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# GAIN Report

Global Agricultural Information Network

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## Costa Rica

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### Costa Rica Announces New Rice Policy

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**Report Highlights:**

This report discusses a new policy recently announced by the Government of Costa Rica intended to reduce government support for rice production while protecting small-scale producers.

**General Information:**

The Costa Rican Government (GOCR) recently announced a new policy for the rice sector that will gradually eliminate government imposed price supports during 2011 to comply with Costa Rica's WTO commitments. No specific time frame for the elimination of producer price fixing has been provided. However, industry sources speculate that prices will be liberalized during the first half of the year. Costa Rica expects that actions taken so far (primarily the reduction of the producer price) to reduce its rice subsidy will appease its trading partners concerned about the high level of support for the rice sector. The lower producer price is expected to result in lower rice production during 2011 since most of the smaller producers are not competitive without the subsidy. However, the policy is also intended to provide additional support to small scale producers.

The government is focusing on two key components of the policy that include an ambitious program oriented to increase the income of small and medium size producers (those who plant 50 ha. or less), and the protection of rice consumers. In a press release, the GOCR indicated that it will maintain a fixed consumer price for rice as well as any necessary actions to guarantee the rice supply to the consumer as rice is one of the main staples in the diet of the Costa Rican population.

According to the Ministers of Agriculture, Foreign Trade and Economy, small and medium size producers will benefit from a technical training program valued at 5 billion colones (\$9.8 million) to be financed by the National Rice Corporation (CONARROZ) and executed by the Interamerican Institute for Cooperation on Agriculture (IICA). However, it is still unclear whether these funds will be available for use as CONARROZ is expected to seek to retain these resources collected by law from producers and from fees on imported rice.

According to the GOCR, IICA's coordination of the assistance program will span the entire production cycle and includes improvement of management practices and seed purchases, good agricultural practices, fertilization, weed and pest management, and marketing and commercial practices. These programs will be offered to approximately 727 producers with farms of 50 ha. or less.

Another component of the new policy will be a line of credit of approximately colones 4 billion (\$7.8 million) to be provided through the Development Banking System. These programs are expected to be implemented during the second quarter of 2011, once the GOCR discusses the proposal with rice sector representatives. The GOCR's press release indicates that the consumer price will still be fixed during a "prudential" period of time, but does not provide a more specific time-frame.