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Retail Foods

Retail Foods Report

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Report Highlights:

In 2014, the retail industry continued its planned expansion with major retailers moving deeper into the small store segment, targeting customers who shop in convenience and small stores. Additionally, the Costa Rican market of wholesale supermarkets continues to grow, mainly driven by the opening of convenience stores, bakeries, 'sodas' (small low end restaurants), restaurants and hotels in recent years.

Post:
San Jose

Executive Summary:

SECTION I. MARKET SUMMARY

The Costa Rican market of 4.8 million people is dynamic, evolving and uniquely challenging for the U.S. exporter. Known for its beach and mountain resorts, the country adds more than 2 million tourists and thousands of affluent retirees to its base of retail food consumers every year. Given the country's small population, future growth depends upon foreign direct investment (FDI) and access to international markets. Total FDI in Costa Rica amounted to \$2.18 billion in 2014 and is forecast to reach \$2.22 billion in 2015. CIF imports amounted to \$17.14 billion, while FOB exports reached \$11.16 billion in 2014. Lower exports from the manufacturing and technology sector are expected this year. The unemployment rate was 9.7 percent during the fourth quarter of 2014, compared with 8.3 percent during the same period in 2013. The high unemployment rate, especially among the younger population, is an important public concern.

The retail sector is one of the most versatile. During the recent economic crisis, consumption in independent grocery stores and small suppliers increased because people preferred to buy small quantities, while in times of recovery and economic boom revenues from large chains increase.

Costa Ricans spend about 40 percent of their income on food products. The local food industry (comprised of about 20 percent large companies and 80 percent small and medium-sized enterprises) has been steadily growing and incorporating technological advances to increase exports and offers a wide variety of products for local consumption: fresh and processed tropical fruits and vegetables, bakery products (bread/cookies), pasta, sauces, snacks, juices, and of course, dairy products, red meat, poultry and fish/seafood.

In 2014 total imports of U.S. consumer oriented products reached a record \$224.9 million, representing the highest agricultural export category for U.S. agricultural products to Costa Rica. Imports from neighboring countries (Mexico, Guatemala, Panama, and Nicaragua) include a large variety of products such as fresh fruit and vegetables, liquor, cereals and beans. Other major suppliers that seek to increase their exports to Costa Rica include Canada, Chile and most recently, China.

Several large wholesalers and importers distribute products to the three food retail subsectors. Supermarkets and convenience stores extensively use in-house procurement departments. Distribution channels are similar for all products, although some (fresh fruit, vegetables) require special handling.

Costa Rican food executives encourage U.S. food manufacturers and suppliers to:

- Promote private label brands/products,
- Promote novelty food and beverage items (spawned by tourist and pensioners),
- Become more aggressive (in all sectors: especially canned and fresh fruits and vegetables, processed foods, etc.),
- Demonstrate greater interest in 'tropicalizing' products for the Costa Rican market (tropicalizing refers to characteristics/concepts such as: packaging in smaller volumes & appropriate for the heat of the tropics; incorporating popular local flavors, i.e. fruit, etc.),
- Demonstrate greater interest in providing environmentally friendly packaging, and

- Demonstrate greater interest in Central America's smaller, but viable markets.

Costa Ricans total income is not evenly distributed, the majority of Costa Ricans enjoy an upper-middle class income. Private consumption spending is projected to continue to grow, with more household spending devoted to the purchasing of goods and services, and among those, high-value food products.

The retail sector is rapidly expanding. Supermarket and hypermarket chains are expanding into multiple markets in the region. Major retailers offer a wider variety of products with competitive pricing, and convenience stores are still quite popular. Importers may also be wholesalers and have national distribution.

There has been a good growth for supermarkets/hypermarkets and convenience stores as this channel expanded outlet volume across the country. Since 2012 there was a shift in shopping habits, with consumers increasingly purchasing small quantities as needed from independent small grocers rather than making a large weekly shop at supermarkets/hypermarkets. Consumers sought to economize by keeping purchases of packaged food to a minimum. As a consequence, independent small grocers gained value share in overall sales of packaged food.

Consumers will thus become increasingly willing to pay more for greater convenience, which will drive sales growth across packaged food. Products that offer a high degree of convenience are expected to perform particularly well. Despite an increase that has taken place in the past two years in the number of supermarkets, Costa Ricans have segmented their purchases among these shops and grocery stores, without choosing one over another, which has allowed both alternatives to remain in the market.

Supermarkets are constantly fighting for loyal consumers. In a recent survey [1], the trend projected is that most of the consumers are searching for promotions and special discounts. Consumer habits are changing and they are open to experiment new options. The survey also shows that 36 percent of Costa Ricans like to experiment in new stores and almost 2 percent visit the same supermarket during the year. (**Refer to attached Chart 1**)

¹ Survey conducted by Alexander Salazar, "Los súper luchan por lealtad del cliente," El Financiero newspaper, N°1030 June 2015, Page 26.

	Gender	Age	Social class	Purchase
Customers searching for offers and promotions	The majority are male	25-39 years	middle socioeconomic class	<ol style="list-style-type: none"> 1. Impulsive 2. Buy only when there are offers and promotions 3. Try new stores
Informed customer	The majority are women	40-65 years	middle socioeconomic class	<ol style="list-style-type: none"> 1. They believe that all sell the same so they compare to find the best option 2. They do not like to try something new 3. Compare even if there are no offers and promotions
Demanding customer	Equally between men and women	40-65 years	middle socioeconomic class	<ol style="list-style-type: none"> 1. They can pay more for better quality 2. They visit the same stores and buying the same brands 3. Few believe that all stores offer the same
Loyal customer	The majority are women	25-65 years	middle socioeconomic class	<ol style="list-style-type: none"> 1. They prefer the same stores and brands 2. Few are impulsive 3. Not looking to pay more for better quality

From 2014 to 2015 there was an increase of 9% of the consumers that decided to look for new supermarket options. *(Please refer to Chart 2 and Chart 3 attached)*

Source: http://www.elfinancierocr.com/negocios/Perfil_del_Consumidor_2015-canales_de_compra_0_763123709.html

Advantages and challenges for U.S. exporters:

Advantages	Challenges
Of the 4.8 million Costa Ricans, a large percentage of the urban Costa Rican population has a high disposable income (2014 income per capita: \$10,381).	High level of bureaucracy and regulatory weaknesses negatively affect importers and U.S. exporters.
Costa Rican consumers trust in the quality of U.S. food products and follow U.S. market trends.	Lack of knowledge of U.S. brands by importers and retailers.

The growing retail industry is interested in carrying more U.S. products, including private label goods.	Lack of importer and retailer knowledge and training in purchasing, handling, and merchandising U.S. products.
Costa Rican importers, distributors and retailers generally like trading with U.S. exporters because of the reliability and quality of service.	Free trade agreements with China and EU may increase competition.
Strong tourism sector (residential and traditional) provides opportunity for the food retail sector. More high-end grocery stores in tourist areas outside San Jose metropolitan area.	Registration of consumer-ready products process is slow and inefficient.
Economic climate in Costa Rica is improving and the Costa Rican population is beginning to consume higher quantities of frozen and prepared foods.	Some major retailers and importers have their own cattle farms, meat processing plants, bread processing facilities, etc. reducing the need for some imports.

SECTION II. ROAD MAP FOR MARKET ENTRY

Entry Strategy

U.S. products possess an outstanding reputation for quality and price-competitiveness. The lower tariffs on most processed food products as a result of the Central American-Dominican Republic Free Trade Agreement (CAFTA-DR) has resulted in higher imports of these products from the United States for the last eight years. Imports of these products are expected to continue growing in the near term.

- Supermarket chains are best situated to be the main market for imported food products whose target customers are high and middle-income consumers. U.S. exporters should contact large importers, wholesalers/distributors or supermarkets directly.
- U.S. exporters can approach gas marts, grocery and convenience stores through major local suppliers (wholesalers/distributors).
- Be diligent when selecting a partner (an agent or a representative) in Costa Rica. Personal visits/meetings are highly recommended. Conduct a background check of the prospective partner before signing permanent contractual arrangement.
- The local partner should be able to provide updated information on consumer trends to identify niche markets, current market development (merchandising, point of sale and promotion activities), and business practices.

Market Structure

Walking into most newer supermarkets in Costa Rica is reminiscent of walking into a newer U.S. grocery store.

Costa Ricans usually make their major grocery store purchases every two weeks. Going to the large, new, brightly lit stores with aisles upon aisles of food selection and options from all over the world has turned into a

kind of outing experience that can occupy hours of a family’s time. Supermarket purchases are supplemented with smaller purchases at the traditional neighborhood store called pulpería or at ‘mini-supers.’ (See section on Traditional Markets).

As the five mega-retailers try to win new customers, some stores compete not only on price and selection but by providing numerous additional services under the same roof. A partial list of services or kiosks found in a supermarket’s compound includes:

Bakery	Banking services	Bill payment services: utilities, credit cards, etc.
Cafeteria services	Carry out services	Coffee bars
Breweries	Deli Services	Dry cleanings
Fashion Boutiques	Jewelry	Office services
Pharmacies	Electronic Stores	Organic stores

Most large supermarkets also offer a combination of ‘loyalty points,’ their own credit cards, and a number of other amenities, like exercise programs (such as spinning on the weekends) to further entice and win-over customers.

The trend of buying online in the country is increasing. In Latin America, 8 of every 10 consumers seek information about products and services on the Internet before buying. Several supermarkets, for example, offer the option to order online and then deliver the products. However, many people are unfamiliar with the technology and, fear to buy online due to the possibility of fraud.

Flow Chart

CHANNELS OF DISTRIBUTION IN COSTA RICA FOR MAJOR SUPERMARKETS AND WHOLESALE CLUBS

(Please refer to Chart 4 attached)

- Suppliers to major supermarkets have a wide range of distribution channels ranging from those for fancy foods to those for foods for mass consumption.
- Major food importers/distributors supply all major supermarket chains and provincial retailers.
- Distributors and wholesalers constantly sponsor in-store promotional activities. They have the support of personnel in every store and all distribution channels.

Gaining prominence in recent years, supermarkets have reported sales growth of about 20 percent in the last two years in Costa Rica, with this figure growing annually as supermarket chains routinely open new stores. While the majority of supermarkets are located in urban areas, they are gaining ground in rural settings as well. As retail supermarkets expand their reach and consumer base, they present an excellent opportunity for increased exports of agricultural products and processed foods; more that 50 percent of the groceries are estimated to be imported, with 32 percent of these imports being from the United States. Of supermarket

retailers within the country there are five major competitors based in a number of countries: Wal-Mart (United States), Gessa (Costa Rica), AutoMercado (Costa Rica), Price Smart (United States), and Megasuper (Colombia). In November 2015 a new chains of supermarkets from Honduras "La Antorcha" opened one store at the new City Mall located in Alajuela.

Recently, Megasuper announced the start of an aggressive plan of growth with the official opening of two points of sale in Abangares, Guanacaste, and Turrúcares, Alajuela. Automercado, a supermarket chain, foresees carrying out two openings in bordering zones to the Great metropolitan area.

The Business Group Supermercados (Gessa) plans to increase its brand with a better marketing image with Saretto, Perimercados and Super Compro. Also it plans to open a convenience store and close business formats like Jumbo and Turribásicos. This investment will be approximately \$8 million.

Costa Rica is also increasing its presence of AMPM, Fresh Market and Vidi stores. This new experience is similar to the 7-Eleven convenience stores in the United States. Costa Ricans are increasingly warming up to these stores, which are slowly displacing the traditional pulperias that can still be found in working-class suburban neighborhoods and rural communities.

There are more than 20,000 pulperias and mini-marts in Costa Rica, but many are being displaced by the growth of supermarkets (particularly Pali and Mas x Menos, owned by Wal-Mart) and the new convenience stores. Older Costa Ricans still remember the joys of being sent to the pulperia on an errand by their parents and walking out with free candy courtesy of the shopkeeper. The pulperias were often lifesavers for families who lived paycheck to paycheck since they could always trust on the shopkeeper to sell them groceries on credit.

A. Company Profiles

Retailer Name and Outlet Type	Ownership	Sales (\$Mil)/Year	No. of Outlets	Locations	Purchasing Agent Type
Walmart (including all formats)	U.S.	Not available	222	Nationwide Pali (Whse discount) = 151 Urban/Rural Max X Menos (Supermarket)	Direct Importers

				= 32 Urban/Rural Maxi Palí (Whse./ discount) = 31 Urban/Rural Walmart Supercenter = 8 Urban	
Grupo Empesarial de Supermercados S.A. (GESSA) (including all formats)	Local	Not available	61	Nationwide 50% urban 50%rural Five profiles of stores: - Peri (Supermarket) = 28 - Super Compro (Whse. Discount) = 29 -Turribásicos (Supermarket) = 3 - Saretto Supermarket = 1 Peridomicilio	Direct Importers (3%) Wholesalers/Distributor (97%)
AutoMercado (including all formats)	Local	Not Available	30	Metropolitan Area, South Pacific Coast 90% Urban 10% Rural/Beach Area Guanacaste -Auto Mercado (Supermarket) = 17 -Vindi (Supermarket) = 13	No brokers used. Uses U.S. consolidators. Wholesalers, distributors Direct purchases.
PriceSmart	U.S.	Not Available	6	San José, Alajuela, Heredia 100% Urban	Through U.S. headquarters-60% Regionally (Panama) & local-40%
Megasúper	Colombian	Not Available	72	Nationwide	Direct Importers

				60%Urban 40%Rural	
La Antorcha	Honduras	Not Available	1	Alajuela 100%Urban	Direct Importers

Auto Mercado has seen solid growth across a broad range of products: This chain provides a lot of customized American products that are not available in other grocery stores. Auto Mercado is a fine supermarket chain, which offers regular products but also has a wide selection of wines, deli, and fine cuts of meat. You can find Auto Mercado stores in San José downtown, some of the shopping malls (Multiplaza Escazu & Plaza Mayor in Rohrmoser) and out of San Jose also in Puntarenas Playa Herradura near Jaco and in Guanacaste, Tamarindo.

Walmart: The company owned more than 80 percent of supermarkets in Costa Rica, making U.S. brands available at lower prices. It is important to note that Maxibodega, Hipermas, Pali, and Mas x Menos are all owned by global retailer Wal-Mart, and that many of those stores have undergone name changes since -they may be known as Maxi-Pali or just Walmart. According to some distributors and manufacturers, Walmart is the chain with the largest number of shops (222 in its different brands) and with stronger muscle to negotiate profit margins, discounts and volume with its suppliers.

The local financial newspaper, *El Financiero*, did a study called Consumer Profile 2013 which states that the most visited supermarkets are Pali, Walmart and Mas X Menos, although this year that participation declined in all three formats. For example, in Pali, the visitation went from 64 percent to 53 percent and Walmart went from 32 percent to 26 percent between 2012 and 2013.

GESSA: GESSA convenience stores handle between 12,000 and 15,000 SKUs. The assortment of imported products is approximately 60 percent, approximately 30 percent are U.S. products. Gessa's imports department, Montelimar Distribuidor, is dedicated to promoting trade relations with international suppliers who are interested in developing business in Costa Rica. Gessa is the owner of the Jumbo, Supercompro, Perimercados, Saretto and Turribasicos and is evaluating the possibility to be linked to a strategic partner in the region that will allow them to grow.

PriceSmart: PriceSmart arrived in the country in 1999 and now has a strong presence in the region. As of now, it's the only store that works with the membership-warehouse-club format in the country. Over the years, it has grown and this chain today has five stores in Costa Rica (Zapote, Escazú, Heredia, Tibás and Alajuela).

Mega Super: Megasuper continues to announce the opening of new stores, expanding existing shops and eventually acquiring another operation, in Costa Rica or another country. This format represents 35 percent of the total sales of the Corporation. In addition, the Group acquired in the supermarket Saretto, located in Escazú and known for its gourmet format.

La Antorcha: The first store inaugurated at the end of 2015 has 2,300 square meters and offers over 24,000 food products and goods. The expansion strategy plan contemplates eight-store opening in the course of the next three years. For 2016, the firm plans to be inaugurating four stores, generating 220 new direct jobs and

more of 300 indirect.

B. CONVENIENCE STORES, GAS MARTS, KIOSKS

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 Costa Ricans, especially to supplement weekly purchases.

Company Profiles

Retailer Name and Outlet Type	Ownership	Sales (\$Mil)/Year	No. of Outlets	Locations	Purchasing Agent Type
Inversiones AM PM & Fresh Market	Costa Rican	Not available	49 AM/PM Convenience stores. Goes from 6AM to 12 midnight = 35 Fresh Market –Upscale convenience store and food boutique = 14	Metropolitan Area	Direct purchase and Wholesalers constitute 75 per cent of their purchases.
Vindi (Automercado)	Costa Rican	Not available	13	Metropolitan Area	Direct purchase and Wholesalers

Inversiones AM/PM and Vindis sell approximately 2,500 products (mostly food-related) from some 600 brands in stores that are 150 to 350 square meters. Approximately 25 percent of these products’ are imported. AM/PM’s also Vindis prepared food sector experienced an astounding 400 percent growth, in the last two years. Growth in prepared foods is attributed, in part, to San Jose’s traffic congestion requiring people to leave home early, without breakfast, and eat lunch at locations close to work instead of returning home for lunch as Costa Ricans historically have done. Gallo pinto (rice and beans), the nation’s national dish, is now sold at convenience stores and consumed from plastic containers at work.

C. TRADITIONAL MARKETS SMALL INDEPENDENT GROCERY STORES AND WET MARKETS

Traditional markets, of which there are estimated to be around 15,000 in the country, remain popular in Costa Rica as well.

Sub-Sector Profile

Estimates are that there are over 20,000 traditional grocery stores in Costa Rica. The concept of the traditional grocery store, or “*pulperia*” (pul-per-ia; also called bodega, or tienda de alta frecuencia in other countries) is popular in Costa Rica and throughout Latin America.

These grocery stores which can be the size of a large closet or as large as 5,000 square feet (called mini-supers), are, still today, the backbone of Latin America’s food retail industry. It can be said that tastes are first cultivated in this very traditional, neighborhood store.

Depending on its size, a ‘pulperia’ can stock from 300 to over 1000 items. Despite its limited variety (by U.S. standards), some customers are known to visit their favorite neighborhood ‘pulperia’, as often as four times a day. And while middle class Costa Ricans enjoy their biweekly visit to a large supermarket, many supplement the large weekly purchase with visits to these popular traditional markets which pepper most urban and rural neighborhoods.

There are three key distinguishing features of the Costa Rican, and Latin American pulperia:

- food items are sold in small packages, or the smallest unit packaged by manufacturers (i.e. small envelopes found in box with 10 small envelopes);
- food items are in limited quantity; and,
- an easy line-of-credit (no application, no credit cards required) to loyal clients is readily available.

Immigrants living in Costa Rica for dozens of years report having never shopped in a nontraditional store, preferring to use the ‘pulperia’ for all grocery purchases.

Rural ‘pulperias’ and mini-supers also fill an important niche providing rural residents, tourists and pensioners in remote beach and mountain resorts with all the basic conveniences not presently filled by gas marts, convenience stores or large supermarkets.

A new, expanded version of the ‘pulperia’, called ‘mini-supers’ has arrived and fills a position in between the large retail supermarket, the convenience stores and the ‘pulperia.’ These mini-supers carry thousands of products and are a combination of a ‘dollar store’ and a ‘pulperia’ containing a large variety of non-food items.

Traditional Markets can be used as an entry strategy and learning laboratory for U.S. exporters. U.S. exporters often think only in large sales and larger volumes. However, many U.S. food manufacturers are already packaging, for their U.S. consumers, food items which could have instant and ready appeal to Costa Rica’s 20,000 ‘pulperias’ as well as the millions of ‘stores of frequent use’ (tiendas de alta frecuencia) that dominate Latin America’s food retail sector.

Supermarkets have a wide range of quality and products. Pali is Costa Rica’s cheapest supermarket, similar to Aldi in the United States. Pali continues to expand throughout the country and is the preferred supermarket for purchasing basics such as rice, beans and local canned items. Perimercado also offers economical choices for consumers, but not much variety or quality. MasXMenos is Costa Rica’s oldest supermarket and is known for its in-house butcher, good quality produce, wine and liquor. Mega Super stores are generally found in rural areas and are similar to Perimercado. Automercado is a high-end supermarket. Although it is the most expensive, it also provides the best selection of domestic and imported goods. There are other supermarket chains that belong to established cooperatives and most of them are located in rural areas.

SECTION III. COMPETITION

The United States is Costa Rica’s main trading partner and Costa Rican consumers are receptive to imported U.S. products. Other major suppliers that compete with the United States are China, Mexico, Venezuela, Central America and Germany. Locally produced products that present competition to U.S. exporters include: meats (processed), dairy products, coffee, spices and condiments (sauces), vegetable oils, candies and chocolates, pasta, snacks, bakery and pastry products, soups (powder), beverages (beer, bottled water, fruit juices), and, of course, tropical vegetables and fruits. However, consumers are learning to introduce new products in their basic consumption so it is important for competitors to observe how the environment changes and use marketing strategies to introduce new imported products in the retail sector.

Generally 3-4 large food distribution firms are the main source of imports for wholesalers, restaurants, supermarkets and grocery stores. These firms are knowledgeable about the import market, have warehouses and own co-distributors who deliver the food throughout the country. Smaller-scale distributors are often contracted by larger distributors to deliver a smaller variety of products to retail stores in both rural and urban areas.

Costa Rica has been incorporating advanced technologies into the preservation of locally produced foods -- preserves, concentrates, deep freezing, canning, and packaging thus opening the door to new markets and diversity, both for internal consumption and also for export. Key Costa Rica exports include coffee, bananas, sugar, preserves, jellies, heart of palm, concentrated tropical fruits, macadamia nuts, jalapeño peppers, food pastas, tropical sauces, tuna, and canned sardines-- among others.

Tropical fruits and vegetables like bananas, pineapples, cantaloupes, watermelons, mangos, cassava, ginger, yams, roots and tubers, vegetables and greens -- produced both with conventional methods as well as organically -- have been very important products in the international markets, as much as for fresh food consumption as for fresh raw ingredients.

Middle to high-income clients are the target consumers of many supermarket chains, but price remains an important factor in consumers 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.

Total Imports into Costa Rica and Main Competitors 2014

Product Category	Rank	Mayor Competition	
Beverages (no alcohol)			
HS Code: 2009, 2201-2202	1	United States	32%
Total Net Imports 2014: \$ -38,317,203 tons	2	Guatemala	21%

	3	Nicaragua	11%
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Total Imports 2014: \$ 64,183,078 million (CIF)

Cereals

HS Code: 1904	1	Mexico	40%
Total Net Imports 2014: \$ 12,296 tons	2	United States	20%
	3	El Salvador	12%

Total Imports 2014: \$29 million (CIF)

Dairy

HS Code: 0401:0406	1	United States	33%
Total Net Imports 2014: \$ -66,561 tons	2	Panama	22%
	3	Chile	19%

Imports 2014 (USD): \$41 million (CIF)

Eggs

HS Code: 0407-0408	1	United States	36%
Net Imports 2014: \$ -1,196 tons	2	Panama	35%
	3	Canada	1%

Imports 2014 (USD): \$ 6,3 million (CIF)

Nuts

HS Code: 0801-0802	1	United States	58%
Net Imports 2014: \$ -1,153 tons	2	Vietnam	8%
	3	Chile	3%

Imports 2014 (USD): 7.9 million

Meat fresh or chilled

HS Code: 0201-0204	1	United States	40%
Net Imports 2014: \$ -9,770 tons	2	Nicaragua	35%
	3	Chile	13%

Imports 2014 (USD): 39 million (CIF)

Snack Foods

HS Code: 1704; 1904-0915 & 1806			
Net Imports 2009: \$ - 7,968 tons	1	United States	25%
	2	Guatemala	24%
Imports 2014 (USD): \$ 65 million	3	Honduras	14%

Source: Treasury Ministry of Costa Rica - Customs Department.

SECTION IV. BEST PRODUCT PROSPECTS

Many promising export opportunities exist for high-value consumer products from the U.S. to Costa Rica. 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 penetrate the market in Costa Rica as the Costa Rican public is both receptive and accustomed to U.S. food products. American food companies, restaurants, and supermarket chains, have been highly successful in Costa Rica and have a strong presence in the country.

In general, the most favorable prospects continue to be processed products, beef, poultry, wine and beer, but the area of high value products continue to offer good market opportunities as well. In recent years, consuming more convenience and healthy foods has been the trend and has resulted in good prospects for U.S. exports of fresh fruit (mainly apples, grapes, peaches and pears), processed fruits and vegetables (especially canned fruits), and snack foods (including chips, cookies and candies). Processed fruits and vegetables, especially mixed fruits, mixed vegetables, yellow and sweet corn, peas, mushrooms, and garbanzo beans generate strong import demand.

However, some of the American exports to Costa Rica are being negatively affected by exports at lower duties, mainly from Chile, with expected future competition from the European Union due to the recent signing of the EU-Central American Free Trade Agreement. Mexico, Chile and Guatemala are the main competitors of the United States in the Costa Rican fresh fruit, wines and vegetable market.

The United States and Chile are exporting similar products to Costa Rica, but during different seasons. Imports from Chile take place from January to July. During the rest of the year, imports come mostly from the United States, except for those fruits available year-round. Costa Rica imports fresh fruits year-round, but about 70 percent of total domestic consumption of non-tropical fruits occurs during the Christmas season (October through December). Canada also poses slight competition in the fruit and potato sector because of its 2002 FTA with Costa Rica.

Snack foods continue to gain popularity and exhibit positive consumption trends. In particular, bakery and confectionary products are showing impressive levels of growth as are savory chips and snacks. Competition in the snack food market is present from Guatemala and Honduras as well as from domestic production. However, domestic production of snack foods, particularly of confectionary goods, also presents opportunities for U.S. exporters of food ingredients. Domestically produced snack foods are widely distributed throughout the country but are consumed principally by middle to lower-income consumers. Imported snack foods, in contrast, are targeted most directly at higher-income customers, and while they too enjoy wide distribution throughout the country, are found mainly in supermarkets and larger retail outlets.

Demand for healthy and/or gourmet snack items is increasing. Snacks with natural ingredients, dried fruits, whole wheat, 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 is expanding which bodes well for U.S. exporters wishing to capitalize on this trend.

Meat exports to Costa Rica demonstrate 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 at the moment. Exports of processed meats, prepared meats, and preserved meats expanded significantly, and consumption of prepared meats continues to grow. However there are import registration requirements for processed meats that need to be revised to reduce the number of forms required to bring these products into Costa Rica; these revisions should facilitate future growth for U.S. exporters in this sector.

Exports of dairy products, notably yogurts, are growing quickly and present superb export potential. Yogurt especially is gaining favor amongst Costa Rican consumers and imports of U.S. yogurt are high; room exists in the market for new brands, including specialty varieties such as Greek yogurt.

Other export sectors with impressive levels of growth include breakfast cereals, pet food and wine and beer. Pet food exports to Costa Rica are expected to continue to grow. Many established U.S. pet food importers are present in Costa Rica and consumers are increasingly willing to spend more on pet food products as income level in the country rises. Costa Rican pet food manufacturers also import a high percentage of their ingredients directly from the U.S., representing yet another potential market for U.S. entry. Wine and beer imports have also been making a splash in Costa Rica. The Costa Rican public is particularly receptive to U.S. beers, which though a small percentage of the market, have rapidly been gaining visibility in recent years. Costa Rican beer importers continue to seek high-value high-quality U.S. beers for introduction to the public at large.

Top U.S. Export Product Prospects

Product Category	Recommend Products	US Import Value (Million USD) 2013	US Import Value (Million USD) 2014
Processed Fruit and vegetables	Broth, tomato paste, tomato products, potatoes, beans, peas, and lentils	27.7	30.2
Snack Foods	Corn chips, confectionary goods, microwave popcorn, baked sweet snacks, snack nuts and seeds	7.0	6.3
Fresh Fruit	Plums, peaches, apples, pears, grapes	500.9	567.9
Consumer Prepared Food	Soup, prepared ham, sausage, pasta products, prepared red meat	19.2	15.6
Dairy Products	Yogurt, cheese, milk concentrate or sweetened	0.5	0.5
Red meats FR/CH/FR	Bacon, ham, frozen beef	31.3	47.0
Tree Nuts	Almonds, walnuts, mixed nuts	0.9	1.4
Seafoods Products	Shrimp, tuna, lobster, groundfish, salmon and other edible fish.	98.4	87.6
Wine and beer	Beer, wine	1.1	1.3

SECTION V. POST CONTACT AND FURTHER INFORMATION

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