

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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**Date:** 3/10/2015

**GAIN Report Number:**

## Costa Rica

**Post:** San Jose

### Costa Rica will maintain fixed prices for rice

**Report Categories:**

Grain and Feed

Trade Policy Monitoring

**Approved By:**

Erich R. Kuss, Agricultural Counselor

**Prepared By:**

Victor Gonzalez, Agricultural Specialist

**Report Highlights:**

The Government of Costa Rica recently issued a Decree fixing producer and consumer prices of rice, thus maintaining a longstanding policy of price fixing in the domestic rice market. Continuation of this policy is expected to result in higher rice production and noncompliance with the country's WTO commitments.

## **General Information:**

### **Costa Rica will maintain fixed prices for rice**

The Government of Costa Rica published Executive Decree #38884-MEIC on February 27<sup>th</sup>, which sets the producer price at colones 22,139 per 73.6 kg. bag of dry and clean paddy rice. This price is equivalent to \$557/MT at the current exchange rate of colones 540/USD, and represents a 2 percent decline from the previous price.

The decree also sets the minimum and maximum price for different presentations and qualities of milled rice, either locally produced or imported. Those prices will enter into effect on June 8<sup>th</sup>, 2015 so that the millers can sell their current stocks of rice. With the new prices, the consumer will obtain a 4 percent reduction in the price of milled rice. The government had previously said that it would reduce the price of rice as part of an agreement with the rice sector.

The decree also sets the price for all the available rice qualities in the market. For instance, it sets the price for milled rice packaged in 46 kg. bags for a rice qualities of 80/20 (80 percent whole grain and 20 percent broken grain) and lower. It also sets the price per kg. for those qualities of rice, and does the same for other rice qualities such as 90/10 all the way to 99/1. As an example, the 80/20 quality rice, which is the highest selling type in the market, will have a minimum price equivalent to \$1.168 and a maximum price of \$1.174. Fixing the price of all the different qualities of rice, effectively limits competition in the market, which is one of the main objectives of the decree. The decree further limits market competition by indicating in article 10 the following: "it is considered contrary to price regulation, any commercial practice which tries to change the intentions of the legislator in this matter; some of these practices are: attaching of additional products, raffles, promotions, offers or similar practices; the above because the regulation has the goal of strengthening the proper functioning of the rice market, searching for a balance between the producer, the consumer, and the millers, according to article 50 of the Political Constitution".

Article 9 of the decree indicates that: "with the promulgation of this Executive Decree, a process of deregulation begins, which will be gradual and its anticipation is subject to the failure to comply by the rice sector regarding the increase in productivity and the reduction in the gap between national and international prices; the above according to the agreements signed by the Sector, as shown in consideration VI..." The point related to productivity indicates that the rice sector commits to gradually increase production to 5 MT of rough rice/hectare during the next four years (from the current average of about 4MT/ha.).

The decree does not indicate the time period during which the government intends to continue fixing the price of rice. The high producer price set by the decree is likely to result in Costa Rica's failure to comply with its AMS commitment under the WTO. This decree, and the recent determination of a safeguard measure that increases the import duty on milled rice from 35 percent to 62.06 percent, is expected to result in higher domestic production of rice in the coming crops.