

3-20-1996

## Trade Secretariat Announces Increase in Milk Prices

LADB Staff

Follow this and additional works at: <https://digitalrepository.unm.edu/sourcemex>

---

### Recommended Citation

LADB Staff. "Trade Secretariat Announces Increase in Milk Prices." (1996). <https://digitalrepository.unm.edu/sourcemex/3562>

This Article is brought to you for free and open access by the Latin America Digital Beat (LADB) at UNM Digital Repository. It has been accepted for inclusion in SourceMex by an authorized administrator of UNM Digital Repository. For more information, please contact [amywinter@unm.edu](mailto:amywinter@unm.edu).

## Trade Secretariat Announces Increase in Milk Prices

by LADB Staff

Category/Department: Mexico

Published: 1996-03-20

In mid-March, the Trade Secretariat (SECOFI) eased controls on the price of pasteurized milk, allowing retailers to boost prices to 3.60 pesos (US\$0.47 cents) per liter from the previous price of 2.75 pesos (US\$0.37 cents) per liter. The price increase was announced after weeks of deliberations by a special panel composed of members of the private sector, labor unions, and government representatives. The panel was created to review the government's anti-inflation and economic growth program (Alianza para la Recuperacion Economica, APRE), which was negotiated in late 1995. The 30% increase, which applies only to pasteurized milk, became effective immediately in Mexico City and was scheduled to be implemented gradually elsewhere in Mexico. In addition to allowing an increase in the price of pasteurized milk, the APRE panel also decided to allow supply and demand to set the price for higher grades of milk (ultra-pasteurized). In explaining its decision, the APRE commission said the higher milk prices were necessary to ensure the survival of the Mexican dairy industry.

The commission said the dairy industry has been unable to meet domestic demand for milk because of a lack of revenues to expand their operations. As a result, Mexico has been forced to import about 300,000 metric tons of milk and dairy products annually, at a cost of about US\$700 million per year. "Even with a 70% increase in the production of pasteurized milk since the 1980s, we face shortages of this product," said the commission. From an employment standpoint, the APRE commission said the increase in milk prices would help save jobs in the dairy industry, which currently provides more than 350,000 direct jobs and another 1 million related jobs.

Agriculture Secretary Francisco Labastida Ochoa, a staunch proponent of the price increase, blamed the problems of the Mexican dairy industry on the policies of previous administrations, which, he said, did not take sufficient action to support dairy producers. Despite optimism from the APRE commission and officials of the Zedillo administration, members of Mexico City's legislative assembly (Asamblea Legislativa del Distrito Federal, ALDF) immediately raised concerns about the easing of milk-price controls. The easing of price controls is of particular concern to the ALDF, since the higher prices went into effect first in the highly populated Mexico City metropolitan area.

On March 18, the ALDF issued a resolution condemning the "savage" increase in prices of basic products. The resolution, which was supported by members of all parties in the ALDF, warned that such increases could lead to social unrest unless they are accompanied by proportional increases in worker salaries. Hugo Castro Aranda, who chairs the ALDF's rural development committee, said the easing of price controls on milk does not guarantee that dairy producers will, in fact, boost milk production. "They will still have the same breed of cows that produce small amounts of milk," he said.

For her part, Esther Kolteniuk, who chairs the ALDF's population and development committee, said hundreds of letters have reached the Mexico City legislature from parents who are concerned that the price increases are just the first step toward the eventual elimination or sale of the state-run milk

processing company Leche Industrializada Conasupo (Liconsa), which also provides low-cost milk to the low-income population. Liconsa was designated for privatization in 1993, but still remains in government hands. "It's a very censurable act for the government to allow the price increases," said Kolteniuk.

Arturo Lomeli, president of Mexico's top consumer protection group (Asociacion Mexicana de Estudios para la Defensa del Consumidor, AMEDEC), also criticized the government's decision. He warned that higher milk prices will have negative repercussions on the price of other products during March and April, which, in turn, could scuttle the government's efforts to limit annual inflation. "The higher milk prices will certainly lead to higher prices for other dairy products," said Lomeli. But Lomeli said a major impact of the higher milk prices will be psychological, since many retailers will feel free to raise prices for other products that do not have any relation to milk.

The administration's decision to allow higher prices for milk has also led to concerns that similar increases will be allowed for tortillas. Indeed, SECOFI officials and business leaders have acknowledged that the APRE commission has begun a study on whether tortilla retail outlets will be allowed to increase their prices. "We must deal with the tortilla market in a similar fashion as we did with milk," said Victor Manuel Diaz Romero, president of the confederation of industrial chambers (Confederacion de Camaras Industriales de la Republica Mexicana, CONCAMIN). CONCAMIN which represents a cross-section of industries has long lobbied for the government to ease price controls on tortilla. Otherwise, the organization has warned, many independent tortilla retailers and corn millers will have to cease operations.

"If small retailers go out of business en masse, the market would be left to the large companies, which would then gain a monopoly over the market," said columnist Agustin Rodriguez Trejo in a piece published in the daily newspaper Excelsior. Under those conditions, he said, the Mexican government will have an even more difficult time controlling inflation. Indeed, many economists believe that higher prices for milk, and the proposals to allow higher prices for tortillas, will force the Zedillo administration to revise its estimate for annual inflation for this year.

The government has forecast inflation at 20.5%, but many private economists believe the actual rate will reach 30% or possibly higher (see SourceMex, 03/13/96). Business leaders, however, have said they are not concerned that higher prices for milk, and possibly for tortillas, will fuel the inflation rate. CONCAMIN's Diaz Romero predicted that the consumer price index (Indice Nacional de Precios al Consumidor, INPC) will not increase enough in the next few months to force an increase in the minimum wage beyond the 10% already scheduled to go into effect in April. "The representatives from labor and the agriculture sector in the APRE have agreed that a 10% raise in the minimum wage is a proper increase for now," said Diaz Romero. On the other hand, he said business leaders recognize the need for the private sector to seek ways to gradually raise wages, especially for the workers who earn the least. Nevertheless, the labor and agricultural representatives in the APRE commission may not be speaking for the labor sector as a whole. Only a few days before the increases in milk prices were announced, Deputy Jose Ramirez Gamero, a labor representative in the federal Chamber of Deputies, said Mexico's top labor unions will insist that the scheduled increase in the minimum wage be raised to 15%. He said leaders of the Mexican Workers Confederation (Confederacion de Trabajadores de Mexico, CTM) feel an obligation to

demonstrate to the Minimum Wage Commission (Comision de Salarios Minimos, CSM) that recent increases in the price of basic products have severely restricted the purchasing power of the working class. "Using this argument, we will propose a greater increase in the minimum wage," he said. [Note: Peso-dollar conversions in this article are based on the Interbank rate in effect on March 19, reported at 7.51 pesos per US\$1.00] (Sources: Notimex, 03/14/96; La Jornada, 03/18/96; Excelsior, 03/15/95, 03/19/96; Reforma, 03/15/96, 03/18/96, 03/19/96)

-- End --