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Report Highlights:

Costa Rica's orange production is forecast to decline to 285,000 metric tons (MT) in Marketing Year (MY) 2020/2021. It is expected to reach 290,000 MT in MY2019/2020. Delays in the harvest caused by the COVID-19 pandemic resulted in loss of fruit at the time of harvest during MY2019/2020. The industry had to make considerable investments in the application of sanitary protocols and new infrastructure to limit the spread of the disease among workers. Most of these measures are now in place for the upcoming harvest. Many of the workers come from Nicaragua for the harvest. The industry has worked closely with the local authorities to allow workers to enter Costa Rica under strict sanitary protocols. The United States is Costa Rica's main destination for its orange juice (purchasing 75 percent of total exports in 2019), followed by the European Union, and China. Costa Rican orange juice enters the United States duty free under the U.S.-Central American Free Trade Agreement.

COSTA RICA: ORANGE JUICE PRODUCTION AND TRADE

Costa Rica's orange production is concentrated in the northern part of the Alajuela province, around Los Chiles, Guatuso and Upala, and in the northern part of Guanacaste, near the border with Nicaragua in an area known as Santa Cecilia. Two companies, TicoFrut and Del Oro, control most of the production and processing of oranges in the country. TicoFrut is the largest company in the sector. TicoFrut's plantations are located primarily in the province of Alajuela near the border with Nicaragua, and in Nicaragua. Del Oro's plantations are in the province of Guanacaste, near the border with Nicaragua. Oranges are also grown in other regions of the country including Acosta, near the Central Valley, and Nandayure in Guanacaste. However, oranges from those areas are mostly sold as fresh fruit in the local market.

In addition, there are some medium and small size independent producers. While the larger operations have been stable and plan their activities with a long-term horizon, the smaller independent producers tend to enter or exit the market in response to short term price fluctuations,

The harvest takes place mainly from January to May, with peak production reached in March and April. The majority of the oranges produced in Costa Rica are processed for juice concentrate for the export market. A relatively small volume of fresh fruit is sold for local consumption, and the processing plants also sell small volumes of juice to local clients.

One of the two processing companies has orange plantations in Nicaragua, near the border. Growing conditions are favorable in that area, and land prices and labor costs are generally lower. The local industry has partnered with Nicaraguan businesses to plant orange groves in Nicaragua. The area planted is not expected to grow significantly in Nicaragua or Costa Rica at this time, as the company prefers to improve its current operation through replanting and investments in irrigation. This company has a plan to increase area planted slowly. According to the plan, the company will increase area by 230 hectares next year. According to data from the Government of Costa Rica, the country imported 56,644 MT of fresh oranges from Nicaragua in 2019, compared to 71,907 MT during 2018. Imports from Nicaragua during 2020 reached 69,800 MT through October. Oranges from Nicaraguan plantations are trucked to Costa Rica for processing at TicoFrut's plant located in Muelle, San Carlos.

Local industry estimates area planted at around 21,000 hectares (ha) and 7.4 million orange trees, including the area planted on the Nicaraguan side of the border. The Government of Costa Rica estimate is slightly higher at 23,000 ha. However, there is unconfirmed information indicating that the Del Oro company may be reducing its area planted as a result of citrus greening disease. So, at this time, total area could be even lower than the 21,000 ha. estimate.

The number of trees is gradually increasing as farmers are renovating their plantations with the "Flying Dragon" pattern, which allows for a higher number of trees per hectare, easier farm management and lower associated costs. The "Flying Dragon" pattern is planted at 830 to 900 trees/ha, as compared to a range of 312 to 444 trees/ha for other varieties. As this pattern takes hold, the number of trees should increase in the next few years, as producers replant or renovate their farms using this variety. The main producers are renovating older plantations with new trees, rather than increasing area planted. This process is expected to result in higher future production, without major changes in total area planted.

The citrus greening disease, which was identified in 2011 in Costa Rica, remains a major concern for producers and has put a limit to the expansion of the industry because of the uncertainty it creates among growers. According to industry sources, the disease has now spread throughout most of the country's growing areas. The disease is difficult to manage, as it increases production costs, which could result in losses. So far, the largest grower has been able to contain the disease by establishing strict controls including constant farm surveillance, inspection of all farms, and eradication of 100 percent of the affected plants. The local industry uses agrochemicals and biological controls (a wasp that feeds on the vector of the disease, called *Tamarixia radiata*), as part of their preventive measures. Although the disease has not caused significant losses to the largest producer, one of the major companies has reportedly suffered more from the effects of the disease, which has resulted in reduced or abandoned areas. Small producers have suffered heavier losses from its effects as well.

Total production is forecast to decrease by 5,000 MT in MY2020/2021, to 285,000 MT. The lower expected production is related to the strong rains that affected some of the production areas during the flowering period. Also, due to the lower availability of workers during the early stage of the COVID-19 pandemic, some of the agronomical activities normally conducted to assist the plantations during the flowering period, were not carried out on time. The COVID-19 pandemic has also complicated farm management. For instance, supervisory visits to the Nicaraguan plantations were suspended because of the closing of the border. Sick workers and their close contacts had to remain under quarantine when there were outbreaks at the farms.

Costa Rica exports the majority of its orange production as frozen orange juice concentrate, but also exports non-frozen concentrate juice. According to information from the Costa Rican Trade Promotion Board (PROCOMER), during calendar year 2019 juice exports to all destinations amounted to 32,897 MT valued at \$50 million. This compares to 36,936 MT valued at \$68 million during 2018. Data available for January-October 2020 show a decline in volume and value, reaching 24,894 MT and \$41.7 million, respectively.

The United States continues to be Costa Rica's main destination for orange juice exports. Exports to the United States reached 19,586 MT valued at \$37.7 million during 2019. During the period January – October 2020, exports to the U.S. amounted to 17,449 MT valued at \$34.8 million. The main destination in the European Union is the Netherlands. Exports to that country in 2018 were 7,954 MT, 6,774 MT in 2019, and 5,241 MT during January – October 2020. Exports to China fell to 791 MT during January – October of 2020, after reaching a record of 4,209 MT in 2019.

Costa Rican orange juice enters the United States duty free under the Central American-Dominican Republic Free Trade Agreement.

Attachments:

No Attachments