

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Costa Rica

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Court rules against GOCR in rice case

Report Categories:

Grain and Feed

Trade Policy Monitoring

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Report Highlights:

A local court ruled in favor of rice producers who had sued the government for reducing the producer price of rice at the end of 2010. The Court ordered the government to determine a new price based on technical parameters including productivity and cost of production. The ruling represents a setback to the government's efforts to comply with Costa Rica's WTO commitments.

General Information:

Court rules against the Government of Costa Rica (GOCR) in rice case

The long-awaited decision on the legality of an Executive Decree issued at the end of 2010 reducing the price of rice paid to farmers came out this week. In November 2010, the Government issued an Executive Decree which reduced the fixed price paid to producers for rice. The price reduction was a first step by the Government towards reducing producer support to rice farmers, which has resulted in noncompliance of Costa Rica with its WTO obligations. Rice farmers challenged the Decree in court and obtained a temporary measure in January of 2011, which overturned the Decree until the court issued a verdict. In the meantime, the court set a price that was at about the midpoint between the previous fixed price and the price set by the decree.

On July 19th, 2012, the Court finally ruled against the GOCR indicating that the government will have to set a new price for rice. According to the ruling, although the Ministry of Economy is in charge of setting the price of rice, it has to do it based on technical criteria related to cost of production and productivity. In the meantime the Court fixed a new price of colones 23,131 per 73.6 kg bag (\$622/MT), which is even higher than the price the Court had previously fixed as a temporary measure at colones 22,604 per bag (\$608/MT). It also orders the Government to pay producers for the damages suffered. The Court did not indicate the amount to be paid, but it indicates the criteria to be used to determine the amount. Depending on the source, the damages are estimated to be between 14 and 20 billion colones (about \$28 to \$40 million). However, the exact amount of the damages would be determined on a different legal process and payment would apply only to the farmers that sued the government and that meet specific criteria. The Government may decide to appeal the decision and that would drag the issue out some more time. Also, the government is concerned about the effect the higher producer price fixed by the court may have on the consumer price and reportedly, it will try to determine a new price soon, as requested by the court. Finally, the government is concerned about the effect of the decision on its commitments to the WTO as the decision may cause further non-compliance. At this point, the government's lawyers are studying the ruling to determine what steps to take.