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GAIN Report

Global Agricultural Information Network

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Wine Market Welcoming of U.S. Exports

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Approved By:

Kelly Stange, Agricultural Attaché

Prepared By:

Marie Anselm, FAS Intern

Report Highlights:

Wine imports and consumption continue to increase in Costa Rica. With virtually no commercial domestic production of wine present in Costa Rica, imports of wine will continue to rise alongside consumption. The expanding market for wine holds promise for U.S. wine exporters looking to extend their reach to this receptive consumer base.

Executive Summary:

Wine consumption in Costa Rica has increased markedly in recent years and continues to rise annually. U.S. wine exports are a small portion of total wine imports to the country, but are among the fastest growing wines as well. While there is competition in this sector, U.S. wines are well-positioned to extend their reach within the country. Economically priced wines are always welcome in Costa Rica and recently sales of boxed wine and wines bottled in containers over 2 liters are winning over consumers, too.

General Information:

Wine consumption in Costa Rica has positively transformed in recent years. Once consumed infrequently, wine now commonly makes its way to special occasions, parties, and dinner tables in Costa Rica. Annual wine consumption was approaching 2 liters per capita prior to 2009 but with the economic crises this figure dipped slightly. As the economy has recovered, so have wine sales; annual consumption levels are back to 2 liters per capita and slated to continue to rise. Most frequent wine drinkers in Costa Rica are middle to upper-class, as wine consumption has come to be seen as a mark of status by younger high-income Costa Ricans. Still, events such as tastings and the bi-annual Expo Vino are beginning to accustom larger segments of the population to wine.

Current domestic wine production is non-existent, though some foreign investors have expressed interest in the possibility of starting vineyards in Costa Rica. Growing conditions in Costa Rica are not suitable for most wine varieties and, as a result, all commercially-sold wine in the country is imported. Chile and Argentina were among the first countries to begin to export wine to Costa Rica. Their early entry into the wine market, as well as being some of the top wine producers in the world and certainly the Western Hemisphere, has cemented Chile and Argentina as the top wine exporters by volume to Costa Rica. This has made the population in Costa Rica very familiar with wine varieties produced in these countries. Red wines far out-sell white wines in Costa Rica. On the whole, Cabernet Sauvignon and Chardonnay are the most popular red and white varieties, respectively, and are the best-selling wines to Costa Rican nationals.

Consumption:

Two primary markets for wine exist in Costa Rica: tourists and nationals. While each population embraces wine, their tastes and buying preferences vary slightly. Costa Rica is a top worldwide tourist destination and boasts many resorts, hotels, and restaurants that cater to tourists tastes. Tourists tend to not to be overly sensitive to wine prices and are more accustomed to wines from around the world than Costa Ricans. A wide array of wines, in both type and price, can be found in venues that accommodate tourists, with no lack of high-end expensive wines being present in these places. However, in the case of all-inclusive resorts, cost is an important factor in purchasing decisions. The bulk of wine sales to these resorts are for low-cost wines, though they also offer higher-end wine available for purchase to their guests as well.

For Costa Ricans, wine is most frequently bought from supermarkets or large retail outlets. Wine boutiques also exist, which attract significant business, and many distributors sell wine directly to clients from small stores located on their premises. These boutiques commonly host wine tastings on a regular basis as a way to boost sales. Supermarkets are less apt to offer wine tasting events, but do at times offer samples or promotions within their stores.

Regardless of where Costa Ricans purchase wine, they are price-sensitive. This is due in part to the large volume of cheap and relatively quality wines made accessible to consumers by Chile and Argentina; Costa Ricans tend to view these wines as a bargain. In outlets such as supermarkets and wine boutiques, Costa Ricans pay, on average, no less than \$8 a bottle and no more than \$20. The majority of wine bought within the country is priced within the range of \$10-\$14. In higher-end markets such as specialty supermarkets or fine-dining establishments this range grows to \$12-\$40 a bottle. Many restaurants will specifically ask importers for wines that are not stocked in supermarkets to include on their menus. This is in part because restaurants wish to offer customers a unique dining experience and also as an attempt to hide the price mark-up on wines in restaurants, which is not well-received by Costa Ricans.

Trade:

The total market for wine in Costa Rica reached \$18.4 million in 2011 according to Global Trade Atlas (GTA). This represents a growth of 39.5 percent from wine imports from 2009. By value, Chile captured the largest portion of the market share for wine in 2011, being accountable for 49.04 percent of all wine imported to Costa Rica. The Costa Rican market for imported wine is dominated by a number of foreign competitors. Other top wine exporters by value in 2011 were as follows: Spain (17.3 percent), Argentina (12.26 percent), Italy (8.3 percent), France (4.33 percent) and the United States (4.0 percent).

Though Chile is the lead exporter of wine to Costa Rica, its market share fell 4.55 percent from 2010 to 2011. Of the five competitors preceding the United States in terms of wine exports to Costa Rica, Spain was the only country to notably increase their market share, gaining 7.97 percent of the total market from 2010 to 2011. This made Spain the second largest exporter of wine to Costa Rica by value, displacing Argentina for the first time. With such a constant import market, U.S. exporters may do well to exploit new trends and niches in wine to distinguish themselves from other competitors.

Overall, U.S. wine exports to Costa Rica rose 27.6 percent by value from 2009 to 2011 for a total value of \$7.34 million. When all wines imported to Costa Rica are considered, this placed the U.S. as the sixth largest exporter by value. Encouragingly, there is a niche in the Costa Rican wine market for which the U.S. is the top exporter by value: wine in vessels larger than 2 liters. Imports of wine in containers larger than 2 liters expanded 58.7 percent by value to Costa Rica between 2009 and 2011. During this same time period U.S. wine exports of these wines grew 29.8 percent and in 2011 the U.S. held 33.1 percent of total market share for this wine category. The second largest importer and principal competitor of the U.S. in this niche is Spain; Spain held 22.1 percent of the total market share for this wine category in 2011.

Market Entry

U.S. exporters wishing to enter the market for wine should know their audience and target prospective customers accordingly. Right now, U.S. wines comprise a small percentage of the total wine market in Costa Rica, but are among the fast growing segments as well, making future expansion promising.

Currently mid-priced wine ranging from \$12-\$18 a bottle is the fastest growing niche in Costa Rica. U.S. exporters wishing to sell to Costa Rica should be mindful of this and be mindful of price in general. Price is an extremely important factor in Costa Ricans wine purchasing decisions and exporters should be aware that the largest market for wine is for low-priced labels. Boxed wine is a quickly growing product in Costa Rica at the moment, both to direct consumers and to restaurants for cooking.

Boxed wine would be a promising prospect for any U.S. wine exporter.

Exporters wishing to vend to supermarkets and retail outlets would do best to consider not exceeding a retail price of \$20 per bottle; possibilities always exist for economically priced wine. Supermarkets consulted for this report expressed interest in being able to run wine promotions with the help of U.S. wine distributors. Costa Ricans are still not overly familiar with U.S. wine varieties, but U.S. chardonnays are top-sellers and white zinfandel is often associated with the United States by Costa Rican clients. Working with supermarkets and distributors to promote U.S. wine varieties would be beneficial to exporters when introducing their product to the Costa Rican market.

Several U.S. wine labels have already enjoyed success in entering Costa Rican supermarkets and restaurants and hotels are also potential customers of U.S. wines. Barefoot is the best-selling wine in supermarkets, as are Beringer, Colombia Crest and Kendall Jackson. Mandolin and Carlo Rossi are also well-known U.S. wine labels in Costa Rica. Sales of U.S. wines are not as large as from other countries, but in terms of growth they are currently outpacing many of their competitors. Hotel guests/tourists are more likely to be knowledgeable about U.S. wines and have a higher price point, so exporters may have a larger degree of flexibility in selling to hotel and restaurant clients.

In terms of product niches, it was noted the organic wines, particularly from Argentina, have begun to enter supermarket shelves. Sangria (boxed or otherwise) is also a product that is gaining popularity with the public in Costa Rica. Larger units of wine also sell well with certain customer segments as well. Finally, potential U.S. wine exporters should anticipate allowing for up to 2 months for the product registration process to import to Costa Rica.