

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Costa Rica

Food Service - Hotel Restaurant Institutional

Tourism continue fueling HRI in Costa Rica

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Report Highlights:

Costa Rica has a well-developed, competitive hotel/restaurant/institutional (HRI) sector. Tourism is a major economic driver for the country, and in 2016 over 40% of international visitors arrived from the United States, far more than from any other region or country. The United States denotes in 2016 highest export levels to Costa Rica of the following products: beef, pork, dairy, processed fruit, chocolate products, snacks, prepared food, pet food, condiments and sausages.

Some of the best prospects for exports to Costa Rica include prime beef cuts, wines, beer, and high value products.

Post:

San Jose

Author Defined:

SECTION I. MARKET SUMMARY

Costa Rica is one of the wealthiest Central American countries, with a population of 4.8 million and purchase power parity per capita GDP in 2017 of US\$17,150 according to the International Monetary Fund. Much of its economic growth results from foreign investment and access to international markets. Total foreign direct investment in Costa Rica reached \$3.4 billion in 2016, with the United States accounting for around half. The Central Bank of Costa Rica reported real GDP growth of 4.2% for 2016 and projected real GDP growth of 4.3% for 2017.

Tourism is one of the primary economic drivers in Costa Rica, representing an important source of foreign currency for Costa Rica's economy and has generated more income than the production of the traditional crops banana, pineapple and coffee. See Table 1 below. The Central Bank of Costa Rica reports that tourism revenues rose 12% to nearly \$3.66 billion for 2016 compared with \$3.25 for 2015. The Travel & Tourism sector contributed 13.4% of GDP in 2016, and it directly supported 110,000 jobs (5.2% of total employment).

Table 1. Costa Rica: Economic Sources of Income

Costa Rica's Main Sources of Income In Millions of US Dollars 2012-2016			
Year	Tourism	Coffee	Bananas
2012	2,517.2	412.4	823.5
2013	2,912.4	302.0	845.3
2014	2,986.7	277.3	904.2
2015	3,254.1	305.9	833.7
2016	3,657.3	308.7	989.5

Source: Bank of Costa Rica and Statistics

<http://www.ict.go.cr/en/statistics/economic-figures.html>

International arrivals grew by 9% in 2016 to 2.9 million, though the Costa Rican Tourism Institute (ICT) projects that for 2017 overall international arrivals increased by only 1.3% and those arriving from the United States decreased by 3.4%. The ICT reports that around 75% of these international visits were for pleasure and 13% were for business purposes. In 2016, around 1.2 million – or 42% of all international

visitors to Costa Rica – arrived from the United States, far more than those from the next largest source, i.e., Central America with 725,000. See Tables 2 and 3 below.

Table 2. Costa Rica: International Arrivals in 2016 (in Thousands of Visitors)

Region	In Thousands of Visitors
North America	1,515.9
Central America	724.6
Europe	434.9
South America	181.2
All Other Regions	68.5
Total	2,936.5

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

Table 3. Costa Rica: Tourist Arrivals from the United States, 2012-2016

Year	International Arrivals	% of Total International Arrivals
2012	921,097	39 %
2013	929,402	38 %
2014	997,262	39 %
2015	1,077,044	40 %
2016	1,233,277	42 %

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

The vibrant tourism sector has provided many opportunities to increase hotel/restaurant/institutional (HRI) sector sales, including the opening of more high-end grocery stores in tourist areas outside the San Jose metropolitan area. In order to meet the increased demand generated by an increase in the arrival of international flights and new airlines coming to the major airports in the Pacific northwest (Daniel Oduber Airport in Liberia) and in the capital San Jose (Juan Santamaría Airport), companies that provide complementary services are making new investments to expand their production capacity and improve the quality of their services. For example, several rent-a-car companies have invested in improving and expanding their vehicle fleet.

In its November 2017 report, the Costa Rican National Institute of Statistics and Census forecasted that the inflation rate would be below three percent for both 2017 and 2018. That report also indicated that through October 2017 the prices for food and beverages (alcoholic and non-alcoholic) had increased at an annual rate between three and five percent.

A. Hotels and Resorts:

Hotels and resorts in Costa Rica offer a wide range of accommodations for the growing business travel and tourism industries. In 2016, Costa Rica had 3,099 hotels, bed and breakfast establishments and other types of accommodation. There were 983 hotels, catering to a wide range of guests, from those looking for simple one-star hotels to those seeking luxurious accommodations. The Costa Rican Chamber of Hotels has registered 32 affiliated hotels that are considered as luxury with five or more stars. One trend is the use of alternatives arrangements to hotels. Of the 9.6 million tourists who visited Costa Rica 2011-2015, almost 700,000 choose lodging options available through platforms such as Airbnb or HomeAway instead of hotels, especially in the Pacific Northwest (Guanacaste) region.

U.S.-based hotel chains are prominent throughout Costa Rica, such as Hilton Group, Best Western, Radisson, and Wyndham. The Enjoy Group has purchased the Marriott Hotels in country, though they will remain affiliated with the Marriott chain. In 2017, Gencom, a Miami-based international luxury hospitality and residential real estate investment and development firm, announced the purchase of the Andaz hotel in Guanacaste, which follows its 2016 purchase of the Four Seasons Costa Rica Hotel.

B. Restaurants:

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

Costa Rica's restaurant sector, specifically fast-food establishments, grew by 5% in 2017. Most of the finest restaurants are located in the San Jose metropolitan area. In recent years, neighborhoods east of San Jose have become attractive places for gourmet cooking establishments such as in old neighborhoods of Amon, Otoya, Aranjuez, Dent, Los Yoses and Escalante. More than eighty restaurants are located within the two square kilometers represented by the neighborhoods mentioned.

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

- Fine-Dining/ Full service restaurants: higher priced
- Casual Dining: higher to medium priced dining
- Fast food casual dining: cafes, bars affordable and fast food

- Mobile fast food kiosks and trucks: this type of fast casual food is being more and more common in local trade shows and events.

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

In the Pacific Northwest tourist hub of Guanacaste, restaurants offer a wide variety of gastronomic options. Costa Rican cuisine includes lightly seasoned fresh fish, chicken or beef, grilled plantains, and a combination of black beans and rice called *Gallo Pinto*. The growth in restaurant operations in Costa Rica offers U.S. exporters many sales opportunities.

Many U.S. restaurant franchises are opening or expanding operations in Costa Rica. Hooters has six restaurants with a total investment of \$3.3 million; Hooligan's has six locations; and Chili's is expected to invest \$2.4 million in two new locations, bringing the total number to five. A local chain called RostiPollos is expanding its presence throughout the country by investing \$1 million to open new restaurants.

C. Fast Food Franchises:

The fast food franchise industry is very competitive in Costa Rica. The rapid rise of tourism has helped to make Costa Rica an attractive market for these franchises. In 2016, this segment grew by 9%. Of the 349 franchises in Costa Rica, 49% were in the food sector. See Chart 1 below. These food franchises provided approximately 32,000 jobs in Costa Rica. About 24% of these food franchises were domestic chains and 76% were international ones. As for international franchises, the majority come from the United States (54%), followed by Italy (17%) and Spain (16%). The franchising sector grew by 85 percent in the last five years, according to the National Franchise Center. Taco Bell, Popeyes, Papa Johns, Dominos, Starbucks, Subway, McDonald's, KFC, Burger King, Quiznos, Johnny Rockets, Teriyaki and others have opened stores or expanded in Costa Rica in recent years. Chuck E Cheese and Buffalo Wild Wings are opening casual dining locations in the Costa Rica market. There have been some closures, including Wendy's departure from the country.

Price is a major competitive factor in the fast food sector, as is delivery of food products. Costa Ricans are price-conscious shoppers. While local consumers are willing to pay slightly more for the perceived quality of American products, they are still concerned about spending their budgets. More franchises are adding local offerings to their menus, such as gallo pinto and tortillas, to help attract local consumers.

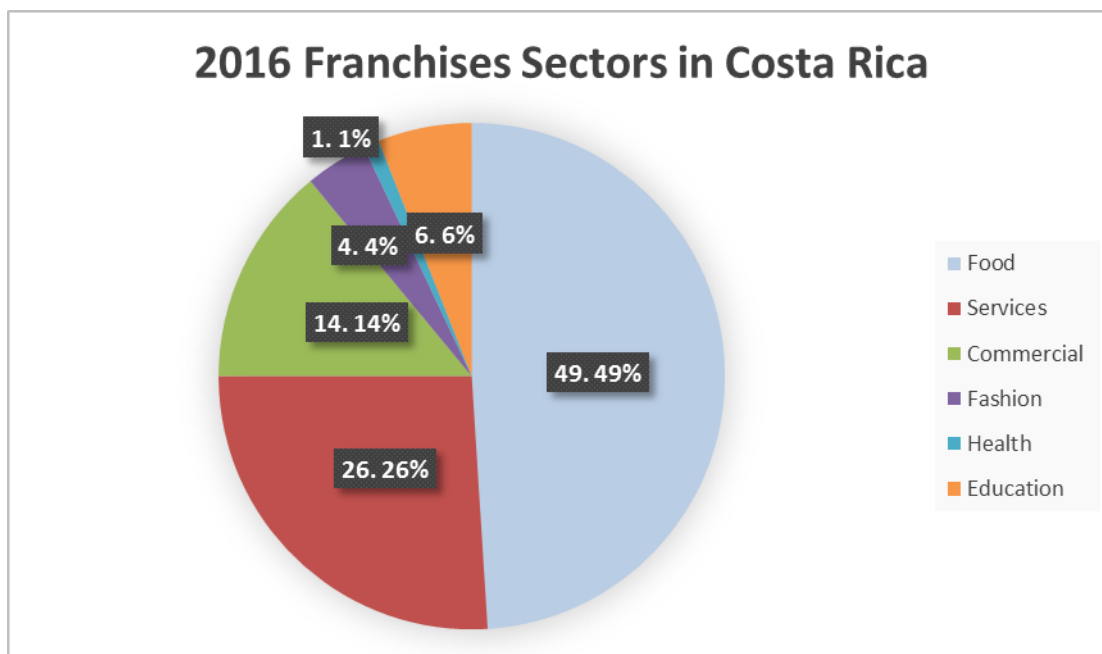
Franchise royalties are subject to a 25 percent withholding tax. However, the United States currently provides a foreign tax credit that may help with this expense. Import taxes vary, depending on the item, but the trend has been toward lower import taxes. The following are approximate tax rates:

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

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

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

Chart 1. 2016 Franchise Sectors in Costa Rica



D. Congresses and Conventions Centers:

The construction of a Costa Rican National Center for Congresses and Conventions in the province of Heredia near the capital San Jose was announced in 2016. It is expected to be completed and ready to be inaugurated in April 2018. The developers have hired an experienced Colombian firm to manage the Center under a four-year contract, which can be extended for an additional four years.

Costa Rica has a number of locations to hold trade shows events, such as the Centro de Eventos Pedregal and Parque Viva in San Jose. Also, concerts and large events can be held at the National Stadium and other sports stadiums throughout the country.

SECTION II. ROAD MAP FOR MARKET ENTRY

A. Entry Strategy

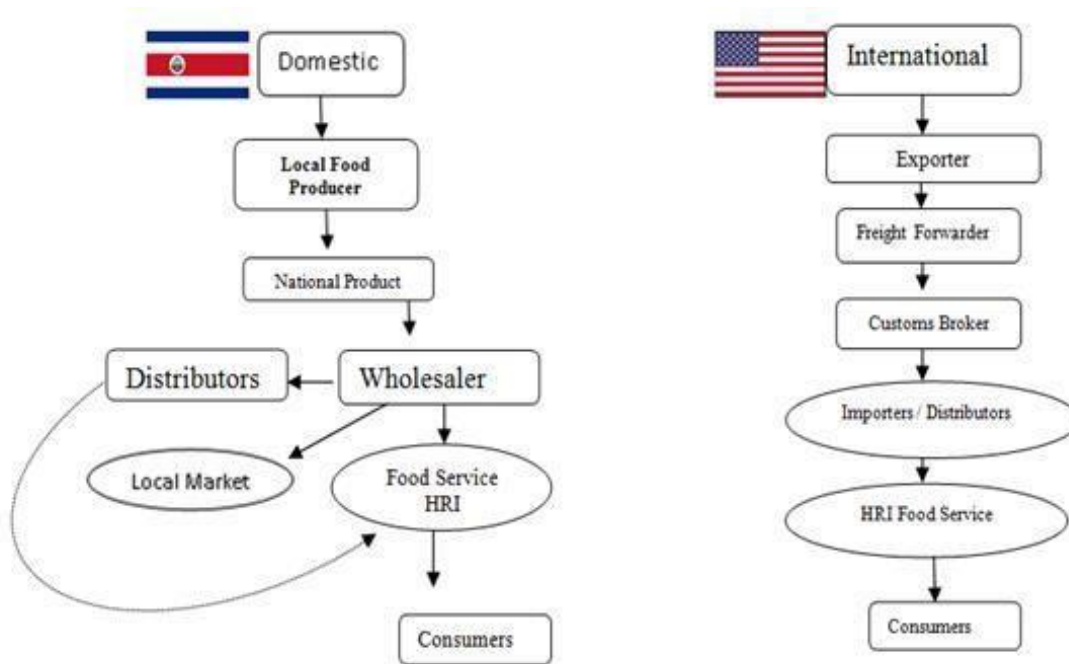
Entering the Costa Rica market can be complicated but is usually easier if a prospective exporter finds an agent or distributor who can provide advice, market knowledge, and contacts. Licenses and franchises are common in Costa Rica. General commercial law will govern contracts or relations between vendors or suppliers and the local company, person or distributor. Distribution services are usually governed by private agreements among parties. Local laws also allow companies and individuals to import directly with no intervention from agents or distributors. Many Costa Rican importers are fully bilingual and business practices in Costa Rica are similar to those in the United States. Selecting the right partner is one of the most important decisions for a prospective exporter when developing a business strategy. It can be helpful to have a distributor and/or a customs broker with experience to be able to handle customs clearance, sanitary/phytosanitary inspection requirements and any guarantees or other licensing procedures that may be required. Logistics are important to be considered and monitored to avoid shipping delays. The exporter should coordinate with the importer on issues such as product registration and/or trademarks.

Price is usually a key factor to consider in the Costa Rican market. Even though there is a certain percentage of the population that is much more interested in quality and trend-setting than price, price generally is a deciding factor for a large portion of the population. Marketing and product education are important.

Social media marketing strategies, such as using Facebook or Twitter, have greatly increased within recent years. Trade shows, seminars and exhibitions can be effective tools for trade promotion in the country. Costa Rica does not host many local trade shows as most local importers prefer to attend U.S. trade shows, promotional events and trade missions to find new contacts and products.

B. Market Structure

Distribution Channels in the Costa Rican Market:



Since the food service sector relies heavily on importers to purchase their food products, there are many companies dedicated to the HRI food service sector. The retail distribution sector generally follows U.S. business practices. Much of the population is accustomed to shopping centers and malls that house retail stores, kiosks, food courts, theaters, and supermarkets. Franchises and smaller mixed-use commercial centers are increasing rapidly due to growing competition from big retail stores such as Price Smart and Walmart, among others. There are currently large department store chains, supermarket chains, and countless small and medium-sized family-owned firms that compete with the larger retailers. Rural areas are served by the "general store," locally known as a "pulperia". Distribution channels do not vary significantly for food/agricultural products. Private firms import consumer foods, while several wholesalers are dedicated to the food import business. The food product distribution chain to supermarkets and to medium and small stores is well developed. Some of the larger supermarket chains import directly.

U.S. companies looking to expand in this market would find it beneficial to work with a local experienced representative and/or establish a local sales office. A local representative or distributor with experience will be helpful during the process requirement for those companies wishing to supply the Costa Rican market. Costa Rican law provides for two main forms of representation – a representative and a distributor. It is possible for one person to be both a representative and a distributor simultaneously.

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

C. Food Suppliers for the HRI Sector

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

In 2017, the global food service firm Sysco Corporation announced the purchase of the remaining 50% of Mayca Distributors, a local leading food distributor across Costa Rica. In 2014, Sysco entered into a partnership with Mayca, purchasing 50 percent of the company. In addition to its distribution business, Mayca has a retail cash-and-carry affiliate with twelve locations, and three additional locations under construction, in addition to a cold-storage company and a truck leasing company. In April 2017, Mayca moved into a 170,000 square-foot facility, the largest foodservice distribution center in Central America, designed to represent the best in technology and energy efficiency. The new facility supports growth through greater operational efficiency, as well as the commercialization of new products and a further enhanced customer experience.

D. Sub-Sector Profiles

1. Hotel and Resort Company Profiles

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

Table 4. Costa Rica: Major Hotel Chains in Costa Rica

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

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

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

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

2. Restaurants

Restaurants and food chains continue to experience growth. Increased competition, rising costs, and changes in consumer needs all characterize the evolving nature of the food service and restaurant industry in Costa Rica.

Table 5. Costa Rica: Major Restaurants Established

Company Name	Sales	Outlet Name, Type & Number of Outlets	Location	Purchasing Agent(s)
P.F. Chang's	N/A	1	San Jose	Enjoy Group
Restaurante Terruno	N/A	1	San Jose	Enjoy Group
Grill Deli Pastas & Cafe	N/A	1	San Jose	Enjoy Group
Acuarelas	N/A	1	San Jose	N/A
Alquimia	N/A	1	San Jose	N/A
Argenta	N/A	1	San Jose	N/A
BBQ Tres Hermanas	N/A	2	San Jose, Guanacaste	N/A
Beso Restaurant	N/A	1	San Jose	N/A
Cacique Asceri	N/A	2	San Jose	N/A
Café- Tal	N/A	1	Cartago	N/A
Carnes y Parrillas	N/A	1	Alajuela	N/A
Casa Bavaria	N/A	1	San Jose	N/A
Ceviche del Rey	N/A	3	San Jose, Alajuela & Heredia	N/A
Chef Christophe French Bakery and Bistro	N/A	1	San Jose	N/A
Di Bartolo	N/A	1	San Jose	N/A
Donde Carlos	N/A	1	San Jose	N/A
Don Rufino	N/A	1	San Jose	N/A
El Novillo Alegre	N/A	5	San Jose, Cartago, Heredia	N/A
Fogo Brasil	N/A	1	San Jose	N/A
Furca	N/A	1	San Jose	N/A
Il Panino	N/A	1	San Jose	N/A
La Bastilla	N/A	1	San Jose	N/A
La Cascada	N/A	1	San Jose	N/A
La Casona de Laly	N/A	2	San Jose	N/A
La Divina Comida	N/A	1	San Jose	N/A
La Gauchada	N/A	1	San Jose	N/A

Starbucks Coffee	N/A	4	San jose	N/A
La Posada de la Bruja	N/A	1	San Jose	N/A
Las Delicias del maíz	N/A	2	Heredia, Cartago	N/A
Le Monastere	N/A	1	San Jose	N/A
Los Antojitos	N/A	2	San Jose	N/A
Lo Spago	N/A	1	San Jose	N/A
Machu Picchu	N/A	2	San Jose	N/A
Outback Steakhouse	N/A	1	San Jose	N/A
Subway	N/A		All around the country	N/A
MacDonalds	N/A	52	All around the country	N/A
Quiznos	N/A	30	All around the country	N/A
Pizza Hut	N/A	55	All the country	N/A
Chancay	N/A	1	San Jose	N/A
Fonda Azteca	N/A	1	San Jose	N/A
El Rancho de Ceci	N/A	1	San Jose	N/A
Carl's Jr	N/A	2	San Jose	N/A
Pescatore	N/A	1	San Jose	N/A
Product C	N/A	3	San Jose, Puntarenas	N/A
Ram Luna	N/A	1	San Jose	N/A
Taco Bar	N/A	2	San Jose	N/A
Tintos y Blancos	N/A	2	San Jose	N/A
Tony Romas	N/A	1	San Jose	N/A
Vino Mundo	N/A	1	San Jose	N/A
Hooters	N/A	6	San Jose	N/A
Cosi	N/A	3	San Jose	N/A
Applebees	N/A	3	San Jose	N/A
Chichis	N/A	1	San Jose	N/A
Chilis	N/A	1	San Jose	N/A
Pollo Tropical	N/A	1	San Jose	N/A
Papa John's	N/A	15	Heredia, San Jose	N/A

3. Institutional in Costa Rica (company cafeterias, hospitals, nursing/retirement homes, schools, golf courses, prisons, and catering for airlines, trains, ships, and special events)

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

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

In addition to supplying traditional customers, the food service sector in Costa Rica also serves a significant number of ships that transit the ports in Puntarenas on the Pacific side and Limon on the Caribbean side.

The Newrest Group in Costa Rica is a multi-sector catering service known as the benchmark for catering services and in-flight catering in Costa Rica serving over 8,700 meals daily. They also operate in retail concessions through foodservice concessions and shops, which are primarily located in airports. The subsidiary offers a range of stores, including local and international franchises. This airline catering company has also benefited from an increase in the arrival of international flights to the country. Newrest Costa Rica, had double-digit growth on an annual basis in the 2013-2016 period in all its businesses (in addition to air catering, it serves airport concessions and institutional cafeterias).

SECTION III. COMPETITION

Strong competition affecting U.S. food, beverages, and agricultural products is mostly due to the proliferation of free trade agreements with other countries such as Canada, Chile, Mexico, China, and Panama. Strong U.S. competitors for snacks and processed foods include Central America countries and China; Chile, Peru and Spain for fruits and other products; Argentina, Canada, and Brazil for grains and oils; and for meat Nicaragua, Chile, and New Zealand.

Due to its strategic location in Central America and its proximity to the United States, Costa Rica has been an attractive destination for U.S. goods and food products. Local producers are increasingly providing hotels and restaurants with vegetables, fruit and processed foods, poultry,

pork and seafood to be consumed by the tourism sector. Other imported products that denote high export levels from the United States are beef products, dairy, process fruit, chocolate and cocoa products, snacks and condiments and sauces.

Central American countries imported \$142 million worth of sauces and their preparations in the first half of 2017. Purchases from the United States grew by 12% compared to the same period in 2016. The main exporters of sauces and their preparations into Central America were Guatemala with \$39 million and Honduras with \$24 million.

Wine, beer and non-alcoholic beverages from the United States are very competitive in the Costa Rican market.

Table 6. Costa Rica: Principal supply sources and advantages or disadvantages

Product Category	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
Fresh Temperate Fruits Net imports: 116,562 Tons	1. Chile 12 % 2. U.S.A. 12 % 3. Peru 6 %	United States is key seasonal supplier of apples, grapes, prunes, nectarines and pears. Other fresh fruits are key seasonal from other countries such as avocado, nuts and kiwi. Costa Rica imported \$ 19 million dollars in 2016.	Local suppliers are small and not able to meet the high demand for fresh temperate fruits.
Fresh Vegetables Net Imports: 10,435 Tons	1. China 62% 2. U.S.A 15% 3. Peru 4%	.	Local production is high and local brands are well positioned in the market at very competitive prices; however, there is a niche for frozen and fresh vegetables at good prices that are also imported to satisfy the need of consumers

<p>Rice Net imports: 163,896 tons</p>	<ol style="list-style-type: none"> 1. U.S.A. 46% 2. Uruguay 20% 3. Brazil 15% 4. Argentina 12% 	<p>The majority of rice imported by Costa Rica is rough rice, but there is also a CAFTA-DR tariff rate quota for milled rice. The Costa Rican government imposed a higher duty through a safeguard measure on milled rice imports to try to limit imports from South America, which had grown in the past few years.</p>	
<p>Dairy Products Net imports: 21,858 tons</p>	<ol style="list-style-type: none"> 1. U.S.A. 31% 2. Panama 19% 3. Chile 13% 	<p>Demand of dairy and variety of cheese products also sweetened condensed milk and yogurts are increasing the demand.</p>	<p>Costa Rica produces – and exports – large quantities of liquid milk, ice cream, yogurt, and cultured milk drinks. However, Costa Rica imports significant amounts of cheese. In 2016, 31% of the value imported cheese came from the United States. Under the CAFTA Free Trade Agreement, dairy products from the United States will enter duty-free by 2025.</p>
<p>Snacks Net imports: 62,294 tons</p>	<ol style="list-style-type: none"> 1. U.S.A. 28% 2. Mexico 17% 3. El Salvador 6% 	<p>U.S. exports of snack foods to Costa Rica totaled US\$ 21.6 million in 2016 the highest export level since the last years. Competing products are imported mainly from Mexico and Central America, Colombia, Chile, Argentina and Europe on a smaller scale. Although the U.S. is facing increased competition in this sector as a result of free trade agreements</p>	<p>Domestic production of potato chips, chocolates and other candies and cookies also provides competition for the United States.</p>
<p>Meat Net imports: 34,372 Tons</p>	<ol style="list-style-type: none"> 1. U.S.A. 47% 2. Nicaragua 29% 3. Chile 21% 	<p>There has been an increase in domestic production of meat, both fresh and frozen, pork and beef as well as fresh or chilled meat, deboned beef, and sardines.</p>	

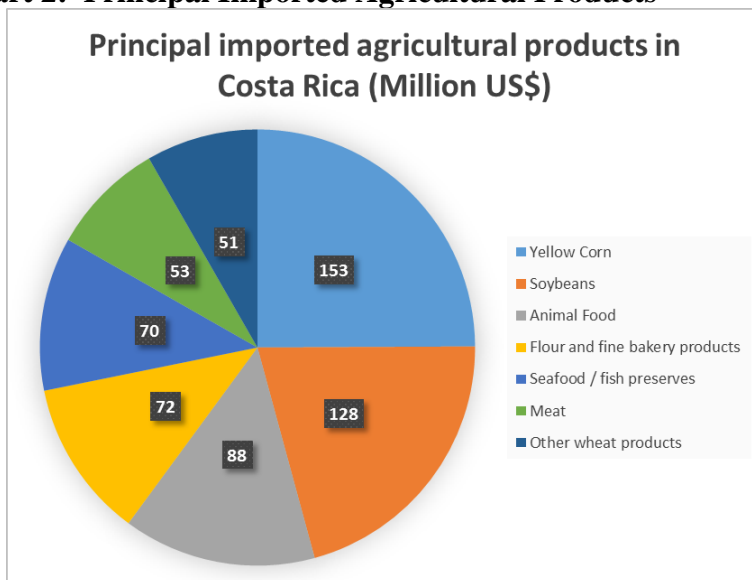
Beverage Net imports: 85,363 tons	1. U.S.A. 30% 2. Guatemala 17% 3. El Salvador 8%	Beverage industry is a competitive market in Costa Rica, new organic and gluten free products are being introduced in the market.	The leaders in this category are companies with a well-developed distribution network and various product mixes that include leading products in different processed foods categories.
Alcoholic Beverages Wines and Spirits Net imports: 27,358 tons	1. Chile 36% 2. Argentina 14% 3. Spain 15% 4. USA 10%	Local consumption and tourism developments along with product innovation and educating consumer are main sales drivers within these products. Volume and value growth remained limited in 2016, with there being a clear trend towards modest pricing and an increase in the penetration of affordable products targeting the growing base of middle-income consumers.	The alcoholic drink category in Costa Rica is experiencing an increased competition in 2016.
Pet Food Net imports: 89,955 tons	1. United States 35% 2. Mexico 20% 3. Brazil 2%	The demand for animal feed has been increasing linked to the growth in animal ownership. Costa Ricans are increasingly allocating a greater portion of their income to pet care.	

Nuts Net imports: 2,022 tons	1. USA 53% 2. Guatemala 12% 3. Vietnam 8%	Consumers in Costa Rica enjoy nuts and seeds and they use them in meals, individually wrapped packages, and various snack foods. Consumer interest in health and wellness is a major driving factor.	The global nuts and seeds market is expected to grow annually by 1.7% for nuts and 10% for seeds in the next several years. Almonds and walnuts, and seeds like chia and hemp, are particularly popular.
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SECTION IV. BEST PROSPECTS

In 2016, U.S. agricultural exports to Costa Rica totaled \$711 million. Exports by major product categories (in million USD) included soybeans (\$122 million), corn (\$114 million), wheat (\$36 million), rice (\$35 million), and prepared foods (\$35 million). The United States is one of Costa Rica’s main suppliers of corn, wheat, rice, soybeans and consumer foods. Although competition from South American countries in the grains markets is strong, U.S. bulk product exports regained market share from South America in 2016.

Chart 2: Principal Imported Agricultural Products



Source: http://procomer.com/es/estudios/anuario_estadistico_2017

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

The wine sector has been growing in Costa Rica and new wine brands are being offered in supermarkets and on restaurant menus. Chilean and Argentinian wines are top sellers due to the price points at which they are available. Imports of U.S. wines and beer continue to grow. There is an emerging market for craft beers and their inputs.

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

SECTION V. POST CONTACT AND FURTHER INFORMATION Contact Information for FAS Office in Costa Rica U.S. Department of Agriculture (USDA)/ Foreign Agricultural Service (FAS)

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