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## **Corn Millers Push Government to Eliminate Price Controls on Tortillas**

by LADB Staff

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Corn millers and tortilla manufacturers are lobbying the government to eliminate price controls on tortillas and abolish a subsidy on cornmeal. The tortilla industry won a small victory in mid-August, when the government accepted recommendations to increase the price of tortillas by 20 centavos (US\$0.02 cents) per kg. This is the second increase in tortilla prices this year. The last increase took place in January (see SourceMex, 01/08/97). According to the daily newspaper La Jornada, the new price hike was reached by the committee that reviews the latest annual anti-inflation and economic-growth agreement (Acuerdo para el Crecimiento Economico, ACE).

### *Trade secretariat approves small increase in mid-August*

Under the decision, tortilla prices were allowed to increase to 1.90 (US\$0.24 cents) per kg in the Mexico City metropolitan area and the states of Campeche, Yucatan, Coahuila, and Colima, effective Aug. 25. Slightly higher prices were approved for other metropolitan areas, such as Cancun and Cozumel, and some states in northern Mexico. In accepting the ACE recommendation, SECOFI announced that tortilla prices will not increase again in 1997.

However, representatives of the Coalicion de Industriales de Molinos de Nixtamal y Tortillerias (CIMNT) pledged to continue their push to eliminate government price controls on tortillas. In a meeting with representatives of the Secretaria de Comercio y Fomento Industrial (SECOFI), CIMNT president Nazario Palomera said many small tortilla retailers would go bankrupt unless the government allowed prices to reflect the true cost of production, which ranges from 3.50 to 4.00 pesos per kg (US\$0.45 cents to US\$0.51 cents).

Palomera said that an increase of about 57% in operating costs this year has forced almost 2,000 tortilla retailers in Mexico City to cease operations. Cost increases are probably higher, he said, because the calculation does not take into account increasing costs of electricity and gas. According to CIMNT, the government could resolve the problem by changing an "inefficient" subsidy structure. Currently, the state-run foodstuffs agency CONASUPO buys corn from farmers at 1,200 to 1,300 pesos (US\$155) per metric ton and sells the equivalent in cornmeal to tortilla producers at 425 pesos (US\$54.90) per MT.

Carlos Sanchez de Armas, who heads the CIMNT chapter in Mexico City, said his organization is proposing that the government eliminate the subsidy on cornmeal and allow producers to purchase corn directly from farmers at market prices. Sanchez suggested that the 6 billion pesos (US \$775 million) currently used to subsidize cornmeal sales could be turned into increased financial assistance for the poorest segments of the population to purchase tortillas. According to Sanchez, the elimination of the cornmeal subsidy would allow the government to allocate more funds for a program that provides tortillas directly to lower-income families.

## *Milk prices to rise 5% monthly through end of 1997*

Meanwhile, the government is preparing to allow monthly 5% increases in the price of milk, effective Sept. 1, leading to a full elimination of price controls by Jan. 1, 1998. Under price controls enacted last January, milk cannot be sold for more than 4.00 pesos (US\$0.51 cents) per liter. Prices will increase to 4.20 pesos (US\$0.54 cents) on Sept. 1.

Ernesto Larrondo, director of the Asociacion Nacional de Ganaderos Lecheros (ANGL), said the elimination of price controls will allow milk producers to increase production to about 10 billion liters annually by the year 2000. The increased output, said Larrondo, will help Mexico reduce imports of powdered milk by about 70%.

Earlier this year, the government announced a program to subsidize sales of 500,000 liters of milk daily in the poorest regions of Mexico. Under the plan, SECOFI will sell milk in these areas at 3.00 pesos (US\$0.38 cents) through the end of 1997, even when prices increase in September. Spokespersons for the Camara Nacional de la Industria Lechera (CANILEC) acknowledged that the end of price controls on milk would result in increases in the cost of dairy products such as sweet cream, cheese, butter, and yogurt.

Labor organizations announce opposition to price hikes Meanwhile, the country's top labor organizations the Congreso del Trabajo (CT) and the Confederacion de Trabajadores de Mexico (CTM) have warned the government that any increase in the price of basic products such as tortillas, eggs, milk, and meat will have to be accompanied with a proportional increase in the minimum wage.

In a press conference in mid-August, CTM leader Leonardo Rodriguez Alcaine described the CIMNT proposal as "insane," because the Mexican economy is not ready to withstand lifting controls on tortilla prices. In a report published in April of this year, the CT said the index of basic foodstuffs and other products for a family of five is roughly two-and-a-half times higher than the minimum monthly wage (see SourceMex, 04/23/97). [Note: Peso-dollar conversions in this article are based on the Interbank rate in effect on Aug. 27, reported at 7.74 pesos per US\$1.00] (Sources: Notimex, 07/23/97; Novedades, 03/21/97, 08/19/97; El Economista, 08/19/97; El Nacional, 08/21/97; Excelsior, 08/19/97, 08/20/97, 08/22/97; Reuter, 08/22/97; El Universal, 03/21/97, 07/24/97, 08/19/97, 08/26/97; La Jornada, 06/13/97, 08/19/97, 08/20/97, 08/22/97, 08/25/97, 08/26/97; Diario de Yucatan, 08/26/97)

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