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Global Agricultural Information Network

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Panama

Exporter Guide

2017 Exporter Guide for Panama

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Report Highlights:

The expanded Panama Canal in June 2016 marks a key milestone in Panama's history as an important water route for world trade. Panama boasts the Western Hemisphere's fastest growing economy, with low unemployment, and a stable, democratically elected government. Its economy nearly 90 percent based on services, including sophisticated logistics and finance operations, heavily dependent on foreign investment and has worked to make the investment process attractive and simple for investors.

Post

Panama

Executive Summary:

SECTION I. MARKET OVERVIEW:

Panama has historically served as the crossroads of trade for the Americas. Its strategic location as a land bridge between two oceans and the meeting of two continents has made Panama not only a maritime and air transport hub, but also an international trading, banking, and services center.

In spite of global economic challenges, Panama enjoyed a strong economy in 2017. Based on the World Economic Forum's Global Competitiveness Report 2016-2017, Panama is one of the most competitive economies ranking No. 42 out of 138 countries and is among the 10 most competitive Latin American and Caribbean economies. Real Gross Domestic Product (GDP) rose by 5.6% growth in 2017. Panama can now claim the highest per capita GDP on a Purchasing Power Parity (PPP) basis, in the region at US\$21,840.66 (2017 Est.).

Panama benefits from strong financial and investment freedoms: commercial operations are, in general, subject to transparent rules. Additionally, the tax rates for individuals and companies are moderate, and there are significant customs and tax advantages in the Colon Free Trade Zone (CFZ). Its dollarized economy and its economic specialization in the strategic sectors (banking, maritime traffic) are some of the many factors that attract foreign direct investment. In 2017, Panama ranks 70th out of 190 countries in the [World Bank's Doing Business Index](#).

Large investment projects contributed strongly to Panama's exceptional growth in recent years. The following table displays the wide range of investment projects. Their total value is estimated at US\$16.7 billion, or about 30.3 percent of Panama's 2017 GDP. The largest private investment project Minera Panama, with an estimated total value of US\$5.5 billion (with US\$2 billion remaining to be executed until its expected completion in 2018), surpasses the total investment value of the Panama Canal expansion.

Ongoing and Planned Investment Projects		
Project	Value	Status
Private	7.74	
Minera Panama	5.5	Ongoing
AES gas project	1.15	Ongoing
Gas to Power Panama (Martano0	0.9	Ongoing
Amador Convention Center	0.19	Ongoing
Public/government	8.94	
Metro Line 2	2.1	Ongoing
Tocumen Airport Terminal Expansion	0.9	Ongoing
3rd High - voltage transmission line	0.35	Ongoing
4rd High - voltage transmission line	0.45	Ongoing
Urban renewal of Colon	0.57	Ongoing
3rd bridge over the canal	0.57	Ongoing
Metro Line 3	2.6	Planned
4th bridge over the canal	1.2	Planned
Technical Institute (ITSE)	0.2	Ongoing
Total	16.68	
% of 2016 GDP	30.26	

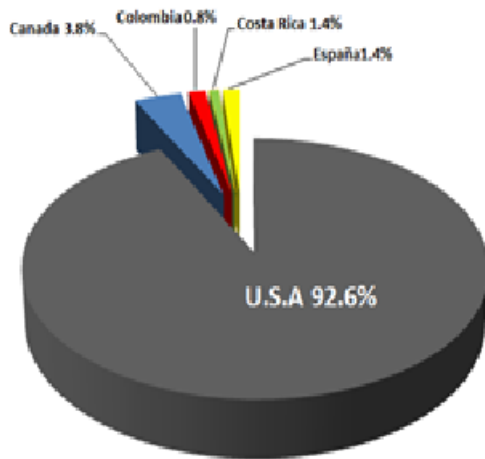
Sources: Ministry of Economy of Panama

Trade Promotion Agreement

The Panamanian Government is a firm believer in free trade and commercial openness. Panama's economic success is tied to a healthy and prospering global trade system. In this way, Panama recognizes the clear link between free trade and competitiveness and seeks to join an elite group of countries that have achieved growth and development through trade.

Since the U.S.-Panama Trade Promotion Agreement (TPA) entered into force on October 31, 2012, U.S. agricultural exports have already benefitted. Almost half of current trade received immediate duty-free treatment, with most of the remaining tariffs to be eliminated within 15 years. Panama has eliminated duties on U.S. high-quality beef, frozen turkeys, soybeans, soybean meal, crude soybean and corn oil, almost all fruit and fruit products, wheat, peanuts, whey, cotton, and many processed products. The TPA also provides duty-free access for specified volumes of some agricultural products through Tariff Rate Quotas (TRQs).

Table 2. The United States is Panama's main trading partner, but not only the main target of Panamanian exports, but also the largest supplier of imports into our market.



Major Food Exporters to Panama in %, CY 2017.
Source: Than National Institute of Statistics and Census of Panama (INEC)

Panama’s diversified food industry is a major and stable sector of the economy. Many local companies have been acquired or have teamed up with multinational corporations as a strategy to increase global exports. Besides bananas, sugar, seafood, shrimp, fishmeal, coffee and meat, exports of other products, such as alcoholic beverages, fruits and vegetables, poultry and eggs, have increased significantly in recent years.

U.S. goods and services enjoy a reputation for high quality and are highly competitive. Consumer attitudes and many brand preferences are similar to the United States, U.S. television, radio and magazines are all available and popular in Panama. Panamanians frequently travel to the U.S. for vacation, medical treatment, study and business. Their buying patterns and tastes are similar to those of U.S. consumers.

Law 41 of 2007 relating to Multinational Enterprises has enticed 140 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, Nike, SAB Miller, among others.

Table 3. Advantages and Challenges in the Market Facing U.S. Exporters

Advantages	Challenges
Political situation stable/democratic for 25 consecutive years after end of military dictatorship. Strong political alliance with the U.S. Favorable position towards U.S. policies and interests in all international organizations.	Possible competition from other countries such as Canada, European countries, Guatemala, Costa Rica, Chile and China. Free Trade Agreements with other countries may be in detriment of U.S. food products.
U.S. Panama SPS and TBT Agreement that entered into force in February 2007 eliminated SPS barriers. Importing products from the U.S. is now easier than from other countries. The Panamanian Food Safety Authority works quickly with respect	Strong competitors: For snacks and processed foods – Central America countries and China. For fruits and other products, Chile and Mexico. For grains and oils: Argentina, Canada and Brazil. For meat, Canada. For

to the enforcement of food import, food registration and regulations.	Dairy products: Costa Rica, Argentina, New Zealand and Australia.
U.S. dollar economy since 1904.	Poverty and unemployment affect consumers' buying power. World economic situation is affecting Panama as well, but at a smaller scale.
GDP growth higher than the region's average during the last few years (6.2 percent in 2015). Economic future looks promising with expansion of the Panama Canal project leading this trend.	Rising energy costs, commodity prices, and food prices hurt small economy.
Strong preference for U.S. way of life, manner of doing business, and products.	Income distribution is highly skewed toward a relatively small, consumer goods-oriented, economically powerful class. This class enjoys a very high level of disposable income. They prefer high quality trend-setting goods where price is a secondary determinant in the purchasing decision.
More U.S. citizens relocating/retiring in Panama will increase demand for American food products. And Venezuelans, Colombians and Europeans that has immigrate in Panama as Foreign Investors will increase the demand for High Quality food products, which the U.S. can offer.	Continued improvements in the areas of educational and judicial reform will be critical for Panama to improve its business competitiveness standing in the region.
Strong financial and transportation sectors facilitate international trade flows.	
Panamanian consumers have access to more goods than often available in such a small country.	

SECTION II. EXPORTER BUSINESS TIPS

Business Customs

Due to its open economy, Panama has no market access problems. One of the more common market entry options is to appoint an agent or distributor. Another option is to find a local partner who can provide market knowledge and contacts. Other businesses have been successful via licenses or franchises.

According to Panama's constitution, nationals and foreigners are treated equally under the law. Both Panamanian and foreign companies must fulfill the same basic requirements to organize and operate most types of business activities in Panama. There are restrictions on foreigners participating in retail trade and practicing certain professions.

There is no law regulating the relationship between international suppliers and local agents and distributors. This relationship is only governed by the private agreements made between the parties involved. In cases of contract termination or disputes, the private contract clauses prevail over any other

document or practice.

Individuals may engage in business activities in their own names or through legal entities. The most commonly adopted form of legal entity is the corporation (Sociedad Anonima, or S.A.). Other types of legal entities commonly used in Panama are general partnerships, simple limited partnerships, joint stock partnerships, and limited liability companies. Two or more persons of any nationality may organize a corporation for any lawful purpose. They do not have to be domiciled in Panama. The articles of incorporation may be executed anywhere, even outside of Panama, and in any language, provided a Spanish translation is submitted for registration. There are no requirements regarding the amount paid in capital. There are no nationality or residence requirements for shareholders. Neither the directors nor the officers are required to be shareholders.

Panama is receptive to U.S. style franchising. The market for both specific and general franchising opportunities is attractive. Panama maintains no control on royalty payments or transfers. Recreation, entertainment services, fast food, automotive, and hotel and motel franchises are readily marketable as the local market demands better facilities and services. The U.S. Embassy recommends consulting a local attorney for details on how to set up a franchise in Panama.

Local laws allow companies and individuals to import directly with no intervention from agents or distributors. This situation opens the door for a direct marketing approach especially in certain sectors such as industrial goods, industrial machinery, agricultural equipment and other high value equipment or machinery.

Panamanian Importers who are the decision-makers are fully bilingual (Spanish-English), therefore the U.S. Exporter should have a personalized approach with consistent attention in service and delivery with frequent visits and follow-ups. It is important to have a Custom Agent (Broker) with experience that can work in importing the food products, with the Importing Company.

The Exporter should arrange with the Importer how to protect and register the trademarks. And provide display samples and volume flexibility in orders.

SECTION III. IMPORT FOOD STANDARD & REGULATIONS/IMPORT PROCEDURES

In general, food products and beverages should be registered with the Panamanian food security authority (AUPSA in Spanish) and should respect the requirements regarding hygiene and quality control. It is the duty of the Ministry of Health to establish the sanitary rules relating to the fabrication, storage, importation and sale of medicines and subsidiary products. It is forbidden to manufacture or to import into Panama these products without them being analyzed or registered beforehand.

Panama eliminated the Import licenses with the creation of AUPSA. All companies with a Certificate of Operations issued by the Ministry of Commerce and Industry of Panama can freely import into Panama. For food and feed products the exporter needs to comply with the sanitary or phytosanitary import requirements to import certain agricultural products.

General Import and Inspection Procedures

The Panamanian Food Safety Authority (AUPSA) was established by Decree Law 11 in 2006 to issue

science-based sanitary and phytosanitary (SPS) import policies for agricultural and food products entering Panama www.aupsa.gob.pa/. Also refer to 2017 National Trade Estimate Report on Foreign Trade Barriers ([Panama](#))

Transport of goods to and from Panama

With its canal, Panama is considered as one of the major transport logistics centers. The country also has modern harbors on two oceans which are linked by a railway network, highways and international airports which have equipment capable of catering for all sorts of cargo transport. Most of Panama's trade moves through the Atlantic ports of Manzanillo, Cristobal and Evergreen, and Balboa on the Pacific. The Tocumen International Airport handles the bulk of Panama's air cargo. The railroad network is made up of one 47 mile-track and joins Balboa to Colon. Transport capacity is on average 500,000 containers per year. The road network comprises of 11,643 km of road, of which 4,028 are tarmac.

Seaports: [Colón Container Terminal](#), [List of Panamanians Harbors](#), [Airports](#)

SECTION IV. MARKET SECTOR STRUCTURE AND TRENDS:

Business practices in Panama are very similar to those in the United States. Business tends to be direct and straightforward. On average, Panama City accounts for 65 percent of total national sales of consumer goods. The remaining 35 percent is distributed among the principal cities of David, Colon, Santiago and Chitre.

Generally, the marketing channel structure in Panama is simple. Direct importers act as wholesalers and in many cases also as retailers. This situation is common in the case of apparel, automotive parts and hardware products. In the case of consumer goods, food and medicines, the retail operation is separate from the wholesale operation. For industrial goods, sales are normally handled by local exclusive agents or distributors. In other cases, local firms order directly from U.S. brokers or the manufacturer. Some of Panama's major importers are also regional distributors for Central and/or South America, with warehousing facilities located in the Colon Free Zone (CFZ). Generally, CFZ importers/distributors have affiliated stores in Panama City for retail sale to the local market.

Panama has the highest per capita income in Central America. However, the majority of income is skewed to a small, consumer goods-oriented economic class. These upper-middle and upper income class families have high levels of disposable income. They are interested in purchasing high quality, trend-setting goods. Price is less of a factor in purchasing decisions made by this class than for the middle and lower income classes. The majority of Panamanians are interested in quality, but price still plays a more important role in the purchase decision.

The use of the U.S. dollar as legal currency and consumer preference for high quality products at competitive prices are two reasons for high acceptance of U.S. products in Panama. Overall, U.S. products are well accepted in the market and are considered of good quality. However, in many instances, U.S. products must compete against lower priced products especially from Asia.

Retail Sector

Preference continues to grow towards supermarkets and away from traditional markets. Today's supermarkets are able to offer reduced consumer prices relative to traditional retail, and in effect, raising real income. Supermarkets exhibit increasing product safety and diversity, within the 5 largest supermarket chains: Super 99, Supermercado Rey, Super Xtra, Riba Smith and Machetazo.

In Market Promotion

Most foreign manufacturers of consumer products maintain a high profile presence in the country through newspaper ads, large billboards, sponsored sports events, and TV advertising. Radio advertising is mainly used outside of the Panama City metropolitan area.

Television and newspaper advertising are the promotion tools of choice for the majority of distributors of U.S. products. E-mail marketing, social media and online marketing is becoming increasingly popular, especially for services. Panama has a very competitive advertising market, with standardized pricing and very good production quality. Additionally, trade shows, specialized seminars and exhibitions are effective tools for trade promotion. Special sale prices during events such as Mother's and Father's Day, Back-to-School, and Easter are usually advertised in newspapers during weekends.

- La Prensa: www.prensa.com
- Panama America: www.panamaamerica.com.pa
- La Estrella de Panama: www.laestrella.com.pa
- Capital Financiero: www.capitalonline.com

Import product prices are based on CIF value plus any existing import taxes, custom agent fees, in-country transportation costs, and other product-related costs such as change of label. The pricing usually excludes U.S. domestic marketing costs, allowing a more-competitive and attractive price in the Panamanian market.

SECTION V. AGRICULTURAL AND FOOD IMPORTS

The most important U.S. products exported to Panama in 2016 were [i]:

Consumer Oriented Foods.....	\$388.3 million
Grains in Bulk.....	\$149.8 million
Intermediate Products (soybean meal, oil, flour, and seeds).....	\$131.7 million
Distilled Spirits.....	\$20.3 million
Forest products.....	\$15.1 million
Fish products.....	\$4.6 million

[i] Data Source: U.S. Census Bureau Trade Data, Foreign Trade Statistics

BEST HIGH-VALUE PRODUCT PROSPECTS:

Consumer Taste's and Preferences

The best prospects for U.S. Food Exports to Panama continue to be bulk commodities (yellow corn, paddy rice, soybean meal, wheat flour), but the area of high value products continues to offer good market opportunities as well. In recent years, consuming more convenience and healthy foods has been

the trend and has resulted in good prospects for U.S. exports of low fat, low sodium, gluten free, sugar free, fresh fruits (mainly apples, grapes, peaches and pears), organic foods, processed fruits and vegetables (especially canned fruits), and snack foods (including corn chips, popcorn, cookies and candies). Processed canned fruits and vegetables, especially mixed fruits, mixed vegetables, yellow sweet corn, peas, mushrooms, and garbanzo beans; and Frozen processed products (pizzas, ready-to-eat food) generate strong import demand.

Table 4. Consumer Oriented Best Prospects

PANAMA CONSUMER ORIENTED BEST PROSPECTS		
PRODUCTS	DESCRIPTION	TYPE OF INDUSTRY
Fruits	Fresh, frozen, canned, dried	All Types
Vegetables	Fresh, frozen, canned, preserved	All Types
Potatoes	Fresh, frozen, Pre-cooked, dehydrated	All Types
Dairy Products	Milk, cheese, butter, whipping cream, yougurt, ice cream	Middle & High end
Bakery Ingredients	Baking Mix, dried fruits & nuts, fillings, chocolate, whey, yeast, food coloring, etc	Middle & High end
Soup, Soup bases, broth	Canned, dried/powder	Middle & High end
Condiments	Mayonnaise, salad dressings, sauces (BBQ, marinating, soy) mustard, spices, etc	Middle & High end
Seafood	Fresh, chilled, frozen salmon, crab, scallop, oysters, octopus	High End
Preserved fruit, jam, spread		Middle & High end
Cooking ingredients	Vinegar, cider, vegetable oil (corn, sunflower, soybean, canola, olive, to mato paste and puree, etc)	Middle & High end
Non-alcoholic beverage	Juices, coffee, tea, soft drinks and energy drinks	All Types
Alcoholic beverage	Liquor, beer and wine	Middle & High end
Mixed drinks, blends	Dried, powder	Middle & High end
Beef	Fresh, chilled, frozen of high quality (USDA Prime and Choice)	High end
Poultry	Frozen chicken, turkey	Middle & High end
Delicatessen	Processed meat and poultry	Middle & High end

Source: US Census Bureau Trade Data

SECTION VI. KEY CONTACTS AND FURTHER INFORMATION:

GOVERNMENT AGENCIES IN PANAMA	
Panamanian Food Safety Authority (AUPSA)	www.aupsa.gob.pa
Tourism Authority of Panama (ATP)	www.atp.gob.pa
CHAMBER OF COMMERCE	
Chamber of Commerce, Industries and Agriculture	www.panacamara.com
American Chamber of Commerce Panama	www.panamacham.com
INTERNATIONAL CHAIN HOTELS AND RESORTS IN PANAMA	
Association of Hotels in Panama	www.apatelpanama.com
Association of Small Hotels in Panama	www.hoppan.net
RESTAURANTS/FAST FOOD	
Association of Restaurants in Panama ARAP	www.asociacionderestaurantes.com
Degusta Panama	www.degustapanama.com
LOCAL FAIRS AND TRADE SHOWS	
Panama Bebidas Fest	www.expobebidapty.com
Panama Food Expo Tech	www.panamafoodexpotech.com
Coffee fest	www.coffeefestpanama.com
Panama Gastronómica	www.panamagastronomica.com
PMA Food show	www.pmafoodshow.com
Retail Day	www.retailpanama.com
ASSOCIATIONS AND ORGANIZATIONS	
Association of Merchants and Distributors of Foods and Similar in Panama (ACOVIPA)	www.acovipa.org
Retail Center of Panama (CEREP)	www.retailpanama.com
Gastronomy Club of Panama	www.clubgastronomicodepanama.org
TRADE PUBLICATIONS	
Horeca Panama	www.horeca-magazine.com
The Restaurant Panama City	www.the-restaurantpty.com
Guía de Restaurantes de Panamá	guia-arap@rgpublicaciones.com
SOCIAL MEDIA AND BLOGS	
El Buen Diente	elbuendiente.com
La Guía del Foodie	laguiadelfoodie.com

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- [2017 Trade Policy Monitoring Annual Report for Panama. Foreign Agricultural Service. December 2017.](#)

- [2017 Food and Agricultural Import Regulations and Standards - Narrative. FAIRS Country Report for Panama.](#)
- [Panamanian Food Safety Authority. Statistics of Food Imports. 2017](#)

Attachment Name	Attachment Link
MARKET FACT SHEET - PANAMA 2017.pdf	Download