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Report Highlights:

The Costa Rican retail sector is growing despite lingering effects of the COVID-19 pandemic, global supply chain disruptions, and rising prices. An increasing number of modern supermarkets stock an expanding range of imported products that reflect global and local retail trends, including clean labels, responsible packaging, and organic products. U.S. exports of high-value, consumer-oriented products to Costa Rica - largely sold through retail channels - were nearly $400 million in 2021.

Market Fact Sheet: COSTA RICA

Executive Summary

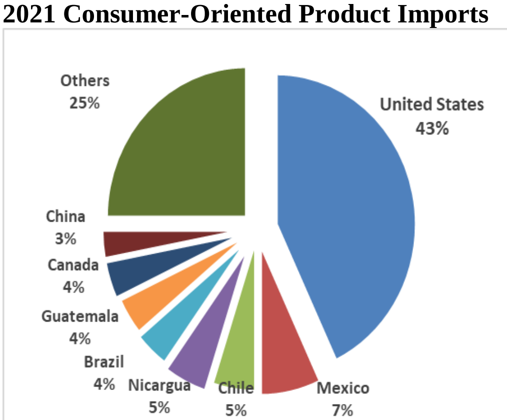
The United Sates is Costa Rica's largest trading partner and largest foreign direct investor. Costa Rican consumers trust and enjoy U.S. food and beverage products, exports of and demand for which have increased since the 2009 entry into force of the Dominican Republic - Central America Free Trade Agreement (CAFTA-DR). Proximity to the United States is a major advantage for shipping times and for U.S. exporters' ability to develop and service customer relationships. In 2021, U.S. agricultural and related product exports to Costa Rica reached a record high of $992 million.

Consumer-Oriented Product Imports

In 2021, nearly all U.S. agricultural products entered Costa Rica tariff free under the CAFTA-DR, while several sensitive categories (notably dairy, rice, and chicken leg quarters) were subject to CAFTA-DR tariff rate quotas (TRQs), all of which will be phased out by 2025. The pork TRQ was phased out in 2020, and 2021 U.S. pork export volume was 64 percent higher than in 2019 (i.e., pre-COVID and TRQ limited).

Strong market prospects for U.S. consumer-oriented products – beef, pork, poultry, dairy, wine and beer, snack foods, ready-to-eat meals, frozen food products, condiments, cereals, and pet food – pushed U.S. category exports up 35 percent in 2021, reaching a record high of $399 million despite the pandemic.

2021 Consumer-Oriented Product Imports



Source: Trade Data Monitor, LLC

Food Processing Industry

Most Costa Rican food processors import ingredients directly from exporters and few rely on importers or distributors. Processors have their own distribution channels to wholesalers, distributors, and retailers, as well as hotels, restaurants, and institutional buyers nationwide. Distribution channels for local and imported products can differ and change frequently.

Retail Sector

Costa Rica's retail sector consists of supermarkets, hypermarkets, mini-marts, and approximately 20,000 mom-and-pop shops. Consumers are price sensitive, and the popularity of bulk formats continues to grow. Chinese e-commerce sites appealing to price-conscious consumers continued to grow in popularity in 2021.

Costa Rica Quick Facts 2021

Imports of Consumer-Oriented Products **$399 million**

List of Top 10 Growth Products

1) Beef, Pork and Poultry	2) Dairy
3) Processed Vegetables	4) Bakery Goods
5) Cereals	6) Condiments
7) Food Preparations	8) Seafood
9) Pet Food	10) Beer

Top 10 Retailers

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

Population / GDP

Population	5.2 million
Unemployment rate	13%
GDP (billions USD)	$61.5
GDP (per capita)	$11,860
Exchange rate	695 colones : $1 USD

Sources: Central Bank of Costa Rica and INEC

Strengths / Weaknesses / Opportunities / Challenges

Strengths	***Weaknesses***
U.S. products are well-known and perceived as high quality.	U.S. products are often undercut by regional competitors on price.
U.S. products largely enter duty free and quota free.	English language labeling and marketing materials.
Opportunities	***Challenges***
Costa Rican consumers are becoming more sophisticated in their food preferences.	Buyers have cultural linkages to European and Central or South American suppliers.
Chefs are looking to introduce new trendy foods and are open to new concepts.	Costa Rica has many levels of bureaucracy that can slow the importation of food products.

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SECTION I. MARKET SUMMARY

Overview of the Costa Rican Retail Landscape

Though retail habits in mid-2022 more closely resemble pre-pandemic patterns, retailers and consumers are coping with the continued effects of a massive cyberattack that has taken Costa Rica's electronic customs and taxation platforms offline since April 19. Significant delays at ports of entry have increased costs, extended typical shipping timelines from weeks to months, and caused short-supplied products to temporarily disappear from retail shelves. See FAS/San José GAIN Report CS2022-0012 for additional information on trade impacts of the cyberattack.

Retailers continued to rely on imported foods to not only fill their shelves, but also to help introduce new trends to Costa Rican consumers. Consumer familiarity with and differentiation of organic, 'natural,' and 'clean ingredient' products continued to grow in 2021, alongside demand for consumer-packaged goods and ready-to-eat products. According to Euromonitor, retail sales grow 2 percent by value in 2021, with U.S. consumer-oriented product exports climbing 36 percent to a record high of $399 million. Other leading exporters of food products to Costa Rica include Mexico, Nicaragua, Chile, Guatemala, and Spain.

Before the pandemic, Costa Rican retail industry growth was modest, driven in part by promotional activities, consumers' access to credit, and increasing penetration by e-commerce platforms. Throughout the COVID era, competition has increased among retail stores, driving traditional grocery retailers to expand into wider offerings of clothing, household appliances, and cleaning products. Some of these expanding outlets include Pequeño Mundo, Ekono, and Libreria Universal, broadening opportunities for new distribution opportunities and cross-category merchandizing. COVID has also accelerated growth in home delivery services and consumption of easy-to-cook meals.

As retail supermarkets expand their reach and consumer base as well as their e-commerce offerings, they represent an excellent opportunity for increased exports of U.S. high-value products. More than 50 percent of the products in major retail outlets are estimated to be imported, with 32 percent of those imports coming from the United States.

Key Marketing Drivers and Trends

Omnichannel Trends

This method of combining the advantages of in-store shopping with the convenience of online to deliver a superior customer experience has been well-received in Costa Rica. However, cautious consumers often split purchases across different retail stores, rather than devoting themselves to one retailer.

The Rise of E-Commerce

As major retailers improved their e-commerce platforms during the COVID era, independent and small grocery stores have struggled to compete with the bigger retailers' virtual platforms. While e-commerce is expected to lose market share of total grocery sales as shoppers revert to pre-pandemic patterns, consumer comfort with e-commerce has matured rapidly. Across the Greater Metropolitan Area, home to the majority of Costa Rican economic activity and population, the adoption of e-commerce has benefitted from a culture of goods and services delivered to consumers' doorsteps, including things like dry cleaning, veterinary services, and propane tanks. Delivery platforms and apps continue to develop new ways to appeal to consumers, making them ever more indispensable to a wider range of consumers.

Private Labels & Price-Conscious Consumers
Rising inflation, erosion of the Colón's value against the U.S. dollar, continuing ripple effects of global supply chain challenges, and the impact of the 2022 cyberattack on Costa Rican government systems have all contributed to increased price consciousness among consumers. Already popular private label products are expected to post continued strong sales in 2022, particularly for essential items like rice, beans, pasta, and bread as well as bakery and snack-based products.

Ready-to-Eat and Cafeterias
Costa Rican consumers are taking increasing advantage of ready-to-eat products and fresh products produced by grocery retailers. Salads, sandwiches, and roasted chickens are increasingly popular options for Costa Rican consumers, including for dining within the retail space. Walmart and Automercado have followed PriceSmart (a warehouse club store akin to Costco in the United States) in offering on-site cafeteria services to claim greater shares of consumer spending.

Outlook for 2022
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, Saretto, and Mas x Menos have sought to use their economies of scale to implement competitive pricing strategies and offer wider ranges of discounts. Recent marketing campaigns to support imports and to introduce new products have included virtual cooking classes, Instagram 'stories,' virtual tastings, virtual contests, live interviews on social media, promotions and giveaways.

Costa Rican 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),
- Support e-retail and digital marketing promotions to capture consumers with new promotions,
- Demonstrate greater interest in '*tropicalizing*' products for the Costa Rican market*
- Demonstrate greater interest in providing environmentally friendly packaging.

**'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) and incorporating popular local flavors (i.e., tropical fruits).*

Table 1. Advantages and Challenges for U.S. Products in Costa Rica

Advantages	Challenges
Geographic proximity contributes to logistics advantages in shipping prices and times.	Low-volume shipments of high-value U.S. exports typically consolidated, adding to freight costs.
U.S. exporters sustain reliable supply volumes of many products throughout the year.	U.S. exports are not well-suited to smaller-scale retail outlets selling smaller formats to keep prices down.
Growing interest in health and body care generates greater demand for healthy ingredients.	South / Central American products have high penetration and culturally familiar marketing.
Rising consumption of frozen and prepared foods supports imported ingredient demand.	Less purchasing power and imported product supply chain development outside of the San José area.
CAFTA-DR provides duty-free access for all products other than dairy and rice. U.S. chicken meat exports became duty-free on January 1, 2022.	Time consuming product and facility registration processes deter exporters from entering the market. More information available in CS2022-0005.
Costa Rica supports science-based international standards and participates in international standards setting bodies.	Costa Rica's slow and cumbersome bureaucracy, including apostille requirements, increases business costs and slows transaction times.
Costa Rica is not self-sufficient in basic commodities and depends on imported ingredients, grains, and legumes.	Costly alcohol tax regime adds to imported wine, beer, & spirit costs.
High rates of travel to/from United States increases recognition of U.S. brands & products.	Limited penetration of craft beers results in limited distribution networks and higher listing fees.
Strong tourism sector (local and international) creates demand for high value imported products.	Increasing demand for 'local products' as tourism operators seek to create authentic experiences.
Well-developed cold-chain infrastructure serving the economic/population core of San José as well as tourist destinations in Guanacaste.	Underdeveloped overland and port infrastructure increases shipping costs / times.

SECTION II. ROAD MAP FOR MARKET ENTRY

Market Entry Strategy

To facilitate initial export success, FAS/San José recommends the following steps when entering the Costa Rican market:

1. Do your homework; investigate import requirements and comparable product availability/pricing.
2. Identify a reliable importer/distributor, knowledgeable in your product category and of Costa Rican regulations and import procedures.
3. Consider whether participating in a trade show (including virtual) or participating in USDA- or SRTG-funded promotional activities could assist in finding a dependable import partner.

Market Structure

Navigating Costa Rica's import procedures can be tricky, and it is best to work with experienced representatives, agents, and importers. General commercial law governs contracts and relations between vendors or suppliers and the local company, person, or distributor, and Costa Rican law provides two main forms of representation: a representative and a distributor. The representative can also be considered an agent. It is possible for one person to be both a representative and agent or a distributor at the same time. Once a U.S. company has selected a potential representative, the U.S. firm should obtain business and/or credit reports on the Costa Rican company, as part of the due diligence process. When negotiating an agreement with a local representative, FAS/San José strongly advises U.S. firms to engage a qualified, local lawyer.

Distribution services are typically governed by private agreements among parties. Local laws also allow companies and individuals to import directly with no intervention from agents or distributors. Costa Rican importers are fully bilingual, and business practices in Costa Rica resemble those in the United States. A personalized approach to business with consistent attention to service and delivery, frequent visits, and follow-ups, is important in Costa Rica. Local importers provide cash payment for small purchases as a standard practice. For well-established customers, 30-60 day credit terms may be negotiated.

FAS/San José provides trade services at no cost to U.S. companies interested in exporting agricultural, fishery, and forest products. FAS works with U.S. food safety agencies to facilitate and expand access to the Costa Rican market for U.S. products. A wide range of FAS/San José reports providing insight into different aspects of the Costa Rican market are available on the GAIN website.

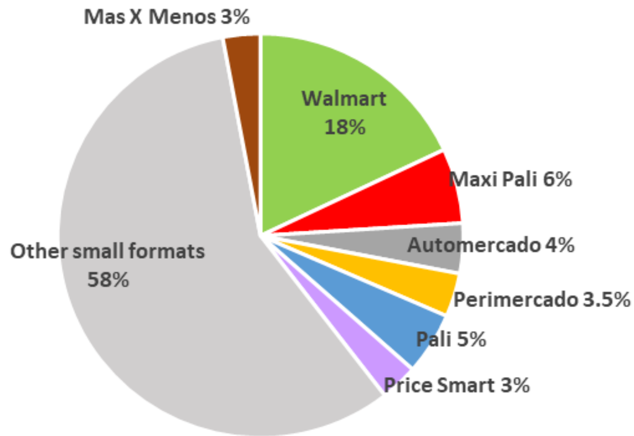
Other important elements to consider when evaluating the Costa Rican retail sector include:

- Printed materials (e.g., spec sheets, marketing content, etc.) should be in Spanish, even though most Costa Rican importers/retailers are bilingual.
- Personal visits and meetings with prospective partners are highly recommended, and exporters should conduct a background check of a prospective partner before signing a contractual agreement.
- The local partner should be able to provide updated information on consumer trends to identify niche markets, current market development (i.e., merchandizing, point-of-sale, and promotional activities), and local business practices.
- The layout of most newer Costa Rican supermarkets resemble U.S. grocery stores.

U.S. exporters can work directly with local importers/distributors. Major food importers/distributors supply major supermarket chains, provincial retailers, and local processors. Processors supply supermarkets directly as well as the local food service industry.

The bulk of imported foods are handled by a large importer, broker, distributor, or wholesaler. Perishable items and SKUs from multinational food companies are generally shipped directly to national retail chains' distribution centers, while a smaller portion of products are sold through terminal markets for independent retailers. Unlike in the United States, retail category buyers from the larger chains can rely on food brokers, distributors, and importers to identify new products. Distributors and wholesalers regularly sponsor in-store promotional activities.

Chart 1. Share of Retail Sector by Sales Value



Retail Profiles

The five major supermarket retailers in Costa Rica are: Walmart (United States), Gessa (Costa Rica), AutoMercado (Costa Rica), PriceSmart (United States), and Megasuper (Colombia). The Costa Rican retail sector can appear more diverse than it is, as U.S. retailer Walmart operates the Mas x Menos, Pali, Maxi Pali, and Walmart banners, comprising nearly a third of all retail outlets. Small format stores, including *pulperías* and *mini supers*, remain the most numerous type of retail shopping outlet throughout the country, offering individual servings and smaller format products that cater to lower income households.

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 *pulperías* that can still be found in working-class suburban neighborhoods and rural communities. There are more than 10,000 *pulperías* and *mini-supers* in Costa Rica, and these stores remain essential for low-income households, as these outlets typically offer informal credit terms to local customers. These traditional retailers 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 volumes and often break up standard format packages into smaller quantities / volumes.

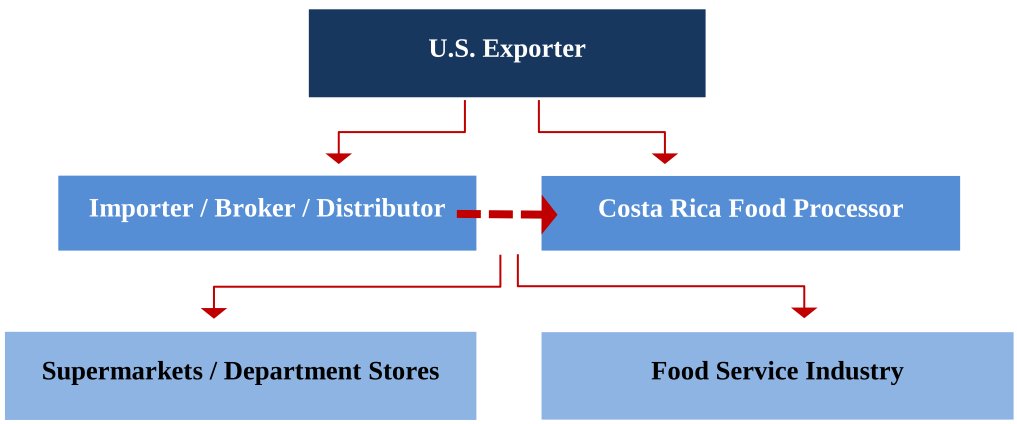
Table 2. Leading Food Retailers

Name of Retailer	Description	Number of Outlets
Maxi Pali/ Pali	Supermarket	234
Inversiones AM/PM	Convenience Store	83
Mega Super	Supermarket	70
Super Compro /Guessa	Supermarket	52
Automercado	Supermarket	42

Name of Retailer	Description	Number of Outlets
Mas x Menos	Supermarket	39
Fresh Market	Convenience Store	34
Perimercados	Supermarket	17
Mayca Retail Stores	Convenience Store	16
Walmart	Department Stores	14
PriceSmart	Warehouse Club Store	8

Source: Websites of retailers

Chart 2. Channels for Distribution Flow Chart



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 in meats (fresh and processed), dairy products, coffee, spices, condiments/sauces, vegetable oils, candies and chocolates, pasta, snacks, bakery and pastry products, soups, beverages (beer, bottled water, fruit juices), and, of course, tropical vegetables and fruits.

Costa Rican imports of consumer-oriented food and agricultural products reached $399 million in 2021. Major suppliers include the United States (36 percent) Mexico (12 percent), Guatemala (6 percent), Chile (6 percent), Nicaragua (5 percent), Honduras (4 percent) and Spain (3 percent). Costa Rica imports a large variety of consumer-oriented products, such as condiments, liquor, juices, cereals, snacks, pet food and grains to support consumers' and processors' demands.

Table 3. 2021 Costa Rica Consumer Oriented Products Imports by Country-of-Origin

Partner Country	Calendar Year (Value: USD)				
	2017	2018	2019	2020	2021
World	1,031,403	1,054,714	1,073,789	1,034,621	1,246,139
United States	359,897	381,786	386,064	367,709	447,819
Mexico	100,248	106,890	115,388	115,695	146,787
Guatemala	77,652	79,267	77,832	72,590	74,449
Chile	92,168	79,687	74,299	62,453	71,477
Nicaragua	64,488	62,379	64,368	58,296	60,642
Honduras	18,373	23,343	31,610	33,535	47,521
Spain	25,511	26,372	27,958	29,716	41,561
Netherlands	25,794	23,770	25,592	24,795	37,107
China	27,915	22,237	25,366	27,155	31,549
Colombia	16,734	19,807	21,570	23,395	29,857

Source: U.S. Census Bureau Trade Data Monitor LLC

SECTION IV: BEST PROSPECTS PRODUCT CATEGORIES

The top three U.S. consumer-oriented agricultural exports to Costa Rica in 2021 were pet food ($46 million), pork ($42 million), and processed vegetables ($39 million); all three categories grew by 50 percent or more in 2021. While FAS/San José considers each of these categories to present excellent opportunities for U.S. exporters, considerable economic and pricing headwinds in 2022 are expected to bolster prospects for private label and ‘value’ products.

In general, the most profitable prospects for U.S. exporters continue to be processed products, dairy products, snacks, sausages, condiments and sauces, beef, poultry, pet food, and wine. Recent trends toward more convenient formats and healthier food options have improved prospects for U.S. exports of processed fruits and vegetables (especially canned fruits) and snack foods (including chips, cookies, and candies). Processed fruits and vegetables, especially fruit and vegetable mixes, sweet corn, peas, mushrooms, and garbanzo beans generate strong import demand. Essential items, including rice, pasta, and bread as well as snack foods are also expected to continue to perform well in the local market.

Demand for healthy and/or gourmet snack items has been increasing in Costa Rica. Snacks with natural ingredients, dried fruits, whole wheat, and high-quality ingredients have gained in popularity with health-conscious consumers. There is also growing demand for niche food items, such as organic, gluten-free, and ketogenic products, which provides new opportunities for U.S. exporters.

Meat and meat products present excellent opportunities for growth, entering Costa Rica duty free and quota free under the CAFTA-DR Agreement. U.S. pork has entered Costa Rica duty-free and quota-free since January 1, 2020, and U.S. exports of pork products – particularly bacon, ham, and picnic cuts –

grew 85 percent in 2021. U.S. exports of processed, prepared, and preserved meats expanded significantly between 2016 and 2020, and consumption of prepared meats continues to grow.

Pet care has shown remarkable resilience during COVID-19. Provisional 2022 data show that demand continues to accelerate for freeze-dried raw and fresh pet food. Pet owners still want the best food, and these new formats remain as relevant as ever. Future growth in premium food will be defined by pet owners due that the processing of ingredients will become as important as the ingredient list. Wet pet foods products have to evolved and could be also a good opportunity for U.S. producers.

Table 5. Top Imports of Consumer-Oriented Agricultural Products in 2021 (Value in $million)

Description	2020	2020 % Share	2021	2021 % Share
All	294,603	100	399,820	100,00
Pet Food	26,506	9	45,471	11
Pork & Pork Products	22,845	8	42,308	11
Processed Vegetables	26,046	9	38,862	10
Soup & Other Food Preparations	30,063	10	34,866	9
Beef & Beef Products	14,816	5	32,059	8
Dairy Products	24,832	8	31,372	8
Poultry Meat & Prods. (ex. eggs)	27,340	9	29,363	7
Bakery Goods, Cereals, & Pasta	23,018	8	25,676	6
Condiments & Sauces	14,871	5	17,579	4
Tree Nuts	16,060	5	15,473	4

Source: U.S. Census Bureau Trade Data Monitor LLC

SECTION V. KEY CONTACTS AND FURTHER INFORMATION

If you have questions regarding this report or need assistance exporting to Costa Rica, please contact the Foreign Agricultural Service in San José at:

Phone: +506 2519 - 2285 / 2333
Email: AgSanJose@usda.gov
website: **Error! Hyperlink reference not valid.** https://cr.usembassy.gov/embassy/sanjose/sections-offices/department-of-agriculture/

For further details on imported food regulations, please refer to the FAIRS Report.

Attachments:

No Attachments