

**Required Report:** Required - Public Distribution

**Date:** June 02, 2021

**Report Number:** CS2021-0006

## **Report Name:** Retail Foods

**Country:** Costa Rica

**Post:** San Jose

**Report Category:** Retail Foods

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### **Report Highlights:**

The ongoing economic impact of COVID-19 on Costa Rica has been significant, including a serious decline in tourism. Projections of visitors for 2021 remain low at one million, only one-third of the pre-pandemic levels. As a result, unemployment has remained high. However, Costa Rica's retail sector remains strong and resilient with industry seeking to optimize its supply chain and e-commerce platforms. Consumers have been changing their shopping behavior in ways that could shape future purchasing patterns. There are good market prospects for U.S. consumer-oriented products, even with the pandemic situation. These U.S. products are preferred by consumers including beef, pork (chilled/fresh), poultry, dairy, wine and beer, snack foods, condiments, natural/organic food products, and cereals. These products have seen impressive growth in recent years, reaching \$295 million in U.S. exports to Costa Rica in 2020.

# Market Fact Sheet: COSTA RICA

## Executive Summary

The United States is Costa Rica's largest trading partner and largest foreign direct investor. 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). 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 2020, U.S. agricultural exports to Costa Rica reached a record export level of **\$737 million** while Costa Rican agricultural exports to the United States were valued at **\$1.67 billion**.

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

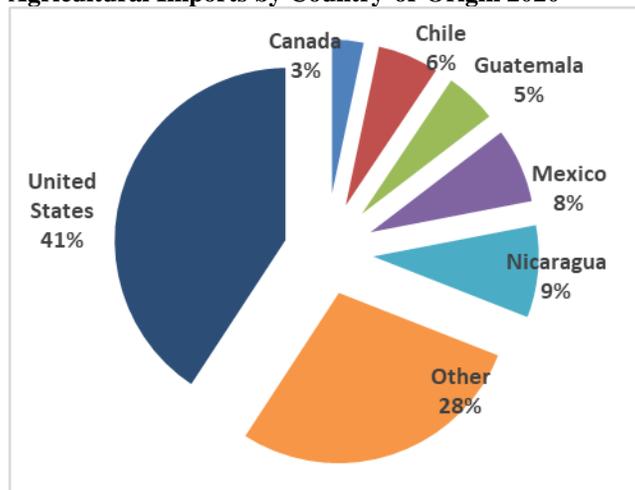
## Imports of Consumer-Oriented Products

### Market Situation

As part of CAFTA-DR, U.S. beef and pork exports are not subject to tariffs.

Market prospects for U.S. consumer-oriented products such as beef, pork, poultry, dairy, wine and beer, snack foods, ready-to-eat meals, frozen food products, condiments, cereals, and pet food have increased in recent years with impressive growth, reaching **\$295 million** in exports to Costa Rica in 2020.

### Agricultural Imports by Country-of-Origin 2020



Source: Trade Data Monitor

## Food Processing Industry

Most Costa Rican food processors import ingredients directly from exporters and few rely on importers and distributors. These processors have their own 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 frequently changing.

## Food Retail Industry

Costa Rica's retail sector consists of supermarkets, hypermarkets, mini-marts, and approximately 20,000 *mom-and-pop* shops. However, there is a demand for bulk products and consumers are price sensitive. The rising popularity of Chinese e-commerce sites continued in 2020. These sites offer an introduction to e-commerce for customers looking to save.

### Quick Facts CY 2020

#### Imports of Consumer-Oriented Products ( \$295 million)

#### List of Top 10 Growth Products in Host Country

- |                        |                       |
|------------------------|-----------------------|
| 1) Beef, Pork, Poultry | 2) Snacks             |
| 3) Pet Food            | 4) Juices             |
| 5) Dairy Products      | 6) Tree nuts          |
| 7) Cereals             | 8) Processed fruits   |
| 9) Condiments          | 10) Wines and Spirits |

#### Top 10 Host Country Retailers

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

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

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

Sources: Central Bank of Costa Rica

### Strengths/Weaknesses/Opportunities/Challenges

Opportunities	Challenges
Local processors are steadily increasing their production of processed foods.	Countries such as Mexico, Argentina and Colombia offer competitively priced food ingredients.
Costa Rican consumers are becoming more sophisticated in their food preferences.	Costa Rica's trade 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, are 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 difference.
Costa Rican retailers and chefs are looking to introduce new trendy foods and are open to new market promotion concepts.	U.S. exporters must be patient with export procedures and processes. Costa Rica has many levels of bureaucracy that can slow the importation of food products.

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## SECTION I. MARKET SUMMARY

Before the pandemic, Costa Rican retail industry growth was modest. It was partially driven by promotional activities, credit access, and increasing presence of e-commerce platforms. As a result of measures imposed in response to COVI-19, consumers changed their purchasing habits and social distancing measures led to emergence of a new commercial reality. There has been a sharp growth in home delivery services and the consumption of easy to cook meals.

In 2020, U.S. consumer-oriented product exports reached a record \$295 million. Imports from Mexico, Nicaragua, Chile, Guatemala, and China include fresh fruit and vegetables, liquor, juices, cereals, and beans. Other major suppliers are El Salvador, Panama, Spain, and the United Kingdom.

During this crisis, the retail sector changed its business model to provide better services to Costa Rican consumers. Major retailers have improved their e-commerce platforms. Independent grocery stores and small stores have struggled to compete with the virtual platforms of the big chain grocery stores.

Retailers have expanded despite the pandemic. Walmart inaugurated four new stores located in Cartago, Bagaces and Goicoechea. With these new stores, Walmart has a total of 176 stores in the country.

Food prices are always a concern of Costa Rican consumers. Nonetheless, the demand for imported high-value processed food products is expected to continue to increase in the coming years as consumers search for healthy products and international flavors. Imported high-value food products are mostly sold in supermarkets located around the country. Costa Rica's retail industry seeks to use e-commerce and monitor interests of consumer demand and new trends.

Health measures obligated all supermarkets to implement new safety and hygiene protocols, and delivery services became more popular. The large supermarkets had the opportunity to implement virtual platforms, which gave them a technological advantage over the smaller retail stores.

### **Outlook for 2021**

Competition continues to drive retailers to look for new ways to add value to their brands and attract more consumers. Large supermarket chains such as Automercado, PriceSmart, Sareto, and Mas por Menos have sought to use their economy-of-scale to implement competitive pricing strategies and offer discounts. The sector's marketing campaigns include discounts, virtual cooking classes, storytelling with Instagram, virtual tastings, virtual contests, live interviews in social media, promotions and giveaways are useful tools to support imports and to introduce new products.

Costa Rican food retailers encourage U.S. food manufacturers and suppliers to:

- Promote private label brands/products,
- Promote novelty food and beverage items (marketed to tourists and expat retirees),
- Implement e-retail and marketing intelligence promotion strategies to capture more consumers with new promotions.
- Demonstrate greater interest in '*tropicalizing*' products for the Costa Rican market\*

- Demonstrate greater interest in providing environmentally friendly packaging,
- Demonstrate greater interest in Central America’s smaller but viable markets.

*\*‘Tropicalizing’ refers to characteristics/concepts such as packaging appropriately to address concerns related to the heat of the tropics (i.e., package in smaller volumes with appropriate materials), incorporating popular local flavors (i.e., tropical fruits).*

**Table 1 -Major Advantages and Challenges for U.S. Exporters in Costa Rica**

Advantages	Challenges
Urban Costa Ricans have a high disposable income.	High level of bureaucracy and regulatory weaknesses negatively affect importers and U.S. exporters.
High and middle-income consumers demand quality U.S. consumer oriented agricultural products.	Import duties on processed/packed food and agricultural products.
The retail industry is interested in carrying more U.S. products including private label goods.	Lack of importer and retailer knowledge and training in purchasing, handling, and merchandising U.S. products.
A willingness amongst Costa Rican importers and retailers to trade with U.S. exporters due to the United States’ reputation for reliability and quality of service.	Free trade agreements with China and EU may increase competition.
A strong tourism sector (residential and traditional) providing opportunity for the food retail sector. More high-end grocery stores in tourist areas outside the San Jose metropolitan area.	Registration of consumer-ready products process is slow and can be challenging.
More dual income Costa Rican households are looking for shortcuts using frozen and prepared foods.	Some major retailers and importers have their own cattle farms, meat processing plants, bread processing facilities, etc., reducing the need for some imports.
Digital platforms and e-commerce allow retail stores to satisfy the consumers demand.	Maintaining inventories and keeping consumers’ trust in products will be challenging during the COVID-19 pandemic.
As of January 1, 2020, beef and pork from the United States do not pay taxes on entry to Costa Rica due to the Central America Free Trade Agreement.	There is strong local competition.

**SECTION II. CHECKLIST FOR MARKET ENTRY**

**Entry Strategy**

Strict health measures have already greatly affected the retail market, and it is unclear how soon the measures will be removed or relaxed. At the same time, e-trade in agricultural products - both on the Internet and on social networking sites - is on the rise. Importers are concerned about the impact of the pandemic on demand as economic activity contracts. Despite these turbulent times, it is still key for an exporter to be able to compete on quality and price. Fortunately, U.S. products have benefitted from lower or no tariffs on most processed food products under CAFTA-DR. Exports of U.S. processed

meats, prepared meats, and preserved meats have expanded significantly. Moreover, under the Central American Free Trade Agreement (CAFTA), U.S. beef and pork have been able to enter the market without tariffs since January 1, 2021, and starting on January 1, 2022, U.S. chicken dark meat (thighs and wings) will not be subject to tariffs.

- Supermarket chains are best situated to be the main market for imported food products whose target customers are high and middle-income consumers. U.S. exporters should contact large importers, wholesalers/distributors, or supermarkets directly.
- Exporters should be diligent when selecting a partner (local importer agent or legal representative) in Costa Rica. Personal visits/meetings with prospective partners are highly recommended, and exporters should conduct a background check of the prospective partner before signing a permanent contractual agreement.

The local partner should be able to provide updated information on consumer trends to identify niche markets, current market development (i.e., merchandising, point-of-sale, and promotional activities), and local business practices.

### **Market Structure**

The setup and layout of most of Costa Rica's new supermarkets are like U.S. grocery stores. Costa Ricans generally make their major grocery store purchases every two weeks. However, before Covid-19 consumers were visiting large, new, bright stores with a large food selection and options from all over the world has turned into a family experience for many Costa Ricans. Behavior changes and now supermarket purchases are supplemented with smaller purchases or delivery options through other virtual platform sources.

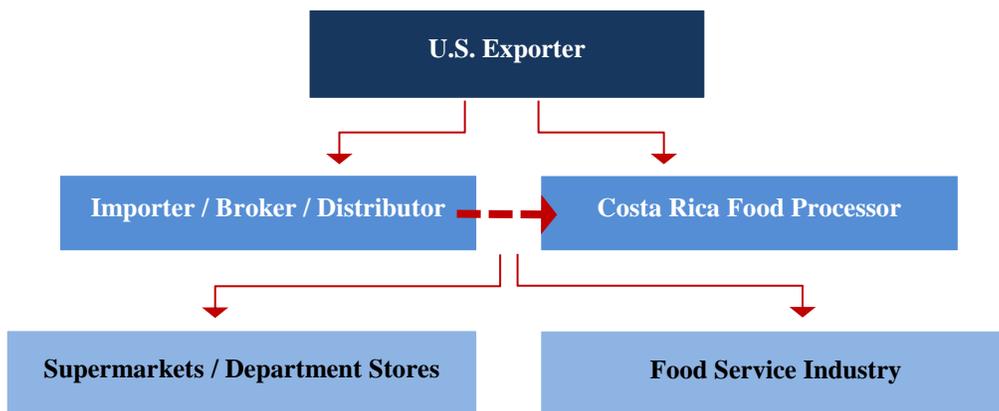
As a strategy to win new customers, Costa Rican retailers compete not only on price and selection, but also on clean and safe deliveries.

### **Channels of Distribution in Costa Rica for Major Supermarkets and Food Service Providers**

Suppliers to major supermarkets and the food service industry have a wide range of distribution channels in Costa Rica. U.S. exporters can work directly with local importers/distributors or Costa Rican food processors. Major food importers/distributors supply all major supermarket chains, provincial retailers, and local processors. Processors directly supply supermarkets and the local food service industry.

Distributors and wholesalers constantly sponsor in-store promotional activities. They have personnel support in all stores and distribution channels.

**Chart 1. Channels for Distribution Flow Chart**



As retail supermarkets expand their reach and consumer base and their digital e-commerce service, they represent an excellent opportunity for increased exports of agricultural products and processed foods. More than 50% of the products in these outlets are estimated to be imported, with 32% of these imports from the United States. The five major supermarket retailers in Costa Rica are: Wal-Mart (United States), Gessa (Costa Rica), AutoMercado (Costa Rica), PriceSmart (United States), and Megasuper (Colombia).

AM/PM, Fresh Market and Vindi stores, like 7-Eleven convenience stores, are increasing their presence. Costa Ricans are increasingly drawn to these stores, which are slowly displacing the traditional *pulperias* that can still be found in working-class suburban neighborhoods and rural communities.

There are more than 20,000 *pulperias* and *mini-marts* in Costa Rica, but many are being displaced by the growth of supermarkets--particularly by Pali and Mas x Menos (owned by Wal-Mart) --and new convenience stores. Older generation Costa Ricans still remember the joys of being sent to the *pulperia* on an errand and walking out with free candy courtesy of the shopkeeper. However, *pulperias* are essential for low-income families as they can buy groceries on credit.

The retail sector in Costa Rica is rapidly expanding into multiple markets in the region, and major retailers offer a wider variety of products with competitive pricing, and convenience stores remain popular. Importers may also act as wholesalers and have national distribution channels.

**Table 2- Major Supermarkets / Food Retailers**

Name of Retailer	Description	Number of Outlets
PriceSmart	Warehouse Club Store	8
Walmart	Department Stores	14
Mayca Retail Stores	Convenience Store	16
Perimercados	Supermarket	17
Automercado	Supermarket	22
Fresh Market	Convenience Store	34

Super Compro	Supermarket	34
Mas X Menos * Walmart	Supermarket	39
Mega Super	Supermarket	70
Pali /Maxi Pali	Supermarket	173

*Source: Websites of retailers*

### **Traditional Markets -Independent Grocery Stores**

Traditional markets include wet markets and mom-and-pop stores. They are widespread throughout Costa Rica. They are favored for daily, neighborhood shopping primarily especially amongst an older consumer base. Due to size restrictions, these stores work with importers to buy smaller batches.

### **SECTION III. COMPETITION**

U.S. exporters will face strong local competition in many areas, as well as increasing competition from other countries. Costa Rican producers are particularly competitive with meats (processed), dairy products, coffee, spices, and condiments (sauces), vegetable oils, candies and chocolates, pasta, snacks, bakery and pastry products, soups (powder), beverages (beer, bottled water, fruit juices), and, of course, tropical vegetables and fruits.

Costa Rica imports of consumer-oriented agricultural products reached \$295 million in 2020. Major suppliers include the United States (36 percent) Mexico (7 percent), Nicaragua (5 percent), Guatemala (4 percent), Chile (4 percent), and Canada (4 percent). Costa Rica imports a large variety of products, such as fresh fruit and vegetables, liquor, juices, cereals, and beans.

United States gastronomy and food industry companies, restaurants, and supermarket chains have been successful in Costa Rica and have a strong presence in the country. Many restaurants have closed or severely curtailed their activities due to strict health measures. As these measures are removed or relaxed, it is unclear how well the restaurant sector will recover.

In general, the most profitable prospects for U.S. exporters continue to be processed products, dairy products, snacks, sausages, condiments (or “sauces and condiments”), beef, poultry, wine, and beer. High-value products also continue to offer good market opportunities. Recent trends in consuming more convenience and health foods have resulted in good prospects for U.S. exports of fresh fruit (mainly apples, grapes, peaches, and pears), processed fruits and vegetables (especially canned fruits), and snack foods (including chips, cookies, and candies). Processed fruits and vegetables, especially mixed fruits, mixed vegetables, yellow and sweet corn, peas, mushrooms, and garbanzo beans generate strong import demand.

Demand for healthy and/or gourmet snack items is increasing in Costa Rica. Snacks with natural ingredients, dried fruits, whole wheat, and high-quality ingredients are gaining popularity with health-conscious consumers. This trend is not limited to snack foods; the demand for niche food items, such as organic products or gluten-free goods, is also expanding, which provides opportunities for U.S. exporters.

Pork exports to Costa Rica in recent years have represented excellent opportunities for U.S. exporters. Now that CAFTA-DR has ended tariffs on U.S. pork and beef products, there is good export potential for those products, especially, for bacon and ham.

**Table 3. Costa Rica Imports of Pork 2020**

Product Category	Main	Competitors	Change 2020/2019 Unit Value Percent	Total US\$
<b>Pork and Pork Products</b>				
<b>Imports in 2020: 3260 tons</b>	1	United States	1.42%	\$ 25,642,467
	2	Chile	-5.99 %	\$ 4,044,227
	3	Spain	30.33%	\$ 1,273,743
<b>Total imports in 2020 US\$ 32,578.402</b>				

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

<http://sistemas.procomer.go.cr/estadisticas/inicio.aspx>

**Table 4 –  
Costa Rica Imports  
Commodity: Multiple Product Groups Selected -BICO Consumer Oriented Products  
Calendar Year: 2019 - 2020**

Partner Country	Unit	2019 (Unit Value: USD/T)			2020 (Unit Value: USD/T)			Change 2020/2019	
		Value	Quantity	Unit Value	Value	Quantity	Unit Value	Unit Value Amount	Unit Value Percent
United States	USD/T	386064051	157241	2455.24	367709474	149221	2464.19	9	0.36
Mexico	USD/T	115388246	48568	2375.79	115695347	50682	2282.77	-93	-3.92
Guatemala	USD/T	77831947	40491	1922.19	72590584	37575	1931.89	10	0.5
Chile	USD/T	74299089	39831	1865.36	62453361	40700	1534.5	-331	-17.74
Nicaragua	USD/T	64368181	87064	739.32	58296151	91380	637.95	-101	-13.71
Honduras	USD/T	31609683	17965	1759.47	33534979	17466	1920.06	161	9.13
Spain	USD/T	27958466	11981	2333.65	29716480	13683	2171.81	-162	-6.94
China	USD/T	25366262	18673	1358.41	27154930	20482	1325.82	-33	-2.4
Netherlands	USD/T	25592325	12097	2115.52	24794903	13420	1847.62	-268	-12.66
Colombia	USD/T	21569576	6834	3156.03	23395218	6439	3633.62	478	15.13

Data Source: Costa Rica National Institute of Statistics

Trade Data Monitor

There are good opportunities for U.S. exports of dairy products, notably yogurts. U.S. exports have been growing quickly and present good export potential. U.S. yogurt products are popular amongst Costa Rican consumers, yet room exists in the market for new brands, including specialty varieties such as Greek yogurt.

Other relevant export sectors with strong levels of growth include breakfast cereals, nuts, pet food, condiments and spices, prepared food, and alcoholic beverages.

Pet food exports to Costa Rica are expected to continue to grow. Consumers are increasingly willing to spend more on pet food products as income levels rise. Costa Rican pet food manufacturers also import a high percentage of their ingredients directly from the United States, representing yet another potential market for U.S. entry.

Wine and beer imports have been making a splash in Costa Rica. The Costa Rican public is particularly receptive to U.S. beers. Although they only make up a small percentage of the market, U.S. beers have been gaining visibility in recent years. Costa Rican beer importers continue to seek high-value, high-quality U.S. beers to introduce to the public at large.

**Table 5 – Top 10 Costa Rica Imports of Consumer-Oriented Agricultural Products  
(Value in \$million)**

Product	Partner	2016	2017	2018	2019	2020	Jan - Mar 2020	Jan - Mar 2021	Period/Period % Change (Value)
		Value	Value	Value	Value	Value			
Consumer Oriented Total		277	281	292	320	295	78	93	20
Poultry Meat & Prods. (ex. eggs)		29	31	27	30	30	9	7	-23
Dog & Cat Food		20	20	22	22	26	6	13	124
Processed Vegetables		28	26	32	32	26	6	9	41
Dairy Products		20	20	23	29	26	6	7	12
Food Preparations		21	20	21	27	25	7	6	-21
Bakery Goods, Cereals, & Pasta		25	24	26	29	23	6	6	-8
Pork & Pork Products		14	15	18	24	23	7	12	59
Condiments & Sauces		10	10	11	14	15	4	4	7
Beef & Beef Products		15	14	17	18	15	6	7	18
Tree Nuts		9	10	11	13	13	2	2	-1
Grand Total		277	281	292	320	295	78	93	20

## SECTION V. POST CONTACT AND FURTHER INFORMATION

Contact Information for FAS Office in Costa Rica

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

For further details on exporting please see our 2019 FAIRS Report

[http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20and%20Agricultural%20Import%20Regulations%20and%20Standards%20Report\\_San%20Jose\\_Costa%20Rica\\_3-21-2019.pdf](http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20and%20Agricultural%20Import%20Regulations%20and%20Standards%20Report_San%20Jose_Costa%20Rica_3-21-2019.pdf)

**Attachments:**

No Attachments