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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:

The Covid-19 pandemic resulted in the largest economic contraction in Costa Rica since 1982, decimating the country's tourism sector, which accounts for 8 percent of GDP. Despite this economic contraction, U.S. agricultural exports of \$732 million in 2020 stayed about the same as the prior year. Consumer-oriented products represent 40% of the total exports. The food processing industry is expected to continue to grow, however, there is increased competition from Guatemala, Nicaragua, Mexico, and South America.

Market Fact Sheet: COSTA RICA

EXECUTIVE SUMMARY

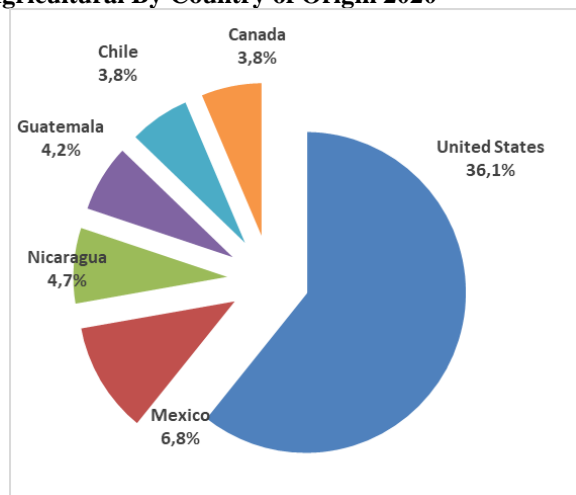
The United States is Costa Rica's largest trading partner and largest foreign direct investor. Costa Rican consumers trust and enjoy the excellent reputation of U.S. food, beverage and product ingredients and demand has increased since the implementation of the Central America Free Trade Agreement (CAFTA-DR) in 2009. Proximity to the United States is a major advantage for shipping time and for U.S. exporters who wish to meet with potential customers. Domestic production fell 4.5% in 2020 and is expected to rebound only 2.6%, in 2021. In 2020, U.S. agricultural exports and related products to Costa Rica reached **\$731.8 million** about the same as in 2019.

IMPORTS OF CONSUMER-ORIENTED PRODUCTS

As a result of CAFTA-DR, 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, wine and beer, snack foods, cereals, condiments, sauces, nuts and pet food continue to be good.

Agricultural By Country of Origin 2020



Source: Central Bank of Costa Rica

FOOD PROCESSING INDUSTRY

Most Costa Rican food processors import ingredients directly from exporters and few rely on importers or distributors. These processors have their own distribution channels with wholesalers, distributors, and retailers, as well as hotels, restaurants, and institutional industries nationwide.

FOOD RETAIL INDUSTRY

Costa Rica's retail sector consists of supermarkets, hypermarkets, mini-marts, and approximately 9,600 *mom-and-pop* shops.

Quick Facts 2020

Imports of Consumer-Oriented Products (US \$293 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 |

U.S. Agricultural Exports to Costa Rica \$ 731.8 million

Population	5 million
Unemployment rate	20%
GDP (billions USD)	60.1
GDP (per capita)	\$12,017
Exchange rate	605 colones per 1 US\$

Sources: Central Bank of Costa Rica
The National Institute of Statistics and Censuses (INEC)

Strengths/Weaknesses/Opportunities/Challenges

Opportunities	Challenges
Local processors are steadily increasing their production of processed foods.	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.
The United States is Costa Rica's main trading partner. U.S. food ingredients are considered high quality.	Business culture in Costa Rica can be slower paced than in the United States, and those wishing to do business in the country should be prepared for this difference.
Costa Rican retailers and chefs are looking to introduce new trendy foods and are open to new market promotion concepts.	U.S. exporters must be patient with export procedures and processes. Costa Rica has many layers of bureaucracy that can slow the importation of food products.

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SECTION I. MARKET SUMMARY

Due in large part to the Covid-19 pandemics, Costa Rica's economy contracted by 4.5 percent in 2020. According to Euromonitor, the demand for processed products increased during the first half of 2020 as buyers began to stockpile food with long shelf lives. As the pandemic lockdown continued, demand for these products began to drop, as buyers started to prioritize the purchase of fresh food. Overall, in 2020, U.S. agricultural exports remained roughly the same as in 2019.

Costa Rican consumption of organic and natural products has been on the rise and ingredients for beverages, juices, teas, and confectionaries are increasing in the market. These sectors are now seeing expansion and exploring suppliers that provide to consumer nutrition, health, and wellness. The use of spices has 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 is traditionally simple in its use of spices in recipes. Local processors are trending more towards natural additives, preservatives, thickeners, and sweeteners. In addition, consumers are increasingly more health consciousness, 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 can find an opportunity in this market and food processors are looking to add these ingredients to their recipes.

Corn, soybeans, and wheat are also in high demand by Costa Rica's animal feed manufacturers and integrators. 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 are used for the manufacturing of confectionary and bakery products, sauces, dressings and condiments, sweet and salty premixes, dairy/by-products, and beverages.

Costa Rica's top food processors 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).

Trends include healthier snack alternatives available in smaller serving sizes (often in multipacks). For processed vegetables, value-for-money options encourage larger packaging sizes, stand-up pouches and new flavor varieties such as products enhanced with spices. In addition, products with health and

wellness claims are expected to gain more shelf space. Specifically, products with no added sugar and “all-natural” ingredient claims as well as organic and non-GMO certification are expected to grow in demand by young and health-conscious consumers with high disposable incomes.

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 every agricultural product as a result of CAFTA-DR. As part of that free trade agreement since January 1, 2020 beef and pork from the U.S. do not pay tariffs or taxes on entry into Costa Rica and 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 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. products have a good reputation in the Costa Rican market for quality and stable supply. Ingredients imported from the Central America, Netherlands, and South America are extremely competitive due to free trade agreement between Central America, South America, and Europe.

Large multinational food ingredient companies have representation in Mexico and other CAFTA-DR countries. Primary imported food ingredients are modified starches, thickeners, stabilizers, sweeteners, cocoa and fibers.

While Costa Rica domestically produces dairy, poultry, table eggs, beef, pork, rice, and beans, it is not self-sufficient in the production of most food products, and thus relies on imports.

Domestically produced products have certain competitive advantages, such as better understanding of the local industry and its needs, but small players face issues with quality consistency.

Major product imports in 2020	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
Meat HS: 0201:0204 Net imports: 16,499 tons \$ 65 million (CIF)	1. U.S.A 48% 2. Nicaragua 44% 3. Chile 6%	Variety, marketing, and high quality.	As a result of the 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.

<p>Snack Foods HS: 1704, 1806 & 1903:1905</p> <p>Net imports: 59,545 tons</p> <p>\$ 156 million (CIF)</p>	<ol style="list-style-type: none"> 1. U.S.A 26% 2. Guatemala 16% 3. Mexico 16 % 	<p>Variety, marketing, and high quality</p>	<p>Local producers are major food processors. They import food ingredients for snacks and snacks in bulk.</p>
<p>Dairy HS: 0402:0406</p> <p>Net imports: 18,952 tons</p> <p>\$ 55 million (CIF)</p>	<ol style="list-style-type: none"> 1. U.S.A 42% 2. Panama 13% 3. Chile 12% 	<p>USA is strong in milk products and cream, cheese and cottage cheese, buttermilk, butter, and other fats derived from milk, dairy spreads, and yogurt.</p> <p>Panama is a new competitor. Condense milk is one of the products produced by Nestle.</p>	<p>Local companies produce high quality liquid milk, condensed milk, ice cream, yogurt, and cultured milk drinks.</p>
<p>Fish Products HS: 0301: 0303 0305: 0308 0511; 1504; 1604 2301</p> <p>Net imports: 53,727 tons</p> <p>\$ 133 million (CIF)</p>	<ol style="list-style-type: none"> 1. U.S.A 39% 2. Panama 12% 3. Ecuador 11% 	<p>New products are becoming available, and consumers are demanding more variety of high-quality seafood products.</p>	<p>All local production is consumed.</p>
<p>Beverages (ex. Juices, water) HS: 1302 & 2201-2202</p> <p>Net imports: 41,134 tons</p> <p>\$ 44 million (CIF)</p>	<ol style="list-style-type: none"> 1. U.S.A 37% 2. South Korea 12% 3. Guatemala 10% 	<p>Demand of flavored water with gas and other products to mix with alcoholic beverages as well as regular consumption are increasing.</p>	<p>Local brands are well positioned in the market at competitive prices.</p>
<p>Nuts HS: 0801-0802</p> <p>Net imports: 42,032 tons</p> <p>\$ 11 million (CIF)</p>	<ol style="list-style-type: none"> 1. U.S.A 67% 2. Vietnam 14% 3. Guatemala 5% 	<p>The United States dominates the market as an ingredient and as a final product. Variety, marketing, and high quality.</p>	<p>All local production is consumed.</p>

Cereals HS: 1904 Net imports: 13,097 tons \$ 26 million (CIF)	1. Mexico 39% 2. U.S.A 21% 3. Guatemala 10%	Mexico dominates the market with the United States in second place.	All local production is consumed.
Condiments HS: 2103 Net imports: 20,881 tons \$ 45 million (CIF)	1. U.S.A 45% 2. Guatemala 25% 3. Mexico 8%	U.S. condiments and spices, herbs, and extracts, are well known and preferred by processors and local consumers. Guatemala and Mexico also compete on prices and trendy flavors.	Local brands are well positioned in the market at competitive prices.

Source: Costa Rican Ministry of Commerce (COMEX) / Procomer

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

SECTION IV. BEST PRODUCT PROSPECTS

The best opportunities for suppliers of food ingredients are among those food and beverage manufacturing companies that offer high-value and new products to the consumer. Niches and opportunities continue to appear as the processing sector diversifies and consumer demand increases for healthy and high-quality ingredients.

Top U.S. Ingredient Prospects for Costa Rica (US\$ millions)		
	2019	2020
Corn	144	151*
Soybean oil	5.3	8.7*
Tree Nuts	11.8	10.3
Distillers Grains	18.8	17.6
Chocolate & Cocoa Products	11.8	10.3
Condiments & Sauces	13.9	14.9*

Source: U.S. Census Bureau Trade Data

*Denote the highest export levels

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

Foreign Agricultural Service in San José at the following address:

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Email: AgSanJose@fas.usda.gov

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<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: <https://www.trade.gov/costa-rica>

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Costa Rican Ministry of Commerce (COMEX) / Procomer

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

Attachments:

No Attachments