

Voluntary Report – Voluntary - Public Distribution

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Report Name: Government of Mexico Program to Combat Food Price Inflation and Scarcity

Country: Mexico

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Report Category: Agriculture in the Economy, Policy and Program Announcements

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Report Highlights:

The Government of Mexico (GOM) has announced a program to combat food price inflation and scarcity titled “Paquete Contra la Inflacion y la Carestia (PACIC).” Along with PACIC, President López Obrador announced a plan to maintain “fair prices” for the basic food basket, through a voluntary agreement with the private sector, without the use of mandatory price controls. The PACIC plan calls for a six-month suspension of import tariffs on 21 staple items and five basic commodities for food processing. The program also includes steps to support increased production of grains by subsistence farmers, including bolstering fertilizer production for use by small producers. Also under PACIC, the enforcement date of the Carta Porte tax on transport of goods within Mexico will be delayed until October of 2022. This report provides an unofficial translation of the GOM’s public presentation of PACIC.

Report Summary

On May 4, 2022, Mexican President Andrés Manuel López Obrador and Finance Secretary Rogelio Ramírez de la O presented 16 measures comprising the Government of Mexico’s (GOM) Program to Combat Inflation and Scarcity (*Paquete Contra la Inflacion y la Carestia- PACIC*). This report provides an unofficial translation of the GOM’s public presentation of PACIC.

Along with the unveiling of PACIC, President López Obrador announced that the GOM had reached an agreement with the private sector to ensure a fair price for the basic food basket (dry beans, rice, vegetable oil, eggs, sugar, etc.). López Obrador stated, “A decision was taken to act on food-related issues – convincing, persuading, calling on producers, distributors, and retailers to act together (with the government), without coercive measures. It is not about price controls, it is an agreement, an alliance to guarantee that the Basic Basket has a fair price.”

The PACIC program calls for a 6-month suspension of import tariffs on 21 out of the 24 products comprising the basic basket (corn oil, paddy rice, milk, meat and poultry, etc.) and five basic commodities for food processing (corn flour, wheat and wheat flour, etc.). Note: three out of the 24 products in the basic basket were not listed as eligible for a tariff suspension – brown sugar, corn tortillas, and toilet paper. End Note. Additional PACIC measures are aimed at boosting agricultural production by subsistence farmers, establishing a strategic grain reserve (corn), and facilitating transport and customs logistics, including a delay of the implementation date for the new *Carta Porte* domestic transport tax until October of 2022.

Basic Basket of Goods

No	Producto	Unidad*
1	Aceite de canola o maíz	1 pieza de 946 ml
2	Arroz en grano	1 kg
3	Atún en lata	2 latas de 140g
4	Azúcar morena	1 kg
5	Bistec de res	1 kg
6	Cebolla	1 kg
7	Chile jalapeño	1 kg
8	Chuleta de puerco	1 kg
9	Frijol en grano	900 g
10	Huevo de gallina blanco	18 piezas
11	Jabón de tocador	1 pieza
12	Jitomate saladet	1 kg
13	Leche	5 litros
14	Limón	1 kg
15	Manzana	1 kg
16	Naranja	1 kg
17	Pan de caja	1 paquete de 680g
18	Papa	1 kg
19	Papel higiénico	1 bolsa de 4 piezas
20	Pasta para sopa	1 paquete 220 g
21	Pollo entero	1 kg
22	Sardina en lata	1 lata de 425g
23	Tortilla de maíz	4 kg
24	Zanahoria	1 kg

Source: Mexican Department of Finance

Following the initial 6-month period for most measures in the plan, PACIC may be renewed if inflation remains high. Note: overall inflation hit a 20-year high of 7.72 percent in the first half of April 2022. End Note. Regarding the plan's six-month duration, Finance Secretary Ramírez de la O remarked that it was unclear how long international pressure on prices would last and stressed that the GOM is giving itself time to hold further dialogue with the private sector and manage shortages of certain products.

Unofficial Translation of the Program to Combat Inflation and Scarcity

The following is an unofficial translation of the May 4 Government of Mexico presentation on the Program to Combat Inflation and Scarcity.

The Program to Combat Inflation and Scarcity

1. Production Strategy

(Increased food supply)

Production Measures

- 1) Stabilization of gasoline and diesel prices, and of reference prices for liquefied petroleum gas and electricity
 - Federal government expenditure of 330 billion pesos (approx. USD 1.6 billion).
- 2) Increased grain production
 - Combined efforts of the "*Sembrando Vida*" and "Production for Welfare" programs
- 3) Fertilizer delivery
 - Fertilizers for Wellbeing Program will be expanded from 5 to 9 states
 - Support program for organic fertilizer production
- 4) Elimination of the countervailing quota for ammonium sulfate
 - One-year suspension of countervailing quotas on ammonium sulfate imports

2. Distribution Strategy

Distribution Measures

- 5) Strengthening of the highway security strategy
 - More than 12,000 law enforcement officers and 2,300 vehicles will guarantee highway security
- 6) No increase in highway tolls (CAPUFE)
 - Highways managed by CAPUFE and FONADIN will not see rate increases in 2022
- 7) *Carta Porte* Extension
 - The enforcement date of the *Carta Porte* will be extended until October of 2022, and beyond if deemed necessary. Note: The *Carte Porte* is a new tax on the transport of goods within Mexico.
- 8) No increase in railway fees or railway connection fees
 - For a period of 6 months, applies to the transport of food, fertilizers, and hydrocarbons

- 9) Reduction in the costs and duration of customs processing
 - Increased volume of operations at all customs points (borders, maritime, and interior)
 - Make customs recognition more expeditious.
- 10) Streamlined dispatch of cargo from seaports
 - Acceleration of preventive dredging and automatic lanes
 - 24-hour operations and increased staffing

3. Foreign Trade Strategy

Foreign Trade Measures

- 11) Elimination of import tariffs (staple foods and inputs)
 - For a period of 6 months
 - 21 of the 24 products comprising the basic food basket and 5 strategic inputs
 - Food products: corn oil, paddy rice, tuna, pork, poultry, beef, onions, jalapeno peppers, dry beans, eggs, bathroom soap, tomatoes, milk, lemons, apples, oranges, sliced bread, potatoes, pasta for soup, sardines, and carrots
 - Inputs: corn flour, wheat flour, white corn, sorghum, and wheat

4. Other Measures

Other Measures

- 12) Establishment of a strategic corn reserve (emergency measure)
 - Purchase of between 800,000 and 1 million tons of corn with SEGALMEX funds
- 13) Guaranteed prices for corn, dry beans, rice, and milk
 - SEGALMEX will continue to implement the Price Guarantee Program which establishes a minimum purchase price for small producers
- 14) Strengthening of the Supply Program (DICONSA/LICONSA)
- 15) Private sector participation in the PACIC
 - A commitment to coordinate with the government for a period of six months, which may be extended based on an impact assessment
 - It is expected that after the (present) presidential announcement, more companies will join the dialogue and coordination effort
- 16) No price increases for the services (telecommunication) provided by Telmex and Telcel
 - Telmex announced its agreement with this anti-inflationary measure on May 2

END UNOFFICIAL TRANSLATION

Attachments:

[PACIC Presentation in Spanish.pdf](#)