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Costa Rica

Citrus Annual

Orange Juice Production and Trade

Approved By:

Anita Katial, Agricultural Counselor

Prepared By:

Victor Gonzalez, Agricultural Specialist

Report Highlights:

Costa Rica's orange production reached to 7.7 million boxes of 40.824 kilos per box in MY2017/2018 (315,000 MT), and is expected to decline marginally to 310,000 MT during MY2018/2019, as a result of renovations to Costa Rica's citrus plantations. The United States is Costa Rica's main destination for its orange juice (purchasing 72 percent of its total exports in 2017), followed by the European Union (mainly the Netherlands), and China. Costa Rican orange juice enters the United States duty free under the U.S.-CAFTA-DR trade agreement. The majority of its orange production is exported to the United States as frozen orange juice concentrate.

Executive Summary

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. Two companies, TicoFrut and Del Oro, control most of the production and processing of oranges in the country. TicoFrut's production areas are located primarily in the province of Alajuela near the border with Nicaragua, and in Nicaragua; and Del Oro's in the province of Guanacaste, also near the border with Nicaragua. Oranges are also grown in other regions of the country including Acosta, near the Central Valley, and Nandayure in Guanacaste. However, oranges from those areas are mostly sold as fresh fruit in the local market. Besides the two companies mentioned, there are some medium and small size 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 activity in response to short term price fluctuations not only of oranges but of other crops such as pineapples or 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. The majority of the oranges produced in Costa Rica are processed for orange juice concentrate for the export market. A relatively small volume of fresh fruit is sold for local consumption.

One of the two processing companies has orange plantations in Nicaragua, near the border. Growing conditions are favorable in that area, and land prices and labor costs are generally lower. The local industry has partnered with Nicaraguan businesses to plant orange groves in that country. The area planted is not expected to grow significantly in Nicaragua at this time, as the company prefers to improve its current operation through replanting and investments in irrigation. According to data from the Government of Costa Rican, Costa Rica imported 70,398 MT of fresh oranges from Nicaragua in 2017, compared to 56,316 MT during 2016. During the period January – September 2018, imports from Nicaragua had reached 67,314 MT. Oranges from Nicaraguan plantations are trucked to Costa Rica for processing at TicoFrut's plant located in Muelle, San Carlos.

The local industry estimates area the planted at around 21,000 hectares and 7.4 million orange trees, including the area planted on the Nicaraguan side of the border. The Government of Costa Rican estimates a area planted slightly higher of 23,400 ha. The number of trees is gradually increasing because most growers are planting or renovating their plantations with the "Flying Dragon" pattern, which allows for a higher number of trees per hectare and easier farm management. The "Flying Dragon" pattern is planted at approximately 700 trees per hectare, as compared to a range of 312 to 444 trees per hectare for other varieties. As this pattern takes hold, the number of trees should increase in the next few years, as producers replant or renovate their farms using this variety. The main producers are renovating older plantations with new trees, rather than increasing new area planted. This process is expected to result in higher future production, without major changes in total area planted.

The citrus greening disease, which was identified in 2011 in Costa Rica, remains a major concern for producers. The disease is difficult to manage, as it increases production costs, which could result in high losses. 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, called *Tamarixia Radiata*), as part of their

preventive measures. The disease has not caused significant losses in the country so far. In that last three years, the industry has been working on ways to control post bloom fruit drop, which has caused significant production losses in the past.

Total production is forecast to decline by 5,000 MT in MY2018/2019, to 310,000 MT, due to renovations being carried out to older citrus plantations. The local industry expects production to become more stable over time, because of the implementation of crop practices related to the control of post-blooming fruit drop in some of the farms over the last three years. “El Niño” is expected to affect Costa Rica in 2019, which could negatively affect next year’s crop, as this weather phenomenon usually affects some of the orange production areas with severe drought (Guanacaste), while production areas in Alajuela are generally affected by excessive rain.

One of the main orange producers in the country invested in irrigation systems in some of the drier areas, particularly on the Nicaraguan side of the border. About 1,200 ha have irrigation, which has resulted in better yields in those areas.

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), during calendar year 2017 juice exports to all destinations amounted to 29,152 MT valued at \$61.9 million. This compares to 35,942 MT valued at \$70.2 million during 2016. Data available for January-October 2018 show a rebound in volume and value, reaching 34,505 MT and \$65.7 million respectively. During the same period the year before, exports amounted to 26,888 MT and \$57.1 million.

The United States continues to be Costa Rica’s main destination for orange juice exports. Exports to the U.S. (including Puerto Rico) reached 21,018 MT valued at \$49.8 million during 2017. During the period January – October 2018, exports to the U.S. amounted to 22,615 MT valued at \$55.8 million. While exports to the European Union (EU) declined sharply in relative terms during 2017, they have rebounded during the period January – October 2018. The main destination in the EU is the Netherlands. Exports to that country were 8,194 MT in 2016, 3,290 MT in 2017, and 7,982 MT during January – October 2018. Exports to China have increased from 1,219 MT in 2017 to 1,648 MT during January – October of 2018, thus becoming Costa Rica’s third market in importance in terms of export volume.

Costa Rican orange juice enters the United States duty free under the CAFTA – DR.