

Producer country file

The pineapple in Costa Rica

by Carolina Dawson

Thanks to the success of the MD-2 variety (or Extra-Sweet), Costa Rica has become in the space of less than twenty years the world's number one fresh pineapple produce and exporter, toppling all the competition. Despite high production costs, the Costa Rican sector has been able to take advantage of the country's political stability, excellent pedoclimatic conditions, its high competitiveness (high technical level, economies of scale) and a favourable exchange rate for the colon against the euro or dollar. However, a proliferation in producers and increasingly massive MD-2 production have led to a slump in supply quality, and devaluation of the variety. Unregulated increase in world production has contributed to the appearance of cyclical crises on the main importer markets, which have weakened the profitability of the product and industry, as well as producer revenue. In addition, the sector has for a decade been under fire from environmental and social controversies. Better regulation of the supply could contribute to preventing destructive cycles, which have now become predictable.





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Pineapple Costa Rica

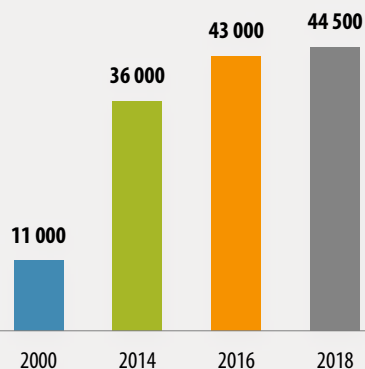
Location

After recorded found 11 000 hectares in the early 2000s, a record of 44 500 ha was set in 2018 according to official sources (CANAPEP). Surface areas are concentrated mainly in three big production zones:

- Northern zone: 24 653 ha, i.e. 56 % of the total;
- Atlantic zone: 11 188 ha, i.e. 25 % of the total;
- Pacific zone: 8 659 ha, i.e. 19 % of the total.

However, other sources indicate a more marked expansion in the crop. More than 66 000 ha were surveyed by satellite images in 2017. The crop's historic development zone is the Pacific, situated in the south in Puntarenas province. It was there that Del Monte developed the MD-2 (Extra-Sweet) on its vast industrial plantation Pindeco, near the city of Buenos Aires. The pineapple sector employs more than 30 000 people directly, and creates 120 000 indirect jobs. It accounts for 2 % of the country's total GDP, and more than 30 % of agricultural GDP. Planted surface areas have seen particular progress in the northern region in recent years, while remaining relatively stable in the Pacific and Atlantic zones.

Pineapple - Costa Rica - Evolution of areas
(in hectares | sources: INEC, CANAPEP)



Source: CANAPEP 2018

Production

With more than 3 million tonnes produced in 2017 (FAO), Costa Rica is the world number one pineapple producer, ahead of Brazil (2.7 million tonnes) and the Philippines (2.6 million tonnes).

The emergence of the Costa Rican pineapple industry is relatively recent, and closely linked to Del Monte. The first stage in its development was the establishment in 1978 of Pindeco, a cutting-edge industrial plantation dedicated to exports of the Champaka variety. Production had reached 450 000 t by the end of the 1980s, before levelling out, since this variety, whose skin remains green on maturity, did not make the breakthrough onto certain major markets. The introduction on this same plantation of the MD-2 pineapple (Sweet or Extra-Sweet), with low acidity and well-suited to sea-freight, allied with the power of a multinational in terms of production structure and marketing, marked the beginning of an exemplary success story. It radically changed the world market in the space of a few years, practically wiping out certain pineapple suppliers such as Côte d'Ivoire, the number one supply source for the European market since the 1960s, and replacing within a few years the hitherto predominant Smooth Cayenne variety.

It was thanks to the climate conditions and excellent rich soils for this crop, as well as to the high political stability favourable for investment and the presence of big high-tech groups that production embarked on rapid development from 1996, to keep up with the big commercial success achieved in the USA and Europe.

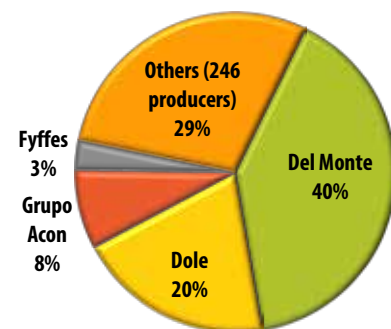
The official entry of this variety into the public domain in 2003 caused a boom in cultivated surface areas and the number of exporters, both in Costa Rica and other Latin American, African or Asian countries. The dizzying and disorganised increase in volumes was behind the emergence of overproduction crises, leading to the collapse of prices on the import markets, and consequently in producer revenue. These crises were initially expressed by a slump in volumes exported by other Latin American countries, while Costa Rica continued its rise thanks to high yields (two or even three harvests per year in certain cases thanks to the high technical command of the first production cycle) and to an exchange rate against the dollar or euro highly favourable for export. Thereafter, Costa Rica too succumbed to the intensifying crises, in particular after that of 2014-15 during which many producers, mainly small and medium-sized, went into bankruptcy. Hence the production sector has become highly concentrated. In 2018, Canapep recorded 250 producers, while 71 % of volumes produced came from the four biggest companies: Pindeco (a subsidiary of Del Monte), Dole, Grupo Acon and Anexco (a subsidiary of Fyffes).

With 3 % of surface areas, organic pineapple production is still marginal, but on the rise. It is estimated that approximately 1 400 ha are dedicated to this crop (FIBL, 2016), with Dole the main player responsible for production of 50 % of volumes, in plantations situated in the northern zone of the country.

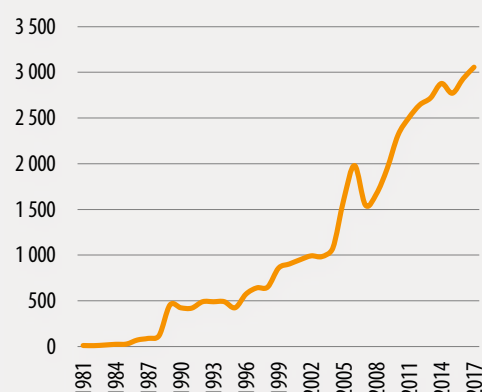
Since the 2010s, the sector has faced numerous controversies, both environmental (water and soil pollution) and social (exposure of workers to pesticides, exploitation of workers) raised by NGOs and the international press.



Pineapple - Costa Rica - Market shares by producer in 2017 (source: CANAPEP)



Pineapple - Costa Rica - Production (in 000 tonnes | source: FAOSTAT)



Exports

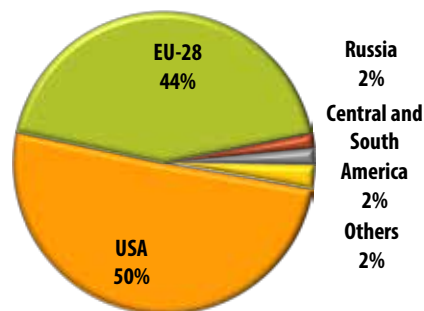
Costa Rica's number two agricultural export product behind the banana, the pineapple saw its exports peak at 2.13 million tonnes in 2017, i.e. the best performance after the record set in 2014 (2.12 million tonnes). More than 95% of volumes are earmarked for two main markets: the USA (50 % of exports) and the European Union (45 %). Although shipments to these two destinations have risen constantly year on year, the origin is facing emerging competition from other origins, especially Mexico and Honduras in the USA, and Colombia on the European market. In addition, it is suffering from regular low prices crises generated by the saturation of these markets. Other destinations such as Russia or Central & South America remain marginal, and have been stagnant for many years. Hence the quest for alternative outlets is a constant concern for Costa Rican exporters.

In March 2017, China authorised the Costa Rican pineapple to enter its territory. This much-covered news item was welcomed as the salvation of the sector, given the supposedly infinite potential of the Chinese market: 6 098 tonnes were shipped there in 2017. However, these shipments rapidly faced major constraints in terms of price (low-cost competition from local and Philippine pineapples) and logistics (high transport cost and lengthy time, from 28 to 30 days, while the recommended time to ensure optimal quality is 20 days).

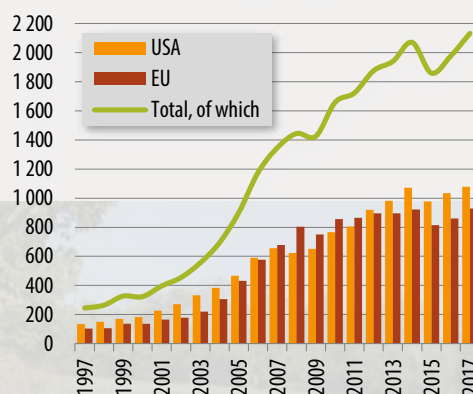
Volumes of organic pineapples exported by Costa Rica have been clearly on the rise since 2016. In 2017, 30 000 tonnes were shipped mainly to the USA (70 % of volumes).

There are 145 export companies and packing 58 stations, down from the 170 exporters and 72 packing facilities recorded in 2013.

Pineapple - Costa Rica - Main destination markets in 2017 (source: CANAPEP)



Pineapple - Costa Rica - Annual exports (in 000 tonnes | source: Customs)



Outlets

While world pineapple production is mainly aimed at local consumption and processing, Costa Rica stands out from the other producer countries through its high specialisation in exports. Practically all of its production is aimed at the fresh export sector (98.8 % of volumes exported). Dried, canned or other forms of pineapple totalled just 1 410 tonnes in 2017, i.e. less than 1 % of the total.

The Costa Rican pineapple supply includes organic and Fairtrade/organic volumes.

Pineapple – Central America and Mexico – Minimum price and Fairtrade premium

Fairtrade USD/kg	EXW (ex. works)		FOB	
	Conventional	Organic	Conventional	Organic
Minimum price	0.53	0.70	0.66	0.83
Premium	0.06	0.06	0.06	0.06

Source: Fairtrade International 2018



Logistics

The majority of fruits are shipped by road to the port of Limón (Caribbean side), from where 90 % of pineapple volumes are exported by dedicated ships or containers to two main markets, the USA and Europe. The port of Caldera (in the west, on the Pacific coast) saw 10 % of volumes pass through in 2017. Very modest quantities pass via the ports of Paso Canoas (border between Costa Rica and Panama in the south-east of the country) and Peñas Blancas, as well as via Santa María, the airport of the capital San José.

Pineapple – Costa Rica – Sea freight

Main shipping lines		Transit time
Port of departure	Port of arrival	
Puerto Limón	Northern EU	14-20 days
	USA (Houston)	12-15 days
Puerto Caldera	EU	26-30 days
	China	28-30 days