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Urban Costa Ricans Enjoying Convenience of Frozen Food Products

By Luis Solera

Working women, with limited time and more disposable income, are making a difference in the sales of frozen foods and other convenience products in Costa Rica. The presence of a microwave in half of Costa Rican homes stimulates the demand for these convenience foods.

CAFTA-DR To Eliminate Many Tariffs

Once implemented in Costa Rica, CAFTA-DR (the Dominican Republic-Central America-United States Free Trade Agreement) is expected to benefit U.S. food exports in general. The agreement will create new market access for all products (except fresh potatoes and onions) immediately. This will be accomplished through tariff reductions, tariff-rate quota expansion, and combinations of these and other approaches. These provisions will create greater opportunities for a variety of U.S. frozen foods. Because Costa Ricans favor U.S. products, market shares for certain foods are expected to greatly benefit. Costa Rica has scheduled a referendum on ratification of the accord for October 2007.

Costa Rica has a fairly open economy. As a member of the World Trade Organization, it adheres to its international trade commitments, including the use of science-based sanitary and phytosanitary measures.

The country's foreign trade policy is geared to establishing free trade agreements with key partners, including the United States. Costa Rica already has agreements that lower duties for many products competing directly with U.S. exports in effect with Chile, Canada, Mexico, and other Central American countries. Conversely, over 99 percent of the agricultural products from Costa Rica enter the United States duty-free.

A detailed discussion of negotiated advantages under CAFTA-DR can be found at:
<http://www.fas.usda.gov/info/factsheets/CAFTA/overall021105a.html>

While frozen foods represent only 4 percent of supermarket sales in Costa Rica, this category is growing faster than any other, at an annual average rate of 9.5 percent from 2001 to 2005, with imports accounting for \$13.8 million worth. Similar growth is expected over the next couple of years in Costa Rica's urbanized Central Valley, where two-income families and young professionals are likely to live.

Rising tourism is also supporting demand for frozen food products as new hotels and restaurants open to accommodate visitors. The tourism industry has enjoyed double-digit growth in recent years, with 1.6 million visitors in 2005. Supermarkets near areas heavily trafficked by tourists also have improved sales of frozen foods.

Market Access

Importers commonly act as distributors for smaller stores and food service, while most supermarkets import directly from U.S. brokers. Due to the small size of the market, importers often ask for consolidated shipments and cold chain breaks are still a problem.

Costa Rica has two major ports – Caldera on the Pacific and Limon on the Atlantic—with bulk imports coming mostly through Caldera and containerized shipments through Limon. Because the country exports large volumes of fresh products to the United States, U.S. products can be shipped with savings by using containers returning to Costa Rica. However, transportation within Costa Rica can be expensive.

Though most imports average a 15-percent tariff, protected products, such as chicken meat and other processed poultry, frozen

The Ins and Outs of the Costa Rican Market for U.S. Frozen Food Products	
Advantages	Disadvantages
Perception of high quality	Market still small; importers risk averse to new products
Familiarity with U.S. products	Cold chain problems — handling, limited storage, and scarcity of shelving
Quality and attractiveness of U.S. products popular with importers	High tariffs on popular products; competition from other countries with free trade agreements with Costa Rica
Proximity	Local competition from fresh products
Importers familiar with logistics of importing from United States; consolidated shipping a plus on small orders	Inexperienced chefs
U.S. exporters flexible on helping importers with packaging, promotions, and regulations	Relative high cost of some U.S. products

potato fries, and ice cream, have tariffs ranging from 41 to 151 percent.

Import Regulations Have Improved

Though they can still be prolonged, import procedures have improved since 2005's inauguration of a new electronic customs system. Costa Rica generally requires only invoices, bills of lading, and airway bills to import goods. Imports of bulk and horticultural products require plant health certificates. Most processed foods do not require plant health or animal health certificates. USDA's Food Safety and Inspection Service export certificates are needed for fresh and frozen meats.

Under current regulations, the Costa Rican Ministry of Agriculture must approve foreign meat and poultry plants before they can

export to Costa Rica. However, the Costa Rican Ministry of Agriculture has approved U.S. beef plant products under the Export Verification Program of USDA's Agricultural Marketing Service. Once CAFTA-DR enters into effect, Costa Rica is expected to undertake an equivalency determination for all establishments inspected by USDA's Food Safety Inspection Service.

A food import must be registered prior to importation with the Ministry of Health at a cost of \$100 per item; this registration is valid for 5 years.

Labels must be in Spanish (stick-ons are allowed) and include:

- product name
- net content and drained weight in metric
- artificial color and flavors
- ingredients in decreasing order by weight
- importer's name and address
- lot number and expiration date
- country of origin
- preservation and use instructions

Best Prospects

Frozen products with market potential in Costa Rica include: potato fries, beef, seafood, and ice cream. Although negligible now, imports of frozen vegetables and processed beef and poultry products are expected to have good potential.

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