

Voluntary Report – Voluntary - Public Distribution

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Report Name: 2022 Cyberhack Delays 2024 Rice Quota Allocation

Country: Costa Rica

Post: San Jose

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

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Report Highlights:

FAS/San José anticipates Costa Rica's Ministry of Foreign Trade to allocate 2024 Dominican Republic - Central America Free Trade Agreement rice quota allocations by the end of April, effectively constraining the availability of U.S. duty-free rice to the final eight months of 2024. Though Costa Rica typically allocates quota volumes in December of the preceding year, calculations of 2024 volumes have been contested by importers following an extraordinary process resulting from a 2022 cyber attack. The allocation delay became a significantly more pressing issue after Costa Rica restored 35 percent tariffs on non-U.S.-origin rice on April 11, instantly increasing price competitiveness of and demand for U.S. duty-free rice.

U.S. exporters eager to ship to Costa Rica following the April 11, 2024 restoration of 35 percent import tariffs on non-U.S.-origin rice will have to wait longer as the Costa Rican Ministry of Foreign Trade (COMEX) works through protracted administrative procedures to allocate the 2024 Dominican Republic - Central America Free Trade Agreement (CAFTA-DR) rice quotas to Costa Rican importers. (See FAS/San José GAIN Report CS2024-0005 for more information on the tariff rate snapback.) FAS/San José anticipates COMEX will allocate 2024 quota volumes by the end of April 2024, limiting possible imports under CAFTA-DR duty-free quotas to just the final 8 months of the year. Costa Rican importers have access to unlimited volumes of out-of-quota U.S.-origin rice at an import tariff of just 4.3 percent, which is significantly lower than the 35 percent tariff on South American-origin rice but higher than the 0 percent duty on in-quota U.S.-origin rice.

COMEX has historically allocated CAFTA-DR quota volumes late in the preceding year, but allocations rely on accurate calculation of volumes imported by historical quota holders; Costa Rica allocates 80 percent of CAFTA-DR quota volume to historical importers, reserving 20 percent for new entrants. Accordingly, 2024 allocations would be based on the full-year import performance in 2022, which should have allowed COMEX to allocate 2024 quota volumes in late 2023.

Unfortunately, Costa Rican government computer systems were taken offline for months in 2022 following an attack by a trans-national cybercrime syndicate. (See FAS/San José GAIN Report [CS2022-0012](#) for more information on the 2022 cyber attack.) In addition to disrupting trade flows into Costa Rica, the cyber attack created a sizable gap in official import statistics, prompting COMEX to solicit self-reported data from rice importers for 2022. Several of the importers have filed a legal challenge to the process, which has triggered a lengthier than expected process for determining the 2024 allocations. Local sources anticipate another legal challenge, and possibly further delays, when the 2024 quota volumes are allocated, as the recent tariff rate changes have made access to U.S. rice not only profitable, but economically significant for Costa Rican importers.

There had not been as much pressure for COMEX to resolve this issue quickly when South American-origin milled rice was available at five percent. However, with Costa Rican rice production in marketing year 2023/24 projected significantly lower than pre-2022 levels and with commensurately higher demand for imported rice to offset lower Costa Rican production, demand for duty-free in-quota U.S.-origin rice is surging. As noted in CS2024-0005, it is unclear if the Chaves administration will attempt to reduce import tariffs on non-U.S.-origin rice through another mechanism. It is also unclear if the Chaves administration will open a temporary duty-free window for South American-origin rice by declaring a domestic 'supply shortage,' as it had routinely done prior to the August 2022 tariff reduction. But with South American-origin rice tariffs restored to 35 percent, FAS/San José expects U.S. rice exports to Costa Rica to rebound significantly in 2024.

Attachments:

No Attachments.