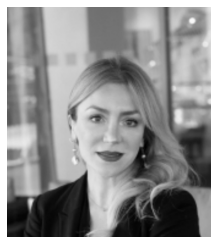




Mexico Update



Sales of Canadian Beef

A 27.3% rise in meat prices during Jan-Mar 2022, slowed down Mexico's total imports. Total beef import volumes were down 14% compared to the first three months of 2021, while value went up 11%. From Jan to Mar 2022, Mexico imported a total of 40,322 MT of beef valued at US\$307 million, positioning

beef as the meat product with the lowest imported volume. Despite this drop in total beef imports compared to 2021, Canadian beef imports performed well in March 2022 rising 13.2% year-on-year in volume (1,822 MT) & up 30.5% in value to US\$14.1 million, driven by a steady retail and growing food service demand in the best performing regions of the country. Jan-March 2022 YTD Canadian Beef imports decreased 9% in volume compared to 2021, but its value rose by 32% to US\$45.9 million. Boneless chilled cuts accounted for 72.4% of March 2022 total beef imports from Canada (1,822 MT), followed by variety meats (319 MT) and frozen muscle cuts (152 MT).

Retail Sector Conditions

The increase in the price of raw materials and the interruptions in supply chains have impacted the beef production sector with up to 40% inflation rate, affecting retail prices and leading to a contraction in per capita beef consumption which could drop to 10 kgs this year. The lack of regulation related to meat injection thresholds in Mexico, is a challenging situation. The industry's flexibility could be allowing excessive meat injection and the use of this practice to cut down costs and maintain beef prices stable. Consumer prices for domestic beef registered an annual increase of 8.2% during the first half of April, which represented its biggest rise since December 2015. This increase exceeded the general price inflation rate of 6.05%. By type of product, price per kg of beef skirts ranged between CAD\$7.72 and CAD\$12.19 ; for thin cut beef (milanesa) prices varied from CAD\$9.29 to CAD\$12.02, while ground beef was quoted between CAD\$4.89 and CAD\$10.67. One of the products that suffered the greatest increase in prices was rib steak, reaching a maximum price of CAD\$16.97 per kg.

Economic Indicators for Mexico

Indicator	Change	Last 3 Mth	Prev 3 Mth
Consumer Confidence	-0.7	43.90	44.57
Business Confidence	0.4	52.43	52.03
Currency (PESO = 1US\$)	-3 %	20.25	20.83
Inflation (%)	0.2	7.47	7.27
Interest Rates (%)	1	6.25	5.08
Stock Market (MEXBOL)	5 %	53759	51396

Food Service Sector

From Jan to Mar 22, Mexico registered the arrival of 5 million international tourists, an increase of 138.5% YOY. For 2022, estimates are for 40 million travellers to arrive, driving the recovery of a sector which represents 8.3% of the national GDP. The closure of economic activities in Asia has influenced companies to relocate their plants near key markets such as the U.S, and the hotel sector in Mexico is seeing an opportunity to grow their business segment. These industrial corridors represent an opportunity for a hotel industry that have seen a strong recovery in the vacation segment but a fall in the business travel. Business hotels are now making investments in markets such as Tijuana, Mexicali and Ciudad Juárez. This potential is mainly due to the T-MEC (Mexico-US-Canada FTA), the trade war between the U.S and China, and the pressures on global supply chains.

Import/Distribution

Mexico's beef imports from the U.S were down 21% during March 2022 YTD compared to the same period in 2021, with increases from Nicaragua (up 15%) and Australia (up 34.6%). The U.S continues to be the major supplier to the Mexican market, with muscle cuts representing 64% and offals-variety meats accounting for the remaining 36%. In March, imported U.S beef prices eased slightly from Feb prices, however tight supplies and trade disruptions continue. In addition to Mexico's zero tariff quota for 21 products of the basic basket (including beef), the government released an exemption of the Consignment Document which certifies the legal possession of merchandise during transfer within national territory, and announced increased security on the roads, as some of the measures to expedite imports.

Origin	Year \$ Change	US\$ '000 YTD		Year MT Change	Volume (MT) YTD		Yr \$/kg Change	US\$/Kg YTD		Yr Share Change	Market Share MT	
		2022	2021		2022	2021		2022	2021		2022	2021
CAN	32 %	45,896	34,846	-9 %	5,115	5,635	45 %	\$8.97	\$6.18	6 %	13%	12%
USA	3 %	220,164	214,782	-21 %	27,413	34,678	30 %	\$8.03	\$6.19	-8 %	68%	74%
AUS	61 %	3,536	2,199	35 %	548	407	19 %	\$6.45	\$5.40	57 %	1%	1%
NZ	%	160	0	%	9	0	%			%	0%	0%
Other	44 %	37,343	25,952	16 %	7,237	6,239	24 %	\$5.16	\$4.16	35 %	18%	13%
ALL	11 %	307,099	277,779	-14 %	40,322	46,959	29 %	\$7.62	\$5.92		100%	100%

Source: (Comecarne)