

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: 5/26/2011

GAIN Report Number:

Costa Rica

Post: San Jose

Consumer Opposition to Rice Subsidies Increases

Report Categories:

Trade Policy Monitoring

Grain and Feed

Approved By:

Kevin N. Smith, Agricultural Counselor

Prepared By:

Victor Gonzalez, Agricultural Specialist

Report Highlights:

Costa Rican consumers pay heavy price for rice as a result of producer price guarantees

General Information:

Consumer opposition to rice subsidies increases.

According to recent local press publications, Costa Rican consumers pay an estimated \$45 million per year more than they should as a result of the current rice policy. Rice is one of the main staples in the diet of the Costa Rican population. The Costa Rican consumer is heavily subsidizing about 1,000 rice farmers through the producer price guarantee, which is fixed by the GOCR at a level that is much higher than the international price. Although the policy's main goal is supposedly to protect the small farmers, most of the subsidy is received by about a 100 farmers who produce roughly 80 percent of the local crop. Also, several of these large producers are integrated firms that also benefit from the tariff reduction on imports through access to the CAFTA-DR TRQ on rough and milled rice.

The GOCR issued a decree that will reduce the consumer price of rice of 80% whole grain by \$0.08/kilogram to \$1.35/kilogram effective on Sunday, May 29. Several millers have already reduced their price as a marketing strategy. However, consumer organizations have pointed out that one in five Costa Rican families is considered to be poor and could save approximately \$282 per year (or about 10 percent of their income) if they could buy rice based on the international price.

Area planted to rice increased from 66,400 hectares in 2009/2010 to 81,000 hectares in 2010/2011 and it is expected to remain at a similar level in 2011/2012. Rice production (rough) amounted to 250,849 MT in 2009/2010 and is expected to reach 281,000 MT in 2010/2011 based on preliminary data from the National Rice Corporation (CONARROZ). Farmers are motivated by the government's fixed producer price, which is not expected to change in the short term, allowing them to plant at least one more crop under current price conditions of approximately \$600/MT. A rough rice shipment of roughly 6,000 MT arrived this month from the United States. Additional shipments totaling 50,000 MT of rough rice are expected to be imported between August and October of this year. Also, several imports of milled rice were made in the first quarter of 2011 from the United States (about 4,000 MT, mostly under the CAFTA-DR milled rice TRQ) and also from South America.