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Federal Government Approves Increase of 18 Percent in Price Of Tortillas

by LADB Staff

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Effective June 1, the Secretaria de Comercio y Fomento Industrial (SECOFI) implemented an 18% increase in the price of tortillas to 2.60 pesos (US\$0.29) per kilogram. This is the fourth increase allowed by the government since December 1996, when the prevailing price was 1.40 pesos (US \$0.16) per kg. As recently as January of this year, tortilla prices were still only 1.90 pesos (US\$0.22) per kg. In a report published in the federal register (Diario Oficial), SECOFI said the 18% increase was the "minimum necessary" to help ensure the survival of 40,000 corn millers and tortilla retailers, who were facing higher production costs.

Earlier this month, the Camara Nacional de la Industria de la Masa y de la Tortilla (CNMIT) and other tortilla-industry representatives had urged the government to allow tortilla prices to increase to 3.30 pesos (US\$0.38) per kg. The increase in tortilla prices will reduce federal subsidies for tortilla manufacturers to 1.58 billion pesos (US\$179,000) this year, compared with almost US\$2 billion pesos (US\$227,000) in 1997. SECOFI said the federal government will continue a program that provides free tortillas for urban residents who earn the equivalent of two minimum wages or less.

Labor groups, consumer organizations criticize increase

Independent labor groups and consumer organizations immediately criticized the increase. The Consejo Nacional de Trabajadores (CNT) called for all Mexican labor organizations to organize "concerted actions" to protest any increases in the cost of basic products. If the government insists on allowing price increases, said the CNT, then the administration should allow an emergency increase in salaries to compensate for the higher prices.

There were no immediate protests from the government-affiliated Confederacion de Trabajadores de Mexico (CTM) and the Congreso del Trabajo (CT). However, both groups have criticized the three previous increases in tortilla prices allowed by President Ernesto Zedillo's administration since December 1996 (see SourceMex, 08/27/98 and 02/04/98).

Meanwhile, the consumer rights organization Asociacion Mexicana de Estudios para la Defensa del Consumidor (AMEDEC) said the increase could pave the way for similar hikes in prices of other essential foodstuffs. In a report released the day the tortilla increase went into effect, AMEDEC said the price of basic foodstuffs has increased at a proportionally higher rate than wages, eroding the purchasing power of most Mexicans, particularly low-income persons.

For example, AMEDEC said, it takes the equivalent of one minimum daily wage to purchase 11.5 kg of tortillas this year. In 1988, one minimum wage could buy 32 kg of tortillas, the AMEDEC report said. A Senate committee criticized the administration's inconsistent policies regarding the tortilla industry. A statement in early June from the Comision de Distribucion y Manejo de Bienes de

Consumo y Servicios Basicos urged SECOFI to implement actions to ensure a more stable tortilla policy. The committee said an increase in prices and a reduction in subsidies were insufficient to ensure the industry's future stability. For the short term, the committee instructed SECOFI to strictly monitor retailers so that the latest increase does not lead to abuses.

For the longer term, the committee urged SECOFI to take two actions: create an emergency reserve fund to stabilize tortilla prices, and regularly monitor the financial stability of the industry. [Note: Peso-dollar conversions in this article are based on the Interbank rate in effect on June 3, reported at 8.80 pesos per US\$1.00] (Sources: Novedades, 05/27/98; Reuters, 05/28/98; El Economista, 05/29/98; Excelsior, 05/29/98, 06/01/98, 06/02/98; La Jornada, 05/29/98; El Nacional, 06/01/98, 06/02/98)

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