



## Market and Trade Data

### Red, White, or Sparkling, U.S. Wine Exports to Jamaica Expected To Rise Sharply

*By Sylburn Thomas*

The Jamaican wine market is highly competitive, with U.S. wines edging out a lead position with a 26-percent market share in 2005. Last year, the country imported about 2.8 million liters of wine, worth about \$5.5 million. Of the top competitors, Chile came in with a 23-percent share, and France, 22 percent, while Italy trailed at 7 percent.

With recent duty adjustments, Jamaica conferred an overall 19-percent duty advantage that gave U.S. wines increased competitiveness in the marketplace. This windfall resulted from computing some import duties at a fixed rate, rather than by price.

So far this year, the United States retains its market leadership, capturing about a 30-percent share. However, Australia, Argentina, and South Africa are expected to up the ante over the next few years.

While Chile provides the main competition for U.S. wines now, newcomer Australia is expected to make strong gains in the next few years. Australian suppliers garnered an impressive jump in sales from 2004 to 2005--from less than 1 percent to about 5 percent of the market.

#### **Distribution Simple, But Evolving**

Currently, importers distribute wines to the HRI (hotel, restaurant, and institutional) and retail sectors. However, larger hotels, supermarkets, and club stores are exploring direct imports.

The evolving nature of the distribution channel expands the possibilities of market entry strategies. U.S. wines have traditionally fallen in the mid- to high-price range in the retail sector. While wine with strong brand recognition is still best distributed through an importer positioned to market the product through the retail system, direct sales of medium- or higher priced products to hotels may suit small- to medium-sized exporters.

Due to increased competitiveness, retailers and hotels often include U.S. wines when their food and beverage purchases are consolidated in containers before leaving the United States.

#### **Tourism Driving Increased Consumption**

By 2007, consumption of wine in Jamaica is expected to reach about 6 million liters, worth \$12 million to suppliers.

The 2.6 million tourists (73 percent from the United States) that visited Jamaica during 2005 consumed about 2.2 million liters of wine valued at \$4.4 million. The island country's growing luxury tourism sector— fueled by Spanish-financed hotels and

#### **Why Jamaica?**

As a service-oriented economy, Jamaica is a net importer of food and beverages. The United States accounted for half, or \$192 million, of the country's food imports in fiscal 2005.

Jamaica's 2.6 million people enjoy a relatively open economy with a stable democratic government. Half of the population is under 30 years old, with per capita income averaging \$3,000 annually. Services (tourism, communication, and distributive trade) and bauxite mining provide the primary income for the economy.

The economy has averaged 1- to 2-percent annual growth over the past few years, but this is expected to increase to 3 to 4 percent in the near term.

government-backed development--is expected to generate exponential increases in wine imports, as tourism accounts for 80 percent of wine consumption.

All-inclusive hotels are generally price-sensitive and make purchase decisions on value, tending toward low- to medium-priced wines. At these hotels, Chilean and U.S. wines dominate. Higher end U.S. and European wines are usually the fare at upscale and specialty hotels.

### Marketing Important

Jamaicans have not been traditional wine consumers. However, exposure to North American lifestyles, increasing availability of affordable wines, and marketing and promotion have bolstered acceptance and consumption of wines in Jamaican households.

While the expatriate and business communities are the largest retail customers for wine, the large and growing middle class is rapidly embracing the wine culture. This acceptance is evidenced by the burgeoning number of brands and varieties, and range of prices in retail stores. While still in the introductory stage, retail sales are expected to grow by 10-12 percent yearly through 2007.

At the retail level, Chilean wines are the low-price leaders, with 65 percent of Chilean brands selling below \$8 per 0.75-liter bottle. Italian, French, and Argentine wines are generally positioned in the lower price ranges.

U.S. wines, mostly from California, target all price ranges, but are skewed toward the middle- and upper income ranges, with 85 percent priced above \$8. So far, U.S. marketing does not differentiate brand-specific attributes; consequently, consumers are likely to base purchase decisions about U.S. wines on price.

Australian wines, now being marketed on the basis of quality, brand recognition, and customer loyalty, are likely to be accepted with middle- to higher income consumers, and for special occasions.

### Best Prospects, Entry Requirements

Currently, U.S. wines are associated with California, but other regions could profitably market comparable quality wines. While red, white, and sparkling wines present good market potential in retail and HRI segments, wines selling for \$5-8 are expected to show the fastest growth in retail.

The Jamaican Bureau of Standards publishes wine labeling requirements. Jamaica follows metric measurements and International Organization for Standardization or European date conventions. Each bottle should be labeled with manufacturer's and distributor's contact information. Import duties include a 30-percent of value assessment plus \$2 in fixed assessment fees per liter. ■

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