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## **Government Approves Third Increase in Tortilla Prices of 1998**

*by LADB Staff*

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In mid-September, the Secretaria de Comercio y Fomento Industrial (SECOFI) announced the year's third increase in tortilla prices. As of Sept. 17, the government will allow tortilla prices to increase by more than 15% to 3.00 pesos (US\$0.29 cents) per kilogram, compared with the previous price of 2.60 pesos (US\$0.26 cents).

With the latest increase, tortilla prices have risen by 55% in 1998. SECOFI allowed price increases in February and June of this year (see SourceMex, 02/04/98 and 06/03/98). This is the fifth increase since December 1996, when tortillas sold at 1.40 pesos (US\$0.14 cents) per kg. Tortillas sold at 75 centavos (US\$0.07 cents) in 1994.

The latest price increase does not apply to Chiapas state, which was devastated by storms in early September (see other article in this issue of SourceMex). Tortilla prices will remain at 2.60 pesos (US \$0.26 cents) per kg until further notice.

Along with allowing retailers to charge higher tortilla prices, SECOFI said the state-run foodstuffs company (Compania Nacional de Subsistencias Populares, CONASUPO) will increase the price of corn sold to millers. Corn millers and tortilla manufacturers will now pay CONASUPO 1,463 pesos (US\$144.70) per metric ton of corn, compared with the previous price of 1,103 pesos (US\$109.00) per MT.

### ***Trade Secretariat justifies increase***

The latest increase in tortilla prices is part of a plan by President Ernesto Zedillo's administration to eliminate subsidies for tortilla production by December 1998. Some economists believe this could bring the cost of tortillas to 3.50 pesos per kg (US\$0.35 cents). SECOFI justified allowing higher tortilla prices to prevent the loss of jobs at tortilla plants. "This increase will allow the 40,000 corn mills and tortilla manufacturers to meet their cost of production and thus preserve jobs for more than 160,000 workers," SECOFI said.

Under the plan, SECOFI will continue to provide free tortillas to 1.8 million low-income families under the Programa de Tortilla Sin Costo. "We are complying with a recommendation from legislators to use the tortilla subsidy for the segment of the population that needs it most," said SECOFI. Roberto Campa, director of the Procuraduria Federal de Proteccion al Consumidor (PROFECO), said his agency will closely watch retailers to ensure that prices are not increased beyond those approved this month. "The tortilla and cornmeal manufacturers pledged to voluntarily respect these prices," said Campa. "Businesses that violate this price structure could face severe sanctions, including closure."

Campa said PROFECO will particularly watch for businesses that add to the cost of tortillas by charging customers an extra fee for the wrapping. Some labor leaders lodged protests about the latest increase in tortilla prices, but the outcry was not as loud as after previous increases. Agustin Rodriguez, head of the Sindicato de Trabajadores de la Universidad Nacional Autonoma de Mexico (STUNAM), urged the Zedillo administration to develop policies to stop increases in the prices of basic goods. Some labor leaders have suggested that the government allow an emergency increase of 5% in worker salaries to compensate for recent increases in tortilla and milk prices.

However, Labor Secretary Jose Antonio Gonzalez said the administration is unlikely to go along with an increase. "Our country's largest employers are not the big companies, but owners of small and medium-sized businesses," said Gonzalez. These companies, he said, would be forced to cut costs by eliminating jobs. The latest increase is expected to boost the consumer price index (Indice Nacional de Precios al Consumidor, INPC) for September and October. The two previous increases in tortilla prices contributed to increases in the INPC in the months when the higher prices went into effect, particularly in June (see SourceMex, 07/15/98). [Note: Peso-dollar conversions in this article are based on the Interbank rate in effect on Sept 23, reported at 10.11 pesos per US\$1.00] (Sources: Reuters, 09/17/98; El Economista, El Universal, 09/18/98; Novedades, 09/18/98, 09/21/98; Excelsior, 09/18/98, 09/22/98, 09/23/98; El Nacional, 09/22/98, 09/23/98)

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