

Voluntary Report – Voluntary - Public Distribution

Date: June 12, 2024

Report Number: CS2024-0011

Report Name: Costa Rica Slashes Rice Tariffs Again

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: Evan Mangino, Agricultural Counselor

Approved By: Evan Mangino

Report Highlights:

On June 4, a Costa Rican court restored the Chaves administration's policy of dramatically lower tariffs on imported milled and rough rice, overturning an earlier court ruling that reversed the lower tariffs in April 2024. FAS/San José does not expect this stunning reversal to be the final word in this political tug-of-war, but the June 4 decision, once again, dramatically erodes the preferential rice access the United States negotiated in the Dominican Republic-Central America Free Trade Agreement 20 years ago. Earlier hopes for higher U.S. rough rice exports to Costa Rica in 2024 evaporated before a single shipment could reach Costa Rican ports.

On June 4, 2024, the Costa Rican Civil and Administrative Appeals Court issued a ruling that immediately pushed Costa Rican import tariffs on milled rice back down to 4 percent and on rough rice to 3.5 percent. This ruling overturned an April 3 administrative court decision that suspended the Chaves administration's August 2022 decree, which slashed the 35 percent tariffs on imported milled and rough rice for the first time. (For more information on the April 3 decision, please refer to FAS/San José GAIN Report [CS2024-0005](#).) This latest ruling comes just days after the Ministry of Foreign Trade had finally allocated the 2024 rough and milled rice tariff rate quota (TRQ) volumes under the Dominican Republic-Central America Free Trade Agreement (CAFTA-DR) to Costa Rican rice importers. (For more information on the delayed allocation of 2024 CAFTA-DR rice quota volumes, please refer to FAS/San José GAIN Report [CS2024-0007](#).)

At reduced tariff rates for all foreign origin rice, FAS/San José expects 2024 CAFTA-DR rice TRQ volumes to go largely unfilled and only marginal volumes of U.S. rough and milled rice exports to Costa Rica in 2024. (For more information on the outlook for U.S. rice exports under reduced tariff rates, please refer to FAS/San José GAIN Report [CS2023-0010](#).) U.S. exports of all rice to Costa Rica year-to-date through April 2024 were just 257 metric tons (MT), a ten percent year-on-year decline from 2023. Total U.S. rice exports to Costa Rica in 2023 were just 7,196 MT, the lowest level since 1991 and 91 percent below 2021 export volumes – the last full year before the Chaves administration lowered tariffs on imported rice from all origins.

As the reduced tariff rates pose an existential threat to the majority of Costa Rican rice producers, the June 4 court ruling is unlikely to be the final decision on rice import tariffs. FAS/San José now expects appeals could drag on for another 1-2 years, during which time the CAFTA-DR TRQ will phase out, opening full duty-free, quota-free access for U.S. rice from January 1, 2025 onward. However, FAS/San José does not expect the duty-free, quota-free access would be enough of a competitive advantage – relative to the reduced tariff rates on all foreign origin rice – to overcome the local market preference for the cooking profile of South American-origin rice and typically competitive South American pricing. And as reported in [CS2023-0010](#), FAS/San José does not expect Costa Rican rice production to recover to pre-2022 levels; a new equilibrium of Costa Rican rice production should emerge by 2027, with only the most efficient, lowest cost of production operators remaining.

Attachments:

No Attachments.