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Costa Rica

Food Processing Ingredients

Food Processing Sector Report

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Report Highlights:

Costa Rica is one of the major importers of raw materials and ingredients for the food processing industry in Central America. The United States continues to be the largest trading partner to Costa Rica. Costa Rica ran an \$858 million agricultural, fish and forestry (AFF) trade surplus with the United States in CY 2011. That same year, U.S. AFF exports to Costa Rica totaled a record of \$666 million, up 31 percent over 2010. Since the implementation of the United States-CAFTA-DR Free Trade Agreement, Costa Rica has found new opportunities to increase exports of processed food products not only to other Central American countries but also to the United States, Asia, and the Caribbean.

Post:

San Jose

Executive Summary:**SECTION I - Market Summary**

The Costa Rican Chamber of the Food Industry (CACIA) reports that the domestic food industry is very developed and the estimated growth in 2012 is just 2%. Roughly one-half of the 80 sub-sectors CACIA analyzed suffered negative growth. This weakness is due to several factors: the economic downturn caused by the global economic crisis, resulting increased consumer caution, a strong increase in raw material costs, and strong price depressing policies in the sales channels.

This situation is holding back some of the predicted investments and leading to employment stagnation. For example, Café Montaña was expected to install new roaster equipment to increase its sales, but due to the uncertainty of the economy, the company stopped the project.

Exports were a bright spot, with estimated 2012 growth of approximately 8.5%. Even so, this is a modest figure compared to a few years ago when annual growth was between 18-20%. Based on CACIA's associate data base, an estimate of the number of food processors in the country is around 632.

Costa Rica produces the following processed foods:

- Beverages: juice concentrates, powdered drinks, alcoholic and non-alcoholic beverages, drink bases and syrups, soy powder, fruit flavors, coffee.
- Preserved foods: canned vegetables, jams, jellies, etc.
- Confectionary: candies, chocolates
- Other processed foods: condiments, baked goods, sauces, dairy, cookies, crackers, snacks, cereals
- Deli meats: sausages, ham, MDM; boneless picnic; pork bellies, trimmings and offal; flours (fillers); animal fats
- Baking: pancake mixes, pre-mixes, bulk cake flours, vegetable whipped cream, cookie dough
- Snacks: soy flakes, nuts, fresh potatoes; fruit fillings; corn, rice, dry fruits,
- Oils and Dressings: palm oil, shortenings

There is 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, MDM's, 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. Spice use has grown following a gourmet trend in the preparation of home-made meals and desserts, as well as in restaurant menus and industry formulations. Local industry follows international trends in food and beverages, so it is constantly searching for new ingredients which provide additional benefits in health and nutrition, such as phytosterols, Omega-3 fatty acids, fibers, and antioxidant compounds.

U.S. products such as beef, pork, wheat, soybeans, and vegetables, as well as other food items, can

easily be introduced to improve the quality of the goods being processed in Costa Rica. Some larger processors already import directly from the United States and many of the small processors still rely on local distributors to import their ingredients.

The largest volume of food ingredients of natural origin is used for the manufacture of confectionary and bakery products, sauces, dressings and condiments, sweet and salty premixes, dairy by-products, and beverages

The Center for Food Technology (CITA) of the University of Costa Rica is part of a cooperation agreement among the University of Costa Rica, the Ministry of Science and Technology and the Ministry of Agriculture. It was founded in 1974 as part of the University's program to work on food science and technology in direct collaboration with the government. CITA has licensed its technology to domestic processors, which will let the companies develop new products with CITA's scientific and technological support.

Some advantages and challenges that the food processing industry is facing in Costa Rica:

Advantages	Challenges
Local processors are increasing their production capacity and food quality to export to the United States as a result of CAFTA-DR implementation.	Countries including Mexico, Argentina and Colombia can supply the local demand for ingredients and raw materials and compete with the U.S.
Costa Rica consumers are becoming more sophisticated in their food preferences.	Costa Rica is negotiating free trade agreements with the European Union and Colombia.
The United States is Costa Rica's main trading partner. U.S. food ingredients are well-known and considered of high quality.	New local food developments follow market trends (natural foods, juices, processed meats)

Costa Rica: Main Food Processing Export Products to the U.S.A. and the EU 2010-2011				
Description	2010	%	2011	%
Fruit Juices and Concentrates	140.6	41.8	147.4	40.1
Fruit pastes and purees	45.7	13.6	43.0	11.7
Sugar	57.4	17.1	41.8	11.4

Palm oil	3.0	0.9	24.8	6.7
Other preserved tropical fruit	16.8	5.0	21.5	5.9
Ethylic Alcohol	13.4	4.0	11.3	4.7
Heart of Palm (preserved)	15.8	4.7	16.3	4.4
Other food preparations	7.6	2.3	12.4	3.4
Fish preserves or canned	3.9	1.2	5.4	1.5
Sauces and preparations	4.5	1.3	5.3	1.4
Canned mixed fruit or natural	3.1	0.9	3.8	1.0
Plantain chips	3.5	1.0	3.3	0.9
Pasta (noodles, spaghetti, etc)	3.5	1.0	3.0	0.8
Herb extracts, tea concentrates	0.0	0.0	2.7	0.7
Premium bakery products	2.7	0.8	2.7	0.7
Others	14.8	4.4	16.8	4.5
TOTAL VALUE \$	\$336.3	\$100.0	\$367.5	\$100.0

Ministry of Foreign Trade (COMEX)

Main imported products from USA and the European Union 2011		
Description	CIF	%
Other food preparations	32.8	14.0
Worts, brewery and distillery industry waste	24.7	10.5
Animal feed	19.7	8.4
Patties & waste from soy oil extraction	17.0	7.3
Chocolate and all other food preparations containing cacao	14.1	6.0
Other	180.4	77.0
TOTAL	234.3	100.0

Ministry of Foreign Trade (COMEX)

SECTION II – ROAD MAP FOR MARKET ENTRY

A. Entry Strategy

There are various ways to introduce food ingredients into the local market depending on the profile of the company and the food ingredient involved. The following are a few recommendations to consider:

- The presentation of the product to the food processing company may be done directly or through a distributor and/or representative. There are a few local and/or regional distributors who are very well-

known in the F&B industry. Another option is through a joint-venture.

- It is necessary to identify the sector of the company where it is more convenient to present the food ingredient offered. This is extremely important for the product to be evaluated by the appropriate professionals. Larger companies usually have a R&D Division which interacts actively with the Marketing Division, especially if the ingredient is a novelty product. Other smaller companies receive proposals of new ingredients through their Purchasing Division.
- Besides presenting the product to the industry, it can be simultaneously promoted in specialized magazines (focused on food, nutrition and health), at technical events (seminars, conferences, etc), and/or trade shows. Professionals with a high technical expertise usually attend these events.
- The advantage that processors find in buying their raw materials from local suppliers or distributors is that more technical assistance is provided and also more options for financing are available to them. Local distributors/importers are willing to establish long-lasting business relationships with U.S. suppliers that can offer good credit terms, customer service and marketing support.
- The exporter may wish to hire a local representative who can provide customer service and technical support.
- U.S. suppliers interested in the Costa Rican market must comply with local regulations for imported products to avoid delays. For further information on these regulations, please refer to Costa Rica FAIRS Report 2012.
- With a high-degree of trade, especially with the United States, Costa Rican importers are accustomed to international business dealings. Many business people in Costa Rica are bilingual and have some level of English, thus facilitating business negotiations. However, the business culture in Costa Rica can be less fast-paced than in the United States and those wishing to do business in the country should be prepared for this possible difference. U.S. exporters should also be prepared to be patient with export procedures and processes; Costa Rica has many levels of bureaucracy that can at times slow the importation of food products.

B. Market Structure

Most of the food processors in Costa Rica import all of their ingredients directly; a few, however, rely on importers and distributors. They also have their own distribution channels to wholesalers, distributors and retailers, as well as to hotel, restaurant and institutional industries nationwide.

Distribution channels can be different between local and imported products and are constantly changing. The purchase of raw materials for food processing represents a significant portion of the cost of the final price of products.

In Costa Rica, there are many small companies with low sales volume and if they try to import directly would face high costs as the conditions and procedures for importing can be difficult. Therefore, it is better for them to use a local wholesaler who can take care of necessary import procedures. For large food processing companies, they usually have their own distribution chain.

For information on products registration requirements refer to the Food and Agricultural Import Regulations and Standards (FAIRS) Country Gain Report for Costa Rica.

C. Company Profiles

Thirty nine years ago, the Costa Rican Chamber for Food Industry (CACIA) was founded by Costa Rican food processors with domestic manufacturing operations. Its objective is to be the leading institution in promoting national and sector competitiveness, and defending the interests of the Costa Rican food industry. CACIA also works to boosting the domestic and international competitiveness of member businesses. CACIA's website is www.cacia.org

The following are some of the main food and beverage companies in Costa Rica:

Company	Sales US\$	End-Use Channels	Processing Plant Location	Procurement Channels
<i>Red meats and poultry meat (MDM; boneless picnic; pork bellies, trimmings and offals; flours (fillers); animal fats)</i>				
Cinta Azul (Cargill)	N/A	Retail & HRI	Alajuela	Direct importers
Corp. Pipasa (Cargill)	N/A	Retail & HRI	Heredia	Direct Importers
Don Fernando	N/A	Retail & HRI/own deli shop	San José	Direct & Local importers
Dist. Carnes Zamora	N/A	Retail & HRI	Heredia	Direct importers
Ind. Cárnicas Integ.	N/A	Retail	Alajuela	Direct importers
Sigma Alimentos	N/A	Retail & HRI	Alajuela	Direct importers
CIISA	N/A	Retail & HRI	Alajuela	Direct importers
<i>Dairy Products (whey powder, protein concentrates)</i>				
Cooperativa de Productores de Leche Dos Pinos	N/A	Retail & HRI	Alajuela	Direct importers
Asoc.Prod. Láctea Apilac, S.A.	N/A	Retail	Pérez Zeledón	Local importers
Productores Monteverde	N/A	Retail & HRI	Puntarenas	Local importers
American Ice Cream Co. (POPS)	N/A	Retail	San José	Direct & Local
CoopeCoronado	N/A	Retail & HRI	San José	Direct & Local
Coopeleche (Florida Bebidas)	N/A	Retail & HRI	San José	Direct & Local
Indulac (Sigma)	N/A	Retail & HRI	Cartago	Direct & Local
Universidad Earth	N/A	Retail	Limón	Local
Nutrilac, S.A.	N/A	Retail	San José	Direct & Local
<i>Prepared fruits and vegetables (sauces, pastas, concentrates, and preserved)</i>				
Algo del Tejar	N/A	Retail & HRI	Alajuela	Local importer
Productos Gerber (Nestlé)	N/A	Retail	Cartago	Direct/Local
Dequealva, S.A.	N/A	Retail	San José	Local
Fideos Precocidos de CR	N/A	Retail & HRI	Heredia	Direct & Local

Industrias Irazú	N/A	Retail	San José	Local
Jaleas Ujarrás	N/A	Retail & HRI	Cartago	Local
Productos del Trópico	N/A	Retail & HRI	Heredia	Direct & Local
Roma Prince	N/A	Retail & HRI	Alajuela	Direct & Local
Grupo Del Oro, S.A.	N/A	Retail & HRI	Guanacaste	Local
Girocurz, S.A.	N/A	Retail	San José	Local
Pasta y Basta	N/A	Retail & HRI	San José	Local
Productos El Angel	N/A	Retail & HRI	Alajuela	Direct & Local
Alimentos Heinz de C.R.	N/A	Retail & HRI	San José	Direct & Local
Alimer, S.A.	N/A	Retail & HRI	San José	Direct & Local
Productos Lizano (Unilever)	N/A	Retail & HRI	Heredia	Direct & Local
Alimentos Kamuk	N/A	Retail & HRI	San José	Local
Grupo Profruta S.A.	N/A	Retail & HRI	San José	Local
<i>Confectionary products (hard candies, chewing gum, chocolates, traditional candies)</i>				
Industrias Alim. Irazú	N/A	Retail	San José	Local
El Gallito Industrial	N/A	Retail	Heredia	Direct & Local
Cía Nacional de Chocolates	N/A	Retail	Heredia	Direct & Local
Cajetas Doña Chavela	N/A	Retail	Heredia	Local
Comercializadora Berlau	N/A	Retail & HRI	San José	Local
Delicias Leche y Miel	N/A	Retail	Costa Rica	Local
COPOZ – Cía. Pozuelo	N/A	Retail	Heredia	Direct & Local
Turrones de C.R.	N/A	Retail	Heredia	Local
Chiclera Costarricense	N/A	Retail	San José	Local
<i>Snack Foods (dehydrated potato flakes and powder; soy flakes; nuts; fresh potatoes; corn; rice)</i>				
Alimentos Jack's	N/A	Retail & HRI	San José	Direct & Local
Grupo Gruma	N/A	Retail & HRI	San José	Direct Importers
Bio-Land	N/A	Retail	San José	Direct & Local
Grupo Pozuelo PRO	N/A	Retail & HRI	Heredia	Direct & Local
Pituca Snacks	N/A	Retail	San José	Local
Nueces Industriales	N/A	Retail & HRI	San José	Direct/Local
<i>Baked goods (cookies; pancake mixes; pre-mixes, bulk cake flours; toppings)</i>				
Morrjons, S.A.	N/A	Retail & HRI	San José	Direct & Local
Musmanni	N/A	Retail & HRI	San José	Direct & Local
Panaderías Merayo	N/A	Retail & HRI	San José	Local
Soluciones Bake and Cook	N/A	Retail & HRI	San José	Direct Importers
Alimentos Jack's de C.A.	N/A	Retail & HRI	San José	Direct Importers
Alimentos Ligeros	N/A	Retail & HRI	Heredia	Direct Importers
Cía de Galletas Pozuelo	N/A	Retail & HRI	San José	Direct/Local
Industrias Mafan, S.A.	N/A	Retail & HRI	San José	Direct/Local
Grupo Pozuelo Pro	N/A	Retail & HRI	Heredia	Direct/Local
Konig Sabroso	N/A	Retail & HRI	Heredia	Local
<i>Beverages (alcoholic and non-alcoholic)</i>				
Florida Ice & Farm Co.	N/A	Retail & HRI	Heredia	Direct importer

Fábrica Nacional de Licores	N/A	Retail & HRI	Alajuela	Direct & Local
Licores y Cremas Lizano	N/A	Retail & HRI	Alajuela	Direct & Local
Coca Cola Femsa	N/A	Retail & HRI	San José	Direct importer
Fábrica de Refrescos La Flor	N/A	Retail & HRI	San José	Local
Vinos Saprissa	N/A	Retail	San José	Local
<i>Animal Feed and Pet Foods (bulk grains and feed ingredients)</i>				
Corp. Pipasa SRL (Cargill)	N/A	Retail	Heredia	Direct Importer
Drs. Echandi	N/A	Retail	San José	Local
Dos Pinos Cooperativa de Leche RL	N/A	Retail	Alajuela	Direct Importer
Avícola Montserrat	N/A	Retail	Heredia	Direct Importer

D. SECTOR TRENDS

- Costa Rican economy has rebounded, with GDP growing at a rate of 3.8 percent in 2011 and showing signs of continued growth in 2012
- With a high-degree of trade, especially with the United States, Costa Rican importers are accustomed to international business dealings. Many business people in Costa Rica are bilingual and have some level of English, thus facilitating business negotiations. However, the business culture in Costa Rica can be less fast-paced than in the United States and those wishing to do business in the country should be prepared for this possible difference. U.S. exporters should also be prepared to be patient with export procedures and processes; Costa Rica has many levels of bureaucracy that can at times slow the importation of food products.
- Some major processors in the Costa Rica food industry are: Cargill, Del Monte, Bimbo, Nestlé, Demasa, Sigma Alimentos, Chiquita, Dole, Unilever, Riviana among others. The majority of the industry is composed of local companies that are growing larger as a result of the free trade agreements, which stimulates production for exports.
- At present, Costa Rica's population follows the trend towards more ready-to-eat foods, so demand for this type of product has increased domestically. The local processing industry is taking advantage of this niche market and products like refrigerated tacos, tortillas, instant soups and noodles, and desserts, among others, have a very good market in Costa Rica.
- Healthy, natural and organic foods also have a niche in the market. There is a strong development of these products in Costa Rica since these imported products are too high priced for the lower economic sector.
- There is expanded demand for functional foods, such as milk containing Omega 3 and added calcium.
- The trend for artisanal beer is creating a greater demand for beer ingredients.
- Increased production of foods for export is increasing demand for inputs as oils, grains, and MDM.

- The local dairy industry is continuously launching novelty products, including cheeses, yogurts, and ice cream for the domestic and international markets.

- Bakery products, dry pasta and canned foods have expanded significantly and novelty products are being launched on a regular basis.

III. COMPETITION

- Ingredients imported from the EU are less competitive due to the relatively high value of the Euro against the dollar.

- Large multinational food ingredient companies have representation in Mexico and also in other CAFTA-DR countries.

- Primary imported food ingredients are modified starches, thickeners, stabilizers, sweeteners, cocoa and fibers.

Product Category	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
Beverages Net imports: 22,919 tons US\$19,449,148 million (CIF)	1. El Salvador – 23% 2. USA – 19.5% 3. Nicaragua – 15%	Proximity	Local brands are well positioned in the market at competitive prices.
Breakfast Cereals Net imports: 224,877 tons US\$89,661,765 million (CIF)	1. USA – 75% 2. Canada – 20% 3. Mexico – 5%	Variety, marketing and high quality.	Less attractive presentation, but price competitive. Fewer “healthy” options.
Dairy	1. Panama – 30%	Panama is price competitive,	Local companies are strong in liquid milk, ice cream, yogurt,

Net imports: 11,759 tons US\$28,407,138 million (CIF)	2. Chile – 26% 3. USA – 26%	geographically close and has developed a long- standing reputation in the market. Chile is strong in branded processed cheese and cottage cheese. USA is strong in milk and cream, cheese and cottage cheese, buttermilk, butter and other fats derived from milk, dairy spreads and yogurt.	cultured milk drinks and sweetened condensed milk. They are all very strong companies although affected by rising production costs.
Eggs & products Net imports: 907 tons US\$2,397,968 million (CIF)	1. USA – 52% 2. Panama – 37% 3. Mexico – 7%	Variety, marketing and high quality.	All of local production is consumed.
Nursery products Net imports: 665 tons US\$4,130,798 million (CIF)	1. Israel – 30% 2. Netherland – 12% 3. USA – 9%	Variety	Local products are strong.
Nuts Net imports: 1,828 tons US\$7,582,558 million (CIF)	1. USA – 43% 2. Guatemala – 20% 3. Vietnam – 8.3%	Variety, marketing and high quality.	All of local production is consumed.
Pet Foods Net imports:	1. USA – 40%	Variety, marketing and high quality.	Local brands are well positioned in the market at competitive prices.

30,195 tons US\$41,575,999 million (CIF)	2. Mexico – 25% 3. Brasil – 9.2%		
Processed Fruits & Vegetables Net imports: 61,212 tons US\$80,577,086 million (CIF)	1. USA – 48% 2. Canada – 15% 3. Guatemala – 9.7%	USA dominates the market with its products, mainly to the food service market.	Local processors are major exporters, but their local supply is limited.
Red Meats Net imports: 11,042 tons US\$38,847,576 million (CIF)	1. USA – 46% 2. Nicaragua – 27% 3. Canada – 8.2%	Variety, marketing and high quality	Local brands are well positioned in the market at competitive prices.
Snack Foods Net imports: 51,034 tons US\$127,514,591 million (CIF)	1. USA - 24% 2. Mexico – 20% 3. Guatemala - 18 %	Variety, marketing and high quality	Local producers are major food processors. They import food ingredients for snacks and snacks in bulk.

SECTION IV. BEST PRODUCT PROSPECTS

The best opportunities for suppliers of food ingredients are among those F&B manufacturing companies that offer high-value and new products to the consumer. The industry sub-sectors with a higher demand for these types of products are as follows:

Top U.S. Export Product Prospects:

Product	2010 Imports (Thousands USD)	2011 Imports (Thousands USD)	% Change 2010 in comparison to 2011
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Vegetable oils (exc. soybean)	1,446	4,586	217.22
Breakfast Cereals	3,400	5,858	72.29
Red meat FR/CH/FR	8,085	8,457	4.60
Red Meats, Prep/Pres	980	1,766	80.28
Poultry	6,991	7,830	12.10
Dairy products	6,789	10,449	53.92
Fresh fruits	17,343	19,880	14.63
Tree Nuts	3,152	6,273	99.00
Processed fruit & Veg.	24,204	30,203	24.79
Snack foods	17,445	23,311	33.63
Fish and seafood	508,298	665,757	30.98
Wine and Beer	1,462	2,058	40.71

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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Costa Rican contacts:

Ministerio de Agricultura (SENASA) www.mag.go.cr

Ministerio de Comercio Exterior (COMEX) www.comex.go.cr

Cámara Costarricense de la Industria Alimentaria (CACIA) www.cacia.org

Cámara de Industriales de Alimentos Balanceados www.ciabcr.com

Cámara de Porcicultores www.capor.com

Cámara de Fomento Agropecuario (CORFOGA) www.corfoga.org

Cámara Costarricense de Productores de Leche www.proleche.com

Cámara de Industria de Costa Rica www.cicr.com

Centro Nacional de Tecnología de Alimentos www.cita.ucr.ac.cr

USDA/Foreign Agricultural Service www.fas.usda.gov