

**Required Report:** Required - Public Distribution

**Date:** September 28, 2022

**Report Number:** CS2022-0018

## **Report Name:** Food Service - Hotel Restaurant Institutional

**Country:** Costa Rica

**Post:** San Jose

**Report Category:** Food Service - Hotel Restaurant Institutional

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### **Report Highlights:**

U.S. exports of consumer-oriented products rose 34 percent in 2021, climbing to \$394 million, due in part to a strong recovery in the tourism sector. There were more than 1.4 million in-bound international travelers through July 2022, slightly off the pre-pandemic pace, but more than double 2021 levels and including nearly 820,000 Americans. Rising prices and ongoing logistics challenges will create a headwind for food service growth in 2023, but pent-up tourism demand and dynamic food service operators in the San José metropolitan area should continue to generate strong export opportunities for U.S. suppliers.

# Market Fact Sheet: COSTA RICA

## Executive Summary

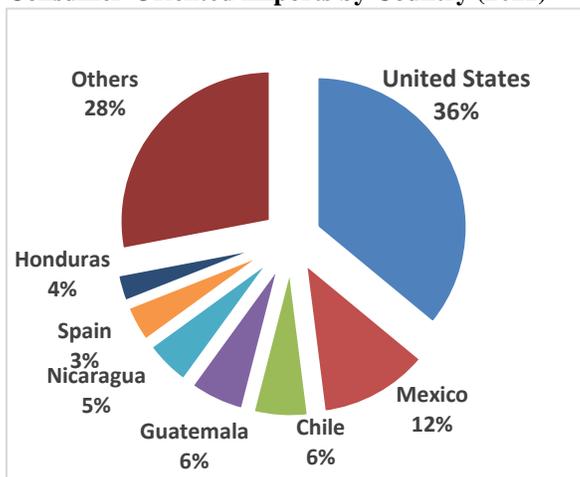
The United States is Costa Rica's largest trading partner and largest foreign direct investor. Costa Rican consumers trust and appreciate the excellent reputation of U.S. foods, beverages, and product ingredients, and exports have grown steadily since the implementation of the Dominican Republic - Central America Free Trade Agreement (CAFTA-DR) in 2009. Proximity to the United States is a major advantage for logistics and for U.S. exporters' ability to develop and service customer relationships. In 2021, U.S. agricultural exports to Costa Rica reached a record high of \$997 million, while Costa Rican agricultural exports to the United States were valued at \$1.8 billion.

## Imports of Consumer-Oriented Products

In 2020, nearly all U.S. agricultural products entered Costa Rica tariff free under the CAFTA-DR, while several categories (notably dairy and rice) were subject to CAFTA-DR tariff rate quotas, which will be phased out by 2025. The chicken leg quarter quota phased out on January 1, 2022, and export volumes through July were up 64 percent.

Strong market prospects for U.S. consumer-oriented products such as beef, pork, poultry, dairy, wine and beer, snack foods, ready-to-eat meals, frozen food products, condiments, cereals, and pet food continue to drive strong category growth. U.S. exports of consumer-oriented products reached \$394 million in 2021, 25 percent above the 2019 record high.

## Consumer-Oriented Imports by Country (2021)



Source: Trade Data Monitor LLC

## Food Processing Industry

Most Costa Rican food processors import ingredients directly from exporters and few rely on importers and distributors. Processors have their own distribution

channels to wholesalers, distributors, and retailers, as well as hotels, restaurants, and institutional industries nationwide. Distribution channels for local and imported products differ significantly.

## Food Retail Industry

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 have continued to grow in popularity in 2022.

Quick Facts 2021	
<b>Total Consumer-Oriented Product Imports</b> \$1.25 billion	
<b>Top 10 Growth Products</b>	
1) Beef, Pork and Poultry	6) Condiments
2) Dairy	7) Food Preparations
3) Processed Vegetables	8) Seafood
4) Bakery Goods	9) Pet Food
5) Cereals	10) Beer
<b>Top 10 Retailers</b>	
1) Walmart	6) Mega Super
2) AutoMercado	7) Fresh Market
3) Pali	8) Super Compro
4) Perimercados	9) Mayca Retail Stores
5) PriceSmart	10) Saretto
<b>Imports from Costa Rica to the U.S. \$1.8 million</b>	
Population	5.2 million
Unemployment rate	13%
GDP (billions USD)	\$61.5
GDP (per capita)	\$11,860
Exchange rate	660 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.

Source: FAS/San José research

## Data and Information Sources:

FAS/San José – SanJose@usda.gov

## SECTION 1. MARKET SUMMARY

### Overview of the Costa Rican Food Service Landscape

Food service sales in Costa Rica are finally expected to return to pre-pandemic levels in 2022, as inbound tourism levels continue to recover. Though traveler numbers are still down, higher prices are expected to push 2022 sales values past 2019 levels.

A steadily rising standard of living, a young population, the growth of modern HRI outlets, and the increasing diversification of Costa Rican consumers' collective palette are expected to sustain demand for imported food products in the years ahead. However, despite the continued growth in sales, FAS/San José views the 2022 food service outlook with caution as broader economic factors – including persistently high unemployment, rising inflation eroding purchasing power, rising costs of production and freight logistics, and higher taxes to service Costa Rica's latest support package from the International Monetary Fund (IMF) – could inhibit economic growth. In addition, the cyber-hack of Costa Rican government systems (revealed in April 2022) has continued to impact the food service sector and the broader economy, adding to already lengthy shipping times and requiring increased stocks on-hand.

The food service sector is divided into commercial and non-commercial subsectors. The commercial food service subsector includes quick-service restaurants, full-service restaurants, caterers, and drinking establishments, representing 70 percent of total food service sales. The non-commercial subsector, mainly driven by the tourism industry, includes hotels and motels, health care facilities, universities and schools, as well as grocery retailers offering hot prepared foods for dine-in or to-go.

### Food Service Sector Enters Post-COVID Phase

The food service sector in the San José metropolitan area has been permanently changed by the COVID-19 pandemic, as third-party ordering and delivery services remain popular even as consumers resume pre-pandemic behaviors and dine out more frequently. Attitudes toward the virus have relaxed considerably since President Chaves ended restrictions on public, indoor gatherings and mask requirements shortly after taking office in May 2022. While many food service outlets in Costa Rica take full advantage of year-round patio dining options, it was not uncommon to see crowded indoor dining spaces in the summer of 2022. The use of QR codes instead of physical menus is another COVID trend that has persisted in some establishments in the capital area.

Outside of San José, the food service sector remains dominated by small mom-and-pop restaurant outlets (the ubiquitous 'soda') that look much as they did before COVID, serving primarily local dishes from locally produced ingredients. However, the increasing nation-wide popularity of pizza and hamburger restaurants, as well as the perennial mainstay of fried chicken, create solid demand for U.S. shredded pizza cheese, french fries, and chicken leg quarters, exports of which have continued to grow in 2022.

Another COVID legacy that could give the food service sector a bump is the government's continued effort to attract remote workers and international service providers. If Costa Rica can successfully extend its "[Digital Nomads](#)" program beyond the 1-year limit, then food service demand could see

additional demand in and around traditional tourist areas and then further afield as ‘nomads’ penetrate deeper into the country.

### **Tourism Continues to Rebound, Drive Economy**

While 2022 international tourism arrivals lagged 2019 year-through-July levels, key statistics were rising as the sector continued to recover. Notably, beach hotels reached approximately 95 percent occupancy during Easter Week holidays in 2022, a double-digit percentage point increase from 2021. U.S. travelers have continued to make up a significant portion of in-bound tourists in 2022 (more than 60 percent through July), creating opportunities for familiar U.S. products not produced in Costa Rica, including wine and spirits.

International flights into Costa Rica faced similar challenges to air travel globally in 2022, but are essentially ‘back to normal.’ In particular, the pre-pandemic expansion of Costa Rica’s airport in Liberia (conveniently located near popular Pacific Ocean beach resorts and other tourist destinations) will continue to support tourism recovery and expansion. Despite local price sensitivities, the hotel sector continues to invest in premium food and beverage products to enhance guest experience, especially in the high-end specialty restaurants at four- and five-star hotels.

**Table 1: Key Travel and Tourism Indicators 2021**

Total International Tourists	1,347,055
International Spending	\$1.3 billion
Tourism Spending per capita	\$1,500
Travel and Tourism as a Percent of GDP	6.3%
Travel and Tourism as a Percent of Employment	9.2%

*Source: Costa Rican Tourism Institute and Costa Rica Migration database*

**Table 2: Advantages and Challenges for U.S. Products in Food Service**

<b>Advantages</b>	<b>Challenges</b>
U.S. products’ reputation for quality and increasing diversification of consumer preferences	Large numbers of smaller hotels, which raise distribution costs and reduce per location sales volumes for importers / distributors
Logistics advantages relative to EU-origin competitors	Strong, historical linkages to European and other Latin American suppliers and products
Large numbers of U.S. tourists, who recognize and are familiar with U.S. products offered at hotels and restaurants	Relatively small size of the sector and increased shipping times / costs due to the pandemic and cyberhack of customs systems

## **SECTION II. ROAD MAP FOR MARKET ENTRY**

### **Entry Strategy**

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 State-Regional Trade Group-funded promotional activities could assist in finding a dependable import partner.

Selecting the right partner is one of the most important decisions for a prospective exporter when developing a business strategy. It can be helpful to have a distributor and/or a customs broker with experience to be able to manage customs clearance, sanitary/phytosanitary inspection requirements and any guarantees or other licensing procedures that may be required. U.S. exporters interested in entering the food service market in Costa Rica should contact local importers, who also typically serve as wholesalers' distributors to HRI accounts).

Licenses and franchises are common in Costa Rica. General commercial law governs contracts between suppliers and the local company, person, or distributor. 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.

Logistics are an especially important consideration during this period of COVID-related shipping complications. Most importers carry a full line of fresh, frozen, and dry products, while a smaller number of importers specialize in providing fresh produce, seafood, and alcoholic beverages.

Local importers hold U.S. products in high regard with respect to quality, price, and packaging. Due to the geographic proximity of the United States, U.S. food and beverage products represent a plurality of foreign products imported into Costa Rica. Local importers have considerable experience working with U.S. companies and have extensive knowledge of the U.S. food export system.

### **Food Service Market Structure**

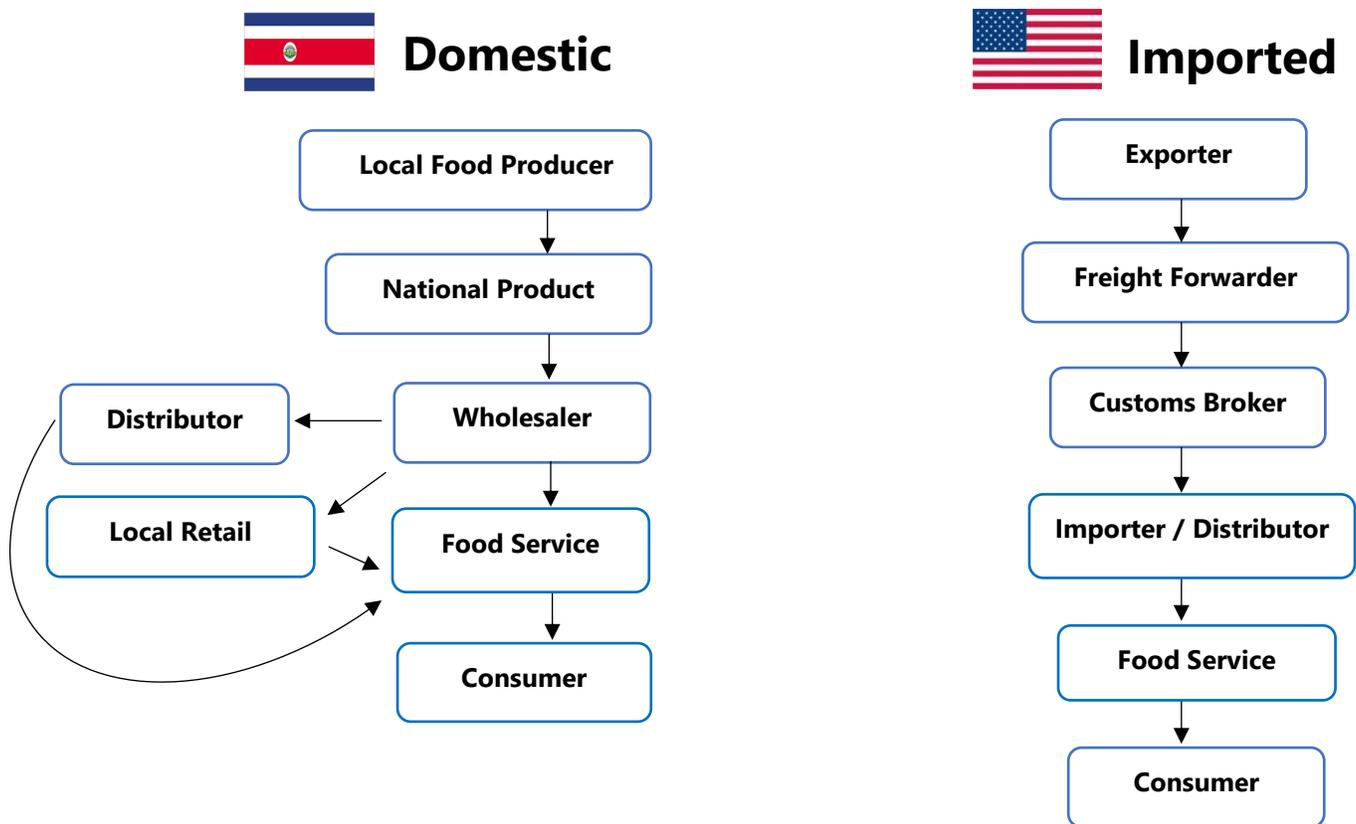
Purchasing power is concentrated near the capital; 73 percent of the country's 5 million consumers live in the San Jose Metropolitan Area, also known as the Central Valley. Since the food service sector relies heavily on imports, there are many companies dedicated to meeting the sector's demand for imported food and beverages. While the storage and handling may look different (e.g., cold chain for frozen or perishable items vs. shelf-stable products), the structure of distribution channels do not vary significantly from one product to another.

Quick service restaurants, high-end restaurants, as well as larger hotels and resorts purchase their food and beverages through local importers. There are well-developed distribution chains for smaller restaurants and coffee shops that source inputs from wholesale and retail outlets. Some hotels have even positioned offices in south Florida to facilitate sourcing U.S. products.

Specialty ingredients and products are regularly imported from the United States. These products include wine, distilled spirits, dairy products, beef, pork, fruits, frozen potato products, sauces, condiments, sauces, drink mixes, and ingredients for foreign cuisines such as Italian, Thai, Japanese, Chinese, Peruvian, and Mexican.

Record high U.S. exports of consumer-oriented products to Costa Rica in 2021 were up nearly 25 percent from pre-pandemic levels at just under \$400 million. Through the first seven months of 2022, U.S. exports in this category were 10 percent higher than 2021 levels, as higher prices push up values but also reduce the purchasing power of Costa Rican customers, who have also contended with a relatively stronger U.S. dollar in 2022.

**Figure 1: Distribution Channels in the Costa Rican Market:**



Source: FAS/San José research

**Hotel Sector**

Recovery in the tourism sector has continued its steady pace, with hotels benefitting greatly from relaxed entry requirements (i.e., no need to verify vaccination or COVID-negative status) and relaxed domestic rules on gathering indoors and hours of operation. Tourism recovery has also supported related industries ranging from air transportation, ground transportation, restaurants, guides, handicrafts, and entrance fees at attractions, boosting the broader economy and supporting food service sales.

Costa Rica’s major hotels, particularly upscale brands, include high-end restaurants and their food service options aim to provide guests with onsite dining selections, especially in more secluded beach and eco-hotels, where other local dining options may not be available or easy to get to without a car. Rising discretionary income and increasing inbound and domestic tourism have boosted revenues in this sector. The Costa Rican Tourism Board provides a [comprehensive list of hotels](#) that can be sorted by location, price, and star-rating.

### Restaurant Sector

According to the Chamber of Restaurants, the Costa Rican food service sector was comprised of an estimated 19,000 food service businesses prior to the pandemic, of which an estimated 8,000 closed during the pandemic. While there have been new openings and re-openings in 2022, up-to-date industry numbers were not available at the writing of this report. Restaurant industry sales through the first six months of 2022 were 90 percent higher than over the same period in 2021, driven in part by inflation at 9 - 10 percent. FAS/San José expects higher prices to result in fewer visits to food service establishments by local consumers as well as some trading down the value chain to more economical dining options.

**Table 3: Top Foodservice Restaurant Chains, Hotel Chains and Distributors in Costa Rica**

Restaurant Chains	Hotel Chains	Distributors
Burger King	Andaz Costa Rica Resorts	Alimentos Kamuk
Carls Junior	Autograph Collection Hotels	Alimentos Pro Salud
Chillis	Barcelo Group	Alpiste
Il Panino	Best Western International	Belca de Costa Rica
Kentucky Fried Chicken	Casa Conde Hotel and Suites	Ciamesa
Little Caesars	Cayuga Collection Hotels	Comproim
McDonald’s Corporation	Choice Hotels	Delika By Gourmet Imports
MTY Food Group Inc.	Crowne Plaza Hotels	Distribuidora Alfa S.A.
Enjoy Group Restaurants	Curio Collection by Hilton Hotels	Distribuidora Islena
Papa Johns	Enjoy Group	Distribuidora Pedro Oller
Pizza Hut	Four Seasons Hotels & Resorts	Global Partners
Popeyes Louisiana Kitchen	Grupo Islita	Mayca/ Sysco
Spoon	Holiday Inn	PMT CR
Starbucks Corporation	Hyatt Group	Prime Foods
Subway	Intercontinental Hotel Groups (IHG)	Sigma Alimentos
Taco Bell	Marriott Hotels	Suplidora Royal
Tony Romas	Radisson Hotels	Universal de Alimentos
	Sheraton Hotels	

Source: FAS/San José research

### Institutional

The institutional segment in Costa Rica includes company cafeterias, hospitals, nursing/retirement homes, schools, golf courses and country clubs, prisons, and catering for airlines, trains, ships, and special events. Catering for private events and parties, especially higher-end events like weddings, had been a particularly profitable slice of the institutional segment prior to COVID, and this industry is experiencing a slow but stable recovery as measures are lower. Graduations, weddings, corporate events, and conferences had returned to pre-pandemic operating conditions, if not levels, helping to bolster demand for catering services.

In addition to the recovery of land-based HRI customers, the Costa Rican food service sector also includes sales to cruise ships (Puntarenas on the Pacific side and Limón on the Caribbean side) and airlines. Costa Rica’s largest cruise/airline catering company directly sources premium ingredients from the United States, including beef, wine, and dairy.

### SECTION III. COMPETITION

As a result of Costa Rica’s wide range of free trade agreements, U.S. food and beverage products face strong competition from third country suppliers, including Canada, Chile, Mexico, China, and Panama. Strong U.S. competitors in snacks and processed foods, include Guatemala, Mexico, and Colombia. Wines compete with Chilean, Spanish, and Argentine offerings, and U.S. beef contends with products from Nicaragua and Chile. Strong demand for pork has benefitted U.S. exporters and attracted the interest of Chilean and Canadian suppliers.

**Table 4. Leading Agricultural Import Suppliers 2017-21 (in millions USD)**

Partner	2017	2018	2019	2020	2021
World	\$1,790	\$1,883	\$1,897	\$1,903	\$2,404
United States	\$812	\$874	\$840	\$838	\$1,123
Mexico	\$138	\$147	\$153	\$152	\$188
Nicaragua	\$112	\$106	\$113	\$114	\$128
Canada	\$67	\$69	\$77	\$80	\$107
Guatemala	\$86	\$89	\$87	\$82	\$88
Brazil	\$28	\$45	\$45	\$74	\$80
Chile	\$97	\$87	\$81	\$70	\$79
Honduras	\$26	\$32	\$44	\$43	\$59
Spain	\$37	\$39	\$41	\$43	\$59
Netherlands	\$31	\$27	\$30	\$30	\$43
China	\$45	\$39	\$41	\$39	\$41
Colombia	\$23	\$25	\$27	\$29	\$36
Argentina	\$28	\$27	\$47	\$37	\$35

Source: Trade Data Monitor LLC

Local producers are increasingly providing vegetables, fruits, and processed foods, as well as poultry, beef, pork, and seafood to hotels and restaurants servicing the tourism sector.

#### SECTION IV. BEST PROSPECTS PRODUCT CATEGORIES

The foodservice landscape continues to evolve and adapt to demographic and consumer behaviors in Costa Rica. Below are some of the trends that are driving sales in the foodservice sectors:

- Costa Rican consumers are increasingly seeking out healthier eating habits, including plant-based and alternative protein menu items.
- Millennials and younger generations – driving growth in eating-away-from home and food delivery options since before the pandemic – continue driving growth and improvement in technological tools as well as adoption rates by food service operators.
- Pet-friendly hotels, fueled in part by the ease of bringing dogs back and forth from the United States, are trending. Although there is no official data on the number of pet-friendly hotels in the country, there are over 230 hotels listed on Booking.com allowing guests to stay with their pets.

**Table 5. Top Consumer-Oriented Imports from the United States**

	2017	2018	2019	2020	2021	Jan - May 2021	Jan - May 2022	% Change (Value)
Product	Value							
Dog & Cat Food	20,128	21,656	21,598	26,506	45,542	21,161	20,953	-1
Pork & Pork Products	14,710	17,862	24,356	22,845	42,371	19,990	14,218	-29
Processed Vegetables	25,631	32,109	32,068	26,421	38,660	17,190	18,587	8
Poultry Meat & Prods.	31,254	27,138	29,827	30,137	33,278	14,137	20,943	48
Beef & Beef Products	13,795	17,368	18,322	14,816	32,071	11,717	16,910	44
Dairy Products	19,765	22,745	28,564	25,602	31,802	12,035	16,387	36
Food Preparations	19,721	21,157	26,758	25,037	27,035	10,420	11,192	7
Condiments & Sauces	9,554	11,224	13,902	14,871	17,560	6,980	7,329	5
Chocolate & Cocoa Products	15,094	11,460	11,816	10,289	12,284	4,540	5,937	31
Tree Nuts	9,761	10,948	12,758	12,667	11,946	4,165	4,784	15
Beer	4,630	4,683	4,700	5,936	10,089	4,279	5,734	34
Confectionery	4,874	4,807	5,932	4,190	5,936	1,949	3,496	79
Wine & Related Products	2,660	1,908	2,012	2,157	2,435	693	1,351	95
Distilled Spirits	1,795	2,263	2,509	732	1,489	428	718	68
<b>Grand Total</b>	<b>281,404</b>	<b>292,227</b>	<b>320,292</b>	<b>293,782</b>	<b>393,997</b>	<b>161,047</b>	<b>179,498</b>	<b>11</b>

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

## **SECTION V. POST CONTACTS AND FURTHER INFORMATION**

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**Please refer to the FAS/San José Exporter Guide for links to additional sources of information.**

### **Attachments:**

No Attachments