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Report Highlights:

This report provides information to U.S. exporters of agricultural and related products on how to do business in Panama. Panama is an attractive market for exporting U.S. agricultural food products. Its culturally diverse population, geographical location, and love for American food and culture provide for increasing export opportunities for U.S. high value food and beverage products. In 2020, U.S. agricultural and related products exports to Panama reached an estimated $540 million. The ongoing economic impact of COVID-19 on Panama has been significant, including a serious decline in GDP and the delay of several ambitious public infrastructure plans. The downturn also negatively impacted U.S. food and ag exports to Panama. The expected recovery and the expansion of the services sector will benefit from the country's emerging role as a regional hub for trade.

Market Fact Sheet: Panama

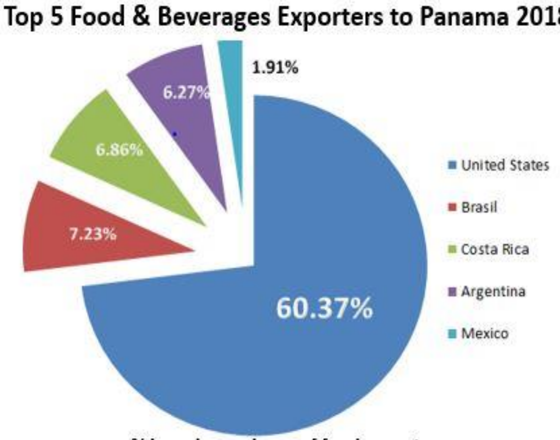
Executive Summary

The COVID-19 pandemic shook the Panamanian economy, and it is unclear how fast it will recover. In 2019, however, Panama enjoyed a strong, growing economy and was ranked as the second fastest growing economy in Latin America and the Caribbean. Its gross domestic product (GDP) growth rate reached 3 percent. Panama's economy is based predominately on services (83 percent); agriculture accounts for just a small portion (2.3 percent).

Imports of Consumer-Oriented Products

Panama is the 25th largest market for U.S. consumer-oriented product exports and U.S. exports were valued at $435.8 million in 2019. From October 2019 to March 2020, exports totaled $228 million. The United States has the largest market share followed by Brazil and Argentina. U.S. products are considered high quality and are well-accepted overall. The customs clearance process in Panama is relatively fast and trouble-free.

Top 5 Food & Beverages Exporters to Panama 2018



% based on volume of food exports
Source: Panamanian Food Safety Authority

Food Processing Industry

The food processing industry grew 12 percent over the last two years due to an increase in tourism and foreigners relocating to Panama.

2019 Size of food agribusiness in Panama as function of production by subsector (In Millions of Dollars)	
Meat Processing and preservation	**$653,009**
Fish processing and preservation	**$151,862**
Fruit and vegetables processing	**$27,077**
Manufacturer of vegetables oils	**$80,626**
Elaboration of dairy products	**$457,264**
Manufacture of bakery products	**$378,910**
Elaboration of sugar	**$155,983**
Elaboration of pasta, noodles, cuscus	**$15,983**
Elaboration of prepared food products	**$153,157**
Manufacture of prepared animal food	**$99,167**
Distillations and Mixing of Beverages	**$381,814**
Elaboration of Alcoholic Beverages	**$34,983**

Source: www.Intelcomer.com

Food Retail Industry

Food retail sales of U.S. consumer–oriented products totaled $435.8 million in 2019. High growth categories include snacks, processed meats and seafood, sauces and condiments, processed fruits and vegetables, and dairy products.

TOP TEN U.S. CONSUMER-ORIENTED PRODUCTS EXPORTS TO PANAMA 2019 (In Millions of Dollars)

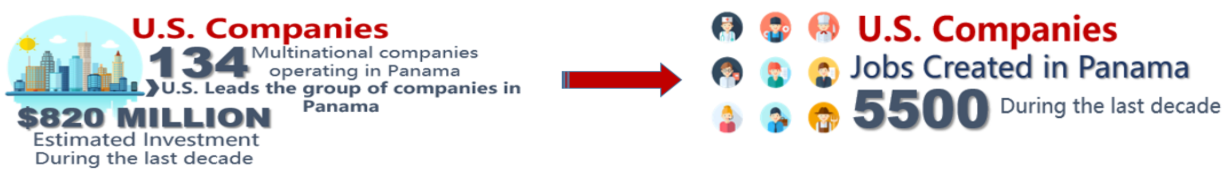
$55.8 Prepared Food
$55.7 Dairy Products
$46.0 Pork & Pork Products
$37.8 Poultry Meat & Prods
$37.4 Agricultural Related Prods
$32.7 Snack Foods
$26.2 Processed Food
$31.7 Wine & Beer
$20.8 Dog & Cat Food
$17.6 Chocolate & Cocoa

GDP Per Capita PPP $16,245
Population 4,314,767
Sources: USDA GATS BICO REPORT

I. Market Overview

U.S. agricultural exports benefit from the U.S.-Panama Trade Promotion Agreement (TPA), which entered into force on October 31, 2012. Almost half of U.S. agricultural exports immediately received duty-free treatment, with most of the remaining tariffs to be eliminated within 15 years. The TPA also provides duty-free access for specified volumes of some agricultural products through tariff rate quotas (TRQs). For more information, please refer to TPA.

Law 41 of 2007 relating to Multinational Enterprises has enticed 160 companies from different countries to establish their regional hubs or headquarters in Panama, bringing their executives and employees. Examples of these companies are Dell, Maersk, ADM, Procter and Gamble, Caterpillar, Mars, Adidas, Nike, SAB Miller, among others.



Source: Capital Financiero

Market Trends

Panama's diversified food industry is a 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. agricultural goods and services enjoy a reputation for high quality and are extremely competitive. Consumer attitudes and many brand preferences are like the United States.

Table 1. Advantages and Challenges of U.S. Products in Panama

ADVANTAGES	CHALLENGES
Strategic geographical location and its service-oriented economy. Panama will continue to strengthen its seaports and logistics assets (Panama Canal, seaports, airports, special economic zones, logistics parks, and railroad) over the coming years.	Possible growth in Chinese food and beverage import due to negotiations of the Panama-China free trade agreement that started in July 2018, (the negotiations are currently stalled). China is expanding its influence across Latin America as Panama is looking to boost re-exports of Chinese goods throughout the region. China is the world's second most frequent customer to the Panama Canal and the largest supplier to the Colon Free Trade Zone.

Diverse ethnic backgrounds of thousands of tourist and U.S. expatriates coming to Panama each year. Increased immigration with permanent residents from Venezuela, Colombia, Nicaragua, The Antilles, Asia, Europe, and others.	Strong competition in the region with ports in Colombia, the Caribbean, and Mexico.
Static production of agricultural products leading to strong demand for food and feed imports.	Recent governmental protectionist policies making importing food, beverages, and agricultural products more burdensome.

SECTION II. EXPORTER BUSINESS TIPS

Business Customs

Due to its open economy, Panama has minimal market access issues. One of the more common market entry practices 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 entered the market via licenses or franchises. Both Panamanian and foreign companies must fulfill the same basic requirements to organize and operate most types of business activities in Panama. However, Panama's constitution prohibits foreigners from owning retail stores and practicing certain professions. For more information, please refer to 2020 Food and Agricultural Import Regulations and Standards (FAIRS) reports in the GAIN System.

New commercial business must be registered in www.panamaemprende.gob.pa as required in Law No. 5 of January 11, 2007. All food retail, food processing and restaurants businesses must have a Sanitary Operation Permit issued by the Food Protection Department of the Ministry of Health. 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.

Panama is receptive to U.S. style franchising and the market for specific and general franchising opportunities is attractive. Recreation, entertainment services, fast food, automotive, 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. Some examples of common U.S. food and beverage franchised found in the market include Krispy Kreme, McDonalds, Starbucks, Johnny Rockets, Pinkberry, KFC, Burger King, Pizza Hut, Domino's Pizza, Carl's Jr, Ruby Tuesday, Applebee's, and IHOP.

SECTION III. IMPORT FOOD STANDARD & REGULATIONS/IMPORT PROCEDURES

Trade Promotion Agreement

Panama has eliminated duties on U.S. high-quality beef (USDA's Prime and Choice grades), frozen turkey, soybeans, soybean meal, soybean oil 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 TRQs annually.

General Import and Inspection Procedures

In general, food products and beverages should be registered with the Panamanian Food Safety Authority (AUPSA in Spanish) and should meet sanitary and phytosanitary, as well as quality control requirements. The Ministry of Health establishes sanitary rules relating to the manufacture, storage, and processing of food. For food and feed products, the exporter needs to comply with the sanitary or phytosanitary import protocols. For more detailed information, access the 2020 FAIRS reports on the GAIN System. It is important to note that Panama has been undertaking efforts to abolish AUPSA to create a new agency for food and feed imports and exports in 2021, currently named Panamanian Food Agency (APA in Spanish).

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.

Transport of goods to and from Panama

With its canal, Panama is considered one of the top transport logistics centers in the world. The country also has modern seaports on the Atlantic and Pacific oceans that are linked by a railway network, highways, and international airports that are capable of handling all sorts of cargo transport. Most of Panama's trade moves through the Atlantic ports of Manzanillo, Cristobal and Evergreen, and Balboa and Rodman on the Pacific side. 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 Port to Colon. Transport capacity is on average 500,000 containers per year while the road network comprises 11,643 km of road, of which 4,028 are tarmac.

For more information on Panama's logistic center:

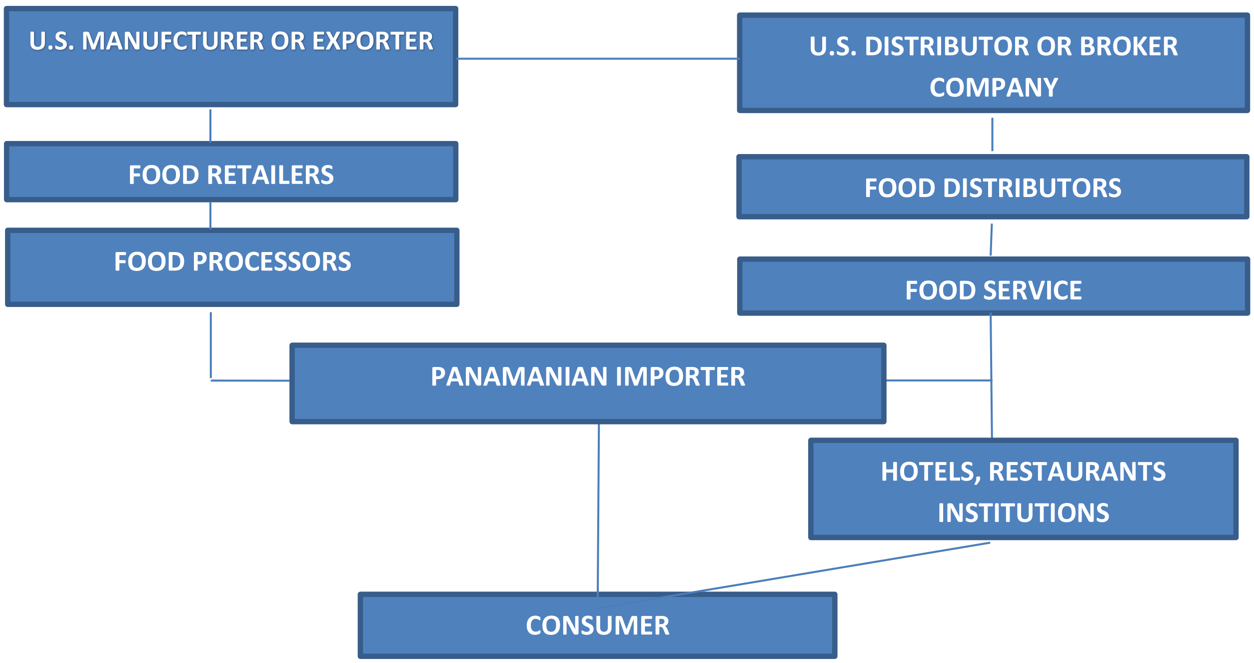
Colón Container Terminal
List of Panamanians Harbors
Airports

IV. MARKET SECTOR STRUCTURE AND TRENDS

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. In other cases, local firms order directly from U.S. brokers or the manufacturer. Some of Panama's major importers of wines and spirits, and other consumer goods are also regional distributors for Central or South America, with warehousing facilities located in the Colon Free Zone (CFZ). Generally, CFZ importers or distributors have affiliated stores in Panama City for retail sale to the local mark

Table 2. Panama: Market Structure



Sub-Sector Profiles

Food Service

International food service operators and local companies such as Sysco, H.T. Tzanetatos, Proserv, Procesadora Monte Azul, Dicarina, Pedersen Fine Foods, and others have been servicing the food service sector for more than 50 years providing imports of U.S. food and beverages, logistics in warehousing and transportation, and product sales and marketing. With these institutions and facilities, fueling both local and international cuisines, Panama's food service industry is among the strongest in the country. Fast food franchises, cafes, bars, bakeries, ice-cream shops, family-owned restaurants, food trucks, street side vendors, convenience stores, and catering services all benefit from this strong trade framework.

Restaurants

Restaurants in Panama City are highly developed and possess world class chefs. Due to expanding tourism, growing immigration, and higher consumer purchasing power, the selection of restaurants and international cuisine is expected to continue to grow. Currently, the Panamanian Association of Restaurants and related businesses have more than 400 members.

Hotels, Resorts, and Cruises

Travel and tourism are an engine of economic development and a vehicle for sharing cultures. Many factors influence the flow of travelers to visit the country. Panama is an attractive destination, and its dollarized currency is a strength. U.S. and international hotel chains present in Panama include the Waldorf, Hilton, Marriott and J.W. Marriott, Bristol, Country Inn, Sheraton, Radisson, Holiday Inn, Intercontinental, Riu, Westin, Wyndham Garden, Novotel, Hard Rock Hotel, Hotel Las Americas Golden Tower, and Tryp Hotel. Panamanian hotels and resorts primarily purchase from food service companies or directly from distributors, supermarkets, and restaurants. For detailed information on the different hotel and resort options in Panama, please see apatelpanama.com.

Panama's cruise ship market is expanding from both the United States and Europe as Panama continues to grow as a premier travel destination. Cruise ships to Panama City anchor either at Fuerte Amador and Balboa located at Panama Canal's Pacific Ocean entrance, or Port Colon 2000 in the Caribbean. COVID-19's impact on the global cruise industry also severely affected these markets in Panama.

Retail Sector

Preference continues to grow towards supermarkets and away from traditional markets. Today's supermarkets can offer reduced consumer prices relative to traditional, family-owned retail. Supermarkets exhibit increasing product safety and diversity, and robust e-commerce platforms with delivery services exist within the 5 largest supermarket chains: Super 99, Supermercado Rey, Super Xtra, Riba Smith and Machetazo.

Institutional

The institutional sector includes private and public hospitals, the national police, and penitentiary systems. Private hospitals have their own logistical operations for patient meals and to supply their cafeterias, while public hospitals and the police usually bid their requirements on yearly or 5-year term contracts with local food service providers, restaurants, or food processors.

V. AGRICULTURAL AND FOOD IMPORTS

Consumers and Preferences

The top prospects for U.S consumer-oriented products exports to Panama include meat, poultry, snack foods, dairy products, condiments, wine and beer, baking ingredients, healthy foods, and frozen, processed, and prepared food products. In addition, bulk commodities such as yellow corn, paddy rice, soybean meal, and wheat flour are also in demand, but world market prices are a large factor in importer decisions.

In recent years, the consumption of more convenience and healthy foods has been a trend that resulted in good prospects for U.S. food exports. These include categories like low fat, low sodium, gluten free, sugar free, fresh fruits (such as apples, grapes, peaches, and pears), organic foods, processed fruits (especially canned fruits). Processed canned vegetables (especially canned mixed vegetables, yellow sweet corn, peas, mushrooms, and garbanzo beans), snack foods (including corn chips, popcorn, cookies, and candy and frozen processed products (pizzas and ready-to-eat food) also have high import demand.

Table 3. U.S. Consumer Oriented Exports Top Prospects

THE BEST CONSUMER ORIENTED PRODUCT PROSPECTS FOR PANAMA	
Products	**Description**
Alcoholic beverage	**Liquor, beer and wine**
Bakery Ingredients	**Baking mixes, dried fruits & nuts, fillings, chocolate, whey, yeast, food coloring, etc.**
Beef	**Fresh, chilled, frozen of high quality (USDA Prime and Choice)**
Condiments	**Mayonnaise, salad dressings, sauces (BBQ, marinating, soy) mustard, spices, etc.**
Cooking ingredients	**Vinegar, cider, vegetable oil (for example, corn, sunflower, soybean, canola, olive, or tomato paste and puree)**
Dairy Products	**Milk, cheese, butter, whipping cream, yogurt, ice cream**
Delicatessen	**Processed meat and poultry**
Frozen Foods	**Vegetables, fruits, ready to eat meals, ice cream**
Fruits	**Fresh, frozen, canned, dried**
Mixed drinks, blends	**Dried, powder**
Non-alcoholic beverage	**Juices, coffee, tea, soft drinks and energy drinks**
Pork	**Fresh, chilled, frozen**
Potatoes	**Fresh, Frozen, Pre-cooked, dehydrated**
Poultry	**Frozen chicken, turkey**
Prepared food	**Ready to eat single meals (breakfast, lunch, or dinner and snacks)**
Preserved fruit, jam, spread	**Preserved fruit, jam, spread**
Processed food	**Products such as cereals, canned foods, value added rice, noodle, or dairy products**

Seafood	Fresh, chilled, frozen salmon, crab, scallop, oysters, octopus
Snacks	Cookies, salty snacks, crackers, nuts
Soup, Soup bases, broth	Canned, dried or powdered
Vegetables	Fresh, frozen, canned, preserved
Wine and Beer	Spirits, cider, craft beer

Table 4. Panama's High Demand Agricultural Products

PANAMA'S IMPORTED AGRICULTURAL PRODUCTS IN HIGH DEMAND AND MAIN SUPPLIERS			
Product Category	Major Supply Sources	Strengths	Advantages and Disadvantages of Local Suppliers
Corn	U.S. and Argentina	Competitive Price	Not enough local production
Rice	U.S., Guyana and Brazil	Competitive Price	Not enough local production
Pork and Potatoes	U.S. and Canada	Competitive Price	Not enough local production
Onions	U.S. Netherlands and Peru	Competitive Price	Low local seasonal production
Fresh Fruits (apples, pears, grapes)	U.S. and Chile	Mostly seasonal difference not real competition	Not produce locally
Snacks	U.S., Costa Rica, Colombia, Guatemala, Mexico and China	Competitive Price, but U.S. product is preferred	Low local production

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	
ExpoComer	www.expocomer.com
Expobebidas	www.expobebidapty.com
Pretelt Meat Fest	https://www.youtube.com/watch?v=wxPw1DTpmWw
Felipe Motta Feria de Vinos	www.felipemotta.com
Coffee fest	www.coffeefestpanama.com
PMA Food show	www.pmafoodshow.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	
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
U.S. EMBASSY IN PANAMA	
U.S. Department of Agriculture (USDA) Foreign Agricultural Services (FAS)	AgPanamaCity@fas.usda.govFAS Panama (507) 317-5297/ 317-5801/317-5163 fax
Economic Section, U.S. Department of State	PNM-ECU@state.gov (507) 317-5000
U.S. Foreign Commercial Service	www.buyusa.gov/panama/

Attachments:

No Attachments