

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

Required Report - public distribution

**Date:** 5/1/2012

**GAIN Report Number:**

## Costa Rica

### Retail Foods

### Retail Food Sector Report

**Approved By:**

Kelly Stange

**Prepared By:**

Cynthia Smith-Palliser

**Report Highlights:**

The retail sector in Costa Rica is dominated by five supermarket chains. These supermarkets mainly target middle and high income consumers; however, there are still ample opportunities in the retail sector since only 40 percent of food sales are made through supermarkets. The Costa Rican retail food sector is expected to grow at a rate of 20% a year. With over 350 supermarkets, 13,000 traditional markets, and expansion expected in the gas mart/convenience store sector, the sector continues to seek U.S. products -- although competitor countries are both aggressive, and expanding in all food categories. Many of these businesses such as convenience stores are owned by micro-entrepreneurs, competing with the large supermarket chains that grow rapidly throughout the country.

**Post:**

San Jose

**Executive Summary:*****SECTION I. MARKET SUMMARY***

The Costa Rican retail food market landscape consists principally of five major grocery store chains contributing to over 265 supermarkets, and some 13,000 traditional mom and- pop/neighborhood stores. In the middle are a few popular, new, and evolving convenience stores and gas marts.

The small Costa Rican market of 4.6 million people is dynamic, evolving and uniquely challenging for the United States. Known for its beach and mountain resorts, the country adds more than 2 million tourists and thousands of affluent retirees to its base of retail food consumers every year.

The retail sector is one of the most versatile, since much depends on the economic situation of the country. During the recent economic crisis, consumption in independent grocery stores and small suppliers increased because people preferred to buy small quantities, while in times of recovery and economic boom revenues from large chains increase.

Costa Ricans spend about 30% of their income on food products. The local food industry (comprised of about 20% large companies and 80% small and medium-sized enterprises) has been steadily growing and incorporating technological advances to increase exports and offers a wide variety of products for local consumption: fresh and processed tropical fruits and vegetables, bakery products (bread/cookies), pasta, sauces, snacks, juices, and of course, dairy products, red meat, poultry and fish/seafood.

In 2011 total imports of US consumer oriented products reached \$164 million. Imports from neighboring countries (Mexico, Guatemala, Panama, and Nicaragua) include a large variety of products such as fresh fruit and vegetables, liquor, cereals and beans. Other major suppliers that seek to increase their exports to Costa Rica include Canada, Chile and, most recently, China.

Several large wholesalers and importers distribute products to the three food retail subsectors. Supermarkets and convenience stores extensively use in-house procurement departments. Distribution channels are similar for all products, although some (fresh fruit, vegetables) require special handling.

The Costa Rican consumer is receptive to imported foods, and shows a trend toward buying more convenience foods (encouraged by supermarkets, superstores and convenience stores).

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

- Promote private label brands/products,
- Promote novelty food and beverage items (spawned by tourist and pensioners),
- Become more aggressive (in all sectors: especially canned and fresh fruits and vegetables, processed foods, etc.),
- Demonstrate greater interest in ‘*tropicalizing*’ products for the Costa Rican market (*tropicalizing* refers to characteristics/concepts such as: packaging in smaller volumes & appropriate for

the heat of the tropics; incorporating popular local flavors, i.e. fruit, etc.),

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

Costa Rica has achieved a fairly high level of economic development – the highest in Central America - in part because it abolished its military in 1948 and invested in health, education and infrastructure. Economic activity is dominated by tourism, agriculture and high technology, and services such as call centers are gaining economic weight. Costa Rica's Central Bank estimates that GDP grew 4.2 percent in 2011 and it is forecasting 3.8 percent growth for 2012. Inflation reached 4.7 percent in 2011, and it is forecast to increase to about 5 percent in 2012.

Although total income is not evenly distributed, the majority of Costa Ricans enjoy a middleclass lifestyle. Private consumption spending is projected to continue to grow, with more household spending devoted to the purchasing of goods and services, and among those, high-value food products.

The retail sector is rapidly expanding. Supermarket and hypermarket chains are expanding into multiple markets in the region. Major retailers offer a wider variety of products with competitive pricing, and convenience stores are still quite popular. Importers may also be wholesalers and have national distribution.

There has been a good growth for supermarkets/hypermarkets, as this channel expanded outlet volume across the country. However, 2011 saw a shift in shopping habits, with consumers increasingly purchasing small quantities as needed from independent small grocers rather than making a large weekly shop at supermarkets/hypermarkets. Consumers sought to economize by keeping purchases of packaged food to a minimum. As a consequence, independent small grocers gained value share in overall sales of packaged food.

The next few years should show a stronger performance for packaged food than that seen during the recent past. This will occur due to the country's expected economic recovery and will also be due to consumers' lifestyles continuing to become faster-paced. Consumers will thus become increasingly willing to pay more for greater convenience, which will drive sales growth across packaged food. Products that offer a high degree of convenience are expected to perform particularly well.

<b>Advantages</b>	<b>Challenges</b>
Of the 4.5 million Costa Ricans, a large percentage of urban Costa Rican population has a high disposable income (2011 income per capita of \$4,017).	High level of bureaucracy and regulatory weaknesses negatively affect importers.
Costa Rican consumers trust in the quality of U.S. food products and follow U.S. market trends.	Lack of knowledge of U.S. brands by importers and retailers.
The growing 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.
Costa Rican importers, distributors and retailers	Free trade agreement with China may increase

generally like trading with U.S. exporters because of the reliability and quality of service.	competition.
Strong tourism sector (residential and traditional) provides opportunity for the food retail sector. More high-end grocery stores in tourist areas outside San Jose metropolitan area.	Registration of consumer-ready products process is slow and inefficient.
Economic climate in Costa Rica is improving and the Costa Rican population is beginning to consume higher quantities of frozen foods.	Some major retailers and importers have their own cattle farms, meat processing plants, bread processing facilities, etc. reducing the need for some imports.

## ***SECTION II. ROAD MAP FOR MARKET ENTRY***

### **Entry Strategy**

U.S. products possess an outstanding reputation for quality and price-competitiveness. The lower tariffs on most processed food products as a result of the Central American Free Trade Agreement (CAFTA-DR) has resulted in higher imports of these products from the U.S. in 2009, 2010 and 2011. Based on preliminary data, imports of these products are expected to continue growing in the near term.

- 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.
- U.S. exporters can approach gas marts, grocery and mom-and-pop stores through major local suppliers (wholesalers/distributors).
- Be diligent when selecting a partner (an agent or a representative) in Costa Rica. Personal visits/meetings are highly recommended. Conduct a background check of the prospective partner before signing permanent contractual arrangement.
- The local partner should be able to provide updated information on consumer trends to identify niche markets, current market development (merchandising, point of sale and promotion activities), and business practices.

### **Market Structure**

Walking into most Costa Rican larger and newer supermarkets is reminiscent of walking into a newer U.S. grocery store. Costa Ricans make their major grocery store purchases every two weeks, or as Latin Americans say, *‘every 15 days’*. Going to the large, new, brightly lighted stores with aisles upon aisles of food selection and options from all over the world has turned into a kind of *outing experience* that can occupy hours of a family’s time. Supermarket purchases are supplemented with smaller purchases during the week at the traditional neighborhood store called *pulperia* or at ‘mini-supers.’ (See section on Traditional Markets).

As the five mega-retailers try to win new customers, some stores compete not only on price and

selection but by providing numerous additional services under the same roof. A partial list of services or kiosks found in a supermarket's compound includes:

- Bakery
- Banking services
- Bill payment services: utilities, credit cards, etc.
- Cafeteria services
- Car and tire centers
- Carry out services
- Cell phone sales and service
- Coffee bars
- Deli services
- Dry cleaning services
- Fashion boutiques/kiosks
- Florists and plant shops
- Jewelry stores
- Locksmiths
- Office services
- Pharmacy
- Photo services
- Shoe repair
- Snack/soda shops
- Sushi-to-go
- Video rental

Most large supermarkets also offer a combination of 'loyalty points', their own credit cards, and a number of other amenities, like exercise programs (such as spinning on the weekends) to further entice and win-over customers.

### **CHANNELS OF DISTRIBUTION IN COSTA RICA FOR MAJOR SUPERMARKETS AND WHOLESALE CLUBS**

- Suppliers to major supermarkets have wide range of distribution channels ranging from those for fancy foods to those for foods for mass consumption.
- Major food importers/distributors supply all major supermarket chains and provincial retailers.
- Distributors and wholesalers make constant in-store promotional activities. They have the support of personnel in every store and all distribution channels.

#### ***A. SUPER STORES, SUPERMARKETS, HYPER MARKETS OR SUPER CENTERS, CLUB AND***

## WAREHOUSE OUTLETS

### Company Profiles

Retailer Name and Outlet Type	Ownership	Sales (\$Mil)/Year	No. of Outlets	Locations	Purchasing Agent Type
Walmart (including all formats)	U.S.	Not available	200	<p>Nationwide</p> <p>Pali (Whlse discount) = 149 Urban/Rural</p> <p>Max X Menos (Supermarket) = 26 Urban/Rural</p> <p>Maxi Pali (Whlse./discount) = 18 Urban/Rural</p> <p>Walmart (Superstore) = 7 Urban</p>	Direct Importers
Gessa (including all formats)	Local	<p>\$ 151,300.00 / 2010</p> <p>\$ 168,600.00 / 2011</p>	61	<p>Nationwide</p> <p>50% urban 50% rural</p> <p>Five profiles of stores:</p> <ul style="list-style-type: none"> <li>- Perimercado (Supermarket) = 19</li> <li>- Jumbo (Supermarket/discount) = 6</li> <li>- Super Compro (Whse. Discount) = 32</li> <li>- Turribásicos (Supermarket) = 3</li> <li>- most recently addition, Saretto = 1</li> </ul>	<p>Direct Importers (3%)</p> <p>Wholesalers/Distributor (97%)</p>

AutoMercado	Local	Not available	14	Metropolitan Area, South Pacific Coast 90% Urban 10% Rural/Beach Area Guanacaste	No brokers used. Uses U.S. consolidators. Wholesalers, distributors Direct purchases.
PriceSmart	U.S.	Not available	5	San José, Alajuela, Heredia 100% Urban	Through U.S. headquarters-60% Regionally (Panama) & local-40%
Megasúper	Colombian	Not available	82	Nationwide 60% Urban 40% Rural	Direct Importers

Supermarket stores carry between 20,000 to 23,000 SKUs and a range of 300 to 5,000 brands.

Approximately:

- 55 percent of their stores' products are imports (averages between 50 and 60 percent), and
- 32 percent of all imports are from the U.S. (averages between 20 and 40 percent).

Food retail executives repeatedly stated strong interest in:

- Being *the first* to bring new, different and exciting food products from the U.S. to their stores,
- Adding, or expanding different labels from the U.S., and
- Continuing, and/or expanding their relationships with U.S. suppliers and consolidators.

And also cited interest in the following items and activities:

- organic, healthy foods, frozen and fresh food products,
- possibly establishing a whole section within a supermarket offering tourists, pensioners and others, niche-brand products, and
- receiving training on special handling of high end food products (beef, processed foods, etc.).

Auto Mercado has seen a recent growth patterns and trends:

Food item Growth Percentage

Beer & Wine 10 %

Candies and Chocolates 11%

Canned Fruit 8%

Canned Vegetables 10%

Cereal 10%

Fish & Seafood 15%

Fresh Fruit 10%

Fresh Vegetables 10%

Frozen Vegetables 12%

Walmart: With its different formats, Mas X Menos, Palí, Walmart (before known as Hipermas) and

MaxiPali (before known as MaxiBodega) reported an increase of sales during February 2012 of 14.6%.

In 2011, according to Walmart, the company owned more than 80% of supermarkets in Costa Rica, making U.S. brands available at lower prices. In 2010 they opened 10 new stores and in 2011 added 21 new supermarkets. In 2012, they plan to open a new distribution center.

Sam's Club: The first store of purchases by membership in the Central American region. Costa Rica will be the fourth Latin American market that will have this format, since it already exists in Mexico, Puerto Rico and Brazil. They will compete with Pricesmart. They add up to the large list of supermarkets under the Walmart label in the country. The authorities of the enterprise estimate that the construction of this 'commercial ship' will take eight months. The store will be located in Curridabat. The arrival of Sam's Club joins the trend of growth of local supermarkets.

GESSA: Their convenience stores handle between 12,000 and 15,000 SKUs. The assortment in stores of imported products is approximately 60 %. The approximate percentage of U.S. imports is 30 %. Gessa, in the commercial area, has the Imports Department Montelimar Distribuidor dedicated to promote trade relations with international suppliers who are interested in developing business in Costa Rica.

PriceSmart: Arrived in the country in 1999 and now has a presence in the region. As of now, it's the only store that works with this format in the country and has 13 years in this country. Over the years, it has grown and now has five stores in Costa Rica (Zapote, Escazú, Heredia, Tibás and Alajuela).

## ***B. CONVENIENCE STORES, GAS MARTS, KIOSKS***

### ***Company Profiles***

<b>Retailer Name and Outlet Type</b>	<b>Ownership</b>	<b>Sales (\$Mil)/Year</b>	<b>No. of Outlets</b>	<b>Locations</b>	<b>Purchasing Agent Type</b>
Inversiones AM PM & Fresh Market	Costa Rican	Not available	39  AM/PM Convenience stores. Goes from 6AM to 12 midnight = 27  Fresh Market –Upscale convenience store and food boutique = 12	Metropolitan Area	Direct purchase and Wholesalers constitute 75 per cent of their purchases.



Inversiones AM/PM: 27 urban stores selling some 2,500 products (mostly food-related) from some 600 brands in stores that are 150 to 350 square meters. Approximately 25 percent of AM/PM products are imports. AM/PM's prepared food sector experienced an astounding 400% growth, in 2010 over the previous year. Growth in prepared foods is attributed, in part, to San Jose's traffic congestion requiring people to leave home early, without breakfast, and eat lunch at locations close to work instead of returning home for lunch as Costa Ricans historically have done. *Gallo pinto* (rice and beans), the nation's national dish, is now sold at convenience stores and consumed from plastic containers at work. AM/PM opened four establishments in 2010 and in 2011 did the same with nine more. By 2012 they plan to open 10 more. AM/PM is intent on selling products that are only quick, tasty, convenient and freshly made in AM/PMs kitchens and/or on location in their small self-serve counters which feature a variety of snacks and take-out foods.

Meanwhile, AM/PM has invented a new high-end hybrid within the convenience store sector and recently opened 12 *Fresh Market* convenience stores, or *food boutiques* catering exclusively to the upper class female shopper, affluent pensioners and ex-pats – to name a few. These 350 square meter food boutiques feature some 3,500 products, representing some 800 brands.

### **C. TRADITIONAL MARKETS - “MOM AND POP” SMALL INDEPENDENT GROCERY STORES AND WET MARKETS**

#### ***Sub-Sector Profile***

Estimates are that there are over 13,000 traditional grocery stores in Costa Rica. The concept of the traditional grocery store, or “pulperia” (*pul-per-ia*; also called *bodega*, or *tienda de alta frecuencia* in other countries) is popular in Costa Rica and throughout Latin America.

These grocery stores which can be the size of a large closet, or as large as 5,000 square feet (called mini-supers), are, still today, the backbone of Latin America's food retail industry. It can be said that tastes are first cultivated in this very traditional, neighborhood store.

Depending on its size, a ‘pulperia’ can stock from 300 to >1000 items. Despite its limited variety (by U.S. standards), some customers are known to visit their favorite neighborhood ‘pulperia’, as often as four times a day. And while middle class Costa Ricans enjoy their biweekly visit to a large supermarket, many supplement the large weekly purchase with visits to these popular traditional markets which pepper most urban and rural neighborhoods.

There are three key distinguishing features of the Costa Rican, and Latin American pulperia:

- food items are sold in small packages, or the smallest unit packaged by manufacturers (i.e. small envelopes found in box with 10 small envelopes);
- food items are in limited quantity; and,
- an easy line-of-credit (no application, no credit cards required) to loyal clients is readily available.

Immigrants living in Costa Rica for dozens of years report having never shopped in a nontraditional store preferring to use the ‘pulperia’ for all grocery purchases.

Rural ‘pulperias’ and mini-supers or traditional mom-and-pop stores also fill an important niche providing rural residents, *tourists and pensioners* in remote beach and mountain resorts with all the basic conveniences not presently filled by gas marts, convenience stores or large supermarkets.

A new, expanded version of the ‘pulperia’, called ‘mini-supers’ has arrived and fills a position in between the large retail supermarket, the convenience stores and the ‘pulperia’. These mini-supers carry

thousands of products and are a combination of a 'dollar store' and a 'pulperia' containing a large variety of non-food items.

Traditional Markets can be used as an entry strategy and learning laboratory for U.S. exporters. U.S. exporters often think only in large sales and larger volumes. However, many U.S. food manufacturers are already packaging, for their U.S. consumers, food items which could have instant and ready appeal to Costa Rica's 13,000 'pulperias' as well as the millions of 'stores of frequent use' (tiendas de alta frecuencia) that dominate Latin America's food retail sector.

A 'pulperia', for example, will sell the one-hundred-calorie cookie package (found in boxes containing 10, 100 calorie packages), or a .06 oz cylinder package of powder ice tea mix individually. A box containing 10 small envelopes, for example, produces 10 customers in Costa Rica's traditional markets. For financial and cultural reasons customers only purchase items for that day or the next day.

### ***SECTION III. COMPETITION***

The supermarkets have a wide range of quality and products. Pali is Costa Rica's cheapest supermarket, similar to Aldi in the United States. Pali continues to expand throughout the country and is the preferred supermarket for purchasing basics such as rice, beans and local canned items. Perimercado also offers economical choices for consumers, but not much variety or quality. MasXMenos is Costa Rica's oldest supermarket and known for its in-house butcher, good quality produce, wine and liquor. Mega Super stores generally found in rural areas and are similar to Perimercado. Automercado is a high-end supermarket. Although it is the most expensive, it also provides the best selection of domestic and imported goods. There are other supermarket chains that belong to established cooperatives and most of them are located in rural areas.

Foreign and domestic distributors, wholesalers and small grocery stores are also paths from the producer to the Costa Rican consumer. These distribution channels are alike for all food and agricultural products. Some products such as fresh fruit and meat entail special technical handling due to their short shelf life and storage requirements. Facilities that meet these requirements are readily available in Costa Rica since it is a large exporter to Central America and the Caribbean.

Food distribution firms, such as Grupo Constenla, S.A., Belca, Mayca and Pedro Oller are the main source of imports for wholesalers, restaurants, supermarkets and grocery stores. These firms are knowledgeable about the import market, have warehouses and own co-distributors who deliver the food throughout the country. Smaller-scale distributors are often contracted by larger distributors to deliver a smaller variety of products to retail stores in both rural and urban areas.

Import product prices are based on CIF value plus any existing import taxes, custom agent fees, in-country transportation costs, and other product-related costs such as change of label. The pricing usually excludes U.S. domestic marketing costs, allowing a more-competitive and attractive price in Costa Rican market. Prices are most commonly represented in dollars. Popular import agencies include: Expeditors Mar y Tierra, S.A., Corporacion Aeromar, Agencia Aduanal del Este and Tikal, Agencia Arce y Campos, among others.

There are over 1,300 companies in the Costa Rican food-processing sector. Encouraged by a relatively

stable economy and government campaigns to foster the growth of small and medium sized enterprises, the Costa Rican food industry is steadily growing, incorporating technological advances that offer a wide range of locally produced and processed items. The food manufacturing sector represents 40 percent of the national manufacturing production and in 2011 this sector exported over \$665 million.

Costa Rica has been incorporating advanced technologies into the conservation of locally produced foods - preserves, concentrates, deep freezing, canning, and packaging - thus opening the door to new markets and diversity, both for internal consumption and also for export. Key Costa Rica exports include coffee, bananas, sugar, preserves, jellies, heart of palm, concentrated tropical fruits, macadamia nuts, jalapeño peppers, food pastas, tropical sauces, tuna, and canned sardines -- among others. Tropical fruits and vegetables like bananas, pineapples, cantaloupes, watermelons, mangos, cassava, ginger, yams, roots and tubers, vegetables and greens -- produced both with conventional methods as well as organically -- have been very important products in the international markets, as much as for fresh food consumption as for fresh raw ingredients.

Locally produced products that present competition to U.S. exporters include: 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.

Neighboring countries (Central America, Mexico and Panama) have the advantage of proximity and export large amounts of certain food products to Costa Rica such as fish, beans, breakfast cereals, avocados, fresh fruits and vegetables. Relations between Canada and Costa Rica are strong and are highlighted by a 2002 bilateral treaty - the Canada-Costa Rica Free Trade Agreement (CCRTA).

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

million (CIF)	5%		
<b>Dairy</b>  Net imports: 11,759 tons  US\$28,407,138 million (CIF)	1. Panama – 30%  2. Chile – 26%  3. USA – 26%	Panama is price competitive, geographically close and has developed a long-standing reputation in the market.  Chile is strong in branded processed cheese and cottage cheese.  USA is strong in milk and cream, cheese and cottage cheese, buttermilk, butter and other fats derived from milk, dairy spreads and yogurt.	Local companies are strong in liquid milk, ice cream, yogurt, cultured milk drinks and sweetened condensed milk. They are all very strong companies although affected by rising production costs.
<b>Eggs &amp; products</b>  Net imports: 907 tons  US\$2,397,968 million (CIF)	1. USA – 52%  2. Panama – 37%  3. Mexico – 7%	Variety, marketing and high quality.	All of local production is consumed.
<b>Nursery products</b>  Net imports: 665 tons  US\$4,130,798 million (CIF)	1. Israel – 30%  2. Netherland – 12%  3. USA – 9%	Variety	Local products are strong.
<b>Nuts</b>  Net imports: 1,828 tons  US\$7,582,558	1. USA – 43%  2. Guatemala – 20%	Variety, marketing and high quality.	All of local production is consumed.

million (CIF)	3. Vietnam – 8.3%		
<b>Pet Foods</b>  Net imports: 30,195 tons  US\$41,575,999 million (CIF)	1. USA – 40%  2. Mexico – 25%  3. Brasil – 9.2%	Variety, marketing and high quality.	Local brands are well positioned in the market at competitive prices.
<b>Processed Fruits &amp; Vegetables</b>  Net imports: 61,212 tons  US\$80,577,086 million (CIF)	1. USA – 48%  2. Canada – 15%  3. Guatemala – 9.7%	USA dominates the market with its products, mainly to the food service market.	Local processors are major exporters, but their local supply is limited.
<b>Red Meats</b>  Net imports: 11,042 tons  US\$38,847,576 million (CIF)	1. USA – 46%  2. Nicaragua – 27%  3. Canada – 8.2%	Variety, marketing and high quality	Local brands are well positioned in the market at competitive prices.
<b>Snack Foods</b>  Net imports: 51,034 tons  US\$127,514,591 million (CIF)	1. USA - 24%  2. Mexico – 20%  3. Guatemala - 18 %	Variety, marketing and high quality	Local producers are major food processors. They import food ingredients for snacks and snacks in bulk.

Source: Treasury Ministry of Costa Rica - Customs Department.

#### ***SECTION IV. BEST PRODUCT PROSPECTS***

In general, the most favorable prospects continue to be bulk commodities (which represent roughly 62

percent of U.S. agricultural exports to Costa Rica in 2011.), but the area of high value products continues to offer good market opportunities as well. In recent years, consuming more convenience and healthy foods has been the trend and has 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.

The most significant trend in the growth of processed fruit and vegetables is the rise of imports of French fries. All frozen French fries are imported, since the specific type of potato required by the industry is not produced domestically. Therefore, the availability of French fries depends totally on imports. In Costa Rica, fast food chains, restaurants and hotels purchase 75 percent of the imported frozen French fries. The remaining 25 percent is distributed to supermarkets.

However, some of the American exports to Costa Rica are being negatively affected by exports at lower duties, mainly from Chile, with expected future competition from the European Union due to the recent signing of the EU-Central American Free Trade Agreement. Mexico, Chile and Guatemala are the main competitors of the United States in the Costa Rican fresh fruit, wines and vegetable market. The United States and Chile are exporting similar products to Costa Rica, but during different seasons. Imports from Chile take place from January to July. During the rest of the year, imports come mostly from the United States, except for those fruits available year-round. Costa Rica imports fresh fruits year-round, but about 70 percent of total domestic consumption of non-tropical fruits occurs during the Christmas season (October through December). Canada also poses slight competition in the fruit and potato sector because of 2002 FTA with Costa Rica.

Imports of snack foods from the United States are expected to grow based on consumer demand for a wider variety of imported products. Prospects for U.S. exports in this sector may improve depending on the progress of CAFTA-DR. Competing products are imported mainly from Central America (Guatemala and El Salvador) and from Chile, Argentina, and Europe on a smaller scale. Domestic production of potato chips, chocolates and other candies, and cookies also provides competition for the United States. These products are also exported to Central America.

In recent years, Costa Rica has accounted for more than 25 percent of all U.S. snack exports to the region. Expenditure data in two of the largest importing countries, Costa Rica and Guatemala, suggests that consumption is rising. Sales of chips, popcorn, chocolate, confectionary and cookies display an increasing trend. Imported snacks tend to be more expensive, targeting wealthier consumers, whereas locally produced snacks cater to the lower income market. Imports are thus likely to be those which fill this market niche. The growth of transnational supermarkets and the relinquishing of trade barriers through CAFTA-DR may also have contributed to the growing demand by establishing relationships with U.S. snack suppliers.

#### **Top U.S. Export Product Prospects**

<b>Product</b>	<b>2010 Imports (Thousands USD)</b>	<b>2011 Imports (Thousands USD)</b>	<b>% Change 2010 in comparison to 2011</b>
----------------	---	---	--

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

Source: BICO

## ***SECTION V. POST CONTACT AND FURTHER INFORMATION***

### **I. U.S. Embassy San José, Costa Rica.**

Department of Agriculture  
Foreign Agricultural Service  
Phone: (506)-519-2333 Fax (506) 519-2475  
E-mail: [agsanjose@usda.gov](mailto:agsanjose@usda.gov)  
<http://costarica.usembassy.gov/fas.html>  
Kevin Smith, Agricultural Counselor  
Kelly Stange, Agricultural Attaché  
Víctor González, Agricultural Specialist  
Ileana Ramírez, Agricultural Marketing Specialist  
Cynthia Smith-Palliser, Agricultural Marketing Assistant

#### ***Sources:***

Banco Central de Costa Rica  
[http://www.bccr.fi.cr/indicadores\\_economicos\\_/Produccion\\_empleo.html](http://www.bccr.fi.cr/indicadores_economicos_/Produccion_empleo.html)

FAS Office of Agreements and Scientific Affairs (OASA)  
BICO

Periódico El Financiero No. 854  
Periódico La Nación 03/19/2012 , 03/15/2012  
Diario Extra 01/18/2012  
<http://walmartstores.com/AboutUs/9763.aspx>

