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Report Highlights:

With a stable democracy, predictable business climate, and economic growth fueled by a resurgent tourism industry, Costa Rica presents excellent export opportunities for U.S. food and beverage exporters in 2022. After record-setting exports in 2020, shipments of U.S. agricultural and related products to Costa Rica were nearly 40 percent higher through October 2021, with all major product categories showing double-digit growth. The Exporter Guide is a great place to begin your research into this dynamic Central American market.

Market Fact Sheet: COSTA RICA

Executive Summary

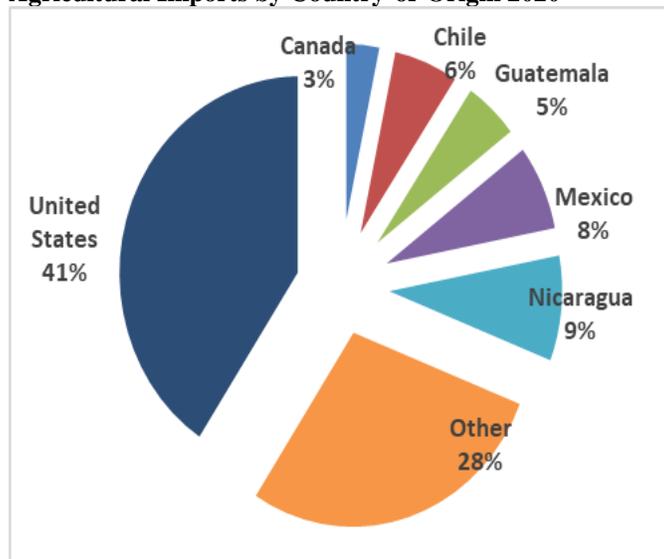
The United States is Costa Rica's largest trading partner and largest foreign direct investor. Costa Rican consumers trust and enjoy U.S. food and beverage products, exports of and demand for which have increased since the 2005 entry into force of the Dominican Republic - Central America Free Trade Agreement (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 2020, U.S. agricultural and related product exports to Costa Rica reached a record high of \$737 million.

Imports of Consumer-Oriented Products

In 2020, 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 (TRQ), all of which will be phased out by 2025. The U.S. pork TRQ was phased out in 2020, and pork exports through the first nine months of 2021 were up by more than 80 percent over the same period in 2020.

Strong market prospects for U.S. consumer-oriented products such as beef, pork, poultry, dairy, wine and beer, snack foods, ready-to-eat meals, frozen food products, condiments, cereals, and pet food have driven strong category growth, reaching a record high of \$320 million in 2019 before the pandemic. U.S. consumer-oriented exports to Costa Rica in 2021 are on pace to shatter the 2019 record.

Agricultural Imports by Country-of-Origin 2020



Source: Trade Data Monitor, LLC.

Food Processing Industry

Most Costa Rican food processors import ingredients directly from exporters and few rely on importers and 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.

Food Retail Industry

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 2020.

Quick Facts CY 2020

Imports of Consumer-Oriented Products \$295 million

List of Top 10 Growth Products in Host Country

- | | |
|------------------------|-----------------------|
| 1) Beef, Pork, Poultry | 6) Tree nuts |
| 2) Snacks | 7) Cereals |
| 3) Pet Food | 8) Processed fruits |
| 4) Juices | 9) Condiments |
| 5) Dairy Products | 10) Wines and Spirits |

Top 10 Host Country Retailers

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

U.S. Food & Beverage Exports to Costa Rica \$ 737 million

Population	5.1 million
Unemployment rate	20%
GDP (billions USD)	\$60.1
GDP (per capita)	\$12,017
Exchange rate	625 colones : \$1 USD

Source: Central Bank of Costa Rica

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
Consumer preferences are becoming more sophisticated.	Buyers have cultural linkages to European and other suppliers.
Chefs are interested in new and trendy food concepts.	Levels of bureaucracy and a lengthy product registration process.

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SECTION I. MARKET OVERVIEW

Costa Rica is the oldest continuous democracy in Latin America, celebrating the bicentennial of its independence in September 2021. Costa Rica has a population of five million people with 80 percent of the population living in urban areas. Tourism, services, and high technology drive the economy. Costa Rica is considered to have a well-educated labor force, close geographic proximity to the United States, and attractive free trade zone incentives also offer strong appeal to exporters and investors. Despite its small size and small population, Costa Rica is a global leader on climate change issues and is implementing concrete plans to decarbonize its economy by 2050; more than 99 percent of electricity is from renewable sources.

Despite strong mitigation efforts, an estimated 124,000 people fell into poverty during the COVID-19 pandemic, pushing the poverty rate to 13 percent in 2020. The crisis also interrupted Costa Rica's incipient fiscal consolidation built on important reforms in 2018 and 2019. However, according to the World Bank the Gross Domestic Product (GDP) is expected to grow 2.6 percent in 2021, supported by improvement in external conditions and recovering confidence of economic agents. As the vaccination campaign rolls out worldwide (and in Costa Rica) and as mobility restrictions are lifted and tourism fully recovers, growth is expected to accelerate to 3.3 percent in 2022.

General political elections are scheduled to be held in Costa Rica in February 2022. Current domestic issues include Costa Rica's persistent fiscal deficit, public sector corruption, internal bureaucracy, the high cost of energy, the state of basic infrastructure and the impact of the COVID 19 pandemic. Over the next several years, plans are in place for major upgrades involving rail, ports, airports, highways, and water systems. The World Bank's "Ease of Doing Business 2021" report ranked Costa Rica 74 out of 190 countries worldwide in terms of conditions for opening and doing business.

Costa Rica ratified the Central American Free Trade Agreement (CAFTA-DR) with the United States in 2009. 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 to be eliminated by 2020. CAFTA-DR member countries have promised increased transparency in customs dealings, anti-corruption measures in government contracting and procurement, and strong legal protections for U.S. investors.

The United States remains 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. In 2020, U.S. agricultural exports by category were: \$322 million for bulk products; \$112 million for intermediate products; and \$294 million for consumer-oriented products.

Costa Rica largely 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 to support the chicken, pork, and dairy industries. Significant imports of rice and dried beans are necessary to meet local demand as well.

Table 1. Costa Rica Market Overview Summary

Advantages	Disadvantages
U.S. geographic proximity 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 Central American suppliers.
U.S. exporters can supply different volumes according to local demand and are 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.
Lower duties for almost all agricultural products under CAFTA-DR. Tariffs on nearly all U.S. agricultural products were phased out in 2020.	U.S. food exporters are not geared to meet the needs of smaller retailers (13,000 ‘mom & pop’ stores), which sell items packaged in small sizes.
The food processing industry requires a wide range of ingredients as well as high-value consumer-oriented and processed foods.	Increasing competition in the food processing sector from Central America, South America, and China.
U.S. food products are competitive in terms of price and quality.	Costa Rican rice tenders often specify rice be sourced from South America, due to concerns about U.S. rice attributes.
Costa Rica has an on-line product registration system, which has reduced registration times for new imported products.	Costa Rica’s often slow and cumbersome bureaucracy poses a challenge to doing business in the country.
Under CAFTA-DR, Costa Rica recognized the equivalence of the U.S. meat and poultry inspection systems, eliminating the need for approval of individual plants.	However, Costa Rica requires facility registration for dairy, seafood, lamb, and egg products. The plant approval process generally takes several months.
A strong tourism sector (domestic and international) supports strong food service opportunities for U.S. exporters.	Tourism has been hit hard by the pandemic.
Costa Rica is not self-sufficient in commodities, depending on imported grains and legumes.	South American grains compete aggressively with U.S. grains 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 on 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.

Key Demographic Trends

The population of Costa Rica is projected to reach 5.2 million by the end of 2021, with a median age of 33.5 years and a life expectancy of 80 years according to the United National Population Division. Approximately 84 percent of the population lives in the metro area around San José, the national capital and largest city. Other cities in Costa Rica include Cartago (156,600 people), Limón (105,000), Puntarenas (102,504), and Liberia (98,751). Population growth has been steady at approximately one percent annually; the population is projected to reach 5.7 million people in 2050. An expanding consumer base and rising incomes make Costa Rica increasingly attractive as a consumer market, despite a near-term dip in the economy as a result of the Coronavirus pandemic.

According to the National Institute of Census (INEC) the number of households grew more than 1 percent to 560,000 in 2020. Within Costa Rican households with children, 69 percent have one child, 21 percent two children, 8 percent have three children, and only 2 percent have four children or more. According to Euromonitor 95.2 percent of households have water supply and 100 percent have electricity. Costa Rica's per capita gross income in 2020 was \$12,017.

SECTION 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:

Market Access

FAS San José recommends the following steps when entering to 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.

Other important elements to consider while doing business in Costa Rica are:

- 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.
- 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 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.
- 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 U.S. firm's due diligence.
- Contracts should be in writing and made through consulting top decision-makers.
- Marketing funds and flexibility in purchase order volumes support business contract dealings.
- Credit terms: 3 to 4 months can pass between the time the importer places an order with an exporter to the time they collect payment from retailers.
- Trademark registration and protection is important.
- Printed materials should be in Spanish, although most Costa Ricans in the business sector are bilingual.

In addition, the U.S. Department of Agriculture's Foreign Agricultural Service (FAS) provides trade services at no cost to U.S. companies interested in exporting agricultural, fishery, and forestry products. FAS works with USDA agencies and other U.S. food safety-related agencies (the United States Food and Drug Administration) to coordinate the U.S. Government response to sanitary, phytosanitary, and technical barriers to trade, including challenges posed by new procedures introduced at ports or acquiring, translating, and coordinating the U.S. Government response to draft regulations that could affect U.S. exports.

SECTION III. FOOD STANDARDS AND REGULATIONS

U.S. exporters should consult the latest FAS/San José Food and Agricultural Import Regulations and Standards (FAIRS) report (available [here](#)) to better understand the regulatory requirements applicable to their product. Key Costa Rican regulatory agencies and resources are linked below:

[Ministry of Health Registration and Control Department](#) (Ministerio de Salud, Dirección de Registros y Controles) handles processed foods and beverages.

[Plant Health Service](#) (**Servicio Fitosanitario del Estado**) handles grains and oilseeds, fresh fruits and vegetables and other products of fresh fruit/vegetable origin, ornamental plants.

[National Animal Health Service](#) (**Servicio Nacional de Salud Animal**) handles live animals and products of animal origin – fresh meat and meat products, milk, cheese, eggs, etc. – pet food, animal feed, and ingredients for pet/animal food.

[Customs Directorate General](#) (**Dirección General de Aduanas**) – handles procedures for taxation purposes.

SECTION IV. MARKET SECTOR STRUCTURE AND TRENDS

Overall Business Climate 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 local consumption is increasing. 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 preference surveys, the population with the highest average income in the country shows interest in vegan, vegetarian, organic foods, and foods with less sugar. Among those showing interest in vegan foods, seven out of ten are between 21 and 45 years old.

The importance of environmentally friendly packaging alternatives is growing as a result of heightened awareness about material sourcing and environmental impacts. Costa Rica implemented a ban on styrofoam packaging and containers in August 2021.

Food Processing Sector

Costa Rican food processors continue to rely on imported ingredients and raw materials to grow their operations. A more in-depth analysis of the food processing and ingredients market is available in the [Food Processing Ingredients GAIN Report](#).

Retail Food Sector

There are good market prospects for U.S. consumer-oriented products, even with the pandemic situation, including beef, pork (chilled/fresh), poultry, dairy, wine and beer, snack foods, condiments, natural/organic food products, and cereals. U.S. exports of these products have seen impressive growth in recent years, reaching \$295 million in 2020. More information on the retail sector in Costa Rica is available in the [Retail Foods GAIN Report](#).

Hotels and Resorts

Costa Rica temporarily closed its borders in March 2020, as part of its pandemic response measures. Of the more than 3.1 million international visitors to Costa Rica in 2019, more than half came from North America; with approximately 1.3 million U.S. tourists. The Costa Rica Tourism Board (ICT), tourism levels in September 2021 had returned to nearly 70 percent of September 2019 levels, with U.S.-origin tourism flows at more than 90 percent of pre-COVID levels.

Hotels and resorts in Costa Rica offer a wide range of accommodations for the growing business and tourism industries, with a special emphasis on eco-tourism. The popularity of peer-to-peer rental properties – through platforms such as Airbnb or HomeAway – is growing and having a measurable impact on the hotel industry in Costa Rica, especially in the Pacific Northwest (Guanacaste) region. More information on the hotel sector is available in the [Food Service – Hotel Restaurant Institutional GAIN Report](#).

Food Service Sector

As the COVID-19 pandemic began to take hold, thousands of restaurants were quickly forced to close, including many that will unfortunately never reopen. Food service operations adapted inventories and operating formats – smaller volumes and smaller turnover – to serve a principally local customer. Restaurants continue to innovate in use of technology and sanitary protocols, such as scanning QR codes with smartphones instead of menus and reducing physical contact with servers. As digital orders more than doubled across nearly every category of foodservice in 2020, restaurants gained access to vast quantities of new consumer data that have helped operators better understand consumer behavior and preferences.

Restaurant sector growth is slow but offers U.S. exporters opportunities to supply the many international franchises and fine dining outlets in the San José area. In recent years, neighborhoods east of San José have become culinary focal points, with innovative establishments in old neighborhoods of Amon, Otoyá, Aranjuez, Dent, Los Yoses and Escalante. Costa Rican cuisine generally includes lightly seasoned fresh fish, chicken or beef, grilled plantains as well as black beans and rice. More information on the food service sector is available in the [Food Service – Hotel Restaurant Institutional GAIN Report](#).

Table 2: Most Popular Franchises in Costa Rica

Franchises	Points of Sale	Employees
Subway	72	720
Pizza Hut	70	N/A
McDonalds	65	1900
Taco Bell	42	700
Burger King	24	N/A

Source: *El Financiero Local News Paper*

SECTION V. BEST CONSUMER-ORIENTED PRODUCT PROSPECTS

As Costa Rica’s economic recovery is expected to gain traction in 2022, the market will continue to present excellent opportunities for high-value consumer-oriented products from the United States. U.S. 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 have 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.

Demand for healthy and gourmet snack items is increasing as well. Gluten-free snacks and organic products and ingredients, dried fruits, whole 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 packaged goods, gluten-free goods, non-dairy and vegetarian/vegan products is expanding, which bodes well for U.S. exporters seeking to capitalize on this trend.

Costa Rican food processors’ consumption of herbs, herb extracts and fruit pulps has increased significantly as a result of expansion of the beverage and 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 and meat products continue to enjoy excellent opportunities for growth under the CAFTA-DR Agreement, with pork products (bacon, ham, and pork leg) standing out. Exports of processed, prepared, and preserved meats expanded significantly between 2015 and 2019, and consumption of prepared meats continues to grow. CAFTA-DR tariff rate declines have also provided opportunities for U.S. black beans, which rose over 400 percent to \$8 million in 2020 and continue to grow.

Costa Rican consumers continue to look for new dairy products, prices for which are quite high in Costa Rica. Unfortunately, facility registration requirements for new-to-market U.S. dairy facilities substantially extend the time needed to enter the Costa Rican market, and import volumes remain will limited by restrictive CAFTA-DR tariff rate quotas through January 1, 2025.

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

Table 3: Retail Value Growth Packaged Food and Fresh Fruit 2018-2020 in millions of dollars

Category Product	2018	2019	2020
Packaged Foods	104.1	107.2	120.8
Cooking Ingredients and Meals	104.8	107.9	124.2
Staple Foods	102.4	105.3	120.9

Sources: Packaged Food: Euromonitor from trade sources/national statistics

Table 4. Total Agricultural Imports to Costa Rica From Top Suppliers (2016-2020)

Partner Country	Calendar Year(Value: USD)				
	2016	2017	2018	2019	2020
World	1,746,867,417.00	1,790,031,091.00	1,883,465,698.00	1,896,572,129.00	1,903,395,753.00
United States	799,298,238.00	811,505,103.00	873,640,430.00	839,859,364.00	838,056,309.00
Mexico	128,015,155.00	138,361,897.00	146,650,533.00	153,440,860.00	152,473,056.00
Nicaragua	107,614,179.00	112,032,900.00	105,930,342.00	113,245,903.00	114,117,670.00
Guatemala	83,818,378.00	86,056,187.00	88,734,912.00	87,172,051.00	82,367,104.00
Canada	58,487,279.00	67,299,312.00	69,353,953.00	76,853,781.00	80,338,302.00
Brazil	37,075,456.00	27,862,493.00	44,528,653.00	45,044,844.00	73,667,189.00
Chile	88,090,486.00	96,684,718.00	86,773,766.00	80,929,581.00	69,937,113.00
Honduras	30,648,291.00	26,293,697.00	31,544,656.00	44,480,644.00	43,486,669.00
Spain	26,615,878.00	37,017,557.00	38,802,945.00	41,484,531.00	43,432,823.00
China	44,863,742.00	45,210,983.00	39,428,068.00	40,666,926.00	38,773,453.00
Argentina	24,777,281.00	28,358,317.00	27,072,724.00	47,316,640.00	37,297,805.00
Netherlands	32,845,270.00	31,379,043.00	27,338,197.00	29,882,457.00	29,607,410.00
Colombia	19,082,367.00	23,135,297.00	25,402,762.00	27,490,975.00	28,869,136.00

Data Source: Trade Data Monitor, LLC.

Note: Values in this table reflect CIF landed values of imports recorded by the Costa Rican National Institute of Statistics, and these numbers differ from U.S. Census Bureau data drawn from the FAS Global Agricultural Trade System used throughout the report.

Table 5. Costa Rica: 2020 Highest Export Levels for U.S. Exporters by Sector (Millions of dollars)

Product Category	2020 Imports In Million USD	Market attractiveness for USA
Beef & Beef Products	17.8	Consumers are searching for more U.S. beef cuts.
Pork & Pork Products	22.8	With 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.
Poultry & Poultry Products	30.1	The upward trend in regional chicken meat consumption has been steady in recent years. Consumers are looking for protein in their diets with a reasonable price and good quality / consistency.
Nuts	12.7	Supermarket and retail food service always have demand for new products. Nuts are considered a trendy, healthy snack.
Condiments and Sauces	14.9*	Ethnic flavors and natural products are becoming more popular with consumers. Demand for products such as stock cubes, ketchup, mayonnaise, and spicy sauces continues to grow. Consumers seek innovation within more specialized products, including other table and cooking sauces, as well as in trendy herbs and spices, such as turmeric and multicolor peppercorns.
Dairy Products	25.6	Demand for cheese has plateaued somewhat in the face of relatively high retail prices for cheeses of all varieties, including processed and natural cheeses. Wealthier buyers are interested in gourmet options.
Fresh Fruit	11	Consumer demand for fresh fruits and vegetables has grown since the start of the COVID-19 crisis.
Bakery Goods, Cereals and Pasta	23	Costa Rican consumers are searching for new bakery trends and nutritional cereals and tasty flavor pasta.
Dog and Cat Food	26.5*	Demand for quality pet food has grown rapidly. Consumers will continue to demand more convenient and healthier products for their pets.

Product Category	2020 Imports In Million USD	Market attractiveness for USA
Seafood Products	5.1*	Seafood products demand is increasing, helping drive U.S. seafood exports to Costa Rica to a 2020 record high. Growing health-consciousness and the perceived benefits of consuming finfish and shellfish should help maintain demand for seafood.

Data Source: U.S. Census Bureau Trade Data

**Denote Record High Export Levels*

VI. KEY CONTACTS, AND OTHER RELEVANT REPORTS

U.S. Department of Agriculture, Foreign Agricultural Services (FAS), San José, Costa Rica

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1/ USDA Gain Reports by country <https://www.fas.usda.gov/regions/costa-rica>

REPORT NUMBER	TITLE	DATE
CS2021-0002	Food Processing Ingredients Report	March 30, 2021
CS2021-0006	Retail Foods	June 30, 2021
CS2021-0007	Food and Agricultural Import Regulations and Standards Country Report	June 30, 2021
CS2021-0008	Food and Agricultural Import Regulations and Standards Export Certificate Report	June 30, 2021
CS2021-0010	Food Service- Hotel Restaurant Institutional	September 30, 2021

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

3/Costa Rica Country Commercial Guide <https://www.trade.gov/country-commercial-guides/costa-rica-market-overview>

Attachments:

No Attachments