

The Price of Corn is Social Justice

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15 March 2007

The system of food production and distribution in Mexico is in a mounting crisis, as was obliquely acknowledged in the official statement after recent talks between Presidents George Bush and Felipe Calderón. They agreed to form a binational working group on the subject. Revising the agricultural chapter of the North American Free Trade Agreement was rejected out of hand, while a “smoother transition” for small-scale farmers – as much as 20% of the Mexican population – was put on the binational agenda. “Yes, no, maybe so,” in other words. Everyone knows that rural poverty has to be addressed and, politically speaking, it has to be linked to the immigration reform which has come to a head in the US and as a binational issue.

To understand the food crisis, look at corn. Most of Mexico’s 100 million people rely on tortillas together with beans not just for calories, but for protein. Therefore, it was serious when the price of corn rose earlier this year, due in part to increased demand for ethanol production in the US. It affected tortillas directly – with a 40 to 100% hike – and, according to Víctor Quintana, former congressional deputy and leader of the *Frente Democrático Campesino*, the fallout will continue, raising prices of other basic foods like eggs, milk and meat.

Much has been said about the symbolic significance of the classic Mexican staple. In the Indigenous religious traditions, it is quite literally the equivalent of God-given manna. Today, Mexicans depend on tortillas as they did before. Wheat in the form of bread has made heavy inroads into the diet of many in the urban middle class, which indeed only relies on the item for caloric intake at the margin. But at the very least half of Mexico’s 100 million not just eats tortillas, but relies on corn, together with beans, for up to half of their protein intake, particularly of children. It is serious when the price of tortillas rises by 40 to 100 per cent in a week. It has already provoked massive protest marches, and not surprisingly, of a fervor akin to bread riots.

“Let them eat cake” were famous words from the mouth of a queen who later lost her head. Felipe Calderón, who had no more than assumed the presidential office when the corn crisis broke, was slow to act, never committed to defending the regulated price of the staple, and eventually resorted to jawbone-style negotiating with wholesalers and tortilla-sellers not to gouge. The gentlepersons’ agreement – capping the kilo at 8.50 pesos – was only signed by some 5,000 out of Mexico’s approximately 65,000 tortilla sellers. Calderón’s head is still attached to his body but the political furor is far from past. Indeed, in mid-February milk and meat are beginning to spike, coming from corn-fed cows.

The wave of rising prices of staple foods is indicative of deep-running currents in the economy and society. First, there is an abyss dividing the productive and commercial sectors. This is not the United States, all but entirely urbanized and suburbanized, where farming is mechanized and largely centralized in the hands of globalized capital, at the same time that its production is subsidized by the government to the tune billions annually. In Mexico, it is the opposite.

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Government technical assistance, credit and all manner of economic involvement in the primary sector was slashed more than a decade ago. It was as though the sector were subjected to a line-item veto. Indeed, it was an executive decision, taken by President Carlos Salinas (1988-1994), possible in the days before Mexico threw out the long-standing official party, *Partido Revolucionario Institucional* (PRI), in 2000.

The initiative to liberalize the agricultural sector went hand-in-hand with that to abandon the country's commitment to agrarian reform, and joined, mostly subordinating, the Mexican to the North American economies. This was the North American Free Trade Agreement (NAFTA). True, the peasant – many also indigenous persons – population dedicated to farming was protected by a 15-year transition period during which the workers not globally competitive were to be drawn from the countryside into *maquiladora* and other industry and services. Was 15 years too short to uproot and replant millions of households? We'll never know, because, in draconian fashion, the Mexican government voluntarily lifted early some tariffs on basic grains. Needless to say, the exodus from the countryside actually did not stop at the border but entered the US territory as well as economy.

There is a scandal involved in this hurried invasion of the domestic multi-variety maize market by the “cheaper” – industrialized, subsidized and largely bio-technologized – grain from the Mid-West. The wholesale distribution system was privatized and sold to MASECA, MINSA, Cargill, et al. in a bid-shy rush masterminded by Carlos 'Salinas brother, Raúl (recently released from prison, accused of other trafficking violations). The industrialization of the industry followed quickly and inevitably. “Ma and Pa” *tortillerías* closed, or left off using fresh corn-mass *nixtamal* to take up the dried-powdered stuff, named with the brand of its owner, “Maseca,” now as common as “Kleenex” in U.S. parlance.

With the quality of pseudo-tortillas reduced to the lowest common denominator shared with white sliced bread – *Wonder*-like, though hardly wonderful – of the transnational Grupo BIMBO, the two Mexican transnationals ate into the middle-class market. Predictably then, the real revenue/yield ratio to corn-farmers fell, and fell further due to the corn-market being flooded by the US product of rough equivalence. Profits are concentrated in the industrialized firms now in control of the transformation process and much of the marketing ever more through supermarket chains. Such is the way that modern capitalism works.

Now with the prospect of *rising* corn prices, there should be chance for Mexican corn-farmers to improve profits, but unfortunately the market is now structured in such a way that that improvement will be minimal, at best. How is that possible? After all, the small farmers produce *white* corn while the US grain is mostly of the *yellow* variety, preferred for animal feed. Consequently white corn has drawn a 10-15% premium, because it is relatively scarce. But now in the *Maseca*-tortilla yellow corn can substitute for some of the white, since the difference is hardly noticed once the staple comes from industrialized flour.

In sum, by “efficiently” going to economies of scale the result was inevitably oligopoly. The significant profits, as usual, accrue to the post-production phases of transformation of the primary product and the marketing. Now that the industry is vertically integrated – from flour to packaged tortilla – small farmers have been left out of the corn market, and often have left their communities for the life of an undocumented worker in the United States.

Not without resentment. The basis of the country's social pact, going back to the 1910 Mexican revolution, was a guarantee of land on the part of the State, through an ambitious agrarian reform program, to those wanting to farm; additionally the terms of trade between country and city were made more tolerable thanks to the oil profits monopolized in the '30s for the benefit of the nation. Today this deal would be called "*food sovereignty*." Thus it is a political insult to an economic injury that the decision to sacrifice food sovereignty to market efficiency has brought predominant economic reward to a small number of highly-capitalized companies. The Mexican minimum wage – not even six dollars a day – rose slightly less than four per cent in 2007, while basic food may well double.

Given the political precariousness of the country, the practices of hoarding and speculation by agro-business are audacious. The run on corn and the price hike on tortillas began in January, a month after Calderón assumed office. A hair-breadth difference in the final tally of the 2006 presidential election led the leftist candidate of the Revolutionary Democratic Party (PRD), Andrés Manuel López Obrador, to call fraud and assume independently the title of "Legitimate-President". Now Bertha Luján, in his cabinet, has forecasted a serious depression in internal demand. Indeed, with wages long having been indexed to inflation, workers' share of profit has fallen far behind the rise in labor productivity. Surely, the surging price of staple foods puts the lie to Calderón's inaugural commitment to implement a social policy of reconciliation in the country and with the second force in Congress, the *Partido de la Revolución Democrática*, PRD.

The domestic economy should be stimulated, instead of further squeezed. To make matters worse, urgently-needed, *progressive* fiscal reform is little likelier now than it was during the six-year administration of Vicente Fox, Calderón's predecessor of the same *Partido de Acción Nacional* (PAN). Finally, it is an open question whether the US economy will continue growing at rates sufficient to create continuing and growing demand for a desperate Mexican labor force, or whether the US political environment will let it. Many signs point to a national security-couched anti-immigrant retrenchment in the United States.

What then might the newly-minted US-Mexican "study group" ideally recommend? A serious, integral and coordinated policy reform. The domestic Mexican market in basic foods should be protected to make up for the time stolen from the Mexican farmers at the beginning of the North American Free Trade regime and take basic grains out of the discussion. Meanwhile the United States should eliminate subsidies to an already perfectly competitive industrial farm sector, now rewarded with increased demand for ethanol production. Some part of the savings should go as investment in Mexican rural development, and some part for legal integration of the 10-million-plus undocumented workers in the country. Mexico should adjust the minimum wage and make the fiscal reforms necessary to channel higher revenues to labor, both as urban wages and as returns to small-scale agriculture. In sum, there must be coordinated policy-making in the inter-related areas of trade, immigration and agriculture.