

Voluntary Report – Voluntary - Public Distribution

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Report Name: Brazil Temporarily Removes Rice Import Tariffs

Country: Brazil

Post: Brasilia

Report Category: Agricultural Situation, Agriculture in the News, Grain and Feed, WTO Notifications, Trade Policy Monitoring

Prepared By: Marcela Formiga

Approved By: Joseph Degreenia

Report Highlights:

The Brazilian Government announced the elimination of import taxes on paddy rice (100610), husked/brown rice (100620), and milled rice (100630) for all countries. This measure is aimed at preventing potential supply issues and ensuring the replenishment of public rice stocks following the floods in the state of Rio Grande do Sul (RGDS). The zero-tariff measure will be effective from May 21, 2024, until December 31, 2024.

On May 21, 2024, the Brazilian Government announced it would eliminate import taxes on three types of rice. This measure is aimed at preventing potential supply issues and ensuring the replenishment of public rice stocks following the floods in the state of Rio Grande do Sul (RGDS). RGDS is responsible for over 70 percent of the national rice production. The zero-tariff measure (GECEX Resolution N° 593) will be effective from May 21, 2024, until December 31, 2024, with the possibility of an extension by the Government.

Table 1

List of Exemptions for Rice Imports

Code	Description	Tariff
100610.92	Rice in the husk, paddy or rough	10.8% to 0%
100620.20	Rice, Husked or brown rice	10.8% to 0%
100630.21	Rice, Semi-milled or wholly milled rice, whether polished or glazed	9% to 0%

Data Source: Chamber of Foreign Commerce (CAMEX); Table Post Brasilia

Rio Grande do Sul has experienced devastating floods due to record-high rainfall in recent weeks, leading to significant economic, social, and environmental damages (see Gain report: [Unprecedented floods in Rio Grande do Sul threaten Brazil's agricultural output | BR2024-0009](#)). Initial estimates from the Federation of Industries of the State of Rio Grande do Sul (FIERGS) suggest that the losses could surpass R\$ 100 billion and reach R\$ 200 billion. The state, known for its agricultural production, primarily focuses on rice, wheat, soybeans, and corn, making it one of the main national producers in Brazil.

The Rio Grande do Sul Rice Institute (IRGA) estimates that the rice harvested area covers 900,203 hectares in the state. According to the Association of Technical and Rural Extension Enterprises of Rio Grande do Sul (EMATER/RS), by mid-May, 86 percent of that area had been harvested. However, due to flooding, it is estimated that some of the rice stored in silos suffered high losses. Additionally, the flooding destroyed roads and bridges, isolating properties, and making it difficult to transport the grain. This has led to growing concerns over scarcity and price fluctuations.

The immediate aftermath of the floods was an increase in prices of rice, as there is growing concern about rice production and the supply impact of the grain on the domestic market. In Rio Grande do Sul, which is the national reference, rice prices reached R\$ 116.28 (US\$ 22.76) per 50 kg/bag on May 20, 2024, according to data from the University of Sao Paulo's Center for Advanced Studies in Applied Economics (CEPEA). This is almost 10 percent higher than the R\$ 105.98 (US\$ 20.73) recorded on April 29, 2024, when the current floods first started.

Imports to Constrain Speculation

The Brazilian Government initially responded to the issue of price speculation by issuing a decree (MP 1.217/2024) that authorized the National Supply Company (CONAB) to import one million tons of

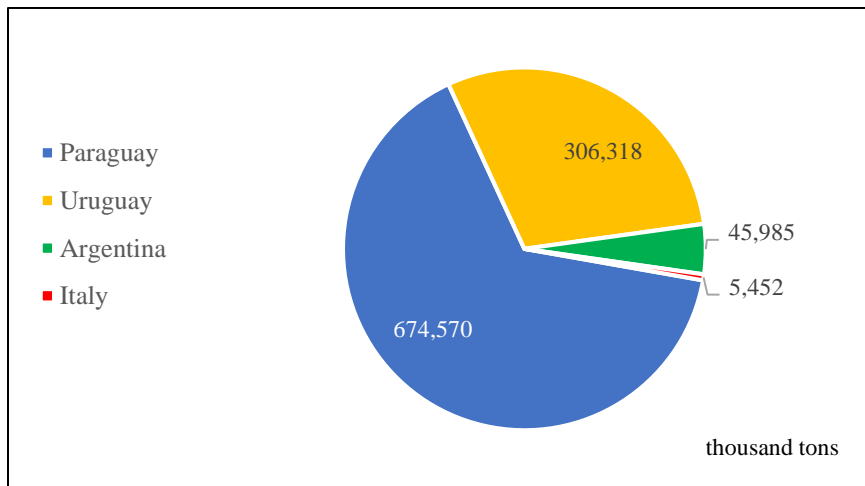
rice. The first purchase of 104 thousand tons of husked rice was supposed to take place through an auction among Mercosur countries but was canceled on May 21, the same day the tax exemption measure was published. The Brazilian Minister of Agriculture and Livestock, Carlos Fávaro, stated that Brazil called off the tender because Mercosur partners were increasing the price of the grain by up to 30 percent.

CONAB has revised its projections for total rice imports, increasing it from the previous 1.45 million metric tons (MMT) to 2.2 MMT. However, the Brazilian government has reassured stakeholders that Brazil has the capacity to produce enough rice to meet its internal consumption needs.

Nearly all of Brazil's rice imports come from Mercosur countries, which already benefit from a tax-free structure. Paraguay, Uruguay, and Argentina alone accounted for 99 percent of all the rice sent to Brazil in 2023. (see Gain report: [Grain and Feed Annual | BR2024-0005](#)).

Figure 1

Main Origin of Rice Imports (2023)



Data Source: Ministry of Development, Industry, Commerce and Services (MDIC); Graph Post Brasilia

In early May, the Brazilian rice packaging industry announced its intention to import approximately 75,000 tons of rice from Thailand to avoid price speculation and circumvent internal logistical problems. Although Thailand is the world's second-largest rice exporter after India, it has not been a traditional market for Brazil due to its distance. However, from January to April 2024, Thailand's share in the Brazilian rice market has grown to 15 percent, compensating for the reduction in sales from Uruguay. Brazil has turned to Thailand in the past, with imports increasing during times of emergency, as was the case in 2020 at the start of COVID-19. Since early this year, Thailand has been offering good prices, offsetting the more expensive Uruguayan rice, which has been affected by problems with their harvest following adverse weather patterns from the El Niño phenomenon.

Reactions Put Pressure on the Government

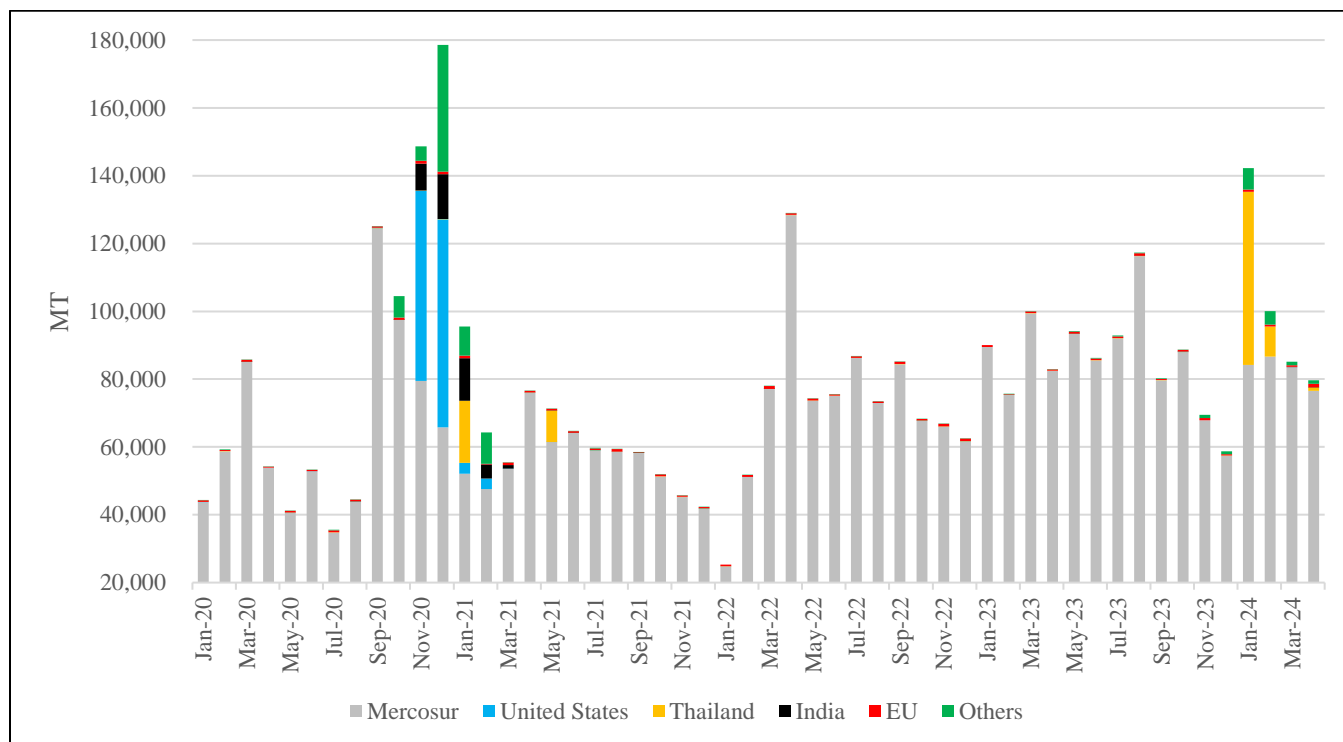
The Rio Grande do Sul Rice Growers Federation (FEDERARROZ) expressed concern about the government's decision to exempt rice imports without setting a temporary tariff rate quota (TRQ). The federation believes that this could pose a threat to the national rice production sector by potentially discouraging Brazilian producers. There are concerns that opening the market to foreign rice could further impact the national rice chain, which has been affected by ongoing weather-related challenges in RGDS.

Impacts for the United States

While the United States is not a typical exporter of rice to Brazil, tariff reductions can stimulate American rice exporters to focus on the country. This was similar to what happened in 2020 when Brazil set up a temporary tariff rate quota (TRQ) of up to 400 thousand MT with zero in-quota tariffs on rice for all countries. As a result, the United States became the leading exporter after traditional Mercosur countries.

Figure 2

Evolution of Brazil's Monthly Rice Imports (January 2019 – April 2024)



Data Source: Trade Data Monitor (TDM); Graph Post Brasilia

Attachments:

No Attachments.