

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Required Report - public distribution

Date: 11/7/2017

GAIN Report Number:

Costa Rica

Exporter Guide

Costa Rica Exporter Guide 2017

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Report Highlights:

Tourism, agriculture, high technology, and services are driving Costa Rica's economy. Costa Rica continues to be an attractive market for U.S. exporters of food, beverages, and agricultural products.

Leading prospects include U.S. prime beef cuts, wines, beer, dairy products, processed products and high value goods. Consumers are highly receptive to U.S. food brands and recognize their high quality and innovative characteristics. In 2016, U.S. exports on agricultural products to Costa Rica reached a record \$712 million – up 8.1 percent than in the previous year. Exports of bulk products grew 10.4 percent led by higher shipments of soybeans (\$122.4 million, up 14.1 percent), corn (\$114.5 million,

unchanged), and rice (35.4 million, up 44.6 percent). The increasing penetration of franchises, international gastronomy, and international retailing brands are driving local consumer demands for new imported food products, creating unlimited potential for U.S. exporters. In 2016, U.S. high value food and beverage products exports to Costa Rica reached an all-time high of \$654.8 million.

Post:

San Jose

Executive Summary:

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Executive Summary:

I. MARKET OVERVIEW

A. Business Customs and Trade:

Costa Rica continues to be an attractive market for U.S. exports and consumers are highly receptive to U.S. food brands, trends and retailers, making the country ripe for export potential. Beer and wine, baking ingredients, processed meats and pet food are among the fastest growing U.S. export sectors with plenty of growth possible in other sectors as well. Costa Rican agriculture is well diversified and export oriented. The increasing penetration of franchises, international retailing brands and commercial plazas in Costa Rica are making local consumers' shopping habits open to new trends, discounts, and best value products. Promotions and discounts made most retailers in the country adjust their profit margins to adapt to this situation in order to maintain acceptable sales levels during 2017.

Costa Rica has achieved a fairly high level of economic development, the highest in Central America, in part because it abolished its military in 1948 and invested in health, education and infrastructure. Economic activity is dominated by tourism with the agriculture sector being the second largest source of employment in the country. The high technology and services sectors have been growing in recent years spurred by growing direct foreign investment primarily from the United States. Low inflation in 2016 was mainly the result of lower international commodity prices, including fuel prices. The Central Bank migrated two years ago to an "administered floating exchange rate system." Under this system, supply and demand is determined by the exchange rate and the Central Bank now only intervenes to prevent sharp fluctuations. The exchange rate has remained stable during the last five years with slight increases. The Central Bank announced earlier this year that it plans to continue building its foreign exchange reserves by adding \$1 billion to reserves from January 2016 to December 2017 and reached a 4.5 percent growth in GDP in 2016 with an estimated projection of 4.1 percent for 2018.

In 2016 Costa Rica's agricultural sector represented 1.8 percent of GDP. Agricultural sector GDP is forecast to increase of 2.6 percent in 2017 is estimated and 3.2 percent estimated for 2018 as demand for

agricultural export products such as banana and pineapples and is expected to increase. However, the Costa Rican Ministry of Agriculture and Livestock (MAG) needs to be aware of the status of damages to crops after heavy rains and weather conditions that were affected after Nate storm. These losses include rice, sugar cane, lemon, palm oil, papaya, hay, and watermelon crops. An estimate of 12.1 percent in 2016 was the total employment in agriculture.

The United States remains Costa Rica's largest trading partner and Costa Rica's largest foreign direct investor. Beer, baking ingredients, processed meats and pet food are among the fastest growing U.S. export sectors with plenty of growth possible in other sectors as well.

Costa Rican agriculture is well diversified and export oriented.

With such a high degree of trade, especially with the United States, Costa Rican importers are well accustomed to working with foreign partners in this market. Many business people in Costa Rica are bilingual, thus, are able to facilitate business negotiations with Americans. However, the business culture in Costa Rica can be slower-paced than that of the United States, and those wishing to do business here should be prepared for this cultural difference. U.S. exporters should also note that export procedures and processes in Costa Rica go through many levels of bureaucracy that can at times, slow the importation process for food products.

According to data based on a new measuring methodology recently released by the Central Bank and Procomer in 2016, Costa Rica's agricultural sector represented 4.1 percent of GDP. The new methodology reflects the higher value added by the services sector in the Costa Rican economy. Agriculture employed 12.9 percent of the labor force during the last quarter of 2016. Several agricultural sectors (including coffee, pineapples, sugar cane, bananas and citrus, to name the most relevant) are heavily dependent on foreign labor, especially during harvest time. In 2016 Costa Rica's agricultural sector represented 1.8 percent of GDP. Agricultural sector GDP is forecast to increase of 2.6 percent in 2017 is estimated and 3.2 percent estimated for 2018 as demand for agricultural export products such as banana and pineapples and is expected to increase. However, the Costa Rican Ministry of Agriculture and Livestock (MAG) needs to be aware of the status of damages to crops after heavy rains and weather conditions affected after Nate storm. These losses include rice, sugar cane, lemon, palm oil, papaya, hay, and watermelon crops.

The agricultural sector is well diversified and export oriented. Some Costa Rican key export products to the United States in 2016 were: bananas (\$386.7 million); fresh fruits (\$556 million); coffee (\$176.8 million); fresh vegetables (\$73) and processed fruit and vegetables (\$116.6).

Traditionally, coffee, banana, and pineapple have all been major export commodities of Costa Rica, with pineapple displacing coffee as the second largest agricultural export. Other major agricultural exports of Costa Rica to the United States include melon, fresh and processed fruits and vegetables, sugar, and nursery products.

Education in Costa Rica is free and mandatory since 1870. According to the World Economic Forum Costa Rica is the Costa Rican workforce stands out for its high educational standards and outstanding productivity levels. The country claims a literacy rate of 97-98 percent, and English is widely spoken particularly among the young and in Costa Rica's tourism industry. Unemployment for 2016 is 9.7

percent.

Table 1. 2016 Costa Rica Economic Indicators

| 2016 COSTA RICA ECONOMIC INDICATORS | |
|---|--------------------------|
| Population | 4.9 million |
| GDP Growth Rate | 4.5% |
| GDP | 57.44 USD billion |
| GDP from Agriculture | 4.1 % |
| Unemployment Rate | 9.7% |
| Inflation Rate | 1.8% |
| Balance Trade | -324 (million USD) |
| Government Debt to GDP | 62% |
| Currency | 556 colones per dollar * |
| Exports | 848 USD millions |
| Imports | 1,17 USD millions |
| Taxes | |
| Corporate Tax Rate | 30% |
| Personal Income Tax Rate | 15% |
| Sales Tax Rate | 13% |
| Social Security Rate | 35.67% |
| Social Security Rate for companies | 26.33% |
| Social Security Rate for employees | 9.34% |
| <i>Source: Central Bank of Costa Rica</i> | |
| http://www.bccr.fi.cr | |

* As of November 2017 the exchange rate was 575 colones per US\$.

Agriculture in the Economy:

The Central American Free Trade Agreement – Dominican Republic’s (CAFTA-DR) entry into force on January 1, 2009 represents a major step forward in the trade and investment relationship between Costa Rica and the United States, opening opportunities in different sectors including agricultural products. This free trade agreement eliminated most of the tariffs for non-agricultural imports immediately and has made both trade and investment in the region more attractive to U.S. companies.

In 2016 U.S. exports to Costa Rica by major product category were: bulk, \$332 million; intermediate, \$95 million; consumer-oriented, \$274 million; and agricultural related products \$11 million. The United States is one of Costa Rica’s top suppliers of corn, wheat, rice, soybeans and consumer oriented foods. Although competition from South American countries in the grains markets is strong and imports of

bulk products regained market share from South America during 2016.

U.S. imports from Costa Rica by major category were bulk, \$237 million; intermediate, \$33 million; consumer-oriented, \$1.4 billion forest products, \$1.2 million; and seafood, \$65 million. Costa Rica's most important exports of agricultural products to the U.S. include pineapples, bananas, coffee, fruit juices, ornamental plants, sugar, and beef.

Agricultural U.S. imports of agricultural and related products from Costa Rica represented in 2016 \$1.624 billion, an increase of 9.45% over last year. Exports of bulk products grew 10.4 percent led by higher shipments of soybeans (\$122.4 million, up 14.1 percent), corn (\$114.5 million, unchanged), and rice (35.4 million, up 44.6 percent). U.S. cotton exports, which were non-existent 6 years ago, reached a record \$17.8 million in 2016, 36.8 percent in 2016.

U.S. exports under the fastest growing export category, consumer oriented products, grew 10 percent to \$274.5 million in 2016, also a record level. Exports to Costa Rica under this category have grown 114 percent during the period 2010-2016. There are many groups of products growing fast within this product category. U.S. exports of poultry meat and products, for instance grew 42.1 percent in 2016 to a record \$28.5 million. Exports of other meats such as beef and pork have also grown at a fast pace, reaching \$15.1 and \$14.3 million in 2016, respectively. As a result of the CAFTA-DR agreement, Costa Rica accepts beef, pork and poultry products from any federally inspected U.S. processing plant. This, combined with lower tariffs under the agreement, has resulted in higher exports of meats and meat products.

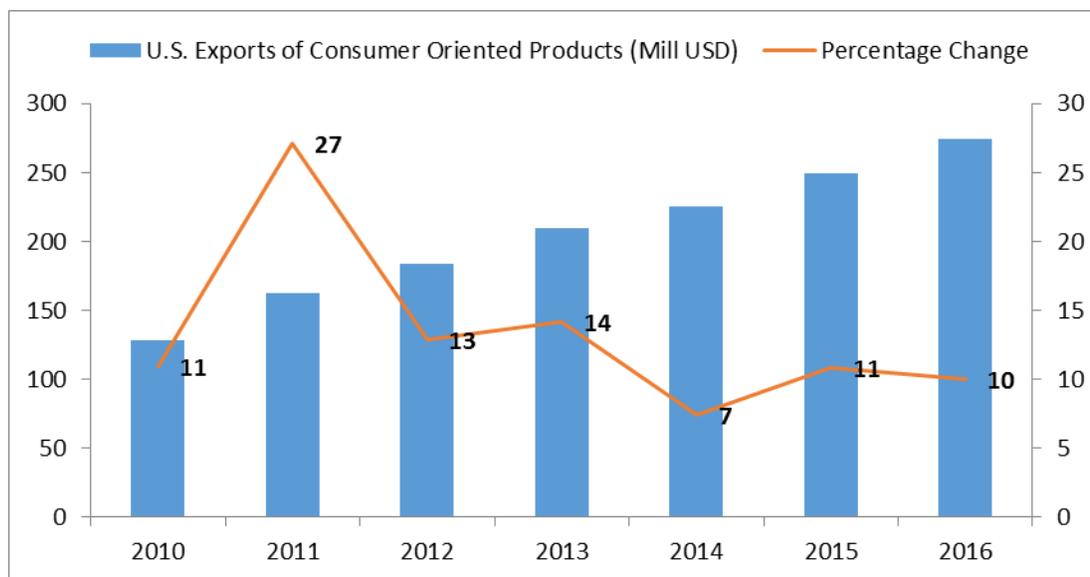
The banking sector is healthy, with non-performing loans as of June 2016 reported as 1.3 percent of total loans; the state-owned banks had a higher but still healthy 1.8 percent average. The country hosts a large number of smaller private banks, credit unions, and factoring houses, although the four public banks are still dominant, accounting for well over 50 percent of the country's financial system's assets. Consolidated total assets of the country's public commercial banks were approximately USD 27.5 billion in June 2016, while consolidated total assets of the eight private commercial banks were almost USD 15 billion and consolidated total assets of the credit unions and lending houses were over USD five billion, for combined assets of all bank groups (public banks, private banks and others) of approximately USD 47.5 billion as of June 2016.

Most of the food processors in Costa Rica import all of their ingredients directly. A few, however, rely on importers and distributors to handle the importation process. 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 volume and if they try to import directly would face high costs, as the conditions and procedures for importing can be difficult. Therefore, it is better for them to use a local wholesaler who can take care of necessary import procedures. For large food processing companies, they usually have their own distribution chain.

Some major processors in the Costa Rican food industry include Cargill, Del Monte, Bimbo, Nestle, Demasa, Sigma Alimentos, Chiquita, Dole, Unilever, and Riviana, among others. Local companies are growing larger as a result of the free trade agreements, which stimulate 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 refrigerated tacos, tortillas, instant soups and noodles, and desserts, among others, have good market potential in Costa Rica.

Table 2. U.S. Exports of Consumer Oriented Products



Data Source: U.S. Census Bureau Trade Data

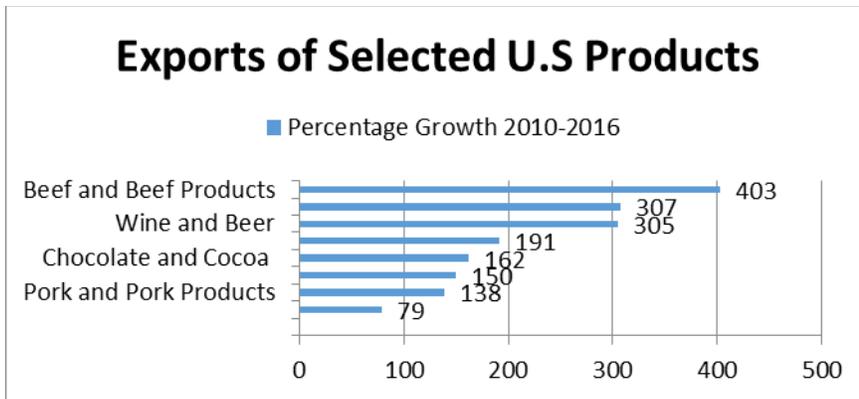
All zeroes for a data item may show that statistics exist in the other import type.

Consumption or General.

www.fas.usda.gov/GATS

Other product groups under the consumer oriented category that saw large gains from 2015 to 2016 include dairy products (\$20.4 million, up 36.5 percent); snack foods (\$21.5 million, up 11.3 percent); prepared food (\$34.5 million, up 20.2 percent); chocolate and cocoa products (\$15.7 million, up 11.7 percent); and wine and beer (\$8.1 million, up 15 percent). The reduction of tariffs under the CAFTA-DR agreement has resulted in higher exports of many different products since 2009 when the agreement entered into effect. The agreement has also facilitated the import process of sensitive products such as meats and dairy products through tariff rate quotas at zero duty.

Table 3. U.S. Exports of Selected U.S. products 2010-2016



Data Source: U.S. Census Bureau Trade Data

All zeroes for a data item may show that statistics exist in the other import type.

Consumption or General.

www.fas.usda.gov/GATS

U.S. shipments of intermediate products to Costa Rica reached \$95.2 million, or 5.8 percent lower in 2016. The drop in this category was mainly the result of lower shipments of soybean meal (a 14.5 percent decline to \$19.7 million), and soybean oil (sharply lower from \$4.1 million to \$100,000). Other important U.S. export products under the intermediate products category include distillers dried grains (\$16.9 million), and feed and fodders (\$7.4 million). The final export category, agricultural related products, grew 35.9 percent to \$11.4 million, led by forest products (\$5.7 million, up 50.5 percent), and fish products (\$3.3 million, up 12.9 percent).

As a member of the WTO, Costa Rica has actively participated in the Doha Development Agenda (DDA) negotiations. Costa Rica is a member of the Cairns negotiating group, a coalition of agricultural exporting nations lobbying for agricultural trade liberalization. Costa Rica also seeks to improve market access for tropical products and a Special Safeguard Mechanism (SSM) that would be used only in qualified exceptional occasions, an argument supportive of the U.S. position on the controversial modality. Credit is available to producers primarily from commercial banks both public and private.

Costa Rica does not produce bulk commodities, with the exception of rice and black beans. It relies upon imports to satisfy 100 percent of the consumption of wheat, yellow corn, and soybeans for milling and crushing, chicken, pork, and dairy industries. Significant imports of rice and dried beans are necessary to meet local demand as well.

Table 4. Costa Rica: Advantages and Challenges for U.S. Exporters

| Advantages | Weaknesses |
|---|---|
| The United States is geographically close to Costa Rica, which gives logistical advantages for marketing and trade. | U.S. products from the Western United States and the upper midwest face higher transportation costs relative to alternate suppliers from the rest of Central America. |

| | |
|--|--|
| U.S. exporters can supply different volumes according to local demand and maintain reliable supply throughout the year. | Low volume shipments of high-value products face additional costs since they must go through freight consolidators in Miami or other ports. |
| The United States now enjoys lower duties in almost every agricultural product as a result of CAFTA-DR. Tariffs on nearly all U.S. agricultural products will be phased out by 2020. | U.S. food exporters are not geared to meet the needs of the “traditional” market (13,000 mom & pop’s), which sell items packaged in small sizes. |
| Costa Rican importers, distributors and retailers enjoy U.S. business style and practices. | U.S. exporters generally do not give price discounts due to relatively small size of orders from Costa Rican customers, and little or no marketing/promotional support. |
| U.S. products high-quality marketing presentation makes them more desirable to consumers. | Many U.S. exporters are unaware that an Apostille can serve to validate the Certificate of Free Sale. |
| U.S. food products are competitive in terms of price and quality. | Importers of rice still concerned about chalky kernels in U.S. rice. |
| Costa Rica initiated a new on-line product registration system, which eventually will reduce registration times for new imported products. | Costa Rica’s often slow and cumbersome bureaucracy poses a challenge to doing business in the country. The World Bank’s “Doing Business 2017” ranked Costa Rica 62 of 190, and in 2016 ranked 58 out of 189. |
| With CAFTA, Costa Rica recognized the equivalence of the U.S. meat and poultry inspection systems, eliminating the need for approval of individual plants. | A vocal anti-GMO lobby threatens consumer acceptance of foods made with GM events. |
| A strong tourism sector (residential and traditional) provides opportunity for U.S. exporters and for development. | Strong competition. |
| Hotel, restaurant and institutional (HRI) sector sales are increasing as the number of high-end grocery stores are on the rise in tourist areas outside the capitol of San Jose. | Free trade agreements with China, Colombia, Peru and the EU can increase competition from other exporters. |
| Retailers are interested in stocking more U.S. products, including private-labeled goods. | The Ministry of Health has specific requirements for the wording of Certificates of Free Sale. Failure to meet these requirements slows down product |

| | |
|---|--|
| | registration. |
| The Ministry of Agriculture will build new cold chain facilities in tourist areas to facilitate imports of perishables, chilled and frozen foods. | South American grain competes aggressively with U.S. grain on price and quality. |
| Numerous multinational companies have their regional headquarters in Costa Rica. | Chinese black beans compete with U.S. beans in price because of a Chinese TRQ. |
| Costa Ricans are beginning to consume higher quantities of frozen and prepared foods. | Local producers are increasing in the sector. |
| Costa Rica is not self-sufficient in basic commodities and depends on imported grains and legumes. | |
| Costa Rica generally supports science-based international standards, and participates in international standards setting bodies. | |
| Consumers trust the quality of U.S. food products and follow U.S. market trends. | |
| A large percentage of the Costa Rican population is urban (roughly 60 percent), and of that a large share has a high disposable income (2016 income per capita of \$16,400 estimate). | |

Table 5. Consumption Commodities Imported by category from Costa Rica
Millions of dollars
(From 2012 to August 2017)

| Product | 2012 | 2013 | 2014 | 2015 | 2016 | Jan - Aug 2017 | Average (Value) |
|--------------------|-------|-------|-------|-------|-------|----------------|-----------------|
| | Value | Value | Value | Value | Value | Value | |
| Consumer-Oriented | 1,184 | 1,237 | 1,348 | 1,230 | 1,354 | 948 | 1,271 |
| Bulk Total | 322 | 213 | 213 | 231 | 238 | 156 | 243 |
| Seafood Products | 100 | 98 | 88 | 78 | 65 | 47 | 86 |
| Intermediate Total | 27 | 25 | 24 | 23 | 33 | 21 | 26 |
| Forest Products | 2 | 2 | 1 | 1 | 1 | 1 | 1 |
| | 1,634 | 1,575 | 1,674 | 1,563 | 1,691 | 1,173 | 1,627 |

Notes:

1. Data source: U.S. Census Bureau Trade Data
2. All zeroes for a data item may show that statistics exist in the other import type, Consumption or general
3. Product Group: BICO-HS10

Economic and Demographic Overview

Given the country's nominal population size 4.9 million people in 2017, future growth depends upon foreign investment and access to international markets. Costa Rica is also the oldest continuous democracy in Latin America with moderately strong economic growth rates (four percent in 2016) and low inflation (less than one percent in 2016) providing a stable investment climate. Total trade as measured by exports and imports increased during 2016. CIF imports amounted to \$15,517 million, while exports FOB \$10,166. The Central Bank for 2018 estimate projections of CIF imports of \$ 16,287 million and Exports FOB \$10,706 million. In the first five months of 2017 U.S. exports to Costa Rica grew by 2.9 percent as a result of higher demand for Costa Rica's agricultural, consumer oriented and manufactured products. Costa Rica's imports are also expected to grow as a result of higher demand for fuel (the country imports all its oil needs). The unemployment rate was 9.7 percent during 2016. High unemployment is more prevalent among the younger population, which is an important public concern. Ecotourism is extremely popular with the many tourists visiting the extensive national parks and protected areas around the country.

Table 6. United States Exports to Costa Rica 2016

| Area/Partners of Destination And Commodities Exported | | January – December Values in Thousands of dollars | | | | | Period/Period % Change (Value) |
|--|---------------------------|--|---------------|---------------|---------------|---------------|---|
| Partner | Product | 2012 Value | 2013 Value | 2014 Value | 2015 Value | 2016 Value | |
| Costa Rica | FAS Agricultural Total | 630,001 | 485,342 | 609,859 | 650,466 | 701,803 | 8 |

| | | | | | | | |
|--------------------|--|----------------|----------------|----------------|----------------|----------------|----------|
| Grand Total | | 630,001 | 485,342 | 609,859 | 650,466 | 701,803 | 8 |
|--------------------|--|----------------|----------------|----------------|----------------|----------------|----------|

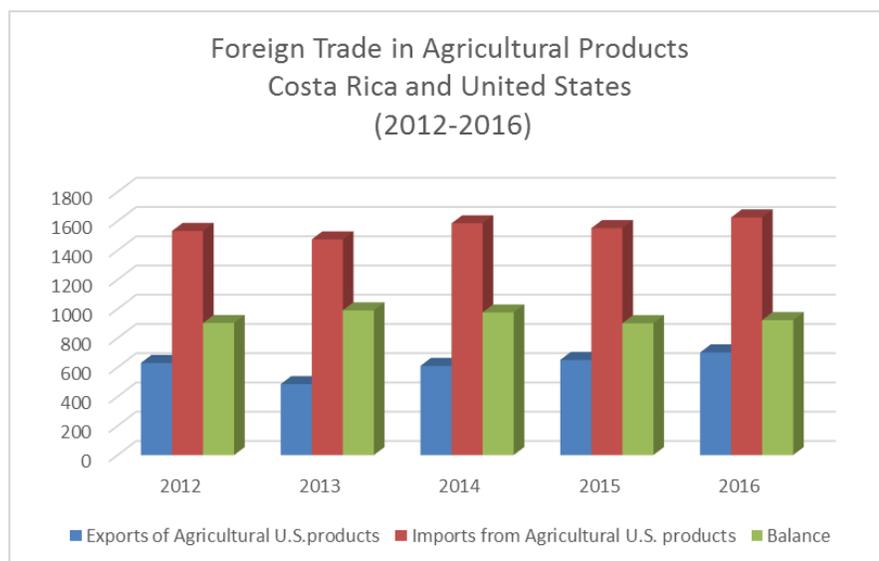
Notes

1. Data Source: U.S. Census Bureau Trade Data
2. Product Group : FAS (Agricultural)

Table 7. Costa Rica Overall Agricultural Bilateral Trade 2012-2016 in millions of dollars

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|--|-------------|-------------|-------------|-------------|-------------|
| U.S Exports of Agricultural and Related products to Costa Rica. | 630.0 | 485.3 | 609.8 | 650.5 | 701.8* |
| U.S, Imports of Agricultural and Related Products from Costa Rica. | 1,533 | 1,475 | 1,585 | 1,552.1 | 1,625* |

*Denote highest export levels since CY 1970



II. EXPORTER BUSINESS TIPS

Business Customs and Keys to Success

Local Business Customs:

Generally, business negotiations in Costa Rica tend to proceed slower than in the United States. Below are some important characteristics that should be noted:

- Credit terms: 3 to 4 months can pass between the time the importer places an order to an exporter to the time they collect payment from retailers.
- Spanish language in printed materials is preferred, although most Costa Ricans in the

business sector are bilingual.

- A personalized approach to business with consistent attention to service and delivery, frequent visits, and follow-ups, goes far in Costa Rica.
- Navigation of Costa Rica's import procedures can be tricky. It is best to work with experienced representatives, agents, and importers -- there are many in the country.
- Trademark registration and protection is important.
- Contracts should be in writing and made through consulting top decision-makers.
- Display samples, marketing and volume flexibility in purchase orders support business contract dealings.
-

General Consumer Tastes and Preferences

Traditional foods such as rice and beans remain staples in the Costa Rican diet, though new foods are readily accepted by the population. Costa Rica, for example, is the only country in the region where prepared foods account for a significant portion of household food budgets. Beef, rice, breads, and vegetables are typically the largest food expenditures for Costa Rican consumers. Soft drinks and dairy products follow these items in household purchases, with milk being consumed more than cheese. In general all meat poultry and pork products are consumed. Fish is consumed less than other protein sources. Wheat and corn products are widely consumed by the general population but are consumed in greater quantities by urban residents than other populations.

Some differences exist in the purchasing habits of consumers based on location. Rural consumers, for example, consume mostly rice, beef, vegetables and sugar while urban residents tend to demand beef, bread, vegetables, and soft drinks. Urban consumers are more likely to eat more chicken and other meats than their rural counterparts. Furthermore, urban residents tend to be more health conscious in their dietary habits and also consume more prepared meals than other segments of the population. The upper and mid-upper classes are the target of most U.S. consumer-oriented products, with these classes being both familiar and receptive to U.S. food and culture. These classes are apt to own microwaves and freezers and purchase food products accordingly. Higher socio-economic classes also tend to be the primary clients of supermarkets and fast food restaurants.

Dining out is common for high and middle income classes but is usually reserved for weekends or for special celebrations. Lower income consumers cook and eat most meals within the home and seldom dine in fine restaurants, but sometimes eat in fast food restaurants or cafeterias. Good quality items are not overlooked by these consumers, but price is the most significant factor in household food preferences. Overall, lower-income customers spend less on food than wealthier consumers, but shop more frequently. The presence of food trucks has developed within the past few years as well. Close to 20 companies are now using food trucks to sell their products all over the country. According to the Food Trucks Association, the operating expenses of food trucks is, on average, 40 percent less than the expenses of established restaurants.

A new trend in relation to environmentally friendly packaging alternatives is expected to increase in the future, mainly as the result of heightened awareness about material sourcing and the impact this has on the environment. A broader base of players is likely to promote recycling and reutilization

campaigns

Food Standards and Regulations

Codex Alimentarius norms serve as the basis for Costa Rica's food regulations. Within Costa Rica, four official entities are responsible for the regulation of food imports, including:

- Ministry of Health's Registration and Control Department (Ministerio de Salud, Dirección de Registros y Controles) – handles processed foods and beverages.
- Plant and Animal Health Service (Servicio Fitosanitario y Dirección de Salud Animal) – handles bulk agriculture, fresh fruits and vegetables and other products of fresh fruit/vegetable origin, ornamental plants, fresh, chilled or frozen meat products.
- National Animal Health Service (Servicio Nacional de Salud Animal) – handles live animals, products of animal origin - fresh meat and meat products, milk, cheese, eggs etc., pet food, animal feed, and ingredients for pet/animal food.
- Customs Office (Dirección General de Aduanas) – handles procedures for taxation purposes.

III. MARKET SECTOR STRUCTURE AND TRENDS

Retail Food Sector

Costa Rican supermarkets chains have an optimistic outlook for 2017 and are interested in continuing expanding their investments in the future. The Business Group of Supermarkets (Gessa), Walmart, and Automercado, are some of the firms that will increase their coverage in spite of the increasingly competitive nature of the Costa Rican market. Today, approximately 40 percent of food purchases made within the country take place in modern supermarket formats. Convenience stores and “mini-supers” (also known locally as “pulperias”), which are small local stores offering a limited selection of basic goods, are also commonly frequented by local consumers, especially to supplement weekly purchases. Traditional outdoor markets, of which there are estimated to be around 13,000 in the country, remain popular in Costa Rica as well.

The supermarket format has been gaining prominence in recent years and there are now more than 350 supermarkets in Costa Rica. This figure is growing rapidly as the large supermarket chains routinely open new stores. Urban areas contain the majority of supermarkets but they are gaining ground in rural settings as well. As retail supermarkets expand their reach and consumer base, they present an excellent

opportunity for U.S. exporters of food, beverages and agricultural products. Market analysts inform that already 55 percent of all food products sold in supermarkets are imported from abroad with 32 percent of these imports being from the United States. There are five major supermarket chains in Costa Rica including Wal-Mart (United States), Gessa (Costa Rica), AutoMercado (Costa Rica), Price Smart (United States), and Megasuper (Colombia). Wal-Mart has 185 stores and owns more than 80 percent of all the supermarkets (under what names of Pali, and Maxi Pali in Costa Rica).

Middle to high-income clients are the target consumer of most major supermarket chains, but price remains an important factor in consumer purchasing decisions. Several budget and discount-oriented retail outlets exist in Costa Rica. Due to increased competition between supermarket chains created from the growing number and format of supermarkets, retailers strive to offer high-quality products, diversify their product range, and offer in-store services. In particular, this has resulted in the growth of prepared foods sold in stores. This trend has coincided with a rise in demand for convenience foods, including healthy convenient food options, which are now popular with consumers. High-end and budget supermarkets and mini-supers alike are looking to target this niche. Some food distributors can provide entry into both retail outlets and to the food service sector. Entry into smaller retailers is best accomplished through working with local distributors.

Hotel, Restaurants and Institutions

Hotels and Resorts: Hotels and resorts in Costa Rica offer a wide range of accommodations for the growing business and tourist industries. The government is developing a comprehensive travel and tourism plan with a special emphasis on cultural and eco-tourism. It is also implementing aggressive marketing campaigns in the United States and Europe. From the 9.6 million tourists who visited Costa Rica over the past five years, almost 700,000 preferred lodging options available through platforms such as Airbnb or HomeAway instead of hotels, especially in the Pacific Northwest (Guanacaste) region. Projections made by the Central Bank of Costa Rica generated \$4billion in revenue from tourism in 2016 and goal for 2021 is to increase to \$6billion. The 26 percent increase is due to new airline options that are new flying to Costa Rica.

The total contribution of Travel & Tourism to GDP was 13.4% of GDP in 2016, and is forecast to rise by 3.6% in 2017.

Restaurants: Costa Rica's restaurant sector, specifically fast-food establishments, showed improvement in the number of openings in the second half of 2015 and grew by 5 percent in 2016. In general, most of the finest restaurants are located in the San Jose metropolitan area. In recent years, neighborhoods east of San Jose have become attractive places for gourmet cooking establishments such as in old neighborhoods of Amon, Otoya, Aranjuez, Dent, Los Yoses and Escalante. More than eighty restaurants are located within the 2 square kilometers represented by the neighborhoods mentioned. A new gastronomy center that represents a 3 million dollar investment is expected to open in the province of Cartago.

Restaurants in Costa Rica can be broken down in the following segments:

- Fine-Dining/ Full service restaurants: higher priced
- Casual Dining: higher to medium priced dining

- Fast food casual dining: cafes, bars affordable and fast food
- Mobile fast food kiosks and trucks: this type of fast casual food is being more and more common in local trade shows and events.

The non-fast food restaurant subsector is experiencing rapid growth and is primarily frequented by professionals. New, upscale and specialized restaurants serving both local and continental cuisines are springing up in the major urban centers as well. There are no statistics as to the current number of restaurants to date but, due to increased tourism, immigration, and the sophisticated dining tastes of the Costa Rican middle and high income population, the selection of restaurants is ample with cuisine specialties such as Argentinian, Colombian, Chinese, Spanish, Mediterranean, Italian, Indian, Japanese, and Mexican.

In the Pacific Northwest tourist hub of Guanacaste, restaurants offer various gastronomic options. Costa Rican cuisine generally includes lightly seasoned fresh fish, chicken or beef, grilled plantains and a combination of black beans and rice called *Gallo Pinto*. The growth in restaurant operations in Costa Rica offers U.S. exporters the opportunity to supply the many international franchises in the San Jose area.

Expanding franchises include the sports bar chain Hooters which has six restaurants with a total investment of \$3.3 million, Hooligan's which also has six locations, and Chili's which is expected to invest \$2.4 million in two new locations, bringing the total number to five. The local chain "RostiPollos" is also in the process of expanding its presence throughout the country by investing \$1 million in opening new restaurants. Tourists, can also find a several of different well known chains of such as Pizza Hut, Subway, Starbucks, TGIF, PF Chang's, MC Donalds, Burger King, KFC among others.

Fast Food/Franchises: The fast food market is very competitive in Costa Rica. Approximately 244 new fast food locations were opened from 2010-2014, totaling 679 such restaurants since 1962. Costa Rica's franchising regime grew by 85 percent in the last five years according to the National Franchise Center. A total of 34 new franchises launched operations last year with 22 of them representing international chains. Almost 64 percent of the restaurants are located in the San Jose metropolitan area.

Costa Rica has experienced several closures in recent years, such as Burger King and Wendy's, but the industry seems to be stable with new franchises have opened within past two years. The U.S. burger chain Johnny Rockets confirmed that it is opening three new locations for a total investment of \$2 million. KFC will open a new restaurant in the area of Desamparados, south of the capital. This will be the chain's 33rd location in the country. Taco Bell opened two new restaurants and is expected to open two more in the near future.

Franchising was spurred by the rise of tourism in Costa Rica. Currently, the market for new franchises has been intensifying even with some market saturation primarily in the fast food sector. One strategy used by franchises to keep local consumers is to tropicalize their menus by offering fried eggs, *Gallo Pinto* and a pair of tortillas in combos.

IV. BEST CONSUMER-ORIENTED PRODUCT PROSPECTS

Many promising export opportunities exist for high-value consumer oriented products from the United

States. The signing of CAFTA-DR in 2009 cleared the way for U.S. exports to enter Costa Rica with ease, and since then, U.S. exports have grown robustly. The economic outlook in Costa Rica is promising as well; economic growth is steady and a solid base of middle to upper-class consumers is expanding in the country. Additionally, U.S. food products and food companies continue to permeate the market in Costa Rica, as local consumers are both receptive and accustomed to U.S. food products. U.S. food companies, restaurants, and supermarket chains, have been highly successful in Costa Rica and have a strong presence in the country.

In particular, bakery and confectionary products are showing impressive levels of growth, as are savory condiments and sausages. Baking ingredients, shelled nuts, and intermediate cocoa products have all experienced over 90 percent growth by value from 2010 to 2016. Gourmet products and prepare foods are widely distributed throughout the country but are consumed principally by high and medium-income consumers.

Table 8. Costa Rica: Consumer oriented products by category:

Area/Partners of Destination **January - December**
And Commodities Exported **Values in Thousands of dollars**

| | | 2012 | 2013 | 2014 | 2015 | 2016 | |
|-------------|----------------------------------|---------|---------|---------|---------|---------|-----------------------------------|
| Partner | Product | Value | Value | Value | Value | Value | Period/Period % Change (Value) |
| Costa Rica | Consumer Oriented Total | 183,746 | 209,651 | 225,163 | 249,539 | 274,201 | 10 |
| | Prepared Food | 24,388 | 27,124 | 28,328 | 28,693 | 34,482 | 20 |
| | Poultry Meat & Prods. (ex. eggs) | 13,644 | 15,976 | 14,747 | 20,058 | 28,551 | 42 |
| | Processed Vegetables | 18,964 | 23,553 | 26,031 | 27,594 | 26,976 | -2 |
| | Snack Foods NESOI | 17,960 | 19,500 | 18,622 | 19,357 | 21,569 | 11 |
| | Dairy Products | 12,730 | 12,830 | 16,626 | 14,929 | 20,403 | 37 |
| | Dog & Cat Food | 12,342 | 14,387 | 16,156 | 19,268 | 19,576 | 2 |
| | Fresh Fruit | 21,014 | 20,643 | 21,023 | 24,858 | 18,974 | -24 |
| | Chocolate & Cocoa Products | 9,426 | 9,840 | 12,306 | 14,081 | 15,714 | 12 |
| | Beef & Beef Products | 4,701 | 5,604 | 7,485 | 12,177 | 15,092 | 24 |
| | Pork & Pork Products | 7,279 | 12,950 | 14,153 | 12,870 | 14,322 | 11 |
| | Condiments & Sauces | 5,682 | 6,937 | 6,320 | 7,454 | 9,927 | 33 |
| | Tree Nuts | 4,572 | 8,052 | 6,994 | 9,383 | 9,203 | -2 |
| | Non-Alcoholic Bev. (ex. juices) | 4,652 | 3,738 | 5,509 | 6,255 | 8,320 | 33 |
| | Wine & Beer | 2,910 | 3,927 | 3,968 | 7,054 | 8,111 | 15 |
| | Fruit & Vegetable Juices | 9,884 | 7,644 | 8,516 | 6,822 | 7,257 | 6 |
| | Processed Fruit | 3,944 | 4,104 | 4,162 | 3,495 | 4,198 | 20 |
| | Other Consumer Oriented | 4,357 | 5,024 | 4,736 | 5,567 | 3,895 | -30 |
| | Breakfast Cereals | 2,120 | 2,790 | 3,639 | 2,712 | 3,127 | 15 |
| | Eggs & Products | 1,773 | 2,683 | 3,680 | 4,607 | 2,101 | -54 |
| | Fresh Vegetables | 910 | 1,344 | 576 | 564 | 1,248 | 121 |
| | Meat Products NESOI | 493 | 1,001 | 1,587 | 1,742 | 1,156 | -34 |
| Grand Total | | 183,746 | 209,651 | 225,163 | 249,539 | 274,201 | 10 |

Notes:

- 1. Data Source: U.S. Census Bureau Trade Data**
- 2. Product Group : FAS (Agricultural)**

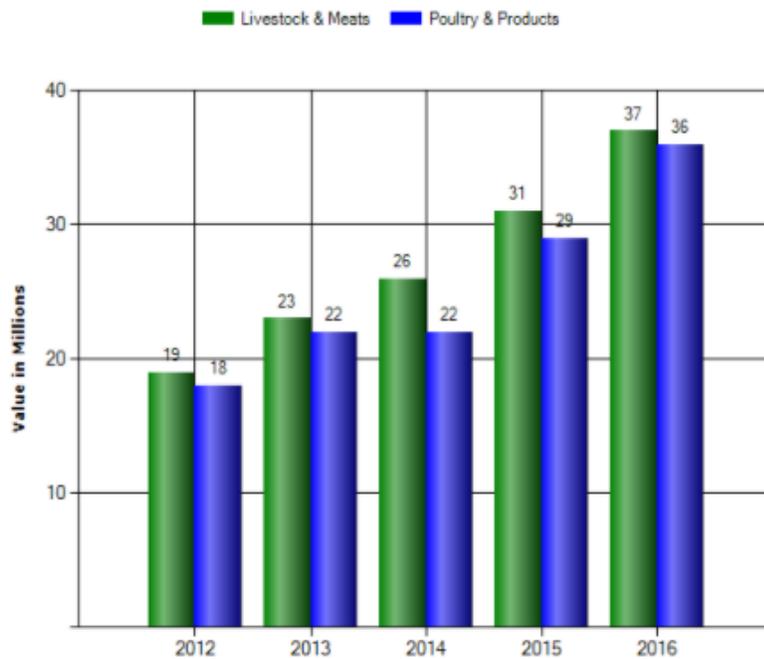
Demand for healthy, and/or gourmet snack items is increasing as well. Gluten free snacks and organic products and ingredients, dried fruits, whole wheat/grains, and high-quality ingredients are gaining ground with health conscious consumers. This trend for healthy products is not limited to snack foods either. Demand for niche food items such as organic shelf products or gluten-free goods, non-dairy, vegetarian/vegan products etc. is expanding, which bodes well for U.S. exporters wishing to capitalize on this trend.

There is a wide variability in the kinds of ingredients of animal and vegetable origin used in food and beverage products in Costa Rica. The simplest ingredients used are egg albumin, cocoa, milk powder, natural sweeteners substituting sucrose (such as fructose), soy protein, corn, corn starches and corn flour, whey protein, among others. Costa Rican consumption of herbs, herb extracts and fruit pulps has increased significantly as a result of expansion in the beverage and the confectionary industries in teas, jellies and juices. The use of spices has increased following a gourmet trend in the preparation of home-made meals and desserts, as well as in restaurant menus and industry formulations.

Meat exports to Costa Rica demonstrate excellent new opportunities for U.S. exporters as well. Pork products stand out as having great export potential; bacon, ham, and pork leg (especially during the winter months) are all popular imports from the United States. Exports of processed meats, prepared meats, and preserved meats between 2012 and 2016 expanded significantly, and consumption of prepared meats continues to grow. Meat and poultry imports accounted for 73 million of total imports in 2016, representing 18 percent increase.

Table 9. Costa Rica Imports from U.S. of Processed Meat and Poultry 2012-2016
U.S. Millions Dollars

United States Exports of Meats and Poultry to Costa Rica
(January - December)



| Partner | | Product | 2012 Value | 2013 Value | 2014 Value | 2015 Value | 2016 Value | Period/Period % Change (Value) |
|--------------------------|---|-----------------------------------|------------|------------|------------|------------|------------|--------------------------------|
| <input type="checkbox"/> | 1 | Costa Rica 1 + Livestock & Meats | 19 | 23 | 26 | 31 | 37 | 19 |
| <input type="checkbox"/> | 1 | Costa Rica 2 + Poultry & Products | 18 | 22 | 22 | 29 | 36 | 23 |
| | | Grand Total | 37 | 45 | 48 | 60 | 73 | 21 |

Notes:

1. Data Source: U.S. Census Bureau Trade Data
2. Product Group : FAS (Agricultural)

Regarding dairy products the local company Cooperativa de Productos de Leche Dos Pinos, RL has retained its leading position in cheese during 2016, holding a retail marketshare of 46 percent. Dos Pinos brand is offered at most modern and traditional grocery outlets across the country and across the region. Its scale of distribution and manufacturing helps to explain the competitive advantage developed by this player over the years, which is complemented by its dominance in dairy overall, a situation that has helped to strengthen its brand awareness. Consumers still look for new nutritional options and yogurt, probiotic and dairy dessert options still growing.

Remaining export sectors with impressive levels of growth include prepared food; non-alcoholic/ juice beverages; nuts; condiments and sauces; wines, processed vegetable; chocolate & cocoa products and wine and beer. With a low increase distilled spirits are starting to growth and show a 52% increase over the last five years. Wine and beer imports have also been making a splash in Costa Rica. The Costa Rican public is particularly receptive to world-wide beers and local craft beers, which though a small percentage of the market, have rapidly been gaining visibility it recent years. Costa Rican beer importers continue to seek high-value high-quality U.S. beers for introduction to the public at large. Costa Rica is number 17 of the 35 leading countries that import U.S. beer with a 6,118 thousand dollars increasing 17 percent in 2016.

**Table 10. Costa Rica: Suggested Best Prospects for U.S. Exporters, by Sector
(Millions of Dollars)**

| Product | 2012 | 2013 | 2014 | 2015 | 2016 | Jan - Aug 2017 | Average % Change (Value) |
|-------------------------------------|-------|-------|-------|-------|-------|----------------|-----------------------------|
| | Value | Value | Value | Value | Value | Value | |
| Soybeans & Soy Products | 183 | 78 | 88 | 135 | 142 | 83 | -6 |
| Food Preps. & Misc. Beverages | 47 | 54 | 56 | 59 | 70 | 44 | 10 |
| Rice & Rice Products | 37 | 27 | 28 | 25 | 37 | 23 | -- |
| Live Poultry, Meat, Eggs & Products | 17 | 21 | 20 | 27 | 34 | 22 | 17 |
| Vegetables, Fresh & Processed | 21 | 26 | 27 | 29 | 29 | 18 | 8 |
| Cocoa, Chocolate, & Confectionary | 15 | 15 | 17 | 18 | 20 | 11 | 8 |
| Dairy Products | 12 | 12 | 16 | 14 | 18 | 12 | 9 |
| Cattle, Beef, & Bovine Products | 5 | 5 | 8 | 13 | 17 | 9 | 32 |
| Tree Nuts | 7 | 10 | 10 | 13 | 12 | 8 | 15 |
| Alcoholic Beverages | 4 | 5 | 5 | 9 | 10 | 5 | 26 |
| Other Animals, Meat & Products | 5 | 5 | 5 | 5 | 6 | 5 | 6 |
| Peanuts & Peanut Products | 1 | 1 | 1 | 1 | 2 | 2 | 16 |
| Tobacco & Tobacco Products | - | - | - | - | 0 | - | -- |
| | 353 | 260 | 281 | 347 | 398 | 242 | 3 |

Notes:

1. Data Source: U.S. Census Bureau Trade Data
2. Product Group : WTO

**Table 11. Costa Rica: Highest Export Levels for U.S. Exporters by Sector
(Millions of dollars)**

| Product Category | 2016 Imports In Million USD | 1-yr. Avg. Annual Import Growth | Market attractiveness for USA |
|--------------------|--------------------------------|---------------------------------|--|
| Soybean | 114 | 3% | Costa Rica imports almost all its soybeans from the United States |
| Ready to eat meals | 32.4* | 17.28% | Ready meals are more popular due to the demand for convenient inexpensive foods. |
| Chocolate and | 15.* | 5.3% | Growth demand segment. |

| | | | |
|----------------------------------|-------|-------|---|
| Cacao Products | | | |
| Beef & Meat products | 15.3* | 39.2% | HRI industry is growing and consumers are searching for more U.S. cuts in the local market. |
| Poultry Meat & Prods. (ex. eggs) | 26.2* | 27% | Costa Rican consumers prefer poultry HRI industry is also influencing this market too with good quality poultry options. |
| Nuts | 15 | 5.3% | Supermarket and retail food service always have demand for new products. Nuts are considered a trendy's healthy snack. |
| Condiments and Sauces | 8.7 | 18.3% | Costa Rican buyers continued to become familiar with different sauces and condiments that have a greater presence in modern grocery retailers throughout the country. Ethnic flavors and natural products are becoming more popular with consumers. The demand for mature mass products such as stock cubes, ketchup, mayonnaise, and spicy sauces continues. Consumers continue to find more innovation within more specialized products including other table and cooking sauces as well as in trendy herbs and spices (including turmeric and multicolor peppercorns) given the functional and flavor profile features they can offer to home cooking. |
| Dairy Products | 19.9* | 24.6% | Demand for cheese is mature as there is increasing price-based competition amongst the most popular products (which includes processed cheese and unpackaged hard cheese), while the availability of products targeted to wealthier buyers has seen the development of gourmet options. |
| Wine & Beer | 7.4* | 16.2% | Wine and beer are growing in popularity. Consumer awareness and education creates a niche for this emerging opportunity. |
| Juices Non-Alcoholic | 7.8* | 19.2% | Demand for new flavors and consumers will continue to demand more convenient and healthier products over the coming years. |

**Trade Data Source: U.S. Census Bureau Trade Data
Bico Report**

*** Denote Highest Export Levels Since at Least CY 1970**

V. KEY CONTACTS, AND OTHER RELEVANT REPORTS

U.S. Embassy Commercial, Agricultural and Trade-Related Contacts

Department of Agriculture Foreign Agricultural Services (FAS)

Phone : (506) 2519-2285

Fax: (506) 2519-2097

Email: AgSanJose@fas.usda.gov

Website : www.fas.usda.gov

Department of Commerce – U.S. Foreign Commercial Service

Phone: (506) 2220-2454

Fax: (506) 2231-4783

Email: san.josecr.officebox@mail.doc.gov

Website: www.export.gov www.buyusa.gov

AMCHAM (Local American Chamber of Commerce)

Phone: (506) 2220-2200

Fax: (506) 2220-2300

Email: chamber@amcham.co.cr

Website : www.amcham.co.cr

Public Institutions

Ministerio de Salud (Ministry of Health)

Dirección Atención al Cliente

Phone: (506) 2222-5749

Website: www.netsalud.sa.cr

Ministerio de Agricultura y Ganadería (Ministry of Agriculture)

Phone: (506) 2290-5463

Fax : (506) 2231-2062

Website: www.mag.go.cr

Servicio Fitosanitario (Plant and Animal Health Services)

Phone: (506) 2260-8300

Website: <http://www.sfe.go.cr/>

Servicio Nacional de Salud Animal (National Animal Health Service)

Phone: (506) 2260-8300

Email: info@senasa.go.cr

Website: <http://www.senasa.go.cr/senasa/sitio/>

APPENDIX - STATISTICS

Data Year 2016

1/ Reported by Crecex <http://www.crecex.com/costaricaimporta/2016/capitulo-01sectoragricola.html>

2/ Reported by the World Bank <http://data.worldbank.org/country/costa-rica>

3/ Reported by the National Statistics Census <http://www.inec.go.cr>

4/ Reported Central Bank: <http://indicadoreseconomicos.bccr.fi.cr/indicadoreseconomicos>

Appendix A. Costa Rica: Principal Trade Partners 2016

| COUNTRY | Export Value In US Dollars | Percentage |
|----------------|---------------------------------------|-------------------|
| United States | \$4,023.5 M | 44.0% |
| Panama | \$ 578.6 M | 5.8% |
| Netherlands | \$556.5 M | 5.6% |
| Nicaragua | \$546.6 M | 5.5% |
| Guatemala | \$534.2 M | 5.4% |
| Belgium | \$530.9 M | 5.3% |

Source: Procomer