USDA United States Department of Agriculture
Foreign Agricultural Service

GAIN Global Agricultural Information Network

Required Report: Required - Public Distribution **Date:** April 05, 2021

Report Number: PN2021-0002

Report Name: Food Processing Ingredients

Country: Panama

Post: Panama City

Report Category: Food Processing Ingredients

Prepared By: Ericka Sanchez

Approved By: Peter Olson

Report Highlights:

Panama is a tourism destination and a regional logistics hub. It is primarily a service-based economy, but food processing is one of its top industries. Panama's past and present make it a very culturally diverse nation, famous for its fusion cuisine. The dynamic culinary culture combined with strong tourism and processing industries mean significant business opportunities for U.S.-origin ingredient suppliers. Its geographical proximity and cultural ties to the United States continue to drive a strong preference for U.S.-origin products. Panama's food processing ingredients market is value at $135 million annually.

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

Market Fact Sheet: Panama

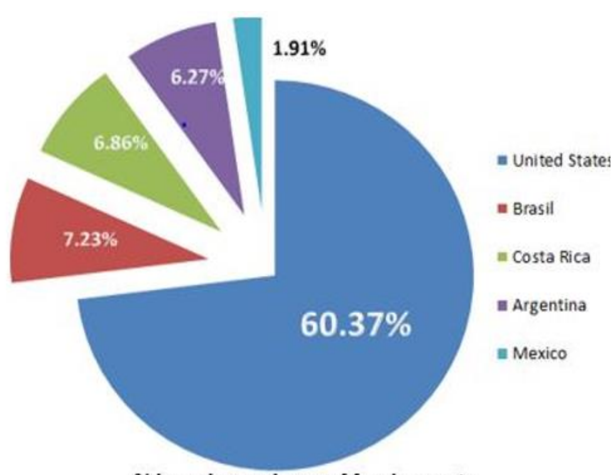
Executive Summary

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



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

Food Processing Industry

The food processing industry grew 12 percent in 2019 and early 2020, due to an increase in tourism and foreigners relocating to Panama.

2020 Size of food agribusiness in Panama as function of production by subsector	
Meat Processing and preservation	7,393,995
Fish processing and preservation	990,171
Fruit and vegetables processing	75,593,079
Manufacturer of vegetables oils	45,238,414
Elaboration of dairy products	125,645,782
Manufacture of bakery products	69,713,344
Elaboration of sugar	3,820,872
Elaboration of pasta, noodles, cuscus	13,922,904
Manufacture of prepared animal food	86,422,450
Distillations and Mixing of Beverages	20,200,372
Elaboration of Alcoholic Beverages	69,443,051

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]

SECTION I. MARKET SUMMARY

Panama has long imported a large percentage of its food and beverage supply, given the relative weakness of its agricultural production and manufacturing sector. The major driver of this weakness is the fact that it is primarily a service-oriented economy with a relatively high cost of labor.

With 150 food-processing companies, Panama's food processing ingredients market accounts for $135 million in U.S. exports, which represent about a 60 percent market share. These local companies include dairy processors, meat and poultry products processors, fishery products processors, fruits processors, beverages and spirits, bakery, snacks, pet food among others.

When the U.S. – Panama Trade Promotion Agreement (TPA) entered into force on October 31, 2012, nearly 56 percent of U.S. agricultural exports became duty-free upon entry-into-force, with most of the remaining tariffs phased out over 15 years. For more information, please refer to: *http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20and%20Agricultural%20Import%20Regulations%20and%20Standards%20-%20Certification_Panama%20City_Panama_12-29-2017.pdf*

Table 1. Panama: Advantages and Challenges for U.S. Food Ingredients.

Advantages	Challenges
The U.S.-Panama Trade Promotion Agreement (TPA) entered into force on October 31, 2012. Almost half of current trade received immediate duty-free treatment.	U.S. food products are not geared for the "traditional" market (over 35,000 mom & pop stores, in Panama City) which sells items packaged in small sizes.
Importing products from the U.S. is relatively easy thanks to the U.S. - Panama Sanitary and Phytosanitary and Technical Barriers to Trade Agreements that entered into force on December 22, 2006.	The U.S. faces varying competition according to product type, including snacks, processed foods, fruits, grains, oils, meat, and dairy products.
U.S food ingredients are well known and regarded as high-quality.	Domestic producers manufacture more affordable products according to local taste preferences.
Growing food processing industry.	Processed foods still seen as inferior to fresh foods by many consumers.
Local processors are increasing their production capacity and food quality to meet higher export standards for foreign markets and domestic demand.	Panama has FTAs in force with 19 countries, which leads to more competition between the United States and other countries.

Consumers demand for innovative, low fat, healthy, and organic products.	Panama is a price-sensitive market.

SECTION II. ROAD MAP FOR MARKET ENTRY

Entry Strategy

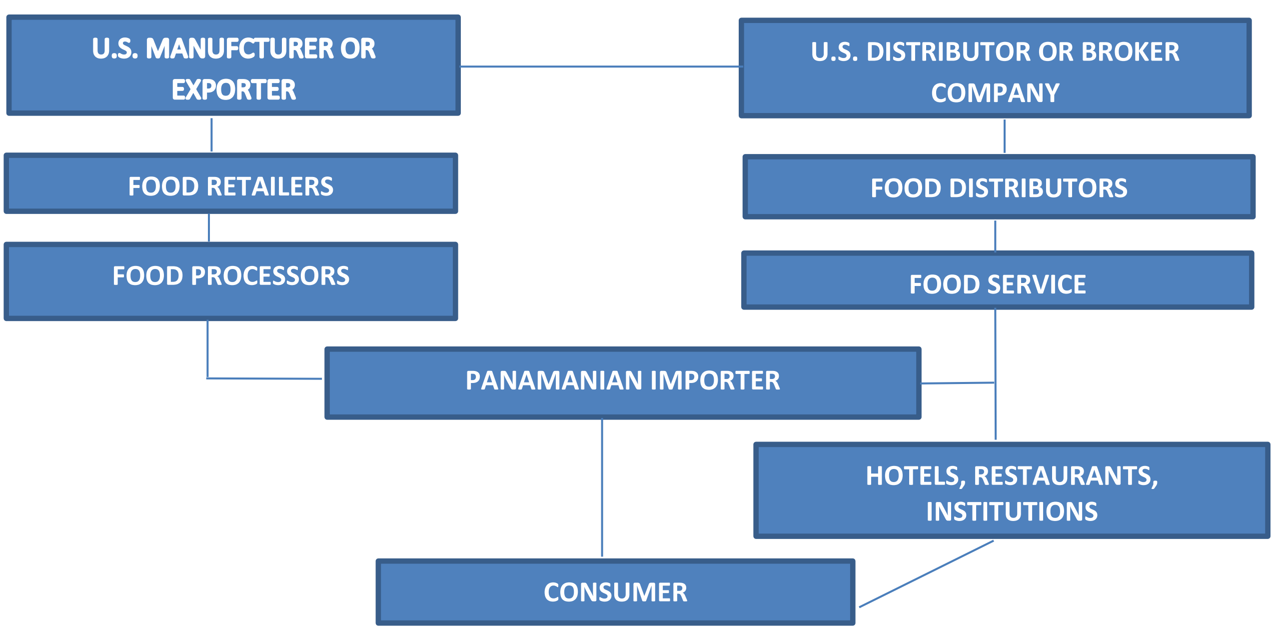
The outlook for imports of food processing ingredients is favorable and the market is very receptive to U.S. products. Working closely with a local distributor is a key element in a market entry strategy. Customs clearance is relatively fast and straightforward. Panama has a dollar-based economy, good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

Due to its open economy, Panama has few market access problems. There are no import barriers for food processing ingredients. The TPA has reduced import duties to zero for 87 percent of the products in the tariff schedule, with the exception of some food and agricultural products, on which duties will reduce gradually over the course of the next ten years.

Market Structure

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. In Panama, there are large distributors with the capacity to reach many markets without using intermediaries. The major supermarket chains include Super 99, Supermarket Rey, Price Smart wholesale, Riba Smith, Xtra and Machetazo.

Table 2. Panama: Market Structure



Company Profiles

Table 3. Top 15 Food Processors in the Panamanian Market (total market 150)

Name	Description of Processing Activity	Brands
Productos Toledano	Distribution of agricultural industry products, chicken and eggs	Toledano
Empresas Melo, S.A.	Value added products, chicken, seafood and vegetables	Melo
Carnes de Coclé, S.A.	Processing and sale of meats and cold meats	First Choice Meat
Productos Kiener, S.A.	Production, distribution and sale of meat products (spicy sausages, cold meats, sausages)	Kiener
Sociedad de Productos de Primera	Food Processing Dairy and Foodstuff Products (cheese, milk, eggs)	Bonlac
Lavery Panama, S.A.	Production of food products (cheese, margarine and butter)	Cremoso, Helmet
Industrias Panama - Boston, S.A.	Process and refines oils, butter and lard	Pabo, Cascade, Yo Soy, Supreme
Proluxsa	Production of food products (vinegar, soy sauce, condiments, juices)	Proluxsa
Productos Alimenticios Pascual	Production of crackers, cookies, candy, snacks, pasta and distribution of food products	La Suprema, Roma, Maria, Sándwich de Pascual, otros.
Gold Mills de Panama	Flour processor (creams, syrup, pastas)	Gold Mills
Harinas de Istmo, S.A.	Flour production for bread and bakery industry	Harina del Istmo
Riba - Smith, S.A	Food Retail, food imports and food production	Riba- Smith
Industrias Alimenticias Ricas Viandas	Production of bread, desserts and sweet bread	Rimith
Bimbo de Panamá, S.A.	Production of bread, bakery and corn bread.	Bimbo, Rapiditas Wraps
Sarasqueta y Compañía, S.A.	Grains production	

Table 4. List of Panamanian Food Processing Associations

Specialty Coffee Association of Panama	http://scap-panama.com/
Rice Millers National Association	www.analmo.org
National Poultry Producers Association	www.anavip.org

Sector Trends

Panamanian consumers are demanding more convenience and healthy food products. This trend has resulted in good prospects for U.S. exports of fresh fruit (mainly apples, grapes, peaches and pears), organic foods, healthy food products such as gluten free, low carb, low sodium, low sugar, low fat, 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 generate strong import demand, because most of these food products are not processed locally.

Poultry is the top source of protein in the Panamanian diet. Pork is Panama's second favorite meat. Beef is typically found in supermarkets fresh and chilled. Consumers prefer fresh meat over frozen beef tends to be imported as specialty cuts that are more expensive and used for BBQ and parties. Imported processed meats, mainly from the United States, and cured hams from Spain and Italy, supply the Food Service sector. Most processing is done for seafood products.

SECTION III. COMPETITION

The processed food sector in Panama is price sensitive, and companies try to keep prices low to stay competitive. Market competition comes from large local food processors that carry increasingly modern lines of Panamanian food products. Companies such as Rimith and Bimbo de Panama are local competitors for U.S. exporters, but also represent opportunities in terms of imports of raw materials and ingredients for their processing needs.

Large multinational companies have a competitive advantage over smaller domestic producers in certain product categories such as frozen foods, soups, specialty canned and preserved products, and well-known condiments and flavors that cater to the international pallet. Because of this, companies able to meet the demands of this competitive processed food sector must have the means to invest in technology and innovation to not only meet consumer demands but also maintain low, competitive prices.

Panama's main trading partner is the United States in the food process industry. As an example, in the category of miscellaneous edible preparations, exports to Panama from the United States accounts for 35% of total imports of these products. Overall, 75% of these imports into Panama are from the following countries:

- ✓ United States with $72 million and 35% of total imports.
- ✓ Costa Rica with $65 million and 32% of total imports.
- ✓ Mexico with $16 and 8% of total imports.

Table 5. U.S. Exports to Panama of miscellaneous edible preparations from the U.S. in 2020

Product	CIF Value in US$ 2019	CIF Value in US$ 2020	Var. % 2020/19
Food supplements packaged for retail sale.	12,537,736	23,207,396	85.1
Other edible preparations that are not elsewhere specified or included.	12,246,722	11,746,513	-4.1
Sauces and dressings, except mayonnaise and Worcestershire sauce.	6,968,883	4,614,915	-33.8
Other non-alcoholic preparations compounded, based on extracts.	4,887,074	1,360,216	-72.2
Other non-alcoholic preparations based on extracts, syrups or concentrated syrups or others, for the preparation of beverages.	4,707,017	3,911,600	-16.9
Condiments and compound seasonings, except for the manufacture of sausages.	3,271,147	3,243,577	-0.8
Protein-based dietary milk substitute preparations.	3,040,646	3,787,827	24.6
Ketchup, even spicy.	2,341,660	1,560,478	-33.4
Tomato sauces, with a dry tomato extract content of 5% or more by weight.	1,766,668	1,472,649	-16.6
Barbecue sauce.	1,254,903	1,299,400	3.5
Prepared mustard.	1,180,234	986,901	-16.4
Spaghetti sauce.	1,037,057	1,190,739	14.8

- ✓ Source: National Institute of Statistics and Census (INEC).

SECTION IV. BEST PRODUCT PROSPECTS

Panama is the third largest market in Central America for U.S. agricultural products exports. U.S. total exports of agricultural and related products to Panama totaled $696.9 million in 2020. Exports include corn ($86.4 million), soybean meal ($11.8 million), prepared food ($51.3 million), dairy products ($58.0 million), and pork & pork products ($44.5 million). Best market prospects are dairy products, pork, poultry, and snack foods.

Table 6.

U.S. Agricultural Exports Typically Used by Panama's Food Processing Industry 2019 -2020 Comparisons in Millions of Dollars)

Product	2019	2020
Dairy Products	55.7	58.0
Poultry Meat & Prods. (ex-eggs)	37.8	33.9
Pork & Pork Products	46.0	44.5
Wheat	36.7	39.2
Condiments & Sauces	17.2	15.1
Vegetables Oils (ex. soybean)	9.3	9.7
Soybean Oil	3.7	3.0

Sugar, Sweeteners, Bev. Bases	2.6	2.2

Source: U.S. Census Bureau Trade Data

SECTION V. POST CONTACT AND FURTHER INFORMATION

U.S. EMBASSY IN PANAMA	
U.S. Department of Agriculture (USDA)	Agpanamacity@usda.gov
Foreign Agricultural Service	U.S. Embassy Panama
Telephone:	(507) 317-5297/ (507) 317-5801
Economic Section, U.S. Department of State	PNM-ECU@state.gov
Telephone:	(507) 317 5000
U.S. Commercial Service	www.buyusa.gov/panama/en/
Telephone:	(507) 317-5000

For further information, please see GAINs reports from FAS Panama, such as the Exporter Guide, and the Food and Agricultural Import Regulations and Standards. Both are available here at GAIN FAS USDA

Attachments:

No Attachments