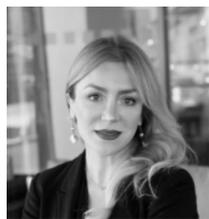




## Mexico Update



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### Sales of Canadian Beef

High inflation rates in 2021 continue to impact Mexican family's pockets in January 2022. Beef prices have increased by 18.4% in January vs December compared to same period the previous year. Nonetheless per capita beef consumption in 2021 rebounded 3.2% compared to 2020 representing an overall increase in the consumption of this protein. In 2021 Canada exported to Mexico a total of 23,396 tonnes of bovine meat products valued at US\$150.8 million, an increase of 54.4% in volume and 80.5% in value compared to 2020. As a result of labor issues at some US plants and resulting supply shortages there was a slight increase in imports of beef from different origins. The Mexican Ministry of Economy announced an extension of duty free quotas for pork, beef and chicken imports until June 2022. These tariff rate quotas which represent less than 7% of the annual beef and pork imports, will help to secure the supply of proteins for the population without impacting Canada's market share.

### Retail Sector Conditions

Mexico's GDP is expected to grow by only 2.6% in 2022, affected by the impact of the omicron variant. During the first half of January 2022, the average price of the basic food basket in Mexico City, Guadalajara and Monterrey, registered an increase of 11.6% compared to the last half of December 2021. The average price for domestic beef sold at retail has risen to US\$9.77, including Ground beef US\$7.28/kg, Rib US\$10.48/kg, Chuck US\$9.23/kg and Tenderloin US\$21.02/kg. Supermarkets will continue to strengthen their online sales and focus on improving delivery speed, where smaller retailers are managing to compete against bigger chains. In-store pick up service continues to be a challenge for larger retailers, as consumers in Mexico expect to pick up their products in the least amount of time as possible after they place their order. For the third consecutive year Mexico is within the top 5 nations with the highest e-commerce sales growth of countries with the greatest percentage of e-commerce as part of total retail sales, surpassing the world average and some highly developed markets such as France, Germany, Italy and Brazil.

### Economic Indicators for Mexico

Indicator	Change	Last 3 Mth	Prev 3 Mth
Consumer Confidence	1.3	44.53	43.23
Business Confidence	0.5	52.07	51.57
Currency (PESO = 1US\$)	2 %	20.84	20.40
Inflation (%)	1.3	7.27	5.94
Interest Rates (%)	1	6.00	5.50
Stock Market (MEXBOL)	-1 %	51414	51975

### Food Service Sector

The constant news about new waves of the pandemic and the emergence of different COVID variants has led Mexicans to be more cautious when eating out and to look for what they perceive as less harmful ingredients but with more flavor. The nutritional and sustainability aspects of products are becoming a strong driver in the purchase decision. Social media platforms have become a sales engine for businesses and are forecast to drive sales three times faster than traditional sales channels. This trend is driven in part by millennials and generation Z, which already represent 62% of consumers. In the upcoming months, certain social platforms will be opening their own virtual restaurants to capitalize on their success as unofficial restaurant advertisers. The Mexican tourism industry estimates a total recovery of the tourism sector within the coming year and is forecast to surpass pre-pandemic sales levels lead by destination with the highest influx of visitors which includes Cancun, Mexico City, Guadalajara, Los Cabos and Puerto Vallarta.

### Import/Distribution

In 2021, the US continued to be the largest beef supplier in Mexico with a 71.8% market share, followed by Nicaragua with 15% and Canada with a 12% share. Small volumes from Australia, Chile, Japan, New Zealand and Panama accounted for the remaining 1.2% of the imported beef market. US beef imports into Mexico from Jan-Dec 2021 were 200,628 MT up 4% in volume compared to the same period in 2020. Value was 24% higher than 2020 reaching US\$1.06 billion but still below pre-pandemic levels. Mexico has been the escape valve for the US beef industry by slaughtering and processing excess US cattle, which has allowed the US to reduce any beef products shortage despite their insufficient labor force. In 2021, southern US border state cattle producers shipped 90,440 head to Mexico for slaughter. This represents an increase of 211% of live cattle exports registered in 2020 and historically high trade volumes.