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Report Highlights:

From January-October 2020, U.S. agricultural and related products exports to Costa Rica reached \$591 million. Costa Rica relies on imports of various food products and ingredients which are not locally produced or not produced in sufficient volumes. Consequently, there are opportunities for U.S. food and agricultural suppliers This report is a practical guide for U.S. food exporters interested in marketing and shipping products to Costa Rica. COVID-19 may dampen overall agricultural imports in 2021; however United States will remain Costa Rica's largest trading partner.

Market Fact Sheet: COSTA RICA

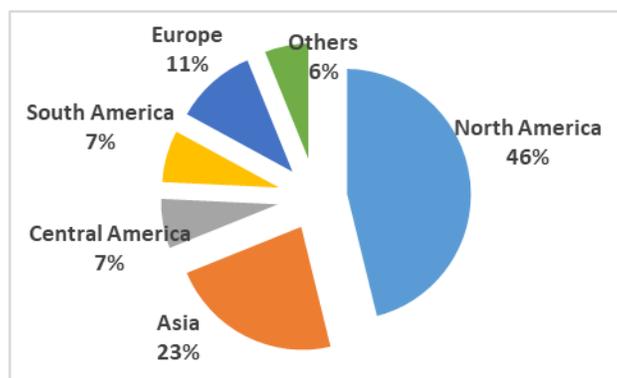
Executive Summary

Costa Rican consumers trust and enjoy the excellent reputation of U.S. food, beverage and product ingredients.

Demand has increased since the implementation of the Dominican Republic - Central America Free Trade Agreement (CAFTA-DR) in 2009. Currently, most products can enter duty free.

Proximity to the United States is a major advantage for shipping time and for U.S. exporters who wish to visit or communicate with potential customers.

2019 Agricultural Imports by Country (percentage share)



Source: COMEX- Ministry of Foreign Commerce
<http://www.comex.go.cr/estad%C3%ADsticas-y-estudios/comercio-bienes/importaciones/>

Food Processing Industry

Most of Costa Rican food processors import their food ingredient needs directly from exporters and a few rely on importers and distributors. They have their own distribution channels to wholesalers, distributors, and retailers, as well as hotels, restaurants and institutional industries nationwide. Distribution channels can be different between local and imported products and are constantly changing.

Food Service Industry

According to the Chamber of Restaurants, the Costa Rican food service industry is made up of an estimated 4,325 food service businesses (consisting of hotel restaurants, restaurant chains and franchises). There are many chain restaurants in the San Jose area and many upscale hotels on the Pacific Coast which cater to tourists.

QUICK FACTS

Costa Rica's Gross Domestic Products (GDP) is expected to shrink by 5% due to the COVID-19 pandemic, according to the updated predictions of the Costa Rican Central Bank.

List of Top 10 Growth Products in Costa Rica

1. Beef, pork and poultry	6. Ingredients
2. Snacks	7. Fish Products
3. Pet Food	8. Juices
4. Dairy Products	9. Tree Nuts
5. Chocolate and cocoa products	10. Processed fruits and vegetables
	11. Ready to eat and Frozen food.

List of Top Retailers

1. Walmart (Pali, Mas X Menos formats)	5. Mayca
2. Automercado	6. Perimercados
3. Fresh Market	7. Saretto
4. PriceSmart	8. Mega Super
	9. Munos y Nanne

U.S. Agricultural Exports to Costa Rica

From January- October 2020

\$591.5 million

COSTA RICA GDP * / Population

Population	5 million
Unemployment	23.0% *INEC for third quarter 2020
GDP (billions USD)	57.5
GDP (per capita)	\$12,017
Exchange rate	612 colones per 1 US\$

*Source: Central Bank of Costa Rica and National Institute of Statistics

Strengths/Weaknesses/Opportunities/Challenges

Opportunities	Challenges
Local processors are steadily increasing their production of processed foods.	Competition remains strong and cheaper, from countries such as Mexico, Guatemala, China, Argentina, and Colombia.
Costa Rican consumers are becoming more sophisticated in their food preferences.	Costa Rica's trade strategy is to continue negotiating free trade agreements with other countries.
The United States is Costa Rica's main trading partner. U.S. food ingredients are well-known and are high quality and reliable.	Business culture in Costa Rica can be slower paced than in the United States, and those wishing to do business in the country should be prepared for this difference.
Costa Rican retailers and chefs are looking to introduce new trendy foods and are open to new market promotion concepts.	U.S. exporters must be patient with export procedures and processes. Costa Rica has many levels of bureaucracy that can slow the importation of food products.

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<http://sanjose.usembassy.gov/fas.htm>

Executive Summary:

SECTION I. MARKET OVERVIEW

Costa Rica has a population of five million people with 80 percent of the population living in urban areas. The median age is 33.5 years. Tourism, services, and high technology drive the economy.

In recent years Costa Rica has achieved moderate economic growth (2.1 percent in 2019), though the impact of the COVID-19 pandemic has affected economic expansion, with mid-2020 World Bank estimates that the economy will contract by about five percent in 2020. Costa Rica is considered to have a well-educated labor force, low levels of corruption, close geographic proximity to the United States, and attractive free trade zone incentives also offer strong appeal to exporters and investors.

When the new government took office on May 8, 2018, it inherited a large and growing national debt and high fiscal deficit estimated at 7 percent of GDP. Measures the government have taken to lower the deficit may lead to lower disposable income. The growing debt and high deficit weaken the local currency (the colon) against the U.S. dollar.

The United States is Costa Rica's largest trade and investment partner. Approximately 53 percent of all Foreign Direct Investment, and 40 percent of all imports are of U.S. origin. Costa Rican importers are well accustomed to working with foreign partners in this market. From January- October 2020, U.S. exports by major product category reached: \$255.2 million for bulk products; \$89.9 million for intermediate products; and \$238.5 million for consumer-oriented products.

Costa Rica does not produce bulk commodities, except for rice and black beans. It relies upon imports to satisfy 100 percent of the consumption of wheat, yellow corn, and soybeans for milling and crushing, chicken, pork, and dairy industries. Significant imports of rice and dried beans are necessary to meet local demand as well.

The Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR, or the Agreement) entered into force for Costa Rica in 2009. The CAFTA-DR significantly liberalized trade in goods and services, and includes important disciplines relating to customs administration and trade facilitation, technical barriers to trade, government procurement, investment, telecommunications, electronic commerce, intellectual property rights, transparency, labor, and environment. This free trade agreement eliminated most of the tariffs for non-agricultural imports and has made both trade and investment in the region more attractive to U.S. companies. The remaining tariffs on virtually all U.S. agricultural products were eliminated in 2020. CAFTA-DR member countries have further promised increased transparency in customs dealings, anti-corruption measures in government contracting and procurement, and strong legal protections for U.S. investors.

Before the COVID-19 pandemic, projections made by the Central Bank of Costa Rica generated \$4 billion in revenue from tourism and the goal for 2021 was to increase to \$6 billion. However, tourism has been hit hard by the pandemic. The Costa Rican travel industry slowly reopened in November. Travel representatives have reported that flights between the United States and Costa Rica are operating at 50 percent capacity.

Table 1. Costa Rica: Advantages and Challenges for U.S. Exporters

Advantages	Weaknesses/ Challenges
The United States is geographically close to Costa Rica, which provides logistical advantages for marketing and trade.	U.S. products from the Western United States and the upper Midwest face higher transportation costs relative to alternate suppliers from the rest of Central America.
U.S. exporters can supply different volumes according to local demand and be viewed as a reliable supplier.	Low volume shipments of high-value products face additional costs since they must go through freight consolidators in Miami or other ports.
The United States now enjoys lower duties in almost all agricultural product due to the CAFTA-DR Agreement. As of 2020 tariffs on nearly all U.S. agricultural products are phased out.	U.S. food exporters are not geared to meet the needs of the “traditional” markets (13,000 mom & pop’s), which sell items packaged in small sizes.
The food processing industry requires a wide range of ingredients, high value consumer oriented and processed foods.	There is increased competition in the industry.
U.S. food products are competitive in terms of price and quality.	Importers of rice still concerned about chalky kernels in U.S. rice. As a result, Costa Rican rice tender offers specify that the rice must be sourced from South America.
Costa Rica initiated a new on-line product registration system, which eventually will reduce registration times for new imported products.	Costa Rica’s often slow and cumbersome bureaucracy poses a challenge to doing business in the country.
With CAFTA, Costa Rica recognized the equivalence of the U.S. meat and poultry inspection systems, eliminating the need for approval of individual plants.	Costa Rica requires facility registration for dairy, seafood, lamb, and egg products. The plant approval process takes several months.
A strong tourism sector (residential and traditional) provides opportunity for U.S. exporters and for development.	Tourism has been hit hard by the pandemic.
Retailers are interested in stocking more U.S. products, including private-labeled goods.	
The Ministry of Agriculture will build new cold chain facilities in tourist areas to facilitate imports of perishables, chilled and frozen foods.	
Costa Rica is not self-sufficient in basic commodities and depends on imported grains and legumes.	South American grain competes aggressively with U.S. grain on price and quality.
Costa Rica generally supports science-based international standards and participates in international standards setting bodies.	Chinese black beans compete with U.S. beans in price because of a Chinese TRQ.
Costa Ricans are beginning to consume higher quantities of frozen and prepared foods.	Local production is increasing in the sector.

II. EXPORTER BUSINESS TIPS

The Costa Rican market offers good opportunities for U.S. exporters of consumer-oriented agricultural products. Negotiations in Costa Rica tend to proceed at a slower pace than those in the United States. Below are some important characteristics that should be noted:

- 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 partner has been selected, the U.S. firm should obtain business and/or credit reports on the Costa Rican company, as part of the due diligence process.
- Once a U.S. company has selected a potential representative, the next step is to negotiate an agreement. The content of this agreement is extremely important, as it will determine the legal basis for any relationship between the exporter and the representative. Engaging a qualified lawyer is strongly advised.
- Credit terms: 3 to 4 months can pass between the time the importer places an order to an exporter to the time they collect payment from retailers.
- Printed materials should be in Spanish, although most Costa Ricans in the business sector are bilingual.
- A personalized approach to business with consistent attention to service and delivery, frequent visits, and follow-ups, is important in Costa Rica.
- Navigation of Costa Rica's import procedures can be tricky. It is best to work with experienced representatives, agents, and importers -- there are many in the country.
- Trademark registration and protection is important.
- Contracts should be in writing and made through consulting top decision-makers.
- Display samples, marketing and volume flexibility in purchase orders support business contract dealings.
- Participating in food trade shows.

Key market drivers and consumption trends

Traditional foods such as rice and beans remain staples in the Costa Rican diet, though new foods are readily accepted by the population. Costa Rica, for example, is the only country in the region where prepared foods account for a significant portion of household food budgets. Beef, rice, breads, and vegetables are typically the largest food expenditures for Costa Rican consumers. Soft drinks and dairy products follow these items in household purchases, with milk being consumed more than cheese. In general, all meat poultry and pork products are well received and increasing local consumption. Seafood is starting to increase however is consumed less than other protein sources. Wheat and corn products are widely consumed by the general population but are consumed in greater quantities by urban residents.

According to different consumer preferences surveys the population with the highest average income in the country shows interest in vegan, vegetarian, organic foods, and less sugar in their preferences. When analyzing each segment, 10 percent of the population shows interest in vegan foods, and of this group of consumers, seven out of ten are between 21 and 45 years old.

A new trend in relation to environmentally friendly packaging alternatives is expected to increase in the future, mainly as the result of heightened awareness about material sourcing and the impact this has on the environment. A broader base of players is likely to promote recycling and reutilization campaigns. Costa Rica’s ban on Styrofoam will be implemented in July 2021,

Table 2. Costa Rica Overall Agricultural Bilateral Trade 2012-2019 in millions of dollars
 Data Source: U.S. Census Bureau Trade Data: BICO-HS10

	2016	2017	2018	2019	Jan-Oct 2020
U.S Exports of Agricultural and Related products to Costa Rica.	707	705	738	729	591

III. FOOD STANDARDS AND REGULATIONS

US exporters may want to consult the latest Costa Rican Food and Agricultural Import Regulations and Standards – Narrative

https://apps.fas.usda.gov/newgainapi/api/Report/DownloadReportByFileName?fileName=Food%20and%20Agricultural%20Import%20Regulations%20and%20Standards%20Country%20Report_San%20Jose_Costa%20Rica_06-30-2020

Ministry of Health’s Registration and Control Department (Ministerio de Salud, Dirección de Registros y Controles) – handles processed foods and beverages. <https://www.ministeriodesalud.go.cr/>

Plant and Animal Health Service (Servicio Fitosanitario y Direccion de Salud Animal) – handles bulk agriculture, fresh fruits and vegetables and other products of fresh fruit/vegetable origin, ornamental plants, fresh, chilled or frozen meat products. http://www.mag.go.cr/acerca_del_mag/adscritas/sfe.html

National Animal Health Service (Servicio Nacional de Salud Animal) – handles live animals, products of animal origin - fresh meat and meat products, milk, cheese, eggs etc., pet food, animal feed, and ingredients for pet/animal food. <http://www.senasa.go.cr/>

Customs Office (Dirección General de Aduanas) – handles procedures for taxation purposes. <https://www.hacienda.go.cr/contenido/284-servicio-nacional-de-aduanas>

IV. MARKET SECTOR STRUCTURE AND TRENDS

Retail Food Sector

The Costa Rican retail sector focused on e-commerce and convenient shopping solutions during 2020. Grocery retailers, mixed retailers and specialists stores across the country invested in e-commerce platforms instead of opening new outlets. These players shifted their attention to improving their e-commerce sites and digital interfaces to support consumer demands for convenient shopping solutions. Home delivery services was the most significant business model to emerge over the last five years. These services have enjoyed a rising popularity among local buyers especially due to the COVID-19 crisis. These services offer consumers multiple payment options.

Convenience stores and “mini-supers” (also known locally as “pulperias”), are small local stores that offer a limited selection of basic goods frequented by local consumers to supplement their weekly purchases. Traditional outdoor markets, of which there are estimated to be around 13,000 in the country, remain popular for produce purchases.

The supermarket format has been gaining prominence in recent years and there are now more than 350 supermarkets in Costa Rica. As retail supermarkets expand their reach and consumer base, they present an excellent opportunity for U.S. exporters of food, beverages, and agricultural products. Market analysts note that 55 percent of food products sold in supermarkets are imported from abroad with 32 percent of these imports being from the United States. There are five major supermarket chains in Costa Rica: Wal-Mart (United States), Gessa (Costa Rica), AutoMercado (Costa Rica), Price Smart (United States), and Megasuper (Colombia). Wal-Mart (under the names of Pali and Maxi Pali) has 185 stores and owns more than 80 percent of all the supermarkets.

Due to increased competition among supermarket chains, retailers strive to offer high-quality products, diversify their product range, and offer in-store services. This has resulted in the growth of prepared foods sold in stores. This trend has coincided with a rise in demand for convenience foods, including healthy convenient food options, which are now popular with consumers. High-end and budget supermarkets and mini supers alike are looking to target this niche. Some food distributors can provide entry into both retail outlets and to the food service sector. Entry into smaller retailers is best accomplished through working with local distributors.

Hotels and Resorts:

Costa Rica was forced to temporarily close its borders in March of 2020. The Costa Rica Tourism Board (ICT) report that despite Costa Rica opening to visitors from all U.S. states on November 1, the pandemic and entry requirements will limit passenger volume to 35-40 percent of 2019’s volume. Of the 3,139,000 international visitors to Costa Rica in 2019, more than half (1,666,571) came from North America. The Costa Rican travel industry has been slowly reopening in November. Travel representatives report that flights between the United States and Costa Rica are operating at 50 percent capacity.

Hotels and resorts in Costa Rica offer a wide range of accommodations. The government is developing a comprehensive travel and tourism plan with a special emphasis on cultural and eco-tourism. Of the 12.6 million tourists who visited Costa Rica over the past five years, almost 700,000 preferred lodging options available through platforms such as Airbnb or HomeAway instead of hotels.

Restaurants:

During COVID-19 the food and beverage sector has been highly impacted by restrictions and social distancing regulations. Restaurants are innovating to gain the trust of consumers by the use of sanitary protocols such as scanning the QR codes to view the menu and reducing physical contact with the waiters.

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.

In general, 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. In the Pacific Northwest tourist hub of Guanacaste, restaurants offer various 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 has been slow but there are still opportunities for U.S. exporters to supply the many international franchises in the San Jose area.

Fast Food/Franchises:

Competition is intense in the fast-food sector. In the first quarter of 2020, franchises such as Tony Roma's, Hard Rock Café, Hooters and Applebee's closed. However, the Olive Garden opened its first two restaurant in the country and plans to open several others.

V. BEST CONSUMER-ORIENTED PRODUCT PROSPECTS

Costa Rica's economy will contract in 2020. Tourism has been hit hard by the pandemic. Economic growth is expected to begin to recover during mid-2021. Upon recovery, Costa Rica will be a good market for high-value consumer-oriented products from the United States.

U.S. food products and food companies continue to penetrate the market, as local consumers are both receptive and accustomed to U.S. food products. U.S. food companies, restaurants, and supermarket chains have been highly successful in Costa Rica and have a strong presence in the country. Meat, pork, and poultry sales have increased substantially in recent years. Bakery and confectionary products have shown impressive levels of growth, as are savory condiments and sausages. Gourmet products and prepared food are widely distributed throughout the country. These products are consumed principally by high and medium-income consumers.

Please review current and historical data on international trade and best consumer-oriented products in the following database <https://apps.fas.usda.gov/gats/detectscreen.aspx?returnpage=default.aspx>

Demand for healthy, and/or gourmet snack items is increasing as well. Gluten free snacks and organic products and ingredients, dried fruits, whole wheat/grains, and high-quality ingredients are gaining ground with health-conscious consumers. This trend for healthy products is not limited to snack foods either. Demand for niche food items such as organic shelf products or gluten-free goods, non-dairy, vegetarian/vegan products etc. is expanding, which bodes well for U.S. exporters wishing to capitalize on this trend.

There is a wide variability in the kinds of ingredients of animal and vegetable origin 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, whey protein, among others. Costa Rican consumption of herbs, herb extracts and fruit pulps has

increased significantly as a result of expansion of the beverage and the confectionary industries into teas, jellies and juices. The use of spices has increased following a gourmet trend in the preparation of home-made meals and desserts, as well as in restaurant menus and industry formulations.

Meat exports to Costa Rica demonstrate excellent new opportunities for U.S. exporters as well. With CAFTA, Costa Rica recognized the equivalence of the U.S. meat and poultry inspection systems, eliminating the need for approval of individual plants. Pork products stand out as having great export potential; bacon, ham, and pork leg (especially during the winter months) are all popular imports from the United States. Exports of processed meats, prepared meats, and preserved meats between 2015 and 2020 expanded significantly, and consumption of prepared meats continues to grow. In 2019, the United States exported \$73.6 million dollars of beef, pork, and poultry products to satisfy local consumers. From January-October 2020 the total for these products is \$57.4 million dollars.

CAFTA tariff rate declines have provided opportunities for U.S. black bean exports. These exports have risen over 400 percent (from \$1.6 million in 2019 to \$8 million from January-October 2020).

Regarding dairy products, the local company Cooperativa de Productos de Leche Dos Pinos, RL continues to be the major supplier of dairy products. Consumers of dairy products continue to look for new dairy varieties, quality, and new nutritional options. Facility registration plant requirements for new dairy exporters substantially delay the time needed to enter the Costa Rican market.

Other export sectors with impressive levels of growth include snack foods; non-alcoholic/juice beverages; nuts; processed vegetable; chocolate & cocoa products and pet food.

Table 3. Costa Rica: 2019 Highest Export Levels for U.S. Exporters by Sector (Millions of dollars)

Product Category	2019 Imports In Million USD	1-yr. Avg. Annual Import Growth	Market attractiveness for USA
Beef & Meat products	18.3*	5.5%	Consumers are searching for more U.S. cuts in the local market.
Pork & Pork products	24.4*	36-4%	Under CAFTA, Costa Rica recognized the equivalence of the U.S. meat inspection systems for beef, pork and poultry, eliminating the need for approval of individual plants.
Nuts	12.8*	16.5%	Supermarket and retail food service always demand new products. Nuts are considered a trendy, healthy snack.

Condiments and Sauces	13.9*	23.9%	Ethnic flavors and natural products are becoming more popular with consumers. Demand for products such as stock cubes, ketchup, mayonnaise, and spicy sauces continues. Consumers are becoming more innovative and interested in cooking sauces as well as in trendy herbs and spices such as turmeric and multicolor peppercorns.
Dairy Products	28.5*	24.7%	Demand for cheese is mature as there is price-based competition among the most popular products (which includes processed cheese and unpackaged hard cheese), Wealthier buyers are interested in gourmet options.
Processed Fruit	5.3*	27.8%	There is consumer demand for healthy, safe, long shelf life products.
Prepared Food	42.3*	20%	As demand for inventive meal options has grown, grocers have branched out into offering new services and store formats that resonate with younger generation who do not have time to prepare food.
Snacks Foods NESOI	24.6*	6.6%	Costa Rica consumers are searching for new trends in nutritional snacks.
Dog and Cat Food	21.6		There is demand for quality pet food. Consumers will continue to demand more convenient and healthier products for their pets.

Trade Data Source: U.S. Census Bureau Trade Data Bico Report

Denote Highest Export Levels Since at Least CY 1970

<https://apps.fas.usda.gov/gats/detectscreen.aspx?returnpage=default.aspx>

VI. KEY CONTACTS, AND OTHER RELEVANT REPORTS

U.S. Embassy Commercial, Agricultural and Trade-Related Contacts

Department of Agriculture Foreign Agricultural Services (FAS)

Phone: (506) 2519-2285

Email: AgSanJose@fas.usda.gov

Website: www.fas.usda.gov

Department of Commerce – U.S. Foreign Commercial Service

Phone: (506) 2220-2454

Email: san.josecr.officebox@mail.doc.gov

Website: www.export.gov www.buyusa.gov

Ministerio de Salud (Ministry of Health)

Dirección Atención al Cliente

Phone: (506) 2222-5749

Website: www.netsalud.sa.cr

Ministerio de Agricultura y Ganadería (Ministry of Agriculture)

Phone: (506) 2290-5463

Website: www.mag.go.cr

Servicio Fitosanitario (Plant and Animal Health Services)

Phone: (506) 2260-8300

Website: <http://www.sfe.go.cr/>

Servicio Nacional de Salud Animal (National Animal Health Service)

Phone: (506) 2260-8300

Email: info@senasa.go.cr

Website: <http://www.senasa.go.cr/senasa/sitio/>

APPENDIX - STATISTICS YEAR 2019

1/ USDA Gain Reports by country <https://gain.fas.usda.gov/Pages/Default.aspx>

2/ Report by the World Bank <http://data.worldbank.org/country/costa-rica>

3/ Report by the National Statistics Census <http://www.inec.go.cr>

4/ Report Central Bank: <http://indicadoreseconomicos.bccr.fi.cr/indicadoreseconomicos>

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

Attachments:

No Attachments