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Food Processing Ingredients

Food Processing Ingredients 2012 Report for Panama

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Report Highlights:
The food processing ingredients market is estimated at $107 million in 2012, with U.S. products leading the market with a 65% share, and expected to continue growing at an annual rate of 15%. The beverage and food industries constitute one of the principal manufacturing and export sectors of the economy, and the Trade Promotion Agreement (TPA) has created many new investment opportunities.

Post:
Panama City

SECTION I. MARKET SUMMARY

In Panama, the food processing industry is not very large, in comparison with other countries in Latin America. However, there is a wide range of food processing from low-value to high-value products. Panama's economy is based predominantly on Services (79.2%), with a small agriculture sector (4.1%). Therefore, Panama imports most of its raw materials in bulk, and most of the food ingredients, such as additives, preservatives, flavorings, vegetable colorings, among others.

Panama's total GDP is $30.6 billion with an annual growth rate of 10.6%, showing a robust growth in a sustainable manner, averaging 7.3% over the past 10 years. Panama has been the most economically advanced country in Latin America in recent years. The growth shown in 2012 is mainly due to the Panama Canal, banking, the Colon Free Zone, insurance, container ports, flagship registry, construction, real estate, transportation, tourism, telecommunications and trade. Panama is once again exceeding the average economic growth regionally and globally, despite the global economic downturn.

Panama dollarized its economy in 1904, so there are no currency exchange problems. Panama is the region's major banking center with more than 80 national and foreign banks, and credit can be obtained at competitive market rates. Project financing is available from multilateral funding entities such as the Inter-American Development Bank (IDB), the International Finance Corporation (IFC) of the World Bank, the U.S. Overseas Private Investment Corporation (OPIC) and the U.S. Export-Import Bank, which offers credit guarantees and insurance.

The Panamanian market offers good opportunities for exports of raw materials (meats, poultry, dairy, grains, and others) and specialized food ingredients such as additives, preservatives, and flavorings. There is high demand for high value products and processed food products for the burgeoning tourist industry. Panama was designated the home port for several cruise companies, including Royal Caribbean and the Spanish cruise line Pullmantur, which means more cruises arriving in Panama. There is also increasing demand for non-traditional foods because of growing immigration; many American, Canadian and European retirees move permanently or semi-permanently to Panama, as well as Venezuelans and Colombians who make Panama their temporary residence. Law 41 of 2007 relating to Multinational Enterprises has enticed companies from different countries to establish their regional hubs or headquarters in Panama, bringing in their executives and other employees with their families. Examples of these companies are Dell, Maersk, ADM, Procter and Gamble, Caterpillar, Mars, Adidas, and SAB Miller, among others.

U.S. food and agricultural exporters will benefit from the United States - Panama Trade Promotion Agreement (TPA), which entered into force on October 31, 2012. The TPA gives U.S. products a competitive advantage over other countries, because most processed products, many raw materials and most specialized food ingredients receive immediate duty-free treatment, with most of the remaining tariffs to be eliminated within 15 years. U.S. products are leading the market with a 65% share, and are expected to continue growing at an annual rate of 15%.

Panama has 140 food processing companies. These include dairy processors, meat and poultry products processors, fishery products processors, fruits processors, beverages and spirits, bakery, snacks, among others.

The food processing ingredients market is estimated at $107 million in 2012. This sector, according to official figures and the Union of Industrialists of Panama (SIP), has an estimated annual growth for 2013 at 8.8%. Since the estimate for 2012 growth is 9.1%, one of the highest in the region, the outlook for the industry in Panama is looking more than encouraging. The beef, pork and chicken sectors will end 2012 with growth of 7.4%, 4.4% and 4.9% respectively. The production of beverages, liquor in particular, will grow at 3%. The production of processed milk and sugar held a slight improvement over last year's results.

The market for imported goods for Consumption will be more than $5,000 million. Of this amount the processed food products is more than $1,400 million, which is well above the national agricultural sector GDP.

It is important to note that local food products using inputs such as soy, wheat, and corn, among others, as raw materials will likely face price increases since North America's extended droughty conditions raised raw material prices.

Panama is a multicultural and multiethnic society, and this has created a demand for frozen and refrigerated deli products, ethnic and typical foods. Many supermarkets offer a wide range of ethnic food products, including Chinese, Kosher, Spanish, Latin American and Italian, among others. Growth in the service industries, work schedules, larger female workforce and long home travel distances have also increased the number of people dining out at lunchtime; moreover, this hectic lifestyle has fueled a demand for supermarket prepared or ready to cook food in individual and family sized portions. Fast food franchise outlets and shopping mall food courts have all experienced significant growth in recent years, and require specially prepared pre-processed food products.

To cope with rising demand, in large part as a result of the FTAs, and remain competitive, the industry will have to make short and long term investments in new plants, equipment and technology, not to mention compliance with sanitary, safety and environmental regulations. Many large international concerns have bought out or entered into alliance with well-established local companies as part of their strategic globalization program. Such is the case with Grupo Alimenticio Pascual, the country's principal cookie and cracker manufacturer, which was acquired for $25 million by the Colombian group, Casa Luker; Cerveceria Nacional, with a beer market share of 81%, purchased by SAB Miller; and Grupo Melo, which made a joint investment of $15 million in a poultry plant, with Tyson Foods.

Advantages	Challenges
United States - Panama Trade Promotion Agreement (TPA) entered into force on October 31, 2012. U.S. agricultural exports will benefit, having a competitive advantage over other countries, because most the	U.S. food products are not geared for the "traditional" market (over 35,000 mom & pop stores, only in Panama City) which sells items packaged in small sizes. (e.g. individual apples

processed products, many of the raw materials and most of the specialized food ingredients will receive immediate duty-free treatment.	and pears).
U.S. Panama SPS and TBT Agreement entered into force in February 2007 and eliminated SPS barriers, thus importing products from the U.S. is now easier than from other countries.	The US faces strong competition in Panama: snacks and processed foods from Central American countries and China; fruits and horticultural products from Chile and Mexico; grains and oilseeds from Argentina, Canada and Brazil; meats from Canada; dairy products from Costa Rica, Argentina, New Zealand and Australia.
GDP growth higher than the region's average during the last few years (10.6% in 2012). Economic future looks promising with expansion of the Panama Canal project leading this trend. Strong financial and transportation sectors facilitate international trade flows.	Prices of some U.S. consumer-ready products are higher than competitor prices. Rising energy costs, commodity prices, and food prices hurt small economies relatively more.

SECTION II. ROAD MAP FOR MARKET ENTRY

A. Entry Strategy

The outlook for imports of food processing ingredients is favorable and the market is very receptive to U.S. products. Having a local distributor is a key aspect of the product entry strategy. Customs clearance is relatively fast and straightforward. Panama has a dollar-based economy, good transportation infrastructure and telecommunication systems, state of the art modern ports and excellent access to shipping and air transport.

Panama is a very open market and there are no strict distributor protection laws per se. General commercial law would instead govern contracts or relations between the vendor or supplier and the local company.

Price is still the most important buying factor. Most of the consumers look for products which have an acceptable quality level at the most competitive price.

The shipping costs from the United States to Panama are competitive, due to the trade flow of goods through the Panama Canal.

Panamanian regulations allow food product labels to be in English.

U.S. products enjoy a high quality image. There are no import barriers for food processing ingredients; and most of the import duties have been eliminated with the entry into force of the TPA with the U.S. Ad valorem import duties are levied on the CIF value plus a 7% value-added tax. Many food processors prefer using high quality U.S. ingredients and raw materials to insure compliance with the different health, sanitary, processing and packaging standards and regulations, including those set forth by the Codex Alimentarius, all enforced by the Ministry of Health and the Panamanian Food Safety Authority.

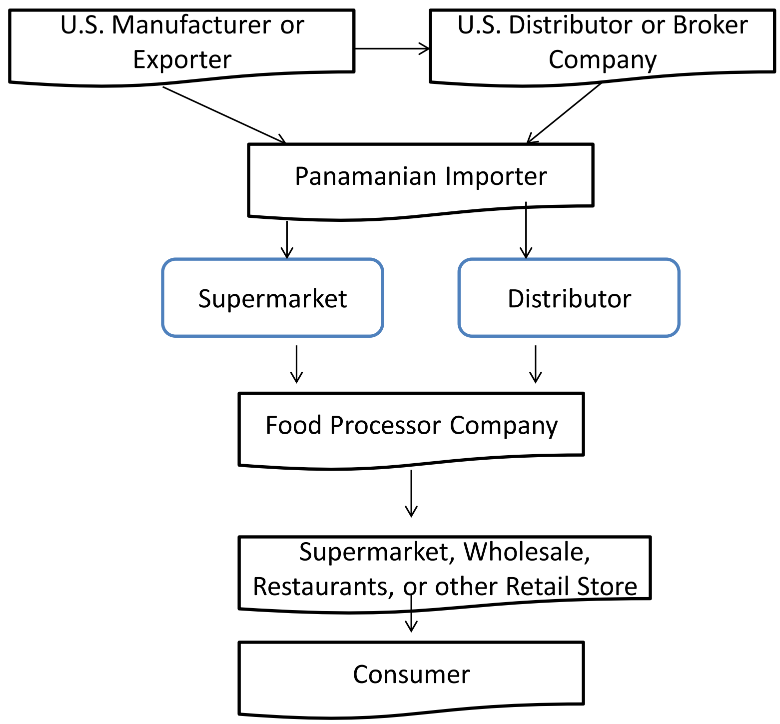
B. Market Structure

Some U.S. manufacturers are represented by local representatives or commission agents who carry out product promotions, follow up orders and collections, and resolve claims. In Panama there are large distributors with the capacity to reach many markets without the need of using intermediaries. Some of these are the major supermarket chains: Super 99, Supermarket Rey, Price Smart wholesale, Riba Smith, Xtra and Machetazo. Others opt for direct customer contact facilitated by widespread Internet use. Direct mail is also widely used, as is participation in trade and general commercial shows, at local and international levels.

For products with a specific market volume or those requiring a sizable investment, exclusive distributor relationships can be established, by a signed contract or agreement, and usually for a predetermined time period.

U.S. vendors will usually grant credit terms of 30 to 60 days net for established companies with at least three U.S. valid trade references. Other common payment options are letters of credit and advance payment via wire transfers or bank drafts. Local credit references can be obtained from the Panamanian Credit Association (APC in Spanish) by affiliation or service fee. Sales are conducted with a variety of payment and lease terms including 30 to 90 days credit. Most commercial establishments accept credit cards for retail sales.

Below is the distribution channel flow diagram, showing how products are passed from the U.S. exporter to the food processors and to the final consumer:



C. Company profiles

The following is a table showing Panamanian food processors with the type of products and brand names.

Name	Description of Processing Activity	Brands
Arce Avicola,S.A	Breeding, processing and sale of eggs and chicken	Del Día
Sociedad de Productos de Primera	Food Processing Dairy and Foodstuff products (cheese, milk, eggs)	Bola
Central Food Corp.	Import and making of food products with own brand	Central Food
Cía. Levaban de Panamá, S.A	Production of fresh and dry yeast, baking powder	Levapan
Conservas Panameñas Selectas, S.A.	Production of juices, jelly, jam, and tomato products	Del Prado
Lago Sirino, S.A.	Purchase, sell, dry, store, mill, and process all kind of grains	Lago Sirino
Nestlé Panama, S.A.	Production and commercialization of food products (coffee, beverages, dairy products)	Nestlé

Procter & Gamble Interamericas de Panama, S.A	Production, representation and distribution of natural dietary products, organic or food and pharmaceutical products in general	Eagle Snacks, café Folgers, Millstone Coffee, Olean/Olestra, Puritan oil
Productos Lácteos San Antonio S.A	Production of all kinds of milk, ice cream, beverages, cheese, and dairy products	Superior, Belford
Productos Lili, S.A	Production of marshmallows, meringue and other sugar products	
Proluxsa	Production of food products (vinegar, soy sauce, condiments, juices)	Proluxa
Cerro Punta, S.A	Production or distribution of agricultural products (fruits and vegetables)	Cerro Punta
Productos Toledano	Distribution of agricultural industry products, chicken and eggs	Toledano
Alimentos Cárnicos de Panama	Meat processing plants, hams and cold meats	Blue Ribbon
Cervecería Nacional, S.A	Manufacturers and distributors of beer and sodas	Atlas, Balboa, Vigor, Pepsi, Nevada, otros.
Cervecería Barú - Panama, S.A	Manufacturers and distributors of beer and malt	Panama, Soberana, Cristal, Súper Malta, Heineken, Budweiser, otros.
Productos Alimenticios Pascual	Production of crackers, cookies, candy, snacks, pasta and distribution of food products	La Suprema, Roma, Maria, Sándwich, otros.
Avipac, Inc.	Processing of cold meats, distribution and commercialization of food products (eggs and chicken)	Avipac
Ernesto Berard, S.A	Manufacturing and distribution of cold meats, fresh and smoked meat	Berard
Riba - Smith, S.A	Food Retail, food imports and food production	Riba- Smith, Rica
Promarina, S.A	Production of flour and fish oil	
Harinas de Istmo, S.A.	Flour production for bread and bakery industry	Harina del Istmo
B & L Export and Services, Inc.	Fishing, processing and exports of seafood and shellfish	
Cía. De Mariscos Isla de Las Perlas	Processing and exports of seafood	
Farallón Aquaculture, S.A.	Nauplii lab, shrimp farm, seafood processing plant	Farallón, Afrodisia, Portobello
Grupo Panalag - Unión Inc.	Production, processing, exports of seafood & fish	
Grupo T.W.T. Inc.	Fishing, processing and exports of sea products (breaded seafood)	
Sea Deli Panama, S.A.	Processing, packaging and exports of shrimp	
Industrias Momi, S.A.	Production of bakery, confectionery and food products	Momi
Empresas Melo, S.A.	Value added products, chicken, seafood and	Melo

	vegetables	
Helados La Italiana, S.A.	Manufacturer of dairy products (ice cream and ice cream bars)	La Italiana
Prilad	Processing and distribution of cheese	Don Pedro quesos, queso prensado
Coca Cola FEMSA de Panama, S.A.	Manufacturing and production of sodas, juices, isotonics and water	Coca Cola, Fanta, Kiss, California, Juizz, Pure Montain, Dasani
Life Blends	Production and preparation of natural juices and related products	Life Blend
Manantial de Volcán, S.A.	Production of juices, water and sodas	
Café de Eleta, S.A.	Development of agricultural activities (coffee)	Café de Eleta
1985/Chalet Suizo	Importer, processor, restaurant and catering	
Agricultura y Maquinaria, S.A.	Processing, imports and exports (coconut, noni, cereals, rice)	My Way
Alcoholes del Istmo, S.A.	Production of ethyl alcohol (liqueur, rum)	
Azucarera Nacional, S.A.	Cultivation, production, and export of sugar	Santa Rosa
Alimentos del Istmo, S.A.	Food and beverages	Caprichitos, Bolitas, Chitos, Torciditos
Agro Industrias Alimenticias de Veraguas, S.A.	Manufacturer or creams, pasta and other food products	La Parmigiana
Baltimore Spice Panama S.A.	Production of condiments, species, and food additives	
Compañía Azucarera La Estrella, S.A.	Production, investigation, and commercialization of sugar cane (molasses and alcohol)	
Carnes de Coclé, S.A.	Processing and sale of meats and cold meats	First Choice Meat
Café Sitton, S.A.	Coffee processor, exporter	Café Sitton
Deli Fish Panama, S.A.	Seafood and fish processor	Deli Fish
Fortunato Mangravita, S.A.	Production and distribution of meat	Fortunato Mangravita
Gold Mills de Panama	Flour processor (creams, syrup, pastas)	Gold Mills
Industrias Panama - Boston, S.A.	Process and refines oils, butter and lard	Pabo, Cascade, Yo Soy, Supreme
Industrias Lácteas, S.A.	Processing and commercialization of dairy products and juices	Vita Slim, D'Oro, Estrella Azul, Vaquita
Industrias Alimenticias Ricas Viandas	Production of bread, desserts and sweet bread	Rimith
Lavery Panama, S.A.	Production of food products (cheese, margarine and butter)	Cremoso
Productos Kiener, S.A.	Production, distribution and sale of meat products (spicy sausages, cold meats, sausages)	Kiener
Bimbo de Panamá, S.A.	Production of bread, bakery and corn bread.	Bimbo, Rapiditas Wraps

Panadería y Dulcería La Sabrocita, S.A.	Production of bread and bakery	La Sabrocita
Sarasqueta y Compañía, S.A.	Grains production	
Samuray Mar, S.A.	Processor of fish and seafood	
Rocmar, S.A.	Fish processor	
Tasty Food Industries	Production of bread, bakery and cookies	Tasty Choice
Varela Hermanos, S.A.	Liquor production	Seco Herrerano, Ron Abuelo, Gin Caballito
Zuellen,S.A.	Production of bread and bakery	Santa Librada
AG & Land, S.A.	Cultivation and export of pineapples	
Ají Panama,S.A.	Processing, commercialization and export of hot peppers	
Beneficios de Café de Boquete, S.A	Processing and exports of coffee	Barú Indian High
Campos de Pese, S.A	Agricultural company dedicated to sugar cane	
Caribbean Patty S.A	Manufacturer of food products (pasty)	Jam Patty
Dalemar Seafood Inc.	Processor, importer of fish and seafood	Panamá Seafood, Ultramar Seafood, Boca Chica
Casa Ruiz, S.A.	Producers, exporters, and commercialization of coffee, coffee roasters	Café Ruiz
Central Azucarera de Alanje, S.A	Sugar producers	Doradita
Compañía Agrícola Industrial, SA	Meat and pork producers	
Compañía Exportadora Agrícola, S.A.	Melon, yam and watermelon producers	
Cooperativa de Cacao, R.L.	Cacao producers	
Cooperativa Domingo Basterra	Yucca, yam, and dasheen producers	
Cooperativa el Progreso, R.L	Melon producers	
Corporación Frutera del Pacifico	Pineapple production	
Esteban Duran Amat, S.A.	Coffee production and commercialization	Café Duran
Finca Candela Café San Benito	Coffee production	
Dos Valle, S.A.	Production and commercialization of nontraditional agricultural products (squash, melon, watermelon, zucchini, dasheen, yam)	
Comercializadora Agrícola Mr. Agro. SA.	Cultivation, collection, production, packaging and export of fresh fruits and vegetables	
Panama Pacific Packer's Inc.	Shrimp farm	
Conservas Chiguiri, S.A.	Research, development, processing, and commercialization of nontraditional agricultural products (pixbae, tamarind)	Panama Gourmet

Distribuidora Dos Pinos de Panama	Producer and exporter of dairy products (milk, cheese, butter, yogurt, ice creams)	Dos Pinos
Palmitos de Panama, S.A.	Production, processing and exports of palmito	
Interfruit Company	Cultivation and export of pineapples	
Verba Odrerc, S.A.	Cultivation of pineapples	
Tropical Fruit Company	Cultivation, packaging and distribution of pineapples	
R.C Agro Supplies, S.A	Production of dasheen, coconut, watermelon, squash	
Panama Canal Fruit, S.A.	Production of melon and squash	
Panama Fruit, S.A.	Production of fruits and vegetables (melon, yucca, squash, papaya, pineapple)	
Global Food, S.A.	Production of melon, eggplant, zucchini, watermelon, yam	
Mensabe Import & Export, S.A.	Production of export of yam, squash, dasheen, melon, watermelon, coconut	
Bonilla Farm	Watermelon production	
Bruny Tropical	Pineapple production	
Panama Golden Packers	Cultivation, packaging and distribution of pineapples and tropical fruits	
Melones del Arco Seco	Cultivation and export of melons, watermelons, and squash	
Juan Gilberto Torres	Independent agriculture exporter (melon and squash)	
Cultivos Selectos	Processing and transforming industry, packaging and selling of grains, legumes, vegetables, and national fruits	
Agrícola Samudio	Grains processor	
Avícola Athenas	Chicken and eggs producer	
Jaime García S.A.	Production and processing of grains (rice and corn)	
Molino Lezcano	Rice Mill	
Procesadora de Granos Chiricanos	Processing, cleaning, drying, milling of grains	
ANEF, S. A.	Producer, seller and transportation of agricultural products	
Corporación Frutera del Pacifico, S. A.	Agricultural exports	
Alimentos Bemarodi	Production and sale of cheese and other dairy products	
Central Industrial Chiricana	Production and commercialization of liquors	
Conservas de Antaño	Fruit processing	
COOLECHE	Milk production	

COOPEMAPACHI	Production of oil palm trees	
Inversiones Bongo	Stockbreeding	
Mara Pan	Manufacture of bread products	
Productos Liana	Pasta	
Truchas de Bambito, S. A.	Producer, processor, sales and exports of trout	
Estrategias y Restaurantes	Seller of poultry products (chickens and eggs)	
Pana Plátanos	Production and exports of plantains	
Agrícola Santa Rita	Sowing, production, harvest of fruits (soursop, avocado, rambutan, Persian lemon, orange)	
Exportadores de Azuero	Production and sales of fruits and vegetables for export (dasheen, yam, squash, watermelon, coconut, melon)	
Ganaco, S.A.	Bovine and ovine breeding	
Ganadera Karla Mary	Bovine breeding	
Hermanos Motta	Stockbreeding, agricultural production, agricultural industry (meat, corn, rice)	
Inversiones del Mar Pacifico	Fish processing	
Isabela Seafood Corporación	Processing, packaging and distribution of fresh fish products	
Juan Pablo Berard	Coffee production	
Finca Hartmann	Coffee production	
Latín Fruit, S.A.	Production and sale of fruits and tubers (yucca, melon, papaya)	
Ocean Farms Inc.	Processing and packaging of shrimps	
Macello, S.A.	Slaughterhouse for bovine and porcine animals	
Pana Fruit, S.A.	Processing of fruits and tubers (Hawaiian papaya, dasheen, yam)	
Grupo El Establo	Pineapple cultivation, exports and preserves	Dulce Maria
Ramafrut International, S.A.	Production and distribution of agricultural products (melon and watermelon)	
Kotowa State Coffee	Coffee production	
Palo Alto Agroindustrial, S.A.	Coffee production	
Procesadora Marpesca, S.A.	Processing, storing and distribution of perishable food (shrimp and fish)	
Vigomar,S.A.	Production, breeding and exports of shrimp	
Central de Granos de Coclé, S.A.	Processing and commercialization of rice	
Camaronera de Coclé, S.A.	Research, production and commercialization of packed shrimps, and live larvae	

Ganadería de Coclé, S.A.	Cattle and pork fattening, production and commercialization of nontraditional products	
Avícola Chong, S.A.	Production and commercialization of chicken and eggs	
Avícola Franz	Production and commercialization of chicken and eggs	
Avícola Magaly, S.A.	Production and commercialization of chicken and eggs	
Cooperativa de Servicios Múltiples Juan Pablo XXIII, R.L	Production and commercialization of chicken and eggs	
Edanjo, S.A.	Production and commercialization of chicken and eggs	
Hacienda Los Guayacanes, S.A.	Production and commercialization of chicken and eggs	
Finca Avícola Santa Librada, S,.A.	Production and commercialization of chicken and eggs	
Procesadora Mónica, S.A.	Production and commercialization of chicken and eggs	
Tropical de Alimentos, S.A.	Processing of fruits and vegetables for the production of juices and pulp	Tropidali
Queseria Dalys	Production of white milled and pressed cheese	
Aguas Naturales y Ecológicas	Production and commercialization of natural mineral water	
Mariscos Charlie Tuna	Processing and sale of smoked and canned tuna	
Panama Blue	Bottling of spring water	Panama Blue
Vitanova Holding	Processing of dairy products, especially fresh ethnic cheese	Quesos Chela
Productos La Doña	Food industry (seasonings, creams, spices, pastas, sauces)	La Doña
Las Mirandas	Production of exotic fruits (Taiwanese soursop)	
Agroindustrias Monte Lirio	Production of plantain chips of different flavors	
Panafrut, S.A.	Processing, commercialization and export of cashews	

D. Sector trends

Because of the highly competitive nature of the food processing industry, and to comply with the various sanitary and safety regulations, factories strive to invest in modern, innovative and efficient packing, packaging and labeling solutions. Manufacturing is all carried out by the private sector, according to the following end-user groups:

- **Beverage Industry**

This is one of the largest sub-sectors. The two large breweries were both acquired by multinational corporations: Cerveceria Nacional by SAB Miller and Cerveceria Baru-Panama by Heineken. They also operate as bottling plants for Coca-Cola, Pepsi-Cola and a number of other soft drinks, non-alcoholic beverages, bottled water, juices and breakfast drinks. There are four liquor and spirits manufacturers, led by Bacardi Central America and the Varela Group.

- **Dairy Industry**

Milk production is concentrated in three provinces: Chiriqui, Herrera and Los Santos, and many milk producers are associated as cooperatives. The three largest dairies are Industrias Lacteas, owned by Grupo FEMSA of Mexico, Cooleche owned by Dos Pinos of Costa Rica, and Bonlac purchased by Sociedad de Alimentos de Primera (Casa Luker) from Colombia. They manufacture and distribute a wide range of dairy products, including high quality milk, ice cream, frozen desserts, butter, yogurt, cream, and fruit drinks. They frequently introduce new products into the market. Like other sub-sectors of the food industry, manufacturing of dairy products such as cheeses is dynamic and much diversified, ranging from cottage to large scale agro-industrial corporations such as Nestlé, which has a large production facility in Panama for evaporated and condensed milk.

- **Meat Processing Industry**

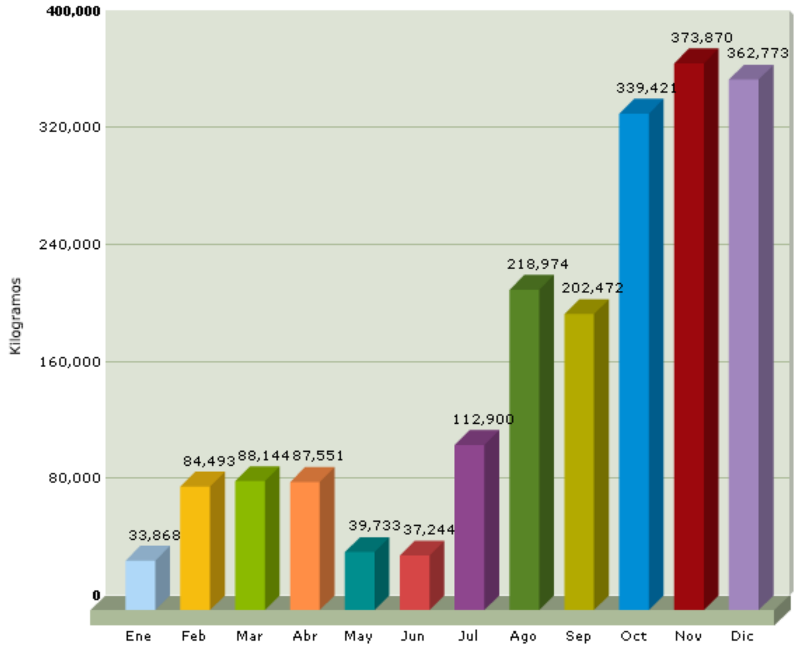
Poultry is the top meat staple of the local diet and processing is very advanced. Consumers buy both whole chickens and pieces, most of which is locally produced. The principal producers are Toledano and Melo (Tyson), a multi-product company and one of the country's largest exporters.

Pork is Panama's second favorite meat. Under the TPA, the United States has a tariff rate quota (TRQ) of pork meat of 1,600 metric tons with an annual growth of 6% of the quota, while the import tariff is phasing out in fifteen years. Panama also imports annually 300 metric tons from Costa Rica, and has other international commitments.

U.S. pork has price and product advantages over local and Central American pork. Panamanian pork is normally sold in carcass, not in cuts; meat processors rarely are able to find local pig fat and pork chops. Nor is there a local standard for cuts and products. Thus, Panamanian meat processors welcomed the sanitary equivalence agreement between Panama and the United States, which entered into force in December 2006, which allowed them to import a wide variety of different pork cuts from the U.S. (Local meat processors also import Canadian pork chops, fat back and center-cut belly, because of their lower prices.)

Pork picnics and shoulders are a traditional Christmas holiday food. The local supermarkets always negotiate holiday purchases of picnics with the local industry in July and August. The meat processors are accustomed to purchasing picnics, pig fat, and other products from January to June of each year, because the international prices of pork are low. Therefore, the industry purchases the TRQ for pork meat in the first half of the year, but delays the actual import until the last quarter (October, November and December).

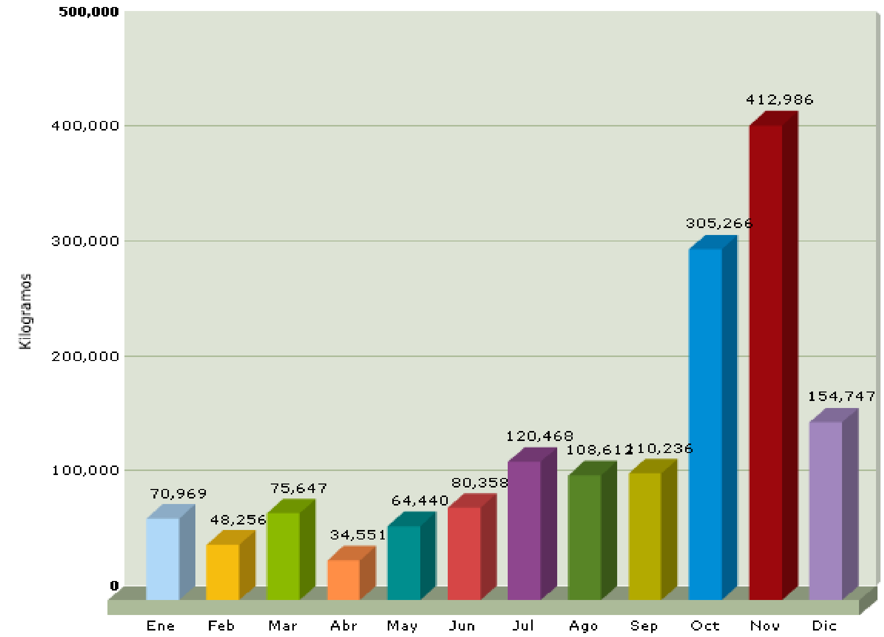
The meat processors have decided to increase their processed products lines, in order to be more competitive. Therefore, they welcome U.S. trade missions which bring new product prospects.



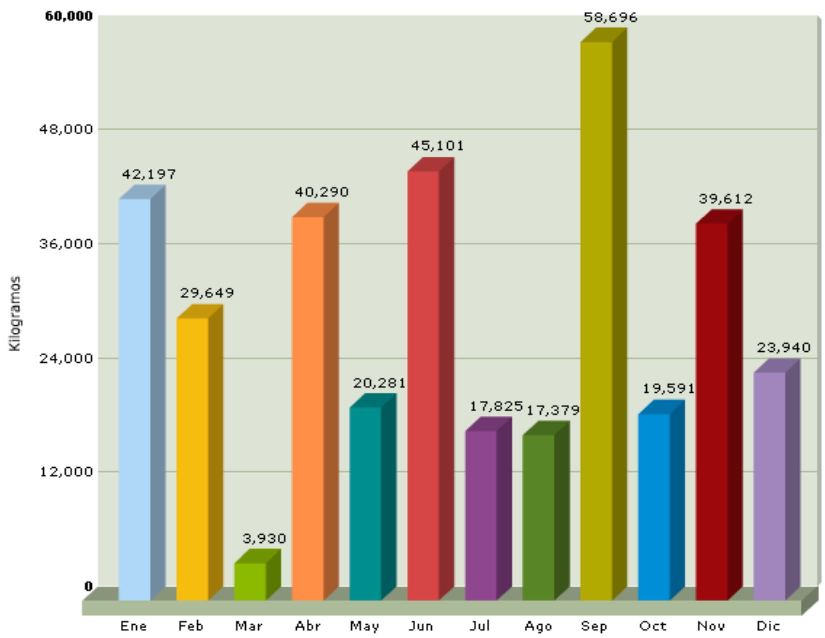
Pork (fresh, chilled and frozen) imports in Panama: Calendar year 2012, by month and by kilograms.
Source: Panamanian Food Safety Authority

The local meat processing industry is focused on local retail chains, and not on HRI or export. The average low-income Panamanian consumer prefers to purchase sausages and ham rather than beef due to beef's higher price. The national standard for deli meats requires a minimum of 12.5% animal protein, compared to a minimum of 10% in other countries. Standards permit the use of no more than 5% of soy protein isolate. Meat processors import mechanically deboned chicken and turkey meat for the production of deli meats.

The Food Service sector is supplied by imported processed meats, mainly from the United States, and cured hams from Spain and Italy.



Bovine meats (fresh and chilled) imports in Panama: Calendar year 2012, by month and by kilograms.
Source: Panamanian Food Safety Authority



Beef cuts (frozen and packed) imports in Panama: Calendar year 2012, by month and by kilograms.
Source: Panamanian Food Safety Authority

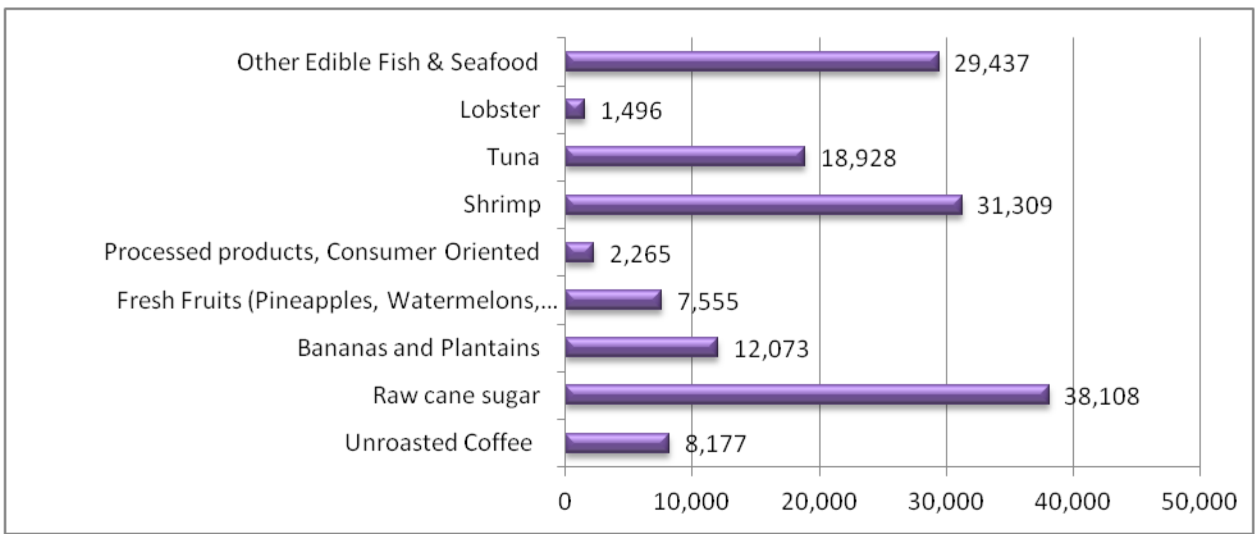
The main local meats processors are:

- Carnes de Cocle (Brand: American Star)
- Alimentos Carnicos de Panama (Brands: Blue Ribbon and Berard)
- Productos Kiener (Brand: Kiener)

- Riba Smith (Brand: Rimith)
- Avipac (Brands: Montuno, San Angel and Campo Fino)
- Grupo Melo (Brand: Melo)
- Productos Toledano (Brand: Toledano)
- Arce Avicola (Brand: Del día)
- Deli Grecia (at the Province of Veraguas)
- Campañola (at the Province of Veraguas)

Seafood products represent the country's leading export group, and most processing is performed in the ports of Vacamonte and Puerto Armuelles. Efforts are made to manufacture value-added products, in addition to frozen products, as a means of increasing profits and competing globally.

The chart below shows the importance of Panamanian exports to the United States of seafood and fish products, including shrimp, yellowfin tuna, lobsters and other edible fish and seafood.



Major Panamanian Food Exports to the United States, in thousands of dollars. Calendar year 2011.
Source: U.S. Bureau of the Census Trade Data

- **Agro Industry**

Bananas, fresh fruits and sugar are the main agricultural exports. Sugar production is carried out in the central provinces and refined by Azucarera Nacional, Santa Rosa, Ofelina, La Estrella and others. Rice production is also significant and is mostly grown in Chiriqui, as is coffee, while corn is mainly harvested in the middle provinces. Many farmers have reinvested in non-traditional products such as watermelons, cantaloupes and papaya. Companies like Nestlé manufacture a large variety of tomato products and canned tropical juices.

- **Baking Industry**

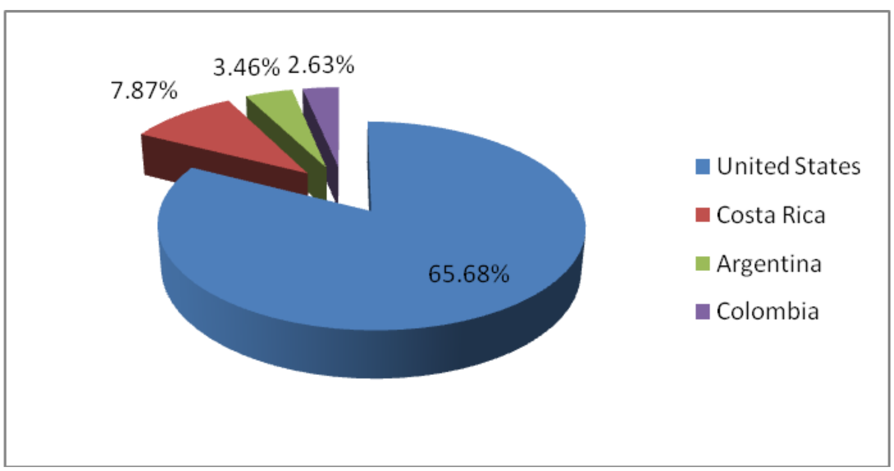
Four flour mills, Harinas Panama, Harinas del Istmo, Gold Mills and Oro del Norte, supply the burgeoning bread and pastry trade, which ranges from large scale bakeries such as Bimbo of Panama to neighborhood bread shops. There are more than 200 bakeries just in Panama City. Following their U.S. counterparts, many supermarkets have also installed in-store bakeries.

SECTION III. COMPETITION

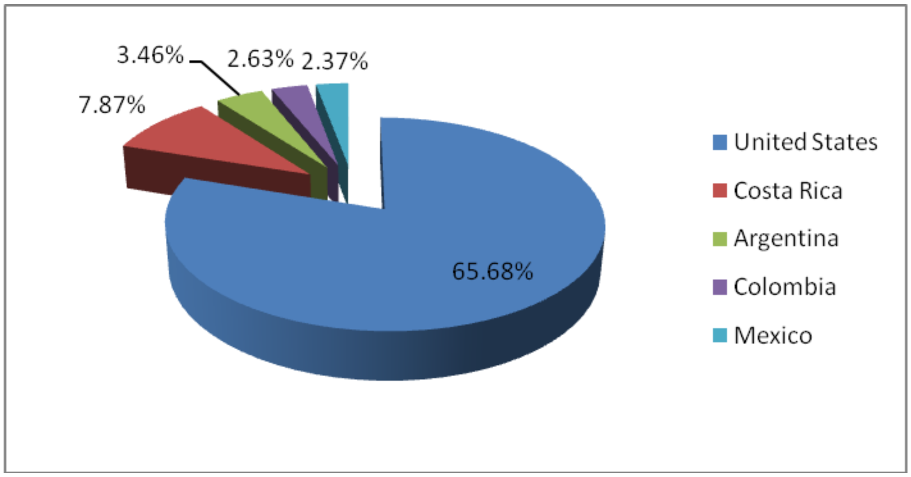
Well-known U.S. and international suppliers marketing in Panama include ConAgra, Kraft, Tyson Foods, McCormick, Kellogg's, Mars, Coca Cola Co., Procter and Gamble, Unilever, Johnson & Johnson, among others.

While U.S. products account for the major share of the import market, a wide range of food processing ingredients is available from other countries, and meet diverse purchasing criteria for pricing, quality, after-sales service, delivery time and financing. There are about ten importers/distributors with trained personnel constantly calling on the various end-users, offering their products and services.

Food processing ingredients manufactured in the U.S. are perceived as being of higher quality, while those of other countries is considered to be highly competitive in price, but of lower quality and lacking adequate after-sales service. Certain industries prefer purchasing from countries renowned for their specialties; i.e., beers from Germany, sausage and pasta from Italy, etc.



Main imports from the United States, in thousands of dollars. Calendar year 2011.
Source: U.S. Bureau of the Census Trade Data



Major Food Exporters to Panama, in percentage of the market share. Calendar year 2011.
Source: Panamanian Food Safety Authority

SECTION IV. BEST PRODUCT PROSPECTS

The Panamanian market offers good opportunities for additives, preservatives, flavorings, vegetable colorings, sauces, condiments, grains (wheat, yellow corn, and rice) , semi-processed products, such as soybean meal and soybean oil, and a wide a range of high quality consumer oriented products, such as bakery products, snacks, ready-to-eat products, beverages, breakfast cereals, sugar confectionary and food preparations, gourmet food products, low-fat, sugar-free and fat- free food products, because most of the food products found in the supermarkets are not processed locally.

For example, with the TPA now in force, there is a potential market opportunity for U.S. exporters of "Glucose & glucose syrup, containing in dry state less than 20% fructose" (HTS code 1702.30), because with the TPA the glucose and glucose syrup from the United States is tariff-free, while Panama's applied rate on imports of glucose syrup for the rest of the world is 30%.

SECTION V. POST CONTACT AND FURTHER INFORMATION

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For further information, other GAIN Reports from FAS Panama, such as the Exporter Guide, and the Food and Agricultural Import Regulations and Standards, are available at: http://gain.fas.usda.gov/Lists/Advanced%20Search/AllItems.aspx

Contact information for the main associations in the food processing industry follow:

National Poultry Association
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Panamanian Chamber of Commerce, Industry and Agriculture
Camara de Comercio, Industrias y Agricultura de Panama
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