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Costa Rica

Food Processing Ingredients

Costa Rica Food Processing Ingredients Report

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Report Highlights:

Costa Rica's food processing sector continues to grow, in response of consumers demand for ready-to-eat meals, healthy snacks and convenience foods. This sector is under modernization, as it aims to catch up with international trends. More private sector efforts to develop Costa Rica's food and beverage manufacturing sector are underway. Local processors are trending towards natural additives, preservatives, thickeners and sweeteners. In addition, consumers are increasingly more health consciousness, influencing the development of healthier choices for packaged/prepared foods. U.S. producers and exporters of herbs, spices, superfoods, condiments, extracts, Omega-3 fatty acids, fibers, and antioxidant compounds can find opportunities in the Costa Rican market, as processors are looking to add these ingredients to their recipes.

Market Fact Sheet: COSTA RICA



Costa Rica's retail sector is made up of supermarkets, hypermarkets, mini-marts, and approximately 9,600 mom-and-pop shops. Many consumers prefer to buy their groceries in smaller quantities from

\$ 743 million
U.S. Agricultural Exports 2018

Export Growth (72%)
2009 - 2018

35 million
Among U.S. Agricultural Export Markets, 2018

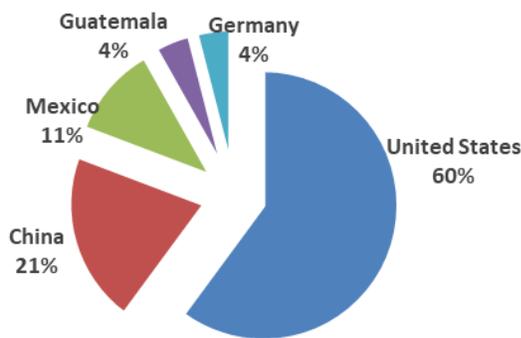


Source: FAS Global Agricultural Trade System (GATS) Bico HS-10

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 a record high of **\$288.6 million** in exports to Costa Rica in 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. Exports of feed grains, wheat and other ingredients have also climbed in 2018, having a combined value of \$445 million. 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 **\$743.1 million** while Costa Rican agricultural exports to the United States were valued at **US\$1.7 billion**. Note: Costa Rican agricultural exports are made up of tropical products (bananas, pineapple, cassava, ornamental plants, coffee, and sugar) typically not produced in the United States.

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

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

List of Top 10 Growth Products in Costa Rica

1) Beef, pork, poultry mfg.	6) Ingredients for food/beverage
2) Snacks	7) Fish Products
3) Pet Food	8) Juices
4) Dairy	9) Tree Nuts
5) Chocolate and cocoa products	10) Processed fruit and vegetable
	11) Prepared and Frozen Products

Food Industry by Channels in 2018

U.S. F&B Exports to Costa Rica \$ 743 million
Costa Rican F&B Imports from the US \$ 1.67 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)	57.5
Per capita GDP	\$11,635
Exchange rate	612 colones per 1 US\$

*Sources: Central Bank of Costa Rica

Opportunities	Challenges
Local processors are steadily increasing their production of processed foods.	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 slower 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 a new 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.

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Executive Summary:

SECTION I. MARKET SUMMARY

Costa Rica’s food processors are increasing their production capacity and food quality as they aim to penetrate the U.S. market. Such desires open a window of opportunity for U.S. exporters of ingredients such as herbs, extracts, condiments, spices and of course new trend ingredients such as gluten free flour, fibers, probiotics, organic seeds and acids, fibers, high oleic oils and antioxidant compounds used in food and beverage processing in Costa Rica.

Costa Rican consumption of organic and natural products has been on the rise and ingredients for beverages, juices, teas and confectionaries are increasing in the market. These sectors are now seeing expansion and exploring suppliers that provide to consumer nutrition, health and wellness. The use of spices has increased following a gourmet trend in the preparation of homemade meals and desserts. Restaurants and food institutions are also expanding their use of spices in cooking that is traditionally simple in its use of spices in recipes. Local processors are trending towards natural additives, preservatives, thickeners and sweeteners. In addition, consumers are increasingly more health consciousness, influencing the development of healthier choices for packaged/prepared foods. U.S. producers of herbs, spices, superfoods, condiments, extracts, Omega-3 fatty acids, fibers, and antioxidant compounds in particular can find an opportunity in this market and food processors are looking to add these ingredients to their recipes.

Corn, soybeans, and wheat are also in high demand by Costa Rica’s animal feed manufactures and integrators. Because less rainfall forecasted in the Pacific and Northern Coast on Costa Rica in 2019, demand for animal feed is expected to increase.

Some larger food processors already import directly from the United States and many small processors rely on local distributors to import their ingredients. Most imported food ingredients are used for the manufacturing of confectionary and bakery products, sauces, dressings and condiments, sweet and salty premixes, dairy/by-products and beverages.

Costa Rica’s top food processors in Costa Rican include; Cargill (poultry, processed meat, eggs, pork and animal feed); Del Monte (whole fruits, juices and canned fruits); Bimbo (bakery ingredients); Nestlé (dairy, confectionary); Demasa (corn and raw material for snacks); Sigma Alimentos (processed meats, dry meats, dairy pre-cooked meals, ready to drink coffees and other dry products for their foodservice branch); Chiquita, Dole and Del Monte (fruits, purees and concentrates); Unilever (processed foods); Riviana (flour, cereals, dried fruits, tree nuts among other bakery ingredients) INOLASA (Central America’s largest soybean processor, and user of USSEC’s Sustainable U.S. Soy trademark).

SECTION II – ROAD MAP FOR MARKET ENTRY

A. Entry Strategy

There are various ways to introduce food ingredients into the local market depending on the profile of the company and the food ingredient involved.

The following are a few recommendations to consider:

Larger companies usually have a new products division that interacts actively with their Marketing Division, especially if the ingredient is a novelty product. Other smaller companies receive proposals of new ingredients through their Purchasing Division.

Besides presenting the product to the industry, it can be simultaneously promoted in specialized magazines and social media (focused on food, nutrition and health), trade and technical events (seminars, conferences, workshops), and/or trade shows and segment festivals. Food processing professionals with a high technical expertise typically attend these events.

The advantage that food processors find in buying their raw materials directly from local suppliers or distributors is better technical assistance provided and more options for financing. Local distributors/importers are willing to establish long-lasting business relationships with U.S. suppliers that can offer good credit terms, customer service and marketing support.

U.S. suppliers interested in the Costa Rican market must comply with local regulations for imported products to avoid delays. For information on products, registration requirements refer to the Food and Agricultural Import Regulations and Standards (FAIRS) Country Gain Report for Costa Rica.

<https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20and%20Agricultural%20Import%20Regulations%20and%20Standards%20Report%20San%20Jose%20Costa%20Rica%203-21-2019.pdf>

With a high-degree of trade, especially with the United States, Costa Rican importers are accustomed to international business dealings. Many business people in Costa Rica are bilingual and have some level of English, thus facilitating business negotiations. However, the 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. U.S. exporters should also be prepared to be patient with export procedures and processes, as Costa Rica has many levels of bureaucracy that can at times slow the importation of food products.

B. Market Structure

Distribution Channels for Processed Food Products in Costa Rica

Most of the food processors in Costa Rica import all of their ingredients directly; a few, however,

rely on importers and distributors. They also have their own distribution channels to wholesalers, distributors and retailers, as well as to hotel, restaurant and institutional industries nationwide.

Distribution channels can be different between local and imported products and are constantly changing. The purchase of raw materials for food processing represents a significant portion of the cost of the final price of products.

In Costa Rica, there are many small companies with low sales volumes and if they try to import directly would face high costs, as the conditions and procedures for importing can be difficult. Therefore, they typically use a local wholesaler who can take care of necessary import procedures. For large food processing companies, they usually have their own distribution chain.

C. Sector Trends

Costa Rica's economy is driven by tourism, agriculture, technology, and services. Costa Rica's agricultural as percentage represents 5 percent of the GDP. This sector represents 11% of labor force being bananas, pineapples, coffee and palm oil and sugar most of the exports.

The United States remains Costa Rica's largest trading partner and Costa Rica's largest foreign direct investor with 60% market share, followed by China with 21% and Mexico 11%.

Market prospects for U.S. bulk and intermediate products are corn, wheat, soybeans and other intermediate products. Consumer-oriented products imported from the United States include poultry, beef, pork, processed fruits and vegetables, fruit juices, snack foods, ready-to-eat meals, frozen food products, condiments, fish products and pet food. For the first time fish products denoted highest export levels to \$3.4 million representing a niche market for U.S. exporters.

Local companies are expanding their production, as a result of the free trade agreement and declining duties, which stimulates production for exports.

At present, Costa Rica's population follows the trend towards more ready-to-eat foods, so demand for this type of product has increased domestically. The local processing industry is taking advantage of this niche market and products like frozen tacos, tortillas, instant soups and noodles, and desserts, among others, have good market potential in Costa Rica.

Healthy, natural and organic foods also have a niche in the market. There is strong local development of these products in Costa Rica since these imported products can be high for mid to lower incomes.

In dairy production, according to the Costa Rican Foreign Trade Promotion Office (Procomer), there is a growing trend the consumption of UHT milk. Moreover, domestic production of lactose-free yogurt is being marketed under different brands. In the segment of flavored beverages, some companies are manufacturing drinks made with natural medicinal plant extracts, vegetables, spices, cereals, organic seeds and fiber to add that provide to the consumer additional wellness effects. The supply of lactose-free cheeses is much more limited. The local dairy industry is continuously launching novelty products. There is expanded demand for functional foods, such as milk containing Omega 3 and added calcium.

There is a growing trend for using fruits and vegetables as natural dyes in food manufacturing. For manufacturers it is essential to know what consumers really consider as natural products. Color plays a very important role in this context since nearly 80% of the respondents says that the absence of

artificial colors is essential for a product to be perceived as natural.

According to local importers, this trend towards transparency and clarity for food ingredients is becoming stronger. Costa Rica's domestic food processing industry is following this trend, responding with more clean-label formulas and natural alternatives. Several studies have shown that most consumers believe it is increasingly important that the food or drinks they consume only contain natural ingredients. In order to ensure that the products concerned meet their expectations, buyers will take time to review and pay attention to information that appears on the back of the product packaging.

Oleic oil is a new trend in Costa Rica's vegetable oil sector. Local processors are planning to produce high oleic oil to meet the demands of popular U.S. franchises in Costa Rica. Currently, many restaurants and fast food outlets are using hydrogenated oils (*trans* fats) to preserve flavor. In addition, hydrogenated oils are still being used in packaged baked goods (cakes, cookies, etc.), cereal, crackers, and in non-dairy creamers as well as many types of frying.

Gluten-free and sugar-free products such as chia seeds, chocolate, blueberries and sunflower seeds, sesame to make products without gluten, lactose, soy and dairy-free, ingredients that support consumers with various allergies and digestive intolerance.

Craft beer production and consumption is on the rise. Thus, there is greater demand for beer ingredients, such as grains and raw material. The country is preparing to set up a local brand suitable for export to the United States and is seeking new ingredients and training.

The demand for sport nutrition food and beverage products is increasing in Costa Rica. In addition, a growing population of fit-conscious millennials is driving domestic production of these products. US ingredients are needed to add value to this type of manufacturing.

Increased production of foods for export is increasing demand for inputs such as oils, grains, and Mechanically Deboned Meat (MDM).

III. COMPETITION

Ingredients imported from Europe are competitive due to the value of the Euro relative to the dollar and due to the free trade agreement between Central America and Europe.

Large multinational food ingredient companies have representation in Mexico and other CAFTA-DR countries.

Primary imported food ingredients are modified starches, thickeners, stabilizers, sweeteners, cocoa and fibers.

While Costa Rica domestically produces dairy, poultry, table eggs, beef, pork, rice, beans, etc. it is not self-sufficient in the production of most food products, and thus relies on imports.

Given its stable economy, Costa Rica is able to import its needs to keep the population's food secure.

Product	Major	Strengths of Key Supply	Advantages and
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Category	Supply Sources	Countries	Disadvantages of Local Suppliers
Meat HS: 0201:0204 US\$72,972 million (CIF)	1. Nicaragua 39% 2. USA 38% 3. Chile 20%	Variety, marketing and high quality.	Local brands are well positioned in the market at competitive prices.
Snack Foods HS: 1704, 1806 & 1903:1905 Net imports: 51,699 tons US\$ 144,575 million (CIF)	1. USA 28% 2. Mexico 18% 3. Guatemala 13%	Variety, marketing and high quality	Local producers are major food processors. They import food ingredients for snacks and snacks in bulk.
Pet Foods HS: 2309 Net imports: 93,675 tons US\$ 103,936 million (CIF)	1. USA 31% 2. Mexico 24% 3. France 4%	Variety, marketing and high quality.	Local brands are well positioned in the market at competitive prices.
Dairy HS: 0402:0406 Net imports: 17,833 tons US\$ 52,994 million (CIF)	1. USA 38% 2. Chile 14% 3. New Zealand 12%	USA is strong in milk products and cream, cheese and cottage cheese, buttermilk, butter and other fats derived from milk, dairy spreads and yogurt. Chile is strong in branded processed cheese and cottage cheese. New Zealand has developed a long-standing reputation in the market.	Local companies produce high quality liquid milk, ice cream, yogurt, cultured milk drinks.
Chocolate and cocoa products HS: 1805-1806 Net imports: 8,234 tons US\$ 39,842	1. USA 39% 2. Mexico 18% 2. Colombia 8%	Variety, marketing and high quality.	All local production is consumed.

million (CIF)			
Fish Products HS: 0301: 0303 0305: 0308 0511; 1504 ; 1604 2301 Net imports: 48,112 tons US\$ 123,792 million (CIF)	1. USA 39% 2. El Salvador 11% 2. Mexico 10%	New trends and new products such as lobsters are going to be available and consumers are demanding more variety of high-quality products.	All local production is consumed.
Beverages (ex. Juices, water) HS: 1302 & 2201-2202 Net imports: 55,503 tons US\$ 58,541 million (CIF)	1. USA 35% 2. Guatemala 16% 3. El Salvador 10%	Proximity	Local brands are well positioned in the market at competitive prices.
Nuts HS: 0801-0802 Net imports: 2,0235 tons US\$ 11,628 million (CIF)	1. USA 57% 2. Vietnam 18% 3. Guatemala 10%	USA imported nuts dominates the market as ingredient and as final consumption product. Variety, marketing and high quality.	All local production is consumed.
Processed Fruits & Vegetables HS: 2001-2008 Net imports: 107,615 tons US\$ 133,235 million (CIF)	1. USA 47 % 2. Canada 9 % 3. China 7 %	USA dominates the market with its products, mainly to the food service market.	Local processors are major exporters, but local supply is limited.

Source: Costa Rican Ministry of Commerce (COMEX) / Procomer
<http://sistemas.procomer.go.cr/estadisticas/inicio.aspx>

SECTION IV. BEST PRODUCT PROSPECTS

The best opportunities for suppliers of food ingredients are among those F&B manufacturing companies that offer high-value and new products to the consumer.

Top U.S. Ingredient Prospects to Costa Rica (in US\$ millions)		
	2017	2018
Corn	138	141
Wheat	29.2	25.8
Sugar, Sweeteners, Bev. Bases	2.6	2.3
Soybean oil	3.4	4.7
Tree Nuts	9.8	10.2*
Chocolate & Cocoa Products	15.7	15.1
Condiments & Sauces	9.6	10.3*

Source: U.S. Census Bureau Trade Data

*Denote the highest export levels

www.fas.usda.gov/GATS

SECTION V. POST CONTACT AND FURTHER INFORMATION

If you have any question or comments regarding this report or need assistance exporting to Costa Rica, please contact the

Foreign Agricultural Service in San José at the following address:

Phone : (506) 2519-2285 / 2333

Fax: (506) 2519-2097

Email: AgSanJose@fas.usda.gov

website : www.fas.usda.gov

<http://costarica.usembassy.gov/fas.html>

Links to other sources for data:

US Department of Commerce | Global Market Agency/ Global Markets

Phone: (506) 2519-2203

web: <http://redirect.state.sbu/?url=www.buyusa.gov/costarica>

U.S. Department of State – Economic Section

Fax: (506) 2519-2364

Website: www.sanjose.usembassy.gov/economic

Costa Rican Ministry of Commerce (COMEX) / Procomer

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

