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Report Name: Food Service - Hotel Restaurant Institutional

Country: Costa Rica

Post: San Jose

Report Category: Food Service - Hotel Restaurant Institutional

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Report Highlights:

Costa Rica's strong tourism sector and its well-developed hotel, restaurant, and institutional (HRI) sectors provide for excellent opportunities for U.S. food and beverage (F&B) product exports to Costa Rica. Tourism is Costa Rica's major economic driver. Forty percent of Costa Rica's tourists, totaling 1.2 million, are from the United States. According to the Government of Costa Rica, 8.8 percent of the Costa Rican jobs are related to the tourism industry. F&B importers seek to meet consumers' growing tastes and demands for high quality and trendy products. As the tourism sector expands over the next five years, post expects opportunities for reliable U.S. food and beverage products to continue to grow. The increase in Costa Rica's tourism industry is a key influencer in U.S. food and beverage exports, especially for the following products: beef, pork, dairy, processed fruit, chocolate products, snack foods, prepared foods, bakery ingredients, pre-cooked frozen products, condiments and sauces.

Market Fact Sheet: COSTA RICA

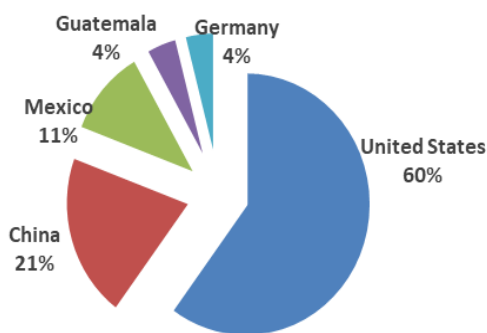
Executive Summary

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 a record high of **\$291.3 million** in exports of consumer oriented products to Costa Rica in 2018. 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 Dominican Republic - Central America Free Trade Agreement (CAFTA-DR) in 2009. Exports of feed grains, wheat and other ingredients also climbed in 2018, having a combined value of \$445 million. 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 2018, U.S. agricultural exports to Costa Rica reached **\$743.1 million** while Costa Rican agricultural exports to the United States were valued at **\$1.67 billion**.

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

Costa Rican Imports of Consumer-Oriented Products

Market Situation



Source: Ministerio de Hacienda de Costa Rica.

Food Processing Industry

distribution channels with 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 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. 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 2019

List of Top 10 Growth Products in Costa Rica

- | | |
|------------------------|---------------------------------------|
| 1) Beef, pork, poultry | 6) Ingredients for food/beverage mfg. |
| 2) Snacks | 7) Fish Products |
| 3) Pet Food | 8) Juices |
| 4) Dairy Products | 9) Tree Nuts |
| 5) Chocolate and cocoa | 10) Processed fruit and vegetables |
| | 11) Prepared and Frozen Products |

Top 10 Host Country Retailers

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

| | |
|-------------------------------------|-----------------|
| U.S. F&B Exports to Costa Rica | \$ 743 million |
| Costa Rican F&B Imports from the US | \$ 1.67 billion |

Costa Rica GDP/Population*

| | |
|--------------------|------------------------|
| Population | 5 million |
| Unemployment rate | 12% |
| GDP (billions USD) | 57.5 |
| GDP (per capita) | \$12,017 |
| Exchange rate | 612 colones per 1 US\$ |

*Source: Central Bank of Costa Rica

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SECTION I. MARKET SUMMARY

Costa Rica has a population of 5 million with a per capita GDP of \$12,000. The tourism industry grew by 1.2 percent in 2018, and tourism from the United States increased 6 percent. Costa Rica's proximity to the United States with direct flights from multiple U.S. cities, as well as biodiversity and natural beauty contribute to its growth in tourism. Costa Rica welcomes over 3.2 million tourists per year (1.2 million from the United States), which in 2018 contributed \$3.8 billion to its GDP or around 13 percent of its overall GDP. Costa Rica has 3,687 lodging establishments, which account for 56,334 rooms. Costa Rica is developing new hotel projects in the Pacific and Atlantic regions. For U.S. food service suppliers, this translates into excellent opportunities in the HRI food service sector. Most hotel establishments, F&B buyers and traders speak English. Much of Costa Rica's economic growth is a result of foreign investment and its access to international markets.

Advantages and Challenges of the Costa Rican Food Service Market

| Sector Strength & Market Opportunities | Sector Weaknesses & Competitive Threats |
|--|---|
| Costa Rican consumers are becoming more sophisticated in their food preferences. | Countries such as Mexico, Argentina and Colombia can offer competitively priced food ingredients. |
| The United States is Costa Rica's main trading partner. | Costa Rica's strategy is to continue negotiating free trade agreements with other countries. |
| U.S. food ingredients are well-known and considered of high quality and reliable. | 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 possible difference. |
| Since 2013, Costa Rica initiated a new on-line product registration system, which eventually will reduce registration times for new imported products. | U.S. exporters should also be prepared to be patient with export procedures and processes. |
| Local processors are slowly increasing their production capacity and level of food quality to export to the United States. | Costa Rica has many layers of bureaucracy that can at times slow the importation of food products. |
| Costa Rica enjoys 3 million tourists per year (1.2 million coming from the United States) that contributed to \$3.8 billion to Costa Rica's GDP or 13.4% of its overall GDP. | Customs clearance is not easy or as fast and straightforward. |
| Expanding number of mega-hotels on the Pacific Coast will come online in the next 3-5 years. | Strong competition from Airbnb is starting to generate pressure from hotels for the Government of Costa Rica to regulate this platform. |

| | |
|---|--|
| Costa Rica’s vibrant tourism sector has provided many opportunities to increase hotel/restaurant/ institutional (HRI) sector sales, including the opening of more high-end grocery stores in tourist areas outside the San Jose metropolitan area. | |
| The Government of Costa Rica. is launching a new tourism marketing campaign titled “Only the Essentials” in the United States. Over the next two years, Costa Rica’s Tourism Board will brand the country as “an opportunity to connect with the essence of life: nature, well-being, culture and adventure.” | |
| Close proximity to the United States offers quick transportation time and shipping cost advantages. | |

SECTION II. ROAD MAP FOR MARKET ENTRY

A. Entry Strategy

U.S. exporters interested in entering the HRI food service market in Costa Rica should contact local importers (which also typically serve as wholesalers/distributors). Entering the Costa Rica market can be made easier via an agent or distributor who can provide advice, market knowledge, and contacts. 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. Many Costa Rican importers are fully bilingual and business practices in Costa Rica are similar to those in the United States. 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 handle customs clearance, sanitary/phytosanitary inspection requirements and any guarantees or other licensing procedures that may be required. Logistics are important to be considered and monitored to avoid shipping delays. Most importers carry a full line of fresh, frozen, and dry products, while a few of the importers specialize in providing fresh produce, seafood, and alcoholic beverages.

Due to the geographic proximity of the United States, U.S. food products represent the majority of the foreign food 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. Importers hold U.S. products in high regard with respect to quality, price, and packaging.

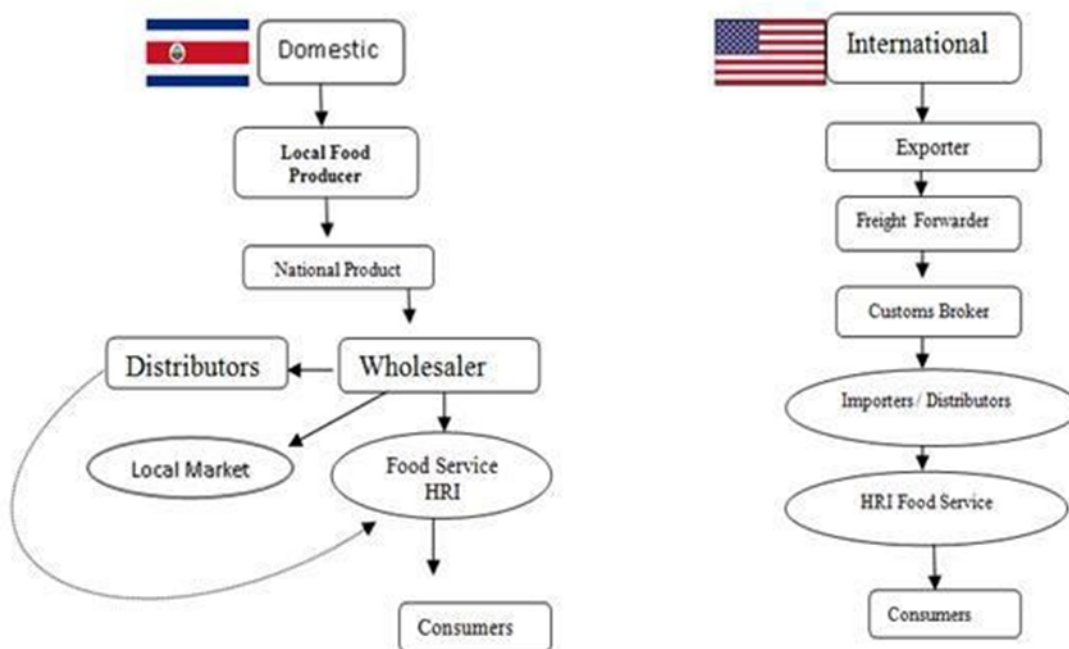
B. Market Structure

Since the food service sector relies heavily on importers to purchase their food products, there are many companies dedicated to the HRI food service sector. The retail distribution sector generally follows U.S. business practices. There are currently large department store chains, supermarket chains, and countless small and medium-sized family-owned firms that compete with the larger retailers. Rural areas are served by the "general store," locally known as a "pulperia." Distribution channels do not vary significantly for food/agricultural products. Private firms import consumer foods, while several wholesalers are dedicated to the food import business. The food product distribution chain to supermarkets and to medium and small stores is well developed. Some of the larger supermarket chains import directly. Costa Rican law provides for two main forms of representation – a representative and a distributor. It is possible for one person to be both a representative and a distributor simultaneously.

The larger hotels, resorts and restaurants purchase their food and beverage needs through local importers, directly from U.S. suppliers. Some hotels have even positioned offices in south Florida to facilitate shipment Costa Rica ports.

Market Structure

Distribution Channels in the Costa Rican Market:



For a list of Costa Rica’s top hotels and restaurants, please follow this link:

[http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20Service%20-%20Hotel%20Restaurant%20Institutional San%20Jose Costa%20Rica 12-13-2017.pdf](http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20Service%20-%20Hotel%20Restaurant%20Institutional%20San%20Jose%20Costa%20Rica%2012-13-2017.pdf)

Institutional

Institutional in Costa Rica (company cafeterias, hospitals, nursing/retirement homes, schools, golf courses, prisons, and catering for airlines, trains, ships, and special events). Catering for private events and parties, especially those in the premium segment is another attractive and profitable area of foodservice.

In addition to supplying traditional customers, the food service sector in Costa Rica also serves a significant number of ships that transit the ports in Puntarenas on the Pacific side and Limon on the Caribbean side.

The Newrest Group in Costa Rica is a multi-sector catering service known as the benchmark for catering services and in-flight catering in Costa Rica serving over 8,700 meals daily. They also operate in retail concessions through foodservice concessions and shops, which are primarily located in airports. The subsidiary offers a range of stores, including local and international franchises. This airline catering company has also benefited from an increase in the arrival of international flights to the country.

SECTION III. COMPETITION

Strong competition affecting U.S. food, beverages, and agricultural products is mostly due to the proliferation of free trade agreements with other countries such as Canada, Chile, Mexico, China, and Panama. Strong U.S. competitors for snacks and processed foods include Central America countries and China; Chile, Peru and Spain for fruits and other products; Argentina, Canada, and Brazil for grains and oils; and for meat Nicaragua, Chile, and New Zealand.

Local producers are increasingly providing hotels and restaurants with vegetables, fruit and processed foods, poultry, pork and seafood to be consumed by the tourism sector. Other imported products that denote high export levels from the United States are beef products, dairy, process fruit, chocolate and cocoa products, snacks and condiments and sauces.

TOTAL IMPORTS INTO COSTA RICA AND MAIN COMPETITORS IN 2018

| Product Category | Main | Competitors | % | Total US\$ |
|----------------------------------|----------|----------------------|------------|----------------------|
| Beverage (not alcohol) | | | | |
| HS Code: 2201, 1302, 2009,2202 | 1 | United States | 37% | \$ 26.592.090 |
| Imports in 2018 53.848 tons | 2 | Guatemala | 14% | \$10.407.062 |
| Total imports US\$ 70.234.786,79 | 3 | El Salvador | 9% | \$5.983.719 |

| Product Category | Main | Competitors | % | Total US\$ |
|----------------------------------|----------|----------------------|------------|----------------------|
| Dairy Products | | | | |
| HS Code: 0401:0406 | 1 | United States | 32% | \$ 17.413.192 |
| Imports in 2018: 21.406 tons | 2 | Panama | 17% | \$ 9.331.860 |
| Total imports US\$ 55.027.600,00 | 3 | Chile | 13% | \$ 7.700.937 |

| Product Category | Main | Competitors | % | Total US\$ |
|-------------------------------|----------|-----------------------|------------|----------------------|
| Wine & Spirits | | | | |
| HS Code: 0204, 2205, 2208 | 1 | United Kingdom | 20% | \$ 11.651.368 |
| Imports in 2018: 19.385 tons | 2 | United States | 15% | \$ 8.487.598 |
| Total imports US\$ 56.052.481 | 3 | Spain | 11% | \$ 6.037.952 |

| Product Category | Main | Competitors | % | Total US\$ |
|--------------------------------|----------|----------------------|------------|----------------------|
| Meat fresh or chilled | | | | |
| HS Code: 0201:0210, 1601:1602 | 1 | United States | 49% | \$ 68.031.824 |
| Imports in 2018: 39.507 tons | 2 | Nicaragua | 22% | \$ 31.165.308 |
| Total imports US\$ 137.834.539 | 3 | Chile | 18% | \$ 25.379.703 |

| Product Category | Main | Competitors | % | Total US\$ |
|------------------------------------|-------------|----------------------|------------|----------------------|
| Snack Foods and Chocolate products | | | | |
| HS Code: 1704, 1904:1905 & 1806 | 1 | United States | 28% | \$ 45.935.968 |
| Imports in 2018: 54.722 tons | 2 | Mexico | 17% | \$ 28.911.385 |
| Total imports US\$ 162.327.525 | 3 | Guatemala | 15% | \$ 25.650.557 |

| Product Category | Main | Competitors | % | Total US\$ |
|-------------------------------|-------------|--------------------|------------|----------------------|
| Fish Products | | | | |
| HS Code: 0302:0304 | 1 | Panama | 30% | \$ 18.784.312 |
| Imports in 2018: 25.060 tons | 2 | China | 27% | \$ 16.649.212 |
| Total imports US\$ 61.230.020 | 3 | Vietnam | 9% | \$ 6.016.806 |

**Source: Treasury Ministry of Costa Rica - Customs Department – Statistics
Census INEC**

Top Consumer-Oriented products imported to Costa Rica from the United States

Area/Partners of Destination
And Commodities Exported

January - December
Cumulative To Date Values in Millions of dollars

| Partner | Product | 2018 Jan - Jul | | 2019 Jan - Jul | Period/Period % Change (Value) |
|-------------|----------------------------------|----------------|-------|----------------|-----------------------------------|
| | | Value | Value | Value | |
| Costa Rica | Consumer Oriented Total | 288 | 159 | 187 | 18 |
| Costa Rica | Prepared Food | 35 | 20 | 26 | 30 |
| Costa Rica | Processed Vegetables | 30 | 16 | 20 | 21 |
| Costa Rica | Dairy Products | 23 | 14 | 18 | 27 |
| Costa Rica | Poultry Meat & Prods. (ex. eggs) | 27 | 16 | 17 | 5 |
| Costa Rica | Pork & Pork Products | 18 | 10 | 15 | 53 |
| Costa Rica | Snack Foods NESOI | 23 | 12 | 15 | 22 |
| Costa Rica | Dog & Cat Food | 22 | 12 | 13 | 6 |
| Costa Rica | Beef & Beef Products | 17 | 10 | 11 | 5 |
| Costa Rica | Condiments & Sauces | 11 | 6 | 9 | 36 |
| Costa Rica | Tree Nuts | 11 | 6 | 8 | 34 |
| Costa Rica | Chocolate & Cocoa Products | 11 | 6 | 6 | 8 |
| Costa Rica | Fresh Fruit | 17 | 8 | 5 | -37 |
| Costa Rica | Fruit & Vegetable Juices | 8 | 5 | 5 | 3 |
| Costa Rica | Wine & Beer | 7 | 3 | 4 | 45 |
| Costa Rica | Non-Alcoholic Bev. (ex. juices) | 8 | 4 | 4 | -3 |
| Costa Rica | Other Consumer Oriented | 5 | 3 | 3 | 19 |
| Costa Rica | Breakfast Cereals | 3 | 2 | 3 | 48 |
| Costa Rica | Processed Fruit | 4 | 2 | 3 | 46 |
| Costa Rica | Meat Products NESOI | 3 | 2 | 2 | 33 |
| Costa Rica | Eggs & Products | 4 | 2 | 1 | -39 |
| Costa Rica | Fresh Vegetables | 1 | - | 1 | 166 |
| Grand Total | | 288 | 159 | 187 | 18 |

Notes:

1. Data Source: U.S. Census Bureau Trade Data
2. Product Group: BICO-HS10

SECTION IV. POST CONTACT AND FURTHER INFORMATION

Department of Agriculture Foreign Agricultural Services (FAS), San Jose, Costa Rica

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U.S. Department of Commerce Commercial Service (CS)

<https://www.export.gov/article?id=Costa-Rica-e-Commerce>

Other Relevant Reports

2017 FAIRS Report

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

Costa Rican Chamber of Hotels

<http://www.camaradehoteles.com>

Chamber of Foreign Representatives (CRECEX)

<https://www.crecex.com/noticias.html>

Free Trade Zone information

http://procomer.com/es/soy/zonas_francas_costa_rica

Attachments:

No Attachments