

## **Supply, demand, and tortillas: Rises in staple prices rile the Mexican population**

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The last year has been a fractious one in Mexico. Last May, in San Salvador Atenco in Mexico State, a group of street vendors and a wide range of allies protesting expulsion from the central square were brutally repressed, with hundreds arrested, beaten, and sexually abused by police. To the south in Oaxaca, Governor Ulises Ruiz launched a similar police operation against striking teachers in June, sparking the formation of a broad front that occupied the center of the city for months despite constant attacks by police and armed goons, only to be swept out in November by a vicious federal-state police assault. Meanwhile, as the every-six-years presidential campaign heated up, a caravan of Zapatistas headed by Sub-comandante Marcos toured the country arguing that only grassroots mobilization, not a vote for one of the three major-party candidates, would change Mexican politics. July's presidential election put the right-wing National Action Party (PAN) candidate, Felipe Calderón, ahead of the center-left Party of the Democratic Revolution's (PRD) Andrés Manuel López Obrador (popularly known as AMLO) by a razor-thin margin, amid evidence of large-scale irregularities. AMLO's supporters took to the streets, creating a festive tent city stretching miles along Mexico City's main boulevard, La Reforma, and coming together in animated rallies of up to two million. Failing to change the election result, they declared a parallel government.

In early 2007, all of these struggles have been heating up once again. Key Atenco leaders are getting out of jail. Activists are marching in Oaxaca city once again, and a major Triqui indigenous community in that state just declared itself autonomous from the state, federal, and "official" local governments. AMLO and allies across the country are gearing up for what they call the Democratic National Convention, with the aim of building a new politics and writing a new Constitution. The Zapatistas unfurled an Encounter with the Peoples of the World, hosting 2000 delegates in their base communities. And across Mexico, the hot topic of the moment is...

...the price of tortillas. Prices for this Mexican staple, just a few months ago selling at 5 pesos (about 50 cents) per kilo (2.2 pounds, about 40 tortillas), had by mid-January spiked up to 8, 10, and in some places even 12 or 15 pesos per kilo. It's hard to convey to a U.S. audience how central tortillas are to the Mexican diet, but suffice it to say that *tortillerías* are sprinkled every couple of blocks across urban Mexico, and the great majority of families anchor their main meal with a kilo or two of tortillas. (When we first went to a *tortillería* and asked for ten tortillas, the vendor assumed she had heard us wrong and asked, "Ten kilos?") Perhaps the closest U.S. equivalent in terms of breadth of impact would be if the price of gas doubled and in some places even tripled. Other prices are also climbing—milk, eggs, sugar, meat, and natural gas—but it's the tortilla price surge that has grabbed Mexicans by the throat.

### **Oddities of the tortilla crisis**

A number of things are odd about the tortilla crisis. For one thing, there is no shortage of corn. Mexico had the largest corn harvest ever last year, more than twice as much as in 1980 (the country's population grew 60% over the same period). However, the structure of corn production has changed dramatically. Millions of family farmers in central and southern Mexico once dominated the crop, but free trade policies have driven many of them off the land. Today, northern Mexican agribusiness calls the tune. That plus NAFTA and other free trade agreements and the reduction of government subsidies mean that Mexico's corn price is now driven by the

world price. The world price, in turn, increasingly responds to demand for ethanol as well as for food products, and trended up as oil prices made ethanol more attractive—prompting *The Economist* to label corn as “pure gold”. Making matters worse, according to observers including the President of Mexico’s Central Bank, speculation by large Mexican producers and traders is turbocharging the price hikes. Development expert Peter Rosset of the Center for the Study of Rural Change in Mexico points out that Mexican corn prices have spiked up far faster than those in the United States.

While one might expect the remaining small corn farmers in Mexico to benefit from rising prices, associations of small producers complain that they have not benefited from higher prices. Separated from consumers by layers of middlemen, they receive little or no trickle-down. The major beneficiaries are industry giants like Mexico’s Maseca and U.S.-based Cargill, along with other large producers and traders. This pattern extends beyond Mexico. Guatemala’s Institute for Agrarian and Rural Studies reports similar results of the Central American Free Trade Agreement in Guatemala: price increases for consumers, profits for the biggest corporations, and continued marginalization of small farmers.

A final oddity is the spectacle of a newly elected, pro-free trade president suddenly discovering the virtues of government intervention in the economy, at least to a limited extent. President Calderón speedily negotiated an 8.5 peso cap with major corn meal and tortilla producers and retailers, promising to boost corn supplies so as to underwrite this price and stock the 24,000-odd government-run rural DICONSA stores that sell staples at subsidized prices. Ironically, he’s increasing the supply by importing corn from the U.S. (Mexico, the birthplace of corn, currently imports almost one-third of its corn consumption!).

Of course, once the price agreement was concluded, the tortilla industry began backing away from it. The corn meal giants clarified that this was a goodwill gesture on their part, not an ironclad commitment. Spokespeople for neighborhood *tortillerías* pointed out that they didn’t work for the big companies, so the agreement wasn’t binding on them. A few days after Calderón’s tortilla handshake, we spot-checked tortillas in Tlaxcala (central Mexico, where we are living for six months)—the two *tortillerías* we priced were both selling at 9. That same day, the state government of Tlaxcala announced with much fanfare that it had concluded a separate 8.5 peso agreement with *tortillerías*. So the next day we returned to the same two shops: one was closed (we stopped by too late); the other was still charging 9.... Around the same time, federal government inspectors found prices over 8.50 at 53% of the *tortillerías* visited nationwide. Still, two weeks after Calderón’s pact, federal authorities had only managed to check prices at just over 3000 shops, out of an estimated 350,000. Even several weeks after the price *convenio*, tortilla sellers in the state of Aguascalientes announced that despite federal and state “agreements,” they would not agree to a price ceiling under 10 pesos. On the other hand, the country’s giant supermarket chains, including Wal-Mart, made a big show of discounting tortillas to 5 or 6 pesos (as a visit to our local Wal-Mart confirmed). Not a fair comparison, declared the *tortillería* industry: they mix all kinds of non-corn filler into their *nixtamal*, and besides, Mexicans prefer their tortillas fresh, hot, and local off a neighborhood *comal* (griddle).

### **“No to PAN, yes to tortillas!”**

Naturally, Calderón’s critics were not satisfied with his attempt to pull the tortillas out of the fire. AMLO and the PRD called for a 6-peso ceiling on tortilla prices and a 35% increase in the minimum wage (currently set at a laughably low \$5 U.S. a day). Not to be outdone, the Confederation of Revolutionary Workers and Peasants (CROC—despite its fiery name, a

mainstream union federation long affiliated with the Institutional Revolutionary Party [PRI] that ruled Mexico for seventy years but has now slipped to third place) demanded price ceilings on 30 items of the *canasta básica* (the basket of basic consumer necessities tracked by the government). On January 31, these groups and more organized a peaceful *megamarcha* to protest the growing gap between prices and wages and demand a “new social contract”. Left-leaning daily La Jornada described the turnout in Mexico City as “tens of thousands” or “one hundred thousand”—numerically disappointing compared to other recent demonstrations—but what was significant was the presence of activists from the PRI, two smaller parties, and a large number of worker and peasant organizations that had not previously joined PRD-initiated mobilizations. They jointly issued the broad-ranging “Declaración del Zócalo,” named after the central Mexico City square where the demonstration took place, announcing, “We are starting a new stage of struggle for the demands of the majority sectors in Mexico.”

Particularly noteworthy is the active participation of peasant groupings such as the Permanent Agrarian Congress, the National Council of Peasant Organizations, and the National Peasant and Fisheries Council, in the nationwide mobilizations. Thanks to their involvement, the protest movement has embraced a “food sovereignty” program that goes well beyond wage and price demands. Such a program would include government support for small Mexican producers of staple grains such as corn and beans through government-sponsored research and technology transfer. They also demand a renegotiation of the agricultural section of NAFTA, which is currently scheduled to remove all trade protection from Mexican corn and beans in 2008. A wave of cheaper, subsidized corn and beans from the United States would most likely lead to a temporary drop in Mexican corn prices, but the devastating effect on small Mexican farmers would leave the country far more dependent on imports and more vulnerable to future price fluctuations.

Although we were unable to attend the Tlaxcala branch of the action, we joined a smaller pre-march in Tlaxcala the weekend before. A cheerful crowd of a couple of hundred, including a large contingent from the local chapter of the Social Security Administration union, rallied to slogans like, “No to PAN [both the name of the ruling party and the word for bread], yes to tortillas!” José Roberto Pérez Luna, head of the union, told us, “The system is not meeting the needs of the majority. That’s what leads to revolutions. I’d hate to think that our government is fertilizing a revolution.”

### **The “employment president” says no**

For three weeks after the rally, the government of Calderón, who campaigned as “the employment president” but so far has presided over job losses of 178,000, kept mum about the key demands, apart from some vague promises to help support Mexican corn producers and some noises about prosecuting speculators. Finally on February 21, the government gave its answer: No. No to mandatory price controls. No to an increase in the minimum wage, using the old argument (widely discredited by recent research) that minimum wage increases destroy jobs. (Around the same time, Calderón announced a 46 percent increase in wages for the Army, a move many see designed to bolster the harsh repression the government has meted out to protestors in Oaxaca and elsewhere. “In this country, we will no longer confuse illegality with human rights,” he remarked recently in a not-very-veiled warning.) And no to reopening NAFTA. Mexico “will not change the rules of the game,” the president declared.

In the absence of added government actions, Mexican consumers “voted” with their pocket books, reducing tortilla consumption by 20 to 30% during January, according to the

National Chamber of Tortilla and Corn Flour Producers. Unfortunately, as Marie Antoinette learned to her regret centuries ago, for the poorest the alternative to eating unaffordable staples is simply not eating. Nearly one-fifth of Mexicans live in extreme poverty. Poor Mexicans get 40% of their protein from tortillas, and while statistics on short-term changes in nutritional intake are not available it is safe to assume that more of these people are going hungry. Calderón's secretary of social development, Beatriz Zavala, stirred much outrage when she claimed that tortilla price hikes would not affect food consumption by the rural poor, since so many of them are self-sufficient peasants. The reality is that in rural areas—as in the United States—family farmers are increasingly compelled to reduce planting in order to supplement their income with non-agricultural jobs, or are being forced off their land outright.

The groups that launched the January 31 protests promise further mobilizations. One of the coalition members, the National Peasant and Fisheries Council, also proposes to set up a network of 5000 small producers who will sell directly to consumers in six states and the Federal District that includes Mexico City, working with popular organizations wherever possible. Tlaxcala union leader Pérez Luna is right to warn of “fertilizing a revolution”. Whatever happens next with tortilla prices, the issues of the widening gap between most Mexicans' salaries and the cost of living, and the other widening gap between the rich and the rest, are not going away. These are some of the same issues that fueled the Zapatista rebellion, the street vendors' protest in Atenco, the teachers' strike in Oaxaca, and the wave of anger at the elite that has made AMLO's protests much more than the sour grapes of a losing candidate. Calderón's strategy—continued free market reforms sprinkled with crowd-pleasing tactical concessions like the tortilla pact, and the mailed fist when protests get out of hand—seems more likely to accelerate these trends than halt them. In the coming years, expect Mexican politics to heat up as hot as a *tortilleria's comal*.

**Resources:** *La Jornada* (daily newspaper) <http://www.jornada.unam.mx> . “La declaración del Zócalo,” <http://www.jornada.unam.mx/2007/02/01/index.php?section=politica&article=006n1pol> . Timothy Wise, “Policy space for Mexican maize,” Global Development and Environment Institute, <http://www.ase.tufts.edu/gdae/Pubs/wp/07-01MexicanMaize.pdf> . Center for the Study of Rural Change in Mexico (CECCAM), “En defensa del maíz,” <http://www.ceccam.org.mx/ConclusionesDefensa.htm> . Grassroots International, “Fixing the broken food system,” [http://grassrootsonline.org/food\\_is.html](http://grassrootsonline.org/food_is.html) .

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