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Costa Rica

Food Service - Hotel Restaurant Institutional Tourism Continues to Fuel Costa Rica's HRI Sector

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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) products exports to Costa Rica. Tourism is Costa Rica's major economic driver, with 40 percent of Costa Rica's tourists (3.2 million in total in 2017) coming from the United States. 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 5 years, post expect opportunities for reliable U.S. F&B products to continue to grow. The increase in Costa Rica's tourism industry is a key influencer in U.S. F&B 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. In FY2017, the United States exported US\$ 278 million in consumer-oriented foods to Costa Rica.

Market Fact Sheet: COSTA RICA

\$720 million

U.S. Agricultural Exports, 2017

#28

Among U.S. Agricultural Export Markets, 2017



Export Growth



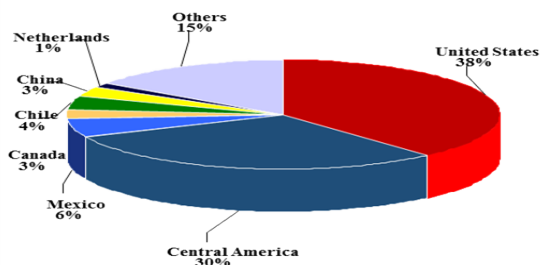
Source: FAS Global Agricultural Trade System (GATS) BICO HS-10

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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 **\$277.6 million** in exports to Costa Rica 2017. Costa Rican consumers trust and enjoy the excellent reputation of U.S. food, beverage and ingredients products, and demand has increased since the implementation of the Dominican Republic - Central America Free Trade Agreement (CAFTA-DR) in 2009. Proximity with 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 2017, U.S. agricultural exports to Costa Rica reached a **\$694 million** and Costa Rican agricultural exports to the United States were valued at **US\$2.3 billion**. Costa Rican agricultural exports are made up of tropical products (bananas, pineapple, cassava, ornamental plants, coffee, and sugar) typically not produced in the United States.

Costa Rica's Agricultural Imports by Country (percentage share)



Source: Ministerio de Hacienda de Costa Rica

Food Processing Industry

Most of Costa Rican food processors import their food ingredient needs directly from exporters and a few rely on importers and distributors. They have their own distribution channels to 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 is made up of supermarkets, hypermarkets, mini-marts, and *mom-and-pop* shops. Many

consumers prefer to buy their groceries in smaller quantities from independent grocers. At the same time, many consumers buy bulk products. In addition, consumers are price sensitive.

Food Service Industry

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 CY 2017

U.S. Food and Beverage (F&B) Exports to Costa Rica \$694 million

List of Top 10 Growth Products in Costa Rica

- | | |
|--------------------------|--|
| 1) Beef, pork, poultry | 6) Ingredients for food/beverage mfg. |
| 2) Wine and beer | 8) Dairy |
| 3) Prepared/frozen Foods | 9) Juices |
| 4) Pet Food | 10) Tree Nuts and Snack products |
| 5) Chocolate and cocoa | 11) Processed fruit and vegetable products |

Food Industry by Channels in 2017

U.S. F&B Exports to Costa Rica \$ 694 million
Costa Rican F&B Imports from all sources \$ 2.4 billion

Top Costa Rican Retailers:

- | | | |
|-----------------|------------|-----------------|
| 1. Walmart | 4. Saretto | 7. PriceSmart |
| 2. AutoMercado | 5. Mayca | 8. Muñoz y Nane |
| 3. Fresh Market | 6. Gessa | 9. MegaSuper |

GDP/Population*

Population of Costa Rica 5 million
 GDP (billions USD) 57.5* (preliminary data)
 Per capita GDP \$11,635
 Exchange rate 575 colones per 1 US\$

*Sources: Central Bank of Costa Rica, 2017 BICO data

Opportunities	Challenges
Local processors are slowly increasing their production capacity and level of food quality to export to the United States.	Countries such as Mexico, Argentina and Colombia can offer competitively priced food ingredients.
Costa Rican consumers are becoming sophisticated in their food preferences.	Costa Rica's 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 well-known and considered of high quality and reliable.	Business culture in Costa Rica can be slow 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 must be patient with export procedures and processes. Costa Rica has many levels of bureaucracy that can at times slow the importation of food products.

Contact: FAS San Jose, Costa Rica AgSanjose@fas.usda.gov
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SECTION I. MARKET SUMMARY

Costa Rica’s population of 5 million has a purchase power parity per capita GDP of 3.8%. The tourism industry grew by 1.2 percent in the first trimester of 2018, and tourism from the United States increased 6%. Costa Rica’s proximity to the United States with direct flights from multiple U.S. cities, biodiversity and natural beauty contribute to its growth in tourism. Costa Rica enjoys about 3.2 million tourists per year (1.2 million coming from the United States), which contributed to \$3.8 billion to Costa Rica’s GDP or 13.4% of its overall GDP. Costa Rica has 3,687 lodging establishments, which have 56,334 rooms. For U.S. food service suppliers, this translates into excellent opportunities in the HRI food service sector, especially since Costa Rica is still developing new hotel tourism projects in the Pacific and Atlantic regions. 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 nearly 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.
Close proximity to the United States offers quick transportation time and shipping cost advantages.	
Expanding number of mega-hotels on the Pacific Coast will come online in the next 3-5 years.	
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.	

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.

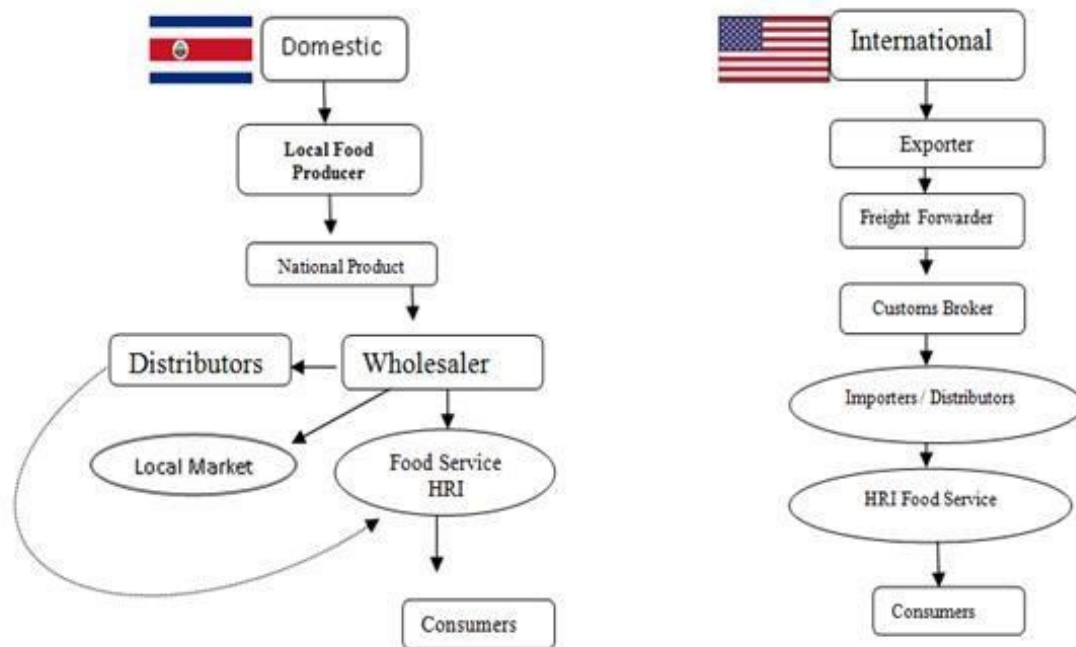
B. Market Structure

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

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 2017

Product Category	Main	Competitors	%	Total US\$
Beverage (not alcohol) HS Code: 2201, 1302, 2009,2202 Imports in 2017 53.848 tons				
	1	United States	37%	\$ 26.592.090
	2	Guatemala	14%	\$10.407.062

Total imports US\$ 70.234.786,79	3	El Salvador	9%	\$5.983.719
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Product Category	Main	Competitors	%	Total US\$
Dairy Products				
HS Code: 0401:0406	1	United States	32%	\$ 17.413.192
Imports in 2017 : 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 2017 : 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 2017 : 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 2017 : 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 2017 : 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 from the United States

Area/Partners of Destination
And Commodities Exported

January - December
Cumulative To Date Values in Millions of dollars

Partner	Product	2013					2014					2015					2016					2017					2018					Period/Period % Change (Value)		
		Value	Value	Value	Value	Value	Value	Value	Value	Value	Value	Value	Value	Value	Value	Value	Value	Value	Value	Value	Value	Value	Value	Value	Value	Value	Value	Value	Value	Value	Value			
Costa Rica	Agricultural Products	485	610	650	702	720																										170	167	-1
Costa Rica	Bulk Total	185	295	300	332	350																										81	64	-21
Costa Rica	Consumer Oriented Total	210	225	250	274	279																										66	72	9
Costa Rica	Prepared Food	27	28	29	34	33																										8	8	1
Costa Rica	Poultry Meat & Prods. (ex. eggs)	16	15	20	29	31																										8	7	-23
Costa Rica	Processed Vegetables	24	26	28	27	25																										6	7	14
Costa Rica	Snack Foods NESOI	20	19	19	22	23																										6	5	-18
Costa Rica	Dairy Products	13	17	15	20	21																										5	7	52
Costa Rica	Dog & Cat Food	14	16	19	20	20																										5	5	9
Costa Rica	Fresh Fruit	21	21	25	19	17																										3	4	26
Costa Rica	Chocolate & Cocoa Products	10	12	14	16	15																										4	3	-28
Costa Rica	Pork & Pork Products	13	14	13	14	15																										4	4	19
Costa Rica	Beef & Beef Products	6	7	12	15	14																										3	4	41
Costa Rica	Fruit & Vegetable Juices	8	9	7	7	12																										2	3	92
Costa Rica	Tree Nuts	8	7	9	9	10																										2	2	2
Costa Rica	Non-Alcoholic Bev. (ex. juices)	4	6	6	8	10																										2	2	12
Costa Rica	Condiments & Sauces	7	6	7	10	10																										2	3	37
Costa Rica	Wine & Beer	4	4	7	8	8																										1	1	5
Costa Rica	Processed Fruit	4	4	3	4	5																										1	1	-28
Costa Rica	Other Consumer Oriented	5	5	6	4	4																										1	1	69
Costa Rica	Breakfast Cereals	3	4	3	3	3																										1	1	23
Costa Rica	Meat Products NESOI	1	2	2	1	2																										1	1	20
Costa Rica	Eggs & Products	3	4	5	2	2																										-	1	343
Costa Rica	Fresh Vegetables	1	1	1	1	1																										-	-	-50
Costa Rica	Intermediate Total	91	90	101	95	91																										23	32	39
Grand Total		485	610	650	702	720																										170	167	-1

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

Costa Rican Chamber of Hotels

<http://www.camaradehoteles.com>

Chamber of Foreign Representatives (CRECEX)

<http://www.crecex.com/costaricaimporta/2015/capitulo-01-amicadelnorte.html>

Free Trade Zone information

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