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# Panama

# Retail Food Sector

# 2000

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**Report Highlights:**
**This report describes the dynamic Panamanian Retail Food Sector and the import channels used by that sector.**

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Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
San Jose [CS1], PN

# Retail Food Sector Report

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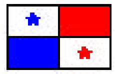
# I Market Summary



## Eco/Demographic info at a glance (1998)

| | |
|---|---|
| **Currency**: Balboa (Par) - US Dollar used for exchange | **Population & Growth rate**: 2.8 Million, 1.65% |
| **Urban Bilingual rate**: Better than 60% (Spanish / English) | **Urban : Rural rate**: 55.5% : 44.5% |
| **Inflation rate:** Less than 3.8% | **Alphabetization index**: 88% |
| **PerCapita Income/Imp/Exp**: $2,509 / $1,100 / $242 | **No. Cars / Telephone (per 100h.)**: 11 / 16 |
| Panama levels it´s balance of trade deficit based on it's Service oriented Economy | |

Source: Statistics & Census Directorate (DEC), Aug/99

*Synopsis 1994-1998*

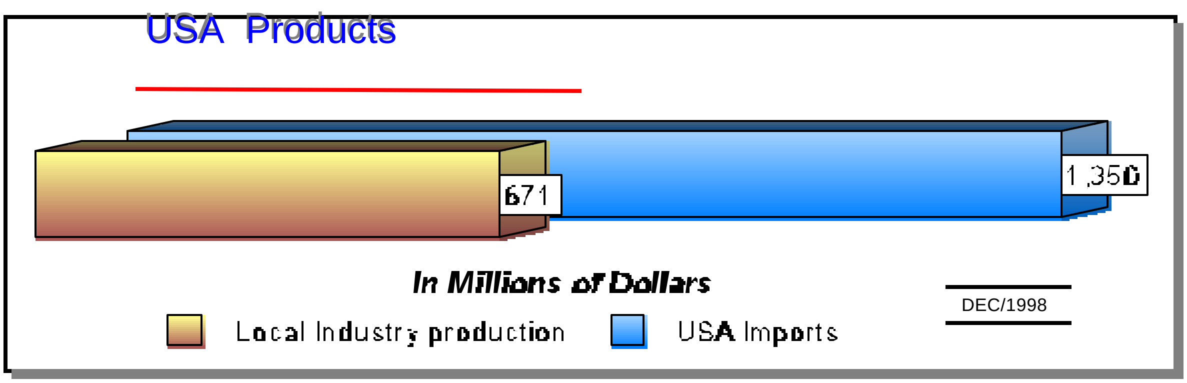
| | | | |
|---|---|---|---|
| **GNP Growth:** | 1994-98 Average: **3.3%** per year | 1999 Estimate: **3.2%** | 2000 Estimate: **3.5%** |
| **Main Increments** | Ports: **20.6%** | Fishery: **17.0%** | HRI (Tourism): **5.9%** |
| **Main Decrements** | Primary sector (Agriculture): **- 3.7%** (inc. Rural production, excludes Industry) | | |
| **Average Investment Outlays** | Private investment: **$387** Mill. per Year | Public investment: **$345** Mill. per year | |
| **Unemployment rate**: Down from **14.1%** to **13.4%** | **Poverty level**: Decreased **3%** (from **30%** to **27%**) | | |
| **Cash & Face value State funds**: Up by **+$1,700** Mill. | **Public Debt**: Held at **$5,400** Mill. approx. (Down **1.2%**) | | |

Source: Ministry of Economy & Finance (MEF), Aug/99.

- **Background.** Panama has always been ripe for American food products, which are at the top of the consumer's choice. This should not be a surprise, since Panamanian's idiosyncrasies for three generations has been shaped by the U.S. brands that are regarded as the true standards for the industry.

  Since the early days of Panama Canal construction *US foods, household products* and *dry goods* have been brought in through an efficiently organized infrastructure of commissaries, (forerunners of today's supermarkets). This system was devised to address an avid demand posed by thousands of canal workers, US civilians, military personnel and their families.

  Soon popular food and beverage brands, such as *Del Monte, Coca-Cola, Kraft Foods, Heinz, Campbell's* and *General Mills,* among hundreds of others, stood as the preference of Panamanian tables throughout the country and remains strongly so to this day.



‘ **Present View.** Currently several factors impact opportunities in Food, households, and other product importation lines, following Panama’s entrance into the World Trade Organization:

1. Tariffs have fallen substantially for almost all products, although the current government has raised some tariffs, primarily for sensitive product areas;
2. The country shows a steady increase in *GNP* and *Discretionary Income* figures, despite the ripple effects of the Asian and regional economic crises.
3. Panama is very sensitive to American marketing advances, interweaving the latest trends: Club warehouses, Malls, and Hypermarkets.
4. Mega investments are taking place in the military reverted areas adjacent to the Panama Canal.
5. Urban, Turnpike, Hotel and Mall developments are at an all-time high.

The following table relates to the geographical composition of the sector in 1996, both in terms of outlets and relative market share. The major trends in Food, Alcohol and Tobacco combined imports and its estimated projections, are also depicted in the subsequent graph.

***Total RSR Sales & Outlets per Provinces*** - 1996

(Factual Data / DEC)

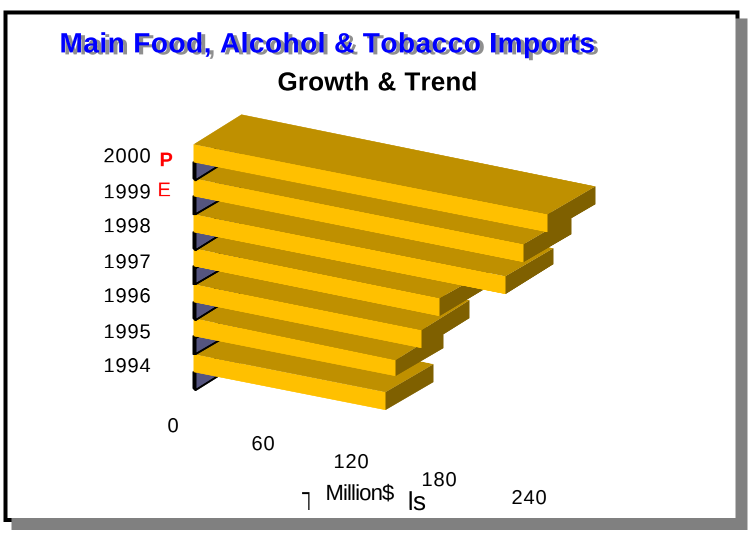
| Provinces | Sales $ | % | Outlets | % | A | B | C |
|---|---|---|---|---|---|---|---|
| Bocas del Toro | 35,799,274 | *3.6%* | 546 | *4.8%* | 5 | 34 | 507 |
| Coclé | 39,824,553 | *4.0%* | 1,054 | *9.3%* | 47 | 160 | 847 |
| Colón | 88,830,720 | *8.9%* | 652 | *5.8%* | 20 | 114 | 518 |
| Chiriquí | 148,299,589 | *14.8%* | 2,198 | *19.4%* | 49 | 138 | 2,011 |
| Darién | 33,968,573 | *3.4%* | 156 | *1.4%* | 1 | 12 | 143 |
| Herrera | 35,353,772 | *3.5%* | 731 | *6.5%* | 14 | 64 | 653 |
| Los Santos | 26,338,072 | *2.6%* | 771 | *6.8%* | 29 | 57 | 685 |
| Panamá | 536,928,107 | *53.5%* | 4,210 | *37.2%* | 222 | 818 | 3,170 |
| Veraguas | 58,061,292 | *5.8%* | 1,004 | *8.9%* | 23 | 70 | 911 |
| **Totals** | $1,003,403,95 | 100.0% | 11,322 | 100.0% | 410 | 1,467 | 9,445 |

**Explanation of codes:** **A** - Hypermarkets, SuperCenters, and SuperMarkets
**B** - Convenience stores (Mini-Supers) and Marts
**C** - Grocery stores, wetmarkets, small meat outlets & Kiosks

***Main Food, Alcohol, Tobacco Imp***

| Growth & Trend $ | | | Annual% |
|---|---|---|---|
| | Thousands US$ | Trend | Change |
| 1994 | 130,663 | Actual | 9.9% |
| 1995 | 137,230 | Actual | 5.0% |
| 1996 | 155,315 | Actual | 13.2% |
| 1997 | 168,087 | Actual | 8.2% |
| 1998 | 211,704 | Actual | 26.0% |
| 1999 | 223,944 | Estim | 5.8% |
| 2000 | 248,201 | Proj | 10.8% |
| | | | |

***Food Product Imports to Panama will likely double in less than eight years !***



# SWAT ANALYSIS

### *Strengths & Advantages*

- The Panamanian food market is relatively easy, developed and convenient to enter.
- Market structures and consumer behavior mimic that of it's U.S. counterparts.
- Panamanian idiosyncrasy strongly favors U.S. brands and products.
- The US Dollar is the commercial currency used countrywide thus financial/accounting transactions are kept at no-added cost.
- An efficient international banking center, with over 100 banks, operates in Panama. A vast array of financial tools and services is found, facilitating business operations.
- Closely patterned, US-styled, distribution systems insure inventory rotation/mobility.
- In Nov 1997, following it's WTO inclusion, Panama lowered import taxes and banned existing market quotas. Food consumption lines are typically levied 2-5%. Until recently, even top bracket items were levied at under 15%.
- Maritime communication links, due to it's geographic position and the Canal, insure enhanced shipping trade and transport.
- New reliable port systems and container centers, rivaled by none in Latin America, allow for fast freight transshipment.
- Existing familiarity of importing, merchandising, and retailing practices, poses low initial handling and training expenses.
- 82% of total food purchases are made at some form of auto-service market outlet. Wet markets and old fashioned grocery stores are thus dying institutions. A dynamic concept of retailing prevails.

### *Weaknesses & Threats*

- The retailing activity is reserved by law to Panamanians. Ownership of stock can be attained, however, through formally incorporated local *anonymous societies*.
- Panama's population of only 2.8 million represents a small volume market.
- Heavy competition is found in the food retail sector, making the cost of doing business steep while keeping profits low.
- Since most outlets sell the same lines, due to effective distribution, buying habits have been shifting towards *location convenience* rather than *establishment loyalty*. However, a degree of consideration is given to service quality, cleanliness, and product presentation.
- Price, as would be expected, is the most important concern of the marketing mix at the more densely populated areas.
- Brand promotion and advertising (outside the realm of retailers) is used widely. POS demonstrations are habitually sponsored, and expected of manufacturers, by most food chains, adding to business cost.
- Some products registration formalities, although speeded in recent years, can be regarded as somewhat time consuming.
- Expedite distribution delivery is hampered because of crowded Panamanian city streets.
- Extreme poverty at 30% & unemployment at over 13.4%, limit the purchasing power capacity of nearly 1 million Panamanians.
- Due to producer complaints import tariffs are undergoing upward revisions, however they will not exceed WTO agreed limits.

# II BLUE PRINT FOR MARKET ENTRANCE

### ‘ Entrance Requirements

*Retailing* is reserved by law to Panamanian nationals. Ownership of retail outlets requires a type “B” commercial license and a legal form of incorporation with a specified declared capital. Ownership of stocks, however, is not restricted and is widely encouraged.

Because of the ease and flexibility it grants, the most common incorporated type of entity chosen by Panamanians and foreign investors is the ***Corporation***, (legally referred to as an *anonymous society*). A corporation in form and structure is most similar to its US counterpart

Importation of products in general requires the holding of a commercial license, usually type “A,” which is not limited to country nationals as with the other. Distributors, wholesalers and commercial agents commonly operate under type “A” licences. In essence, the “B” type license (called a ‘*B-Patent*’) permits engagement in both retail and wholesale trade activities.

Importation to the free trade zone in Colón is exempted from these licences, duty and corporate taxes, and serves commercial customers all over the region.

## *A. Hypermarkets, Supermarkets, Superstores & Warehouse outlets*

### , Entry Strategy

The customary way of commercializing food products into Panamá is via the existing distribution channels: reflecting the importers, distributors and wholesalers. Approximately 85.7% of retail inventories are channeled through these sources. On the other hand, direct import by hyper, supermarkets, and (club) warehouses, is estimated at around 6% to 7%.

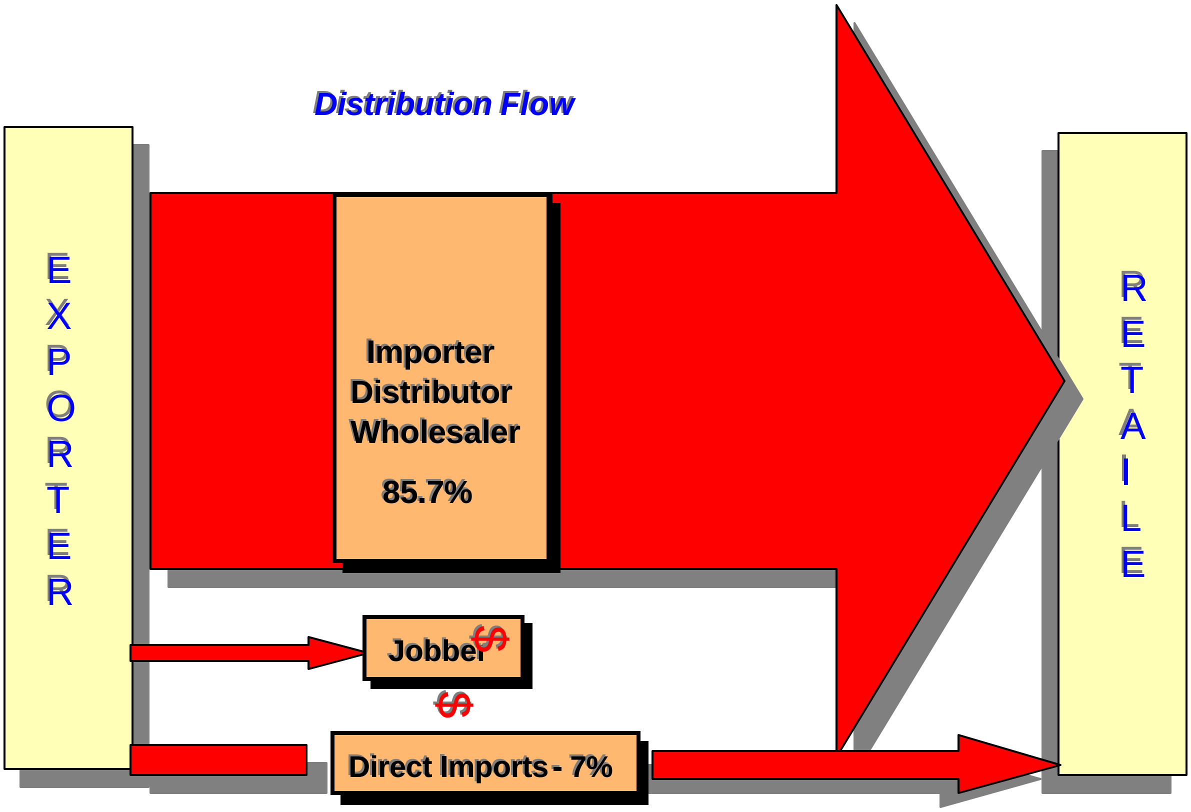
In 1985, Agency exclusive rights on imported goods were revised, allowing for a trade opening opportunity. Its effect was not felt, however, until years later as the winds of market globalization arrived: the action permitted rapid establishment of the warehouse concept in 1995.

In November of 1997, following Panama’s accession to the World Trade Organization, import tariffs were significantly lowered, rendering imported food products tariffs of as low as 2% to 5% CIF value. More importantly, quota schemes and existing trade restrictions were abolished.

Nevertheless, Panama’s food retail industry, in spite of clever market-oriented techniques, is at the peak of its maturity life cycle, where competition is fierce, inventory stock is overly diversified, and markups and profit margins are kept low.

In view of the current trend and considerable investment in ecotourism, urban infrastructure and the turning around of the reverted military bases on behalf of regional trade and economic development Panama is one place to watch for the next millennium.

**Market Structure**




- Hyper & supermarkets usually carry the lowest prices, best offers and a larger variety.
- Imports are largely handled by distribution channel companies that act as wholesalers or distributors. Local representation and direct contact is, nevertheless, irreplaceable.
- Direct importation is moderate and rare outside of hypermarkets, supermarket chains and warehouse outlet firms.
- It is estimated that direct importation has jumped from 4% to almost 7% of the total volume, as a consequence of the fashion introduced by warehouse club stores as of the end of 1995. Relative market share by the latter is, however, not significant.
- Several Distributors have country-wide coverage capacity. However, they tend to concentrate primarily in distinct geographical segments. (*See the Wholesale Sector Report when released*).

Typical of the food Industry, direct local representation is key to business success. An alternative is using the existing marketing structure of Distributors. However, the bulk of items commonly managed by these sources preclude a specially dedicated marketing effort.

The Office of Agricultural Affairs in Panama can provide listings of distribution channel companies that are skilled in performing and assisting potential importers with their import and distribution needs, as well as activities and additional information.

, **Major Supermarket Profiles**

| Profile of Main Supermarket Establishments - 1999 | | | | | | |
|---|---|---|---|---|---|---|
| **Retailer Name** | **Type** | **ESales** | **#** | **City** | **Province** | **Main Lines** |
| **Super 99** | HyperMarket | +100M | 24 | Several | 4 out of 9 | Foodstuff & Household prods. |
| **Supermercados REY** | HyperMarket | ±75M | 16 | Several | 2 out of 9 | Foodstuff & Household prods. |
| Total Hypermarkets | | ± $180M | 40 | | | |
| **El Machetazo** | SuperStore | +10M | 5 | Several | 3 out of 9 | Foodstuff & Household prods. |
| **Price Costco Panamá** | Warehouse | +3M | 2 | Panamá | Panamá | Foodstuff & Household prods. |
| **Cosmark** | Warehouse | ±3M | 2 | Panamá | Panamá | Foodstuff & Household prods. |
| **Foodmart** | Warehouse | -3M | 2 | Panamá | Panamá | Foodstuff & Household prods. |
| **Mega Depot** | Warehouse | +1M | 1 | Panamá | Panamá | Foodstuff & Household prods. |
| Total Superstores & Warehouses | | ± $ 24M | 12 | | | |
| **Supermercados Romero , S.A.** | S/M Indep Chain | +15M | 9 | Several | Chiriquí | Foodstuff & Household prods. |
| **Super Extra** | S/M Indep Chain | +10M | 5 | Panamá | Panamá | Foodstuff & Household prods. |
| **Casa de la Carne (M/H)** | S/M Indep Chain | +8M | 6 | Panamá | Panamá | Foodstuff & Household prods. |
| **Casa del Pan (Bakery) (M/H)** | S/M Indep Oper | +1M | 3 | Panamá | Panamá | Bakery & Foodstuff prods. |
| **Supermercados Riba Smith (R/S)** | S/M Indep Oper | +3M | 2 | Panamá | Panamá | Foodstuff & Household prods. |
| **Super Barú** | S/M Indep Oper | +3M | 3 | David | Chiriquí | Foodstuff & Household prods. |
| **Supermercado El Milagro** | S/M Indep Oper | +2M | 2 | Panamá | Panamá | Foodstuff & Household prods. |
| **Supermercados Pueblo** | S/M Indep Oper | +2M | 2 | Chorrera | Panamá | Foodstuff & Household prods. |
| Lee Chang Hermanos | S/M Indep Oper | -2M | 2 | Concep. | Chiriquí | Foodstuff & Household prods. |
| New Win Group, S.A. | S/M Indep Oper | ±1M | 2 | Panamá | Panamá | Oriental Foodstuffs & prods. |
| Park'n Shop, S.A. | S/M Indep Oper | 500K | 2 | Panamá | Panamá | Foodstuff & Household prods. |
| Total Indep Chains/Operators | | ± $ 62M | 38 | | | |
| **Super Kosher, S A.** | Supermarket | +2M | 1 | Panamá | Panamá | Kosher & gnal. Food prods. |
| **Supermercado Bella Vista (R/S)** | Supermarket | +2M | 1 | Panamá | Panamá | Foodstuff & Household prods. |
| **Supermercado Rio** | Supermarket | +1M | 1 | Panamá | Panamá | Foodstuff & Household prods. |
| **Supercentro La Prosperidad** | Supermarket | +1M | 1 | Chorrera | Panamá | Foodstuff & Household prods. |
| **Centro Comercial Masisa** | Supermarket | +1M | 1 | Chitré | Herrera | Foodstuff & Household prods. |
| **Supercentro La Luna** | Supermarket | +1M | 1 | Aguadulce | Coclé | Foodstuff & Household prods. |
| **Supermercado Colón** | Supermarket | +1M | 1 | Colón | Colón | Foodstuff & Household prods. |
| Super Centro Don Bosco | Supermarket | +1M | 1 | Panamá | Panamá | Foodstuff & Household prods. |
| Centro Elite Kosher | Supermarket | +1M | 1 | Panamá | Panamá | Kosher & mid-east Food prod. |
| Ferretería y Super Centro Coronado | Supermarket | +1M | 1 | Coronado | Panamá | Hardware & Foodstuff prods. |
| Supermercado Lolita | Supermarket | +1M | 1 | Panamá | Panamá | Foodstuff & Household prods. |
| Supermercado Shalom Kosher | Supermarket | +1M | 1 | Panamá | Panamá | Kosher & gnal. Food prods. |
| Super Centro El Lago | Supermarket | +1M | 1 | Panamá | Panamá | Foodstuff & Household prods. |
| Supermercado Casa Yee | Supermarket | +1M | 1 | Panamá | Panamá | Foodstuff & Household prods. |
| Supermercado El Gigante | Supermarket | +1M | 1 | Panamá | Panamá | Foodstuff & Household prods. |
| Super Centro Cabuya | Supermarket | +1M | 1 | Panamá | Panamá | Foodstuff & Household prods. |
| Super 77 | Supermarket | +750K | 1 | Chorrera | Panamá | Foodstuff & Household prods. |
| Supermercado How Wing | Supermarket | +750K | 1 | Panamá | Panamá | Oriental Foodstuffs & prods. |
| Supermercado Las Colinas | Supermarket | +750K | 1 | Panamá | Panamá | Foodstuff & Household prods. |
| Supermercado Tocumen | Supermarket | +750K | 1 | Panamá | Panamá | Foodstuff & Household prods. |
| Total of listed Supermarkets | | ± $ 32M | 20 | | | |
| GranTotal | **± $ 300M** | **46.5%** | **110** | **25.0%** | | |
| | | | | | | |
| **Explanation**: M=Millions, K=Thousands (U.S.Dollars) | | | | | | |
| It's estimated that 46.5%, ($300M) sales, of the Hyper/Supermarkets category, is made by 25%, (110) retail outlets, listed | | | | | | |

## B. Convenience Stores and Gas Marts (Inc. 24-hrs 'Quick' outlets)

### ♦ Entry Strategy

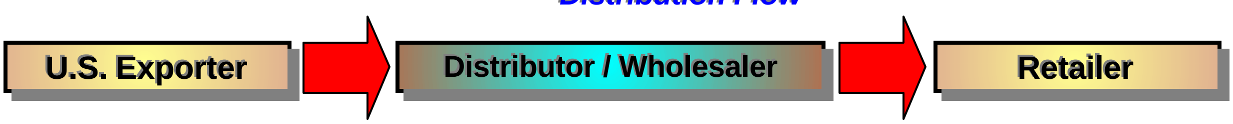
The local distribution channels structure that effectively covers the Hyper/Supermarket outlets also keeps convenience and grocery stores supplied. To own one of these outlets requires a "B" type operating license, as previously mentioned.

The only major difference that exists from Hyper/Supermarket outlets and convenience stores operation relates to importation capacity and product lines carried.  It is estimated that 99%+ of imported items sold at these establishments is channeled through distributors.

As with the supermarket sector, local representation and direct contact is recommended to insure the success of your product in this market. The Office of Agricultural Affairs ATO office in Panama keeps listings of potential wholesalers meeting the needs of this sector, as well as information pertaining to activities and opportunities in this trade area.

### ♦ Market Structure

**Distribution Flow**




- The great majority of Convenience stores and Mart outlets are individually owned, limited in size and purchasing capacity and are located in densely populated, low income areas.
- They greatly depend on the Distribution channel companies for their imports, as well as many locally manufactured products.
- Gas Marts, although introduced over ten years ago, have not been as popular as in the United States.  Often, the lack of explicit parking places contributes to the problem.
- The main difference between Convenience and Grocery stores lies in the way customers are serviced, (Auto-service Vs Over-the-counter ).  Yet, many traditional Grocery Stores changing to self-service stores.

Convenience and Self-service stores are found in all parts of Panamanian suburbs, cities and towns.  Their popularity in the great metropolitan (Panama-Colon-Chorrera cities) area is enhanced because of their proximity to consumers, who want to avoid the massive urban traffic in the crowded streets.

Prices, as expected, are somewhat higher than those of Supermarket chains.  Product lines are limited and cater to the needs and wants of their particular segment.

## ♦ Main Convenience Stores and Marts Outlets sample prototype profiles

**1999**

| Retailer Name | Type | ESales | # | City | Province | Main Lines |
|---|---|---|---|---|---|---|
| **Dulcería y Panadería Rio de Oro** | Cake & Bakery | -500K | 10 | Panamá | Panamá | Confec, Cake & Dough prods |
| **Dulcería Del Dorado (La Casa Redonda)** | Cake & Bakery | -500K | 4 | Panamá | Panamá | Specialty Cakes |
| **Mr. Pan** | Cake & Bakery | -500K | 4 | Panamá | Panamá | Com. & fresh Baker prods |
| **Panaderías Manolo (Sopama, S.A.)** | Cake & Bakery | -500K | 3 | Panamá | Panamá | Confec. & Dough prods |
| Supermercado Chung | Med. S/Market | +500K | 2 | Arraiján | Panamá | Foodstuff & Household prods. |
| Supermercado La Victoria No 1 y 2 | Med. S/Market | +500K | 2 | Panamá | Panamá | Foodstuff & Household prods. |
| Supermercado Enrique | Med. S/Market | +500K | 2 | Panamá | Panamá | Foodstuff & Household prods. |
| Casa Chen e Hijos | Med. S/Market | +500K | 1 | Panamá | Panamá | Foodstuff & Household prods. |
| Oriental Shopping | Med S/Market | +500K | 1 | Colón | Colón | Oriental Foodstuffs & prods. |
| Río Pak Chung, S.A. | Med. S/Market | +500K | 1 | Panamá | Panamá | Foodstuff & Household prods. |
| Supermercado Sam | Med. S/Market | +500K | 1 | Colón | Colón | Foodstuff & Household prods. |
| Shiva Trading, S A | Med S/Market | +250K | 1 | Panamá | Panamá | Foodstuff & Household prods. |
| Super Centro Nerei | Med. S/Market | +250K | 1 | Panamá | Panamá | Foodstuff & Household prods. |
| Supermercado Casa Li | Med. S/Market | +250K | 1 | Panamá | Panamá | Foodstuff & Household prods. |
| Supermercado Feuillet | Med. S/Market | +250K | 1 | Chorrera | Panamá | Foodstuff & Household prods. |
| Supermercado Yoly | Med. S/Market | +250K | 1 | Panamá | Panamá | Foodstuff & Household prods. |
| Carnicería Herbert | Delicattessen | +250K | 1 | Panamá | Panamá | Sausages & Meats |
| Centro Carne Balboa | Meat Store | +250K | 1 | Panamá | Panamá | Meat, Pork & Poultry |
| Super Carnes de La Chorrera | Med. Meat/Mkt | +250K | 1 | Chorrera | Panamá | Meats, Fish & Poultry |
| Casa de la Carne y Marisco | Med. Meat/Mkt | +250K | 1 | Colón | Colón | Meats, Fish & Poultry |
| Med sized S/Markets | | ± $ 13.2M | 40 | | | |
| Dulcería el Cake de la Novia | Cake & Bakery | +250K | 2 | Panamá | Panamá | Specialty Cakes |
| **Momi** | Cake & Bakery | +250K | 2 | Panamá | Panamá | Cake & Dough prods |
| **Panadería y Dulcería La Flor Panameña** | Cake & Bakery | +250K | 2 | Panamá | Panamá | Cake & Dough prods |
| Panadería y Dulcería Lupita | Cake & Bakery | +250K | 2 | Chorrera | Panamá | Confec. & Dough prods |
| **Panadería La Venezolana** | Bakery | +250K | 2 | Panamá | Panamá | Fresh & com. Baker prods. |
| **Delicias de Francia** | Cake & Bakery | +250K | 1 | Panamá | Panamá | Confec, Cake & Dough prods |
| Comisariato La Unión | Small S/Market | -200K | 1 | Panamá | Panamá | Foodstuff & Household prods. |
| Mini Mercado Chong | Small S/Market | -200K | 1 | Panamá | Panamá | Staples & Foodstuffs |
| Mini Shoppette Ancón | Small S/Market | -200K | 1 | Balboa | Panamá | Foodstuff & Household prods. |
| Mini Super Calle 60 | Small S/Market | -200K | 1 | Panamá | Panamá | Foodstuff & Household prods. |
| Mini Super Centro Comercial | Small S/Market | -200K | 1 | Panamá | Panamá | Foodstuff & Household prods. |
| Mini Super Don Bosco | Small S/Market | -200K | 1 | Panamá | Panamá | Foodstuff & Household prods. |
| Mini Super Gatún | Small S/Market | -200K | 1 | Colón | Colón | Foodstuff & Household prods. |
| Mercadito y Carnicería Cristóbal | Small Meat/Mkt | -200K | 1 | Colón | Colón | Food, Meats, Fish & Poultry |
| Bodega Mi Amiga | Liquor Store | -200K | 1 | Panamá | Panamá | Liquor, Cigarrettes & Suchi |
| Candie`s Bazar | Candy Store | +100K | 1 | Panamá | Panamá | Chocolates & candy |
| **Fruteria Minimax Paitilla** | Fruits & Veg | +100K | 1 | Panamá | Panamá | Fruits & Vegetables |
| Frutas y Legumbres Minimax | Fruits & Veg | +100K | 1 | Panamá | Panamá | Fruits & Vegetables |
| **Frutería Bal Harbour** | Fruits & Veg | +100K | 1 | Panamá | Panamá | Fruits & Vegetables |
| Casa de Legumbres | Fruits & Veg | +100K | 1 | Colón | Colón | Fruits & Vegetables |
| Small Convenience & Bakery stores | | ± $ 6.25M | 25 | | | |
| Star Mart / (Galaxy/Jupiter/Alpha2000) | Gas Mart | +300K | 3 | Panamá | Panamá | Convenience Store / 24Hrs |
| Mini 24 | 24 hrs | -200K | 1 | Panamá | Panamá | Convenience Store |
| Mini Mercado Am Pm | 24 hrs | -200K | 1 | Panamá | Panamá | Convenience Store |
| Servicentro Brasil | 24 hrs | -200K | 1 | Panamá | Panamá | Convenience Store |
| Mini Super Mr Snopy | Small S/Market | -200K | 1 | Colón | Colón | Foodstuff & Household prods. |
| Total Gas Marts & 24Hrs Outlets | | ± $ 1.6M | 7 | | | |
| GranTotal | **± $ 21M** | **5.3%** | **72** | **0.01%** | | |

Explanation: M=Millions, K=Thousands (U.S.Dollars)

It is estimated that 24.2%, ($270M), of the total RSR food sector sales is made by Convenience Stores, represented by some 1,642 (E) Outlets, or 14% of the country's total food retail establishments, for a yearly sales average of $165K per outlet.

The above represents a small sample from the huge amount of convenience and self-service stores in Panama.

## C. Traditional Markets

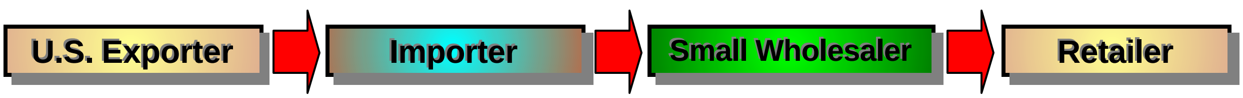
### - Entry Strategy

Traditional markets rely on staple traders, agricultural producers and suppliers of fresh meat, fish, fruit and local garden vegetables. Any occasional small order for processed foods is handled through the small wholesale entrepreneur that usually sells by the half dozen units.

This market is characterized by generic type, perishable and low cost products offered with minimal conventional presentation and sanitation methods. The Office of Agricultural Affairs, nevertheless, maintains listings of potential small wholesalers that cater to the needs of this sector, as well as information relating to activities and opportunities in this market.

### - Market Structure

***Distribution Flow***




- Traditional markets are primarily supplied by agricultural sources (farmers, cooperatives and staple traders) and small wholesalers (light truck or van size operations) in the case of processed foodstuffs and imported fruit.

- Local fruits and vegetables are popularly sold in wet markets and road side stalls. Twenty years ago imported fruit, such as apples and grapes, were available. However, this is nowadays rare at these sites, except for the Christmas season. (During this time they are supplied by mobile fruit trucks, provided by the local wholesalers).

- In addition to the above, road-side stalls and rudimentary kiosks are great snack sellers and quick fried food providers (i.e.: Cookies, '*Tortillas*' and meat-filled *empanadas*).

- Traditional wet markets and kiosks are slowly disappearing both in number and, more importantly, in sales breadth (from 8.7% of relative market share in 1996 to 6.6% in 1999). Yet, they are still representing 28.7% of the total outlets in the retail sector.

Generally, the old traditional wet markets and the 'Mom & Pop' type kiosks, do not appeal (with some exceptions) to the new style and comfort demanded by the emerging generations. Perishable character, lack of optimal sanitation, weather nuisance in the shelterless areas and delays in over-the-counter service account for the downsize of this sector.

Their large number (estimated at around 3,365 outlets), will by no means vanish overnight, mainly because they appeal to the more needy classes. It is more of a survival activity rather than a business operation.

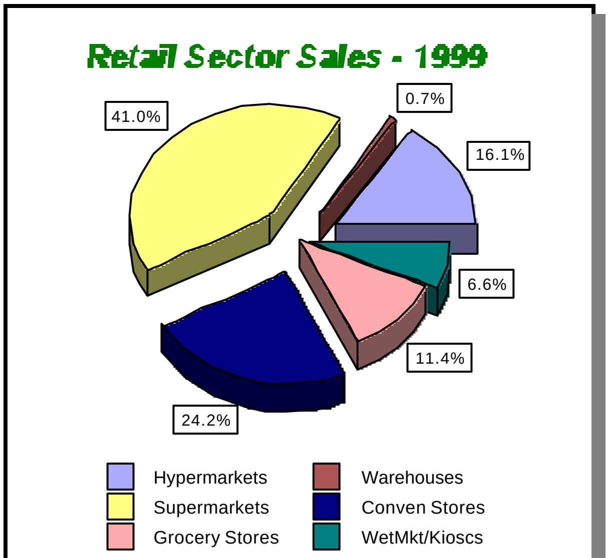
# III Competition

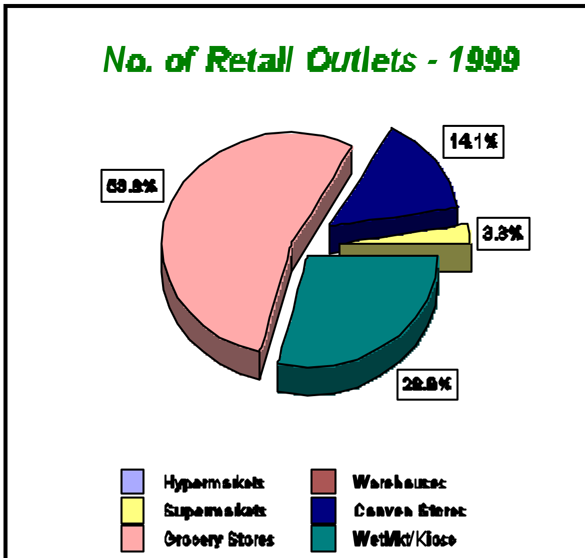
❑ **At the Internal Market** – Relative share.

The following charts illustrate how the market is segmented, as regards to consumer buying preferences, per type, Number of outlets, Georaphic areas, and the role of Distribution.

**Breakdown of RSR Sales & Outlets, years '96 & '99**

| | 1996 | | | | 1999 | | | |
|---|---|---|---|---|---|---|---|---|
| Type | Sales $ | % | Outlets | % | Sales $ | % | Outlets | % |
| Hypermarkets | 121,411,878 | 12.1% | 32 | 0.3% | 179,840,120 | 16.1% | 40 | 0.3% |
| Warehouses | 3,010,212 | 0.3% | 3 | 0.0% | 7,819,136 | 0.7% | 7 | 0.1% |
| Supermarkets | 413,402,428 | 41.2% | 375 | 3.3% | 457,977,946 | 41.0% | 389 | 3.3% |
| Convenience Stores | 218,742,062 | 21.8% | 1467 | 13.0% | 270,318,690 | 24.2% | 1642 | 14.0% |
| Grocery Stores | 159,541,228 | 15.9% | 5903 | 52.1% | 127,340,209 | 11.4% | 6286 | 53.6% |
| Wetmarkets / Kiosks | 87,296,144 | 8.7% | 3542 | 31.3% | 73,723,279 | 6.6% | 3365 | 28.7% |
| Totals | $1,003,403,952 | 100% | 11322 | 100% | $1,117,019,381 | 100% | 11729 | 100% |




**Total RSR Sales & No. Of Outlets, per Provinces - 1996 (DEC)**

| Provinces | Sales $ | % | Outlets | % | A | B | C |
|---|---|---|---|---|---|---|---|
| Bocas del Toro | 35,799,274 | 3.6% | 546 | 4.8% | 5 | 34 | 507 |
| Coclé | 39,824,553 | 4.0% | 1,054 | 9.3% | 47 | 160 | 847 |
| Colón | 88,830,720 | 8.9% | 652 | 5.8% | 20 | 114 | 518 |
| Chiriquí | 148,299,589 | 14.8% | 2,198 | 19.4% | 49 | 138 | 2,011 |
| Darién | 33,968,573 | 3.4% | 156 | 1.4% | 1 | 12 | 143 |
| Herrera | 35,353,772 | 3.5% | 731 | 6.5% | 14 | 64 | 653 |
| Los Santos | 26,338,072 | 2.6% | 771 | 6.8% | 29 | 57 | 685 |
| Panamá | 536,928,107 | 53.5% | 4,210 | 37.2% | 222 | 818 | 3,170 |
| Veraguas | 58,061,292 | 5.8% | 1,004 | 8.9% | 23 | 70 | 911 |
| **Totals** | $1,003,403,95 | 100.0 | 11,322 | 100.0 | 410 | 1,467 | 9,445 |

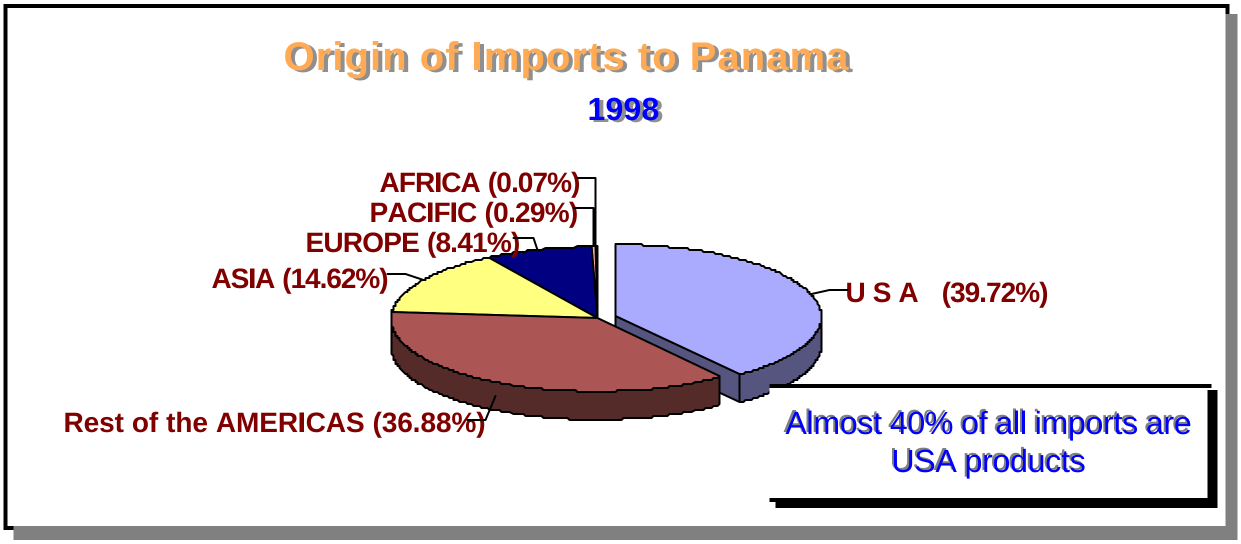
**Explanation of codes:** **A** - HyperMarkets, SuperCenters, SuperMarkets
**B** - Convenience stores (Mini-Supers)
**C** - Grocery stores, wetmarkets, small meat outlets & Kiosks

It is estimated that the greater Metropolitan Area, linking the cities of Panama, Chorrera and Colon constitute 62% of the total Retail sector sales. Hence, successful dealings cannot bypass its importance. Second best, and with a powerful supermarket chain structure, is the province of Chiriquí (at the country's western border, nearest Costa Rica) with 15% of the total.

❑ **In the International Front** – Imports.

From a global point of view, the following graph depicts where imports to Panama originate. The major competition arises from imports of Latin American countries that, in general, maintain good trade ties with Panama, (i.e. CentralAmCom, Andine Pact, MercoSur and CariCom, markets). Nevertheless, from a marketing perspective, none of these countries have the presense in the market of the United States.

| *Imports to Panama* | | | | | | |
|---|---|---|---|---|---|---|
| Country / Area | 1994 | 1995 | 1996 | 1997 | 1998 | % |
| USA | 907980 | 999,890 | 1,041,479 | 1,103,768 | **1,349,990** | **39.7%** |
| Rest of the AMERICAS | 954025 | 1,032,770 | 1,197,850 | 1,255,941 | **1,253,421** | **36.9%** |
| ASIA | 287836 | 258,982 | 295,717 | 356,021 | **496,843** | 14.6% |
| EUROPE | 234,421 | 225,980 | 231,416 | 271,637 | **285,841** | 8.4% |
| PACIFIC | 9280 | 12,440 | 11,813 | 15,859 | **9,997** | 0.3% |
| AFRICA | 8542 | 5,227 | 2,797 | 3,139 | **2,251** | 0.1% |
| TOTAL | 2402083 | 2535289 | 2781071 | 3006366 | **3398342** | 100.0 |




Consumer preference, as stated before, leans towards U.S. products and brands. Hence, real competition can arise in connection to a monopolistic type of consumable's competition, where prices and placing depth techniques are main components of an effective marketing mix strategy.

The Panamanian Retail Food Industry is very mature. As a result, many manufacturers are finding the competition over products fierce, and profits not so enticing. Better presentation and clever product tactics are thus needed.

# IV Best Products Prospects

| Food Imports by Category 1999 vs 1998, & Changing Trend % | | | | | | | |
|---|---|---|---|---|---|---|---|
| CAT | IMPORT TITTLE | Id | GrossWt/K | NetWt/Kg | CIF/$ | ImpTax/$ | %Chg |
| | **1998 - Real figures** | | | | | | |
| **Animal Prods** | F/Frozen Meat & Slaughter by-products | 2 | 9,381,778 | 8,909,407 | **12,701,258** | 1,708,654 | |
| | Fresh/Frozen Seafood & related prods | 3 | 1,369,262 | 1,306,538 | **3,455,647** | 409,462 | |
| | Dairy prods, Eggs, Honey & sim | 4 | 5,777,432 | 5,559,535 | **12,124,988** | 4,433,759 | |
| | Other animal prods (not listed above) | 5 | 123,427 | 122,747 | **400,611** | 12,697 | |
| **Vegetables** | Live plants & Floral Produces | 6 | 1,200,028 | 1,159,725 | **1,857,827** | 117,756 | |
| | Garden, Hortstuffs & Eatable Roots | 7 | 30,035,082 | 29,229,834 | **14,994,937** | 1,920,909 | |
| | Fruits, Citrics, Nuts, Skins & Rinds | 8 | 13,816,576 | 13,375,616 | **14,021,376** | 495,527 | |
| | Coffee, Tea, herbs & spices | 9 | 1,489,034 | 1,383,058 | **4,650,315** | 466,644 | |
| | Cereals | 10 | 398,718,494 | 397,795,780 | **72,393,744** | 4,384,776 | |
| | Flour prods, Malts, Eatable Starches | 11 | 22,666,644 | 22,365,333 | **9,177,875** | 371,738 | |
| | Seeds, Grains, Herbs, Forage & sim | 12 | 2,017,535 | 1,991,194 | **2,779,606** | 103,022 | |
| | Gum, resin & other Juice/Veg Extracts | 13 | 171,843 | 153,293 | **894,320** | 32,602 | |
| | Braided plants & other unlisted Vegs | 14 | 1,379,755 | 1,361,513 | **1,165,836** | 80,039 | |
| **Oils & Lard** | Veg/Animal oils, by-products & Lard | 15 | 39,800,832 | 39,228,532 | **30,570,669** | 2,050,395 | |
| **Food Industry** | Meat & Seafood Industry prep prods | 16 | 9,761,071 | 8,638,037 | **20,320,736** | 2,004,989 | |
| | Sugar, Candy & sim Confectioner items | 17 | 10,194,003 | 9,877,153 | **10,044,214** | 1,444,952 | |
| | Cocoa & it's by-products | 18 | 2,855,592 | 2,547,334 | **8,230,676** | 556,593 | |
| | Bakery & prep Cereal/Milk/Confectionary | 19 | 14,808,348 | 13,379,029 | **33,361,686** | 4,207,207 | |
| | Fruit, Garden & Veg plants prep prods | 20 | 24,105,475 | 21,707,054 | **25,595,688** | 3,032,280 | |
| | Diverse prepared Foods | 21 | 15,670,155 | 14,001,452 | **46,991,141** | 5,128,940 | |
| | Beverages, Alcoholic spirits & Vinegar | 22 | 20,660,180 | 11,644,485 | **17,593,322** | 2,522,547 | |
| | Food Ind residues & Animal prep Foods | 23 | 128,080,844 | 127,853,465 | **44,541,381** | 686,681 | |
| | Tobacco & It's by-products | 24 | 1,048,302 | 982,320 | **5,024,705** | 695,802 | |
| | **Total** | | **755,131,692** | **734,572,434** | **392,892,558** | **36,867,971** | |
| | **1999 - Extrapolated from Jan-Jun/99 actual figures** | | | | | | |
| **Animal Prods** | F/Frozen Meat & Slaughter by-products | 2 | 12990284 | 12,575,142 | **15,628,196** | 2,154,088 | **23.0%** |
| | Fresh/Frozen Seafood & related prods | 3 | 1,531,248 | 1,480,680 | **4,711,750** | 515,566 | **36.3%** |
| | Dairy prods, Eggs, Honey & sim | 4 | 6,535,216 | 6,219,562 | **13,459,218** | 4,523,724 | 11.0% |
| | Other animal prods (not listed above) | 5 | 4,194 | 3,940 | **316,772** | 2,906 | -20.9% |
| **Vegetables** | Live plants & Floral Produces | 6 | 328,602 | 324,070 | **907,874** | 94,746 | -51.1% |
| | Garden, Hortstuffs & Eatable Roots | 7 | 27,332,800 | 26,876,914 | **14,536,860** | 1,927,596 | -3.1% |
| | Fruits, Citrics, Nuts, Skins & Rinds | 8 | 11,873,096 | 11,270,564 | **11,445,326** | 433,006 | -18.4% |
| | Coffee, Tea, herbs & spices | 9 | 2,219,888 | 2,088,816 | **6,083,776** | 669,576 | **30.8%** |
| | Cereals | 10 | 356,193,664 | 356,059,050 | **53,056,486** | 6,211,286 | -26.7% |
| | Flour prods, Malts, Eatable Starches | 11 | 25,824,210 | 25,425,276 | **9,056,780** | 402,212 | -1.3% |
| | Seeds, Grains, Herbs, Forage & sim | 12 | 5,604,106 | 5,557,788 | **3,819,828** | 165,240 | **37.4%** |
| | Gum, resin & other Juice/Veg Extracts | 13 | 141,938 | 134,498 | **1,407,784** | 66,576 | **57.4%** |
| | Braided plants & other unlisted Vegs | 14 | 1,263,948 | 1,240,700 | **1,019,556** | 63,346 | -12.5% |
| **Oils & Lard** | Veg/Animal oils, by-products & Lard | 15 | 44,281,474 | 43,761,766 | **31,244,108** | 2,130,660 | 2.2% |
| **Food Industry** | Meat & Seafood Industry prep prods | 16 | 13,940,518 | 12,577,130 | **25,991,422** | 2,349,606 | **27.9%** |
| | Sugar, Candy & sim Confectioner items | 17 | 8,553,182 | 8,220,350 | **9,753,234** | 1,306,828 | -2.9% |
| | Cocoa & it's by-products | 18 | 3,125,802 | 2,791,434 | **9,339,986** | 618,462 | 13.5% |
| | Bakery & prep Cereal/Milk/Confectionary | 19 | 15,605,988 | 14,192,120 | **34,308,386** | 4,375,250 | 2.8% |
| | Fruit, Garden & Veg plants prep prods | 20 | 26,535,408 | 24,059,566 | **27,782,914** | 3,378,154 | 8.5% |
| | Diverse prepared Foods | 21 | 17,278,842 | 15,496,866 | **55,602,832** | 4,909,054 | **18.3%** |
| | Beverages, Alcoholic spirits & Vinegar | 22 | 31,685,754 | 17,854,984 | **18,678,510** | 2,727,236 | 6.2% |
| | Food Ind residues & Animal prep Foods | 23 | 114,227,442 | 113,944,266 | **35,224,132** | 500,002 | -20.9% |
| | Tobacco & It's by-products | 24 | 1,111,882 | 1,044,446 | **5,643,818** | 843,294 | 12.3% |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Total | | 728,189,486 | 703,199,928 | 389,019,548 | 40,368,414 | -1.0% |

The previous tables summarize the behavior of Food, Beverages and Tobacco product imports by category, over the latest 18 months of available data, (up to June, 1999). The 1999 results were projected from real Jan-Jun figures, over a rationalized extrapolation.

A. **Best prospects** include: Juices & Vegetables extracts, Seeds & Grains, Processed-Prep. Foods, Frozen Meat (Pork & Turkey), Instant Coffee, Tea & Spices, and, to a lesser extent: Cocoa products, Beverages and Alcoholic drinks.

   On the other hand, new product concepts are generally well accepted, with the same '*Try-once*' mentality, as seen in the U.S.

B. **Decreasing prospects**. On the Down side are life Plants & Floral produces, Cereal, Animal Prep. Foods, and, Dry Fruits, Citrus, Nuts and Rinds.

C. **Products not showing important trends but estimated having good potential**. Snacks, flavored medium drinks (Wine coolers, imported beer), Frozen desserts.

D. **Products not referred to above (in point A)** because of significant local production or custom preference, are: Regular Grain Rice, Beef, Fresh Shrimp, Fish, Lacteal products, Eggs, and fresh Brewed Coffee.

# V Post Contact and Further Information

If you have questions and comments concerning this report, or would like assistance in exporting to Panama, please contact the U.S. Office of Agricultural Affairs in Panama at the following address:

Office of Agricultural Affairs/Panama.
U.S. Embassy
*FAS,* Junet Building 1, Ave. Balboa,
Panama City.
Tel: (507) 207-7000 / 3281
Fax: (507) 225-4209
E-Mail: usembfas@cwp.net.pa
Home page: www.fas.usda.gov

U.S. Mailing address:
*FAS*
U.S. Embassy/Panama.
Unit 0945
APO AA 34002

You may contact our home page for more information on exporting U.S. Food products to Panama as well as enhanced detailed information on trading activities. The "WSR" (Wholesale Sector Report) and the "HRI" (Hotel / Restaurants / Institutional Food sector report), both to be submitted soon, will provide further clues as to the market, business opportunities, and product potential of your Foodstuffs in this country.

For more information on exporting U.S. agricultural products into other countries, please visit the Foreign Agricultural Service home page: http://www.fas.usda.gov