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Required Report - public distribution

Date: 12/16/2016

GAIN Report Number:

Costa Rica

Citrus Annual

Costa Rica's Citrus Production Rebounds

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Report Highlights:

Report Highlights: Costa Rica's 2015/2016 citrus crop rebounded to 8.2 million boxes (40.824 kg.) after what is now considered by the local industry as one of the worst crops on record (2014/2015). The 2016/2017 crop is forecast to reach a similar level (around 8.2 million boxes) as improved weather patterns for orange cultivation in the main production areas are expected to result in higher productivity. The outlook is a bit brighter for 2017/2018 as production could reach 8.5 million boxes but only with continued favorable weather patterns in the future. The United States continues to be Costa Rica's main destination for orange juice exports.

Commodities:

Citrus, Other, Fresh

COSTA RICA: ORANGE JUICE PRODUCTION AND TRADE

Costa Rica's orange production is concentrated in the northern part of the Alajuela province, around Los Chiles, Guatuso and Upala, and in the northern part of Guanacaste near the border with Nicaragua in an area known as Santa Cecilia. Oranges are also produced in other regions of the country including Acosta, near the Central Valley, and Nandayure in Guanacaste. Two companies, TicoFrut and Del Oro, control most of orange production and processing in the country. The rest is produced by small and medium-sized independent producers. Some of these producers have formed cooperatives and are trying to attract new farmers. The smaller independent producers tend to enter or exit the market in response to short-term price fluctuations for oranges as well as for pineapples and coffee. The larger operations have been stable and plan their activities with a longer term horizon. The harvest takes place mainly from January to May, with peak production reached in March and April.

Production of oranges has increased in Nicaragua in recent years - particularly in areas bordering Costa Rica due mainly to lower land prices and favorable growing conditions. Local industry has partnered with Nicaraguan businessmen to plant more orange groves and expand production in that country. Area planted is expected to grow slowly in areas of Nicaragua located within a distance that makes transportation to the main processing plants economically feasible. According to Costa Rican Customs data, Costa Rica imported 34,851 MT of fresh oranges from Nicaragua in 2015 compared to 56,873 MT during 2014. During the period January – August 2016, imports from Nicaragua increased to 51,962 MT from 34,000 MT compared to the same period the year before. The higher import volume in 2016 reflects the increase in production during the 2015/2016 crop year. Virtually all oranges from the Nicaraguan plantations are trucked to Costa Rica for processing.

Government and industry estimates put area planted at around 21,000 hectares (Ha) with a total of 7 million orange trees. This includes area planted on the Nicaraguan side of the border. The number of trees is gradually increasing because most growers are planting or renovating their orchards with the "Flying Dragon" pattern, which allows for a higher number of trees per Ha. The "Flying Dragon" pattern is planted at approximately 900 trees per Ha as compared to a range of 312 to 444 trees per Ha for other varieties. As this pattern takes hold, the number of trees should increase significantly over the next few years as producers replant or renovate their operations using this variety. Rather than increasing area planted, the main producers are populating older plantations with new trees. This process is expected to result in higher future production as well.

The citrus greening disease, which was identified in Costa Rica in 2011, remains a major concern for producers. The disease is difficult to manage, increases production costs, and could result in high losses should it expand. So far, growers have been able to contain the disease and have established strict controls to that effect, including constant farm surveillance. The local industry uses agrochemicals and

biological controls (a wasp that feeds on the vector of the disease) as part of their preventive measures. According to industry sources, the disease has not caused significant losses in the country so far. However, other pests such as the root worm cause more damage to citrus plantations in Costa Rica.

Orange production declined more than previously expected during 2013/2014 and again in 2014/2015 as a result of two consecutive years of bad weather conditions throughout the main production areas. According to industry sources 2014/2015 was the worst harvest on record. Weather conditions normalized in 2015 and 2016 and are expected to result in production of 8.2 million boxes in 2016/2017, very similar to the volume produced during the previous crop year. Production was expected to be higher in 2016/2017 but deep pruning of some of the farms applied to promote regeneration of the trees is expected to result in lower yields. Even though Hurricane Otto passed through some of the main orange production areas (mainly Los Chiles and Northern Guanacaste) on November 24, 2016, the plantations did not suffer significant damage from it. One of the main orange producers in the country is investing in irrigation systems in some of the drier areas, particularly on the Nicaraguan side of the border. Higher variability of weather patterns has negatively affected production over the past few years. Irrigation is seen as an option to improve yields but requires significant investment and faces environmental hurdles in the area where oranges are produced in Costa Rica.

Costa Rica exports the majority of its orange production as frozen orange juice concentrate but also exports non-frozen concentrate juice. According to information from the Costa Rican Trade Promotion Board (PROCOMER), juice exports to all destinations amounted to 25,519 MT valued at \$37.1 million in calendar year 2015. This compares to 29,360 MT valued at \$51.7 million during 2014. Data available for January-August 2016 show a significant increase in exports during 2016 reaching 34,824 MT valued at \$68.1 million. Higher exports during calendar year 2016 are consistent with higher production in 2015/2016.

The United States continues to be Costa Rica's main destination for orange juice exports. In 2015, Costa Rica exported 13,206 MT valued at \$22.5 million. From January-August 2016, Costa Rica has already exported 22,860 MT valued at \$54.1 million. Other important destinations include the Netherlands, Spain, and Puerto Rico. Costa Rican orange juice enters the United States duty free under the CAFTA – DR.