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Report Highlights:

Costa Rica's economy growth rate slowed in 2018 to 2.7 percent compared with an average rate of growth of 3.8 percent over the ten previous years. The introduction of fiscal austerity measures, national strikes against those fiscal measures, and a decline in the worldwide growth rate contributed to this slowdown. Nonetheless, Costa Rica's market presents a good opportunity for exporters of U.S. products, which are generally regarded as being of high quality. The CAFTA Free Trade Agreement provides opportunities for U.S. products. In 2018, the United States exported \$733 million of agriculture products, which was 21 percent more than in 2017, and exporter are projected to increase by 10 percent in 2019. The leading prospects for consumer-oriented products are U.S. prime beef cuts, juices, animal feed and fish products. U.S. exports of consumer-oriented products reached \$ 291 million in 2018.

Market Fact Sheet: COSTA RICA

\$

733 million

U.S. Agricultural Exports 2018

35

million



Export Growth (21%)
2007-2018



Among U.S.

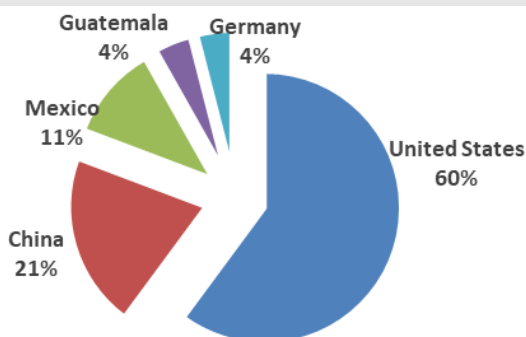
Agricultural Export
Markets, 2018

Source: FAS Global Agricultural Trade System (GATS) Bico HS-10

Executive Summary

The United States is Costa Rica's largest trading partner and Costa Rica's largest foreign direct investor. Market prospects for U.S. consumer-oriented products such as beef, pork, poultry, dairy, wine and beer, snack foods, ready-to-eat meals, frozen food products, condiments, and pet food continue to increase with impressive growth, reaching \$291.4 million in exports to Costa Rica 2018. Costa Rican consumers trust and enjoy the excellent reputation of U.S. food, beverage and ingredients products, and demand has increased since the implementation of the Dominican Republic - Central America Free Trade Agreement (CAFTA-DR) in 2009. Proximity with the United States is a major advantage for shipping time and for U.S. exporters who wish to visit or communicate with potential customers. In 2018, U.S. agricultural exports to Costa Rica reached a \$733 million and Costa Rican agricultural exports to the United States were valued at US\$1.7 billion.

Agricultural Imports by Country (percentage share)



Source: Ministerio de Hacienda de Costa Rica

Food Processing Industry

Most of Costa Rican food processors import their food ingredient needs directly from exporters and a few rely on importers and distributors. They have their own distribution

channels to wholesalers, distributors and retailers, as well as hotels, restaurants and institutional industries nationwide. Distribution channels can be different between local and imported products and are constantly changing.

Food Retail Industry

Costa Rica's retail sector is made up of supermarkets, hypermarkets, mini-marts, and *mom-and-pop* shops. Many consumers prefer to buy their groceries in smaller quantities from independent grocers. At the same time, many consumers buy bulk products. In addition, consumers are price sensitive.

Food Service Industry

According to the Chamber of Restaurants, the Costa Rican food service industry is made up of an estimated 4,325 food service businesses (consisting of hotel restaurants, restaurant chains and franchises).

QUICK FACTS CY 2018

U.S. Food and Beverage (F&B) Exports to Costa Rica
\$694 million

List of Top 10 Growth Products in Costa Rica

- | | |
|--------------------------|--|
| 1) Beef, pork, poultry | 6) Ingredients for food/beverage mfg. |
| 2) Wine and beer | 8) Dairy |
| 3) Prepared/frozen Foods | 9) Juices |
| 4) Pet Food | 10) Tree Nuts and Snack products |
| 5) Chocolate and cocoa | 11) Processed fruit and vegetable products |

U.S. F&B Exports to Costa Rica \$ 733 million
Costa Rican F&B Imports from the US \$ 1.7 billion

Top Costa Rican Retailers:

- | | | |
|-----------------|------------|-----------------|
| 1. Walmart | 4. Saretto | 7. PriceSmart |
| 2. AutoMercado | 5. Mayca | 8. Muñoz y Nane |
| 3. Fresh Market | 6. Gessa | 9. MegaSuper |

GDP/Population*

Population of Costa Rica	5 million
GDP (billions USD)	59 * (preliminary data)
Per capita GDP	\$11,635
Exchange rate	580 colones per 1 US\$

*Sources: Central Bank of Costa Rica, 2018 BICO data

Opportunities	Challenges
Local processors are slowly increasing their production capacity and level of food quality to export to the United States.	Countries such as Mexico, Argentina and Colombia can offer competitively priced food ingredients.
Costa Rican consumers are becoming sophisticated in their food preferences.	Costa Rica's strategy is to continue negotiating free trade agreements with other countries.
The United States is Costa Rica's main trading partner. U.S. food ingredients are well-known and	Business culture in Costa Rica can be slow paced than in the United States and those wishing to do business in the

considered of high quality and reliable.	country should be prepared for this possible difference.
Since 2013, Costa Rica initiated an on-line product registration system, which eventually will reduce	U.S. exporters must be patient with export procedures and processes. Costa Rica has

registration times for new imported products.	many levels of bureaucracy that can at times slow the importation of food products.
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Website: <http://sanjose.usembassy.gov/fas.htm>

Executive Summary:

SECTION I. MARKET OVERVIEW

The current population of Costa Rica is 5 million people. The population density in Costa Rica is 251 people per square mile. The total land area is 19,714 sq. miles and is nearly the size of West Virginia. In 2018, 83 percent of the population lived in urban areas. The median age in Costa Rica is 31.8 years.

Costa Rica is beginning to show results from the fiscal reform law passed at the end of 2018. Not only has the government lined up some \$2.3 billion in financing, the primary balance (which excludes debt payments) will balance in August. Despite these positive steps, the central problem for fiscal health remains a debt burden that currently tops 59 percent of GDP.

Costa Rican consumers recognize U.S. quality and innovative characteristics. According to data from the Central Bank of Costa Rica, per capita GDP reached \$12,039 in 2018. Inflation is expected to increase to 3 percent by the end of 2019, up from 2.6 percent in 2018, and unemployment remains high at 11.3 percent according to the National Statistics and Census (INEC).

Exports of U.S. agricultural products to Costa Rica are expected to increase by nearly 10 percent to \$775 million in 2019. The United States remains Costa Rica's largest trading partner and Costa Rica's largest foreign direct investor with \$10.8 billion in bilateral goods trade in 2017. With such a high degree of trade with the United States, Costa Rican importers are well accustomed to working with foreign partners in this market. In 2018, U.S. agricultural exports by major product category were: bulk, \$323 million; intermediate, \$110 million; and consumer-oriented, \$291 million.

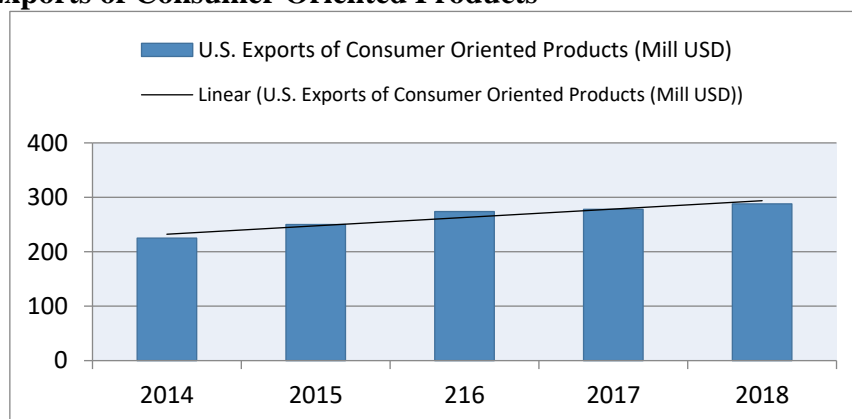
Costa Rica's most important exports of agricultural products to the United States include pineapple, banana, coffee, fruit juice, ornamental plants, cacao and sugar.

Under the CAFTA-DR, Costa Rica may not adopt new duty waivers or expand existing duty waivers that are conditioned on the fulfillment of a performance requirement (e.g., the export of a given level or percentage of goods). Costa Rica has modified its free trade zone regime in order to conform to this requirement. Tax holidays are available for investors in free trade zones. Costa Rica's tax incentives and benefits are standardized. They apply to all companies equally, so that there is no need for individual negotiations. Costa Rica will eliminate its remaining tariffs on virtually all U.S. agricultural products by 2020, including on chicken leg quarters by 2022, and on rice and dairy by 2025. For certain agricultural products (rice, pork, dairy, and poultry), tariff-rate quotas (TRQs) permit duty-free access for specified quantities during the tariff phase-end period, with duty-free amount expanding during the period.

Annual fish consumption per capita is estimated to be 10.4 kilos. In 2018, most of the national aquaculture production was exported to the United States and Europe. Therefore, there appear to be opportunities to import fish (such as tilapia and pangasius) to help fill domestic demand.

http://www.was.org/articles/Aquaculture-in-Costa-Rica.aspx#.XcSEK_ITm70

Table 1. U.S. Exports of Consumer Oriented Products



Data Source: U.S. Census Bureau Trade Data

www.fas.usda.gov/GATS

Table 2. Costa Rica: Advantages and Challenges for U.S. Exporters

Advantages	Weaknesses/ Challenges
The United States is geographically close to Costa Rica, which gives logistical advantages for marketing and trade.	U.S. products from the Western United States and the upper Midwest face higher transportation costs relative to alternate suppliers from the rest of Central America.
U.S. exporters can supply different volumes according to local demand and maintain reliable supply throughout the year.	Low volume shipments of high-value products face additional costs since they must go through freight consolidators in Miami or other ports.
The United States now enjoys lower duties in almost every agricultural product as a result of CAFTA-DR. Tariffs on nearly all U.S. agricultural products will be phased out by 2020.	U.S. food exporters are not geared to meet the needs of the “traditional” market (13,000 mom & pop stores), which sell items packaged in small sizes.
Food processing industry requiring a wide range of ingredients, high value consumer oriented and processed foods.	Many U.S. exporters are unaware that an Apostille can serve to validate the Certificate of Free Sale.
U.S. food products are competitive in terms of price and quality.	Importers of rice still concerned about chalky kernels in U.S. rice.
Costa Rica initiated a new on-line product registration system, which eventually will reduce registration times for new imported products.	Costa Rica’s often slow and cumbersome bureaucracy poses a challenge to doing business in the country.
With CAFTA, Costa Rica recognized the equivalence of the U.S. meat and poultry inspection systems, eliminating the need for approval of individual plants.	A vocal anti-GMO lobby threatens consumer acceptance of foods made with GM events.
A strong tourism sector (residential and traditional) provides opportunity for U.S. exporters and for development.	Strong competition.
Retailers are interested in stocking more U.S. products, including private-labeled goods.	The Ministry of Health has specific requirements for the wording of Certificates of Free Sale. Failure

	to meet these requirements slows down product registration.
The Ministry of Agriculture will build new cold chain facilities in tourist areas to facilitate imports of perishables, chilled and frozen foods.	South American grain competes aggressively with U.S. grain on price and quality.
Costa Rica generally supports science-based international standards and participates in international standards setting bodies.	Chinese black beans compete with U.S. beans in price because of a Chinese TRQ.
Costa Ricans are beginning to consume higher quantities of frozen and prepared foods.	Local producers are increasing in the sector.

II. EXPORTER BUSINESS TIPS

Generally, the Costa Rican market offers good opportunities for U.S. exporters of consumer-oriented agricultural products. Negotiations in Costa Rica tend to proceed slower than in the United States. Below are some important characteristics that should be noted:

- Credit terms: Three to four months can pass between the time the importer places an order to an exporter to the time they collect payment from retailers.
- Spanish language in printed materials is preferred, although most Costa Ricans in the business sector are bilingual.
- A personalized approach to business with consistent attention to service and delivery, frequent visits, and follow-ups, goes far in Costa Rica.
- Navigation of Costa Rica’s import procedures can be tricky. It is best to work with experienced representatives, agents, and importers -- there are many in the country.
- Trademark registration and protection is important.
- Contracts should be in writing and made through consulting top decision-makers.
- Display samples, marketing and volume flexibility in purchase orders support business contract dealings.
- Participating in food trade shows.

A new trend in relation to environmentally friendly packaging alternatives is expected to increase in the future, mainly as the result of heightened awareness about material sourcing and the impact this has on the environment. A broader base of players is likely to promote recycling and reutilization campaigns.

Supporting Cooperators

Currently, about 22 US organizations operate USDA-funded marketing programs in Costa Rica. Participants include; Washington Apple Commission; Food Export USA NE; U.S. Livestock Genetics Export, Inc.; The Popcorn Board; California Table Grape Commission; U.S. Dry Bean Council; American Hardwood, Plywood, Softwood, and SFPA; American Soybean Association; Pear Bureau Northwest; USA Poultry and Egg Export Council; Pet Food Institute; U.S. Wheat Associates; U.S. Grains Council; Food Export Association Midwest USA; Western United States Agricultural Trade Association; National Renderers Association; Southern United States Trade Association; National Association of State Department of Agriculture and USA Rice Federation/US Rice Producers.

Table 3. Costa Rica Agricultural Bilateral Trade 2012-2018 in millions of dollars

	2014	2015	2016	2017	2018
U.S Exports of Agricultural and Related products to Costa Rica.	619	659	707	720	738
U.S, Imports of Agricultural and Related Products from Costa Rica.	1,642	1,584	1,686	1,674	1671

Data Source: U.S. Census Bureau Trade Data: BICO-HS10

III. FOOD STANDARDS AND REGULATIONS

US exporters may want to consult the latest Costa Rican Food and Agricultural Import Regulations and Standards – Narrative

[https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20and%20Agricultural%20Import%20Regulations%20and%20Standards%20-%20Narrative San%20Jose Costa%20Rica 12-19-2017.pdf](https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20and%20Agricultural%20Import%20Regulations%20and%20Standards%20-%20Narrative%20San%20Jose%20Costa%20Rica%2012-19-2017.pdf)

Codex Alimentarius norms serve as the basis for Costa Rica’s food regulations. Within Costa Rica, the four official entities are responsible for the regulation of food imports are:

Ministry of Health’s Registration and Control Department (Ministerio de Salud, Dirección de Registros y Controles) – handles processed foods and beverages.

<https://www.ministeriodesalud.go.cr>

Plant and Animal Health Service (Servicio Fitosanitario y Dirección de Salud Animal) – handles bulk agriculture, fresh fruits and vegetables and other products of fresh fruit/vegetable origin, ornamental plants, fresh, chilled or frozen meat products.

http://www.mag.go.cr/acerca_del_mag/adscritas/sfe.html

National Animal Health Service (Servicio Nacional de Salud Animal) – handles live animals, products of animal origin - fresh meat and meat products, milk, cheese, eggs etc., pet food, animal feed, and ingredients for pet/animal food. <http://www.senasa.go.cr/>

Customs Office (Dirección General de Aduanas) – handles procedures for taxation purposes.

<https://www.hacienda.go.cr/contenido/284-servicio-nacional-de-aduanas>

IV. MARKET SECTOR STRUCTURE AND TRENDS

Key market drivers and consumption trends

Traditional foods such as rice and beans remain staples in the Costa Rican diet, though new foods are readily accepted by the population. Costa Rica, for example, is the only country in the region where prepared foods account for a significant portion of household food budgets. Beef, rice, breads, and vegetables are typically the largest food expenditures for Costa Rican consumers. Soft drinks and dairy products follow these items in household purchases, with milk being consumed more than cheese. In general, all meat poultry and pork products are consumed. Fish is consumed less than other protein sources. Wheat and corn products are widely consumed by the general population but are consumed in greater quantities by urban residents than other populations.

Retail Food Sector

Costa Rican supermarkets chains plan on expanding their investments in 2019. The Business Group of Supermarkets (Gessa), Walmart, and Automercado, are some of the firms that will increase their coverage in spite of the increasingly competitive nature of the Costa Rican market. Today, approximately 40 percent of food purchases made within the country take place in modern supermarket formats. Convenience stores and “mini-supers” (also known locally as “pulperias”), which are small local stores offering a limited selection of basic goods, are also commonly frequented by local consumers, especially to supplement weekly purchases. Traditional outdoor markets, of which there are estimated to be around 13,000 in the country, remain popular in Costa Rica as well.

US exporters may want to consult the latest Costa Rican Retail Report

<https://www.fas.usda.gov/data/costa-rica-retail-foods-2>

Hotels and Resorts: Hotels and resorts in Costa Rica offer a wide range of accommodations for the growing business and tourist industries. The government is developing a comprehensive travel and tourism plan with a special emphasis on cultural and eco-tourism. From the 9.6 million tourists who visited Costa Rica over the past five years, almost 700,000 preferred lodging options available through platforms such as Airbnb or HomeAway instead of hotels, especially in the Pacific Northwest (Guanacaste) region. Projections made by the Central Bank of Costa Rica generated \$4 billion in revenue from tourism in 2016 and goal for 2021 is to increase to \$6 billion. The 26 percent increase is due to new airline options that are new flying to Costa Rica. **US exporters may want to consult the latest Costa Rican Hotel and Restaurant Report** <https://www.fas.usda.gov/data/costa-rica-food-service-hotel-restaurant-institutional-2>

Restaurants: In general, most of the finest restaurants located in the San Jose metropolitan area. In recent years, neighborhoods east of San Jose have become attractive places for gourmet cooking establishments such as in old neighborhoods of Amon, Otoya, Aranjuez, Dent, Los Yoses and Escalante. More than eighty restaurants are located within the 2 square kilometers represented by the neighborhoods mentioned.

Restaurants in Costa Rica can be broken down in the following segments:

- Fine-Dining/ Full-service restaurants: higher priced
- Casual Dining: higher to medium priced dining
- Fast food casual dining: cafes, bars affordable and fast food
- Mobile fast food kiosks and trucks: this type of fast casual food is being more and more common in local trade shows and events.

In the Pacific Northwest tourist hub of Guanacaste, restaurants offer various gastronomic options. The growth in restaurant operations in Costa Rica offers U.S. exporters the opportunity to supply the many international franchises in the San Jose area.

Fast Food/Franchises: The fast food market is large and quite competitive in Costa Rica. Carl’s Jr and Smashburger are two of the most recent arrivals. There are approximately 95 food franchises operating in Costa Rica, constituting nearly 30 percent of all franchises in the country. Specialized services represent another 20 percent of the franchise industry. Costa Rica’s franchising regime grew by 85 percent in the last five years according to the National Franchise Center. Almost 60 percent of the fast food franchise restaurants are located in the San Jose metropolitan (Central Valley) area.

V. BEST CONSUMER-ORIENTED PRODUCT PROSPECTS

Many promising export opportunities exist for high-value consumer-oriented products from the United States. The economic outlook in Costa Rica is promising as well; economic growth is steady and a solid base of middle to upper-class consumers is expanding in the country.

U.S. food products and food companies continue to permeate the market in Costa Rica, as local consumers are both receptive and accustomed to U.S. food products. U.S. food companies, restaurants, and supermarket chains have been highly successful in Costa Rica and have a strong presence in the country. Bakery and confectionary products are showing impressive levels of growth, as are savory condiments and sausages. Gourmet products and prepare foods are widely distributed throughout the country but are consumed principally by high and medium-income consumers.

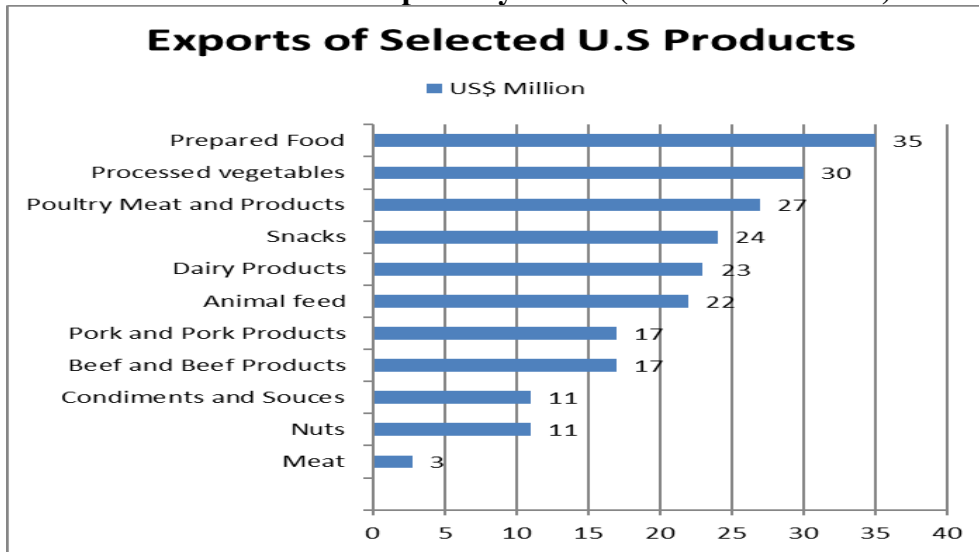
Demand for healthy, and/or gourmet snack items is increasing as well. Gluten free snacks and organic products and ingredients, dried fruits, whole wheat/grains, and high-quality ingredients are gaining ground with health-conscious consumers. This trend for healthy products is not limited to snack foods either. Demand for niche food items such as organic shelf products or gluten-free goods, non-dairy, vegetarian/vegan products etc. is expanding, which bodes well for U.S. exporters wishing to capitalize on this trend.

There is a wide variability in the kinds of ingredients of animal and vegetable origin used in food and beverage products in Costa Rica. The simplest ingredients used are egg albumin, cocoa, milk powder, natural sweeteners substituting sucrose (such as fructose), soy protein, corn, corn starches and corn flour, whey protein, among others. Costa Rican consumption of herbs, herb extracts and fruit pulps has increased significantly as a result of expansion in the beverage and the confectionary industries in teas, jellies and juices. The use of spices has increased following a gourmet trend in the preparation of home-made meals and desserts, as well as in restaurant menus and industry formulations. Meat exports to Costa Rica demonstrate excellent opportunities for U.S. exporters. Pork products stand out as having good export potential; bacon, ham, and pork leg (especially during the winter months) are all popular imports from the United States. Exports of processed meats, prepared meats, and preserved meats expanded significantly between 2014 and 2018, and consumption of prepared meats continues to grow. Meat and poultry imports accounted for \$66 million of total imports in 2018, representing a 78 percent increase from 2014.

Regarding dairy products, the local company Cooperativa de Productos de Leche Dos Pinos, RL continues to retain its leading position in cheese. In addition, Dos Pinos's presence holds a retail market share of 46 percent, but competition is increasing. The Mexican owned dairy company known as Grupo Lala has been building a presence in Costa Rica since 2017.

Remaining export sectors with high levels of growth include snack foods; non-alcoholic/juice beverages; nuts; processed vegetable; chocolate & cocoa products, meats and pet food

Table 4. Costa Rica: U.S. Exports by Sector (Millions of Dollars)



Trade Data Source: U.S. Census Bureau Trade Data Bico Report
Denote Highest Export Levels Since at Least CY 1970

Table 5. Comparative Export Products

Growth of selected export products 2018	US\$ Million	Percentage Change 2018-2019	Market attractiveness for USA
Meat	3	29%	HRI industry is growing and consumers are searching for more U.S. cuts in the local market.
Nuts	11	29%	Supermarket and retail food service always have demand for new products. Nuts are considered a trendy healthy snack.
Condiments and Sauces	11	27%	Costa Rican buyers continued to become familiar with different sauces and condiments that have a greater presence in modern grocery retailers throughout the country. Ethnic flavors and natural products are becoming more popular with consumers. Consumers continue to find more innovation within more specialized products including other table and cooking sauces as well as in trendy herbs and spices (including turmeric and multicolor peppercorns) given the functional and flavor profile features they can offer to home cooking.
Beef and Beef Products	17	14%	HRI industry is growing and consumers are searching for more U.S. cuts in the local market.
Pork and Pork Products	17	51%	U.S. Meat Export Federation reported that the consumption of U.S. pork in Costa Rica and in general in the Central America region is increasing.

			Pork perception of healthy protein is increasing, and the local product is not enough for the demand.
Animal feed	22	6%	Dogs and Cats food is the new trend and their owners are learning that they have specific dietary restrictions, taste preferences, and caloric needs to match their individual lifestyles.
Dairy Products	23	24%	Demand for cheese is mature as there is increasing price-based competition amongst the most popular products (which includes processed cheese and unpackaged hard cheese).
Snacks	24	13%	Demand for new flavors and consumers will continue to demand more convenient and healthier products over the coming years.
Poultry Meat and Products	27	3%	Costa Rican consumer prefer poultry HRI industry is also influencing this market too with good quality poultry options.
Processed vegetables	30	13%	Supermarket and retail food service always have demand for new products. The demand of hotel and restaurant for processed vegetables is increasing.
Prepared Food	35	26%	Ready to eat and prepared foods are currently a niche market in the preparation of gourmet food specialized in the country.

VI. KEY CONTACTS, AND OTHER RELEVANT REPORTS

U.S. Embassy Commercial, Agricultural and Trade-Related Contacts

Department of Agriculture Foreign Agricultural Services (FAS)

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Department of Commerce – U.S. Foreign Commercial Service

Phone: (506) 2220-2454

Email: san.josecr.officebox@mail.doc.gov Website: www.export.gov www.buyusa.gov

APPENDIX - STATISTICS Data Year 2019

1/ USDA Gain Reports by country <https://gain.fas.usda.gov/Pages/Default.aspx>

2/ Report by the World Bank <http://data.worldbank.org/country/costa-rica>

3/ Report by the National Statistics Census <http://www.inec.go.cr>

4/ Report Central Bank: <http://indicadoreseconomicos.bccr.fi.cr/indicadoreseconomicos>

5/ Report Comex: <http://www.comex.go.cr/estad%C3%ADsticasy-estudios/comercio-bienes/importaciones/>

Attachments:

No Attachments