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Widespread Protests Follow Mexican Government's Latest Hike in Tortilla Prices

by LADB Staff

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In a politically unpopular move, in late September the Trade Secretariat (Secofi) announced an increase of 10% in the nationwide price of tortillas and corn meal. This was the third increase this year for tortilla prices, which is one of the few basic products subject to government controls. In announcing the price increase, effective immediately, the Trade Secretariat (Secofi) said price controls would be lifted gradually over the next several months, leaving tortilla prices to be indexed to the monthly inflation rate. The eventual elimination of price restrictions on tortillas will leave only milk and medicines subject to government controls. On average, tortilla prices have risen by an accumulated 47% this year, due to increases in April, July, and September.

The latest 10% increase means the cost of tortillas will rise to between 1.10 nuevo pesos (US\$0.17 cents) and 1.70 nuevo pesos (US\$0.27 cents) per kilogram, depending on the region. For example, prices increased to 1.10 nuevo pesos (US\$0.17 cents) in the Mexico City metropolitan area, and 1.40 (US\$0.22 cents) in most other regions of the country. Increases were higher in resort areas such as Cancun. In an interview with the daily newspaper La Jornada, Secofi official Jose Luis Perdigon said the decision to eliminate price controls for tortillas was based on the premise that a high portion of the population can afford the market price of tortillas.

At the same time, Perdigon who heads Secofi's basic products division promised that President Ernesto Zedillo's administration would not abandon those programs that make tortillas and other basic products affordable to low-income families. According to unofficial estimates, the government has provided annual subsidies of 3.5 million nuevo pesos (US\$547,700) to the tortilla industry, which Perdigon said was "too high." Perdigon said such subsidies were not being targeted to segments of the population who needed them most. The Secofi official said the gradual liberalization of tortilla prices and redirection of subsidies will be coordinated by the special subcommission that oversees the annual anti-inflation agreement (Pacto para el Bienestar, la Estabilidad y el Crecimiento, PABEC) signed by representatives of labor, government, and business.

The Zedillo administration contends the prices were necessary to keep up with the pace of inflation this year, which is expected to approach 50%. Consumer prices have increased drastically as a result of the devaluation of the peso in December of 1994. Indeed, according to other Secofi officials, increases of tortilla prices have been smaller than the rate of inflation over the past 55 months. Secofi officials also defended the increase on the premise that corn millers needed to boost earnings in order to remain in business. "If this price increase had not been awarded, this could endanger the supply of tortillas," said Secofi in its announcement of the price increase.

The statement also raised the need for Mexico to maintain the economic viability of the tortilla industry, which currently is a major employer in Mexico. Still, the increase created strong protests

around Mexico, given that this was just the latest of a series of price rises. On one hand, many consumers expressed anger not only about the price increase but about the lack of notice to the public that such an increase was pending. In fact, days before the price was increased, officials from Secofi and the consumer protection agency (Procuraduria Federal de Proteccion al Consumidor, Profeco) were adamantly denying that there would be any additional price increase for basic consumer goods, including tortillas, during the rest of calendar year 1995. However, the strongest protests by far were lodged by organized labor, especially the Mexican workers confederation (Confederacion de Trabajadores de Mexico, CTM) and the powerful workers congress (Congreso del Trabajo, CT), an umbrella organization of labor unions.

The decision to raise tortilla prices angered labor leaders to a point that all have threatened to stop negotiating anti-inflation agreements with government and business. In a press conference the day after the increase, CTM leader Fidel Velazquez said "unilateral" action by the Zedillo administration had created a strong sense of anger and resentment among members of the CTM against the federal government. Velazquez, a long-time ally of the governing Institutional Revolutionary Party (PRI), accused the administration of violating the spirit of the anti-inflation pacts in place for several years. "Our strategy from now on will be to negotiate directly with business organizations, leaving the government out," said Velazquez.

Still, the latest increase in tortilla prices appeared to be the opening the CTM needed to end participation in anti-inflation agreements. At the monthly review meeting for the current anti-inflation accord on Sep. 21, CTM representatives took the opportunity to criticize the agreement as "useless," since consumer products have increased in recent months without consultations.

For their part, CT officials threatened more drastic actions than a simple withdrawal from anti-inflation agreements with the government. CT vice president Victor Flores Morales told La Jornada he was planning to call an "urgent" meeting with the 38 member unions of the CT to decide on a plan of action to respond to the tortilla price increase. "There is a general displeasure within the CT about the uncontrolled increase in the prices of basic products," said Flores. "These increases represent a setback for the economic well-being of families." Furthermore, CT president Rafael Rivapalacio Pontones told reporters his organization would be calling for acts of civil disobedience and commercial boycotts in order to protest the price increases. Additionally, he raised the possibility that the CT would push forward a proposal to link salaries to any increases in the consumer price index (Indice Nacional de Precios al Consumidor, INPC). Tortilla prices were apparently increased in part as a concession to manufacturers of corn meal, who had complained that inflation had left many unable to cover costs of production.

Still, the increase of only 10% was called insufficient by the industry group Asociacion de Proprietarios de Tortillerias y Molinos de Nixtamal de la Republica Mexicana. Speaking to reporters, the association's director, Nazario Palomera, emphasized that the increase does not compensate millers and tortilla manufacturers for increased costs for fuel, rent, and other items. Other factors may also have an impact on tortilla prices. For example, in late September, the corn producers union (Union Nacional de Productores de Maiz, UNPM) warned that corn production this year would decline by 3 million metric tons, meaning that the government would have to supplement domestic supplies with reserves from the foodstuffs agency Conasupo and imports. UNPM secretary general

Javier Contreras Padilla said Mexico would have to import about 1.2 million MT of corn this year at a cost of about 1.33 billion nuevo pesos (US\$208 million).

Contreras called on the Zedillo administration to stimulate corn production by increasing the guaranteed prices for corn by 100 nuevo pesos (US\$15.60) per MT from the current 815 nuevo pesos (US\$127.55) to cover the increased costs of production. He also urged Zedillo to recognize that corn producers were just as important as corn millers in the ultimate supply of corn meal and tortillas. "It does not make sense for the government to allow producers of corn meal to increase the prices for their product, while not doing anything to help corn producers," said Contreras. He said the assistance to corn producers was urgent, since the planting season for the next cycle of the corn crop closes in two months. [Note: Peso-dollar conversions in this article are based on the Interbank rate in effect on Sep. 25, reported at 6.39 nuevo pesos per US\$1.00] (Sources: Excelsior, La Jornada, 09/23/95, 09/25/95)

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