Deal puts a lid on corn tortilla prices
Mexican leader reaches agreement with businesses
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MEXICO CITY — President Felipe Calderon signed an accord with businesses on Thursday to curb soaring tortilla prices and protect Mexico's poor from speculative sellers and a surge in the cost of corn driven by the U.S. ethanol industry.

The corn tortilla is the basic staple of the Mexican diet and is especially crucial for the poor.

The accord limits tortilla prices to 8.50 pesos, or 78 cents, per kilogram and threatens to use existing laws to achieve prison sentences of up to 10 years for company officials found hoarding corn. Some stores have been selling tortillas for as much as 10 pesos, or 91 cents, per kilogram.

It also raises quotas for duty-free corn imports to 750,000 metric tons, or 826,733 U.S. tons, most of which will come from the United States.

The measure is to be reviewed for possible modifications on April 30.

"The unjustifiable price rise of this product threatens the economy of millions of families," Calderon said.

"We won't tolerate speculators or monopolists. We will apply the law with firmness and punish those who take advantage of people's need."

The tortilla price rise has been one of the first major challenges for the conservative who took office in December, putting him between the interests of business and those of the poor.

Tortilla prices rose by 14 percent in 2006, more than three times the inflation rate, and they have continued to surge in the first weeks of 2007.

The rise partly results from U.S. ethanol plants gobbling corn supplies and pushing prices as high as $3.40 a bushel, the highest in over a decade.

But Calderon also blames price gouging by Mexican middlemen who grind corn into flour and sell it to thousands of tortilla sellers across the nation.

"The increases in the international corn market do not justify the tortilla hikes in this country in the last weeks," Calderon said.

Under the accord, corn flour will be limited to 5 pesos per kilogram and corn itself will not exceed 3.5 pesos per kilogram, about the current market price.

Mexico's major supermarket chains and bakers, including the world's largest tortilla maker, Monterrey-based Gruma, signed the agreement. Associations for thousands of independent tortilla sellers also signed.

Calderon did not specify how the prices would be enforced on vendors.

Lawmakers of the Democratic Revolution Party of leftist Andres Manuel Lopez Obrador had demanded the president impose price controls. Lopez Obrador, who narrowly lost the July election to Calderon, has seized the opportunity to blame the new government for deepening the misery of the poor.


Ethanol's effect: Expensive tortillas

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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 powerful monopolies.

Tortilla prices have jumped nearly 14 percent over the past year, a move the head of Mexico's central bank called "unjustifiable" in a country where inflation ran about 4 percent.

Economists blame increased U.S. production of ethanol from corn as an alternative to oil. The battle over the tortilla, the most 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 Autonomous Metropolitan University in Mexico City.
The federal government's antitrust watchdog announced this week it was investigating allegations companies were manipulating corn prices, and making deals to limit the supply of corn to boost prices of tortillas. For low-income Mexicans, who earn about $18 a day on average, the increasing prices have hit hard. According to the government, about half of the country's 107 million citizens live in poverty.
"When there isn't enough money to buy meat, you do without," said Bonifacia Ysidro, but "you can't do without" tortillas.
The U.S. Agriculture Department said ethanol plants and foreign buyers are gobbling U.S. corn supplies, and the benchmark price of corn reached an exchange-imposed limit of $3.965 a bushel shortly after trading began Friday at the Chicago Board of Trade.
Nationwide in the U.S., supplies of corn are expected to drop to 752 million bushels this year, a drop from last month's forecast of 935 million bushels and a steep decline from last year's supply of 1.967 billion.
The increase in tortilla prices has outpaced inflation and minimum wage hikes of about 4 percent for the past year. Grains traders forecast tortilla prices will rise 20 percent to 25 percent during the first quarter of 2007.
That prospect worries Ysidro, who said, "If it goes higher, what am I going to give my children?"

SOURCE: Chicago Tribune, online,
http://www.chicagotribune.com/business/chi-0701130049jan13,0,5505881.story