United States Department of Agriculture
Foreign Agricultural Service

GAIN
Global Agricultural Information Network

Voluntary Report – Voluntary - Public Distribution **Date:** July 19, 2022

Report Number: CS2022-0016

Report Name: Costa Rica to Reduce Imported Rice Tariffs

Country: Costa Rica

Post: San Jose

Report Category: Agricultural Situation, Policy and Program Announcements, Agriculture in the News, Grain and Feed, Country/Regional FTA's

Prepared By: Victor Gonzalez, Agricultural Specialist

Approved By: Evan Mangino

Report Highlights:

On July 6, the Government of Costa Rica published a draft executive decree that would dramatically reduce tariffs on imported milled and rough rice. The vast majority of U.S. rice exported to Costa Rica in 2021 (valued at $25 million) entered under a duty free quota for rough rice established by the Dominican Republic-Central America Free Trade Agreement. The proposed rice tariff reductions could enter into force as soon as August 1, and could lead to the displacement of U.S.-origin rough rice by South American-origin milled rice.

On July 6, Costa Rican President Rodrigo Chaves announced his administration would drastically reduce tariffs on rough and milled rice in an effort to bring down consumer prices for rice, the primary carbohydrate in the Costa Rican diet. The proposed executive decree would reduce the ad-valorem tariff on milled rice from 35 percent to 4 percent, and on rough rice from 35 to 3.5 percent. In addition to the tariffs, imported goods are also subject to a 1 percent import tax, bringing the total rate of duty to 5 and 4.5 percent for milled and rough rice respectively. The draft measure is open for public comment through July 20 (Spanish only). As a top priority of the Chaves Government, FAS/San José expects the proposed measure could be enacted as early as August 1, 2022.

Expecting a surge in imports of milled rice – predominantly from South American suppliers Brazil, Uruguay, and Argentina – Costa Rican rice farmers and rice millers (who import U.S. rough rice for milling and also grow rice locally) have publicly expressed their opposition to the measure, which they expect would drive the majority of Costa Rican rice farmers out of business. Rice farmers are reportedly planning public demonstrations to draw attention to their vulnerability to increased import competition. In an effort to sustain smaller rice farms across the country, the draft measure would provide producers planting 10 hectares of rice or less with a direct subsidy paid for with revenues from the reduced imported rice tariffs. The Government of Costa Rica estimates the tariff rates would generate approximately 2.8 billion colones ($4.1 million at the current exchange rate).

Rice importers expect consumer prices to drop by around 300 colones per 1.8 kilogram bag (about $0.24 per kilogram) as a result of the lower tariffs. However, importers indicated even if the measure enters into force quickly, consumer prices would not likely fall until the last quarter of the year, after importers have cleared inventories of rice imported at higher tariff rates.

During his July 6 press conference, President Chaves said, "It is with great satisfaction, that as President of the Republic, I can say to the Costa Rican people that the oligopoly and the gift from the poorest consumers of the country who have overpaid millions of dollars for this important grain, are over." Minister of Foreign Trade Manuel Tovar added that the tariff reduction, "is an integral part of the strategy that aims to achieve greater competition in the national market for [rice], in line with the recommendations made on the subject by reputable national and international organizations, such as the COPROCOM (Commission for the Promotion of Competition), the FAO (Food and Agriculture Organization) and of course, the OECD (Organization for Economic Cooperation and Development)." (Post translations)

Costa Rica imports approximately 60 percent of total annual rice consumption. In 2021, the United States was the leading supplier of rice to Costa Rica, shipping nearly 77,000 metric tons – 95 percent of which was rough rice – at a value of more than $25 million.

Attachments:

No Attachments.