

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY  
USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT  
POLICY

Voluntary  Public

**Date:** 5/25/2018

**GAIN Report Number:** CS18005

## Costa Rica

**Post:** San Jose

### Costa Rica Rice Production and Trade

**Report Categories:**

Grain and Feed

**Approved By:**

Julie A. Morin, Agricultural Attaché

**Prepared By:**

Victor González, Agricultural Specialist

**Report Highlights:**

Costa Rica's rice production was negatively affected by Tropical Storm Nate in October, 2017. Rice production declined to 130,400 MT of rough rice during the 2017/2018 crop year but is expected to increase to 150,000 MT in 2018/2019. South American rice has continued to take market share from the United States in this market.

**Executive Summary:**

U.S. market share of Costa Rican rice imports has eroded from 58 percent in 2014 to 42 percent in 2017. During that time period, South America's (Brazil, Uruguay, Argentina) market share has risen from 35 percent to 56 percent. Costa Rican importers cite a preference for South American rice due to better quality/price combination. Importers have complained for years about what they consider a high content of chalky grain in U.S. rice.

Costa Rica's rice production is expected to decline significantly during crop year 2017/2018 due to lower area planted and lower yields. Rice was one of the most affected crops by Tropical Storm Nate in October, 2017. Import volume may increase to an estimated 140,000 MT of milled rice equivalent during 2018 to offset lower local rice production. Production is expected to increase to 150,000 MT during crop year 2018/2019, assuming normal weather conditions prevail during 2018.

Therefore, in addition to the CAFTA-DR tariff rate quotas for rough and milled rice, the Costa Rican government will allow duty free imports of an estimated 62,000 MT of rough rice. It already allocated 42,176 MT to Brazil for import in April and June, and the remaining 20,000 MT are also expected to come from South America.

**General Information:****Production**

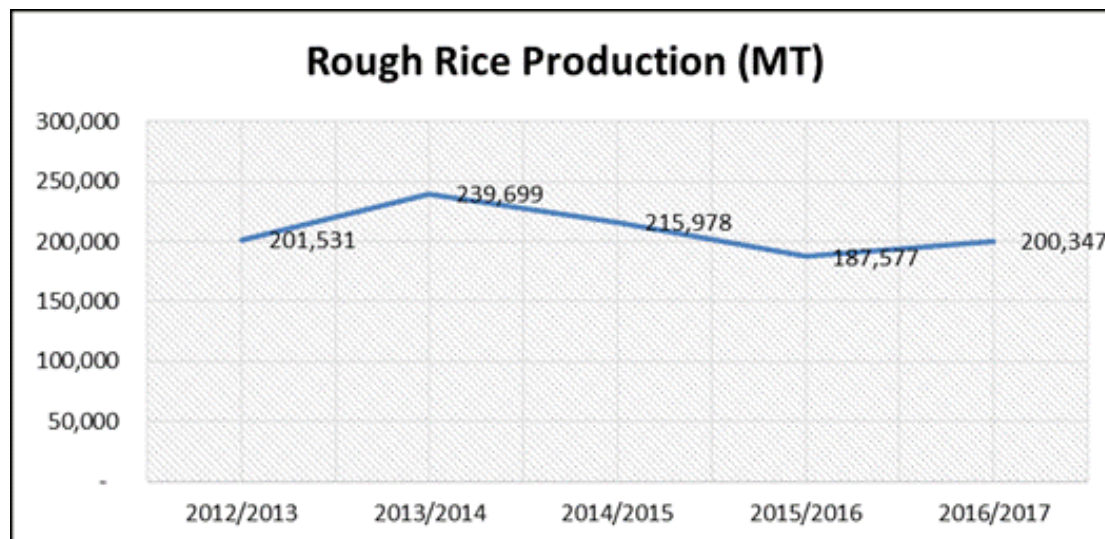
There is a trend towards consolidation of rice production. According to CONARROZ (Costa Rica's Rice Corporation), there were 743 rice producers and 14 rice mills in the country during the 2016/2017 crop year (July 1 to June 30), down from 938 producers in 2014/2015 crop year. Of the total number of producers, 322 were small, planting up to 10 hectares of rice. Only 36 producers were large, planting more than 200 hectares of rice. For comparison purposes, small producers planted a total of 2,240 hectares during crop year 2016/2017, while large producers planted a total of 20,663 hectares during the same period. The total number of rice producers has declined over the last few years.

CONARROZ estimates that the 2017/2018 crop will reach approximately 130,400 MT of paddy rice based on results from the first crop and preliminary planting data for the second crop. Lower production is expected to be the result of lower area planted and reduced yields. First crop production was negatively affected by Tropical Storm Nate (October, 2017), which caused serious damage in different production regions (for more information see GAIN report "Effects of Tropical Storm Nate on Costa Rican Agriculture"). Production is expected to increase during the 2018/2019 crop year to 150,000 MT of paddy rice, mainly as a result of higher expected yields.

Rice production during crop year 2016/2017 reached 200,347 MT of paddy rice, roughly equivalent to 134,000 MT of milled rice. During that period, total output increased 6.81 percent as compared to the previous crop year mainly because of higher productivity per hectare. Rice is grown in the Northern Pacific Region (56 percent of total production), the Southern and Central Pacific regions (16 percent each), and the Northern and Atlantic Regions (11 percent and 1 percent, respectively). During the 2016/2017 crop year, 60 percent of the rice was produced in non-irrigated areas, known as "secano", and 40 percent was produced in areas with irrigation. Irrigated areas are located primarily in the Northern Pacific Region. Producers that have irrigation generally plant two crops. Producers who lack irrigation run the risk of losing their crop or obtaining much lower yields and usually plant one crop.

Therefore, most of the rice is grown during the rainy season (May to November).

### Costa Rica: Rough rice production 2012/2013 to 2016/2017



Source: CONARROZ

### Area planted

Area planted continues to decline. Area planted decreased 6 percent in 2016/2017 to 46,426 ha. from 49,573 ha. during the previous crop year. Most of the decline resulted from a reduction in area planted of 3,598 ha. in the Northern Region, although an additional 2,236 ha. were planted in the Northern Pacific Region. Area planted to rice has been steadily declining since 2013/2014 when it reached 66,135 ha. Based on preliminary information, area planted will decline further in 2017/2018 to about 37,800 ha. Although it is early in the planting season, area planted is expected to remain below 40,000 ha. in 2018/2019 primarily as a result of uncertainty among producers and the economic losses experienced by many producers during the current marketing year.

### Consumption

Consumption of milled rice amounted to 232,192 MT in 2016/2017, as compared to 240,749 MT in 2015/2016. Rice consumption, which is high on a per capita basis, is expected to range from 230,000 MT to 235,000 MT in 2018/2019. During the 2016/2017 crop year, local rice production covered 56 percent of consumption, while imports supplied the rest. Per-capita consumption for 2016/2017 was 47.48 kg. Although total rice consumption declined as indicated above, per capita consumption has not varied significantly during the last five crop years. Of the rice sold in the country, 43 percent of total sales is 80/20 rice (80 percent whole grain and 20 percent broken grain). Other popular qualities are 91/9 (18 percent of sales), and 99/1 (14 percent of sales), followed by other combinations. Parboiled rice represents two percent of total sales.

The government fixes the price of the different qualities of rice. For instance, the price of the 80/20 rice, is fixed at colones 604/kg or \$1.06/kg at the current exchange rate. The price of the 95% or higher whole grain content is fixed at a range of colones 819-845/kg (\$1.43 to \$1.48 per kg.).

## **Trade**

South American imports now account for over half of Costa Rica's total rice imports. In past three years, South America's (Brazil, Uruguay, and Argentina) market share has increased from 35 percent to 56 percent. Concurrently U.S. market share has fallen from 58 percent to 42 percent.

During the 2016/2017 crop year, Costa Rica imported 126,417 MT of rice (milled equivalent). The import volume on a milled equivalent basis was 113,653 MT in 2015/2016. Imports during crop year 2016/2017 consisted of 105,352 MT of rough rice and 52,666 MT of milled rice.

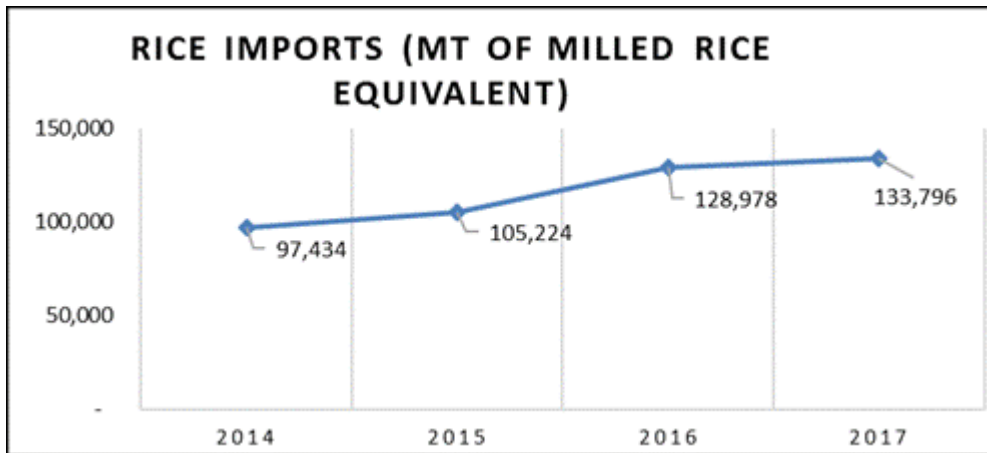
Costa Rica imports the majority of rough rice duty free under the CAFTA-DR tariff rate quota (TRQ), and through the government decreed "cuota de desabasto" (shortage allocation). Under this mechanism, CONARROZ estimates the local production and consumption and determines whether there will be a shortfall to be covered by imports. If there is a shortfall, the Government allows duty free imports of that volume. In general, the government authorizes the shortage allocation towards the end of the calendar year, for import during the first months of the next calendar year. For instance, in October 2016, the government issued a decree allowing imports of 63,000 MT of rough rice during the first six months of 2017. At the request of the local rice industry, the decree indicated that the rice had to be of South American origin.

The government announced a shortage allocation on November 14, 2017 for a volume of 42,176 MT for import by CONARROZ in two equal shipments, one in April 2018 and one in June. The tender issued by CONARROZ required the rice to be "planted, harvested and produced" in Brazil, Argentina or Uruguay. According to industry sources, a Decree allowing an additional 20,000 MT of paddy rice will be published soon in the Official Diary. According to industry sources, the additional volume will be awarded to a South American country, and the import period for this shipment will be extended to August 31.

Milled rice is imported under the CAFTA-DR milled rice TRQ, as well as other import commitments negotiated with South American countries. Total imports of rice from South America (primarily from Brazil, Uruguay and Argentina) have increased over time. Total rice imports from Brazil, Argentina and Uruguay amounted to 44,953 MT in 2014. In 2017, total imports from the three countries reached 99,954 MT. Importers note that the quality and price combination of the South American rice is very competitive. There are market participants who import milled rice from South America competitively even after paying all applicable duties.

Costa Rica's CAFTA-DR TRQ for rough rice is 63,000 MT for 2018. The milled rice TRQ is set at 8,250 MT for 2018. The TRQs increase every year by a set amount (1,000 MT for rough rice and 250 MT for milled rice) until the year 2025, when the tariffs on rough and milled rice reach zero under that CAFTA-DR agreement.

### **Costa Rica: Total rice imports by year (milled rice equivalent)**



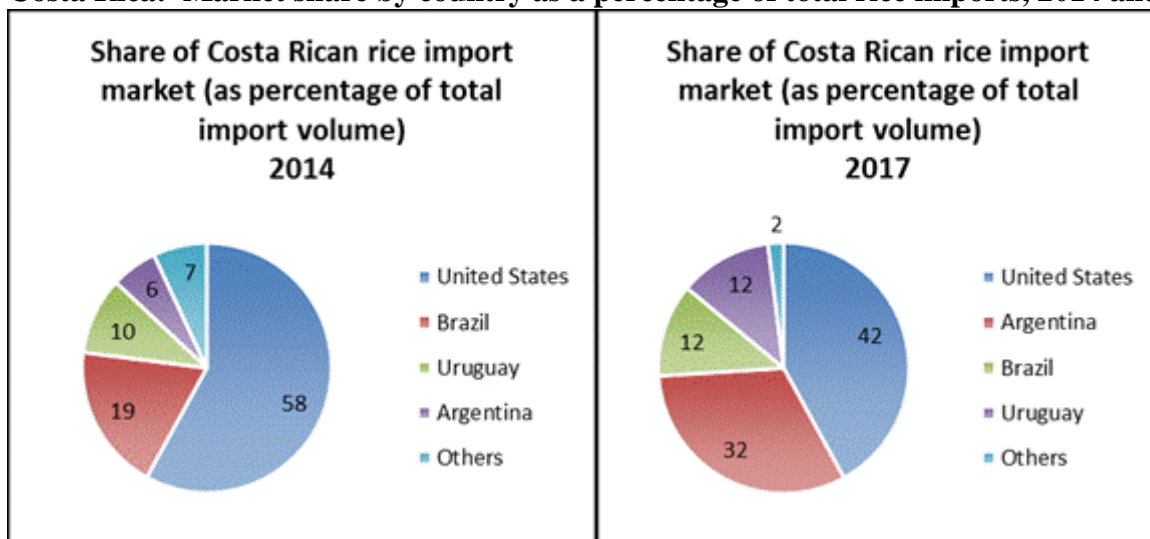
Source: Costa Rican Customs Department

**Costa Rica: Total rice imports per calendar year**

Year	Total Rice Imports (MT)	Rough Rice	Milled Rice	Milled Rice Equivalent
2014	127,099	89,894	37,205	97,434
2015	140,471	106,807	33,664	105,224
2016	163,896	105,812	58,084	128,978
2017	177,393	132,111	45,282	133,796

Source: Costa Rican Customs Department

**Costa Rica: Market share by country as a percentage of total rice imports, 2014 and 2017**



Source: Costa Rican Customs Department

**Note:** The data for the charts and tables above is from the Costa Rican Ministry of Finance (Customs

Department) and may differ from other sources such as the Costa Rican Statistics and Census Institute (INEC).

### **Policy**

There have not been significant policy changes since May, 2017 when the Government of Costa Rica issued an Executive Decree fixing the reference producer price at colones 21,457 per 73.6 kg. bag of clean and dry rice. This price is equivalent to \$510.6/MT at the current exchange rate. The government continues to fix rice prices throughout the marketing chain. For instance, the price to the consumer for the 80/20 quality rice is fixed at colones 608/kg. or \$1.06/kg.

A new President was elected on April 1 and the new administration began on May 8. The new President is from the same political party that was in power during the last four years. No major policy changes are expected at this time.

A recent ruling from a local court suspended the implementation of a safeguard measure on milled rice in effect since 2015. A rice importer had challenged the safeguard measure implemented by the government arguing that the government had not followed proper procedures to implement the safeguard. A result of the ruling, the safeguard is no longer in effect. The following is a summary of the safeguard measure and the effects of the ruling:

- In 2015 a safeguard measure was implemented raising the duty from 35 percent to 59.88 percent on milled rice.
- The safeguard was going to be phased out on February 19, 2019.
- The tariff on milled rice would have gone back to 35 percent at that time.
- The safeguard on milled rice affected out of quota imports of milled rice from the United States, although its original intention was to limit milled rice imports from South America.
- As a result of the ruling mentioned above the duty on milled rice from all sources is now 35 percent, and the out of quota duty on U.S. milled rice is 26.6%, based on the CAFTA-DR tariff reduction schedule.