

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Costa Rica

Food Processing Ingredients Annual 2017

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Report Highlights:

Costa Rican consumers trust and enjoy the excellent reputation of U.S. food products and ingredients and demand has increased since the implementation of the Dominican Republic - Central America Free Trade Agreement (CAFTA-DR) in 2009. The proximity of the United States to the Costa Rican market is a major advantage for shipping time and for U.S. exporters who wish to visit or communicate with potential customers. Although exports of U.S. sweeteners dropped nearly 45 percent to \$2.7 million in 2016, market prospects for U.S. consumer-oriented products such as beef, poultry, dairy, wine and beer, and pet food continue to increase with impressive growth, reaching \$275 million in exports during the same period.

Post:

San Jose

Executive Summary:**SECTION I - MARKET SUMMARY**

Costa Rican consumers trust and enjoy the excellent reputation of U.S. food ingredients and demand has increased since the implementation of the Dominican Republic - Central America Free Trade Agreement (CAFTA-DR). Market prospects for U.S. high value products continue to increase with impressive growth in products such as beef, poultry, wine and beer, and pet food to name a few. The United States proximity to the Costa Rican market is a major advantage for shipping time and for U.S. exporters who wish to visit or communicate with potential customers. The same holds true for agents and distributors, who typically represent U.S. exporters in the national market.

Costa Rica produces the following processed foods:

- Beverages: juice concentrates, powdered drinks, alcoholic and non-alcoholic beverages drink bases and syrups, soy powder, fruit flavors, coffee.
- Preserved foods: canned vegetables, jams, jellies, etc.
- Confectionary: candies, chocolates
- Other processed foods: condiments, baked goods, sauces, dairy, cookies, crackers, snacks, cereals
- Deli meats: sausages, ham, MDM; boneless picnic; pork bellies, trimmings and offal; flours (fillers); animal fats
- Baking: pancake mixes, pre-mixes, bulk cake flours, vegetable whipped cream, cookie dough
- Snacks: soy flakes, nuts, fresh potatoes; fruit fillings; corn, rice, dry fruits,
- Oils and Dressings: palm oil, shortenings

There is 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, cornstarch and corn flour, MDM's, 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 homemade meals and desserts, as well as in restaurant menus and industry formulations. The local industry follows international trends in food and beverages, so it is constantly searching for new ingredients, which provide additional benefits in health and nutrition, such as phytosterols, Omega-3 fatty acids, fibers, and antioxidant compounds.

Some larger processors already import directly from the United States and many of the small processors still rely on local distributors to import their ingredients.

The largest volume of food ingredients of natural origin is used for the manufacture of confectionary and bakery products, sauces, dressings and condiments, sweet and salty premixes, dairy by-products,

and beverages

The Center for Food Technology (CITA) of the University of Costa Rica is part of a cooperation agreement among the University of Costa Rica, the Ministry of Science and Technology and the Ministry of Agriculture. CITA was founded in 1974 as part of the University’s program to work on food science and technology in direct collaboration with the government. CITA has licensed its technology to domestic processors, which will let the companies develop new products with CITA’s scientific and technological support.

Some advantages and challenges that the food processing industry is facing in Costa Rica:

Advantages	Challenges
Local processors are slowly increasing their production capacity and food quality to export to the United States, as a result of CAFTA-DR implementation.	Countries such as Mexico, Argentina and Colombia can offer competitively priced food ingredients
Costa Rica consumers are becoming sophisticated in their food preferences.	Costa Rica’s strategy is to continue negotiating free trade agreements with other countries in order to open new trade opportunities and competition such as the Free Trade Agreement with Colombia.
The United States is Costa Rica’s main trading partner. U.S. food ingredients are well-known and considered of high quality and reliable.	Business culture in Costa Rica can be slow paced than in the United States and those wishing to do business in the country should be prepared for this possible difference.
Since 2013, Costa Rica initiated a new on-line product registration system, which eventually will reduce registration times for new imported products.	U.S. exporters should also be prepared to be patient with export procedures and processes; Costa Rica has many levels of bureaucracy that can at times slow the importation of food products.

SECTION II – ROAD MAP FOR MARKET ENTRY

A. Entry Strategy

There are various ways to introduce food ingredients into the local market depending on the profile of the company and the food ingredient involved. The following are a few recommendations to consider:

- The presentation of the product to the food processing company may be done directly or through a distributor and/or representative. There are local and/or regional distributors who are very well-

known in the food and beverage industry. Another option is through a joint-ventures.

- It is necessary to identify the sector of the company where it is more convenient to present the food ingredient offered. This is extremely important for the product to be evaluated by the appropriate professionals. Larger companies usually have a New products division which interacts actively with the Marketing division, especially if the ingredient is a novelty product. Other smaller companies receive proposals of new ingredients through their Purchasing Division.
- Besides presenting the product to the industry, it can be simultaneously promoted in specialized magazines and social media (focused on food, nutrition and health), trade and technical events (seminars, conferences, workshops), and/or trade shows and segment festivals. Local professionals with a high technical expertise usually attend these events.
- The advantage that processors find in buying their raw materials from local suppliers or distributors is that more technical assistance is provided and also more options for financing are available to them. Local distributors/importers are willing to establish long-lasting business relationships with U.S. suppliers that can offer good credit terms, customer service and marketing support.
- The exporter may wish to hire a local representative who can provide customer service and technical support.
- U.S. suppliers interested in the Costa Rican market must comply with local regulations for imported products to avoid delays. For further information on these regulations, please refer to Costa Rica FAIRS Report 2017.
- With a high-degree of trade, especially with the United States, Costa Rican importers are accustomed to international business dealings. Many business people in Costa Rica are bilingual and have some level of English, thus facilitating business negotiations. However, the business culture in Costa Rica can be slower-paced than in the United States and those wishing to do business in the country should be prepared for this possible difference. U.S. exporters should also be prepared to be patient with export procedures and processes; Costa Rica has many levels of bureaucracy that can at times slow the importation of food products.

B. Market Structure

Distribution Channels for Processed Food Products in Costa Rica

Most of the food processors in Costa Rica import all of their ingredients directly; a few, however, rely on importers and distributors. 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.

For information on products, registration requirements refer to the Food and Agricultural Import Regulations and Standards (FAIRS) Country Gain Report for Costa Rica

<https://gain.fas.usda.gov>

C. Company Profiles

The Costa Rican Chamber for Food Industry (CACIA) was founded by Costa Rican food processors with domestic manufacturing operations. Its objective is to be the leading institution in promoting national and sector competitiveness, and defending the interests of the Costa Rican food industry. CACIA also aims to boost the domestic and international competitiveness of member businesses.

The following are some of the main food and beverage companies in Costa Rica:

Company	Sales US\$	End-Use Channels	Processing Plant Location	Procurement Channels
<i>Red meats and poultry meat (MDM; boneless picnic; pork bellies, trimmings and offals; flours (fillers); animal fats)</i>				
Cinta Azul (Cargill)	N/A	Retail & HRI	Alajuela	Direct importers
Corp. Pipasa (Cargill)	N/A	Retail & HRI	Heredia	Direct

				Importers
RyS Salmeron (Meat & Poultry Processor and Importer /Distributor)	N/A	Retail & HRI	Alajuela	Direct Importers and Distributors
Don Fernando	N/A	Retail & HRI/own deli shop	San José	Direct & Local importers
Dist. Carnes Zamora	N/A	Retail & HRI	Heredia	Direct importers
Ind. Cárnicas Integ.	N/A	Retail	Alajuela	Direct importers
Sigma Alimentos	N/A	Retail & HRI	Alajuela	Direct importers
CIISA	N/A	Retail & HRI	Alajuela	Direct importers
<i>Dairy Products (whey powder, protein concentrates)</i>				
Cooperativa de Productores de Leche Dos Pinos	N/A	Retail & HRI	Alajuela	Direct importers
Asoc.Prod. Láctea Apilac, S.A.	N/A	Retail	Pérez Zeledón	Local importers
Productores Monteverde	N/A	Retail & HRI	Puntarenas	Local importers
American Ice Cream Co. (POPS)	N/A	Retail	San José	Direct & Local
CoopeCoronado	N/A	Retail & HRI	San José	Direct & Local
Coopeleche (Florida Bebidas)	N/A	Retail & HRI	San José	Direct & Local
Indulac (Sigma)	N/A	Retail & HRI	Cartago	Direct & Local
Universidad Earth	N/A	Retail	Limón	Local
Nutrilac, S.A.	N/A	Retail	San José	Direct & Local
<i>Prepared fruits and vegetables (sauces, pastas, concentrates, and preserved)</i>				
Algo del Tejar	N/A	Retail & HRI	Alajuela	Local importer
Productos Gerber (Nestlé)	N/A	Retail	Cartago	Direct/Local
Dequealva, S.A.	N/A	Retail	San José	Local
Fideos Precocidos de CR	N/A	Retail & HRI	Heredia	Direct & Local
Industrias Irazú	N/A	Retail	San José	Local
Jaleas Ujarrás	N/A	Retail & HRI	Cartago	Local
Productos del Trópico	N/A	Retail & HRI	Heredia	Direct & Local
Roma Prince	N/A	Retail & HRI	Alajuela	Direct & Local
Grupo Del Oro, S.A.	N/A	Retail & HRI	Guanacaste	Local
Girocurz, S.A.	N/A	Retail	San José	Local
Pasta y Basta	N/A	Retail & HRI	San José	Local
Productos El Angel	N/A	Retail & HRI	Alajuela	Direct & Local
Alimentos Heinz de C.R.	N/A	Retail & HRI	San José	Direct & Local
Alimer, S.A.	N/A	Retail & HRI	San José	Direct & Local
Productos Lizano (Unilever)	N/A	Retail & HRI	Heredia	Direct & Local

Alimentos Kamuk	N/A	Retail & HRI	San José	Local
Grupo Profruta S.A.	N/A	Retail & HRI	San José	Local
Confectionary products (hard candies, chewing gum, chocolates, traditional candies)				
Industrias Alimentos Irazú	N/A	Retail	San José	Local
El Gallito Industrial	N/A	Retail	Heredia	Direct & Local
Cía Nacional de Chocolates	N/A	Retail	Heredia	Direct & Local
Cajetas Doña Chavela	N/A	Retail	Heredia	Local
Comercializadora Berlau	N/A	Retail & HRI	San José	Local
Delicias Leche y Miel	N/A	Retail	Costa Rica	Local
COPOZ – Cía. Pozuelo	N/A	Retail	Heredia	Direct & Local
Turrone de C.R.	N/A	Retail	Heredia	Local
Chiclera Costarricense	N/A	Retail	San José	Local
Snack Foods (dehydrated potato flakes and powder; soy flakes; nuts; fresh potatoes; corn; rice)				
Alimentos Jack's	N/A	Retail & HRI	San José	Direct & Local
Grupo Gruma	N/A	Retail & HRI	San José	Direct Importers
Bio-Land	N/A	Retail	San José	Direct & Local
Grupo Pozuelo PRO	N/A	Retail & HRI	Heredia	Direct & Local
Pituca Snacks	N/A	Retail	San José	Local
Nueces Industriales	N/A	Retail & HRI	San José	Direct/Local
Baked goods (cookies; pancake mixes; pre-mixes, bulk cake flours; toppings)				
Morrjons, S.A.	N/A	Retail & HRI	San José	Direct & Local
Musmanni	N/A	Retail & HRI	San José	Direct & Local
Panaderías Merayo	N/A	Retail & HRI	San José	Local
Soluciones Bake and Cook	N/A	Retail & HRI	San José	Direct Importers
Alimentos Jack's de C.A.	N/A	Retail & HRI	San José	Direct Importers
Alimentos Ligeros	N/A	Retail & HRI	Heredia	Direct Importers
Cía de Galletas Pozuelo	N/A	Retail & HRI	San José	Direct/Local
Industrias Mafan, S.A.	N/A	Retail & HRI	San José	Direct/Local
Grupo Pozuelo Pro	N/A	Retail & HRI	Heredia	Direct/Local
Konig Sabroso	N/A	Retail & HRI	Heredia	Local
Beverages (alcoholic and non-alcoholic)				
Florida Ice & Farm Co.	N/A	Retail & HRI	Heredia	Direct importer
Fábrica Nacional de Licores	N/A	Retail & HRI	Alajuela	Direct & Local
Licores y Cremas Lizano	N/A	Retail & HRI	Alajuela	Direct & Local
Coca Cola Femsa	N/A	Retail & HRI	San José	Direct importer
Fábrica de Refrescos La Flor	N/A	Retail & HRI	San José	Local
Animal Feed and Pet Foods (bulk grains and feed ingredients)				

Corp. Pipasa SRL (Cargill)	N/A	Retail	Heredia	Direct Importer
Drs. Echandi	N/A	Retail	San José	Local
Dos Pinos Cooperativa de Leche RL	N/A	Retail	Alajuela	Direct Importer
Avícola Montserrat	N/A	Retail	Heredia	Direct Importer

D. Sector Trends

- Costa Rica's economy is dominated by tourism, agriculture, technology, and services. Costa Rica's Central Bank estimated in 2016 that Costa Rica's agricultural sector represented 1.8 percent of its GDP and is forecast to increase to 2.6 percent in 2017 and 3.2 percent in 2018 as demand for agricultural export products such as banana and pineapples and is expected to increase.
- 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.
- In dairy production, according to the Costa Rican Foreign Trade Promotion Office (Procomer), there is a growing trend the consumption of UHT milk. Moreover, lactose-free yogurt is being marketed by different brands. In the segment of flavored beverages, some companies are manufacturing drinks made with oatmeal. The supply of lactose-free cheeses is much more limited.
- Major processors in the Costa Rican food industry are: Cargill, Del Monte, Bimbo, Nestlé, Demasa, Sigma Alimentos, Chiquita, Dole, Unilever, Riviana among others.
- Local companies that are expanding their production as a result of the free trade agreement and declining duties, which stimulates 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.
- Healthy, natural and organic foods also have a niche in the market. There is strong local development of these products in Costa Rica since these imported products are too high priced for the lower economic sector.
- There is expanded demand for functional foods, such as milk containing Omega 3 and added calcium.
- The trend for craft beer is creating a greater demand for beer ingredients.

- Increased production of foods for export is increasing demand for inputs such as oils, grains, and Mechanically Deboned Meat (MDM).
- The local dairy industry is continuously launching novelty products, including cheeses, yogurts, and ice cream for the domestic and international markets.
- Bakery products, dry pasta and canned foods have expanded significantly and novelty products are being launched on a regular basis.

III. COMPETITION

- Ingredients imported from the EU are competitive due to value of the Euro relative to the dollar and due to the free trade agreement between Central America and Europe.
- Large multinational food ingredient companies have representation in Mexico and also in other CAFTA-DR countries.
- Primary imported food ingredients are modified starches, thickeners, stabilizers, sweeteners, cocoa and fibers.
- Costa Rica is not self-sufficient in the production of most food products, and relies on imports.
- Given its diversified and stable economy, Costa Rica is able to import its needs, and the population is food secure.

Product Category	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
Non-alcoholic Beverages (ex. Juices, water) HS: 1302 & 2201-2202 Net imports:	1. USA 30% 2. Guatemala 17% 3. El Salvador 8%	Proximity	Local brands are well positioned in the market at competitive prices.

Product Category	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
<p>85,363 tons</p> <p>Dairy HS: 0402:0406</p> <p>Net imports: 21,858 tons</p>	<p>1. USA 31%</p> <p>2. Panama 19%</p> <p>3. Chile 13%</p>	<p>USA is strong in milk products and cream, cheese and cottage cheese, buttermilk, butter and other fats derived from milk, dairy spreads and yogurt.</p> <p>Panama is price competitive, geographically close and has developed a long-standing reputation in the market.</p> <p>Chile is strong in branded processed cheese and cottage cheese.</p>	<p>Local companies are strong in liquid milk, ice cream, yogurt, cultured milk drinks and sweetened condensed milk. They are all very strong companies although affected by rising production costs.</p>
<p>Nuts HS: 0801-0802</p> <p>Net imports: \$2,022 tons</p>	<p>1. USA 53%</p> <p>2. Guatemala 12%</p> <p>2. Vietnam 8%</p>	<p>Variety, marketing and high quality.</p>	<p>All of local production is consumed.</p>
<p>Processed Fruits & Vegetables HS: 2001-2008</p> <p>Net imports: 33,983 tons</p>	<p>1. USA 50%</p> <p>2. Canada 14%</p> <p>3. Guatemala 9 %</p>	<p>USA dominates the market with its products, mainly to the food service market.</p>	<p>Local processors are major exporters, but local supply is limited.</p>

Red Meat HS: 0201:0204 Net imports: 34,372 tons US\$38,894,580 million (CIF)	1. USA 47% 2. Nicaragua 29% 3. Chile 21%	Variety, marketing and high quality	Local brands are well positioned in the market at competitive prices.
Wine & Spirits HS: 2404:2406 Net imports: 27,358 tons	1. Chile 36% 2. Spain 15% 3. Argentina 14%	Chile, Spain and Argentina well positioned in the market for a long time.	Low price for good quality is one of biggest preference for consumers.

Source: Costa Rican Ministry of Commerce (COMEX)

SECTION IV. BEST PRODUCT PROSPECTS

The best opportunities for suppliers of food ingredients are among those food and beverage manufacturing companies that offer high-value and new products to the consumer. The industry sub-sectors with a higher demand for these types of products are as follows:

Top U.S. Consumer Oriented Food and Beverage Product Exports to Costa Rica (in US\$ millions)		
Description	2009	2016
Beef & Beef Products	\$ 2.0	\$ 15.1*
Pork and Pork Products	\$ 1.0	\$ 14.3*
Poultry Meat & Products (eggs)	\$ 4.0	\$ 28.6*
Dairy products	\$ 4.0	\$ 20.4*
Processed Fruits	\$ 2.0	\$ 4.2*
Chocolate & cocoa products	\$ 6.0	\$ 15.7*
Condiments and Sauces	\$ 3.0	\$ 9.9*
Prepared Food	\$ 15.0	\$ 34.5*
Wine and Beer	\$ 1.0	\$ 8.1*
Distilled spirits	\$ 1.0	\$ 2.1*
Juices non-alcoholic beverages	\$ 2.0	\$ 8.3*
Pet Food	\$ 7.0	\$ 19.6*

Note: The Dominican Republic – Central America Free Trade Agreement (CAFTA-DR) entered into force in 2009.

Source: U.S. Census Bureau Trade Data

*Denote the highest export levels

www.fas.usda.gov/GATS

SECTION V. POST CONTACT AND FURTHER INFORMATION

If you have any question or comments regarding this report or need assistance exporting to Costa Rica, please contact the

Foreign Agricultural Service in San José at the following address:

Phone : (506) 2519-2285 / 2333

Fax: (506) 2519-2097

Email: AgSanJose@fas.usda.gov

Website : www.fas.usda.gov

<http://costarica.usembassy.gov/fas.html>

US Department of Commerce | Global Market Agency/ Global Markets

Phone: (506) 2519-2203

web: <http://redirect.state.sbu/?url=www.buyusa.gov/costarica>

U.S. Department of State – Economic Section

Fax: (506) 2519-2364

Website: www.sanjose.usembassy.gov/economic

Local Government:

Guidelines for the Labeling of Food Products

Dirección de Mejora Regulatoria y Reglamentación Técnica, Ministerio de Economía, Industria y Comercio (MEIC)

Apartado 10216-1000, San José, Costa Rica

Telephone: (506) 2291-2164, extentions 221 and 247

Fax: (506) 2291-2015

<http://www.meic.go.cr>

Registration of Agrochemicals

Registro de Insumos Agrícolas del Ministerio de Agricultura y Ganadería

Apartado 70-3006, Barreal, Heredia, Costa Rica

Telephone: (506) 2549-3502

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

Registration of Food Products

Dirección de Atención al Cliente, Plataforma de Servicios, Ministerio de Salud

Apartado 10123-1000, San José, Costa Rica

Telephone: (506) 2257-7821

Fax: (506) 2299-4815

<http://www.ministeriodesalud.go.cr>

Imports of Processed Food Products

PROCOMER

Autoridad Sanitaria del Ministerio de Salud

Ventanilla Unica del Comercio Exterior (VUCE)

Telephone: (506) 2299-4815

Fax: (506) 2233-4962

<http://www.procomer.com>

Costa Rican contacts:

Ministerio de Agricultura (SENASA) www.mag.go.cr

Ministerio de Comercio Exterior (COMEX) www.comex.go.cr

Cámara Costarricense de la Industria Alimentaria (CACIA) www.cacia.org

Cámara de Industriales de Alimentos Balanceados www.ciabcr.com

Cámara de Porcicultores www.capor.com

Cámara de Fomento Agropecuario (CORFOGA) www.corfoga.org

Cámara Costarricense de Productores de Leche www.proleche.com

Cámara de Industria de Costa Rica www.cicr.com

Centro Nacional de Tecnología de Alimentos www.cita.ucr.ac.cr