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HRI Food Service Sector Report

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HRI Food Service Sector

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Report Highlights:

U.S. suppliers will find that the $500 million food service market of Jamaica continues to present excellent export potential. However, U.S. exporters will face challenges in an increasing competitive environment and trade barriers. Fruits and vegetables, lamb, beef, cheeses and other dairy products, snack products and sauces are some of the products with the largest potential for the HRI sector.

General Information:

Jamaica & Dep
HRI Food Service Sector
Hotels, Restaurants, and Institutions Report
2010

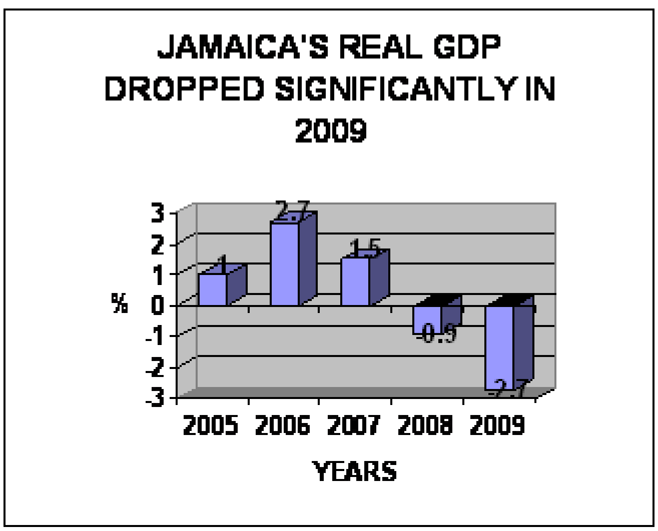
Market Summary

A. The Economic Situation

Currently the Jamaican economy is operating in a challenging global and macroeconomic environment. The economy recorded a contraction in real Gross Domestic Product (GDP) of 2.7 percent in 2009. The Hotels and Restaurants sector was one of the few sectors of the economy that grew in 2009, recording a 1.4 percent increase over 2008 and contributed 5.8 percent to overall GDP.

The main economic factors that are impacting negatively on the economy are the world recession, low GDP growth over several years, and the country's high debt burden. However, there have been some positive developments over the last year or so. These include the signing of an International Monetary Fund (IMF) agreement to stabilize the economy, the reduction of the domestic debt and an increase in the growth of the tourism and agriculture sectors.

Jamaica has registered the best performance for the tourism sector in the Caribbean. The Jamaican tourism sector has shown tremendous resilience over the last five years, increasing at an average annual rate of 5.5 percent. In 2009, 1.83 million stop-over tourists visited Jamaica earning revenues of US$1.94 billion. The Jamaican tourism outlook for 2010 and beyond is for continued growth of the sector with the building of large resort hotels in Kingston to cater to business travelers.

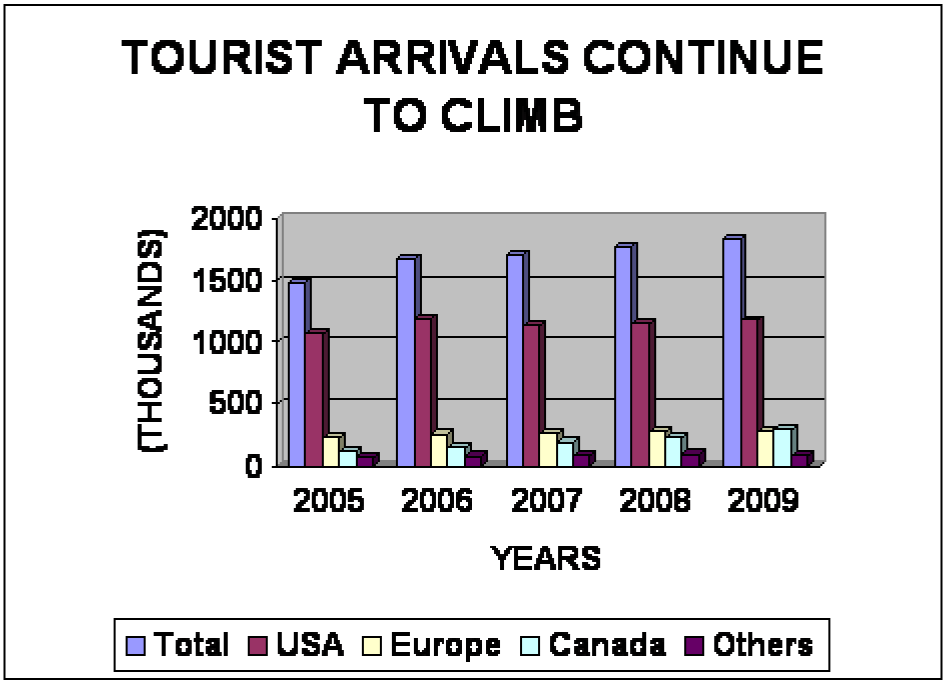


Source: Planning Institute of Jamaica (PIOJ) Annual Report 2009

B **Overview of the HRI Food Service Market**

Jamaica is one of the main tourist destinations in the Caribbean region, with just under two million visitor arrivals in 2009. Only Dominican Republic and Cuba receive more tourist than Jamaica (Caribbean Tourism Organization, 2010). The hotel sub-sector makes up approximately 70 percent of the total HRI market, followed by the restaurant sub-sector at 28 percent and the institutional subsector at 2 percent. Jamaica has an estimated 2,080 tourist accommodation establishments, including 227 hotels. It should be noted that over one million of these tourists were from the United States. U.S. tourists demand the same high quality food products that they have at home. In addition, numerous restaurants are located throughout Jamaica that caters for both locals and tourists. While no data is available on the value and growth of the individual HRI sub-sectors, in 2009, Jamaica's total consumer food service sector was valued at US$500 million, 10 percent higher than in 2008. Independent foodservice establishments constituted about 60 percent of the total value of food sales, while chained establishments contributed 40 percent.

In 2009, Jamaica imported US$802 million in food and beverages. Of the total amount of food products imported approximately 60 percent is directed towards the hotel, restaurant, and institutional (HRI) sector, while the remaining 40 percent is channeled to the household consumer via retail outlets such as supermarkets and small moms & pops.



Source: Jamaica Tourist Board – Annual Travel Statistics 2009

ADVANTAGES AND CHALLENGES FACING U.S. PRODUCTS IN THE HRI SECTOR IN JAMAICA	
Advantages	**Challenges**
The United States accounts for approximately 65 percent of Jamaica's annual tourist arrivals, hence creating a demand for U.S. food and beverage.	Certain products, particularly pork, poultry, and fresh vegetables are restricted by strong government support in protecting/favoring domestic agriculture.
The proximity of Jamaica to the United States and the exposure to the U.S. culture create a distinct preference for U.S. foods and other goods by the Jamaican consumer.	There are overly strict sanitary/phytosanitary requirements, burdensome labeling and other standards by regulatory agencies.
The growth of the tourism industry and services sector have increased the demand for imported products	The signing of a trade agreement with the European Union in 2009 and other agreements with Canada will increase market competition.
Proximity and ease of shipment work to the advantage of U.S. suppliers	Higher prices for U.S. products (e.g. wines, beers and frozen French fries) have resulted in U.S. products losing market share to cheaper products from EU , Canada and Latin America.
The seasonality of domestic food production and also the inconsistent quantity and quality of local food products creates opportunity for imports to fill these gaps.	With a population of approximately 3 million people imports orders tend to be relatively small and favor mixed rather than full container load for some products.

U.S. fast food franchises dominates Jamaica's restaurant segment and continue to expand	The lack of a vibrant economy limits the disposable income of the Jamaican consumer and hence the demands for U.S. products

II Road Map for Market Entry

A. Entry Strategy

The importer/distributor serves as the principal intermediary between suppliers and buyers. Therefore, U.S. suppliers wishing to enter the HRI food service market in Jamaica should start by contacting local importers/distributors. The local importers/distributors have wide access to the food and beverage markets, possess large warehouse facilitates and carry a relatively large inventory of products.
Most independent hotels either do not import or import smaller quantities of specialty products and it would be uneconomical to do business with them directly. However, direct sales to local hotel chains can be successful, since in some cases the local purchasing department acts on behalf of branches in other parts of the Caribbean.

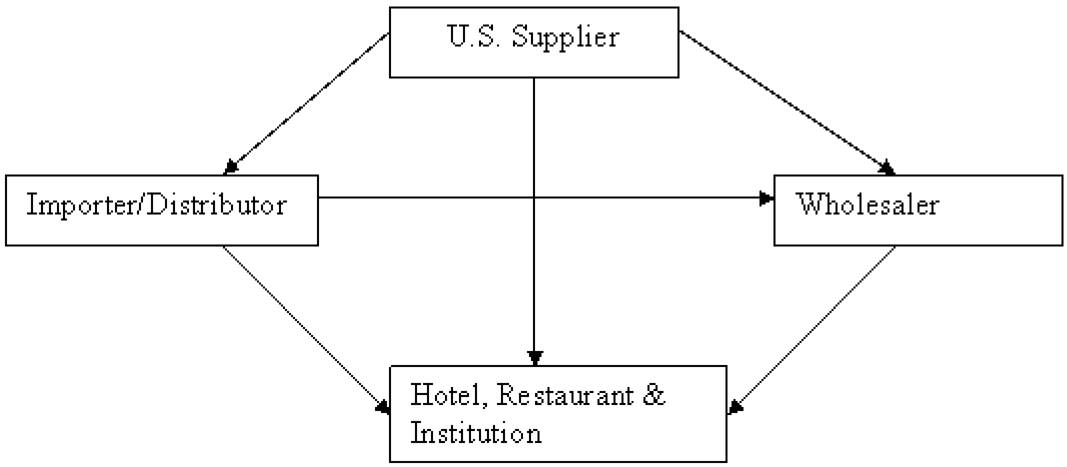
It should be noted that the fast food segment offers opportunities for direct sales while traditional restaurants procure a wide array of imported products from local intermediaries. In addition to appropriate pricing strategies and product support on the part of the US exporter, the success of imported products in the HRI sector is largely dependent on the importer/distributor selected. The intermediary's knowledge of the local market and distributional networks are critical factors.

B. Market Structure

The market structure of Jamaica's HRI food service sector has remained unchanged over the past five year and is relatively straight forward. The importer/distributor is the main link between the US Exporter and the Jamaican HRI sector, however, a small amount of products are supplied directly or through wholesalers to the HRI sector. In general, importers/distributors who supply products to the HRI sector specialize by fresh fruits and vegetables, meats, seafood, fruit and vegetables juices, or alcoholic beverages. However, a few large importers/distributors carry a much wider range of the product types.

The local importers/distributors bring in supplies and serve the various HRI outlets directly. They also sell to the wholesale trade which supplies the local restaurants and institutions. The HRI sector buys approximately 65 percent of their food and beverage products from the local importer/distributor (imported products), while local farmers and processors supply 20 percent of their food and beverage needs, 10 percent is obtained from local wholesale/retail outlets, and the remaining 5 percent of their needs are imported directly from overseas suppliers.

STRUCTURE OF THE HRI SECTOR IN JAMAICA



C. **Sub Sector Profiles**

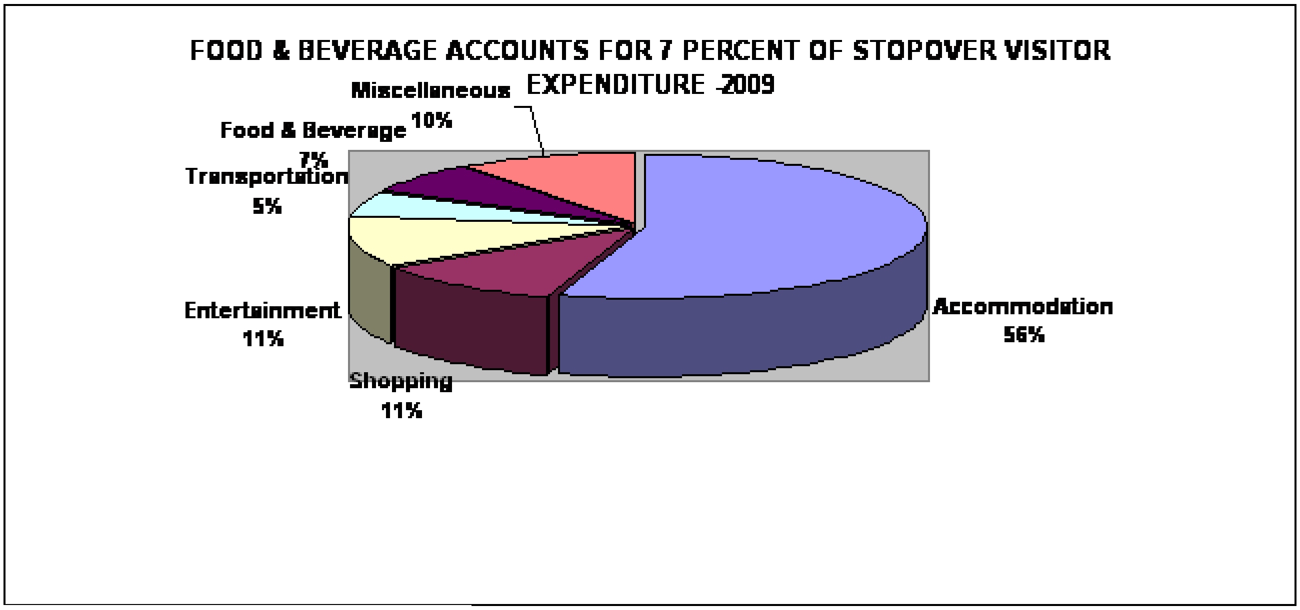
Hotels and Resorts

Accommodations in Jamaica include all-inclusive resorts, luxurious hotels, affordable family hotels, self-catering apartments and villas, and intimate guest houses. Overall, Jamaica boasts over 2,000 accommodation establishments and approximately 31,000 rooms. Most accommodation establishments have at least one restaurant on property, usually a fine dining restaurant, a casual beach grill, and /or a family style/buffet breakfast or lunch eatery. It is not unusual for the large-scale hotels and resorts to have as many as seven or more restaurants on their properties. In general, large-scale hotels and resorts possess their own warehouses and typically import and receive weekly shipments of some food and beverage products from US suppliers. However, it should be noted these establishments rely on local importers/distributors for most of their food and beverage needs. In addition, local farmers and to some extent local processors/agro processors also supply the hotel sub-sector.

The majority of the other accommodation establishments, which include small hotels, plantation inns, guest houses, and bed & breakfasts, purchase a substantial amount of their food and beverage needs from local farmers and processors. They also use a fair amount of products from foreign suppliers which they obtained through the local importer/distributor.

US products represent the majority of the total food and beverage purchases made by the accommodation sector. The hotel subsector obtained between 60 - 70 percent of the total food and beverage purchases from the US while the other accommodation entities 40 to 50 percent.

Tourist Accommodation Continue To Rise				
Year	Total Number of Rooms	% Change	Occupancy Rate	% of Rooms in Hotel/Resort
2005	26,039	-	61.9	72.3
2006	26,675	2.4	62.8	73.3
2007	27,711	3.9	63.2	73.0
2008	29,794	7.5	60.4	75.0
2009	30,347	1.9	59.0	75.2
Source: Jamaica Tourist Board - Annual Travel Statistics 2009				



Source: Jamaica Tourist Board - Annual Report 2009

Total hotel rooms during 2009 were 30,347 with all-inclusive, non all-inclusive and other accommodation accounting for 52%, 18% and 30%, respectively. Total room capacity is expected to expand significantly during 2010 and beyond. The Spanish Groups RIU and Iberostar are planning new all-inclusive resorts on Jamaica's North Coast. In addition, local entrepreneurs are planning on opening new business hotels in Kingston.

MAJOR HOTELS IN JAMAICA				
Name of Hotel/Resort	**Location**	**Number of Hotels**	**Total Rooms**	**Purchasing Agents**
Sunset Beach Resorts	Ocho Rios/Montego Bay/Negril	3	1158	Importer
Breezes Resorts	Montego Bay/Runaway Bay/Negril	4	982	Direct/Importer
Sandals Resorts	Ocho Rios/Montego Bay/Negril	7	2315	Direct/Importer
Beaches Resorts	Ocho Rios/Negril	3	460	Direct/Importer
Couples Resorts	Ocho Rios/Negril	4	577	Direct Importer
Riu Hotels & Resorts	Negril/Montego Bay/Ocho Rios	4	2393	Importer
Iberostar	Montego Bay	3	978	Importer
Hedonism	Negril/Runaway Bay	2	490	Importer
Holiday Inn	Montego Bay	1	524	Importer
Half Moon Hotel	Montego Bay	1	398	Direct/Importer
Franklyn D. Resorts (FDR)	Runaway Bay/Trelawny	2	172	Importer

2. **Restaurants**

In general, Jamaica has a relatively large number of independent restaurants compared to chain establishments. These restaurants are located in the urban towns outside of guest accommodations and they cater to both local and tourist populations. At these restaurants, all types of cuisines are available and they mainly use local food products. However, they also procure imported food and beverage products from the importer/distributor channel. It should be noted that they do not import products directly from overseas suppliers due to their relatively small size (lack economies of scale - economic reasons). US products represent between 35 to 40 percent of the total food and beverage purchases made by the independent restaurants in Jamaica.

Chained food service outlets present in Jamaica include restaurants such as T.G.I Friday's, and several US fast food chains such as Burger King, Kentucky Fried Chicken, Domino's Pizza, Pizza Hut, Wendy's and Subway. The fast food restaurants are the fastest growing segment of the restaurant sub-sector and provide excellent opportunities for US exports. Most U.S. franchisees have modified their menu to meet Jamaican consumers' taste preferences. Fast food franchises use between 20-50% U.S. products. The major local products that are used by local independent fast food franchises are: beef, chicken, fruit juices, vegetables, eggs and pork products. The major imported products are potatoes, french fries, vegetable oils, ketchup, sauces, bakery products, chicken fillet and cheeses. High duties and questionable sanitary/phytosanitary regulations have forced for local meats, dairy products, fruits and vegetables and eggs in the restaurants sub-section.

Restaurant Profiles (2009)				
Name of Restaurant	**Type**	**Locations**	**Number of Outlets**	**Purchasing Agents**
Burger King	Fast Food	Country wide	26	Direct/Importer
Kentucky Fried Chicken	Fast Food	Country wide	33	Direct/Importer
Domino's Pizza	Fast Food	Kingston and Montego Bay	9	Direct/Importer
Pizza Hut	Fast Food	Kingston and Montego Bay	5	Direct/Importer
Wendy's	Fast Food	Kingston and Montego Bay	3	Importer
Subway	Fast food	Kingston	2	Direct/Importer
Island Grill	Fast Food	Country Wide	13	Importer
Rib Kage	Steak House	Kingston	2	Importer
Norma's	Traditional Family Type	Kingston	2	Importer
TGI Friday's	Chained Family Type	Kingston	1	Direct/Importer

3. Institutions

The institutional food service sub-sector does not present substantial opportunities for U.S. exports. This subsector is dominated by public institutions. Foods consumed in public institutions, that is, hospitals, infirmaries, schools and prisons are mainly supplied through government contracts with domestic producer groups, including the Jamaica Dairy Farmers Federation, the Beef Farmers Association, Jamaica Agricultural Society Farmers Groups, and Rural Agricultural Development Authority Farmers Group. However, bulk, unbranded commodity-type products and nutritionally enhanced lower-value products can find opportunities in this segment.

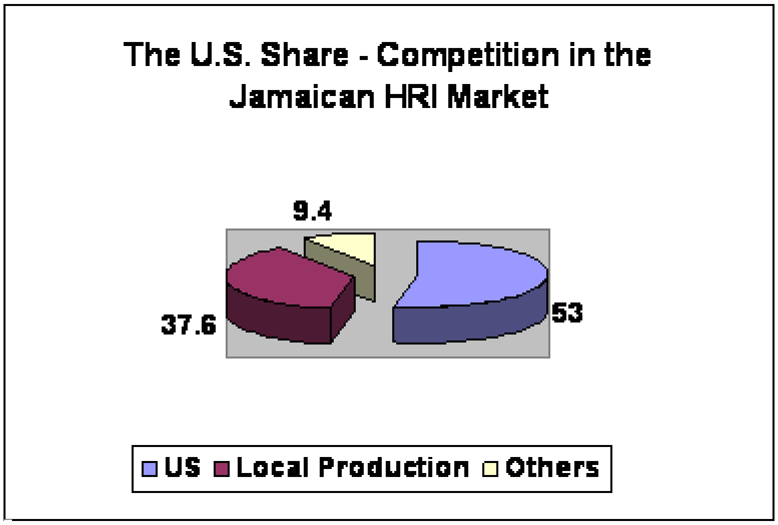
Generally, local farmers and food processors supply this sub-sector with most of its food and beverages needs. In addition, these institutions are also supplied by local importers/distributors channel.

III Competition

In general, the primary competition to U.S. products in the HRI food service sector is from local production. Most hotels and fast food franchises source beef, chicken, pork, fruits and vegetables from the domestic market. The government restricts the import of these products. However, local products could easily lose market share to imports due to inconsistent quantity and quality, if imports were allowed and even if prices were slightly higher. High-priced U.S. wines have captured only a very small share of the estimated US$25 million market for wines and other alcoholic beverages in the hotels sub-sector. The major competitors to U.S. wines are very low cost wines from Chile, Italy, France and Spain.

In addition to local production, high-end U.S. beef, lamb and specialty dairy products face competition from Australia and New Zealand. Guyana is the major competitor for U.S. seafood. French fries and whole potatoes from the U.S. have lost substantial market share to price-competitive products from Canada and the Netherlands. Most sauces, salad dressings, some fruits, vegetables,
bakery products and nuts are imported from the United States. As U.S. products become more expensive comparatively, their overall share of the Jamaican HRI food service market could decrease in the medium term. Price and quality are the main determinants of the source of a particular product.

Imported food and beverages in the hotels sub-sector varies between 40 and 60 percent of total food and beverage consumption, with the U.S. presently accounting for approximately 55 percent of total imported products. The relative size of the restaurants sub-sector and its high consumption of local products have drastically reduced the position of U.S. products in the overall HRI food service sector.



IV Best Product Prospects

(a) Products present in the market with good sales potential

In the Jamaican hotel and restaurant sub-sectors, fruits and vegetables, lamb, special cut of beef and veal, cheeses and other dairy products, French fries, potatoes, snack products, sauces, and wines are high in demand.

(b) Products not present in significant quantity but which have good sales potential
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Specialty cheeses are not available in sufficient quantities to hotels and restaurants. Seafood has good sales potential in the hotel sub-sector.

(c) Products not present because they face significant barriers

Significant barriers restrict sales of the following products: poultry (whole, leg quarters, etc), pork and pork products, meat, dairy, eggs, and processed food products. The poultry market is protected by high tariff rates while pork and pork products are restricted due to the presence of Pseudo-rabies in the U.S. as claimed by the local veterinary authorities. The other products are partially restricted in the market due to the difficulties and arbitrary requirements as demanded by the Jamaican veterinary authorities.

U.S. Products with Good Sales Potential

Product Category	2009 Imports ($ value)	5-Yr. Avg. Annual Growth	Import Tariff Rate (Average)	Key Constraints Over Market Development	Market Attractions for USA
Fresh fruits and vegetables	9,772, 086	126	70%	Government of Jamaica promotion of local production (import substitution program)	High quality, consistent supplies and good valve
Processed fruit & Vegetables	35,647,058	6.7	20%	Increased competition from Canada, EU and Caricom	A wide range of high quality products
Snack Foods	16,062,057	5.5	20%	Competition from Trinidad & Tobago due to Caricom's CET and relatively cheap products	A wider variety of products
Dairy Products	39,087,165	2.1	50%	High duties on selected products and SPS trade restrictions	High quality of products
Fruit and Vegetable Juices	21,970,567	8.0	40%	Dependent on the continued expansion of the tourism sector	A wide variety of products at competitive

					prices
Meats (excluding poultry)	37,743,868	44.0	86%	High duties and SPS trade restrictions	Consistent supplies of high quality products
Wine and Beer	7,076,900	15.0	30%	Small market size and relatively cheap wines from South America	High quality of products

V. Post Contact and Further Information

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