

Required Report: Required - Public Distribution

Date: March 23, 2022

Report Number: CS2022-0004

Report Name: Food Processing Ingredients

Country: Costa Rica

Post: San Jose

Report Category: Food Processing Ingredients

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Report Highlights:

Though relatively small, the Costa Rican food processing sector relies on U.S. exporters to maintain critical supply chains. Proximity, reliability, and familiarity help make the United States the preferred supplier for a wide range of food processing ingredients, including wheat, corn, and animal proteins. U.S. agricultural and related products exports to Costa Rica climbed to a record high of nearly \$1 billion in 2021, despite global logistics challenges and associated increased shipping costs.

Market Fact Sheet: COSTA RICA

Executive Summary

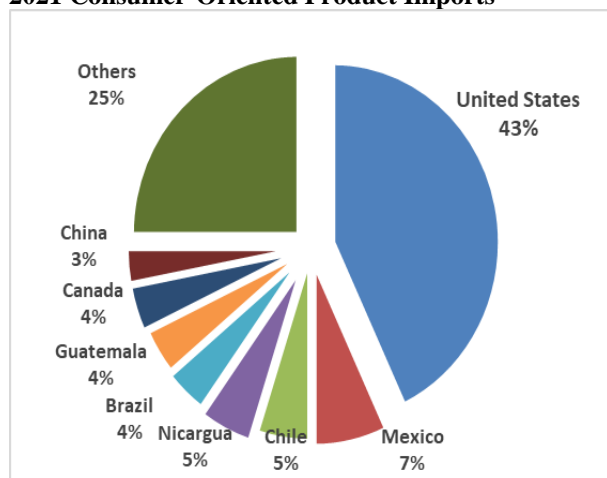
The United States is Costa Rica's largest trading partner and largest foreign direct investor. Costa Rican consumers trust and enjoy U.S. food and beverage products, exports of and demand for which have increased since the 2009 entry into force of the Dominican Republic - Central America Free Trade Agreement (CAFTA-DR). Proximity to the United States is a major advantage for shipping times and for U.S. exporters' ability to develop and service customer relationships. In 2021, U.S. agricultural and related product exports to Costa Rica reached a record high of \$992 million.

Consumer-Oriented Product Imports

In 2021, nearly all U.S. agricultural products entered Costa Rica tariff free under the CAFTA-DR, while several sensitive categories (notably dairy, rice, and chicken leg quarters) were subject to CAFTA-DR tariff rate quotas (TRQs), all of which will be phased out by 2025. The pork TRQ was phased out in 2020, and 2021 U.S. pork export volume was 64 percent higher than in 2019 (i.e., pre-COVID and TRQ limited).

Strong market prospects for U.S. consumer-oriented products – beef, pork, poultry, dairy, wine and beer, snack foods, ready-to-eat meals, frozen food products, condiments, cereals, and pet food – pushed U.S. category exports up 35 percent in 2021, reaching a record high of \$399 million despite the pandemic.

2021 Consumer-Oriented Product Imports



Source: Trade Data Monitor, LLC

Food Processing Industry

Most Costa Rican food processors import ingredients directly from exporters and few rely on importers or

distributors. Processors have their own distribution channels to wholesalers, distributors, and retailers, as well as hotels, restaurants, and institutional buyers nationwide. Distribution channels for local and imported products can differ and change frequently.

Retail Sector

Costa Rica's retail sector consists of supermarkets, hypermarkets, mini-marts, and approximately 20,000 mom-and-pop shops. Consumers are price sensitive, and the popularity of bulk formats continues to grow. Chinese e-commerce sites appealing to price-conscious consumers continued to grow in popularity in 2021.

Costa Rica Quick Facts 2021

Imports of Consumer-Oriented Products \$399 million

List of Top 10 Growth Products

- | | |
|---------------------------|-----------------|
| 1) Beef, Pork and Poultry | 2) Dairy |
| 3) Processed Vegetables | 4) Bakery Goods |
| 5) Cereals | 6) Condiments |
| 7) Food Preparations | 8) Seafood |
| 9) Pet Food | 10) Beer |

Top 10 Retailers

- | | |
|------------------------|-----------------|
| 1) Walmart | 2) PriceSmart |
| 3) Automercado | 4) Fresh Market |
| 5) Saretto | 6) Mega Super |
| 7) Perimercados | 8) Super Compro |
| 9) Mayca Retail Stores | 10) Pali |

Population / GDP

Population	5.1 million
Unemployment rate	13%
GDP (billions USD)	\$60.1
GDP (per capita)	\$11,848
Exchange rate	643 colones : \$1 USD

Sources: Central Bank of Costa Rica and INEC

Strengths / Weaknesses / Opportunities / Challenges

Strengths	Weaknesses
U.S. products are well-known and perceived as high quality.	U.S. products are often undercut by regional competitors on price.
U.S. products largely enter duty free and quota free.	English language labeling and marketing materials.
Opportunities	Challenges
Costa Rican consumers are becoming more sophisticated in their food preferences.	Buyers have cultural linkages to European and Central or South American suppliers.
Chefs are looking to introduce new trendy foods and are open to new concepts.	Costa Rica has many levels of bureaucracy that can slow the importation of food products.

Data and Information Sources:

FAS/San José – AgSanJose@usda.gov

SECTION I. MARKET SUMMARY

A. Country Economic Overview

The Costa Rican economy rebounded in 2021, growing by 7.6 percent, largely on the strength of stronger than expected recovery in tourism. The COVID-19 pandemic pushed formal unemployment over 20 percent – and even higher in the ‘informal sector’ which depends heavily on tourism – through much of the pandemic. Unemployment has fallen to 15 percent in early 2022, as the economy has both added jobs and driven workers out of the labor force, reflecting the complexities of post-pandemic recovery and government projections of the tourism not reaching pre-pandemic levels until 2024. In early 2022, Costa Rica’s Central Bank expected inflation around four percent in 2022, citing the increase in the prices of imported goods and costs of sea freight as the primary reasons consumers can expect higher prices.

B. COVID-19 Update

In early March 2022, COVID-19 rates began to fall after the country’s Omicron wave crested. Costa Rica’s high vaccination rate – officially over 75 percent fully vaccinated though estimated higher as Costa Ricans vaccinated in the United States are not included yet in official counts – should continue to bolster international tourism recovery through 2022. The Costa Rica Tourism Board provides up-to-date Information on COVID-19 conditions and frequently asked questions on its [website](#).

C. Overview of the Costa Rican Food Processing Market

Compared to neighbors Guatemala and Colombia, Costa Rica has a relatively small food processing sector, but boasts several homegrown companies with global reach. Some larger food processors already import directly from the United States and many small processors rely on local distributors to import their ingredients. Most imported food ingredients are used for the manufacturing of confectionary and bakery products, sauces, dressings and condiments, sweet and salty premixes, dairy/by-products, and beverages.

According to Euromonitor, the demand for processed products increased and waned throughout the course of the COVID-19 pandemic as consumers initially stockpiled shelf-stable foods and gradually re-oriented priorities toward fresh foods. Growing consumer interest in nutrition, health and wellness continues to support strong demand for organic and natural products, including beverages, juices, teas, and confectionaries. This demand is leading processors to expand offerings of healthier packaged / prepared foods, and growth in this segment is driving demand for organic and sustainable ingredients, including spices as well as natural additives, preservatives, thickeners, and sweeteners. U.S. producers of herbs, spices, superfoods, condiments, extracts, Omega-3 fatty acids, sources of fiber, and antioxidant compounds can find opportunities in this market as food processors are looking to add these ingredients to their recipes.

Costa Rica’s top food processors include: Cargill (poultry, processed meat, eggs, pork and animal feed); Del Monte (whole fruits, juices and canned fruits); Bimbo (bakery ingredients); Nestlé (dairy, confectionary); Demasa (corn and raw material for snacks); Sigma Alimentos (processed meats, dairy, pre-cooked meals, ready to drink coffees, canned and other non-perishable foods); Chiquita, Dole and

Del Monte (fruits, purees and concentrates); Unilever (processed foods); Riviana (flour, cereals, dried fruits, tree nuts among other bakery ingredients); INOLASA (Central America’s largest soybean processor and user of USSEC’s Sustainable U.S. Soy trademark).

Table 1. Advantages and Challenges Facing U.S. Products in Costa Rica

Advantages	Challenges
Geographic proximity contributes to logistics advantages in shipping prices and times.	Low-volume shipments of high-value U.S. exports typically consolidated, adding to freight costs.
U.S. exporters sustain reliable supply volumes of many products throughout the year.	U.S. exports are not well-suited to smaller-scale retail outlets selling smaller formats to keep prices down.
Growing interest in health and body care generates greater demand for healthy ingredients.	South / Central American products have high penetration and culturally familiar marketing.
Rising consumption of frozen and prepared foods supports imported ingredient demand.	Less purchasing power and imported product supply chain development outside of the San José area.
CAFTA-DR provides duty-free access for all products other than dairy and rice. U.S. chicken meat exports became duty-free on January 1, 2022.	Time consuming product and facility registration processes deter exporters from entering the market.
Costa Rica supports science-based international standards and participates in international standards setting bodies.	Costa Rica’s slow and cumbersome bureaucracy, including apostille requirements, increases business costs and slows transaction times.
Costa Rica is not self-sufficient in basic commodities and depends on imported ingredients, grains, and legumes.	Costly alcohol tax regime adds to imported wine, beer, & spirit costs.
High rates of travel to/from United States increases recognition of U.S. brands & products.	Limited penetration of craft beers results in limited distribution networks and higher listing fees.
Strong tourism sector (local and international) creates demand for high value imported products.	Increasing demand for ‘local products’ as tourism operators seek to create authentic experiences.
Well-developed cold-chain infrastructure serving the economic/population core of San José as well as tourist destinations in Guanacaste.	Underdeveloped overland and port infrastructure increases shipping costs / times.

SECTION II. ROAD MAP FOR MARKET ENTRY

A. Entry Strategy

To facilitate initial export success, FAS/San José recommends the following steps when entering to the Costa Rican market:

1. Do your homework; investigate import requirements and comparable product availability/pricing.
2. Identify a reliable importer/distributor, knowledgeable in your product category and of Costa Rican regulations and import procedures.
3. Consider whether participating in a trade show (including virtual) or participating in USDA- or SRTG-funded promotional activities could assist in finding a dependable import partner.

Navigating Costa Rica's import procedures can be tricky, and it is best to work with experienced representatives, agents, and importers. General commercial law governs contracts and relations between vendors or suppliers and the local company, person, or distributor, and Costa Rican law provides two main forms of representation: a representative and a distributor. The representative can also be considered an agent. It is possible for one person to be both a representative and agent or a distributor at the same time. Once a U.S. company has selected a potential representative, the U.S. firm should obtain business and/or credit reports on the Costa Rican company, as part of the due diligence process. When negotiating an agreement with a local representative, FAS/San José strongly advises U.S. firms to engage a qualified, local lawyer.

Distribution services are typically governed by private agreements among parties. Local laws also allow companies and individuals to import directly with no intervention from agents or distributors. Costa Rican importers are fully bilingual, and business practices in Costa Rica resemble those in the United States. A personalized approach to business with consistent attention to service and delivery, frequent visits, and follow-ups, is important in Costa Rica. Local importers provide cash payment for small purchases as a standard practice. For well-established customers, 30 - 60 day credit terms may be negotiated.

FAS/San José provides trade services at no cost to U.S. companies interested in exporting agricultural, fishery, and forest products. FAS works with U.S. food safety agencies to facilitate and expand access to the Costa Rican market for U.S. products. A wide range of FAS/San José reports providing insight into different aspects of the Costa Rican market are available on the [GAIN website](#).

B. Import Procedures

Costa Rican food processors often source raw, semi-processed and processed ingredients from several different supply chains, including importers/distributors, vertically integrated supply chains, and local sources. Multinational food processors operating in Costa Rica often maintain a global procurement office as well as a local procurement office to identify and manage supplies for Costa Rican operations. These global brands leverage vendors along their global supply chain to provide them their ingredients. Small- and medium-sized Costa Rican food processors generally source ingredients from a network of Costa Rican brokers and distributors. If production / input volumes are high enough, some processors import directly from U.S. exporters.

FAS/San José encourages U.S. exporters to review the [Food and Agricultural Import Regulations and Standards \(FAIRS\) Country Report](#) as well as the [FAIRS Export Certificate Report](#) to better understand the Costa Rican import regulations and standards that apply to their products.

C. Key Market Drivers & Sector Trends

FAS/San José expects the Costa Rican food processing sector to continue to grow, providing opportunities for U.S. ingredients to satisfy the demand of local food and beverage manufacturers. Products with significant sales potential include pulses, soybean meal and oil, essential oils, dairy (for further processing), dextrin's/peptones/proteins, processed fruit, processed vegetables, pet food ingredients, and condiments and sauces.

Trends include healthier snack alternatives available in smaller serving sizes (often in multipacks). For plant-based snacks, value-for-money options encourage larger packaging sizes, stand-up pouches and new flavor varieties enhanced with spices from a variety of culinary traditions. The trend toward healthier eating continues to influence innovations in product formats and packaging that allow greater portion control. Tourists as well as younger and more health-conscious consumers with high disposable incomes will continue to fuel demand for products that are organic, non-GMO, “all natural”, and/or lacking in added sugars.

Growing consumer appreciation for different cuisines and different flavor profiles will continue to support demand for sauces, seasonings, and ingredients needed to prepare popular dishes from other culinary traditions, particularly for prepared and ready-to-eat formulations.

SECTION III. COMPETITION

The United States remains the primary supplier of food processing ingredients to Costa Rica. U.S. products benefit in the Costa Rican market from shipping proximity as well as a reputation for quality and stable supplies. Free trade agreements with Central America, Europe, and South America increase the competitiveness of imported ingredients from those regions. Large multinational food ingredient suppliers maintain offices in Mexico and other Central American countries to service regional demand, but overland freight logistics prices have increased throughout the pandemic and surged higher at the outset of the war in Ukraine.

Costa Rica is a net food exporter, by value, with food and agricultural products exports more than doubling imports in 2021. Despite substantial agricultural production, Costa Rica relies on imports of many food products, including basic commodities (e.g., corn, wheat, beans). Leading categories of imported food ingredients include modified starches, thickeners, stabilizers, sweeteners, cocoa, and sources of fiber.

SECTION IV. BEST PROSPECTS PRODUCT CATEGORIES

Costa Rican food and beverage manufacturers offering high-value products to wealthier consumers present the best opportunities for U.S. ingredient suppliers. Product niches and export opportunities

continue to emerge as the local processing sector diversifies and consumers demand a wider variety of high-quality finished products.

Table 2. 2021 Food and Beverage Processing-Related Imports (million USD)

Best Prospects Products	Imports from World	Imports from the United States	U.S. Market Share	Major Competitor(s)
Beef and Beef Products HS: 0201, 0202	40.8	38.3*	93%	Nicaragua and Chile
Pork HS: 0203, 0206, 0209, 1602	64	42.3*	66%	Chile, Guatemala and Nicaragua
Poultry HS: 0105, 0207	36	33.3*	91%	Chile
Eggs and Products HS: 0407	6.9	2.7	39%	Panama and Honduras
Processed Fruit & Vegetables HS: 0711, 0812, 2005, 2006, 2007, 2008	394.3	151.8*	38%	Guatemala, Honduras, and México
Bakery Goods, Cereals and Pasta HS: 2106, 1901, 1902, 1904	27.8	25.7	92%	Guatemala and Nicaragua
Dairy HS: 0401, 0406, 1901, 2105	47	32.5	69%	Holland, Chile, and Nicaragua
Chocolate and Cocoa Products HS: 1805, 1806	47.9	17.7	36%	Colombia, Netherlands, and Spain
Nuts HS: 0801, 0802, 2008	17	11.9	70%	Guatemala, México, and Peru
Condiments and Sauces HS: 2103	39.6	17.6	44%	Guatemala, México, and El Salvador
Pet Food HS: 2309	58	45.5*	78%	Panamá, Nicaragua and Honduras

*Denotes Highest Export Levels since at least 1970

Source: Costa Rican Ministry of Commerce (COMEX), U.S. Census Bureau Trade Data, Costa Rican Trade Promotion Agency (Procomer)

Meat Sector: Meat and meat products enjoy excellent opportunities for growth, entering Costa Rica duty free and quota free under the CAFTA-DR Agreement. U.S. pork has entered Costa Rica duty-free and quota-free since January 1, 2020, and U.S. exports of pork products – particularly bacon, ham, and

picnic cuts – grew 85 percent in 2021. U.S. exports of processed, prepared, and preserved meats expanded significantly between 2016 and 2020, and Costa Rican consumption of prepared meats continues to grow.

Dairy Sector: According to Euromonitor imported dairy products, especially private label brands, are expected to continue expanding the Costa Rican market through innovation and by responding to demand for dairy proteins within health and wellness trends. In this scenario, certain retailers will target an expanding base of millennial buyers and upper-end consumers, while increasing penetration among a broader base of middle-income consumers, where more affordable unit prices should play a major role in the growing sales. Unfortunately, facility registration requirements for new-to-market U.S. dairy facilities substantially extend the time needed to enter the Costa Rican market and import volumes will remain limited by restrictive CAFTA-DR tariff rate quotas through January 1, 2025.

Fruit & Vegetable Processing Sector: Shelf-stable options continue to suffer from the perception that they are not as healthy as fresh or frozen versions, losing sales despite convenience. Growth in frozen, processed fruit and vegetables is driven in part by better value over fresh fruit and vegetables, longer product shelf-life, and perceived health benefits over shelf stable equivalents. The trend towards plant-based foods reinforces strong opportunities for exports of fruit and vegetables as ingredients in finished, processed products.

Baked Goods Sector: COVID-19 led to increased consumption of retail baked goods, as consumers spent more time at home in 2021. However, retail sales are expected to decline in 2022, as foodservice demand continues to recover, and consumers return to purchasing and enjoying baked goods from foodservice outlets. Unpackaged and packaged flat breads are expected to drive the growth while dessert mixes are expected to have the weakest growth.

Oils: According to Euromonitor, consumers spending more time at home during the COVID-19 crisis, led to a significant increase in at-home meal preparation, boosting demand for edible oils. In response, manufacturers have expanded retail offerings to include blends of functional ingredients, such as turmeric, as well as organic olive and coconut oil. In addition, new formats have appeared, including spray bottles formats and larger-volume value formats, to better serve at-home cooking needs.

Pet Food Products: Pet care has shown remarkable resilience during COVID-19. Provisional 2022 data show that demand continues to accelerate for freeze-dried raw and fresh pet food. Pet owners still want the best food, and these new formats remain as relevant as ever. Future growth in premium food will be defined by pet owners due that the processing of ingredients will become as important as the ingredient list. Wet pet foods products have to evolved and could be also a good opportunity for U.S. producers.

Table 3. U.S. Best Prospects Products to Costa Rica (million USD)

Agricultural Products	2020	2021
Corn	151	208*
Soybeans	111	156
Soybean Meal	32	47.4*
Soybean Oil	9	13.8*
Pulses	14.3*	16.4*
Distiller's Dried Grains	17.5	23.4
Essential Oils	13.9	15.6*
Dextrin's, Peptones and Proteins	9.3	13.0*
Chocolate & Cocoa Products	10.3	12.1
Condiments & Sauces	14.9*	17.6*
Food Preparations	25	27*
Pet Food	26.5	45.5*

Source: U.S. Census Bureau Trade Data *Denote highest export levels
www.fas.usda.gov/GATS

SECTION V. KEY CONTACTS AND FURTHER INFORMATION

If you have any question regarding this report or need assistance exporting to Costa Rica, please contact the Foreign Agricultural Service in San José. We can be reached at:

Phone: (506) 2519-2285 / 2333

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Website: **Error! Hyperlink reference not valid.** <https://cr.usembassy.gov/embassy/sanjose/sections-offices/department-of-agriculture/>

Links to other sources for data:

U.S. Department of Commerce – U.S. Commercial Service

Phone: (506) 2519-2203

Website: <https://www.trade.gov/costa-rica>

Costa Rican Ministry of Commerce (COMEX) / Procomer

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

Attachments:

No Attachments