

Required Report: Required - Public Distribution

Date: November 27,2019

Report Number: CS2019-0011

Report Name: Exporter Guide

Country: Costa Rica

Post: San Jose

Report Category: Exporter Guide

Prepared By: Laura Calzada

Approved By: Anita Katial

Report Highlights:

Costa Rica's economy growth rate slowed in 2018 to 2.7 percent compared with an average rate of growth of 3.8 percent over the ten previous years. The introduction of fiscal austerity measures, national strikes against those fiscal measures, and a decline in the worldwide growth rate contributed to this slowdown. Nonetheless, Costa Rica's market presents a good opportunity for exporters of U.S. products, which are generally regarded as being of high quality. The CAFTA Free Trade Agreement provides opportunities for U.S. products. In 2018, the United States exported \$733 million of agriculture products, which was 21 percent more than in 2017, and exporter are projected to increase by 10 percent in 2019. The leading prospects for consumer-oriented products are U.S. prime beef cuts, juices, animal feed and fish products. U.S. exports of consumer-oriented products reached \$ 291 million in 2018.

Market Fact Sheet: COSTA RICA

\$ 733 million

**U.S. Agricultural Exports 2018
21%**

35

million



Among U.S.
Agricultural Export
Markets, 2018

Source: FAS Global Agricultural Trade System (GATS) Bico HS-10

Export Growth (

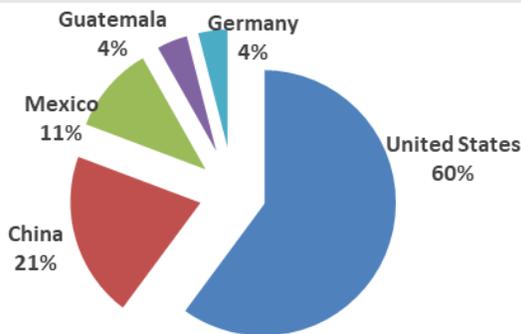
2007-2018



Executive Summary

The United States is Costa Rica's largest trading partner and Costa Rica's largest foreign direct investor. 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, and pet food continue to increase with impressive growth, reaching \$291.4 million in exports to Costa Rica 2018. Costa Rican consumers trust and enjoy the excellent reputation of U.S. food, beverage and ingredients products, and demand has increased since the implementation of the Dominican Republic - Central America Free Trade Agreement (CAFTA-DR) in 2009. Proximity with the United States is a major advantage for shipping time and for U.S. exporters who wish to visit or communicate with potential customers. In 2018, U.S. agricultural exports to Costa Rica reached a \$733 million and Costa Rican agricultural exports to the United States were valued at US\$1.7 billion.

Agricultural Imports by Country (percentage share)



Source: Ministerio de Hacienda de Costa Rica

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 Retail Industry

Costa Rica's retail sector is made up of supermarkets, hypermarkets, mini-marts, and *mom-and-pop* shops. Many consumers prefer to buy their groceries in smaller quantities from independent grocers. At the same time, many consumers buy bulk products. In addition, consumers are price sensitive.

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).

QUICK FACTS CY 2018

U.S. Food and Beverage (F&B) Exports to Costa Rica
\$694 million

List of Top 10 Growth Products in Costa Rica

- | | |
|--------------------------|--|
| 1) Beef, pork, poultry | 6) Ingredients for food/beverage mfg. |
| 2) Wine and beer | 8) Dairy |
| 3) Prepared/frozen Foods | 9) Juices |
| 4) Pet Food | 10) Tree Nuts and Snack products |
| 5) Chocolate and cocoa | 11) Processed fruit and vegetable products |

U.S. F&B Exports to Costa Rica \$ 733 million
Costa Rican F&B Imports from the US \$ 1.7 billion

Top Costa Rican Retailers:

- | | | |
|-----------------|------------|-----------------|
| 1. Walmart | 4. Saretto | 7. PriceSmart |
| 2. AutoMercado | 5. Mayca | 8. Muñoz y Nane |
| 3. Fresh Market | 6. Gessa | 9. MegaSuper |

GDP/Population*

Population of Costa Rica	5 million
GDP (billions USD)	59 * (preliminary data)
Per capita GDP	\$11,635
Exchange rate	580 colones per 1 US\$

*Sources: Central Bank of Costa Rica, 2018 BICO data

Opportunities	Challenges
Local processors are slowly increasing their production capacity and level of food quality to export to the United States.	Countries such as Mexico, Argentina and Colombia can offer competitively priced food ingredients.
Costa Rican consumers are becoming sophisticated in their food preferences.	Costa Rica's 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 considered of high quality and reliable.	Business culture in Costa Rica can be slow paced than in the United States and those wishing to do business in the country should be prepared for this possible difference.
Since 2013, Costa Rica initiated an on-line product registration system, which eventually will reduce registration times for new imported products.	U.S. exporters must be patient with export procedures and processes. Costa Rica has many levels of bureaucracy that can at times slow the importation of food products.

Contact: FAS San Jose, Costa Rica AgSanjose@fas.usda.gov
Website: <http://sanjose.usembassy.gov/fas.htm>

Executive Summary:

SECTION I. MARKET OVERVIEW

The current population of Costa Rica is 5 million people. The population density in Costa Rica is 251 people per square mile. The total land area is 19,714 sq. miles and is nearly the size of West Virginia. In 2018, 83 percent of the population lived in urban areas. The median age in Costa Rica is 31.8 years.

Costa Rica is beginning to show results from the fiscal reform law passed at the end of 2018. Not only has the government lined up some \$2.3 billion in financing, the primary balance (which excludes debt payments) will balance in August. Despite these positive steps, the central problem for fiscal health remains a debt burden that currently tops 59 percent of GDP.

Costa Rican consumers recognize U.S. quality and innovative characteristics. According to data from the Central Bank of Costa Rica, per capita GDP reached \$12,039 in 2018. Inflation is expected to increase to 3 percent by the end of 2019, up from 2.6 percent in 2018, and unemployment remains high at 11.3 percent according to the National Statistics and Census (INEC).

Exports of U.S. agricultural products to Costa Rica are expected to increase by nearly 10 percent to \$775 million in 2019. The United States remains Costa Rica's largest trading partner and Costa Rica's largest foreign direct investor with \$10.8 billion in bilateral goods trade in 2017. With such a high degree of trade with the United States, Costa Rican importers are well accustomed to working with foreign partners in this market. In 2018, U.S. agricultural exports by major product category were: bulk, \$323 million; intermediate, \$110 million; and consumer-oriented, \$291 million.

Costa Rica's most important exports of agricultural products to the United States include pineapple, banana, coffee, fruit juice, ornamental plants, cacao and sugar.

Under the CAFTA-DR, Costa Rica may not adopt new duty waivers or expand existing duty waivers that are conditioned on the fulfillment of a performance requirement (e.g., the export of a given level or percentage of goods). Costa Rica has modified its free trade zone regime in order to conform to this requirement. Tax holidays are available for investors in free trade zones. Costa Rica's tax incentives and benefits are standardized. They apply to all companies equally, so that there is no need for individual negotiations. Costa Rica will eliminate its remaining tariffs on virtually all U.S. agricultural products by 2020, including on chicken leg quarters by 2022, and on rice and dairy by 2025. For certain agricultural products (rice, pork, dairy, and poultry), tariff-rate quotas (TRQs) permit duty-free access for specified quantities during the tariff phase-end period, with duty-free amount expanding during the period.

Annual fish consumption per capita is estimated to be 10.4 kilos. In 2018, most of the national aquaculture production was exported to the United States and Europe. Therefore, there appear to be opportunities to import fish (such as tilapia and pangasius) to help fill domestic demand.

http://www.was.org/articles/Aquaculture-in-Costa-Rica.aspx#.XcSEK_ITm70

Attachments:

No Attachments