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Costa Rica

Food Processing Ingredients

Food Processing Ingredients Report

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Report Highlights:
Costa Rica is one of the major importers of raw materials and ingredients for the food processing industry in Central America.

Post:
San Jose

Executive Summary:
SECTION I - MARKET SUMMARY

Costa Rican consumers trust and enjoy the excellent reputation of U.S. raw materials and ingredients for the food processing industry and demand has increased since implementation of the Central America-Dominican Republic Free Trade Agreement (CAFTA-DR). Market prospects for high value U.S. products continue to increase, with impressive growth in products such as beef, poultry, wine and beer, and pet food to name a few. Proximity to the Costa Rican market is also a major advantage for U.S. exporters who wish to visit or communicate with potential customers. The proximity facilitates close contacts and strong relationships with clients, both before and after the sale. 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 a 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, corn starches 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 home-made meals and desserts, as well as in restaurant menus and industry formulations. 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. It 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 increasing their production capacity and food quality to export to the United States as a result of CAFTA-DR implementation.	Countries including Mexico, Argentina and Colombia can supply the local demand for ingredients and raw materials and compete with the U.S.
Costa Rica consumers are becoming more sophisticated in their food preferences.	Costa Rica is 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.	New local food developments follow market trends (natural foods, juices, processed meats)
Since 2013, Costa Rica initiated a new on-line product registration system, which eventually will reduce registration times for new imported products.	Business culture in Costa Rica can be less fast-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.

Costa Rica: Main Food Processing Export Products to the

United States 2014 (US $ Thousand)		
Description	**2013**	**2014**
Pineapples	$ 373,590.80	$ 408,206.86
Banana	$ 347,652.86	$ 381,217.86
Coffee	$ 161,457.81	$ 150,298.38
Cassava	$ 39,396.34	$ 42,299.82
Fish filet fresh	$ 72,502.29	$ 70,604.52
Fish frozen	$ 32,777.91	$ 31,538.34
Fruit Juices and Concentrates	$ 47,737.4	$ 35,909.6
Cassava	$ 39,396.34	$ 42,299.82
Ornamental plants	$ 35,445.77	$ 31,205.40
Melon	$ 20,045.33	$ 27,197.34
Chayote (vegetable pear)	$ 9,080.31	$ 13,579.59
Fruit pulps and extracts	$ 17,554.03	$ 17,183.98
Meat	$ 20,596.59	$ 22,769.92
Dressings	$ 3,909.86	$ 4,444.84
Premium Bakery Products	$ 2,156.46	$ 2,979.71
Herb extracts, tea concentrates	N/A	$ 2,753.80
Sugar	$ 16,354.62	$ 23,610.28

Ministry of Foreign Trade (COMEX)

Figures from Central Agricultural Monitoring, prepared by the Business Intelligence unit at CentralAmericaData.com reveal that Central American coffee exports maintained their growth. Between January and September 2015. Costa Rica exported 60,993 MT of coffee. Nicaragua exported 96,436 MT and Panama, with 1,215 MT.

The situation for banana exports in 2015 had a slight decline in exports. Costa Rica exported 1,300,526 MT, Panama 135,625 MT and Nicaragua, with 8,660 MT.

Main imported products from United States 2013 2014 (US$ thousands)		
Description	**2013**	**2014**
Other food preparations	$ 27,044.38	$ 26,656.59
Worts, brewery and distillery industry waste	$ 25,926.85	$ 21,151.23
Animal feed	$ 16,286.34	$ 18,938.39
Wheat	$ 12,948.55	$ 15,161.41
Fresh grapes	$ 8,696.37	$ 8,840.69
Fine bakery ingredients	$ 11,776.35	$ 13,088.20
Tomatoes sauces	$ 14,682.83	$ 16,664.69

Ministry of Foreign Trade (COMEX)

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 F&B industry. Another option is through a joint-venture.

• 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 R&D 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 (focused on food, nutrition and health), social media campaigns, technical events (seminars, conferences, etc), and/or trade shows. 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 2015.

• 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 less fast-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 (Please see Chart attached)

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.

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
Red meats and poultry meat (MDM; boneless picnic; pork bellies, trimmings and offals; flours (fillers); animal fats)				
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
Dairy Products (whey powder, protein concentrates)				

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
Prepared fruits and vegetables (sauces, pastas, concentrates, and preserved)				
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
Turrones 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

- Economic activity is dominated by tourism, agriculture and technology, services, such as call centers, are gaining economic weight. Costa Rica's Central Bank estimates that GDP grew by 3.5 percent in 2014, and it is forecasting 3.4 percent growth for 2015. Inflation reached 5.1 percent in 2014 and is forecast at 4 percent for 2015. The Central Bank announced in early 2015 that it has migrated to an "administered floating exchange rate system." Under this system, supply and demand determine the exchange rate and the Central Bank intervenes to prevent sharp fluctuations. The exchange rate, which had remained stable during 2014, did not show any reaction to the announcement and remained around 540 colones per U.S. dollar. The Central Bank also plans to increase its foreign exchange reserves, which now represent about 14 percent of GDP, by $800 million over a 23-month period by purchasing dollars in the market.

- According to the Costa Rican Foreign Trade Promotion Office (Procomer), the some trends that are guiding the development of products in some countries in the region include which has seen rapid growth in sales volume, driven primarily by milk processed at ultra-high temperature (UHT). 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.

- The market for flexible packaging (such as those used in sauces and mayonnaise) has experienced rapid growth over the past five years. The largest categories of individual final consumption were mayonnaise and tomato sauce (not ketchup).

- Some 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 growing larger as a result of the free trade agreements, 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 artisanal 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: 2009 & 2201-2202 Net imports: -38,317 tons US$ $64,183,077 (CIF)	1. USA 32% 2. Guatemala 21% 3. Nicaragua 11%	Proximity	Local brands are well positioned in the market at competitive prices.
Breakfast Cereals HS: 1904 Net imports: 12,296 tons US$ 29,256,074 million (CIF)	1. Mexico 40% 1. USA 20% 1. El Salvador 12%	Variety, marketing and high quality.	Less attractive presentation, but price competitive. Fewer "healthy" options in the local market.
Dairy HS: 0402:0406 Net imports: -66,561 tons US$ 41,087,209 million (CIF)	1. USA 33% 2. Panama 22% 3. Chile 19%	USA is strong in milk products and cream, cheese and cottage cheese, buttermilk, butter and other fats derived from milk, dairy spreads and yogurt. Panama is price competitive, geographically close and has developed a long-standing reputation in the market.	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.

		Chile is strong in branded processed cheese and cottage cheese.	
Eggs & products HS: 0407-0408 Net imports: -1,196 tons US$ 6,398,599 million (CIF)	1. USA 64% 2. Panama 35% 3. Canada 1%	Variety, marketing and high quality.	All of local production is consumed.
Nursery products HS: 0601-0604 Net imports: -9,924 tons US$15,682,779 million (CIF)	1. Netherlands 66% 2. Chile 9 % 3. Belgium 4 %	Variety	Local products are competitive.
Nuts HS: 0801-0802 Net imports: $-1,153 tons $ 7,906,772 US$- million (CIF)	1. USA 58% 2. Guatemala 9% 2. Vietnam 8%	Variety, marketing and high quality.	All of local production is consumed.
Pet Foods HS: 2308-2309 Net imports: 23,429 tons US$ 366,660,127 million (CIF)	1. Costa Rica 83% 2. USA 8% 3. Mexico 4%	Variety, marketing and high quality.	Local brands are well positioned in the market at competitive prices.
Processed Fruits & Vegetables	1. USA 50% 2. Canada 14%	USA dominates the market with its products, mainly to the	Local processors are major exporters, but local supply is limited.

HS: 2001-2008 Net imports: 33,983 tons US$ 97,174,980 million (CIF)	3. Guatemala 9 %	food service market.	
Red Meat HS: 0201:0204 Net imports: -9,770 tons US$38,894,580 million (CIF)	1. USA 40% 2. Nicaragua 35% 3. Chile 13%	Variety, marketing and high quality	Local brands are well positioned in the market at competitive prices.
Snack Foods HS: 1704, 1806 & 1903:1905 Net imports: 17,554 tons US$ 154,308,004 million (CIF)	1. USA 27% 2. Mexico 18 % 3. Guatemala 17 %	Variety, marketing and high quality	Local producers are major food processors. They import food ingredients for snacks and snacks in bulk.

Product	**2013 Imports (millions USD)**	**2014 Imports (millions USD)**	**% Change 2013 in comparison to 2014**
Vegetable oils (exc. soybean)	6.9	6.9	1.3
Breakfast Cereals	2.8	3.6	30.4 *
Beef and Beef products	5.6	7.5	33.6
Pork & Pork products	13	14*	9

Poultry Meat & Products (ex. Eggs)	16	14.7*	-7.7
Dairy products	12.8	16.5*	29
Fresh fruits	21	20.6*	1.8
Tree Nuts	8	7	-13
Processed Vegetables	24	26*	11
Fruit and Vegetables Juices	7.6	8.5	11.3
Condiments and Sauces	6.9*	6.3	-8.9
Non-alcoholic beverages	3.7	5.5*	47.4
Snack foods	19.5*	18.6	-4.5
Fish and seafood	2.9	3.3*	14.2
Wine and Beer	3.9	3.9	0.5

SECTION IV. BEST PRODUCT PROSPECTS

The best opportunities for suppliers of food ingredients are among those F&B 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. Export Product Prospects:
Source: U.S. Census Bureau Trade Data
***Denote highest export levels since at least CY 1970**

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
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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

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 deTecnología de Alimentos www.cita.ucr.ac.cr