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Hotel Developments in The Bahamas Increase Demand for U.S. Foods

Report Categories:

Market Development Reports

Food Service - Hotel Restaurant Institutional

Promotion Opportunities

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Report Highlights:

According to the IMF (World Economic Outlook, January 2014), global economic “activity is expected to improve further in 2014–15, largely on account of recovery in the advanced economies.” This is much-needed good news for the tourist-dependent Caribbean, as advanced economies are the main source of visitors to the islands. The Bahamas in particular is seeking to capitalize on this expected growth with several new hotel projects coming on-line, not the least of which is a \$3.5 billion mega resort that is scheduled to open in December 2014. With little agricultural production of its own, The Bahamas will undoubtedly turn to its main trading partner, the United States, to source food and beverages to meet the growing demand. Thus, opportunities for U.S. suppliers couldn’t be brighter.

General Information:

I. The Bahamian Market for U.S. Consumer-Oriented Foods

The Bahamas is the third largest market for exports of U.S. consumer-oriented agricultural products in the Caribbean. Despite having

The Bahamas at a Glance	
Population	319,031 (July 2013 estimate)
Land Area	3,865 square miles
Number of Islands	30 inhabited islands, 661 cays, and about 2,387 exposed reefs
GDP (Purchasing Power Parity)	\$11.04 billion (2012 est.)
GDP Real Growth Rate	1.8% (2012)
GDP Per Capita	\$31,300 (2012 estimate)
Composition of GDP	Services 90.7%, industry 7.2%, agriculture 2.1%
Agricultural Products	Citrus, vegetables, poultry
Imports of Consumer-Oriented Ag. Products	\$466 million (2012)
U.S. Share	91.6%
Stop-Over Tourists	1,421,341 (2012)
Cruise Ship Visitors	4,434,161 (2012)
Source: CIA World Factbook, U.S. Embassy Nassau, UN Comtrade, and Caribbean Tourism Organization.	

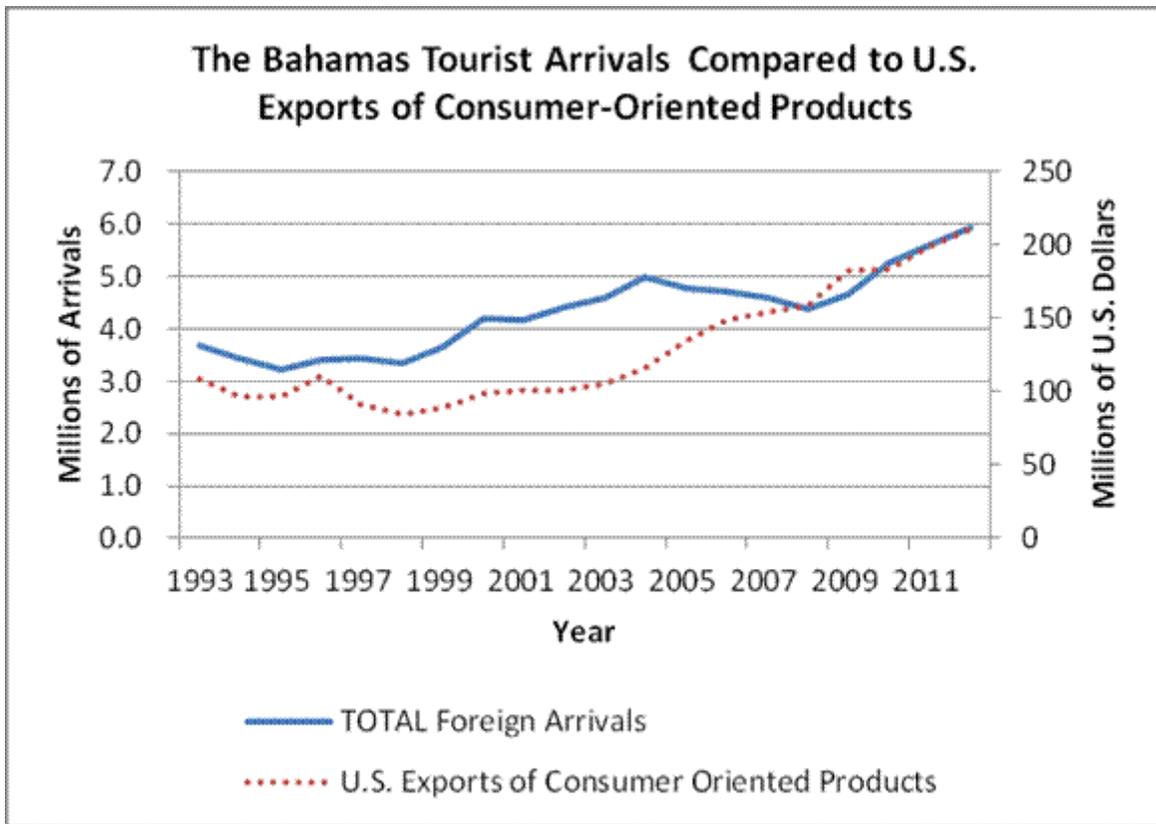
only 319,000 inhabitants, the natural beauty of this tropical archipelago attracts nearly 6 million tourists annually which in turn fuels the demand for food products. With very limited domestic agriculture, The Bahamas relies heavily on imported foods. Given its proximity to South Florida, a major hub for U.S. food exports, the lion's share of all food imports are channeled through South Florida ports. In fact, many imports from third countries are also sourced via South Florida.

According to UN Comtrade data as reported by Global Trade Atlas, in 2012 The Bahamas imported \$446 million (c.i.f. basis) in consumer-oriented agricultural products, of which \$427.2 million (91.7 percent) came from the United States. However, U.S. market share may be overstated as imports from third countries are often channeled through South Florida and thus may be counted as U.S. product. Nonetheless, the United States is by far the main supplier of consumer-oriented foods to The Bahamas.

Given limited domestic supplies, importers bring in the full range of food and beverage products. Some of these are channeled to the retail sector, but the largest share goes to the food service sector. There are several importers which service both sectors. Most importers are located in the capital city of Nassau, which is home to 70 percent of the population and 60 percent of all hotel rooms in The Bahamas. Local importers have relatively large warehouse facilities which are computerized and mechanized, and possess their own fleets of trucks and vans for distribution. Most of them carry a full line of fresh, frozen, and dry products, while a few of the importers specialize in providing fresh produce, seafood, and alcoholic beverages. One large import distribution company, Bahamas Food Services (owned by Sysco in the United States), dominates distribution of the HRI food service market. Hotels, restaurants and retail customers also source products from other island import/distribution companies. Most of the larger importers in Nassau distribute products to the other islands through regular boat service. However, there is direct container service from Florida to ports other than Nassau, such as Freeport in Grand Bahama and Marsh Harbour in Abaco.

II. Tourism and its Impact on Food Demand

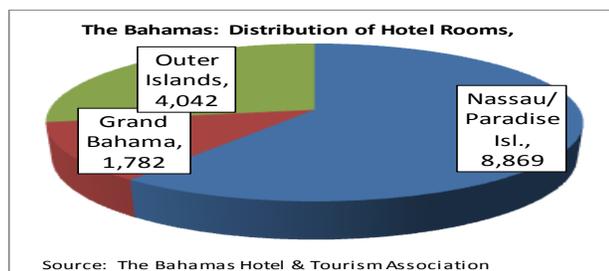
As shown in the graph below, in The Bahamas a strong correlation exists between tourist arrivals and U.S. exports of consumer-oriented products.



Source: The Bahamas Hotel and Tourism Association & U.S. Census Bureau trade data.

Quite simply, tourists drive the demand for food and beverage products in The Bahamas. In 2012 The Bahamas welcomed 5.86 million visitors, of which three quarters were cruise ship passengers and the remainder were stop-over visitors. Because cruise ship passengers have a short visit (usually ranging from several hours to a brief one-night stay) and they eat most of their meals on-board, their impact on food and beverage demand is much less than that of stop-over visitors. According to a 2011/12 Florida-Caribbean Cruise Association study, throughout the Caribbean less than 50 percent of cruise parties actually purchase food and beverages on-shore, and the weighted average spend per passenger on food and beverages is \$6.89. By contrast, on average stop-over visitors stay 6.8 nights per visit and consume all of their meals at on-shore eateries. The fact that 79 percent of all stop-over visitors in The Bahamas are from the United States also contributes to the strong demand for U.S. food and beverage products.

Proximity to the United States, beautiful beaches, and excellent tourist infrastructure all contribute to making The Bahamas one of the Caribbean destinations for stop-over visitors. According to Bahamian government statistics, in



top 5

2012

The Bahamas had 277 hotels with a total inventory of 14,693 rooms. This room inventory is getting a huge boost from several hotel projects which have just opened and others which are under construction. Other infrastructure projects also promise to improve the attractiveness of The Bahamas as a destination, which bodes well for the inflow of stop-over visitors and the subsequent increase in demand for food and beverages. Following is a summary of the some of the most prominent infrastructure developments taking place in The Bahamas.

New Providence/Paradise Island

- Baha Mar (\$3.5 billion project including four luxury hotels, a casino and a convention center). Scheduled to open in December 2014.
- Albany (\$1 billion private resort/vacation home community involving two small hotels). Scheduled to be completed in 2014.
- A 180-room hotel is undergoing a major renovation and will open in the Fall of 2014 under a major U.S. brand.
- A major renovation of an existing 200-room Paradise Island Harbour Resort by Warwick International Hotels group is to begin in the Summer of 2014, significantly upgrading the existing structure.
- A comprehensive redevelopment of the Lynden Pindling International Airport in Nassau (\$410 million project, including new domestic and international departures terminals and domestic arrivals terminal). Recently completed.
- A \$30-million national stadium was completed in 2011.



Baha Mar under construction. January 30, 2014.

Grand Bahama

- Memories Resort (500 rooms) opened in February 2014.

San Salvador

- Club Med resort (150 rooms) has recently opened and another hotel is being expanded.

Abaco

- Airport improvements are underway.

Bimini

- Airport improvements are underway.
- Resorts World Bimini, a \$350 million hotel/villas/casino/marina complex with 350 rooms is under construction. A planned second phase will add 600 more rooms.

The Baha Mar project alone could be a game changer for The Bahamas given its massive scale. The \$3.5 billion project is the largest tourism project under development in the Western Hemisphere. The project includes four luxury hotels (Rosewood, Mondrian, Grand Hyatt, and the Baha Mar Casino & Hotel) with a total of 2,900 rooms, a 97,000 ft² casino (the largest of its kind in the Caribbean), a 200,000 ft² state-of-the-art convention center (the largest in The Bahamas), an ESPA-branded 30,000 ft² spa, an 18-hole Jack Nicklaus signature golf course, and over 30 restaurants, bars and clubs. The project has reportedly accounted for 5 percent of The Bahamas' annual GDP in 2011 and 2012, and once it is fully operational this contribution is expected to average over 12 percent.

Export Potential for U.S. Suppliers

The boom in Bahamian tourism infrastructure will no doubt attract stop-over visitors in greater numbers. However, with such a large increase in hotel rooms, there is concern about generating enough occupancy for hotels to remain profitable. There are also concerns about generating enough air lift to bring visitors to the islands. Bahamian authorities are reportedly working with different air carriers to secure sufficient flights from key regions. While the United States will undoubtedly remain the main source of visitors to The Bahamas, some hotel operators are trying to diversify their clientele, specifically targeting visitors from Asia and Latin America. Interestingly, Bahamar has opened an office in Hong Kong to court Asian tourists to its resort.

However large the swell in stop-over tourists may be as a result of these new tourism projects, demand for imported foods is

certain to increase. As mentioned above, given that the Bahamas produces very little in terms of agricultural products, there are growing opportunities for practically all categories of U.S. consumer-oriented products. In 2013 record levels were set for U.S. exports of eggs & egg products, fresh fruit, fruit and vegetable juices, chocolate and cocoa products, and breakfast cereals. In addition, categories such as snacks, beef & beef products, pork & pork products, wine & beer, fresh vegetables, processed vegetables, and processed fruit have

U.S. Exports of Consumer-Oriented Products to The Bahamas, 2013		
Product Category	Value (US\$ 000's)	5 Yr. Avg. % Growth
Poultry Meat & Prods. (ex. eggs)	27,522	1
Dairy Products	20,875	--
Beef & Beef Products	19,324	5
Snack Foods NESOI	19,309	7
Fruit & Vegetable Juices	15,486*	6
Prepared Food	13,461	-6
Pork & Pork Products	12,610	5
Wine & Beer	9,570	6
Fresh Vegetables	9,422	17
Condiments & Sauces	8,157	2
Fresh Fruit	7,864*	8
Other Consumer Oriented	7,241	1
Processed Vegetables	6,558	7
Non-Alcoholic Bev. (ex. juices)	6,035	-8
Breakfast Cereals	5,182*	12
Meat Products NESOI	4,232	-9
Dog & Cat Food	4,086*	4
Chocolate & Cocoa Products	3,463*	8
Eggs & Products	3,184*	11
Processed Fruit	2,016	6
Tree Nuts	633	-2
Consumer Oriented Total	206,231	3
*Denotes highest export level since at least CY1970. Source: U.S. Census Bureau trade data.		

all shown healthy growth over the past five years.

How the different hotel brands at Baha Mar will go about their purchasing (jointly or separately) has not yet been determined yet and thus supply chain decisions for food and beverages have not been made either. In the interim, Bahamian importers of consumer-oriented products remain the best avenue for U.S. suppliers interested in selling to the different hotel properties throughout The Bahamas. For further information or to obtain a list of buyers in The Bahamas, please contact the Caribbean Basin Agricultural Trade Office (CBATO) at atocaribbeanbasin@fas.usda.gov or at (305) 536-5300.