1% (2004 est.), making minimum wages and cost of living high. Bermuda's economy is based primarily on international business and tourism. One reason for the high GDP is that Bermuda has successfully exploited the international financial services sector. International business constituted over 27 percent of Bermuda's total GDP in 2008. Both offshore banking and insurance companies are offered attractive business incentives. The world headquarters of many high profile companies are located on the island.

The tourism industry traditionally contributed the most to the local economy, although international business has grown extensively and has become the number one activity on the island. Although the role of tourism has declined in the past years due to a weaker U.S. dollar, and reduced flights by airlines, it is still very important to the island's economy due to the fact that it employs the largest number of Bermudians. The industry accounts for an estimated 14 percent of GDP and attracts 80 percent of its business from the United States. Bermuda has luxury tourist facilities that accommodate almost half a million visitors annually.

Agriculture accounts for only a minute share of GDP (approximately 1 percent) given that only twenty percent of the island's small land area is arable. Limited water resources and a high population density also restrict agricultural activity. Local agricultural production is limited to bananas, grapefruit, citrus, other fruit and vegetables, flowers, honey, eggs and dairy products. Fishermen harvest lobster (available only from September-March due to fishing restrictions), Bermuda's rockfish, red snapper, shark and mussels. There are also some commercial flower

growers who supply a variety of long stemmed cut flowers for the local market.

When certain locally grown food products are in season, temporary embargoes are placed by the Government Marketing Center on the importation of competing products to protect local farmers. Embargoes can be imposed and lifted several times throughout the year. During November 2009, Bermuda enacted embargos on various items including: cauliflower, parsley (Italian), daikon, and dills.

In mid 2003, Bermuda formally joined the Caribbean Community (CARICOM), as an Associate (non-voting) Member. Although this was supposed to encourage and facilitate trade between Bermuda and Caribbean nations, in 2009 there is still no air or sea cargo services that exist between them. All imports to Bermuda from the Caribbean continue to enter the country through the United States or Canada.

The United States maintains a dominant presence in the market as Bermuda's primary trading partner. The major drivers pushing the success of U.S. goods are the availability, abundance and quality of the products imported. Most U.S. products are shipped out of Newark, New Jersey and to a lesser extent out of Jacksonville, Florida. U.S. food imports destined to the HRI food service sector account for approximately 35-45 percent of total U.S. food imports while the retail sector is estimated to account for 55-65 percent of the total.

Import duties are a major source of revenue for the Government of Bermuda. Tariffs on food products can reach up to 22.5 percent. The following list contains some agricultural items and their respective duty rates:

- Beef, poultry and pork: 5 percent
- Fish: 5 percent
- All other seafood products: 10 percent
- Dairy: 0 percent
- Ornamental plants: 33.5 percent
- Fruits and vegetables: 5 percent
- Sugars and sugar confectionary:
  - Cane or Beet: 0 percent
  - Confectionary: 25 percent
- Prepared foodstuff: between 5 and 10 percent
- Dog or cat food: 22.25 percent
- Fruit juices: 5 percent

- Coffee, tea and spices: 5 percent
- Wine: \$2.63 per bottle
- Spirits: \$24.15 per liter
- Mineral waters: between 15 and 35 percent

#### B. Tourism and the HRI Food Service Sector

Bermuda caters to high-end tourists and business visitors. The island is a high-end destination. The typical tourist is 40 to 59 years old, with a college degree and employed in a white-collar position earning an annual income which averages \$75,000. Approximately 50-60 percent are repeat visitors that stay an average of six nights, mostly between the peak season, which starts in April and extends up to October. It is estimated that all air travelers have an average expenditure of \$1,107 dollars in meals and beverages (excluding hotel meal plans). Cruise passengers spend an average of \$257.12 per person during their trip.

In 2008, Bermuda received more than 263, 000 air visitors, a decline of 14 percent from the previous year. As of 2009, six major U.S. airlines (Continental, American, Delta, United, U.S. Airways, and JetBlue) service Bermuda from major east coast metropolitan areas such as Boston, Newark, Philadelphia, Baltimore, Washington, D.C., Atlanta, Charlotte and Miami. Air Canada and British Airways are the only other two airlines servicing Bermuda.

<b>Bermuda Tourist Arrivals</b>			
<b>2004-2008</b>			
<b>Year</b>	<b>Air</b>	<b>Cruise</b>	<b>TOTAL</b>
2004	271,617	206,133	477,750
2005	269,568	247,259	516,827
2006	298,973	336,299	636,272
2007	305,548	354,024	659,572
2008	263,613	286,409	550,022

Source: Bermuda Department of Tourism

Cruise ships dock at three separate points on the island: Royal Naval Dockyard (west), Hamilton City (center), and St George's (east). The island's total number of cruise ship visits totaled 138 in 2009 and cruise passengers account for over half of all visitors. In 2008, the island received more than 286,000 sea tourists (excluding yachtsmen), which is the highest number recorded in the past quarter of a century. Generally, cruise passengers do not contribute as much to the HRI food service sector as they only spend a quarter of that of their air counterparts on meals and beverages.

The United States is the source of more visitors to Bermuda than all other countries combined. In 2008 U.S. tourists accounted for 75 percent of all tourist arrivals. Europe and Canada account for most of the remaining visitors, with 12 percent and 9 percent of the total, respectively. Visitors from the rest of the world make up only four percent of tourist arrivals.

In an effort to boost tourism, the hospitality industry has been revamped and new hotel developments have been constructed. The new 5-star luxury Tucker’s Point Club was inaugurated in July, 2009 and two major new hotels are planned to open in the next few years, including a Ritz Carlton. In addition, new flights are being assessed to further help elevate the tourist count. It is expected that the continuous growth in international business will have a positive impact on tourism.

Type of Accommodation	Number	Rooms	
		#	%
Resorts	6	1,948	61.2
Small Hotels	10	372	11.7
Guest House	11	82	2.6
Cottage Colonies	10	498	15.6
Housekeeping Cottages	25	283	8.9
<b>TOTAL</b>	<b>62</b>	<b>3,183</b>	<b>100.0</b>

Source: Bermuda Department of Tourism

Bermuda has 62 major accommodations including resorts, small hotels, guesthouses, cottage colonies, and housekeeping cottages. They are all consistently ranked among the world’s best, despite the absence of brand name chains. Nearly 3,200 rooms are available to the international traveler. The previous table outlines the number and percentage of units per type of accommodation. The table excludes a great number of small houses that are also used by visitors.

With over 150 restaurants, Bermuda is one of the countries with more restaurants per square mile in the world. Visitors are exposed to everything from chic international cuisine at fine dining restaurants to conch stew at roadside cafes. American, Japanese, Italian, Indian, Chinese, English, French, and Mexican cuisines are found throughout the island. About half of all restaurants are independently owned – outside of lodging premises.

Advantages	Challenges
The United States is the leading supplier of food and beverage products into Bermuda, accounting for 76 percent of all imports.	The world's economic recession has negatively impacted the island's tourism industry.
Overall Bermuda is very receptive to U.S. products. Bermuda accepts USDA and FDA food standards and regulations on all food products imported from the United States. Product clearance is usually quick and straightforward.	Tariffs on selected items can reach up to 22.5 percent as a result of the government protecting local businesses.
The United States has more visitors to Bermuda than all other countries combined and they prefer American food products.	The island is vulnerable to extreme weather conditions like hurricanes and tropical depressions, which greatly affect the tourism industry.
There is no food labeling legislation for imported products.	Bermuda may prohibit the importation of specific fresh fruits, vegetables, and flowers during unspecified periods throughout the year.
Only twenty percent of Bermuda's land is arable, limiting local agricultural production and allowing for imports of all commodities.	Bermuda, being a high-end destination, is at a price disadvantage in relation to most Caribbean destinations, which offer more affordable vacation packages.
The United States is the island's closest trading partner, which allows for lower shipping times compared to other competitors.	Narrow road infrastructure limits all cargo traffic to the island to 20ft. containers and forces the government to limit the number of delivery trucks that can be used for distribution.

## Section II. Road Map for Market Entry

### A. Entry Strategy

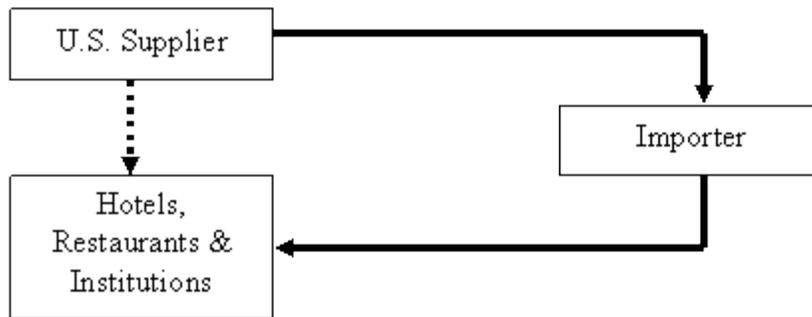
Before deciding to enter the profitable yet demanding HRI sector, it is highly recommended that U.S. exporters conduct market research and develop a thorough market entry plan. A trip to the island is necessary to get a feel for the market and to work at establishing relationships with key players in the sector.

Due to a well-established local distribution network, the best way for a U.S. supplier to introduce new products into Bermuda's HRI sector is through local importers. Some importers have a separate division within the company that responds directly to the HRI's specific needs. U.S. exporters should first send product literature and samples to both the hotel/restaurant and the importer. Once interested, the hotel/restaurant will likely ask the supplier to work through their food importer or distributor. Importers will want to meet the U.S. supplier on the island to close the negotiation.

In addition, a U.S. supplier could also enter the market by contacting the large hotels and accommodation facilities or the several groups of restaurants that operate on the island. They have the financial resources to import directly from the United States. As with the importers; they will require product literature and product samples. After reviewing the product offering, they will more than likely meet the U.S. supplier to close the business.

## B. Market Structure

Product Flow of Imported Products:



In Bermuda, the majority of food and beverage products sold to hotels, restaurants and institutions are supplied by a handful of importers, which usually distribute their products to all their customers throughout the island. Resorts, in addition to other large accommodations with sufficient buying power, usually import food products directly from the United States. Restaurants sporadically import food products, including specialty items and alcoholic beverages. Institutions rarely, if ever, import directly.

The HRI sector in Bermuda also buys from local producers and manufacturers. Hotels are only allowed to import fruits and vegetables when local production does not meet their demand or when it does not meet the hotel's quality standards. The Ministry of the Environment & Sports Department of Conservation regularly places embargo notices and regulates importation of

commodities that pose a threat to local producers.

### C. Sub-Sector Profiles

#### 1. Hotels and Resorts

<b>Name &amp; Type</b>	<b>Location &amp; Parish</b>	<b>Rooms</b>	<b>Purchasing Agent</b>
Fairmount Southampton Resort	South Shore, Southampton Parish	595	Local & Direct Importer
Fairmount Hamilton Princess Resort	Hamilton, Pembroke Parish	410	Local & Direct Importer
Elbow Beach Resort	South Shore, Paget Parish	333	Local & Direct Importer
Grotto Bay Hotel Resort	Blue Hole Hill, Hamilton Parish	201	Local & Direct Importer
Cambridge Beaches Cottage Colony	King's Point Road, Sandy's Parish	97	Local Importer
Nine Beaches Cottage Colony	Daniel's Head Road, Sandy's Parish	88	Local Importer
Pink Beach Club & Cottages Cottage Colony	South Road Smith's Parish	94	Local Importer
The Reefs Hotel	South Road, Southampton Parish	93	Local Importer
The St. George's Club Cottage Colony	Rose Hill, St. George's Parish	71	Local Importer
Harmony Club Hotel	South Road, Paget Parish	68	Local Importer
Stonington Beach Hotel	South Shore, Paget Parish	66	Local Importer
Willowbank Cottage Colony	Ely's Harbour, Sandy's Parish	65	Local Importer
Coral Beach & Tennis Club Club	South Road, Paget Parish	62	Local Importer
Pompano Beach Club Hotel	Pompano Beach Rd., Southampton Parish	74	Local Importer

Bermuda has a wide range of top-quality accommodations that are second to none. The list above includes the nation's biggest in terms of number of rooms and facilities. Accommodations consist of but are not limited to, resorts, small hotels, guesthouses, cottage colonies, private clubs, and housekeeping cottages. The majority of lodgings offer a choice of meal plans. The Modified

American Plan (MAP), which offers breakfast and dinner, and the Bermuda Plan (BP), which includes a full breakfast but no dinner, are the most popular among them. The Fairmount Hamilton Princess and the St. George’s Club Cottage Colony do not offer meal plan options. To stimulate growth in the tourism industry, the government instituted the 2009-2010 Passport to Bermuda Savings Book. This promotion will provide travelers with several discounts for eating out as well for shopping and services on the island.

The overwhelming majority of lodging facilities have at least one restaurant. Resort hotels like Elbow Beach, and the two Princess properties, each have three or more restaurants. The Fairmont Southampton Princess alone has six dining facilities and three bars.

## 2. Restaurants

<b>Name</b>	<b>Location or Parish</b>	<b>Type of Cuisine</b>	<b>Purchasing Agent</b>
Spot	City of Hamilton	Local Fast Food/Diner	Local Importer
Lobster Pot	City of Hamilton	Seafood	Local Importer
La Coquille	City of Hamilton	French	Local Importer
Bistro J	City of Hamilton	International	Local Importer
The Harbourfront	City of Hamilton	International	Local Importer
Henry VIII	Southampton	British & Local	Local Importer
Little Venice	City of Hamilton	Italian Gourmet	Local Importer
Rosa’s Cantina	City of Hamilton	Tex-Mex	Local Importer
Monte Carlo	City of Hamilton	Mediterranean/Italian	Local Importer
Barracuda Grill	City of Hamilton	International/Seafood	Local Importer
House of India	City of Hamilton	Indian	Local Importer
Chopsticks	City of Hamilton	Chinese/Thai	Local Importer
Ascots	Pembroke	Continental/International	Local Importer
Kentucky Fried Chicken	City of Hamilton	American Fast Food	Local Importer
Frescos	City of Hamilton	Local/Mediterranean	Local Importer

Bermuda has several groups of restaurants that are affiliated with one another. These groups often buy food and beverage products by joining their purchasing power to benefit from economies of scale. Hog Penny, the Pickled Onion, and Barracuda Grill compose the Bermuda Triangle Group. Little Venice Group of Restaurants includes eight restaurants: Little Venice, L’Oriental, the Harbourfront, La Trattoria, La Coquille, Forways Inn, Lido, and Mickey’s. Little Venice Group of Restaurants also offers catering services. Full service restaurants had a sales value of \$31 million dollars in 2008.

Bermuda offers a diverse menu of dining establishments ranging from gourmet, four-star dining establishments like Henry VIII; to simple, informal restaurants like Spot. Bermuda’s most family

oriented restaurant is probably La Trattoria. U.S. meat is identified in the menu as U.S. inspected. Only one outlet of Kentucky Fried Chicken is allowed to operate as an international restaurant franchise chain, but there are many other fast-food restaurants that are Bermudian-owned or majority Bermudian-owned. The fast food sector had a sales value of \$21 million in 2008.

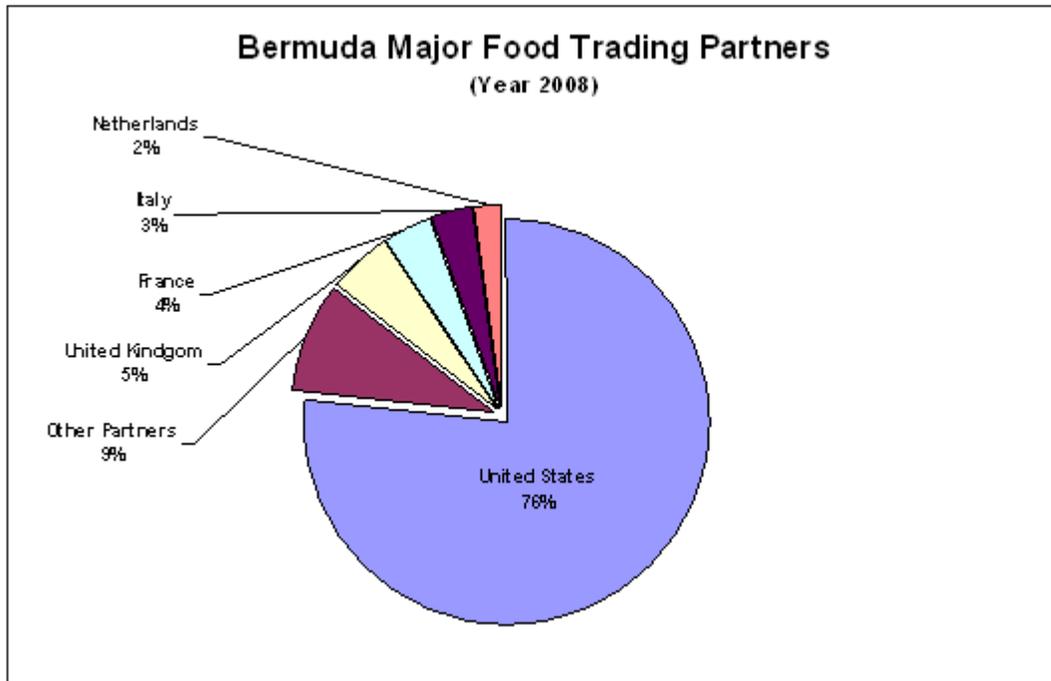
All restaurants appeal both to visitors and local residents. The first group saturates the dining facilities during the island's tourist season (April-October). Bermudans enjoy eating out all year round. Some of the reasons include: high disposable income, fast-paced lifestyle, and cultural heritage.

### 3. Institutional

Bermuda institutions do not play an important role in the importation of food products from the United States. The island has one main hospital and three prisons. Hospitals buy produce and dairy from local producers and everything else from local importers/distributors. Schools do not have a free lunch program.

## **Section III. Competition**

With a 76 percent market share, the United States clearly dominates Bermuda's market for food and beverage products. The only reason a U.S. exporter may find it difficult to sell a product in Bermuda is if an established competing American product is already in the market. For the most part, all the major brands are already present in the market. Other major trading partners include the U.K., Canada, Italy, France, and the Netherlands. In 2008, 76 percent of Bermuda's food and beverage imports were from the United States totaling \$140 million (according to UN data).



Source: UN Comtrade.

The following products and countries compete with U.S. products:

- Beef: New Zealand, Canada, United Kingdom, Netherlands, and Germany.
- Poultry: United Kingdom and Canada.
- Pork: Canada, Germany, United Kingdom, Italy, France, Ukraine, and Ireland.
- Fresh Produce: United Kingdom, Italy, and Canada.
- Seafood: United Kingdom, Canada, Netherlands, China, Denmark, France, Ireland, and Thailand.
- Dry Goods: Canada, Germany, United Kingdom, Netherlands, Switzerland, Belgium, and Italy.
- Dairy Products: New Zealand, Brazil, Canada, Switzerland, France, United Kingdom, Jamaica, Panama, Denmark, and Italy.
- Alcoholic Beverages: Australia, United Kingdom, Netherlands, Chile, Germany, Spain, France, Italy, Barbados, Bahrain, South Africa, Trinidad & Tobago, Sweden, and Mauritania.
- Non-Alcoholic Beverages: Canada, United Kingdom, France, Belgium, Italy, Denmark, and Germany.
- Specialty Foods: Canada, Switzerland, France, United Kingdom, Ireland, Brazil, Jamaica, Kenya, and Italy.
- Bakery Ingredients: Canada, United Kingdom, and Jamaica.

<b>Top 10 U.S. Food Products in Bermuda Import Market for 2009</b> (value in thousands of dollars)			
<b>U.S. High Value Food Product</b>	<b>2009 Value</b>	<b>U.S. High Value Food Product</b>	<b>2009 Value</b>
Red Meats	16,241	Fresh Fruit	5,704*
Poultry Meat	11,964	Fruit & Vegetable Juices	4,621*
Snack Foods	10,402*	Wine and Beer	4,220
Dairy Products	9,066*	Processed Fruit & Vegetable Juices	3,736
Fresh Vegetables	6,550	Breakfast Cereals	2,532

\* Denote highest export level since at least 1970.

Source: U.S. Bureau of the Census Trade Data.

#### **Section IV. Best Prospects**

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

Bermuda is a very high-end market in search of quality products. Market opportunities exist for a wide array of HRI products, including:

- High-end specialty items and gourmet products
- Meat products
- Premium jams, jellies and honey
- Fresh produce

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

Bermuda has a well-stocked retail market for food and beverage products. The island's rapid development has permitted an inflow of a vast array of different products. The following products are present in small volumes in the local market but good opportunities still exist for further penetration. They include:

- Mainstream food products
- Ethnic foods

##### **C. Products Not Present Because They Face Significant Barriers**

Products that are not allowed into Bermuda include:

- Citrus fruit from Florida
- Carrots
- Potatoes and sweet potatoes
- Corn

Others that are heavily restricted by high tariffs include:

- Spirits

## **Section V. Post Contact and Further Information**

For more information on Bermuda and a list of importers for your U.S. product, please contact:

Caribbean Basin Agricultural Trade Office  
Foreign Agricultural Service  
United States Department of Agriculture  
909 SE 1st Ave., Suite 720  
Miami, FL 33131  
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Additional reports on Bermuda and the Caribbean Basin can be found on the FAS website (<http://gain.fas.usda.gov/Pages/Default.aspx>). Some additional reports of interest include the 2010 Retail Sector Report for Bermuda, the 2009 Food & Agricultural Import Regulations and Standards Report for Bermuda, and the 2009 Exporter Guide for the Caribbean Basin.

