

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Required Report - public distribution

Date: 12/29/2016

GAIN Report Number:

Costa Rica

Food Processing Ingredients

Growing Demand for US Ingredients

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Report Highlights:

Costa Rican food processors and consumers trust and value food products that include U.S. raw materials and ingredients. Demand for quality ingredients has been steadily increasing since implementation of the Central America-Dominican Republic Free Trade Agreement. Bakery ingredients, jellies, dried fruits, snacks, beverages, concentrates and essences among other ingredients for the food processing industry are just some of the items with great growth potential in this market.

Post:

San Jose

SECTION I - MARKET SUMMARY

Costa Rican consumers trust and enjoy the food products made with U.S. raw materials and ingredients by the food processing industry. Demand has increased steadily since implementation of the Central America-Dominican Republic Free Trade Agreement (CAFTA-DR). Market prospects for high value U.S. products continue to increase, with impressive growth in products such as beef, poultry, wine and beer, and pet food to name a few. Proximity to the Costa Rican market is also a major advantage for U.S. exporters who wish to visit or communicate with potential customers. The proximity facilitates close contacts and the building of strong relationships with clients, both before and after sales. The same holds true for agents and distributors, who typically represent U.S. exporters in the national and regional markets.

Costa Rica produces the following processed food products:

- Beverages: juice concentrates, powdered drinks, alcoholic and non-alcoholic beverages, drink bases and syrups, soy powder, fruit flavors, coffee.
- Preserved foods: canned vegetables, jams, jellies, etc.
- Confectionary: candies, chocolates
- Other processed foods: condiments, baked goods, sauces, dairy, cookies, crackers, snacks, cereals
- Deli meats: sausages, ham, MDM; pork bellies, trimmings and offal; flours (fillers); animal fats
- Baking: pancake mixes, pre-mixes, bulk cake flours, vegetable whipped cream, cookie dough
- Snacks: soy flakes, nuts, fresh potatoes; fruit fillings; corn, rice, dry fruits,
- Oils and Dressings: palm oil, shortenings

There is a wide variability in the kinds of animal and vegetable origin ingredients used in food and beverage products in Costa Rica. The simplest ingredients used are egg albumin, cocoa, milk powder, natural sweeteners substituting sucrose (such as fructose), soy protein, corn, corn starches and corn flour, MDM's, whey protein, among others. Costa Rican consumption of herbs, herb extracts and fruit pulps has increased significantly as a result of expansion in the beverage and the confectionary industries in teas, jellies and juices. The use of spices has expanded following a gourmet trend in the preparation of home-made meals and desserts, as well as in restaurant menus and industry formulations. Local industry follows international trends in food and beverages so it is constantly searching for new ingredients which provide additional benefits in health and nutrition, such as phytosterols, Omega-3 fatty acids, fibers, and antioxidant compounds. Some larger processors already import directly from the United States and many of the small processors still rely on local distributors to import their ingredients.

The largest volume of food ingredients of natural origin is used for the manufacture of confectionary and bakery products, sauces, dressings and condiments, sweet and salty premixes, dairy by-products, and beverages. The Center for Food Technology (CITA) of the University of Costa Rica is part of a cooperation agreement with the Ministry of Science and Technology and the Ministry of Agriculture. It was founded in 1974 as part of the University's program to work on food science and technology in direct collaboration with the government. CITA has licensed its technology to domestic processors,

which will let the companies develop new products with CITA's scientific and technological support.

Table 1. Costa Rica: Advantages and Challenges Facing the Food Processing Industry

Advantages	Challenges
Local processors are increasing their production capacity and food quality to export to the United States as a result of CAFTA-DR implementation.	Countries including Mexico, Argentina and Colombia can supply the local demand for ingredients and raw materials and compete with the U.S.
Costa Rica consumers are becoming more sophisticated in their food preferences.	Costa Rica is negotiating free trade agreements with other countries in order to open new trade opportunities and competition such as the Free Trade Agreement with Colombia.
The United States is Costa Rica's main trading partner. U.S. food ingredients are well-known and considered of high quality.	New local food developments follow market trends (natural foods, juices, processed meats)
Since 2013, Costa Rica initiated a new on-line product registration system, which eventually will reduce registration times for new imported products.	Business culture in Costa Rica can be less fast-paced than in the United States and those wishing to do business in the country should be prepared for this possible difference. U.S. exporters should also be prepared to be patient with export procedures and processes; Costa Rica has many levels of bureaucracy that can at times slow the importation of food products.

Table 2. Costa Rica: Food Processing Products Exported to the United States, in Millions

Costa Rica: Main Food Processing Export Products to the United States 2015 (in Million USD)			% Change
Description	2014	2015	
Banana	904.5	826.8	-8%
Pineapples	862.7	804.8	-6%
Coffee	275.6	305.9	11%
Ornamental plants	72.7	73.2	0.7%
Cassava	69.4	69.8	0.6%
Other fruits not frozen	60.4	70.5	16.7%
Flowers	38.6	38.3	-0.9%
Water melon	15.5	14.1	-9.3%
Melon	70.4	67.6	-4%
Chayote (vegetable pear)	15.9	12.6	-20.9%

Source: Ministry of Foreign Trade (COMEX)

Figures from Central Agricultural Monitoring agency reveal that Central American coffee exports maintained good growth in 2015 and 2016. Costa Rican exports of coffee, tea and spices have grown 54 percent between 2009 and 2015 - from \$312 million to \$480 million. The main agricultural products imported in Costa Rica in 2015 were bulk commodities that are not produced at all in the country such as yellow corn, soy, beans and rice.

The principle food industry products imported from the United States according to the Ministry of Foreign Trade data are pet food, meats, chocolates and bakery ingredients.

Table 3. Costa Rica: Food Processing Products Imported from the United States, in Millions

Main imported products from United States (US\$ million)		
Description	CY 2015	In Percentage
Other food preparations	\$ 26	6%
Worts, brewery and distillery industry waste	\$ 21	4.9%
Animal feed	\$ 35.9	8.3%
Soy meat	\$ 23.7	5.5%
Chocolate for bakery products	\$ 20.7	4.8%
Fine bakery ingredients	\$ 20.5	65.8%

Source: Ministry of Foreign Trade (COMEX)

SECTION II – ROAD MAP FOR MARKET ENTRY

A. Entry Strategy

There are various ways to introduce new food ingredients into the local market depending on the profile of the company and the food ingredient involved. The following are a few recommendations to consider for those looking to get into the Costa Rican market:

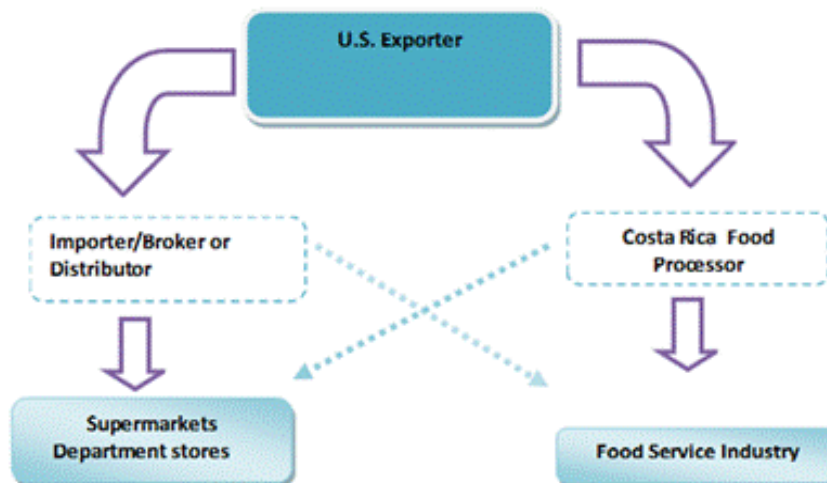
- The presentation of the product to the food processing company may be done directly or through a distributor and/or representative. There are local and/or regional distributors who are very well-known in the F&B industry. Another option is through joint-ventures.
- It is necessary to identify the sector of the company to present the food ingredient offered. This is extremely important for the product to be evaluated by the appropriate professionals. Larger companies usually have a R&D Division which interacts actively with the Marketing Division, especially if the ingredient is a novelty product. Other smaller companies receive proposals of new ingredients through their Purchasing Division.
- Besides presenting the product to the industry, it can be simultaneously promoted in specialized magazines (focused on food, nutrition and health), social media campaigns, technical events (seminars, conferences, etc), and/or trade shows. Local professionals with a high technical expertise usually attend these events.
- The advantage that processors find in buying their raw materials from local suppliers or distributors is

that more technical assistance is provided and also more options for financing are available to them. Local distributors/importers are willing to establish long-lasting business relationships with U.S. suppliers that can offer good credit terms, customer service and marketing support.

- The exporter may wish to hire a local representative who can provide customer service and technical support.
- U.S. suppliers interested in the Costa Rican market must comply with local regulations for imported products to avoid delays. For further information on these regulations, please refer to Costa Rica FAIRS Report 2015.
- With a high-degree of trade, especially with the United States, Costa Rican importers are accustomed to international business dealings. Many business people in Costa Rica are bilingual, thus facilitating business negotiations in English is rarely a problem. However, the business culture in Costa Rica can be less fast-paced than in the United States and those wishing to do business in the country should be prepared for this cultural difference. U.S. exporters should also be prepared to be patient with Costa Rican government export procedures and processes. Costa Rica has many levels of bureaucracy that can at times slow the importation process for food products.

B. Market Structure

Distribution Channels for Processed Food Products in Costa Rica



Most of the food processors in Costa Rica import all of their ingredients directly. A few, however, rely on importers and distributors to handle the importation process. They also have their own distribution channels to wholesalers, distributors and retailers, as well as to hotel, restaurant and institutional industries nationwide. Distribution channels can be different between local and imported products and are constantly changing. The purchase of raw materials for food processing represents a significant portion of the cost of the final price of products.

In Costa Rica, there are many small companies with low sales volume and if they try to import directly would face high costs as the conditions and procedures for importing can be difficult. Therefore, it is better for them to use a local wholesaler who can take care of necessary import procedures. For large food processing companies, they usually have their own distribution chain.

For information on product registration requirements, please refer to the Food and Agricultural Import Regulations and Standards (FAIRS) Country Gain Report for Costa Rica in the FAS USDA [GAIN](#) system.

C. Company Profiles

The Costa Rican Chamber for Food Industry (CACIA) was founded by local food processors with domestic manufacturing operations. Its objective is to be the leading institution in promoting national and sector competitiveness and defending the interests of the Costa Rican food industry. CACIA also aims to boost the domestic and international competitiveness of member businesses.

Table 4. Costa Rica: Main Food and Beverage Companies

Company	Sales US\$	End-Use Channels	Processing Plant Location	Procurement Channels
<i>Red meats and poultry meat (MDM; boneless picnic; pork bellies, trimmings and offals; flours (fillers); animal fats)</i>				
Cinta Azul (Cargill)	N/A	Retail & HRI	Alajuela	Direct Importers
Corp. Pipasa (Cargill)	N/A	Retail & HRI	Heredia	Direct Importers
RyS Salmeron (Meat & Poultry Processor and Importer /Distributor)	N/A	Retail & HRI	Alajuela	Direct Importers and Distributors
Don Fernando	N/A	Retail & HRI/ Deli Shops	San José	Direct & Local Importers
Dist. Carnes Zamora	N/A	Retail & HRI	Heredia	Direct Importers
Ind. Cárnicas Integ.	N/A	Retail	Alajuela	Direct Importers
Sigma Alimentos	N/A	Retail & HRI	Alajuela	Direct Importers
CIISA	N/A	Retail & HRI	Alajuela	Direct Importers
<i>Dairy Products (whey powder, protein concentrates)</i>				
Cooperativa de Productores de Leche Dos Pinos	N/A	Retail & HRI	Alajuela	Direct Importers
Asoc.Prod. Lactea Apilac, S.A.	N/A	Retail	Pérez Zeledón	Local Importers
Productores Monteverde	N/A	Retail & HRI	Puntarenas	Local Importers
American Ice Cream Co. (POPS)	N/A	Retail	San José	Direct & Local Importers
CoopeCoronado	N/A	Retail & HRI	San José	Direct & Local Importers
Coopeleche (Florida Bebidas)	N/A	Retail & HRI	San José	Direct & Local Importers
Indulac (Sigma)	N/A	Retail & HRI	Cartago	Direct & Local Importers
Universidad Earth	N/A	Retail	Limón	Local Importers

Nutrilac, S.A.	N/A	Retail	San José	Direct & Local Importers
<i>Prepared fruits and vegetables (sauces, pastas, concentrates, and preserved)</i>				
Algo del Tejar	N/A	Retail & HRI	Alajuela	Local Importers
Productos Gerber (Nestle)	N/A	Retail	Cartago	Direct/Local Importers
Dequealva, S.A.	N/A	Retail	San José	Local Importers
Fideos Precocidos de CR	N/A	Retail & HRI	Heredia	Direct & Local Importers
Industrias Irazú	N/A	Retail	San José	Local Importers
Jaleas Ujarrás	N/A	Retail & HRI	Cartago	Local Importers
Productos del Trópico	N/A	Retail & HRI	Heredia	Direct & Local Importers
Roma Prince	N/A	Retail & HRI	Alajuela	Direct & Local Importers
Grupo Del Oro, S.A.	N/A	Retail & HRI	Guanacaste	Local Importers
Girocurz, S.A.	N/A	Retail	San José	Local Importers
Pasta y Basta	N/A	Retail & HRI	San José	Local Importers
Productos El Angel	N/A	Retail & HRI	Alajuela	Direct & Local Importers
Alimentos Heinz de C.R.	N/A	Retail & HRI	San José	Direct & Local Importers
Alimer, S.A.	N/A	Retail & HRI	San José	Direct & Local Importers
Productos Lizano (Unilever)	N/A	Retail & HRI	Heredia	Direct & Local Importers
Alimentos Kamuk	N/A	Retail & HRI	San José	Local Importers
Grupo Profruta S.A.	N/A	Retail & HRI	San José	Local Importers
<i>Confectionary products (hard candies, chewing gum, chocolates, traditional candies)</i>				
Industrias Alimentos Irazú	N/A	Retail	San José	Local Importers
El Gallito Industrial	N/A	Retail	Heredia	Direct & Local Importers
Cía Nacional de Chocolates	N/A	Retail	Heredia	Direct & Local Importers
Cajetas Doña Chavela	N/A	Retail	Heredia	Local Importers
Comercializadora Berlau	N/A	Retail & HRI	San José	Local Importers
Delicias Leche y Miel	N/A	Retail	Costa Rica	Local Importers
COPOZ – Cía. Pozuelo	N/A	Retail	Heredia	Direct & Local Importers
Turrónes de C.R.	N/A	Retail	Heredia	Local Importers
Chiclera Costarricense	N/A	Retail	San José	Local Importers
<i>Snack Foods (dehydrated potato flakes and powder; soy flakes; nuts; fresh potatoes; corn; rice)</i>				
Alimentos Jack's	N/A	Retail & HRI	San José	Direct & Local Importers
Grupo Gruma	N/A	Retail & HRI	San José	Direct Importers
Bio-Land	N/A	Retail	San José	Direct & Local

				Importers
Grupo Pozuelo PRO	N/A	Retail & HRI	Heredia	Direct & Local Importers
Pituca Snacks	N/A	Retail	San José	Local Importers
Nueces Industriales	N/A	Retail & HRI	San José	Direct/Local Importers
<i>Baked goods (cookies; pancake mixes; pre-mixes, bulk cake flours; toppings)</i>				
Morrjons, S.A.	N/A	Retail & HRI	San José	Direct & Local Importers
Musmanni	N/A	Retail & HRI	San José	Direct/Local Importers
Panaderías Merayo	N/A	Retail & HRI	San José	Local Importers
Soluciones Bake and Cook	N/A	Retail & HRI	San José	Direct Importers
Alimentos Jack's de C.A.	N/A	Retail & HRI	San José	Direct Importers
Alimentos Ligeros	N/A	Retail & HRI	Heredia	Direct Importers
Cía de Galletas Pozuelo	N/A	Retail & HRI	San José	Direct/Local Importers
Industrias Mafan, S.A.	N/A	Retail & HRI	San José	Direct/Local Importers
Grupo Pozuelo Pro	N/A	Retail & HRI	Heredia	Direct/Local Importers
Konig Sabroso	N/A	Retail & HRI	Heredia	Local Importers
<i>Beverages (alcoholic and non-alcoholic)</i>				
Florida Ice & Farm Co.	N/A	Retail & HRI	Heredia	Direct Importer
Fábrica Nacional de Licores	N/A	Retail & HRI	Alajuela	Direct/Local Importers
Licores y Cremas Lizano	N/A	Retail & HRI	Alajuela	Direct/Local Importers
Coca Cola Femsa	N/A	Retail & HRI	San José	Direct Importer
Fábrica de Refrescos La Flor	N/A	Retail & HRI	San José	Local Importers
<i>Animal Feed and Pet Foods (bulk grains and feed ingredients)</i>				
Corp. Pipasa SRL (Cargill)	N/A	Retail	Heredia	Direct Importer
Drs. Echandi	N/A	Retail	San José	Local Importers
Dos Pinos Cooperativa de Leche RL	N/A	Retail	Alajuela	Direct Importer
Avícola Montserrat	N/A	Retail	Heredia	Direct Importer

D. Sector Trends

Costa Rica's Central Bank announced that GDP grew 2.8 percent in 2015 and it is forecasting 4.2 percent growth in 2016. Inflation reached minus 0.81 percent in 2015, and it is forecast at 3 percent in 2016. Lower inflation was mainly the result of lower international commodity prices, including fuel prices. The Central Bank migrated last year to an "administered floating exchange rate system" under

which supply and demand determine the exchange rate. The Central Bank only intervenes to prevent sharp fluctuations. The exchange rate has remained stable since 2015 at around 540 Colones/ 1 USD. The Central Bank announced earlier this year that it plans to continue building its foreign exchange reserves by adding \$1 billion to reserves in the period January 2016 – December 2017. Foreign exchange reserves represented 14.9% of GDP in 2015, up from 14.6% in 2014.

Total foreign direct investment in Costa Rica amounted to \$2.2 billion in 2015 and it is forecast to reach \$2.35 billion in 2016. Total trade as measured by exports and imports decreased during 2015 with CIF imports totaling \$15.7 billion while FOB exports reached \$9.5 billion. The deficit of the current account of the balance of payments is expected to reach 4.1 percent of GDP in 2016, only 0.1 percent higher than in 2015 (4 percent). Exports are expected to grow in 2016 as a result of higher demand for Costa Rica's agricultural and manufactured products in main markets such as the United States and the European Union. Imports are also expected to grow as a result of higher demand for fuel (the country imports all of its oil needs). The unemployment rate reached 9.6 percent during the fourth quarter of 2015 as compared to 9.2 percent during the previous quarter. Unemployment has remained high since 2010 (higher than 9 percent on average). High unemployment is more prevalent among the younger population, which is an important public concern, according to different surveys.

The market for flexible packaging (such as those used in sauces and mayonnaise) has experienced rapid growth over the past five years. The largest categories of individual final consumption were mayonnaise and tomato sauce (not ketchup).

Some major processors in the Costa Rican food industry include Cargill, Del Monte, Bimbo, Nestle, Demasa, Sigma Alimentos, Chiquita, Dole, Unilever, Riviana among others. Local companies that are growing larger as a result of the free trade agreements, which stimulates production for exports. At present, Costa Rica's population follows the trend towards more ready-to-eat foods, so demand for this type of product has increased domestically. The local processing industry is taking advantage of this niche market and products like refrigerated tacos, tortillas, instant soups and noodles, and desserts, among others, have good market potential in Costa Rica.

Healthy, natural and organic foods also have a niche in the market. There is strong local development of these products in Costa Rica since these imported products are too high priced for the lower economic sector. There is expanded demand for functional foods, such as milk containing Omega 3 and added calcium. The trend for artisanal beer is creating a greater demand for beer ingredient while increased production of food products for export is increasing demand for inputs such as oils, grains, and Mechanically Deboned Meat (MDM). The local dairy industry is continuously launching novelty products, including cheeses, yogurts, and ice cream for the domestic and international markets. Bakery products, dry pasta and canned foods have expanded significantly and novelty products are being launched on a regular basis.

III. COMPETITION

- Ingredients imported from the European Union are competitive due to value of the Euro relative to the US dollar and to the free trade agreement between Central America and Europe.
- Large multinational food ingredient companies have representation in Mexico and also in other

CAFTA-DR countries.

- Primary imported food ingredients are modified starches, thickeners, stabilizers, sweeteners, cocoa and fibers.
- Costa Rica is not self-sufficient in the production of most food products, and relies on imports.
- Given its diversified and stable economy, Costa Rica is able to import its needs, and the population is food secure.

Table 5. Costa Rica: Imports of Select Products in 2015

Product Category	Rank	Major Players	Percentage of Total Imports
Beverages (not alcohol)			
HS Code: 2201-2202 & 1302	1	United States	21.6%
Total Net Imports: 57.51 MT	2	Guatemala	20.6%
	3	Nicaragua	16%
Total Imports 2015: \$49.5 million (CIF)			
Cereals			
HS Code: 1904	1	Mexico	21.4 %
Total Net Imports 2015: 14,052 MT	2	United States	10.8 %
	3	El Salvador	6.2 %
Total Imports 2015: \$25 million (CIF)			
Dairy			
HS Code: 0401:0406	1	United States	29.4%
Total Net Imports 2015: 20.35 MT	2	Panama	19.2%
	3	Chile	18.3%
Imports 2015: \$41.5 million (CIF)			
Wines & Spirits			
HS Code: 2404:2406	1	Chile	40%
Net Imports 2015: 12.5 MT	2	Argentina	16%
	3	Spain	13%
Imports 2015: \$24.4 million (CIF)			
Nuts			
HS Code: 0801-0802	1	United States	61%
Net Imports 2015: 1,763.33 MT	2	Guatemala	12%
	3	Indonesia	8%
Imports 2015: \$10.3 million			
Meat fresh or chilled			
HS Code: 0201:0204	1	Nicaragua	36%
Net Imports 2014: 12,889 MT	2	United States	32%
	3	Chile	24%
Imports 2015: \$56.8 million (CIF)			

Snack Foods & Chocolate Products			
HS Code: 1704; 1904:1905; & 1806			
Net Imports 2015: 60,228 MT	1	United States	28.6%
	2	Mexico	17%
Imports 2015: \$ 145.6 million (CIF)	3	Guatemala	16%
Beer			
HS Code: 2203			
Net Imports 2015: 15,240 MT	1	United States	43%
	2	Mexico	27.3%
Imports 2015: \$9.9 million (CIF)	3	Belgium	7%

SECTION IV. BEST PRODUCT PROSPECTS

The best opportunities for suppliers of food ingredients are among those F&B manufacturing companies that offer high-value and new products to the consumer. The industry sub-sectors with a higher demand for these types of products are as follows:

Table 6. Costa Rica: Product Categories Offering Best Prospects to U.S. Exporters

Product Category	Recommend Products	US Import Value (Million USD) 2014	US Import Value (Million USD) 2015	% Change 2014-2015
Processed vegetables	Broth, tomato paste, tomato products, potatoes, beans, peas, and lentils	26	27.5	5.5%
Snack Foods	Corn chips, confectionary goods, microwave popcorn, baked sweet snacks, snack nuts and seeds	19.4	7.0	4%
Fresh Fruit	Plums, peaches, apples, pears, grapes	21	24.9	18.3%
Consumer Prepared Food	Soup, prepared ham, sausage, pasta products, prepared red meat	28.3	28.7	1.5%
Dairy Products	Yogurt, cheese, milk concentrate or sweetened	16.5	14.9	-9.7%
Beef and Beef Products	Bacon, ham, frozen beef	7.5	12.3	63.9%
Tree Nuts	Almonds, walnuts, mixed nuts	7	9.4	34.1%
Fish /	Shrimp, tuna, lobster, fish, salmon	3.3	2.9	-10.7%

Seafood Products	and other edible fish.			
Wine and beer	Beer, wine	3.9	7.1	79%

Source: U.S. Census Bureau Trade Data

*Denote highest export levels since at least CY 1970

SECTION V. POST CONTACT AND FURTHER INFORMATION

If you have any question or comments regarding this report or need assistance exporting to Costa Rica, please contact the **Foreign Agricultural Service** in San José at the following address:

Phone : (506) 2519-2285 / 2333

Fax: (506) 2519-2097

Email: AgSanJose@fas.usda.gov

Website : www.fas.usda.gov

<http://costarica.usembassy.gov/fas.html>

US Department of Commerce | Global Market Agency/ Global Markets

Phone: (506) 2519-2203

web: www.buyusa.gov/costarica

U.S. Department of State – Economic Section

Fax: (506) 2519-2364

Website: www.sanjose.usembassy.gov/economic

Important Contacts in Costa Rica in the Food Processing and Ingredients Sectors:

Ministerio de Agricultura (SENASA) www.mag.go.cr

Ministerio de Comercio Exterior (COMEX) www.comex.go.cr

Cámara Costarricense de la Industria Alimentaria (CACIA) www.cacia.org

Cámara de Industriales de Alimentos Balanceados www.ciabcr.com

Cámara de Porcicultores www.capor.com

Cámara de Fomento Agropecuario (CORFOGA) www.corfoga.org

Cámara Costarricense de Productores de Leche www.proleche.com

Cámara de Industria de Costa Rica www.cicr.com

Centro Nacional de Tecnología de Alimentos www.cita.ucr.ac.cr