

Country Market Profile: Caribbean Basin

USDA’s Foreign Agricultural Service, FAS, Agricultural Trade Office (ATO) in Miami, hereinafter referred to as “FAS Miami” reports that hit hard by the COVID-19 pandemic (both in terms of public health and economic performance), the tourism-dependent Caribbean is anxiously awaiting a return to more normal times characterized by growing tourist arrivals, which in many ways are the economic lifeblood of the region.

The Caribbean Basin is a large and highly fragmented region of the Americas. It is a mix of independent states, overseas departments or dependencies of European countries, and islands that are part of a European kingdom. The region has 4.6 million inhabitants, of which two thirds are concentrated in five markets: Trinidad and Tobago, Guyana, Guadeloupe, Martinique and The Bahamas. The population is incredibly diverse and is made up of descendants from original native tribes that inhabited the region and people of African, European, Indian, Middle Eastern, and Chinese descent, among others.

Gross Domestic Product (GDP) ranges from US\$710 million in Dominica to US\$33.2 billion in Trinidad and Tobago. GDP per capita ranges from US\$9,900 in Dominica to US\$81,800 in Bermuda. The economy of Trinidad and Tobago, by far the largest in the region, is based mainly on oil and natural gas. In Guyana, where one of the largest new discoveries of oil in the world was recently made, the country is also banking on oil to propel its economy forward and serve as a catalyst for much needed development.

In practically all other Caribbean markets, tourism is the driving force behind island economies in terms of revenue generation, employment, and overall economic well-being. Approximately eight million stopover tourists and 14 million cruise ship passengers visit the region annually. Tourists, particularly stopover visitors, fuel demand for consumer-oriented agricultural products.

U.S. exporters, who supply roughly half of all agricultural products to the Caribbean, saw their sales to the region decline by 10% in 2020. To the extent the pandemic is brought under control and tourists return to the Caribbean in bigger numbers, economic recovery will gain momentum. U.S. exports of agricultural products totaled US\$4.4 billion in 2021, a strong increase of 21% over the prior year. US\$2.6 billion were of the consumer oriented variety, which was 59% of the agricultural total. The region also imported over US\$1.5 billion in processed food products in 2021, which is an increase of 10%. Top U.S. processed food products exported to the Caribbean in 2021 included:

- Food Preparations & Ingredients
- Non-Alcoholic Beverages
- Processed/Prepared Dairy Products
- Alcoholic Beverages
- Fats & Oils
- Snack Foods
- Prepared/Preserved Meats
- Condiments & Sauces, Jams & Jellies

The Caribbean is a natural market for U.S. exporters. Caribbean importers have a long history of doing business with the U.S. Their strong interest in U.S. products is mainly due to close proximity, long-standing reputation of high quality products, and superior quality of service. In fact, many local importers have noted that competitors are not able to match their U.S. counterparts in terms of product quality and reliability. The regulatory environment in the islands is also quite receptive toward U.S. products. Given these favorable conditions, it is no surprise that the U.S. is the largest supplier of food products to the Caribbean.

A crucial part of doing business with Caribbean importers is building a relationship with a consolidator in South Florida (and in New York/New Jersey for those seeking to export to Bermuda). Since some large resorts and supermarket chains often order larger shipments directly from suppliers, the main resource for small and medium-sized U.S. suppliers are local importers/wholesalers. These importers/wholesalers will work with prospective U.S. suppliers to meet local standards and regulations and find the best distribution channel. They are also likely to stay informed of changing regulations and duties on food and beverage products.

U.S. brands are well recognized and in high demand by Caribbean consumers. Exposure to U.S. food and culture through television, travel, and U.S. food franchises present in the region greatly influence local preferences. Furthermore, due to increased access to technology and social media, Caribbean consumers (particularly the younger generations) keep up-to-date with the latest consumer trends taking place in the United States and around world. This, in turn, further influences consumer preferences

Market Opportunities and Key Issues in the Caribbean Basin Food Market

Market Opportunities

- With little arable land and food production, the islands of the Caribbean must import most of their food needs
- U.S. exporters, particularly south Florida consolidators, service the market well and are in many ways better positioned to supply the Caribbean than competitors
- The United States has a dominant market share in the vast majority of Caribbean islands (estimated at 50% overall)
- The regulatory environment at present is open to U.S. products
- The COVID-19 lockdown has boosted retail sales

Key Issues

- Caribbean economic well-being is highly dependent on tourism. Most small island economies are very susceptible to any factors that may disrupt tourism (i.e. the world economy, terrorism, more active hurricane seasons, etc.).
- COVID-19 has altered consumer behavior overnight forcing quick changes at the retail level: focus on value products rather than premium brands, the boom in home

cooking, increasing demand for online shopping and home delivery, consumers demanding healthier food options, etc.

- A key constraint in the French West Indies is breaking traditional ties with Europe. These islands source almost all their food from the EU, making introducing U.S. products more challenging
- Some products, particularly meat and poultry, may be restricted in certain markets due to EU or islandspecific regulations

FAS Miami reports that the best way for a U.S. supplier to export to the Caribbean market is to first research potential niches and develops an effective marketing plan. In doing so, it is important to weigh the advantages and disadvantages of using an importer/wholesaler versus selling directly to different customers throughout the region. The decision will not be the same for all U.S. exporters.

For instance, large U.S. suppliers with a dedicated sales force who can travel to the islands periodically to service their customers may find it advantageous to work directly with multiple retail and food service accounts throughout the region. Exporters who are not able to do so will find it easier to work with an importer/wholesaler in a particular island/country. The latter is, in fact, the easiest and preferred method for most U.S. exporters.

South Florida, which has an abundance of food exporters, brokers, and consolidators, is the main gateway for U.S. consumer-oriented exports to the Caribbean. Several shipping lines service the region from South Florida's three seaports (Port of Miami, Port Everglades and Port of Palm Beach). The major exception to the rule is Bermuda which, because of its more northern location, sources most of its food imports from the northeastern region of United States, namely from the New York/Newark area and Philadelphia.

Caribbean consumers, particularly those in islands in close proximity to the United States, will often travel to South Florida to purchase food and beverage products (and household goods) at the retail level, and then have them shipped to their respective country. This is especially true in The Bahamas, but consumers will travel to South Florida from as far away as Trinidad and Tobago to purchase U.S. goods and ship them back for their own consumption as well as resale.

Retail Sector Highlights:

Euromonitor has indicated that the market size of the packaged food retail business in The Caribbean Basin will reach US\$7 billion in 2022, an increase of 17.1% from 2018, or US\$1 billion. They also forecast growth of 32.2% to 2026, or another US\$2.3 billion during the period for a total of US\$9.3 billion from 2022. High growth categories in the forecast include:

- Savory Snacks
- Baby Food

- Sweet Biscuits, Snack Bars & Fruit Snacks
- Confectionery
- Dairy
- Edible Oils
- Sauces, Dressings Condiments
- Ice Cream
- Sweet Spreads

According to Euromonitor, the Caribbean retail food sector is comprised of over 16,000 outlets of which traditional groceries make up nearly 90%. Large and modern supermarkets and hypermarkets, despite accounting for only four percent of total retail outlets, make up over 50% of grocery retail sales compared to 28% from traditional grocery retailers/outlets. Discounters, convenience stores and forecourt retailers make up the remainder of retail sales. Total Caribbean retail grocery sales increased from US\$8.9 billion in 2019 to US\$9.5 billion in 2020, largely due to the COVID-19 lockdown and the related surge in demand for retail foods.

FAS Miami reports that most retail grocery stores/outlets in the Caribbean are made up of one or two small outlets operating in a single country. There are also a handful of grocery outlets with multiple stores that dominate one particular market. Such is the case with Foster's in the Cayman Islands, Graceway Supermarkets in Turks and Caicos Islands, and Rite Way Supermarkets in the British Virgin Islands.

There is also a significant amount of large retailers with multiple stores spread across several islands. The largest of these is Massy Stores, a regional retailer with over 40 stores in five countries (Trinidad and Tobago, Barbados, St. Lucia, St. Vincent and the Grenadines, and Guyana). Its sister company, Massy Distribution, a large import-distribution business, operates in several countries in the region and has an export business located in Miami.

International retailers such PriceSmart, Cost-U-Less, and Van den Tweel Supermarkets also operate modern supermarkets and warehouse club stores in several islands. In the French islands of Guadeloupe and Martinique, French retailers Carrefour, EcoMax, and Leader Price have a dominating presence in the market. Carrefour is also the largest retailer in Sint Maarten and has a store in Curacao as well.

The United States has a 49.6% share of the Caribbean's market for imported consumer-oriented food and beverage products. In 2020, U.S. exports of consumer-oriented products to the region totaled \$1 billion. The next closest competitor is the EU with US\$378.2 million in exports (18.3%), followed by Brazil with US\$103.3 million (5%), New Zealand with US\$95 million (4.6%), and the United Kingdom with US\$94.6 million (4.6%).

Best Product Prospects:

FAS Miami reports that given the Caribbean's limited domestic food production, the region relies heavily upon imports of all types of food and beverage products. Thus, there are excellent opportunities for the full range of retail products in the Caribbean. Challenging economic conditions stemming from the Covid-19 pandemic, coupled with several years of limited growth and high unemployment, could create the opportunities for value products. Niche products, especially in the healthy foods category, also show good potential.

In 2020 the top five import categories were dairy products, poultry meat and products (excluding eggs), bakery goods/cereals/pasta, soups and other food preparations, and beef and beef products. These five categories represented 46% of consumer-oriented product imports. U.S. market share in the top 10 categories of imported consumer-oriented products ran between 31% and 69%.

Food Service Sector Highlights:

FAS Miami reports that the Caribbean hotel, restaurant, institutional (HRI) food service sector is estimated to account for roughly 30% of consumer-oriented agricultural imports. According to Euromonitor International, the sector is made up of over 6,500 outlets, with full-service restaurants, cafes and bars accounting for 55% of these. With only 13% of all outlets, limited service restaurants (mainly fast food chains) account for 57% of the sector's total sales, estimated at US\$1.4 billion in 2020.

As a whole, sales in the sector are estimated to have plunged by 34% in 2020 (largely due to COVID-related shutdowns), but they rebounded by 19% in 2021 and are forecast to grow 15% more 2022. The percentage of Caribbean hotels and restaurants that are independently owned varies from approximately 90% in Grenada to 25% in The Bahamas (Nassau in particular). This characteristic influences the flow of imports to the island. The independently owned restaurant or hotel is more likely to source food and beverage products from local importers/wholesalers, while larger chain restaurants and hotels have both the connections and the economies of scale to make direct imports from U.S. suppliers.

While corporate-owned resorts and hotels have boomed over recent years, independently owned food service businesses are still strong on all Caribbean islands. Local independently owned restaurants remain especially popular in countries such as Aruba, Barbados, Bermuda, the Cayman Islands, Sint Maarten/St. Martin, and Turks and Caicos.

Some of the world's most acclaimed chefs are working in the Caribbean. Using high quality ingredients, these chefs and their restaurants often are a valuable platform for introducing U.S. food and beverage products. However, many chefs are European-trained and thus breaking their preference toward European products can be challenging. Heightened interest of chefs in the use of locally produced ingredients is a recent trend, similar to other parts of the world.

Food Processing Sector Highlights:

FAS Miami reports that food processing in the broad Caribbean Basin is highly concentrated in the larger countries such as the Dominican Republic and Jamaica, which are outside the FAS Miami region of coverage, and to a lesser extent in Trinidad and Tobago.

Because food production is limited in the region and there are virtually no economies of scale, food processing is much less prevalent. Nonetheless, there is processing of wheat flour, pasta products, rice, bakery products, soy products, dairy products, and animal feeds in Trinidad and Tobago and Barbados. Food processors within the region buy roughly 20% of raw materials and food ingredients from local suppliers and import 80% from international suppliers.

Best Product Prospects

Top U.S. exports of intermediate food ingredient products to the Caribbean in 2021 included soybean meal and oil as well as other vegetable oils, milled grains, essential oils and dextrins, peptones and proteins as well as sugars and sweeteners.