

Voluntary Report – Voluntary - Public Distribution

Date: April 16, 2024

Report Number: CS2024-0005

Report Name: Tariff Snapback Boosts Demand for US Rice

Country: Costa Rica

Post: San Jose

Report Category: Agricultural Situation, Agriculture in the Economy, Policy and Program Announcements, Agriculture in the News, Grain and Feed

Prepared By: Victor Gonzalez, Agricultural Specialist

Approved By: Evan Mangino

Report Highlights:

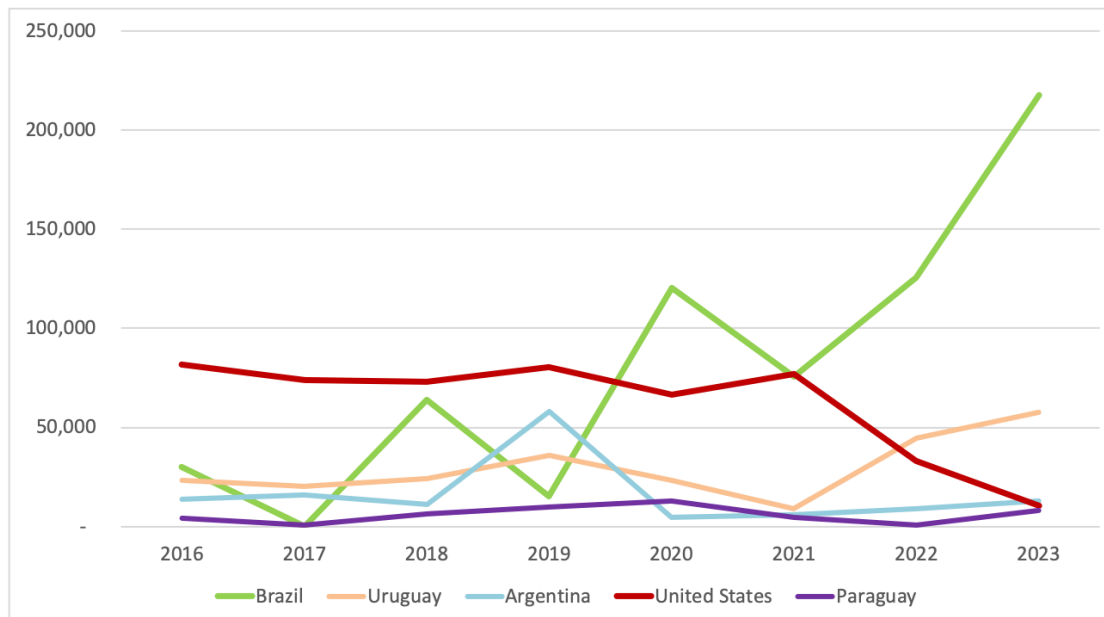
Costa Rica reinstated 35 percent tariffs on non-U.S.-origin rice after an administrative court overturned an August 2022 tariff reduction and the Government's appeal was rejected. Demand for U.S. rice has surged following the tariff restoration on reduced South American-origin rice competitiveness. Costa Rican import demand has grown by more than 50 percent since 2022, as area planted to rice has fallen by more than half. U.S. rice exports to Costa Rica plummeted in late 2022 and had remained negligible in 2023, despite duty-free quotas totaling more than 75,000 metric tons.

On April 3, a Costa Rican administrative court suspended the Executive Decree that reduced tariffs on imported rice, accepting complaints presented by a group of rice growers in 2022. President Chaves published Executive Decree 43642 on August 12, 2022, fulfilling a high-profile campaign promise and reducing the import tariff on milled rice from 35 percent to 4 percent and on rough rice from 35 percent to 3.5 percent. See FAS/San José GAIN Report [CS2023-0010](#) for more information on the impact of rice tariff reductions.

Though President Chaves publicly dismissed the court’s ruling in his April 3 press conference, he acknowledged the failure of his appeal on April 10. By April 11, the Costa Rican online tariff schedule ([TICA](#)) had restored the import tariffs for non-U.S.-origin rice to 35 percent, instantly boosting U.S. rice competitiveness through preferential access negotiated in the Dominican Republic - Central America Free Trade Agreement (CAFTA-DR). Industry and government sources confirmed Costa Rican importers have already taken steps to import more U.S. rice in 2024.

In 2024 – year 19 of implementation – CAFTA-DR duty-free quotas for U.S. rice are 69,000 metric tons (MT) for rough rice and 9,750 MT for milled rice. In 2025, all U.S. rice will enter Costa Rica duty-free, quota-free, and exempt from the 1 percent ad valorem import tax charged to other imports. Prior to the August 2022 tariff reductions, the United States was the only rice exporter with preferential access to the Costa Rican rice market. U.S. shippers exported an average of roughly 75,000 metric tons (valued at \$22 million) to Costa Rica per year from 2016 to 2021.¹ Over that same period, U.S. companies also shipped approximately \$4 million per year of milled and processed rice. In 2023, the first full year of reduced tariffs and increased competition with South American-origin rice, total U.S. rice exports fell by more than 90 percent from 2021 levels to just 7,200 MT (valued at \$4 million).

Figure 1. Costa Rican Rice Import Volumes (metric tons)



Source: Trade Data Monitor, LLC

¹ FAS/San José excluded 2020 from the calculation of a 5-year average due to the distortionary effects of COVID-19 on global trade in 2020.

It is unclear if the Chaves administration will attempt to reduce tariffs on imported rice below 35 percent by another mechanism or to what level. What is clear is that many Costa Rican rice farmers have exited the industry since 2022, and FAS/San José projects few would resume rice production with only the protection of restored 35 percent tariffs. In a scenario where Costa Rican rice production remains lower and tariffs on non-U.S.-origin rice are restored to 35 percent, FAS/San José estimates U.S. rice export volumes and values would exceed pre-2022 average levels, on both improved price competitiveness and the phase out of Dominican Republic-Central American Free Trade Agreement (CAFTA-DR) rice quotas in 2025.

Attachments:

No Attachments.