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Costa Rica

Livestock and Products

Annual Report

2005

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Report Highlights:

Costa Rica's cattle herd is increasing after a long period of decline. A cutback on cow slaughter is part of the reason for higher cattle numbers. Domestic beef consumption and exports are down from previous years. Pending the approval of CAFTA-DR by the Costa Rican government, prime and choice cuts along with offals from the U.S. would enter the country duty-free immediately while a 15-year tariff phase-out would impact all other U.S. beef products entering the market.

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Executive Summary

- The bovine cattle sector in Costa Rica is important, as it is a large source of direct and indirect employment. It occupies the most land of any other agricultural sector and is present in all the country's regions.
- The size of the herd has been declining since the 80's, which has caused a decline in slaughter and per capita consumption. Beef has been losing its market to competing products, especially chicken.
- In the past, the main problem on the farms was that calf production was lower than necessary to maintain the herd size. There also has been excessive female slaughtering, which over the years led to little genetic progress and a decrease in herd size.
- The Costa Rican government has initiated a program through Banco Nacional de Costa Rica to help the small cattle farmers in Costa Rica. This program will help farmers increase their herds through the purchase of bulls and through artificial insemination.
- Cattle auctions are still a primary avenue for sales and price discovery. There are 19 auction sites distributed all over the country, with 24 auctions a week. Independent buyers are still active in the buying and selling of cattle although their participation in the marketplace has diminished.
- Major challenges in the packing industry include poor infrastructure and economies of scale. The facilities in use are up to thirty years old, which leads to high operational costs. Only 3 slaughterhouses are approved for exporting to the United States.
- CAFTA-DR, if passed in Costa Rica, would affect the beef industry less in the short run than the long run. It would benefit U.S. exporters through equivalency determination and immediate tariff elimination for offals and prime and choice cuts.

Cattle Situation and Inventory

The Costa Rican herd is made up primarily of Brahman cattle and mixes of Brahman with European breeds. The size of the herd has been declining since the 80's as a result of different factors. A low domestic demand for beef is the main reason why the herd has been declining. The decline in the herd can also be attributed to a high rate of cow slaughter, which is beginning to level off in 2005 and should stabilize in 2006. The majority of Costa Rican cattle farmers own small farms and because of their relative size it is difficult for them to find sources of funding to improve and increase their herds. The size of the cattle farms, and of the country make it difficult for the cattle sector to benefit from economies of scale. Auctions are the primary avenue for cattle sales and the poor infrastructure in the country makes it harder to get the cattle to the auctions. Starting in 2003 segments of the industry began to expand. The herd is now enjoying a 4-5% growth rate and is expected to increase to over 1.5 million head by 2006.

Carcass prices rose only 15% between January 2003 and December 2004, far below the rate of inflation, making beef less profitable for producers. In 2005, carcass prices have risen 15% in just six months. Up to 3,000 head have been sold to Nicaragua and the expectation of additional external sales has caused prices to rise. For example, Mexico is believed to be interested in buying 20,000-25,000 animals in the latter part of 2005, which partially explains why cattle farmers have been holding out and not slaughtering their animals.

Prices

Carcass Prices

Country Costa Rica
Commodity Male Carcasses

		Colones/Kilogram		
Year		2003	2004	2005
	Jan	721.00	760.94	844.15
	Feb	723.33	773.45	853.35
	Mar	729.29	783.75	875.85
	Apr	729.38	795.00	923.25
	May	731.25	798.75	948.15
	Jun	730.94	815.85	998.75
	Jul	733.75	827.35	
	Aug	731.88	831.00	
	Sep	730.31	831.65	
	Oct	741.00	831.65	
	Nov	754.38	831.65	
	Dec	756.25	832.50	
Annual Average				
Exchange Rate:		¢398.22/\$	¢437.81/\$	¢469.51/\$
Exchange Rate:		¢482.11/\$		
Date of Quote:		8/19/2005		

Source: Banco Central de Costa Rica

Animal Numbers

PSD Table¹

Country	Costa Rica							
	Animal Numbers, Cattle				(1000 HEAD)			
Commodity	2003	Revised	2004	Revised	2005	Estimate	2006	Forecast
	USDA Official	Post Estimate	USDA Official	Post Estimate	USDA Official	Post Estimate	USDA Official	Post Estimate
Market Year Begin	01/2003		01/2004		01/2005		01/2006	
Total Cattle Beg. Stks	0	1340	0	1395	0	1448	0	1518
Dairy Cows Beg. Stks	0	190	0	209	0	228	0	228
Beef Cows Beg. Stks	0	810	0	855	0	892	0	910
Production (Calf Crop)	0	405	0	412	0	415	0	417
Intra EC Imports	0	0	0	0	0	0	0	0
Total Imports	0	0	0	0	0	0	0	0
TOTAL Imports	0	0	0	0	0	0	0	0
TOTAL SUPPLY	0	1745	0	1800	0	1863	0	1935
Intra EC Exports	0	0	0	0	0	0	0	0
Total Exports	0	0	0	0	0	3	0	7
TOTAL Exports	0	0	0	0	0	3	0	7
Cow Slaughter	0	135	0	145	0	153	0	150
Calf Slaughter	0	4	0	5	0	3	0	3
Other Slaughter	0	183	0	167	0	151	0	157
Total Slaughter	0	322	0	317	0	307	0	310
Loss	0	35	0	35	0	35	0	35
Ending Inventories	0	1388	0	1448	0	1518	0	1583
TOTAL DISTRIBUTION	0	1745	0	1800	0	1863	0	1935

Pasture Conditions

Costa Rican cattle are all grass fed and many of the cattle farmers use improved pastures. In Costa Rica there are various producers dedicated to the production of seeds for pastures. The importation of seeds has been steadily rising over the past 3 years. The dominant pastures are Pasto Estrella (*Cynodon nlemfuensis*) and *Brachiaria* spp. These are considered better than the Pasto Ratana, which has been used for years yet has a more limited productivity. The Pasto Estrella and *Brachiaria* are more resistant to the dry season, which in turn makes it possible to actually have grass in Guanacaste, the driest region and a major beef producing area, during the peak of the dry season. The new seeds are also generating more efficiency in the farms. The new types of grass contain more nutrients so that instead of needing a hectare of land per cow, it is now possible to utilize a hectare to feed every 1 and a half cows.

¹ 2005 stocks are based on a Ministerio de Agricultura y Ganado (MAG) survey. Slaughter data are from Consejo Nacional de Producción (CNP).

Slaughter

According to the Cattle Corporation (CORFOGA), cattle slaughter reached 316,478 head during 2004, compared to 321,170 in 2003. Total slaughter for 2003 and 2004 is broken down as follows:

2003

Males	Females	Calves	Total
182,560	134,573	4,037	321,170

2004

Males	Females	Calves	Total
166,567	144,943	4,968	316,478

Data available for 2005 indicates that during January-April, 102,411 head had been slaughtered. During the same period in 2004, 97,873 head were slaughtered. The slaughter for the period of January-April is broken down as follows:

Jan-April	Males	Females	Calves	Total
2004	54,573	41,579	1,721	97,873
2005	50,320	50,989	1,102	102,411

Meat, Beef and Veal

PSD Table

Country	Costa Rica							
	Meat, Beef and Veal				(1000 MT CWE) (1000 HEAD)			
Commodity	2003	Revised	2004	Revised	2005	Estimate	2006	Forecast
	USDA	Post	USDA	Post	USDA	Post	USDA	Post
Market Year Begin	Official Estimate		Official Estimate		Official Estimate		Official Estimate	
	01/2003		01/2004		01/2005		01/2006	
Slaughter (Reference)	0	322	0	317	0	307	0	310
Beginning Stocks	0	0	0	0	0	0	0	0
Production	0	79	0	79	0	76	0	77
Intra EC Imports	0	0	0	0	0	0	0	0
Other Imports	0	3	0	2	0	2	0	3
TOTAL Imports	0	3	0	2	0	2	0	3
TOTAL SUPPLY	0	82	0	81	0	78	0	80
Intra EC Exports	0	0	0	0	0	0	0	0
Other Exports	0	14	0	13	0	12	0	12
TOTAL Exports	0	14	0	13	0	12	0	12
Human Domestic Consumption	0	66	0	66	0	66	0	66
Other Use, Losses	0	2	0	2	0	2	0	2
TOTAL Domestic Consumption	0	68	0	68	0	68	0	68
Ending Stocks	0	0	0	0	0	0	0	0
TOTAL DISTRIBUTION	0	82	0	81	0	78	0	80
Calendar Yr. Imp. from U.S.	0	1	0	0	0	1	0	2
Calendar Yr. Exp. to U.S.	0	11	0	8	0	10	0	10

Consumption

Domestic consumption was roughly 20kg/person in the 80's, 18kg/person in the 90's and 14kg/person in 2004. It is estimated that the consumption will drop to 13.57kg/ person in 2005. Consumption is experiencing several phenomena.

According to industry sources, beef has been losing market share to competing products, especially chicken. Chicken consumption rose significantly over the past three years due to changes in consumer preference, lower prices and a more consistent quality than beef, a tendency towards healthier food, and a marketing campaign by Pipasa, the dominant chicken producer, to distribute the chicken to convenient points of sale for consumers.

The quality of Costa Rican beef is not up to par. There are no incentives for cattle farmers to produce better meat as they are paid by the kilo regardless of quality because there is no grading system in place to differentiate poorer and higher quality beef. Raising quality may result in higher local consumption yet this would also raise prices. With a per capita income in Costa Rica of \$4,100, it is difficult to determine whether the average consumer would be willing to pay more for better quality cuts.

Trade

Imports: Beef imports under tariff lines 0201 and 0202 reached 1,985 tons in 2003, worth \$5,613,742. The U.S. share of the imports was 279 tons, or \$959,853. Imports under the same tariff lines decreased to 1,607 tons, \$4,760,488, in 2004. As a result of import restrictions related to BSE and a drop in the number of U.S. plants approved to export to Costa Rica, the U.S. share decreased to 13 tons, \$90,040. Most beef imports in 2003 and 2004 were from Chile, Nicaragua and Guatemala, which enjoy lower duties due to the free trade agreements that they share with Costa Rica. Nicaragua is currently Costa Rica's main source of imports because it is able to offer lower prices for its beef and its quality of beef is similar to Costa Rica's.

During 2003 imports of offals (mainly liver and tongue) amounted to 750 tons, valued at \$883,473, with the United States exporting 524 tons valued at \$516,965. Imports of these products declined to 296 tons valued at \$480,391 in 2004. In 2004, the United States' share fell to zero on all offals and Nicaragua became the main exporter of bovine offals to Costa Rica.

Exports: Costa Rican beef exports amounted to 12,815 tons in 2004, valued at \$29,282,100, down in volume from 13,979 tons in 2003, and in value from \$29,623,720. Costa Rican beef exports to the United States, although fluctuating, are maintaining a relatively steady pace. The United States is the largest market for Costa Rican beef with Mexico and Guatemala close behind Puerto Rico as premium export destinations. In Central America, Guatemala and El Salvador are the main markets for Costa Rican beef, especially for fine cuts.

Imports

COSTA RICA BEEF IMPORTS
2002-2004

Country	2002		2003		2004	
	US \$	MT	US \$	MT	US \$	MT
UNITED STATES OF AMERICA	1,600,660	897	1,476,820	803	90,040	13
NICARAGUA	3,867,790	1767	1,095,160	478	1,974,560	942
MEXICO	0	0	0	0	1,408,940	473
CHILE	2,080,370	721	2,038,230	712	1,160,580	255
GUATEMALA	1,746,250	639	1,760,920	639	541,460	170
PANAMA	675,610	263	71,960	51	44,080	33
NEW ZEALAND	52,290	17	0	0	21,210	17
CANADA	173,500	122	54,130	52	0	0
SPAIN	5,150	1	0	0	0	0
Total	10,201,620	4,427	6,497,220	2,735	5,240,870	1,903

Source: PROCOMER
HS Lines: 0201, 0202, 0206

Exports

COSTA RICA BEEF EXPORTS
2002-2004

Country	2002		2003		2004	
	US \$	MT	US \$	MT	US \$	MT
UNITED STATES OF AMERICA	11,018,460	5,178	14,037,760	6,922	12,805,260	5,216
PUERTO RICO	9,967,760	3,550	11,075,420	4,058	7,819,690	2,867
MEXICO	310,010	565	997,210	1,049	3,953,280	2,706
GUATEMALA	947,120	483	2,116,510	1,182	2,934,770	1,411
JAPAN	249,600	95	21,720	38	895,580	230
EL SALVADOR	0	0	322,470	102	684,410	200
NICARAGUA	154,020	63	840,800	391	111,510	35
VIETNAM	0	0	0	0	27,380	51
HONG KONG	56,270	99	69,600	128	15,970	27
ARGENTINA	41,470	63	13,290	21	14,800	20
COLOMBIA	272,420	351	42,160	48	14,200	49
HONDURAS	0	0	0	0	5,250	3
JAMAICA	60,690	19	83,620	39	0	0
PANAMA	1,600	4	3,160	1	0	0
SOUTH KOREA	2,210	1	0	0	0	0
Total	23,081,630	10,471	29,623,720	13,979	29,282,100	12,815

Source: PROCOMER
HS Lines: 0201, 0202, 0206

Policy

According to the Cattle Corporation (CORFOGA), Costa Rican cattle farmers are not very concerned that CAFTA-DR will affect them negatively in the short term since U.S. beef prices are higher than Costa Rican beef prices. Under CAFTA-DR, U.S. prime and choice cuts along with offals would enter into Costa Rica duty-free immediately, while the other beef cuts would be subject to a 15-year tariff phase-out. Costa Rican beef is a leaner, lower priced product as compared to US beef because all beef cattle are pasture fed. Therefore, local cattle ranchers are only concerned with imports of beef cuts that are similar to Costa Rican beef in terms of characteristics and especially price. They believe that those imports could affect their market as tariffs on U.S. beef go down. Costa Rican producers are concerned that if CAFTA-DR does not go through, the United States may put an end to their products entering duty-free into the country through the CBI.

Costa Rican cattle ranchers are also concerned with the number of plants in the United States. CAFTA-DR would dramatically expand the number of plants that can export meat and poultry to Costa Rica. In CAFTA-DR deliberations, Costa Rica committed to an equivalency determination of the U.S. meat and poultry inspection system. The Ministry of Agriculture (MAG) currently insists that a MAG official individually inspect each plant; instead, equivalency would potentially allow the import of U.S. beef from any federally inspected plant.

Poor technology in cattle farms can be attributed to an absence of credit and technology transfer programs. The lack of technology has led to seasonal fodder production, insufficient mineral supplements, and parasite problems. Recently, the Costa Rican government along with the Banco Nacional de Costa Rica has initiated a program to help small cattle farmers in Costa Rica. This program is being implemented to help farmers improve their herds through the purchase of bulls and through artificial insemination. The plan subsidizes the interest on loans for 4 years for the purchase of bulls and 5 years for use of artificial insemination.