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Costa Rica

Retail Foods

Retail Food Sector Report

Approved By:

Stephen Huete

Prepared By:

Cynthia Smith-Palliser

Report Highlights:

Supermarkets continue to be the best venue for imported products to reach Costa Rican consumers. It is currently estimated that approximately 40 percent of food purchases within the country are made at supermarkets.

Post:

San Jose

Executive Summary:

Executive Summary:

SECTION I. MARKET SUMMARY

The Costa Rican retail food market landscape consists principally of five major grocery store chains contributing to over 350 supermarkets, and some 13,000 traditional mom-and-pop/neighborhood stores. In the middle are a few popular, new, and evolving convenience stores and gas marts.

The small Costa Rican market of 4.6 million people is dynamic, evolving and uniquely challenging for the United States. 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.

The retail sector is one of the most versatile, since much depends on the economic situation of the country. 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 30% of their income on food products. The local food industry (comprised of about 20% large companies and 80% 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 2012 total imports of U.S. consumer oriented products reached \$183.8 million, a record year. 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.

The Costa Rican consumer is receptive to imported foods, and shows a trend toward buying more convenience foods (encouraged by supermarkets, superstores and convenience stores).

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 Rica has achieved a fairly high level of economic development in part because it abolished its military in 1948 and invested in health, education and infrastructure. Economic activity is dominated by tourism, agriculture and high technology, and services such as call centers are gaining economic weight. Costa Rica’s Central Bank estimates that GDP grew 3.0 percent in 2013 and it is forecasting 4.0 percent growth for 2014. Inflation reached 5 percent in 2013, and it is forecast to increase to about 5 percent in 2014.

Although total income is not evenly distributed, the majority of Costa Ricans enjoy a middleclass lifestyle. 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, as this channel expanded outlet volume across the country. In 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.

These couple of years have shown a stronger performance for packaged food than that seen during the recent past. The next few years should continue to show this performance due to the country’s expected economic recovery and will also be due to consumers’ lifestyles continuing to become faster-paced. 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.

67.58% of surveyed consumers visit the supermarket for large purchases, an average of every 15 days; while 53% visit the grocery store every week for minor purchases.

Advantages	Challenges
Of the 4.5 million Costa Ricans, a large percentage of urban Costa Rican population has a high disposable income (2013 income per capita of U.S. \$8,860).	High level of bureaucracy and regulatory weaknesses negatively affect importers.
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 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 Free Trade Agreement (CAFTA-DR) has resulted in higher imports of these products from the U.S. in 2009, 2010, 2011 and 2012. Based on preliminary data, 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 mom-and-pop 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 Costa Rican larger and newer supermarkets is reminiscent of walking into a newer U.S. grocery store.

Costa Ricans make their major grocery store purchases every two weeks, or as Latin Americans say, 'every 15 days'. Going to the large, new, brightly lighted 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 during the week 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
Car and tire centers
Carry out services
Cell phone sales and service
Coffee bars
Deli services
Dry cleaning services
Fashion boutiques/kiosks
Florists and plant shops
Jewelry stores
Locksmiths
Office services
Pharmacy
Photo services
Shoe repair
Snack/soda shops
Sushi-to-go
Video rental

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 goes up. 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

- Importer
- Broker
- Consolidator
- Distributors
- Manufacturers
- Local Producers & Suppliers

WHOLASALE
MEMBERSHIP CLUBS &
SUPERMARKETS
In-house Purchasing
Department
Distribute to their retailers

CONSUMER
70% Upper, Upper-
Middle, Middle and
Lower-Middle Class
30% Lower Class

- 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 make constant in-store promotional activities. They have the support of personnel in every store and all distribution channels.

SUPER STORES, SUPERMARKETS, HYPER MARKETS OR SUPER CENTERS, CLUB AND WAREHOUSE OUTLETS

Gaining prominence in recent years, there are now over 350 supermarkets in Costa Rica with this figure growing annually as supermarket chains routinely open new stores. Urban areas contain the majority of supermarkets, but they are gaining ground in rural settings as well. As retail supermarkets expand their reach and consumer base, they present an excellent opportunity for increased exports of agricultural products and processed foods; already 55 percent of food sold at supermarkets is estimated to be imported, with 32 percent of these imports being from the U.S. 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).

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	214	Nationwide Pali (Whse discount) = 151 Urban/Rural Max X Menos (Supermarket) = 29 Urban/Rural Maxi Palí (Whse./discount) = 26 Urban/Rural Walmart Supercenter = 8 Urban	Direct Importers
Gessa (including all formats)	Local	Not available	63	Nationwide 50% urban 50%rural Five profiles of stores: - Perimercado (Supermarket) = 21 - Jumbo (Supermarket/discount) = 6	Direct Importers (3%) Wholesalers/Distributor (97%)

				- Super Compro (Whse. Discount) = 32 -Turribásicos (Supermarket) = 3 - Saretto Supermarket = 1	
AutoMercado	Local	Not Available	14	Metropolitan Area, South Pacific Coast 90% Urban 10% Rural/Beach Area Guanacaste	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	82	Nationwide 60%Urban 40%Rural	Direct Importers

Supermarket stores carry between 20,000 to 23,000 Stock-keeping unit(SKUs) and a range of 300 to 5,000 brands.

Approximately 55 percent of their stores' products are imports (averages between 50 and 60 percent), and 32 percent of all imports are from the U.S. (averages between 20 and 40 percent).

Food retail executives repeatedly stated strong interest in:

- Being *the first* to bring new, different and exciting food products from the U.S. to their stores,
- Adding or expanding different labels from the U.S., and
- Continuing and/or expanding their relationships with U.S. suppliers and consolidators.

Managers also cited interest in items that are organic, healthy foods, frozen and fresh food products, possibly establishing a whole section within a supermarket offering tourists, pensioners and others, niche-brand products, and receiving training on special handling of high end food products (beef, processed foods, etc.).

Auto Mercado has seen solid growth across a broad range of products:

Food item Growth (Percentage)

Beer & Wine 10 %

Candies and Chocolates 11%

Canned Fruit 8%

Canned Vegetables 10%

Cereal 10%

Fish & Seafood 15%

Fresh Fruit 10%

Fresh Vegetables 10%

Frozen Vegetables 12%

Walmart: In 2012, according to Walmart, the company owned more than 80 percent of supermarkets in Costa Rica, making U.S. brands available at lower prices. In 2010 they opened 10 new stores and in 2011 added 21 new supermarkets.

According to some distributors and manufacturers, Walmart is the chain with the largest number of shops (214 in its different brands, Walmart, Maxi Palí, Pali and Mas x Menos) 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% to 53% and Walmart went from 32% to 26% between 2012 and 2013.

Sam's Club: The first membership-only retail warehouse club in the Central American region. Costa Rica will be the fourth Latin American market that will have this format, after Mexico, Puerto Rico and Brazil. It will compete with Pricemart. Sam's Club joins the large list of supermarkets under the Walmart label in the country. *El Financiero* reported that Wal-Mart will build a Sam's Club on a property near the center of the eastern San José suburb of Curridabat, northeast of Lomas de Ayarco. However there is no exact date established yet.

GESSA: Their convenience stores handle between 12,000 and 15,000 SKUs. The assortment in stores of imported products is approximately 60 %. The approximate percentage of U.S. imports is 30 %. Gessa, in the commercial area, has the Imports Department Montelimar Distribuidor dedicated to promote 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 are evaluating the possibility to be linked to a strategic partner in the region that will allow them to grow.

Jumbo format has the commitment to grow. In August 2013 Jumbo opened its store in Heredia, near the National University, and close to the capital. This store is 2,200 square meters and represents an investment of \$1.5 million.

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 this format (membership warehouse club) 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).

Of the \$2,200 million in global sales reported by the U.S. parent company PriceSmart Inc. in its last fiscal year, Costa Rica generated nearly a fifth (\$396 million) to the company which grew 9% this year.

PriceSmart handles only 2,200 SKU. In a traditional supermarket in the region, the number of SKUS can haunt the 25,000 and a supermarket close to 80,000.

Mega Super: In earlier June 2013, Megasuper announced that it will allocate in year and a half, \$45 million for the opening of new stores, expanding existing shops and eventually acquiring another operation, in Costa Rica or another country. Its manager Enrique Berrío explained that the renovation of the facilities is oriented to give the consumer a pleasant shopping experience, in addition to improving the assortment.

Supercompro, present especially in Guanacaste, has a total of 32 locations and with possibility to reach the Great Metropolitan Area. This format represents 35% of the total sales of the Corporation. In addition, the Group acquired in March 2012 the supermarket Saretto, located in Escazú and known for its gourmet format.

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.

Inversiones AM/PM has 35 urban stores selling some 2,500 products (mostly food-related) from some 600 brands in stores that are 150 to 350 square meters. Approximately 25 percent of AM/PM products’ are imports. AM/PM’s prepared food sector experienced an astounding 400% growth, in 2013 over the previous year. 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.

AM/PM opened four establishments in 2010 and in 2011 did the same with nine more. In 2012 they opened 8 more. They intended to close 2013 with 15 additional AMPM, as well as franchising the brand.

AM/PM is intent on selling products that are quick, tasty, convenient and freshly made in AM/PMs kitchens and/or on location in their small self-serve counters which feature a variety of snacks and take-out foods.

Meanwhile, AM/PM has invented a new high-end hybrid within the convenience store sector and recently opened 14 Fresh Market convenience stores, or food boutiques catering exclusively to the upper class female shopper, affluent pensioners and ex-pats – to name a few. These 350 square meter food boutiques feature some 3,500 products, representing some 800 brands.

C. TRADITIONAL MARKETS - “MOM AND POP” SMALL INDEPENDENT GROCERY STORES AND WET MARKETS

Traditional markets, of which there are estimated to be around 13,000 in the country, remain popular in Costa Rica as well.

Sub-Sector Profile

Estimates are that there are over 13,000 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 13,000 'pulperias' as well as the millions of 'stores of frequent use' (tiendas de alta frecuencia) that dominate Latin America's food retail sector.

A 'pulperia', for example, will sell the one-hundred-calorie cookie package (found in boxes containing 10, 100 calorie packages), or a .06 oz cylinder package of powder ice tea mix individually. A box containing 10 small envelopes, for example, produces 10 customers in Costa Rica's traditional markets. For financial and cultural reasons customers only purchase items for that day or the next day.

More variety of products have made the 'pulperías' capable of confronting new supermarkets and convenience stores. Changes in aesthetics and the implementation of fresh products as well as basic financial services payments and cellular phone charges increase business and have also added values that has allowed them to remain in the competition.

SECTION III. COMPETITION

The 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 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.

Foreign and domestic distributors, wholesalers and small grocery stores are also paths from the producer to the Costa Rican consumer. These distribution channels are alike for all food and agricultural products. Some products such as fresh fruit and meat entail special technical handling due to their short shelf life and storage requirements. Facilities that meet these requirements are readily available in Costa Rica since it is a large exporter to Central America and the Caribbean.

Food distribution firms, such as Ciamesa, Belca, Mayca and Pedro Oller 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.

Import product prices are based on CIF value plus any existing import taxes, custom agent fees, in-country transportation costs, and other product-related costs such as change of label. The pricing usually excludes U.S. domestic marketing costs, allowing a more-competitive and attractive price in the Costa Rican market. Prices are most commonly represented in dollars. Popular import agencies include: Expeditors Mar y Tierra, S.A., Corporacion Aeromar, Agencia Aduanal del Este and Tikal, Agencia Arce y Campos, among others.

There are over 1,300 companies in the Costa Rican food-processing sector. Encouraged by a relatively stable economy and government campaigns to foster the growth of small and medium sized enterprises, the Costa Rican food industry is steadily growing, incorporating technological advances that offer a wide range of locally produced and processed items. The food manufacturing sector represents 40 percent of the national manufacturing production and in 2012 this sector exported over US\$639 million.

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.

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.

Neighboring countries (Central America, Mexico and Panama) have the advantage of proximity and export large amounts of certain food products to Costa Rica such as fish, beans, breakfast cereals, avocados, fresh fruits and vegetables. Relations between Canada and Costa Rica are strong and are highlighted by a 2002 bilateral treaty - the Canada-Costa Rica Free Trade Agreement (CCRTA).

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.

More variety of products has made the “pulperías” capable on confronting new supermarkets and convenience stores. Changes in aesthetics and the introduction of fresh products as well as basic financial services payments and cellular phone charges increase business and have also added value that has allowed them to remain in the competition.

Product Category	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
Alcoholic Beverages Net imports: 33,684 tons US\$60,500,190 million (CIF)	1. United Kingdom – 21.3% 2. Chile – 15.2% 3. Mexico- 12.4%	Variety, marketing and high quality.	Local brands are well positioned in the market at competitive prices.
Non-Alcoholic Beverages (ex. juices) Net imports: 27,035 tons US\$33,031,203 million (CIF)	1. USA – 25.4% 2. Korea – 13.3% 3. El Salvador- 13.1%	Proximity	Local brands are well positioned in the market at competitive prices.
Breakfast Cereals Net imports: 13,558 tons US\$29,078,882 million (CIF)	1. Mexico – 46.7% 2. USA – 23.2% 3. Guatemala – 10.6%	Variety, marketing and high quality.	Less attractive presentation, but price competitive. Fewer “healthy” options.
Dairy Net imports: 14,685 tons US\$33,579,326	1. USA – 28% 2. Panama – 26.5% 3. Chile – 24%	Panama is price competitive, geographically close and has developed a long-standing reputation in the	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

million (CIF)		market. Chile is strong in branded processed cheese and cottage cheese. USA is strong in milk and cream, cheese and cottage cheese, buttermilk, butter and other fats derived from milk, dairy spreads and yogurt.	by rising production costs.
Eggs & products Net imports: 1.233 tons US\$3,556,129 million (CIF)	1. USA – 59.7% 2. Panama – 33.3% 3. Canada – 5.2%	Variety, marketing and high quality.	All of local production is consumed.
Fruit & Vegetable juices Net imports: 29,662 tons US\$34,277,672 million (CIF)	1. Guatemala – 36.5% 2. USA – 34.6% 3. El Salvador – 6.4%	Variety	Local products are strong.
Nursery products Net imports: 3,953 tons US\$13,656,798 million (CIF)	1. Netherland– 67.8% 2. Israel – 11.4% 3. USA – 2.1%	Variety	Local products are strong.
Nuts Net imports: 1,439 tons US\$5,911,541 million (CIF)	1. USA – 48.9% 2. Guatemala – 15.5% 3. Chile – 7.6%	Variety, marketing and high quality.	All of local production is consumed.
Pet Food	1. USA – 64.3%	Variety, marketing	Local brands are well

Net imports: 15,990 tons US\$21,230,318 million (CIF)	2. Mexico – 28.1% 3. Argentina – 1.8%	and high quality.	positioned in the market at competitive prices.
Processed Fruits & Vegetables Net imports: 59,596 tons US\$82,674,346 million (CIF)	1. USA – 43.4% 2. Canada – 16.3% 3. Guatemala – 10.3%	USA dominates the market with its products, mainly to the food service market.	Local processors are major exporters, but their local supply is limited.
Red Meats Net imports: 9,014 tons US\$36,841,940 million (CIF)	1. USA – 34.3% 2. Nicaragua – 29.9% 3. Panama – 10.8%	Variety, marketing and high quality	Local brands are well positioned in the market at competitive prices.
Snack Foods Net imports: 52,844 tons US\$138,112,770 million (CIF)	1. USA - 25% 2. Mexico – 19.6% 3. Guatemala - 19 %	Variety, marketing and high quality	Local producers are major food processors. They import food ingredients for snacks and snacks in bulk.

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 bulk commodities, but the area of high value products continues 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.

The most significant trend in the growth of processed fruit and vegetables is the rise of imports of French fries. All frozen French fries are imported, since the specific type of potato required by the industry is not produced domestically. Therefore, the availability of French fries depends totally on imports. In Costa Rica, fast food chains, restaurants and hotels purchase 75 percent of the imported frozen French fries. The remaining 25 percent is distributed to supermarkets.

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 Mexico and Guatemala 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. Baking inputs, shelled nuts, and intermediate cocoa products have all experienced over 90 percent growth by value from 2010 to 2012. 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 excellent new opportunities for U.S. exporters as well. Pork products stand out as having great export potential; bacon, ham, and pork leg (especially during the winter months) are all popular imports at the moment. Exports of processed meats, prepared meats, and preserved meats between 2011 and 2012 expanded significantly, and consumption of prepared meats continues to grow. Further, the import registration requirements for processed meats have newly been 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 cheese and yogurt, 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 (Thousands USD) 2011	US Import Value (Thousands USD) 2012	Percent Growth (by value) Jan 2012-Sept.2013
Processed Fruit & Vegetables	Broth, tomato paste, tomato products, potatoes, beans, peas, and lentils	24.1	22.9	22.4
Snack Foods	Corn chips, confectionary goods, microwave popcorn, baked sweet snacks, snack nuts and seeds	15.2	18.0	11.0
Fresh Fruit	Plums, peaches, apples, pears, grapes	19.9	21.0	-2.1
Consumer Prepared Food	Soup, prepared ham, sausage, pasta products, prepared red meat	23.1	24.4	17.2
Pet Foods	Dry dog and cat food	9.4	12.3	16.1
Dairy Products	Yogurt, cheese, milk concentrate or sweetened	10.4	12.7	3.0
Red meats	Bacon, ham, frozen	3.6	4.7	4.8

FR/CH/FR	beef			
Tree Nuts	Almonds, walnuts, mixed nuts	6.3	4.6	52.4
Breakfast cereals	sugary cereals	2.0	2.1	32.1
Wine and beer	Beer, wine	2.1	2.9	30.2

SECTION V. POST CONTACT AND FURTHER INFORMATION

I. U.S. Embassy San José, Costa Rica.

Department of Agriculture
Foreign Agricultural Service
Phone: (506)-519-2333 Fax (506) 519-2475
E-mail: agsanjose@usda.gov
<http://costarica.usembassy.gov/fas.html>
Steve Huete, Agricultural Counselor
Kelly Stange, Agricultural Attaché
V́ctor González, Agricultural Specialist
Ileana Raḿrez, Agricultural Marketing Specialist
Cynthia Smith-Palliser, Agricultural Marketing Assistant

Sources:

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Global Trade Atlas

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