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Tortilla Price Increase Resurrects Debate on Use of GMO Corn in Mexico

by LADB Staff

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The recent surge in the cost of tortillas, which resulted from huge increases in global corn prices, has reignited the debate on whether Mexico should allow the use of genetically modified organisms (GMOs) to help boost domestic corn production. The high cost of tortillas, which is having an impact on the poor, has put pressure on President Felipe Calderon Hinojosa to implement some price-control measures.

In the short term, Calderon has negotiated an agreement with the business sector to place a ceiling on tortilla prices, pledged to prosecute speculators who hoard corn, and allowed an increase in the quota for corn imports.

In the long term, the Calderon administration will have to consider measures to expand domestic production, including a proposal to allow genetically modified (GM) corn. Government, business representatives agree on price controls Calderon agreed to set the ceiling at 8.50 pesos (US\$0.77) per kg on tortilla prices after initially indicating that he would not implement any price controls (see SourceMex, 2007-01-10). "The unjustifiable price rise of this product threatens the economy of millions of families," Calderon said on Jan. 18, following an agreement with several business organizations.

Under the agreement, consumers may find tortillas as low as 3.50 pesos (US\$0.31) per kg at state-affiliated stores like Distribuidora Conasupo (DICONSA) and 6.00 pesos (US\$0.55) per kg at department stores affiliated with the Asociacion Nacional de Tiendas de Autoservicio y Departamentales (ANTAD). The agreement will remain in place until the end of April. At that time, the government and the business sector will determine whether to extend or suspend the price-control measures.

Mexico uses more than 9 million metric tons of corn annually to produce tortillas, and this product is such an integral part of the country's diet that any price fluctuations can have a considerable effect on the consumer price index (Indice Nacional de Productos al Consumidor, INPC). The soaring price of tortillas was a contributing factor to the higher-than-projected annual inflation rate in 2006.

Calderon also instructed Economy Secretary Eduardo Sojo and Antonio Morales, director of the federal consumer protection agency (Procuraduria Federal de Proteccion al Consumidor, PROFECO), "to be very alert and apply the full weight of the law to prevent any speculation or price gouging carried out at the cost of human hunger."

Some critics call price agreement inadequate

Still, the agreement with the business sector was not supported universally. Legislators from the center-left Partido de la Revolucion Democratica (PRD) said the ceiling for tortillas was still higher

than the average price of about 6.00 pesos (US\$0.55) per kg that Mexicans were paying a year ago. "The poor are being punched in the face," said Deputy Javier Gonzalez Garza, the PRD's floor leader in the lower house.

To counter the increase, said Gonzalez Garza, the PRD would push for an increase of 30% in the daily minimum wage, which the Comision Nacional de Salarios Minimos (CNSM) set in a range between 47.60 pesos (US\$4.32) and 50.57 pesos (US\$4.60) for 2007, depending on the region of the country. Some small and medium-sized tortilla manufacturers criticized the government for negotiating the agreement with the large food companies like Grupo Minsa, Grupo Industrial Maseca (GRUMA), and Cargill Mexico.

Lorenzo Mejia Morales, president of the Union Nacional de Industriales de Molinos y Tortillerias (UNIMTAC) said these companies were responsible for keeping supplies of corn and corn meal off the market, which led to higher prices. "These are the companies that are largely responsible for the tortilla crisis," said Mejia. GRUMA officials denied that the company was engaged in any market-distorting actions. "Some have accused us of being speculators," said GRUMA corporate relations director Eduardo Sastre, "but we do not sell corn."

Some agriculture experts urged Calderon to move beyond short-term fixes. "The actions announced by the president will resolve some of our immediate problems," said Luis Garcia, an agriculture expert at Universidad de Chapingo. "But the in-depth problems are not addressed. There is no assistance provided for agricultural producers."

Government to boost duty-free corn imports

As part of the agreement, the government said it would increase the quota for duty-free corn imports by 100,000 MT, bringing the total for the year 750,000 MT. The total includes 450,000 MT from the US. "This is a sufficient amount to stabilize the market situation in Mexico during this quarter and the beginning of the next," said Luis de la Calle, who served as deputy economy secretary for international negotiations during the administration of former President Vicente Fox. De la Calle noted that Mexico would eliminate all duties on corn next year as part of its commitment under the North American Free Trade Agreement (NAFTA).

"[The decision to boost the quota] is an opportunity for us to begin to transition to a situation where we won't have any quotas in 2008," said the former trade official. Still, some agriculture organizations like the Confederacion Nacional de Productores de Maiz (CNPM) expressed dissatisfaction with the measure, which they said came as a surprise. CNPM secretary general Carlos Salazar said the Secretaria de Economia (SE) did not mention the increased imports during recent discussions with the CNPM and other groups. Max Correa, secretary general of the Central Campesina Cardenista (CCC), said importing huge amounts of corn could result in the loss of more than 100,000 jobs in the rural sector. "For every five tons bought from foreign producers, one campesino becomes a candidate for migration," said Correa.

A push to allow GM corn

While the short-term measures announced on Jan. 18 could help boost the supply of corn in Mexico, the Calderon administration is looking at other possibilities to increase domestic production. The

Consejo Nacional Agropecuario (CNA), which primarily represents large farmers, is among those pushing hardest for the government to allow planting GM corn. "We want to be at the point where we are using genetically modified grains, in this case corn, because this could guarantee supplies to give our people food at reasonable prices," said CNA president Jaime Yesaki.

Also supporting the CNA are a wide range of agricultural, marketing, and retail organizations, which joined the CNA in a press conference in late January to urge easing restrictions on GM corn. These include the Confederacion Nacional de Granos y Oleaginosas (CONAGO), the Asociacion de Proveedores de Productos Agropecuarios (APPAMEX), Agrobio Mexico, ANTAD, and the Consejo Mexicano de la Industria de Productos de Consumo (CONMEXICO). "Right now we are importing US corn, which is already genetically modified," the organizations said in a joint statement. "What we need is to plant our own genetically modified crops."

Yesaki said the current market realities make it almost impossible that corn prices will return to the levels that prevailed before the surge in demand for corn in the US by the US ethanol-fuel industry in recent months. He said increased production could ensure that tortilla prices remain at 8.00 pesos (US\$0.73) per kg. "Prices won't return to where they were before," said Yesaki. "But we can ensure that the price won't go to 15 pesos (US\$1.36) or 20 pesos (US\$1.82) per kg." Mexico must implement the law governing GMOs (Ley de Bioseguridad y Organismos Geneticamente Modificados) before GM seed can be planted extensively. The legislation was approved in 2005, but Congress has yet to develop a set of regulations that would allow its implementation, said Agriculture Secretary Alberto Cardenas.

The Fox administration introduced more uncertainty into the process with a surprise decision in late 2006 to deny permission to three seed companies to plant test plots with GM corn in northern states (see SourceMex, 2006-10-25). Seed companies insist that the GM corn is necessary to help boost yields. "It is evident that demand for corn in Mexico surpasses production," said Eduardo Perez, director of technology development at Monsanto Mexico. "What is required is a comprehensive solution that will improve yields, and this can be attained only through improved seed."

The Calderon administration has not indicated whether it will allow GM corn, but the recent crisis makes this a distinct possibility. In a recent interview, Agriculture Secretary Alberto Cardenas acknowledged that Mexico has to increase its corn production and yields. "The average yield in Mexico is 2.5 MT per hectare," said Cardenas. "The average at the international level is 9 MT per ha. We only reach those types of yields in Sinaloa state."

Cardenas said Mexico currently produces 21 million MT of corn, which is insufficient to meet the country's domestic demand of 31 million MT. Environmental groups renew opposition to GMOs. Environmental advocates and some indigenous organizations have been the staunchest opponents of government efforts to introduce GM corn into Mexico, which they say could mix and eventually destroy native strains and destroy Mexico's environmental diversity (see SourceMex, 1999-10-13 and 2002-05-08). The initial efforts focused on preventing imports of GM corn (2004-09-22 and 2005-08-17), but recent campaigns have also shifted to opposing planting modified varieties.

In a press conference, Greenpeace Mexico said planting GM corn will not resolve the problems facing the Mexican agriculture sector. "The experimental fields of genetically modified corn in Mexico could cause irreversible harm to the environment," said Areli Carreon, coordinator of Greenpeace Mexico's campaign for consumers.

The organization also criticized Agriculture Secretary Cardenas for openly supporting GM corn without in-depth scientific evidence to support its use. "Mexico should promote and defend the production of corn that is not genetically modified to ensure that we have sufficient grain of high quality and adequate price," said Carreon. She said such a policy would promote employment in Mexico, boost earnings for rural residents, and eliminate monopolistic practices in corn production and in the food chain.

Greenpeace Mexico also accused the Calderon government of conspiring with Minsa and GRUMA to sell corn flour and tortillas that are produced with GM corn. Leaders from the environmental organization disputed recent statements from the two companies that they were only buying non-GM corn from US sources. They pointed to recent lab tests they had conducted on Minsa and GRUMA products. "We bought 11 samples of flour from both firms at the supermarket and we sent them to Genetic ID, an independent US lab that uses very precise protocols," said Carreon. "The analyses detected modified DNA, which confirms the presence of transgenics, in contrast to what (the firms) told consumers."

Environmental advocate Talli Nauman said multinational companies are lobbying hard for GM corn to be introduced in Mexico. "The lobbyists represent such international corporations as Monsanto, Dupont, Pioneer, Archer Daniels Midland (ADM), and Cargill, which hold the patents and therefore the profit potential for genetically modified (GM) corn and derivatives, even though Mexican Indians and peasants are the original cultivators who made maize one of the world's most important grains," said Nauman, founder and co-director of Journalism to Raise Environmental Awareness.

Nauman said many countries around the world have rejected GM crops because of uncertainty regarding its effects on human health and on other crops. Citing statistics from the environmental organization Friends of the Earth, she noted that only 1.5% of the world's arable land is planted in genetically altered crops. "Markets and governments from Europe to China, Japan, and Australia reject the so-called Frankenfood because its safety is unproven," said Nauman. [Note: Peso-dollar conversions in this article are based on the Interbank rate in effect on Jan. 31, reported at 10.99 pesos per US\$1.00] (Sources: www.sat.gob.mx; Agencia de noticias Proceso, 01/17/07, 01/18/07; The Dallas Morning News, The New York Times, 01/19/07; The Christian Science Monitor, 01/23/07; La Cronica de Hoy, 01/19/07, 01/25/07; The Herald-Mexico City, 01/19/07, 01/21/07, 01/25/07; El Economista, Excelsior, 01/19/07, 01/25/07, 01/26/07; El Financiero, 01/19/07, 01/22/07, 01/25/07, 01/27/07; Reforma, 01/16/07, 01/18/07, 01/19/07, 01/25/07, 01/28/07; La Jornada, 01/18/07, 01/19/07, 01/24-26/07, 01/29/07; Notimex, 01/28/07, 01/30/07; Milenio Diario, 01/18/07, 01/19/07, 01/22/07, 01/31/07; El Universal, 01/19/07, 01/22/07, 01/25/07, 01/26/07, 01/31/07)

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