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Tortilla Consumption Continues to Decline in Mexico; Overseas Demand Grows

by LADB Staff
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The tortilla, long a staple of the Mexican diet, is losing some of its appeal among the country's consumers. This comes at a time when the tortilla's appeal is growing overseas. While tortillas remain a major element of the daily diet of Mexican consumers, increased competition from bread and other starch-based foods, a restructuring of the tortilla market, and elimination of price controls during the late 1990s have contributed to a sharp decline in consumption in Mexico. The tortilla-industry organization (Camara Nacional de la Industria de la Masa y Tortilla, CNIPMT) estimates tortilla consumption in the last four years has fallen by about 15%. CNIPMT statistics show that average per capita consumption has declined to 84 kg of tortillas per year, or about 1,700 tortillas. This compares with about 98 kg or 2,000 tortillas in 2000.

The trend is reflected in sales at neighborhood retail stores, where long lines at midmorning are now the exception rather than the rule. In an interview with the daily business newspaper El Financiero, some of these retailers report sales at only about 50 to 100 kg of tortillas per day, compared with 500 to 600 kg a few years ago.

These retailers place the blame in large part on the decision of former President Ernesto Zedillo to phase out subsidies to corn millers and eliminate price subsidies (see SourceMex, 1999-01-06 and 1999-09-01).

Higher prices, lower quality reduce demand
The elimination of subsidies was accompanied by a major reduction in the role of the government foodstuffs agency (Compania Nacional de Subsistencias Populares, CONASUPO) in the tortilla-marketing chain, which created chaos in the tortilla market.

For more than 20 years, CONASUPO was responsible for all activities related to tortillas, from production to warehousing and sales. "There is great confusion in the market because no one supervises prices and quality," said Lorenzo Mejia Morales, president of the Union Nacional de Industriales de Molinos y Tortillerias. "The ultimate loser is the consumer."

Mejia Morales said some millers supported Zedillo's move to free up price controls and now regret having taken that position because prices have doubled and quality has declined. "We bet everything on the liberalization of prices and lost," he said. The result of the price liberalization has been a proliferation of tortilla retailers, all of which collectively sell fewer tortillas than before the Zedillo government implemented the changes in 2000.
Industry sources estimate that 120,000 tortilla outlets exist in Mexico, almost twice the 55,000 to 60,000 in operation in 2000. While higher prices and lower quality are one factor behind the reduced consumption, Mexicans are also faced with more choices because of increased advertising for bread, chips, cookies, and other products. CNIMPT president Enrique Tron said rising incomes have allowed meat to become a bigger part of the diet of many Mexicans, displacing tortillas in many instances.

The decline in tortilla consumption is especially notable among urban middle-class families, some researchers say. "This is partially a status issue," Salvador Villalpando, a researcher for the Instituto Nacional de Salud Publica (INSP), told The Dallas Morning News.

**Reduced demand hurts already strapped corn producers**

The reduced demand for tortillas has had a negative impact on domestic corn producers, who are already besieged by US imports (see SourceMex, 2001-06-27. The situation is expected to get worse in 2008, when provisions in the North American Free Trade Agreement (NAFTA) require Mexico to end all restrictions on corn imports from the US and Canada.

Some Mexican legislators are pushing for corn and beans, basic foodstuffs in Mexico, to gain permanent exemptions from the tariff schedule (see SourceMex, 2003-04-23), but the powerful farm lobby in the US makes granting this request unlikely.

The prospect of increased US and Canadian imports prompted Agriculture Secretary Javier Usabiaga to suggest that Mexican farmers begin to reduce their reliance on corn production and consider alternative crops such as sesame, canola, or sunflowers. "Producers do not want to consider that 2008 is just around the corner," said Usabiaga. "This is not to say that we will be powerless to meet the challenge of an open corn market, but we have to be more efficient and competitive."

Usabiaga's controversial statements did not sit well with the special committee on agriculture (Comision Especial para el Campo) in the Chamber of Deputies. Committee members, particularly legislators affiliated with the center-left Partido de la Revolucion Democratica (PRD) and the former governing Partido Revolucionario Institucional (PRI), lashed out at Usabiaga for suggesting that Mexico surrender its sovereignty in corn production, which still provides the nutritional base for 100 million Mexicans.

"We should not abandon the 3 million producers who dedicate themselves to growing corn," said PRI Deputy Sofia Castro Rios. "They are our only counterweight to ensure that we do not depend on corn imports from the US and other countries, which often are of poor quality and occasionally contaminated with genetically modified varieties."

Agricultural organizations also joined in opposing what they called Usabiaga's "absurd" proposal. "[Usabiaga's] idea is not new," said Victor Suarez, a spokesperson for the organization El Campo No Aguanta Mas (the countryside cannot take any more). "This proposal was put forth at the time that NAFTA was signed, when we were being told to grow more wheat, broccoli, and asparagus to increase the value-added factor of our exports." The Union Nacional de Trabajadores Agricolas (UNTA) also offered its objections, arguing that a reduction in corn production would create massive
unemployment for growers in central Mexico, including Puebla, Tlaxcala, Hidalgo, and Mexico states. "These are the areas that account for the largest level of corn production," said UNTA secretary-general Alvaro Lopez.

**Tortilla craze reaches China**

The recent decline in Mexican tortilla consumption has been accompanied by the growing popularity of tortillas overseas, particularly in the US. In a recent report, the US Tortilla Industry Association (TIA) said tortillas are the second-most-popular type of "bread" in the US, surpassed only by white bread. Tortillas now account for almost one-third of US bread sales, said the TIA. Demand is so strong in the US that Mexican-based multinational corporation Grupo Industrial Maseca (GRUMA) has been accused of unfair trade practices to corner the tortilla market in Southern California.

The lawsuit against GRUMA names several supermarket chains and retailers as co-conspirators. The suit, filed by Martin Diaz of Los Angeles, said Gruma controls more than 90% of the corn- and flour-tortilla markets in Southern California and has set out to block competition from "mom and pop" operations that had gained a foothold in the fast-growing market. GRUMA officials had no immediate comment on the lawsuit.

The company acknowledges, however, that the US is now the principal market for the company, accounting for 50% of its total sales. This compares with only 30% in Mexico. The rest is divided among other regions of the world. The growth in tortilla popularity is also expanding to Europe and Asia. In 1999, GRUMA announced the construction of a plant in England to serve the European market (see SourceMex, 1999-10-06).

GRUMA has now unveiled plans to construct a tortilla factory in Shanghai, China, sometime in 2005. The company expects to invest about US$100 million in the plant, which will produce tortillas not only for the Chinese market but also for other countries in eastern Asia. Sources for the Monterrey-based company said the decision to construct the Shanghai plant was based on an explosive increase in demand in China, which last year imported about US$420 million worth of tortillas. "We have been selling tortillas [in China] for three or four years," said GRUMA president Roberto Gonzalez. (Sources: US Tortilla Industry Association Press Release, 2004; The Dallas Morning News, 06/03/04; Notimex, 06/09/04; El Financiero, 05/12/04, 06/07/04, 06/14/04; Reuters, 05/27/04, 06/16/04; La Jornada, 06/17/04)

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