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Costa Rica

Food Service - Hotel Restaurant Institutional

Growth in Tourism Fueling HRI Sector

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Report Highlights:

Costa Rica has a well-developed hotel and restaurant sector and tourism is ranked as one of the main economic drivers representing an important source of foreign currency. The HRI sector in Costa Rica is highly dynamic and competitive, with steady growth in all sectors. Projections made by the Central Bank of Costa Rica indicate that 2016 will generate \$2.9 billion in revenue from tourism and by 2017 this amount will increase to \$3.1 billion. Some of the best prospects in this market include prime beef cuts, wines, beer, and high value products.

Post:

San Jose

Author Defined:

SECTION I. MARKET SUMMARY

Costa Rica is a small country with a population of only 4.8 million. Most of its future growth depends upon foreign investment and access to international markets. Total foreign direct investment in Costa Rica amounted to \$2.2 billion in 2015 with the United States accounting for half. The macroeconomic situation in Costa Rica for 2015 was characterized by a fairly high level of economic development. The Central Bank reported 2.8 percent GDP growth in 2015 and is forecasting 4.2 percent growth for 2016 and 4.5 percent growth in 2017. Projections made by the Central Bank of Costa Rica indicate that 2016 will generate \$2.9 billion in revenue from tourism and by 2017 this amount will increase to \$3.1 billion.

Tourism is one of the primary economic drivers in Costa Rica, representing an important source of foreign currency for Costa Rica's economy and has generated more income than the production of the traditional crops banana, pineapple and coffee.

Table1. Costa Rica: International Arrivals in 2015 (in thousands of visitors)

Country	In Thousands of Visitors
NORTH AMERICA	1,300
EUROPE	315
SOUTH AMERICA	129
CENTRAL AMERICA	108
ASIA	28
CARIBBEAN	12
OTHER	11

Table 2. Costa Rica: Tourist Arrivals from the United States, 2012-2015

YEAR	ARRIVALS	% TOTAL TOURISTS
2012	921,097	39
2013	929,402	38
2014	997,262	39
2015	1,077,044	40

Source: ICT and Migration statistics <http://www.ict.go.cr>

The increasing number of tourists also helped the tourism sector grow by 9 percent in 2015 compared to the previous year. The tourism sector was responsible for more than \$2.8 billion in revenue in 2015 and employs roughly 600,000 people in Costa Rica through direct and indirect employment. The strong tourism sector has provided an opportunity 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.

Table 3. Costa Rica: Economic Sources of Income

Costa Rica's Main Sources of Income In Million USD	
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2010-2015				
<i>Year</i>	<i>Tourism</i>	<i>Coffee</i>	<i>Banana</i>	
2010	1.858	257.5	703	
2011	1.991	375	752.4	
2012	2.089	412.4	824	
2013	2.433	302	845.3	
2014	2.620	277.3	904.2	
2015	2.85	306	834	

Source: Bank of Costa Rica and Statistics

<http://www.ict.go.cr/es/documentos-institucionales/estad%C3%ADsticos/informes-estad%C3%ADsticos/anuarios/2005-2015/873-anuario-de-turismo-2015/file.html>

The large variety of nationalities that either visit or live in Costa Rica has also created the framework for a wide variety of restaurants that offer many international and ethnic foods. The increase in the expatriate community along with the growth in medical tourism continues to drive demand for high value foods in retail stores and restaurants. Costa Rica's gastronomy education and training centers are growing to provide interested students better options to learn more about the food industry. Consumers continue to demand new and innovative foodservice experiences, flavors, and service channels such as delivery and drive-through options. This has led to growth in new cuisines and format types - a trend that will only gain momentum over the long term as the market continues to develop at record speed.

Hotels and Resorts: Hotels and Resorts in Costa Rica offer a wide range of accommodations for the growing business and tourist industries. The government is developing a comprehensive travel and tourism plan with a special emphasis on cultural and eco-tourism. It is also implementing aggressive marketing campaigns in the United States and Europe. However facilities and basic infrastructure still need to be significant attention to truly be able to attract large scale tourism. From the 9.6 million tourists who visited Costa Rica over the past five years, almost 700,000 preferred lodging options available through platforms such as Airbnb or HomeAway instead of hotels, especially in the Pacific Northwest (Guanacaste) region. Projections made by the Central Bank of Costa Rica indicate that 2016 will generate \$2.9 billion in revenues from tourism and by 2017 this amount will reach \$3.2 billion.

Restaurants: Costa Rica's restaurant sector, specifically fast-food establishments, showed improvement in the number of openings in the second half of 2015 and grew by 5 percent in 2016. In general, most of the finest restaurants are located in the San Jose metropolitan area. In recent years, neighborhoods east of San Jose have become attractive places for gourmet cooking establishments such as in old neighborhoods of Amon, Otoya, Aranjuez, Dent, Los Yoses and Escalante. More than eighty restaurants are located within the 2 square kilometers represented by the neighborhoods mentioned. A new gastronomy center is expected to open in the province of Cartago soon having received an investment of \$3 million.

Restaurants in Costa Rica can be broken down in the following segments:

- Fine-Dining/ Full service restaurants: higher priced
- Casual Dining: higher to medium priced dining
- Fast food casual dining: cafes, bars affordable and fast food
- Mobile fast food kiosks and trucks: this type of fast casual food is being more and more common

in local trade shows and events.

The non-fast food restaurant subsector is experiencing rapid growth and is primarily frequented by professionals. New, upscale and specialized restaurants serving both local and continental cuisines are springing up in the major urban centers as well. There are no statistics as to the current number of restaurants to date but, due to increased tourism, immigration, and the sophisticated dining tastes of the Costa Rican middle and high income population, the selection of restaurants is ample with cuisine specialties such as Argentinian, Colombian, Chinese, Spanish, Mediterranean, Italian, Indian, Japanese, and Mexican.

In the Pacific Northwest tourist hub of Guanacaste, restaurants offer various gastronomic options.

Costa Rican cuisine generally includes lightly seasoned fresh fish, chicken or beef, grilled plantains and a combination of black beans and rice called *Gallo Pinto*. The growth in restaurant operations in Costa Rica offers U.S. exporters the opportunity to supply the many international franchises in the San Jose area.

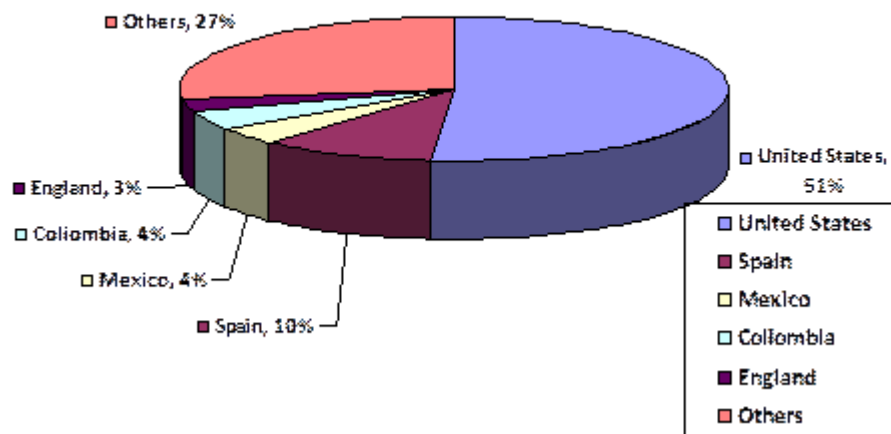
Expanding franchises include the sports bar chain Hooters which has six restaurants with a total investment of \$3.3 million, Hooligan's which also has six locations, and "Chili's" which is expected to invest \$2.4 million in two new locations, bringing the total number to five. The local chain *RostiPollos* is also in the process of expanding its presence throughout the country by investing \$1 million to open new restaurants.

Fast Food/Franchises: The fast food market is very competitive in Costa Rica. Approximately 244 new fast food locations were opened from 2010-2014, totaling 679 such restaurants since 1962. Costa Rica's franchising regime grew by 85 percent in the last 5 years according to the National Franchise Center. A total of 34 new franchises launched operations last year with 22 of them representing international chains. Almost 64 percent of the restaurants are located in the San Jose metropolitan area.

Costa Rica experienced several closures in recent years, such as Burger King and Wendy's, but the industry seems to be stable with new franchises have opened within past two years. The U.S. burger chain Johnny Rockets confirmed the opening of three new locations for a total investment of \$2 million. KFC will open a new restaurant in the area of Desamparados, south of the capital. This will be the chain's 33rd location in the country. Taco Bell opened two new restaurants and is expected to open two more in the near future.

Franchising was spurred by the rise of tourism in Costa Rica. Currently, the market for new franchises has been intensifying even with some market saturation primarily in the fast food sector. One strategy used by franchises to keep local consumers is to tropicalize their menus by offering fried eggs, *Gallo Pinto* and a pair of tortillas in combos.

Chart 1. Costa Rica: International Franchises in Costa Rica by Country



Price is a major competitive factor in this sector as is delivery of food products. Costa Ricans are very price-conscious shoppers. They are generally aware of what items cost in the United States and how the same or similar items are priced in Costa Rica. While local consumers are willing to pay slightly more for the perceived quality of American products, they are still limited by their personal budgets.

Franchise royalties are subject to a 25 percent withholding tax. However, the United States provides a foreign tax credit for this expense. Import taxes vary, depending on the item, but the trend is toward lower import taxes. The following are approximate:

Value Added (sales) Tax	13 percent
Ad valorem (import duty) Tax	0-50 percent**
Special import tax	1 percent

*For additional information <http://www.camara-comercio.com/servicios-ferias.php>

**Availability to use CAFTA tax reductions for U.S.-made products.

Table 4. Costa Rica: Advantages and Challenges for U.S. Agricultural Exports

ADVANTAGES	CHALLENGES
U.S. products in Costa Rica have a reputation for being high quality and consumers follows U.S. market trends.	Import restrictions are of increasing concern to the union of importers.
Import duties are being lowered because of the CAFTA-DR trade agreement	Customs clearance is not easy or as fast and straightforward as in other countries in the region.
Market prospects are excellent in the following sectors: building products, hotel and restaurant equipment, renewable energy, franchising and cosmetics as well as in the food processing and packaging sector.	There can be significant delays with product registration and renewals.

SECTION II. ROAD MAP FOR MARKET ENTRY

A. Entry Strategy:

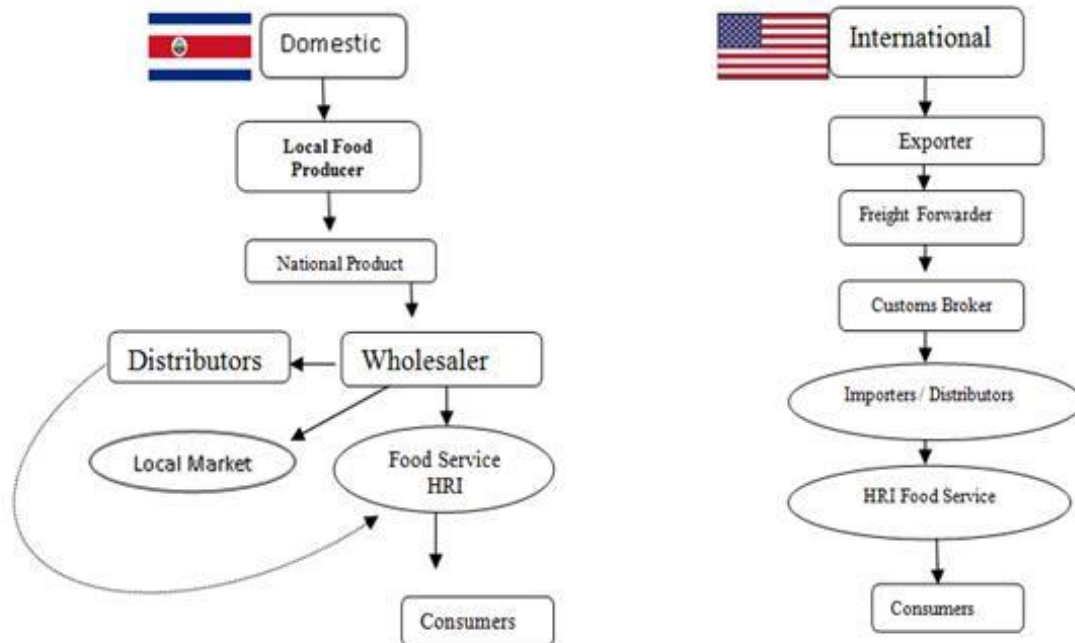
Entering the Costa Rica market can be complicated but is usually easier if exporters find an agent or distributor who can provide market knowledge and contacts. Licenses and franchises are popular in Costa Rica. General commercial law will govern contracts or relations between vendors or suppliers and the local company, person or distributor. Distribution services are mostly governed by private agreements among parties. Local laws also allow companies and individuals to import directly with no intervention from agents or distributors. Most 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 exporters when developing their business strategies. It is advisable 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 must be considered and monitored to avoid shipping delays. The exporter should coordinate with the importer on issues such as product registration and/or trademarks.

Price is an important factor to consider in the Costa Rican market. Even though there is a small percentage of the population more interested in quality and trend-setting than price, price can be a deciding factor for a large portion of the population. Marketing and product education are essential. Many HRI industry personnel are interested in new products to satisfy their new trend or demand, however many lack the budgets needed to educate costumers about new products.

Social media marketing strategies have greatly increased within the past five years, especially on the platforms of Twitter and Facebook. Trade shows, seminars and exhibitions are also very effective tools for trade promotion in the country and are strongly encouraged to showcase products. Costa Rica does not host many local trade shows as most local importers prefer to attend U.S. trade shows, promotional events and trade missions to find new contacts and products.

B. Market Structure

Distribution Channels in the Costa Rican Market:



Because the food service sector relies 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. practices. Most of the population is accustomed to shopping centers and malls that house retail stores, kiosks, food courts, theaters, and supermarkets.

Franchises and smaller mixed-use commercial centers are increasing rapidly due to growing competition from big retail stores such as Price Smart and Walmart, among others. 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.

U.S. companies looking to expand in this market would find it beneficial to work with a local experienced representative and/or establish a local sales office. A local representative or distributor with experience will be helpful during the process requirement for those companies wishing to supply the Costa Rican market. 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.

Importers and distributors of U.S. ingredients and products in Guanacaste are well-known local distributors for the metropolitan area. These distributors are increasing their transportation services to get closer to their hotel and restaurant customers in Guanacaste.

Food Suppliers for the HRI Sector

Importers and distributors in the HRI sector large and small work with several different products in order to provide hotels and restaurants their products. Most chain and vendors change suppliers frequently depends on demand and price. Restaurants usually use separate suppliers for each product category (i.e. spirits, meat or bakery ingredients) but sometimes businesses use the same supplier.

C. Sub-Sector Profiles

Hotel and Resort Company Profiles

The Chamber of Hotels in Cost Rica categorizes hotels into different segments including, beach, executive adventure, meeting facilities, city, boutique, sustainable hotels and mountain hotels.

Table 5. Costa Rica: Major Hotel Chains in Costa Rica

Hotel Chains	Hotel Names	F&B establishments	Purchasing Agent
Starwood Hotels Resort	Aloft San Jose Hotel	International cuisine, Asian cuisine, Italian, Western cuisine, fine dining, cafes, bars, and lounge.	Distributors, Importers, Wholesalers
Hyatt Group	Andaz Hotel	International cuisine, European gourmet, and cafe. Fine dining, cafes.	Guanacaste distributors, Importers, Wholesalers
Barceló Hotel Group	Barcelo Langosta Beach	All included. International cuisine, European gourmet, and cafe. Fine dining, cafes, bars, and lounge.	Distributors, Importers, Wholesalers
Barceló Hotel Group	Barcelo Langosta Beach	All included. International cuisine, European gourmet, and cafe. Fine dining, cafes, bars, and lounge.	Guanacaste distributors, Importers, Wholesalers
Barceló Hotel Group	Barceló Tambor Beach	All included. International cuisine, European gourmet, and cafe. Fine dining, cafes, bars, and lounge.	Guanacaste distributors, Importers, Wholesalers
Best Western Group	Best Western Camino a Tamarindo	International cuisine, European gourmet, and cafe. Fine dining, cafes, bars, and lounge.	Distributors, Importers, Wholesalers
Barceló Hotel Group	Barceló San Jose Palacio	International cuisine, European gourmet, and cafe. Fine dining, cafes, bars, and lounge.	Distributors, Importers, Wholesalers
Best Western	Best Western Hotel	International cuisine, café and	Distributors,

Hotels & Resorts	Villas Lirio	bar.	Importers, Wholesalers
Best Western Hotels & Resorts	Best Western Irazu Hotel & Casino	Casino, international cuisine, café and bar.	Distributors, Importers, Wholesalers
Best Western Hotels & Resorts	Best Western Jaco Beach Hotel All inclusive Resort	All included. International cuisine, European gourmet, and cafe. Fine dining, cafes, bars, and lounge.	Distributors, Importers, Wholesalers
Best Western Hotels & Resorts	Best Western Kamuk Hotel & Casino	International cuisine, café and bar.	Puntarenas distributors, importers and wholesalers
Starwood Hotels Resort	Courtyard by Marriott San Jose Airport Alajuela	International cuisine, European gourmet, and cafe. Fine dining, cafes, bars, and lounge.	Distributors, Importers, Wholesalers
Starwood Hotels Resort	Courtyard by Marriott San Jose Escazú	International cuisine, European gourmet, and cafe. Fine dining, cafes, bars, and lounge.	Distributors, Importers, Wholesalers
Real InterContinental Hotel Group	Crowne Plaza Hotel Corobicí	Asian and international cuisine. Bar and lounge.	Distributors, Importers, Wholesalers
Hilton Group	DoubleTree by Hilton Cariari San José-Costa Rica	International cuisine, European gourmet, and cafe. Fine dining, cafes, bars, and lounge.	Distributors, Importers, Wholesalers
Hilton Group	Doubletree Resort by Hilton Central	International cuisine, European gourmet, and cafe. Fine dining, cafes, bars, and lounge.	Distributors, Importers, Wholesalers
Enjoy Group	Dreams Las Mareas Costa Rica	International cuisine, European gourmet, and cafe. Fine dining, cafes, bars, and lounge.	Distributors, Importers, Wholesalers
Enjoy Group	El Mangroove Hotel	International cuisine, European gourmet, and cafe. Fine dining, cafes, bars, and lounge.	Distributors, Importers, Wholesalers
Grupo Islita	El Silencio Lodge & Spa	Organic, international and fusion cuisine	Distributors, Importers, Wholesalers
Four Seasons Hotels Limited	Four Seasons Resort Costa Rica at	International cuisine, European gourmet, and cafe.	Distributors, Importers,

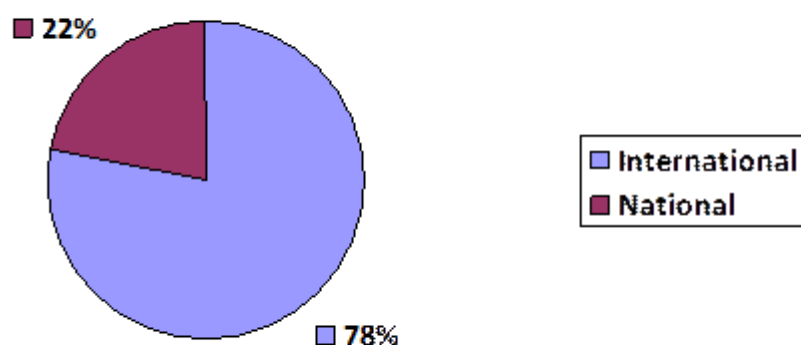
	Península Papagayo	Fine dining, cafes, bars, and lounge.	Wholesalers
Hilton Hotel and Resorts	Hampton Inn & Suites by Hilton San Jose-Airport	International cuisine, European gourmet, and cafe. Fine dining, cafes, bars, and lounge.	Distributors, Importers, Wholesalers
Hilton Hotel and Resorts	Hilton Garden Inn Liberia Airport	International cuisine, European gourmet, and cafe. Fine dining, cafes, bars, and lounge.	Distributors, Importers, Wholesalers
InterContinental Hotel Group	Holiday Inn Express Aeropuerto Hotel	International cuisine, European gourmet, and cafe. Fine dining, cafes, bars, and lounge.	Distributors, Importers, Wholesalers
InterContinental Hotel Group	Holiday Inn San Jose Downtown Aurola	International cuisine, European gourmet, and cafe. Fine dining, cafes, bars, and lounge.	Distributors, Importers, Wholesalers
Grupo Islita	Hotel Punta Islita	International cuisine, European gourmet, and cafe. Fine dining, cafes, bars, and lounge.	Distributors, Importers, Wholesalers
4 Green-Leaf boutique hotel group	Hotel Sugar Beach	Local, international and European cuisine.	Distributors, Importers, Wholesalers
RIU Hotels & Resorts	Hotel RIU Guanacaste	International cuisine, European gourmet, and cafe. Fine dining, cafes, bars, and lounge.	Distributors, Importers, Wholesalers
Hyatt Group	Hyatt Place San Jose/Pinares	International cuisine, European gourmet, and cafe. Fine dining, cafes, bars, and lounge.	Distributors, Importers, Wholesalers
Starwood Hotels Resort	JW Marriott Guanacaste Resort & Spa	International cuisine, European gourmet, and cafe. Fine dining, cafes, bars, and lounge.	Distributors, Importers, Wholesalers
Starwood Hotels Resort	Los Suenos Marriott Ocean & Golf Resort	International cuisine, European gourmet, and cafe. Fine dining, cafes, bars, and lounge.	Distributors, Importers, Wholesalers
Radisson Hotels Groups	Park inn by Radisson Hotel	International cuisine, European gourmet, and cafe. Fine dining, cafes, bars, and lounge.	Distributors, Importers, Wholesalers

Choice Hotels	Quality Hotel Real San Jose	International cuisine, European gourmet, and cafe. Fine dining, cafes, bars, and lounge.	Distributors, Importers, Wholesalers
Radisson Hotels Groups	Radisson Hotel	International cuisine, European gourmet, and cafe. Fine dining, cafes, bars, and lounge.	Distributors, Importers, Wholesalers
Real InterContinental Hotel Group	Real InterContinental San Jose, Costa Rica	International cuisine, European gourmet, and cafe. Fine dining, cafes, bars, and lounge.	Distributors, Importers, Wholesalers
Starwood Hotels	Residence Inn by Marriott	International cuisine, European gourmet, and cafe. Fine dining, cafes, bars, and lounge.	Distributors, Importers, Wholesalers
Starwood Hotels Resort	Sheraton San Jose – Costa Rica	International cuisine, European gourmet, and cafe. Fine dining, cafes, bars, and lounge.	Distributors, Importers, Wholesalers
N/A	The Westin Golf Resort & Spa Playa Conchal	International cuisine, European gourmet, and cafe. Fine dining, cafes, bars, and lounge.	Distributors, Importers, Wholesalers
Wyndham Resorts Group	Tryp San Jose Sabana	International cuisine, European gourmet, and cafe. Fine dining, cafes, bars, and lounge.	Distributors, Importers, Wholesalers
Wyndham Resorts Group	Wyndham San Jose Herradura Hotel	International cuisine, European gourmet, and cafe. Fine dining, cafes, bars, and lounge.	Distributors, Importers, Wholesalers

2. Restaurants

Franchises in Costa Rica have experienced growth in recent years. According to the Franchise Association, in 2015 there were 278 franchises in Costa Rica of which 78 percent represent international franchises and 22 percent local franchises.

Chart 2. Costa Rica: Franchises in Costa Rica 2016



Source: Chamber of Commerce
[http://50_viestudiodelsectordefranquicias2015%20\(2\).pdf](http://50_viestudiodelsectordefranquicias2015%20(2).pdf)

Chart 3. Costa Rica: Food Franchises by Segment 2016

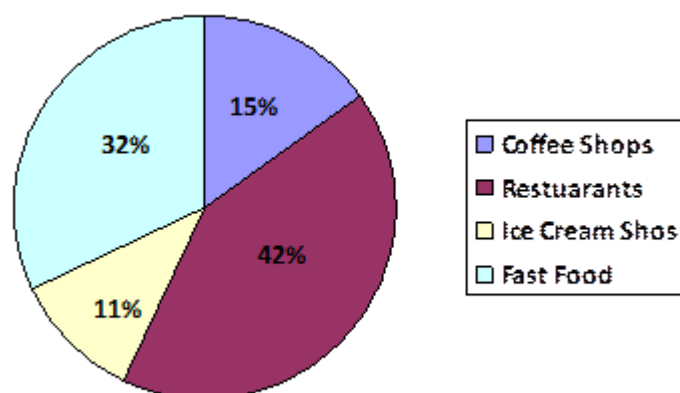


Table 6. Costa Rica: Major Restaurants Established

Company Name	Sales	Outlet Name, Type & Number of Outlets	Location	Purchasing Agent(s)
P.F. Chang's	N/A	1	San Jose	Enjoy Group
Restaurante Terruno	N/A	1	San Jose	Enjoy Group
Grill Deli Pastas & Cafe	N/A	1	San Jose	Enjoy Group
Acuarelas	N/A	1	San Jose	N/A
Alquimia	N/A	1	San Jose	N/A
Argenta	N/A	1	San Jose	N/A

BBQ Tres Hermanas	N/A	2	San Jose, Guanacaste	N/A
Beso Restaurant	N/A	1	San Jose	N/A
Cacique Asceri	N/A	2	San Jose	N/A
Café- Tal	N/A	1	Cartago	N/A
Carnes y Parrillas	N/A	1	Alajuela	N/A
Casa Bavaria	N/A	1	San Jose	N/A
Ceviche del Rey	N/A	3	San Jose, Alajuela & Heredia	N/A
Chef Christophe French Bakery and Bistro	N/A	1	San Jose	N/A
Di Bartolo	N/A	1	San Jose	N/A
Donde Carlos	N/A	1	San Jose	N/A
Don Rufino	N/A	1	San Jose	N/A
El Novillo Alegre	N/A	5	San Jose. Cartago, Heredia	N/A
Estación de Atocha	N/A	1	San Jose	N/A
Fogo Brasil	N/A	1	San Jose	N/A
Furca	N/A	1	San Jose	N/A
Il Panino	N/A	1	San Jose	N/A
La Bastilla	N/A	1	San Jose	N/A
La Cascada	N/A	1	San Jose	N/A
La Casona de Laly	N/A	2	San Jose	N/A
La Divina Comida	N/A	1	San Jose	N/A
La Gauchada	N/A	1	San Jose	N/A
Starbucks Coffee	N/A	4	San jose	N/A
La Posada de la Bruja	N/A	1	San Jose	N/A
Las Delicias del maíz	N/A	2	Heredia, Cartago	N/A
Le Monastere	N/A	1	San Jose	N/A
Los Antojitos	N/A	2	San Jose	N/A
Lo Spago	N/A	1	San Jose	N/A
Machu Picchu	N/A	2	San Jose	N/A
Outback Steakhouse	N/A	1	San Jose	N/A
Subway	N/A		All around the country	N/A
MacDonalds	N/A	52	All around the country	N/A
Quiznos	N/A	30	All around the country	N/A
Pizza Hut	N/A	55	All the country	N/A
Chancay	N/A	1	San Jose	N/A
Fonda Azteca	N/A	1	San Jose	N/A
El Rancho de Ceci	N/A	1	San Jose	N/A
Carl's Jr	N/A	2	San Jose	N/A

Pescatore	N/A	1	San Jose	N/A
Product C	N/A	3	San Jose, Puntarenas	N/A
Ram Luna	N/A	1	San Jose	N/A
Taco Bar	N/A	2	San Jose	N/A
Tintos y Blancos	N/A	2	San Jose	N/A
Tony Romas	N/A	1	San Jose	N/A
Vino Mundo	N/A	1	San Jose	N/A
Hooters	N/A	6	San Jose	N/A
Cosi	N/A	3	San Jose	N/A
Applebees	N/A	3	San Jose	N/A
Chichis	N/A	1	San Jose	N/A
Chilis	N/A	1	San Jose	N/A
Pollo Tropical	N/A	1	San Jose	N/A
Papa John's	N/A	15	Heredia, San Jose	N/A

3. 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. Some hotels and restaurants such as Real InterContinental, Marriott, Crowne Plaza, and Don Fernando, among others offer gourmet catering in order to offer special service to their customers. These hotel chains and their famous chefs provide catering services to private and public institutions for social gatherings such as weddings, parties, and funerals. Prices for this segment vary significantly depending on the menus and occasions.

Universities, schools and hospitals bid for catering contracts with government institutions but there are no reports in this segment. There is no government regulation that applies to the institutional sector as well.

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 and Limon. 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.

Table 7. Costa Rica: Institutional Company Profiles

Company Name	Sales	Outlet Name, Type & Number of Outlets	Location	Purchasing Agent(s)
The Newrest Group	N/A	1	San Jose	

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.

Because of its strategic location in Central America and its proximity to the United States, Costa Rica has always been an attractive destination for U.S. goods and food products. However, 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. Most frozen foods continue to be produced abroad. Other typically imported products are baked goods, bakery and confectionery ingredients, some fruits and fruit juices, and cooking oils.

Product Category	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
Fresh Temperate Fruits Net imports: 89,811 tons	1. U.S.A. - 37.4% 2. Chile – 21.4 % 3. Mexico – 15%	United States is key seasonal supplier of apples, grapes, prunes, nectarines and pears. Other fresh fruits are key seasonal from other countries such as avocado, nuts and kiwi. Costa Rica's imports of fresh fruit reached \$77.7 million in 2015 as compared to \$81.4 million in 2014. Even though total exports declined, the United States exported \$25.9 million in 2015, a slight increase from the \$25.0 million exported during the previous year.	Local suppliers are small from the demand.
Fresh Vegetables Net Imports: 46,478 Tons	1. China - 39% 2. Nicaragua - 36% 3. Argentina - 8%	Local production is high and local brands are well positioned in the market at very competitive prices	
Rice and Cereals	1. U.S.A.– 70.4%	The majority of rice imported by Costa Rica is rough rice, but there	Total imports increased in 2015 as a result of lower local

Net imports: 1.130.114 tons	2. Canada – 12.1% 3. Brazil – 9.7%	is also a CAFTA-DR tariff rate quota for milled rice. The Costa Rican government imposed a higher duty through a safeguard measure on milled rice imports to try to limit imports from South America, which had grown in the past few years. Competition from South America, primarily from Brazil and Argentina, has reduced the market share enjoyed by the U.S. in the past. The higher duty (safeguard measure) also applies to imports of out of quota milled rice from the U.S.	production caused by adverse weather conditions in the main growing region of Guanacaste. Local production could increase during the 2016/2017 marketing year if climatic conditions normalize after two years of drought.
Dairy Products Net imports: 20,355 tons	1. U.S.A. – 29.7% 2. Panama – 19.2 % 3. Chile – 18.7%	Demand of sweetened condensed milk and yogurts.	Local companies are strong in liquid milk, ice cream, yogurt, cultured milk drinks. Costa Rica is the second largest exporter in volume and value In 2015 Costa Rica sold 79,000 tons of milk and dairy products abroad, generating \$111 million in revenue.
Snacks Net imports: 55,800 tons	1. U.S.A. – 34%	U.S. exports of snack foods to Costa Rica totaled US\$44.6 million in 2015, or 28.3 percent of the total. Imports of snack foods from the United States are expected to increase to \$46 million in 2016 as a result of higher economic growth and as tariffs on these products continue to decline under the terms of CAFTA-DR. Competing products are imported mainly from Mexico and Central America (Guatemala and El Salvador), and also from Colombia, Chile, Argentina and Europe on a smaller scale. Although the U.S. is facing increased competition in this sector as a result of free trade agreements signed with Chile, Canada, Mexico and China,	Domestic production of potato chips, chocolates and other candies and cookies also provides competition for the United States.

		prospects for U.S. exports in this sector have improved with the implementation of the Central American Free Trade Agreement (CAFTA).	
Meat Net imports: 23,185 tons	1. U.S.A. – 47% 2. Nicaragua – 28% 3. Chile – 19%	Tourism sector continue to growth and is driving the consumption of imported meat cuts. The livestock sector accounted for 1.7% of total imports, and showed an increase of 30% compared to 2014	Increase in purchases of frozen meat, both pork and beef as well as fresh or chilled meat, deboned beef, and sardines. These products are mainly purchased in the United States, Nicaragua and Chile together making up 62.6% of imports.
Beverage Net imports: 99,359 tons	1. U.S.A. – 23% 2. Guatemala – 10% 3. Chile – 8%	Beverage industry is a competitive market in Costa Rica, new organic and gluten free products are being introduced in the market.	The leaders in this category are companies with a well-developed distribution network and various product mixes that include leading products in different processed foods categories.
Alcoholic Beverages Wines and Spirits Net imports: 39,032 tons	1. Chile – 14% 2. England – 10% 3. U.S.A. – 22%	Local consumption and tourism developments along with product innovation and educating consumer are main sales drivers within these products. Volume and value growth remained limited in 2015, with there being a clear trend towards modest pricing and an increase in the penetration of affordable products targeting the growing base of middle-income consumers.	The alcoholic drink category in Costa Rica is experiencing an increased competition in 2015.

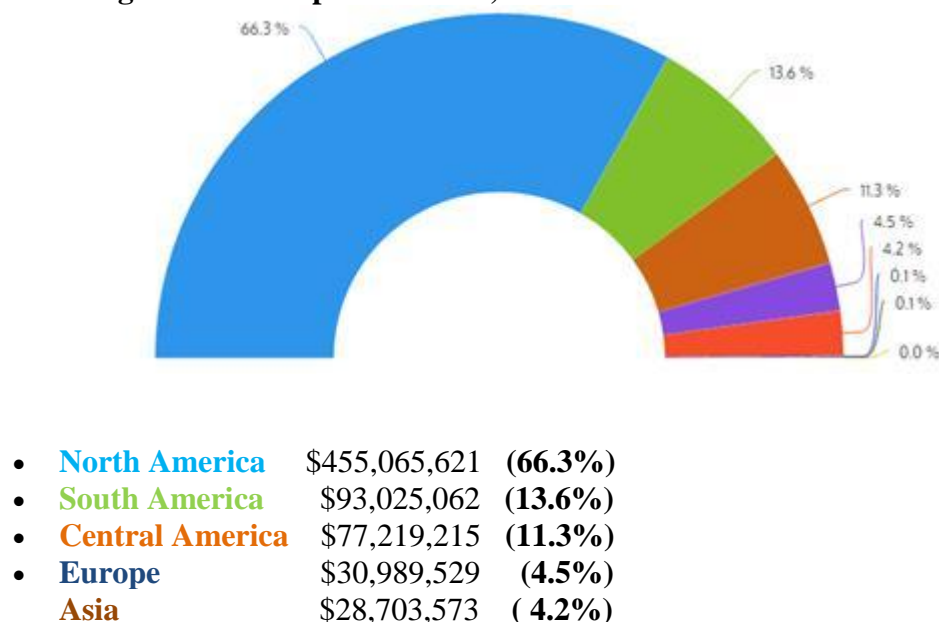
SECTION IV. BEST PROSPECTS

In 2015, Costa Rica's agricultural trade surplus with the United States reached \$896 million, with U.S. agricultural exports totaling \$666.1 million, an increase of 7.6 percent from 2014. Exports by major product categories (in million USD) included bulk, \$307.1; intermediate, \$101.1; consumer-oriented, \$249.5; and agricultural-related products \$8.4 million. The United States is one of Costa Rica's main suppliers of corn, wheat, rice, soybeans and consumer foods. Although competition from South American countries in the grains markets is strong, U.S. bulk product exports regained market share from South America in 2015.

According to the Costa Rican Chamber of Importers, in 2015, imports were distributed into 30 commercial and industrial sectors. The livestock sector accounted for 1.7 percent of total imports.

There was also a noteworthy increase in purchases of frozen meat, both pork and beef as well as fresh or chilled meat, deboned beef, and sardines. These products are mainly purchased in the United States, Nicaragua and Panama, together making up 62.6 percent of agricultural imports.

Chart 4. Agricultural Imports in 2015, in USD



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

High value products offer good market opportunities in Costa Rica, especially ready-to-eat or convenience foods, and wholesome and healthy products. The best prospects for U.S. exports continue to be in the consumer oriented category. Processed products and high value goods are growing as the tourism sector continues to expand. Fresh fruits such as apples, grapes, peaches, nectarines and pears, organic foods, and processed fruits and vegetables are also very popular in the Costa Rican market.

The wine sector has been growing in Costa Rica and new wine brands are constantly being offered in supermarkets and on restaurant menus. Chilean and Argentinian wines are top sellers due to the price points at which they are available although imports of U.S. wines and beer continue to grow. There is also a new market for craft beer and its inputs that continues to emerge.

Another interesting trend is the growth in demand for healthy eating and lighter meals. The consumption of chicken and fish has grown considerably due to the expansion of the fast food subsector. The demand for fresh produce and foods without preservatives has also increased. There is a growing segment of the tourism population that demands special foods like organic, gluten-free and kosher products. These recent trends are highly increasing in the tourism food and beverage industry.

SECTION V. POST CONTACT AND FURTHER INFORMATION

Contact Information for FAS Office in Costa Rica

U.S. Department of Agriculture (USDA)/ Foreign Agricultural Service (FAS)

Email: AgSanjose@fas.usda.gov

Website: <http://sanjose.usembassy.gov/fas.html>

U.S. Department of Commerce

Commercial Service (CS)

Website: www.buyusa.gov/sanjose/en/

Other Relevant Reports and News papers adds

For further details on exporting please see our 2015-16 FAIRS Report

http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20and%20Agricultural%20Import%20Regulations%20and%20Standards%20-%20Narrative_San%20Jose_Costa%20Rica_1-20-2015.pdf

Costa Rican Chamber of Hotels

<http://www.camaradehoteles.com>

Chamber of Foreign Representatives (CRECEX)

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

Business Information – Central America Data

http://www.centralamericadata.com/en/article/home/Costa_Rica_Tourist_Resort_in_Guanacaste_Announced

Free Trade Zone information

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