

# Econ 101 for Panama: New Price Controls Bring Rampant Shortages

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**Español** During the last couple of weeks, Panama — with [expected annual economic growth](#) of 7 percent this year — has faced what hardline socialist nations such as Cuba and Venezuela experience every day: food shortages. As many experts warned, and only 15 days after newly elected President Juan Carlos Varela [announced](#) the price-control law, the empty shelves are everywhere.

On July 7, Varela’s administration selected 22 retail products from Panama’s basic food basket for the “Pocket First” program. The implementation of price caps is supposed to save families up to US\$58 per month, and “rectify speculation.” Although the current prices are set for just [two months](#), after which updates will be permitted, the productive sector is already feeling the pain.

Product shortages at supermarkets.

In April, Panama’s Ministry of the Economy and Finance reported that the cost of the basic food basket had risen US\$13.51, going from \$326.37 to \$339.88 in one year. The implementation of price controls was, therefore, one of Varela’s [main electoral promises](#).

Beyond price caps, though, the sponsoring legislators saddled on subsidies. On Thursday, the Ministry of Agriculture and Livestock Development [agreed](#) to pay rice producers 8 cents per pound, or 18 cents per kilogram of [head rice](#), as long as the 5 pound bag was sold to supermarkets at a price no higher than \$1.90. In this way, retailers could have a 5 percent profit margin, but could offer each bag of rice at no higher than \$2.00.

“This is a cause to benefit all Panamanians. It’s a reorganization of the food supply chain that will benefit the agriculture and livestock producer, the consumer, and the businesses,” Varela [said](#) while visiting supermarkets to supervise the new “low” prices.

According to Varela, this measure only seeks to attack one enemy: speculation on food prices.

The Authority for Consumer Protection and the Defense of Competition ([ACODECO](#)) is the government agency in charge of applying and surveying compliance with this measure. Aside from ACODECO, the central government has created the Commission for Price Adjustment, which will adjust the prices set up in the decree, whenever the “conditions of the market” require it to do so.



Panamanian President Varela monitors the application of the price control in front of a sign that reads “everything under control.” ([Panama’s presidency](#))

However, the program appears to be spiraling out of control for Panama’s new president. Less than a month into implementation, and consumers are already tasting its consequences.

Now I’ll have to buy the expensive bread. People lost control with price controls.

“Consumers are only looking for the food products that are regulated,” José Luis Ford, president of Panama’s Chamber of Commerce and Industries, [explains](#).

According to Ford, it’s only natural that Panamanian consumers will go after the products with the cheapest price. Even though the private sector has obeyed the decree, Ford reaffirms their strong opposition towards this measure, and he describes it as a clear attack on the country’s free enterprise.

“The measure is not effective,” Ford explains, since it’s just another electoral promise. The president of the chamber says that the big shortage on the supermarket shelves is due to the fact that Panama’s food supply chain was not ready to operate with a measure of this kind.

Opposition party Democratic Change [has denounced](#) the problems that price controls have generated. According to the party, corner stores are not even selling most of the 22 regulated products, either because they are all sold out, or because the store owners give priority to items that are unregulated — presumably where the permitted markup is greater.

“Rice, one of the products most consumed by Panamanians, is in short supply. Whole chickens can only be found in supermarkets during in specific hours, and the so called ‘*minisuper*’ [corner stores] prefer to have empty shelves, and avoid profit losses.”

Nonetheless, Melitón Arrocha, Panama’s minister for trade and industries, [denies](#) that Varela’s price caps program is the cause for any shortages. According to Arrocha, what is happening is in fact “a change in consumption,” because now people consume more the products that are regulated, over those that aren’t.

Beyond the program’s first two months, the list of regulated products could keep expanding. Two days ago, in fact, Minister Arrocha [warned](#) that 28 products from the basic basket, that aren’t yet included on the price control list, are under “monitored liberty.” According to statements given to the [AM News](#) show, if the government confirms that there are products with prices that keep increasing “with out any apparent reason,” the government will have to intervene and regulate them as well.