

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## Caribbean Basin

### RETAIL FOOD SECTOR

#### Bermuda 2010 Retail Food Sector Report

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**Report Highlights:**

U.S. suppliers have doubled their exports of consumer-oriented agricultural products to Bermuda over the past five years, reaching \$99 million in 2009. 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 strong. U.S. suppliers will find Bermuda to be a very receptive market for their products, but they must be willing to carve their own niche in a competitive and sophisticated retail market, valued at an estimated \$327 million in 2009.

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Miami ATO

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**Section I. Market Summary**

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, Sandys, 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 soaring gas prices, 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.

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.

### Retail Sector

The nation's retail sector is composed of 25 supermarkets and grocery stores, and over 39 convenience stores including gas marts. They are all well spread out across the island. Every parish and municipality has at least one retail outlet. The average supermarket size is between 20,000 and 30,000 square feet. Grocery stores usually support villages and towns. However, a large supermarket is but a short distance away for everyone. Only locally owned stores are allowed in Bermuda and this explains why no international supermarket chains have entered the market.

Bermudian's high GDP per capita is reflected in their purchasing of very high-end, premium quality, and name brand products. Locals are very brand loyal and thus, difficult to sway. Major U.S. brands present in the market include: Del Monte, Nestle, Heinz, Kraft, Kellogg's, and many others. Lack of shelf space continues to be a problem, making competition for the little space available quite fierce. As a result, only the products with the most demand are awarded prime shelf space. For many stores, if a new product is brought in, another is bumped out.

The majority of Bermuda's retail stores do not have bulk purchasing power or other economies of scale. They are also faced with very high import duties imposed by the local government. This is reflected in the high prices of food and beverage products on the island. One bright spot is that, although retail prices could be two or three times higher than of those in the United States, Bermuda

has no sales tax.

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

### Market Trends

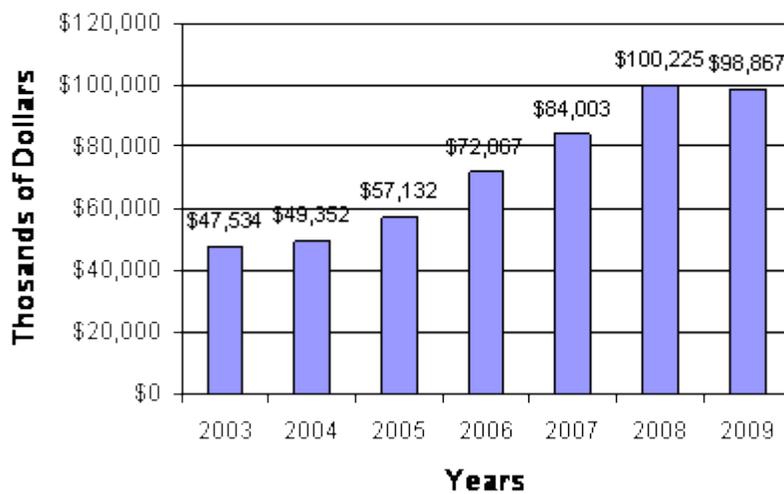
Television stations in Bermuda pick up over sixty American channels via satellite (Direct TV, DISH and C-Band), which are seen in virtually every residence and hotel room. The market is flooded with advertising for U.S. products, which brings American food trends to the island. Due to its proximity to the east coast of the United States, Bermudians share much of the same tastes and preferences for retail foods as their eastern neighbors. In fact, the northeastern U.S. influence on Bermuda food purchases is quite prevalent as the lion's share of all food imports is sourced from the Newark, New York area.

Some of the current market trends in Bermuda's retail market are:

- Prepared foods and ready-to-eat/ready-to-cook meals
- Specialty items produced by specific brand names
- Retail island-wide delivery of foods
- Private labels

Organic and "healthy" foods that are popular in the United States were rapidly catching on in Bermuda in the early part of the decade, but have since topped out in growth potential. The faster-paced Bermudian lifestyle is attracting prepared foods and ready-to-eat/ready-to-cook meals into the market. These are selling well during lunchtime and for home diners in the populated areas of the island. Bermudian tastes have gradually matured over the years, moving from canned foods to high-end specialty items and brand name products. More and more women are working allowing them less time and energy to prepare a meal from scratch. Bermudians can afford to pay higher prices for convenience and this is why retail stores are now offering delivery services island-wide. Sales of private label products are increasing, although there are only two retailers which carry private label items at this time.

### U.S. Export of Consumer-Oriented Agricultural Products to Bermuda



Source: FAS' Global Agricultural Trade System (GATS)

According to Euromonitor International, Bermuda store-based retail sales grew steadily from \$310 million in 2004 to \$343 million in 2007. In 2008 sales tapered off at \$342 and then dropped moderately to \$327 million in 2009. The slowdown is due to an overall decrease in spending triggered by the global recession and a decrease in tourism. U.S. trade data indicate U.S. exports of consumer-oriented goods to Bermuda followed a similar pattern, increasing rapidly over the past several years to reach \$100 million in 2008, and then inching backward to \$99 million in 2009. U.S. exports of snack foods (\$10.4 million), dairy products (\$9.1 million), fresh fruit (\$5.7 million),

and fruit and vegetable juices (\$4.6 million) all set new highs in 2009. 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 retail sector are estimated to be between 55-65 percent of total imports. The remaining 35-45 percent is channeled through the HRI food service sector.

| Advantages   | Challenges  |
|--|---|
| The United States is the leading supplier of food and beverage products into Bermuda, accounting for 76 percent of all imports.  | Limited space in supermarkets only allows shelf space for high demand products.   |
| 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 | Lesser-known or new products will find it difficult to compete with established, well-known brands.   |
| U.S. media is available virtually in every Bermudan home and hotel room, which gives a broad exposure to U.S. food brands.   | Bermuda may prohibit the importation of specific fresh fruits, vegetables and flowers, during unspecified periods throughout the year                                     |
| Bermuda has no food labeling legislation for imported products.  | Limited and costly storage space restricts retailers from purchasing direct.  |
| Only twenty percent of Bermuda’s land is arable, limiting local agricultural production and allowing for imports of practically all foods.   | Tariffs on selected food items can reach up to 22.5 percent.  |
| The United States is the island’s closest trading partner, which allows for lower shipping times compared to other competitors.  | Selling directly to the retail sector is difficult because of the established distribution network.   |
|  | Narrow road infrastructure limits all cargo traffic to the island to 20 ft. containers and forces the government to limit the number of delivery trucks for distribution. |

## Section II. Road Map for Market Entry

### Entry Strategy

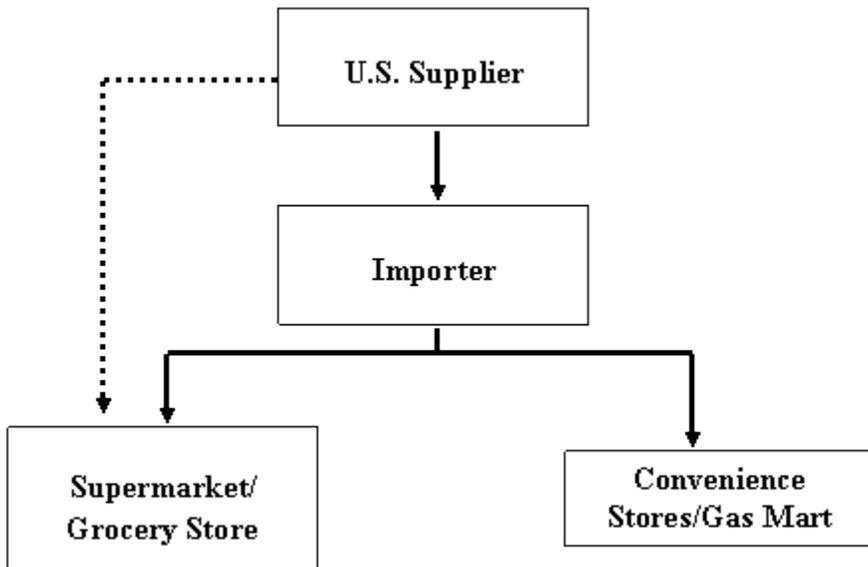
Local importers/wholesalers are the gatekeepers of 70 percent of the food retail sales. The other 30 percent are direct imports from the island’s largest food retailers. Penetrating the market continues to be a difficult endeavor in Bermuda because of the high degree of brand loyalty. The best way for

a U.S. manufacturer to enter the market with success is to first search the market for potential niches, develop an excellent marketing plan and then begin exporting via a local distributor. Researching the market structure and competition is key in assessing current market conditions and making sound decisions. If possible, travel to Bermuda to get a first-hand experience of the market. Sample the public's opinion and offer quality goods at a reasonable price. Finally, provide the product with a great deal of marketing support and television airtime.

Market Structure

Large supermarkets purchase their goods from local wholesalers because they offer convenience and reliability of the items being supplied. However, some supermarkets have significant purchasing power and import directly from U.S. manufacturers. For example, The Market Place and Lindo's Market import from the United States on a regular basis. In addition, most supermarkets and grocery stores will order mixed container loads to their New Jersey "jobbers" if they can offer better prices than the local wholesalers. It is important to emphasize that although direct imports do take place, it is not the norm in the nation's retail sector. Bermuda has a well-established distribution network that channels most food imports through local importer/distributors.

*Product Flow for Imported Products:*



A. Super Stores, Supermarkets, Hyper Markets or Super Centers, Club & Warehouse Outlets

Company Profiles

| <b>Retail Name and Type</b>        | <b>Ownership</b> | <b>No. of Outlets</b> | <b>Location or Parish</b>                                       | <b>Purchasing Agent</b>   |
|------------------------------------|------------------|-----------------------|---|---------------------------|
| The Market Place, Supermarket      | Local            | 8                     | Hamilton, Smith's, Pembroke(2), Paget (2), Sandy's, Southampton | Local and Direct Importer |
| Miles Market, Supermarket          | Local            | 1                     | Pembroke  | Local and Direct Importer |
| Lindo's Market, Supermarket        | Local            | 1                     | Devonshire  | Local and Direct Importer |
| Lindo's Family Foods, Supermarket  | Local            | 1                     | Warwick   | Local and Direct Importer |
| The Supermart Ltd., Supermarket    | Local            | 2                     | Pembroke , St. George   | Local and Direct Importer |
| White & Sons Ltd., Supermarket     | Local            | 3                     | Warwick   | Local and Direct Importer |
| Hayward's Supermarket, Supermarket | Local            | 1                     | Warwick   | Local and Direct Importer |
| Garden Market Supermarket          | Local            | 1                     | Pembroke  | Local and Direct Importer |
| Harrington Hundreds, Grocery Store | Local            | 1                     | Smith's   | Local and Direct Importer |
| Arnold's Markets, Grocery Store    | Local            | 5                     | Sandy's, Pembroke, Somerset, Hamilton (2)                       | Local and Direct Importer |
| Manuel Soars & Sons, Grocery Store | Local            | 1                     | Pembroke  | Local and Direct Importer |

The above list constitutes Bermuda's major supermarkets and some well-known grocery stores. Bermudian supermarkets look very similar if not identical to U.S. markets. They have large, full service premises with an extensive range of meats, seafood, fruits and vegetables, and other products. The Market Place, the largest supermarket chain with 8 branches island-wide, carries both Shop Rite (USA) and President's Choice (Canada) private labels. Miles Market is one of the island's most upscale supermarkets with a large selection of hard-to-find specialty food items. Both Lindo's Market and Lindo's Family Foods are medium-sized stores that carry a good selection of quality and gourmet foods. In addition to the typical goods, the Supermart store also has an in store bakery and ready-to-eat foods including a well-stocked salad bar and prepackaged sandwiches.

Grocery stores tend to carry only the most demanded brand name products and often try to carry

specialty items that are not found in supermarkets. To differentiate themselves from their larger competitors with limited space, groceries have to be very strategic with regards to what products to carry. Harrington Hundreds, for example, has the island’s best selection of trendy “healthy” foods. It is also considered one of the more upscale food outlets on the island. At least one grocery store is located in each rural area throughout the island. Small grocery retailers account for roughly 15-20 percent and \$ 49 million of Bermuda’s retail food sales, while supermarket sales reached \$25 million in 2008.

#### B. Convenience Stores, Gas Marts, Kiosks

Convenience stores and gas marts both purchase practically 100 percent of their goods from local wholesalers. It is very unlikely that they will be capable of importing their food products directly. The best method of targeting this market is via a local wholesaler.

#### Company Profiles

| <b>Retail Name &amp; Type</b>            | <b>Ownership</b>  | <b>No. of Outlets</b> | <b>Location or Parish</b> | <b>Purchasing Agent</b> |
|--|-------------------|-----------------------|---------------------------|-------------------------|
| Caribbean Food Mart Convenience Store    | Local             | 1                     | Hamilton                  | Local Importer          |
| Arnolds Express                          | Local             | 1                     | Hamilton                  | Local Importer          |
| Happy Valley Mini Mart Convenience store | Local             | 1                     | Pembroke                  | Local Importer          |
| C-Mart Convenience Store                 | Local             | 1                     | Pembroke                  | Local Importer          |
| Tony’s Fine Foods Convenience Store      | Local             | 1                     | Hamilton                  | Local Importer          |
| Esso, Tiger Mart Gas Mart                | Local (Franchise) | 18                    | Every Parish              | Local Importer          |
| Shell Gas Mart                           | Local (Franchise) | 15                    | Every Parish              | Local Importer          |

Convenience stores are not abundant in Bermuda. They are strategically located in high traffic areas or near tourist attractions. They carry a small selection of foodstuffs, which are normally higher priced. Gas marts are well spread out around the island. Located mostly on main roads and urban areas, they choose their location where traffic is the heaviest. This location in turn provides them with access to a large number of drivers, public visibility and presence in the community. Traffic is increasing and more families have two breadwinners. While on the road, more and more Bermudians are finding that stopping for gas and purchasing something to eat or drink is the best

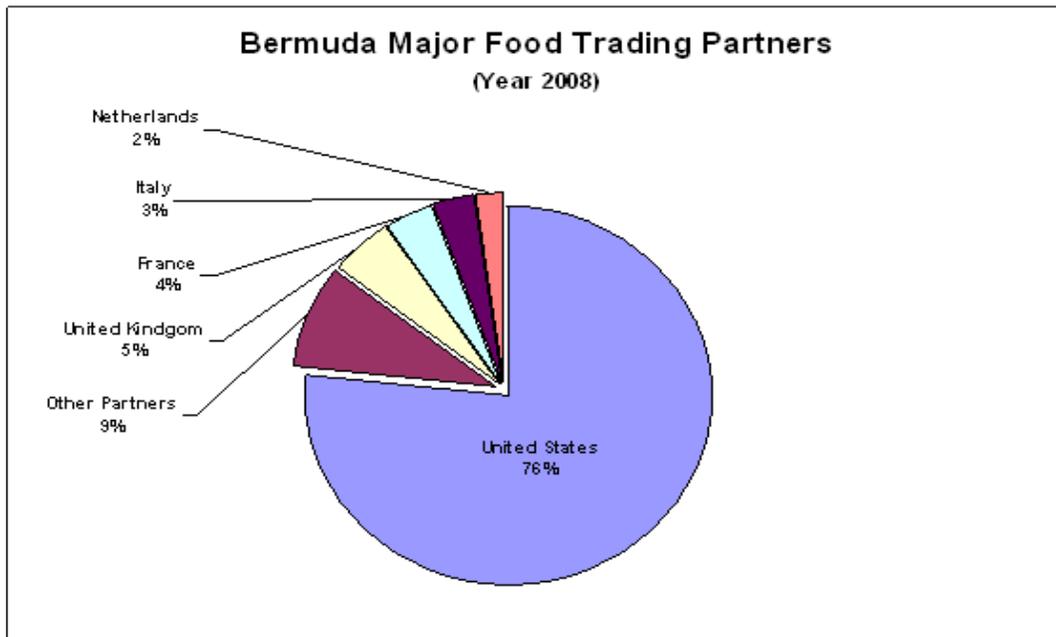
and easiest way to satisfy their needs. In addition, gas marts are usually open later than supermarkets; some of them are open 24 hours.

### C. Traditional Markets – “Mom & Pop” Small Independent Grocery Stores and Wet Markets

Traditional markets obtain their food supplies from local farmers. Fruit and vegetable stalls dot Bermuda’s roadsides year-round but the island’s official Farmer’s Market only runs during the primary growing season – from December through June. Locally produced fruits and vegetables, honey, eggs, preserves, and fish are some of the foods commonly found.

### Section III. Competition

With a 76 percent market share, the United States clearly dominates Bermuda’s retail market for food and beverage products. The major drivers pushing the success of U.S. goods are the availability, abundance and quality of the products imported. 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 United Kingdom, 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><br>(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 retail products, including:

- Ready-to-eat and ready-to cook products
- High-end specialty items and gourmet products
- Meat products
- Premium jams, jellies and honey
- Prepared (frozen) food
- 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:

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 United States Department of Agriculture  
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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 HRI Food Service Sector Report for Bermuda, the 2009 Food & Agricultural Import Regulations and Standards Report for Bermuda, and the 2009 Exporter Guide for the Caribbean Basin.