

## Investigative Authority finds that Gruma must sell 5 production plants to reactivate competition in the Mexican corn flour market

- *The Investigative Authority concluded that there is a lack of competition conditions in the market for nixtamalized corn flour due to the current market structure.*
- *The proposal from the Investigative Authority is preliminary, so it will be up to the Board of Commissioners of Cofece to hear the parties, evaluate the evidence, and issue a final resolution.*

**Mexico City, October 07, 2024.** The Investigative Authority (IA) of the Federal Economic Competition Commission (Cofece) **preliminarily** concluded that there are **no competitive conditions in the market for nixtamalized corn flour** sold to tortilla shops (tortillerías, in Spanish) in Mexico.

### How did the IA reach the conclusions of its preliminary statement?

The IA divided the country into eight regions and analyzed the total sales and installed capacity of companies between 2016 and 2022, identifying that Gruma has:

- Between **50% and 90% of the sales** in each region, meaning that in some regions nearly 9 out of every 10 kilograms of flour are sold by Gruma.
- A market share **between 22 and 80 times greater** than its closest competitor in each region.
- An average price almost **10% higher than its competitors** nationwide.

Thus, the IA identified that Gruma maintains a significant and irreversible advantage over all its competitors **that allows it to set high prices** without sufficient competition from other companies. It was also identified that Gruma has **strategies specifically designed to make it difficult for tortilla makers to change suppliers.**

The IA initiated the investigation upon identifying a **constant increase in the prices of corn flour** even though the price of its main input, corn, remained stable.

### Why is this preliminary opinion relevant?

Corn tortillas are a staple food for Mexicans. **98.6% of the population consumes corn tortillas** and **68% consume them daily** (Profeco, 2017). Corn tortillas represent almost 6% of household food expenditure (INEGI, 2020), and nixtamalized corn flour represents almost half of the production cost of corn tortillas that are not produced directly from dough.

The preliminary statement of the IA **proposes measures to increase competition** in the market for nixtamalized corn flour, which could impact the number and size of flour companies in Mexico, creating incentives for Gruma **to lower its prices, increase innovation, or improve its products to compete**, thus benefiting tortilla consumers.

### What corrective measures does the IA propose?

The IA identified that this situation stems from a **structural problem in the market.**

Therefore, the only solution to reactivate competition in the market, in a way that encourages **the entry and growth of new competitors and, ultimately, allows Mexicans to enjoy better prices** is:

1. That **Gruma sells five production plants of nixtamalized corn flour**, as well as the entire distribution fleet and sales force of these plants, and
2. **Gruma should eliminate strategies designed to prevent tortillerías from changing suppliers** and should implement transparency and supervision mechanisms to ensure greater competition in the market.

#### **What's next?**

**The preliminary statement of the IA is the first step in the procedure.** Interested parties will now be able to present arguments and evidence and, finally, **the Board of Commissioners from Cofece will analyze all the evidence to issue a resolution.**

**The final resolution of the Board of Commissioners may adopt, modify, or reject the proposals of the IA**, so Gruma is not obliged, at this time, to implement the corrective measures proposed by the IA.

The Commission's investigation seeks to increase competition and dynamism in markets as important as that of corn flour for the benefit of final consumers.

[See here the excerpt of the preliminary statement \(IEBC-004-2022\) \(in Spanish\)](#)

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#### **MORE COMPETITION FOR A STRONGER MEXICO**

*The Federal Economic Competition Commission safeguards competition and free market access.*

*Through its work, it seeks better conditions for consumers, that more services are supplied with higher quality, and that there is a "level playing field" for companies.*