



## Mexico Update



Claudia Herrera-Blanc

### Sales of Canadian Beef

The Mexican economy is recovering after the impact of the pandemic and is expected to fully recover in 2022. The impact of international beef prices can be seen in the total value of imports whose accumulated value increased 61.5% annually. International meat prices continue to climb, but that didn't stop

Mexico from importing protein in tremendous amounts during August. In August, Canadian beef imports of 1,811 MT, remained almost steady compared to July 2021 volumes. Accumulated volume Jan-Aug 2021 of 14,500 MT rose 80% compared to the same period in 2020 with 7,885 MT. Jan-Aug 2021 Canadian beef import values climbed 113% YOY to reach \$102.4 million USD. The increase in import volumes are due to a more intense demand with the reopening of food businesses and tourist activities, as well as the emergence of new points of sale and distribution strategies that ensure a consistent inventory of Canadian beef cuts and more availability of chilled beef.

### Retail Sector Conditions

In the second half of August, disruptions caused by COVID-19 resulted in a price increase of 6.1% to the basic Mexican food basket, compared to the same period in 2020. Proteins (including beef, pork, chicken, processed meats and exotic meats) ranked first in increase with respect to the rest of the basket. In the case of beef, prices soared from the previous month as much as 43% for Chuck Rolls, 40% for Inside Rounds and 32% for brisket cuts. There are indeed certain social segments that consume more meat than is recommended for a healthy diet, but there are also many consumers who are recovering their income, which is enabling and reactivating consumption and demand for more animal protein in different retail market segments. The trend predicts that high-income consumers will favor the consumption of meat that guarantees that it was produced with the highest standards of animal welfare, respecting the biodiversity and carbon footprint. However, the growth of middle income consumers now entering this segment will be the ones driving the increase in the demand for beef in the following years.

### Economic Indicators for Mexico

Indicator	Change	Last 3 Mth	Prev 3 Mth
Consumer Confidence	0.2	43.33	43.13
Business Confidence	1.1	51.43	50.33
Currency (PESO = 1US\$)	1 %	20.19	20.02
Inflation (%)	-0.1	5.80	5.95
Interest Rates (%)	1	4.63	4.08
Stock Market (MEXBOL)	4 %	51783	49683

### Food Service Sector

The Bank of Mexico estimates that the gradual recovery of economic activity in Mexico will continue for the rest of the year. However, uncertainty prevails at the regional level with the North and North Central regions showing greater progress compared to the Center and South areas of the country. The growth outlook for Mexico will go from a previous estimate of 5.3 to a 5.9% at the end of 2021. The industry breakdown estimate of GDP growth for 2021 shows that most of the increase will be driven by the hotel, wholesale and transportation sectors. Buoyant domestic demand and the reopening of the economy will help to further stimulate the food service sector. In main cities, large food service operators are now launching pilot programs with sustainable actions and solutions as part of their new post-pandemic strategies and goals. The reactivation of tourist destinations such as Los Cabos, Vallarta, Nayarit and Mayan Riviera includes innovative proposals to attract travellers through different events. These events are hosted by more than 200 restaurants in different locations.

### Import/Distribution

Mexico is developing its Cattle Identification and Traceability System, with the aim of protecting the domestic production, improving food safety systems and creating confidence and competitiveness in the international trade. It is expected that Mexico's beef exports will reach 370,000 MT in 2022. In August 2021 Mexico's beef export volumes fell 7% YOY, while total beef imports increased 26% in volume and 55% in value compared to the same period Aug 2020. There is a rebound in consumption but also a lack of raw material with very expensive prices that are impacting consumers.

Origin	Year \$ Change	US\$ '000 YTD		Year MT Change	Volume (MT) YTD		Yr \$/kg Change	US\$/Kg YTD		Yr Share Change	Market Share MT	
		2021	2020		2021	2020		2021	2020		2021	2020
CAN	113 %	102,466	48,049	80 %	14,200	7,885	18 %	\$7.22	\$6.09	43 %	12%	8%
USA	43 %	606,166	423,734	14 %	84,357	73,790	25 %	\$7.19	\$5.74	-9 %	72%	80%
AUS	129 %	5,443	2,382	21 %	947	781	88 %	\$5.75	\$3.05	-4 %	1%	1%
NZ	-100 %	0	60	-100 %	0	15	-100 %	\$0.00	\$4.00	-100 %	0%	0%
Other	113 %	81,793	38,353	68 %	17,292	10,312	27 %	\$4.73	\$3.72	33 %	15%	11%
<b>ALL</b>	<b>55 %</b>	<b>795,868</b>	<b>512,578</b>	<b>26 %</b>	<b>116,796</b>	<b>92,783</b>	<b>23 %</b>	<b>\$6.81</b>	<b>\$5.52</b>		<b>100%</b>	<b>100%</b>

Source: (Comecarne)