



Mexico Update



Sales of Canadian Beef

According to data from the first half of August, general inflation in Mexico stood at 8.5%, while the National Consumer Price Index increased 0.32%, totalling 8.51% annually. During the first six months of 2021, total Mexican meat imports experienced a YOY growth of 5.3%, which amounted to 1.2 million MT. Pork continued to be the most imported category in terms of volume, with 712,527 MT, up 15.3% from the same period last year. Poultry meat followed with an import volume of 431,062 MT to June, and total beef purchases registered a volume of 80,429 MT. After a strong May performance of 2,327 MT, Canadian beef exports to Mexico took a step back in July, with a YTD accumulated volume of 11,558 MT, down 6.7% from a year ago, while accumulated value increased 7.7% to US\$90.3 million. Although still lower YOY, July import volume (1,457 MT) was 6.7% higher from June and increased 14.1% in value at US\$10.5 million.

Retail Sector Conditions

The price of food continued to pressure Mexican households. At the end of July 2022, the average prices of the basic basket products increased 14.6% due to inflation. The price of chicken and pork continued to rise, while beef prices maintained a constant downward trend in major cities. Private labels are taking a fundamental part of the retailer's strategy, as they attempt to capture consumers who seek to optimize their spending. The growth of private labels has significantly outpaced the growth of national brands. Customers are open to trying private labels that offer good quality at a lower price.

Food Service Sector

Tourism is safe from a possible recession in the US and from

Economic Indicators for Mexico

Indicator	Change	Last 3 Mth	Prev 3 Mth
Consumer Confidence	-0.9	42.80	43.73
Business Confidence	-0.6	51.57	52.13
Currency (PESO = 1US\$)	-1 %	20.02	20.23
Inflation (%)	0.5	7.93	7.47
Interest Rates (%)	1	7.50	6.17
Stock Market (MEXBOL)	-9 %	49091	53699

the impact of inflation which in the latter case has already increased by 57% the price of airfares and accommodations within Mexico. Domestic tourism is improving throughout the country despite the inflation crisis. Restaurants and hotels anticipate the Independence Day celebrations September 15-16, will allow them to have a rebound in occupancy and sales of approximately 80%. The National Chamber of Restaurants expects sales to continue in October and November despite the decline due to start of the school year and higher prices of various products.

Import/Distribution

The government decision to partially eliminate tariffs to mitigate the effects of inflation has allowed other countries such as Chile, Costa Rica, China, Japan, New Zealand and Panama to export limited quantities of beef products to Mexico. Nonetheless, Mexico's total beef imports from Jan to July 2022, registered a 9.8% drop in volume YOY to 92,204 MT. The US continues to be the dominant source for imported beef in Mexico, with an accumulated YTD volume of 64,425 MT, valued at \$US484.3 million, but down 5% in value YOY. Nicaragua is the second import source in volume with 15,216 MT, valued at \$76.3 million, followed by Canada with 11,558 MT (\$US90.3 million). According to Mexican livestock associations, ongoing drought in almost two-thirds of the municipalities has reduced the nation's inventory of livestock by a third, and will cause an increase in the cost of meat and lower consumption in the short term.

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	8 %	90,353	83,876	-7 %	11,558	12,389	15 %	\$7.82	\$6.77	3 %	13%	12%
USA	-5 %	484,331	509,496	-13 %	64,425	74,188	9 %	\$7.52	\$6.87	-4 %	70%	73%
AUS	34 %	5,931	4,419	-18 %	635	772	63 %	\$9.34	\$5.72	-9 %	1%	1%
NZ	%	196	0	%	11	0	%			%	0%	0%
Other	15 %	79,851	69,642	4 %	15,575	14,924	10 %	\$5.13	\$4.67	16 %	17%	15%
ALL	-1 %	660,662	667,433	-10 %	92,204	102,273	10 %	\$7.17	\$6.53		100%	100%

Source: (Comecarne)

Confidential: Not for Distribution