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**Report Name:** Food Processing Ingredients

**Country:** Costa Rica

**Post:** San Jose

**Report Category:** Food Processing Ingredients

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**Report Highlights:**

Costa Rican total agricultural imports sales reached US\$ 735 million, 43% of the total sales represented by consumer-oriented products in 2019. While U.S. ingredients exports have grown, there is increased competition from Chile, Central and South America as Costa Rican processors seek to diversify their suppliers.

## Market Fact Sheet: COSTA RICA

### Executive Summary

The United States is Costa Rica's largest trading partner and largest foreign direct investor. Costa Rican consumers trust U.S. food and beverage (F&B) and product ingredients. Demand has increased since the implementation of the Dominican Republic - Central America Free Trade Agreement (CAFTA-DR) in 2009. Proximity to 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 2019, U.S. agricultural exports to Costa Rica reached **\$735 million** while Costa Rican agricultural exports to the United States were valued at **US\$1.67 billion**.

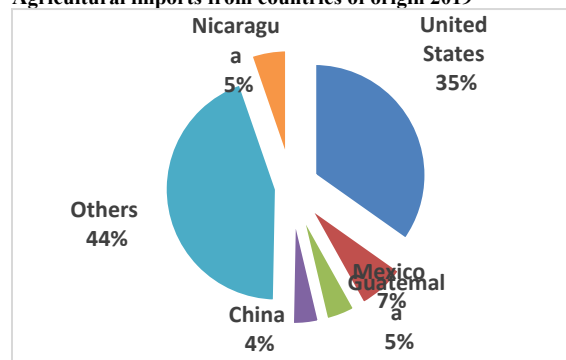
*Note: Costa Rican agricultural exports consist primarily of tropical products (bananas, pineapple, cassava, ornamental plants, coffee, and sugar) typically not produced in the United States.*

### Imports of Consumer-Oriented Products

As part of the CAFTA-DR FTA, since January 1, 2020 beef and pork from the United States are not subject to tariffs or taxes on entry into Costa Rica.

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, cereals and pet food continue to increase with impressive growth, reaching a record high of **\$317 million** in 2019.

Agricultural imports from countries of origin 2019



Source: SEPSA data from the Central Bank of Costa Rica

### Food Retail Industry

Distribution channels can be different between local and imported products and are constantly changing

Costa Rica's retail sector consists of supermarkets, hypermarkets, mini-marts, and approximately 9,600 *mom-and-pop* shops. Many consumers prefer to buy groceries in smaller quantities from independent grocers. However, there is a demand for bulk products and consumers are price sensitive.

#### *Quick Facts CY 2019*

#### **Imports of Consumer-Oriented Products** (US \$317 million)

##### **List of Top 10 Growth Products in Host Country**

- |                        |                       |
|------------------------|-----------------------|
| 1) Beef, Pork, Poultry | 2) Snacks             |
| 3) Pet Food            | 4) Juices             |
| 5) Dairy Products      | 6) Tree nuts          |
| 7) Cereals             | 8) Processed fruits   |
| 9) Condiments          | 10) Wines and Spirits |

##### **Top 10 Host Country Retailers**

- |                        |                 |
|------------------------|-----------------|
| 1) Walmart             | 6) Automercado  |
| 2) Fresh Market        | 7) Saretto      |
| 3) Mayca Retail Stores | 8) Mega Super   |
| 4) PriceSmart          | 9) Muñoz y Nane |
| 5) Perimercados        | 10) Pali        |

Population	5 million
Unemployment rate	13%
GDP (billions USD)	60.1
GDP (per capita)	\$12,017
Exchange rate	567 colones per 1 US\$

**Sources: Central Bank of Costa Rica**

U.S. F&B Exports to Costa Rica	\$ 735 million
Costa Rican F&B Imports from the US	\$ 1.67 billion

#### Strengths/Weaknesses/Opportunities/Challenges

Opportunities	Challenges
Local processors are steadily	Countries such as Mexico, Argentina and Colombia offer competitively priced food ingredients.
Costa Rican consumers are becoming more sophisticated in their food preferences.	Costa Rica's trade strategy is to continue negotiating free trade agreements with other countries.
Costa Rican retailers and chefs are looking to introduce new trendy products.	Costa Rica has many levels of bureaucracy that can slow the importation of food products.

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**Post:**  
San Jose

## **SECTION I. MARKET SUMMARY**

Costa Rica's food processors are increasing their production capacity and food quality as they aim to catch up with international trends. Such desires open a window of opportunity for U.S. exporters of ingredients such as herbs, extracts, condiments, spices and of course new trend ingredients such as gluten free flour, fibers, probiotics, organic seeds and acids, fibers, high oleic oils and antioxidant compounds used in food and beverage processing in Costa Rica.

Costa Rican consumption of organic and natural products has been on the rise and demand for ingredients for beverages, juices, teas and confectionaries is increasing in the market. These sectors are expanding especially for suppliers that provide ingredients related to nutrition, health and wellness. The use of spices has also increased following a gourmet trend in the preparation of homemade meals and desserts. Restaurants and food institutions are also expanding their use of spices in cooking that has been traditionally simple in its use of spices in recipes. Local processors are trending towards natural additives, preservatives, thickeners and sweeteners. In addition, consumers are increasingly more health conscious, influencing the development of healthier choices for packaged/prepared foods. U.S. producers of herbs, spices, superfoods, condiments, extracts, Omega-3 fatty acids, fibers, and antioxidant compounds in particular can find opportunities in this market and food processors are looking to add these ingredients to their recipes.

Some larger food processors already import directly from the United States and many small processors rely on local distributors to import their ingredients. Most imported food ingredients is used for the manufacturing of confectionary and bakery products, sauces, dressings and condiments, sweet and salty premixes, dairy/by-products and beverages.

International players Unilever, Heinz and Nestle continue to dominate the sauces, dressings and condiments sector. Apart from the major companies in this industry, the sector remains very fragmented, with a wide range of domestic brands generally.

Costa Rica's top food processors in Costa Rican include; Cargill (poultry, processed meat, eggs, pork and animal feed); Del Monte (whole fruits, juices and canned fruits); Bimbo (bakery ingredients); Nestlé (dairy, confectionary); Demasa (corn and raw material for snacks); Sigma Alimentos (processed meats, dry meats, dairy pre-cooked meals, ready to drink coffees and other dry products for their foodservice branch); Chiquita, Dole and Del Monte (fruits, purees and concentrates); Unilever (processed foods); Riviana (flour, cereals, dried fruits, tree nuts among other bakery ingredients) INOLASA (Central America's largest soybean processor, and user of USSEC's Sustainable U.S. Soy trademark).

## SECTION II. 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. U.S. food exporters are not geared to meet the needs of the “traditional” market which sell items packaged in small sizes.
Increased awareness in health and body care generates greater demand for healthy ingredients.	Local production and competition from South and Central American countries.
The United States now enjoys lower duties in almost every agricultural product as a result of CAFTA-DR. Since January 1, 2020, beef and pork from the United States are not subject to tariffs or taxes on entry into Costa Rica. Tariffs and taxes on nearly all U.S. agricultural products will be phased out by 2025.	Costa Rica’s often slow and cumbersome bureaucracy poses a challenge to doing business in the country.
Food processing industry requiring a wide range of ingredients, high value consumer oriented and processed foods.	A vocal anti-GMO lobby threatens consumer acceptance of foods made with GM events.
U.S. food products are competitive in terms of food safety practices, quality and price.	Costa Rica’s often slow and cumbersome bureaucracy poses a challenge to doing business in the country.
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.
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 industry segment.
Costa Rica is not self-sufficient in basic commodities and depends on imported ingredients, grains and legumes.	Strong competition.

### SECTION III. COMPETITION

The United States remains the main supplier of processing ingredients to Costa Rica. U.S. suppliers have good reputation in the Costa Rican market for quality, stable supply, and proximity.

Major product imports in 2019	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
<b>Meat</b> HS: 0201:0204  Net imports: 18,263 tons  US\$ 58,930 million (CIF)	1. USA 41%  2. Nicaragua 37%  3. Chile 21%	Variety, marketing and high quality.	Since January 1, 2020 U.S. beef and pork exports are not subject to tariffs or taxes on entry into Costa Rica. Local consumers and F&B companies are increasingly using US cuts and brands in their menus.
<b>Snack Foods</b> HS: 1704, 1806 & 1903:1905  Net imports: 99,810 tons  US\$ 126,890 million (CIF)	1. USA 26%  2. Guatemala 17%  3. Mexico 16 %	Variety, marketing and high quality	Local producers are major food processors. They import food ingredients for snacks and snacks in bulk.
<b>Dairy</b> HS: 0402:0406  Net imports: 29,713 tons  US\$ 36,021 million (CIF)	1. USA 51%  2. Chile 17%  3. Holland 6%	The United States has a strong dairy sector including milk products and cream, cheese and cottage cheese, buttermilk, butter and other fats derived from milk, dairy spreads and yogurt.  Chile is strong in branded processed cheese and cottage cheese.	Local companies produce high quality liquid milk, ice cream, yogurt, cultured milk drinks.

		Holland has developed a long-standing reputation in the market.	
<b>Fish Products</b> HS: 0301: 0303 0305: 0308 0511; 1504; 1604 2301  Net imports: 87,877 tons  US\$ 103,239 million (CIF)	1. USA 35% 2. Mexico 11% 3. El Salvador 9%	New trends and new products such as lobsters are now available. Consumers are demanding more variety of high-quality products.	All local production is consumed domestically.
<b>Beverages (ex. Juices, water)</b> HS: 1302 & 2201-2202  Net imports: 43,669 tons  US\$ 43,614 million (CIF)	1. USA 33% 2. Guatemala 13% 3. El Salvador 10%	Proximity	Local brands are well positioned in the market at competitive prices.
<b>Nuts</b> <b>HS: 0801-0802</b>  Net imports: 4,995 tons  US\$ 7,080 million (CIF)	1. USA 64% 2. Vietnam 11% 3. Guatemala 11%	The U.S. nuts dominate the market given the variety, marketing and high quality.	All local production is consumed domestically.
<b>Cereals</b> <b>HS: 1904</b>  Net imports: 226 tons  US\$ 964 million (CIF)	1. USA 54% 2. Panama 23% 3. Guatemala 15%	U.S. imported cereals dominates the market due to consumer tastes, variety, marketing and high quality.	All local production is consumed domestically.

Source: Costa Rican Ministry of Commerce (COMEX) / Procomer  
<http://sistemas.procomer.go.cr/estadisticas/inicio.aspx>

## SECTION IV. BEST PRODUCT PROSPECTS

Below are the top U.S. ingredient prospects. There are also niches as the processing sector diversifies and consumer demand grows for healthy and high-quality ingredients.

<b>Top U.S. Ingredient Prospects to Costa Rica (US\$ millions)</b>		
	<b>2018</b>	<b>2019</b>
Corn	143	<b>148</b>
Sugar, Sweeteners, Bev. Bases	2.4	<b>3.6</b>
Soybean oil	4.7	<b>5.3</b>
Tree Nuts	10.2	<b>12.8*</b>
Distillers Grains	14.8	<b>18.6</b>
Chocolate & Cocoa Products	11.4	<b>11.8</b>
Condiments & Sauces	10.3	<b>14</b>

Source: U.S. Census Bureau Trade Data

\*Denote the highest export levels

[www.fas.usda.gov/GATS](http://www.fas.usda.gov/GATS)

## SECTION V. POST CONTACT AND FURTHER INFORMATION

If you have any question or comments regarding this report or need assistance exporting to Costa Rica, please contact the following:

**Foreign Agricultural Service** in San José at the following address:

Phone : (506) 2519-2285 / 2333

Fax: (506) 2519-2097

Email: [AgSanJose@fas.usda.gov](mailto:AgSanJose@fas.usda.gov)

website : [www.fas.usda.gov](http://www.fas.usda.gov)

<http://costarica.usembassy.gov/fas.html>

**Links to other sources for data:**

**US Department of Commerce | Global Market Agency/ Global Markets**

Phone: (506) 2519-2203

web: <http://redirect.state.sbu/?url=www.buyusa.gov/costarica>

**U.S. Department of State – Economic Section**

Fax: (506) 2519-2364

Website: [www.sanjose.usembassy.gov/economic](http://www.sanjose.usembassy.gov/economic)

**Costa Rican Ministry of Commerce (COMEX) / Procomer**

<http://sistemas.procomer.go.cr/estadisticas/inicio.aspx>

**Attachments:**

No Attachments