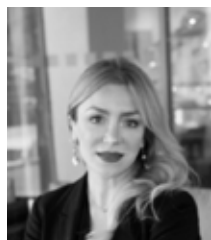




Mexico Update



Sales of Canadian Beef

Canadian beef exports to Mexico opened the first month of 2022 below the volumes posted a year ago. Imports were 2,179 MT in Jan '22, down 14% from a year ago while total values increased 16% from \$17.2 million CAD to \$20 million CAD. The decline compared to Jan' 21 was mainly due the big seasonal rebounds last year following a year of pandemic and low exports. However, Jan '22 Canadian beef export volumes remained well above subsequent levels posted for the remainder of 2021, which represented a monthly average of 1,639 MT. For Jan '22, Mexico's total beef imports fell 26.2% in volume but only 4.2% in value to US\$94.1 million due to an average increase of imported beef prices of 29.8%. Despite the rise in prices, the outlook for Canadian beef remains positive, based on higher consumption from middle to upper income consumers as well as the foodservice and tourism sectors. The Mexican economy expanded 4.8% in 2021, rebounding from a contraction of 8.2% in 2020.

Retail Sector Conditions

Given the rise in animal protein prices, changes in the consumption habits of Mexican consumers keeps shifting. The inflation rate in food is not only increasingly worrying for households, but also livestock producers, supermarket chains, restaurants and food businesses of all sizes. In 2021 although the domestic production of pork, beef, and dairy products rose by 2%, the prices of these products climbed more than 30% on average. In the first two months of 2022, retail beef prices have increased an average of 11%, therefore supermarket chains are combining and adapting promotional strategies to avoid a drop in sales. Average retail prices for domestic beef cuts in February were: Ground beef CAD\$9.21/kg, Chuck CAD\$11.91/kg, Tenderloin CAD\$29.69/kg

Food Service Sector

Mexico remains a price-sensitive market, although the high and upper-middle socioeconomic segments are still willing to pay for quality imported products. The food service sectors are quickly recovering, with an expectation of continued progress in 2022 due to evolving Mexican and international vaccine protocols and COVID mitigation strategies. Products perceived

Economic Indicators for Mexico			
Indicator	Change	Last 3 Mth	Prev 3 Mth
Consumer Confidence	-0.6	43.70	44.33
Business Confidence	0.0	52.03	52.03
Currency (PESO = 1US\$)	-2 %	20.51	20.93
Inflation (%)	0.7	7.24	6.54
Interest Rates (%)	1	6.50	6.00
Stock Market (MEXBOL)	4 %	52625	50745

as healthful and/or organic are being constantly featured on menus and have increased their market share. Retail and foodservice sectors have become increasingly connected, as some foodservice operators offer their products through retail channels as ready-to-eat options. Some restaurants are focusing as well on the creation of new and innovative customer experiences to attract consumers. The food service sector keeps relying heavily on social media to increase its audience and to develop a larger customer base.

Import/Distribution

The conflict between Russia and Ukraine will impact Mexico with higher inflation rates and will affect domestic beef production due to the increase in raw material costs and disruptions in the supply chain. According to January 2022 trade reports, Mexico's beef production projection for 2022 is estimated to be 2.03 million MT with consumption of 1.87 million MT. Regarding foreign trade, total beef imports for 2022 are expected to be 131,000 MT. The most significant imports will be from the United States, Canada and Nicaragua. During January 2022, beef imports from the US fell 38% YOY to 6,487 MT, (compared 10,514 MT in 2021) and its value dropped 14% from \$68.25 million USD (January 2021) to \$58.65 million USD. This drop is mostly due to record US meat exports, strong US domestic demand, and both production and logistical challenges, which will likely further intensify in 2022. Mexico's beef imports from the US will also be affected by tightening supplies and resultant higher prices that may make US beef less price competitive in Mexico.