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Demand for corn raises Mexico price of tortillas, a staple

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MEXICO CITY - Soaring international demand for corn has caused a spike in prices for Mexico's humble tortilla, hitting the poor and forcing President Felipe Calderon's business-friendly government into an uncomfortable confrontation with monopolies.

Tortilla prices jumped nearly 14 percent in the past year, a move Mexico's Central Bank Gov. Guillermo Ortiz called "unjustifiable" in a country where inflation is about 4 percent. Ortiz pinned the blame on companies monopolizing the market and blocking competition.

"We clearly have a problem of speculation," he said.

The government and economists also blame increased U.S. production of ethanol from corn as an alternative to oil.

The battle over the tortilla, the basic staple of the Mexican diet, especially among the poor, demonstrates how increasing economic integration is felt on the street level.

"This is direct evidence of the way globalization is affecting all walks of life in Mexico and all over the world," said David Barkin, an economics professor at the Xochimilco campus of the Autonomous Metropolitan University in Mexico City.

On Friday, Economy Minister Eduardo Sojo said the government had authorized duty-free imports of 650,000 metric tons of corn to drive down tortilla prices. But he warned that any price relief would not be immediate, with the corn imports hitting the Mexican market in February.

Sojo said the quotas include 450,000 metric tons of white corn from the United States under the North American Free Trade Agreement, and 200,000 metric tons of white or yellow corn from anywhere else in the world.

White corn is favored in Mexico for tortillas, while yellow corn is reserved for livestock and industrial uses.

Efrain Garcia, president of the National Confederation of Agricultural Corn Producers, said growers would not oppose the increased imports, saying "it's very clear to us, the producers, that (Mexico) needs a cheap tortilla."

The federal government's antitrust watchdog announced this week that it was investigating allegations companies were manipulating corn prices, and making deals to limit the supply of corn to boost prices of tortillas.

The Federal Competition Commission's director, Eduardo Perez Motta, said Friday that the investigation would extend to "the whole chain of production, all the way to the consumer." Fines could hit \$6.4 million.

Since 2004, the agency has applied sanctions in six cases against anticompetitive practices in the corn and tortilla markets. Last year, it blocked Gruma's takeover of Mexican corn processor Agroinsa, saying it would have given it too much control over the market.

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