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Report Highlights:

Costa Rica's hotel, restaurant, and institutional sector continued to struggle through significantly lower tourism activity and COVID-19 measures that restricted dining opportunities through the first nine months of 2021. Despite the devastating impact on COVID-19 on the sector, sources project recovery will begin in earnest by mid-2022, and a 40 percent increase in U.S. exports of consumer-oriented products through the first six months of 2021 supports that optimistic outlook.

Market Fact Sheet: COSTA RICA

Executive Summary

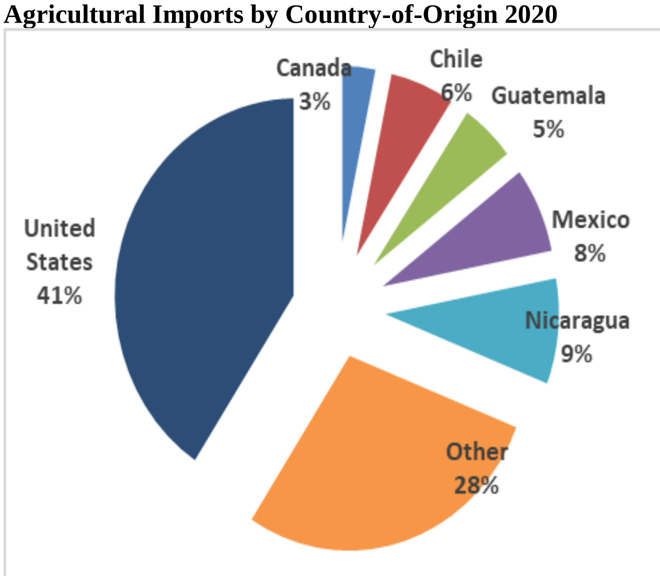
The United Sates is Costa Rica's largest trading partner and largest foreign direct investor. Costa Rican consumers trust and enjoy U.S. food and beverage products, exports of and demand for which have increased since the 2005 entry into force of the Dominican Republic - Central America Free Trade Agreement (CAFTA-DR). Proximity to the United States is a major advantage for shipping times and for U.S. exporters' ability to develop and service customer relationships. In 2020, U.S. agricultural and related product exports to Costa Rica reached a record high of $737 million.

Imports of Consumer-Oriented Products

In 2020, nearly all U.S. agricultural products entered Costa Rica tariff free under the CAFTA-DR, while several sensitive categories (notably dairy, rice, and chicken leg quarters) were subject to CAFTA-DR tariff rate quotas (TRQ), all of which will be phased out by 2025. The U.S. pork TRQ was phased out in 2020, and pork exports through the first six months of 2021 were up nearly 80 percent.

Strong 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 have driven strong category growth, reaching a record high of $320 million in 2019 before the pandemic. U.S. consumer-oriented exports to Costa Rica in 2021 are on pace to shatter the 2019 record.

Agricultural Imports by Country-of-Origin 2020



Source: Trade Data Monitor

Food Processing Industry

Most Costa Rican food processors import ingredients directly from exporters and few rely on importers and distributors. Processors have their own distribution channels to wholesalers, distributors, and retailers, as well as hotels, restaurants, and institutional buyers nationwide. Distribution channels for local and imported products can differ and change frequently.

Food Retail Industry

Costa Rica's retail sector consists of supermarkets, hypermarkets, mini-marts, and approximately 20,000 *mom-and-pop* shops. Consumers are price sensitive, and the popularity of bulk formats continues to grow. Chinese e-commerce sites appealing to price-conscious consumers continued to grow in popularity in 2020.

Quick Facts CY 2020

Imports of Consumer-Oriented Products **$295 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) Pali
5) Perimercados	10) Super Compro

U.S. Food & Beverage Exports to Costa Rica **$ 737 million**

Population	5 million
Unemployment rate	20%
GDP (billions USD)	60.1
GDP (per capita)	$12,017
Exchange rate	625 colones per 1 US$

Source: Central Bank of Costa Rica

Strengths/Weaknesses/Opportunities/Challenges	
Strengths	**Weaknesses**
U.S. products are well-known and perceived as high quality.	Regional competitors can often undercut U.S. products on price.
U.S. products largely enter duty free and quota free.	Buyers have cultural linkages to certain European or South American suppliers.
Opportunities	**Challenges**
Costa Rican consumers are becoming more sophisticated in their food preferences.	Business culture in Costa Rica can be slower paced than in the United States.
Chefs are looking to introduce new trendy foods and are open to new concepts.	Costa Rica has many levels of bureaucracy that can slow the importation of food products.

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SECTION I. MARKET SUMMARY

Covid-19 Background

Costa Rica's once thriving food service sector has contracted significantly, because of social distancing measures implemented to mitigate the spread of COVID-19. The tourism industry, a leading driver in food service sales, has seen large numbers of foreign travelers stay home and airlines and hotels drastically reduced operations since March 2020. A tentative recovery had begun in 2021 with tourism from the United States (the perennial leading source of inbound tourists) through June reaching 50 percent of the 2019 level over the same period.

Costa Rica's hotel and restaurant operations have struggled with confronted closures, shifting health priorities, and changing consumer habits. Through June 2021, the National Institute of Statistics and Censuses (INEC) reported 36,000 fewer unemployed workers, out of a total of 456,000 unemployed in 2020. The report noted current unemployment conditions disproportionately affect women (23 percent unemployed), while only 12 percent of men is without work.

Hotel, Restaurant, and Institutional (HRI) Sector Overview:

Demand in Costa Rica's HRI sector has declined to historic low levels during the pandemic. National health measures continue to prohibit gatherings of more than 150 people and limit hotel occupancy to 75 percent. According to the Hotel & Restaurant Associations and Chambers of Costa Rica, recovery in the sector will be prolonged after pandemic restrictions are lifted.

Moving Beyond COVID-19

Despite COVID-19 related challenges, demographic trends support U.S. agricultural export opportunities in the Costa Rican HRI sector. A steadily rising standard of living, a young population, the growth of modern HRI outlets, and expansion of Costa Rican consumers' collective palette are expected to sustain demand for imported food products in the years ahead. New technologies and mobile applications will also accelerate and reinforce these consumption trends.

Tourism

Over the last decade, Costa Rica strengthened its position as a key tourist destination. In 2019, tourism was a leading driver of economic growth, with 3 million in-bound tourists (1.3 million from the United States) constituting more than 8 percent of Costa Rica's GDP. By contrast, only 435,000 American tourists arrived in 2020. Costa Rican Tourism Board (ICT) data showed July 2021 was the best single month since the pandemic began, with nearly 150,000 internationals (almost 110,00 originating from the United States).

The availability of international flights will be essential to the sector's recovery. With the expectation of a rebounding economy and increased travel in 2022, the outlook for imported foods and beverages post-COVID-19 looks positive. Despite local price sensitivities, the hotel sector has long invested in high-value, premium food, and beverage products to enhance guest experience, especially in four- and five-star hotels and their high-end specialty restaurants.

Specialty ingredients and products are regularly imported from the United Sates. These products include wine, beer, distilled spirits, dairy products, beef, pork, fruits, frozen potato products, sauces, condiments, sauces, drink mixes, and ingredients for foreign cuisines such as Italian, Thai, Japanese, Chinese, Peruvian, and Mexican.

Table 1: Key Travel and Tourism Indicators 2020

Inbound Arrivals from United States	31%
International Spending	USD 1,309 million
Total Contribution of Travel and Tourism to GDP	5.3% of total economy
Total Contribution of Travel and Tourism to Employment	9.2% of total employment

Source: World Tourism Organization and World Travel and Tourism Council

SECTION II. ROAD MAP FOR MARKET ENTRY

A. Entry Strategy

1. Do your homework; investigate import requirements and comparable product availability/pricing.
2. Identify a reliable importer/distributor, knowledgeable in your product category and of Costa Rican regulations and import procedures.
3. Consider whether participating in a trade show (including virtual) or participating in USDA- or State-Regional Trade Group-funded promotional activities could assist in finding a dependable import partner.

Selecting the right partner is one of the most important decisions for a prospective exporter when developing a business strategy. It can be helpful to have a distributor and/or a customs broker with experience to be able to manage customs clearance, sanitary/phytosanitary inspection requirements and any guarantees or other licensing procedures that may be required. U.S. exporters interested in entering the food service market in Costa Rica should contact local importers, who also typically serve as wholesalers' distributors to HRI accounts).

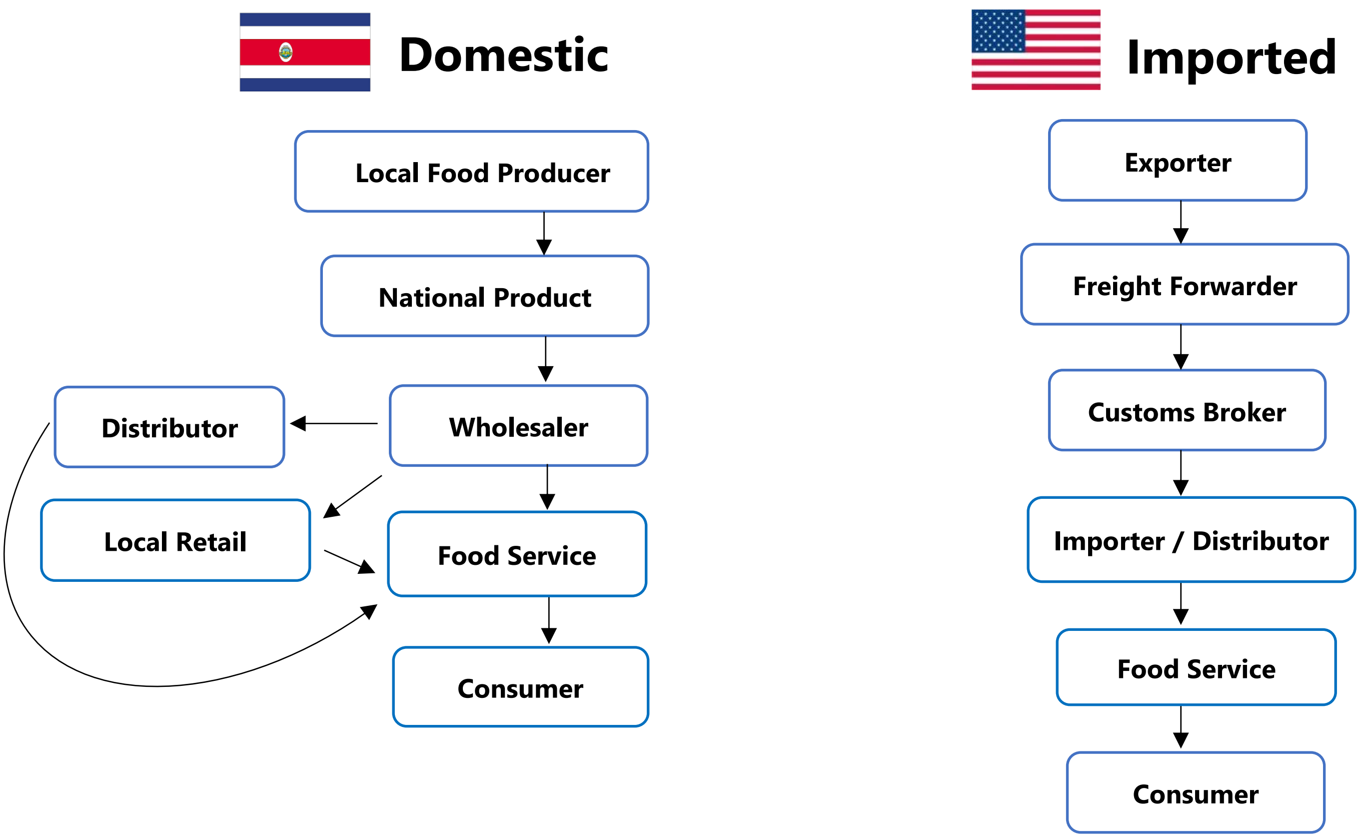
Licenses and franchises are common in Costa Rica. General commercial law governs contracts and relations between vendors or suppliers and the local company, person, or distributor. Distribution services are typically governed by private agreements among parties. Local laws also allow companies and individuals to import directly with no intervention from agents or distributors. Costa Rican importers are fully bilingual, and business practices in Costa Rica resemble those in the United States.

Logistics are an especially important consideration during this period of COVID-related shipping complications and challenges. Most importers carry a full line of fresh, frozen, and dry products, while a smaller number of importers specialize in providing fresh produce, seafood, and alcoholic beverages.

Local importers hold U.S. products in high regard with respect to quality, price, and packaging. Due to the geographic proximity of the United States, U.S. food and beverage products represent a plurality of foreign products imported into Costa Rica. Local importers have considerable experience working with U.S. companies and have extensive knowledge of the U.S. food export system.

B. Distribution Channels in the Costa Rican Market:

Figure 1: Costa Rica Distribution Channels



C. Food Service Market Structure

Purchasing power is concentrated near the capital; 73 percent of the country's 5 million consumers live in the San Jose Metropolitan Area, also known as the Central Valley. Since the food service sector relies heavily on imports, there are many companies dedicated to meeting the sector's demand for imported food and beverages. While the storage and handling may look different (e.g., cold chain for frozen or perishable items vs. shelf-stable products), the structure of distribution channels do not vary significantly from one product to another.

Quick service restaurants, high-end restaurants, as well as larger hotels and resorts purchase their food and beverages through local importers. There are well-developed distribution chains for smaller restaurants and coffee shops that source inputs from wholesale and retail outlets. Some hotels have even positioned offices in south Florida to facilitate shipment Costa Rica ports.

U.S. exports of consumer-oriented products to Cost Rica through the end of 2020 were down nearly 25 percent from 2019 at just under $300 million due to the pandemic and attendant economic crisis. Through the first six months of 2021, U.S. exports in this category were nearly 40 percent higher than 2020 levels, as food service and tourism activity began a tentative resumption.

D. Hotel Sector

The hotel sector in Costa Rica has been severely impacted by government measures affecting tourism since March 2020. Most operators in this sector derive a significant portion of revenue from the sale of meals and beverages prepared at onsite restaurants. Currently, hotels promote their restaurant and dining establishments as a major attraction for local consumers.

Costa Rica's major hotels, particularly upscale brands, include high-end restaurants and their food service options aim to provide guests with onsite dining selections, especially in more secluded beach and eco-hotels, where other local dining options may not be available or easy to get to without a car. Rising discretionary income and increasing inbound and domestic tourism have boosted revenues in this sector. The Costa Rican Tourism Board provides a comprehensive list of hotels that can be sorted by location, price, and star-rating.

E. Restaurant Sector

According to the Chamber of Restaurants, before COVID-19 the Costa Rican food service industry was made up of an estimated 4,325 food service businesses (consisting of hotel restaurants, restaurant chains and franchises). With estimated losses to the tourism sector of $1.3 billion through May 2021, an economically significant number businesses have closed temporarily or permanently.

Bars and pubs recorded the largest decline in sales, followed by restaurants, caterers, and fast-food restaurants. Online ordering and delivery of meals has helped many outlets avoid closing down permanently, but this format has not been able to sustain anything close to pre-COVID sales. Costa Rica's economic export development agency expects e-commerce sales in Costa Rica to grow by 70 percent in 2021.

Following government-mandated COVID-19 measures, most restaurants in Costa Rica have limited their services, reducing hours and occupancy levels. In some cities around San José, these requirements limited operating hours and restricted service to takeaway or online ordering for delivery. Most restaurants located in shopping malls, normally a major social and business lunch destination for Costa Ricans in the area, have been forced to close. This has also negatively impacted many quick-service restaurant chains that typically fill shopping areas.

Restaurants have reduced physical contact between customers and servers through the use of technology and smart innovations. In addition to providing menus to consumers phones through QR codes, some restaurants also allow customers to order and pay their bills using their mobile phones.

However, a slower than anticipated economic recovery and the prospect of new taxes (that will reduce middle class consumers' disposable income) in 2021 did not prevent local partners from introducing well-recognized U.S. food service brands like the Olive Garden and Capital Grille. These additions to the Costa Rican HRI sector will provide additional exposure for U.S. cuisine and additional sales opportunities for U.S. food and beverage products.

Recruiting good staff to operate points of sale and reducing the cost of the initial investments to establish a restaurant franchise remain perennial challenges to further growth for franchisees in Costa Rica after the pandemic effects subside.

Table 2: Top Restaurant Chains, Hotel Chains, and Food Service Distributors

Restaurant Chains	Hotel Chains	Distributors
Burger King	Barcelo Group	Alimentos Kamuk
Carl's Junior	Best Western International	Alimentos Pro Salud
Chili's	Choice Hotels (Tryp Hotels, Wyndham)	Alpiste
Dairy Queen	Four Seasons Hotels & Resorts	Belca de Costa Rica
Friday's	Hilton Garden Hotels (Curio Collection)	Ciamesa
Il Panino	Hyatt Group (Andaz Costa Rica Resorts)	Comproim
Kentucky Fried Chicken	IHG (Intercontinental, Hotel Indigo, Crowne Plaza, Holiday Inn)	Delika By Gourmet Imports
Little Caesar's	Irazu Hotels and Studios	Distribuidora Alfa S.A.
McDonald's	Marriott (Autograph Collection, Hotel Punta Islita, Sheraton, Starwood)	Distribuidora Islena
MTY Food Group Inc.	Nayara Spring	Distribuidora Pedro Oller
P.F. Chang's	Radisson Hotels (Park Inn)	Global Partners
Papa John's	Riu Hotels	Mayca/ Sysco
Pizza Hut	Secrets Papagayo	PMT CR
Olive Garden	Selina Hotel Chain	Prime Foods
Spoon	Tryp Hotels	Sigma Alimentos
Starbucks	Viridi International Resorts (El Silencio Lodge)	Suplidora Royal
Subway		Universal de Alimentos
Taco Bell		

Source: FAS/San José research

F. Institutional

The institutional segment in Costa Rica includes company cafeterias, hospitals, nursing/retirement homes, schools, golf courses and country clubs, prisons, and catering for airlines, trains, ships, and special events. Catering for private events and parties, especially higher-end events like weddings, had been a particularly profitable slice of the institutional segment prior to COVID, but catering sales have fallen by 90 percent as pandemic response measures have prevented virtually types of gatherings that would rely on catering services. Cancelled weddings, corporate events, and conferences as well as work-from-home policies and school closures have had a devastating impact on catering businesses.

In addition to traditional HRI customers, the food service sector in Costa Rica also services a significant number of ships transiting the ports in Puntarenas on the Pacific side and Limón on the Caribbean side. The pandemic's devastating effects on the cruise industry and on commercial passenger flights drove down revenues for Costa Rica's largest cruise/airline catering company by more than 95 percent; the company had been directly sourcing many of its premium ingredients, including beef, wine, and dairy, from the United States.

SECTION III. COMPETITION

As a result of Costa Rica's wide range of free trade agreements, U.S. food and beverage products face strong competition from third country suppliers, including Canada, Chile, Mexico, China, and Panama. Strong U.S. competitors in snacks and processed foods, include Guatemala, Mexico, and Colombia. Wines compete with Chilean, Spanish, and Argentine offerings, and U.S. beef contends with products from Nicaragua and Chile. Rising pork consumption has benefitted U.S. exporters and attracted the interest of Chilean and Canadian suppliers.

Local producers are increasingly providing vegetables, fruits, and processed foods, as well as poultry, beef, pork, and seafood to hotels and restaurants servicing the tourism sector.

Table 3. Total Agricultural Imports from United States and Top Competitors in 2016-2020

Partner Country	Calendar Year(Value: USD)				
	2016	2017	2018	2019	2020
_World	1,746,867,417.00	1,790,031,091.00	1,883,465,698.00	1,896,572,129.00	1,903,395,753.00
United States	799,298,238.00	811,505,103.00	873,640,430.00	839,859,364.00	838,056,309.00
Mexico	128,015,155.00	138,361,897.00	146,650,533.00	153,440,860.00	152,473,056.00
Nicaragua	107,614,179.00	112,032,900.00	105,930,342.00	113,245,903.00	114,117,670.00
Guatemala	83,818,378.00	86,056,187.00	88,734,912.00	87,172,051.00	82,367,104.00
Canada	58,487,279.00	67,299,312.00	69,353,953.00	76,853,781.00	80,338,302.00
Brazil	37,075,456.00	27,862,493.00	44,528,653.00	45,044,844.00	73,667,189.00
Chile	88,090,486.00	96,684,718.00	86,773,766.00	80,929,581.00	69,937,113.00
Honduras	30,648,291.00	26,293,697.00	31,544,656.00	44,480,644.00	43,486,669.00
Spain	26,615,878.00	37,017,557.00	38,802,945.00	41,484,531.00	43,432,823.00
China	44,863,742.00	45,210,983.00	39,428,068.00	40,666,926.00	38,773,453.00
Argentina	24,777,281.00	28,358,317.00	27,072,724.00	47,316,640.00	37,297,805.00
Netherlands	32,845,270.00	31,379,043.00	27,338,197.00	29,882,457.00	29,607,410.00
Colombia	19,082,367.00	23,135,297.00	25,402,762.00	27,490,975.00	28,869,136.00

Source: Trade Data Monitor

SECTION IV. BEST PRODUCTS CATEGORIES AND TRENDS

The foodservice landscape continues to evolve and adapt to demographic and consumer behaviors in Costa Rica. Below are some of the major trends that are driving sales in the local hospitality and foodservice sectors:

- Costa Rican consumers are increasingly paying attention to their eating habits, including searching for new ways to eat healthy in order to boost their immune systems, which has grown in importance due to COVID-19. As a result of increased cooking at home, local consumers have increased their consumption of beef, pork, and poultry, condiments, and sauces as well as beer, providing increased export opportunities for U.S. products.

- Local restaurants and hotel restaurants are using creative tools to keep consumers and stay afloat due to the pandemic and safety regulations. Faced with declining revenues, some restaurants have reduced their menus and increased their marketing efforts to maintain sales and keep staffing to a minimum staff.

- Millennials and younger generations had already been driving growth in eating-away-from-home and food delivery options before the pandemic, and this trend is expected to continue to grow as the technological tools supporting these purchases continue to improve and adoption rates by food service operators continue to rise.

- Dark / Ghost kitchens or delivery-only restaurants are emerging. This new trend began during COVID, allowing restaurants to sell meals exclusively through delivery without dine-in services, significantly reducing costs.

- Healthy food choices continue to be on trend in food service, with consumers seeking healthy and sustainable food choices, including plant-based and alternative protein menu items.

- Pet-friendly hotels, fueled in part by the ease of bringing dogs back and forth from the United States, are a booming new trend. Although there is no official data on the number of pet-friendly hotels in the country, there are over 230 hotels listed on Booking.com allowing guests to stay with their pets.

- Costa Rica passed legislation to attract so-called digital nomads to Costa Rica as long-term tourists, who could support the services sector while living in and working remotely from Costa Rica. Though data on how many digital nomads have relocated to Costa Rica is not yet available, online reservations for rental properties through sites like Airbnb and Vrbo have been grown significantly during the pandemic.

Table 4. Top Consumer-Oriented Imports from the United States

Product	2016	2017	2018	2019	2020
Poultry Meat & Prods. (ex. eggs)	28,551	31,254	27,138	29,827	30,137
Dog & Cat Food	19,583	20,128	21,656	21,598	26,506
Processed Vegetables	27,856	25,631	32,109	32,068	26,039
Dairy Products	20,248	19,765	22,745	28,564	25,598
Food Preparations	21,395	19,721	21,157	26,758	25,036
Bakery Goods, Cereals, & Pasta	24,526	24,077	26,062	28,958	23,018
Pork & Pork Products	14,322	14,710	17,862	24,356	22,845
Condiments & Sauces	9,924	9,554	11,224	13,902	14,871
Beef & Beef Products	15,092	13,795	17,368	18,322	14,816
Tree Nuts	9,203	9,761	10,948	12,758	12,667
Fresh Fruit	18,974	17,289	16,734	11,673	10,960
Other Consumer Oriented	11,029	11,677	12,295	13,306	10,334
Chocolate & Cocoa Products	15,717	15,094	11,460	11,816	10,289
Non-Alcoholic Bev. (ex. juices)	9,433	11,535	9,836	9,314	7,869
Fruit & Vegetable Juices	7,257	12,033	8,217	8,654	7,185
Beer	6,118	4,630	4,683	4,700	6,728
Seafood Products	3,707	4,117	3,731	4,555	5,060

Data Source: U.S. Census Bureau Trade Data

SECTION V. POST CONTACTS AND FURTHER INFORMATION

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Please refer to the FAS/San José Exporter Guide for links to additional sources of information.

Attachments:

No Attachments