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Report Name: Food Service - Hotel Restaurant Institutional

Country: Costa Rica

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Report Highlights:

Representing more than 8 percent of Costa Rica's national economy, tourism is a significant driver of food service demand and wields considerable influence over consumer-oriented product import suppliers to Costa Rica. The United States is the dominant supplier of international tourists (55 percent year-to-August) and of imported consumer-oriented food and beverage products to Costa Rica (46 percent in 2022). As Costa Rica's economy continues to grow and as tourism operators make substantial new investments in Costa Rica's Pacific Northwest, U.S. consumer-oriented products will remain in high demand.

Market Fact Sheet: COSTA RICA

Executive Summary

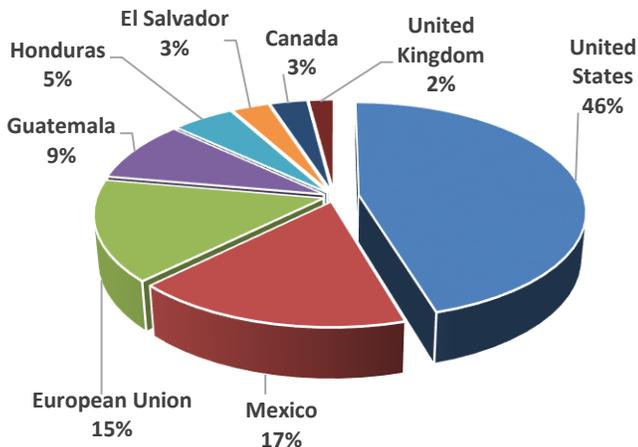
The United States is Costa Rica's largest trading partner and largest foreign direct investor. Costa Rican consumers trust and enjoy U.S. food and beverage products, exports of and demand for which have increased since the 2009 entry into force of the Dominican Republic - Central America Free Trade Agreement (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 2022, U.S. agricultural and related product exports to Costa Rica reached a record high of \$1 billion.

Consumer-Oriented Product Imports

In 2022, nearly all U.S. agricultural products entered Costa Rica tariff free under CAFTA-DR, while sensitive categories (incl. dairy and rice) were subject to tariff rate quotas (TRQs).

Strong prospects for U.S. consumer-oriented products – dairy, beef, pork, poultry, and pet food – helped push U.S. category exports up 7 percent to a record high of \$420 million in 2022. U.S. poultry exports in 2022 were 43 percent higher than pre-pandemic levels, following elimination of a poultry TRQ.

2022 Consumer-Oriented Product Imports



Source: Trade Data Monitor, LLC

Food Processing Industry

Most Costa Rican food processors import ingredients directly from exporters. 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.

Retail Sector

Costa Rica's retail sector consists of supermarkets, hypermarkets, mini-marts, warehouse stores and approximately 22,000 mom-and-pop shops. Consumers are price sensitive, and the popularity of bulk formats continues to grow. Chinese grocery stores are increasing in number and in appeal to price-conscious consumers, especially outside the San José metropolitan area. E-commerce sales continued to grow as consumer trust in online channels deepened.

Costa Rica Quick Facts 2022

Imports of Consumer-Oriented Products \$420 million

List of Top 10 Growth Products

- | | |
|---------------------------|-------------------------------------|
| 1) Beef and meat products | 2) Dairy |
| 3) Poultry | 4) Processed Fruit |
| 5) Fresh Vegetables | 6) Confectionary |
| 7) Food Preparations | 8) Seafood |
| 9) Pet Food | 10) Bakery Goods, Cereals and Pasta |

Top 10 Retailers

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

Population / GDP

Population	5.2 million
Unemployment rate	11.8%
GDP (billions USD)	\$64.3
GDP (per capita)	\$12,232
Exchange rate	548 colones : \$1 USD

Sources: Central Bank of Costa Rica and INEC

Strengths / Weaknesses / Opportunities / Challenges

<i>Strengths</i>	<i>Weaknesses</i>
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.
<i>Opportunities</i>	<i>Challenges</i>
Costa Rican consumers are becoming more sophisticated in their food preferences.	Buyers have stronger cultural ties to European and Central or South American suppliers.
Chefs are looking to introduce new trendy foods and are open to new concepts.	Costa Rica has many levels of bureaucracy that can slow the importation of food products.

Source: FAS/San José – AgSanJose@usda.gov

SECTION 1. MARKET SUMMARY

Overview of the Costa Rican Food Service Landscape

The Costa Rican food service landscape continues to recover from the pandemic, with support from continued recovery in the tourism sector. Costa Rica benefits from a stable currency, a growing economy, and a strong tradition of democratic governance, all of which contribute to continued foreign direct investment and business expansion, including in the food service sector. U.S. consumer-oriented food and agricultural exports to Costa Rica reached a record high of \$420 million in 2022 and were 3 percent higher through the first 7 months of 2023.

A steadily rising standard of living, a robust tourism sector, an expanding range of modern HRI outlets, and the increasing diversification of Costa Rican consumers' collective palette are expected to sustain demand for imported food products in the years ahead. However, despite the continued growth in sales, FAS/San José views the 2023 food service outlook with caution as broader structural factors – including persistently high unemployment, persistently higher prices, rising costs of production and freight logistics, and higher taxes to service Costa Rica's latest support package from the International Monetary Fund (IMF) – could inhibit economic growth. FAS/San José does not expect the expansion of Costa Rica's 13 percent value-added tax (VAT) to include tourism services (including tours, transportation, etc.) on July 1, 2023, will harm Costa Rica's regional competitiveness, as the recovery of inbound travelers to pre-pandemic levels appears possible in 2023, with total inbound visitors through August 2023 surpassing 1.9 million.

The food service sector is divided into commercial and non-commercial subsectors. The commercial food service subsector includes quick-service restaurants, full-service restaurants, caterers, and drinking establishments, representing 70 percent of total food service sales. The non-commercial subsector, mainly driven by the tourism industry, includes hotels and motels, health care facilities, universities and schools, as well as grocery retailers offering hot prepared foods for dine-in or to-go.

Within the San José metropolitan area, new restaurant concepts from the United States and elsewhere have continued to appear in 2023, most notably the successful re-launch of Krispy Kreme donuts, which plans to open an additional 10 locations by 2029. According to the Chamber of Commerce and the National Franchise Center, there were 361 franchises operating in Costa Rica in 2021 (the last full year for which data is available), 40 percent of which were food and beverage related. U.S.-style barbecue and a widening range of Asian-origin cuisines are notable trends among new and popular restaurants in and around San José. Outside of San José, the food service sector remains dominated by small mom-and-pop restaurant outlets (the ubiquitous 'soda') that look much as they did before COVID, serving primarily local dishes from locally produced ingredients. However, the increasing nation-wide popularity of pizza and hamburger restaurants, as well as the perennial mainstay of fried chicken, create solid demand for U.S. shredded pizza cheese, french fries, and chicken leg quarters, exports of which have continued to grow in 2023.

FAS/San José expects resurgent growth in tourism and relocation to the Pacific Northwest region of Costa Rica to continue to shape HRI offerings there over the medium-term. Despite infrastructure challenges in the region (notably substandard roads, insufficient cold-storage capacity, and inefficient operations at the Liberia Guanacaste Airport), new hotels, new residential developments, and accompanying restaurants are being built along the Pacific coast of the Nicoya peninsula. Apart from its renowned surfing and pristine beaches, the region has gained additional notoriety in 2023 from its recognition as a "blue zone," where local residents have achieved particularly long lifespans. Sustained interest from digital nomads has

continued to boost HRI activity in the region, with direct support from [Costa Rican policies](#) designed to attract this untethered pool of global talent.

Tourism Continues to Rebound, Drive Economy

Inbound tourism through the first half of 2023 was 20 percent higher than 2022, putting full recovery to pre-pandemic levels within reach as the high season (between U.S. Thanksgiving and New Years holidays) approaches. Costa Rica remains a premiere international tourism destination, contributing more than 6 percent of Costa Rica’s GDP in 2022; tourism-related economic activity represents another 2 percent of total GDP. Global air travel service disruptions in 2023, as airlines struggled to adjust flights and staffing to global travel demand, affected Costa Rica as well, but airlines servicing Costa Rican airports continued to add flights in 2023. Demand for travel into Liberia Guanacaste Airport continued rise, though the airport’s capacity remains insufficient to meet demand for private and commercial air travel to the popular beach locations in Costa Rica’s Pacific Northwest. Disproportionately large numbers of U.S. travelers (55 percent of all inbound tourists through the first 8 months of 2023) create demand for familiar U.S. products, including beef, wine, and spirits. Despite local price sensitivities, the hotel sector continues to invest in premium food and beverage offerings to enhance guest experience, especially in the high-end specialty restaurants at four- and five-star hotels.

Table 1: Key Travel and Tourism Indicators 2022

Total International Tourists by air, land and sea	2,349,537
Average Spending per International Tourist	\$1,470
Travel and Tourism as a Percent of GDP	6.3 percent
Travel and Tourism as a Percent of Employment	11.4 percent

Source: Costa Rican Tourism Institute and Costa Rica Migration database

Table 2: Advantages and Challenges for U.S. Products in Food Service

Advantages	Challenges
U.S. products’ reputation for quality and increasing diversification of consumer preferences	Large numbers of smaller hotels, which raise distribution costs and reduce per location sales volumes for importers / distributors
Logistics advantages relative to EU-origin competitors	Strong, historical linkages to European and other Latin American suppliers and products
Large numbers of U.S. tourists, who seek out familiar U.S. products at hotels and restaurants	Relatively small size of the sector and expensive, inefficient overland logistics within Costa Rica

SECTION II. ROAD MAP FOR MARKET ENTRY

Entry Strategy

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 State-Regional Trade Group-funded promotional activities could assist in finding a dependable import partner.

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 manage customs clearance, sanitary/phytosanitary inspection requirements and any guarantees or other licensing procedures that may be required. U.S. exporters interested in entering the food service market in Costa Rica should contact local importers, who also typically serve as wholesalers' distributors to HRI accounts.

Licenses and franchises are common in Costa Rica. General commercial law governs contracts between suppliers and the local company, person, or distributor. Distribution services are typically governed by private agreements among parties. Local laws also allow companies and individuals to import directly with no intervention from agents or distributors. Costa Rican importers are fully bilingual, and business practices in Costa Rica resemble those in the United States.

Logistics are an especially important consideration during this period of COVID-related shipping complications. While global container shortages and booking times have mostly normalized, multi-day delays at Costa Rica's over-taxed, under-developed Pacific port of Caldera continue to add to shipping costs. While the Atlantic port of Moín is better equipped to manage container shipments, Moín is limited by the depth of the port and overland logistics to San José, especially during the rainy season.

Local importers hold U.S. products in high regard with respect to quality, price, and packaging. Due to the geographic proximity of the United States, U.S. food and beverage products represent a plurality of foreign products imported into Costa Rica. Local importers have considerable experience working with U.S. companies and have extensive knowledge of the U.S. food export system. Most importers carry a full line of fresh, frozen, and dry products, while a smaller number of importers specialize in providing fresh produce, seafood, and alcoholic beverages.

Food Service Market Structure

Purchasing power is concentrated around the capital; 73 percent of the country's 5 million consumers live in the San José Metropolitan Area, also known as the Central Valley. Since the food service sector relies heavily on imports, there are many companies dedicated to meeting the demand for imported food and beverages. While the storage and handling may look different (e.g., cold chain for frozen and perishable

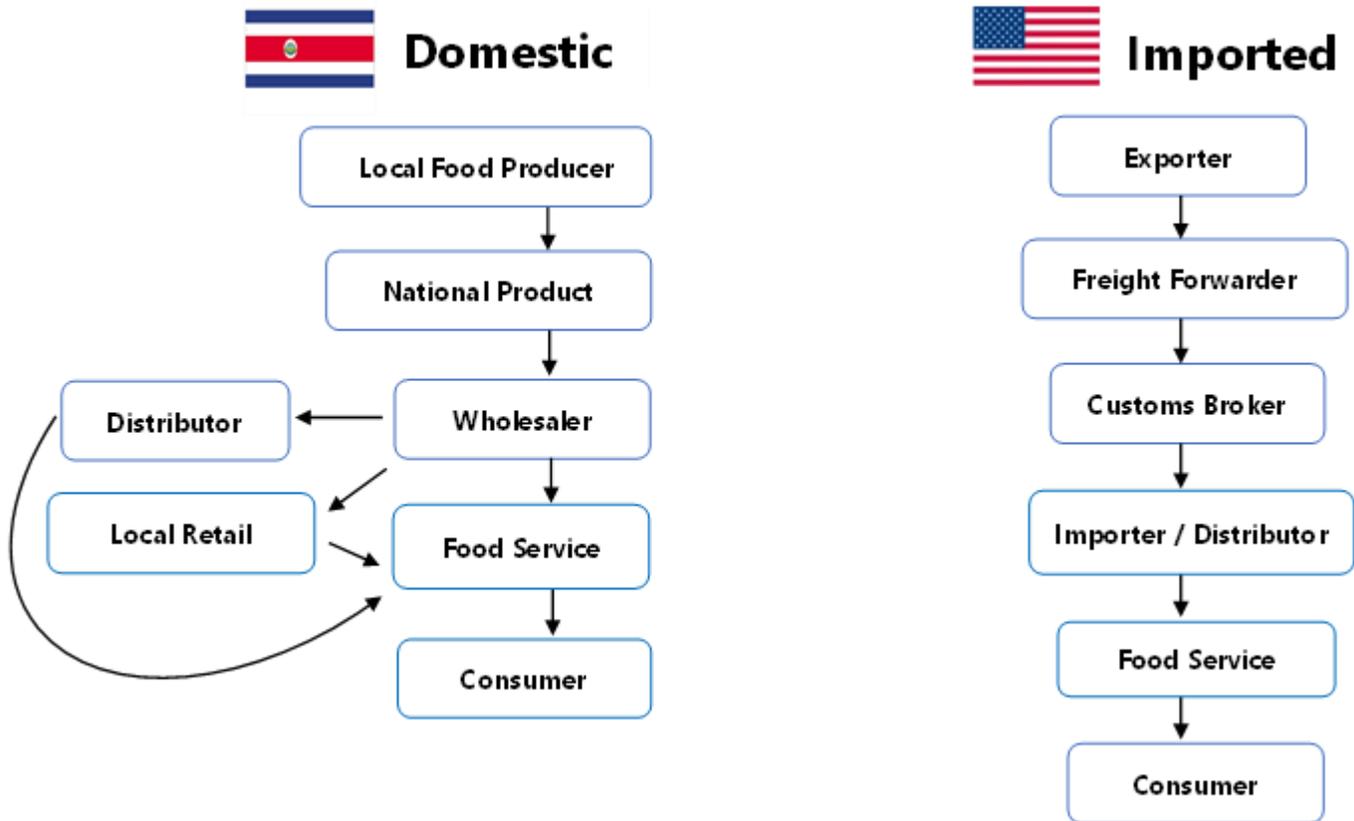
items vs. shelf-stable products), the structure of distribution channels do not vary significantly from one product to another.

An estimated \$400 million investment in the Pacific Northwest region of Guanacaste, including 12 new luxury hotels and residential complexes, has fueled a surge where construction is outpacing the rate of new square footage added in San José for the first time ever. Economic development in Guanacaste is expected to increase regional employment by 42 percent, providing food service additional demand.

Quick service restaurants, high-end restaurants, as well as larger hotels and resorts purchase their food and beverages through local importers. There are well-developed distribution chains for smaller restaurants and coffee shops that source inputs from wholesale and retail outlets. Some hotels have even positioned offices in south Florida to facilitate sourcing U.S. products.

Specialty ingredients and products are regularly imported from the United States. These products include wine, distilled spirits, dairy products, beef, pork, fruits, frozen potato products, sauces, condiments, sauces, drink mixes, and ingredients for foreign cuisines such as Italian, Thai, Japanese, Chinese, Peruvian, and Mexican.

Figure 1: Distribution Channels in the Costa Rican Market



Source: FAS/San José research

Hotel Sector

Anticipating continued recovery in the tourism sector and increasing competition from new properties, older, established hotels are renovating and improving their offerings. Costa Rica’s major hotels, particularly upscale brands, include high-end restaurants and their food service options aim to provide guests with onsite dining selections, especially in more secluded beach and eco-hotels, where other local dining options may not be available or easy to get to without a car. Rising discretionary income and increasing inbound and domestic tourism have boosted hotel revenues. The Costa Rican Tourism Board provides a [comprehensive list of hotels](#) that can be sorted by location, price, and star-rating. According to the Costa Rican Tourism Board, six new hotels were scheduled to open between 2022 and 2023, representing an investment of more than \$80 million and adding 578 additional rooms.

There are several standout projects currently in development in Guanacaste. In addition to the 5-star Waldorf Astoria property scheduled to open in 2024, a Marriott International hotel will anchor a 900-hectare development combining tourism, residential, and commercial venues around a man-made lagoon. And considerable buzz surrounds the planned 7-star One & Only Papagayo development, which will feature 167 rooms and 41 residences, as well as the 240-residence Zapotal Golf and Beach Club targeting the ultra-luxury segment of international tourism.

Continued tourism recovery has also supported related industries ranging from air transportation, ground transportation, restaurants, guides, handicrafts, and entrance fees at attractions, boosting the broader economy and supporting food service sales.

Restaurant Sector

FAS/San José estimates there are approximately 16,000 restaurants in Costa Rica, still below the pre-pandemic estimate of 19,000 establishments. While there have been new restaurant openings and re-openings during 2023, up-to-date statistics on the total number of restaurants were not available at the writing of this report. The Costa Rican Restaurants Association (CACORE) estimates restaurant sales could grow by 20 percent in 2024, due in part to local price inflation (about 10 percent in 2023), the stronger Costa Rican colon (which has made imported products less dear), and additional restaurant locations. A recent CACORE survey indicated that only 42 percent of restaurateurs have an optimistic outlook for the sector, as new restaurants appear to be saturating local demand and as staff turnover continues to drag on individual outlet efficiency. FAS/San José expects continued higher restaurant prices to result in fewer visits to food service establishments by local consumers as well as some trading down the value chain to more economical dining options.

Table 3: Top Foodservice Restaurant Chains, Hotel Chains and Distributors in Costa Rica

Restaurant Chains	Hotel Chains	Distributors
Arby’s	Andaz Costa Rica Resorts	Alimentos Kamuk
Burger King	Autograph Collection Hotels	Alimentos Pro Salud
Domino’s Pizza	Barcelo Group	Alpiste
California Pizza Kitchen	Best Western International	Belca de Costa Rica

Restaurant Chains	Hotel Chains	Distributors
Carls Junior	Casa Conde Hotel and Suites	Ciamesa
Chili's	Cayuga Collection Hotels	Comproim
Il Panino	Choice Hotels	Delika By Gourmet Imports
Kentucky Fried Chicken	Crowne Plaza Hotels	Diapza
Krispy Kreme	Curio Collection by Hilton Hotels	Disal CR
Little Caesars	Enjoy Group	Distribuidora Alfa S.A.
McDonald's Corporation	Four Seasons Hotels & Resorts	Distribuidora Excelon
MTY Food Group Inc.	Grupo Islita	Distribuidora Islena
Enjoy Group Restaurants	Hampton	Distribuidora Pedro Oller
Papa Johns	Holiday Inn	Global Partners
Pizza Hut	Hyatt Group	Nova Sprit
Popeyes Louisiana Kitchen	Intercontinental Hotel Groups (IHG)	Mayca/ Sysco
Spoon	Marriott Hotels	PMT CR
Starbucks Corporation	Radisson Hotels	Prime Foods
Subway	Sheraton Hotels	Sigma Alimentos
Taco Bell	One & Only Papagayo	Suplidora Royal
Tony Romas	Planet Hollywood Costa Rica	Universal de Alimentos

Source: FAS/San José research

Institutional

The institutional segment in Costa Rica includes company cafeterias, hospitals, nursing/retirement homes, schools, golf courses and country clubs, prisons, and catering for airlines, trains, ships, and special events. Catering for private events and parties, especially higher-end events like weddings, had been a particularly profitable slice of the institutional segment prior to COVID, and this industry is experiencing a slow but stable recovery. Graduations, weddings, corporate events, and conferences have returned to pre-pandemic operating conditions, helping to bolster demand for catering services, but FAS/San José estimates total institutional demand in 2023 remained below pre-pandemic levels.

In addition to the recovery of land-based HRI customers, the institutional food service segment also includes sales to cruise ships (Puntarenas on the Pacific side and Limón on the Caribbean side) and airlines. Costa Rica's largest cruise and airline catering companies (Interport Logistics and Newrest) directly source premium ingredients from the United States, including beef, wine, and dairy.

SECTION III. COMPETITION

As a result of Costa Rica's wide range of free trade agreements, U.S. food and beverage products face strong competition from third country suppliers, including Mexico, Nicaragua, Canada, Guatemala, Brazil, Chile, Spain, and Honduras. Strong U.S. competitors in snacks and processed foods, include Guatemala, Mexico, and Colombia. U.S. wines compete with Chilean, Spanish, and

Argentine offerings, and U.S. beef contends with products from Nicaragua. Strong demand for pork has benefitted U.S. exporters, but price competitive offers from Chile and Canadian suppliers continue to limit U.S. export growth.

Table 4. Leading Suppliers of Food and Agricultural Products (in millions USD)

Partner	2020	2021	2022
World	\$1,903	\$2,404	\$2,578
United States	\$838	\$1,122	\$1,064
Mexico	\$152	\$188	\$227
Brazil	\$74	\$80	\$171
Nicaragua	\$114	\$128	\$160
Guatemala	\$82	\$88	\$109
Canada	\$80	\$107	\$95
Chile	\$70	\$79	\$89
Spain	\$43	\$59	\$58
Honduras	\$43	\$59	\$57
Netherlands	\$30	\$43	\$53
Colombia	\$29	\$36	\$42
China	\$39	\$41	\$41

Source: Trade Data Monitor LLC

Local producers provide vegetables, fruits, dairy, poultry, beef, pork, seafood, and a growing range of processed foods to hotels and restaurants servicing the tourism sector.

SECTION IV. BEST PROSPECTS PRODUCT CATEGORIES

The foodservice landscape continues to evolve and adapt to demographic and consumer behaviors in Costa Rica. Below are some of the trends that are driving sales in the foodservice sectors:

- Costa Rican consumers are increasingly seeking out healthier eating habits, including plant-based and alternative protein menu items.
- Millennials and younger generations continue driving growth and improvement in technological tools as well as adoption rates by food service operators.

Table 5. Top Consumer-Oriented Imports from the United States (in Millions USD)

Product	2018	2019	2020	2021	2022	Jan – Aug 2022	Jan - Aug 2023	% Change (Value)
Vegetables and Preparations	42	45	51	66	67	43	52	21
Processed Vegetables	32	32	26	39	37	24	23	-3
Sugar and tropical Products	28	31	23	30	35	24	21	-13
Beef & Beef Products	16	17	14	31	33	23	17	-29
Pork & Pork Products	12	17	17	35	26	15	18	26
Fresh Fruits	16	11	11	9	7	3	6	62
Tree Nuts & Preparations	10	12	12	13	9	9	7	-16
Beer	5	5	6	9	10	7	8	18
Spices	4	4	2	3	4	3	2	12
Distilled Spirits	2	3	1	1	2	1	1	-15

Data Source: U.S. Census Bureau Trade Data

SECTION V. POST CONTACTS AND FURTHER INFORMATION

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

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Please refer to the latest FAS/San José Exporter Guide ([GAIN Report CS2022-0024](#)) for links to additional sources of information.

Attachments:

No Attachments