

COFECE recommends the State of Chihuahua to eliminate regulation preventing producers from other states from entering the local milk market

- *The Commission aims at protecting the process of free competition in the production, distribution and commercialization of dairy products, to the benefit of consumers.*
- *The State government has published a Protocol that discriminates and excludes milk producers from other states and grants exclusive advantages to local producers.*
- *This regulation may cause an artificial reduction in the local supply of milk and higher prices to the detriment of the consumer.*

Mexico City, August 2, 2017.- The Board of Commissioners of the Federal Economic Competition Commission (COFECE or Commission) recommended overruling the *Protocol for the Inspection and Analysis of the Quality and Safety of Milk* in the State of Chihuahua, published in May 2017, which discriminates producers from other states and grants exclusive advantages to local producers and traders.

In a context of overproduction of the dairy product that led to public protests by the producers, in December 2016, the State Government and the Ministry of Rural Development of Chihuahua stated they would stop the introduction of milk from other federal entities as a sanitary measure to protect the economy of producers in Chihuahua and address production surpluses. Given this scenario, the Executive laid down measures, that included the issuance of a health protocol as well as the creation of a *State Milk Council* and adjustments to the *State Public Procurement System* so that the product purchased by the local government is sourced from local producers.

Even though the Protocol aims to establish specifications, procedures and methods to “guarantee public health, innocuity and the quality of milk” and its application is to dairy products in general, its content refers to mechanisms to verify and inspect products coming from different States such as: the required documentation to authorize its entry, the situations in which a product is rejected from entering into the state and the localization of livestock and animal health facilities as inspection points. For instance, the Protocol identifies a single inspection point, located in the municipality of Jimenez, on the highway access, that is the only highway in which the trucks of that cargo capacity can travel from

the states of Durango and Coahuila to the bigger cities in Chihuahua. In this sense, the Protocol restricts supply and protects local producers, to the detriment of the consumer.

There is a mandatory federal regulatory framework – and several official Mexican standards for dairy products - and with the Protocol, the State Government would be duplicating or imposing higher requirements, implying additional costs and distortions to dairy productive chains.

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The Federal Economic Competition Commission is entrusted with safeguarding competition and free market access. Through this, it contributes to consumer welfare and the efficient functioning of markets. Through its work, COFECE seeks better conditions for consumers, greater output, better services and a "level playing field" for businesses.