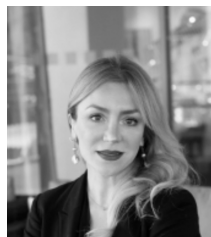




Mexico Update



Sales of Canadian Beef

Impacted by the global economic slowdown, higher inflation and interest rate hikes, the Mexican economy moderated its growth in the second quarter. The increase in the price of the basic food basket is the main inflationary factor exceeding all forecasts and accelerating inflation to 7.99% in June, its

highest level in more than 21 years. Even as inflation continues to put pressure the Mexican market, Canadian beef demand is strengthening, driven by a strong rebound in the foodservice sector. In May, CB export volume to Mexico reached its highest peak in 15 months at 2,327 MT, up 79.6% from April '22 and up 65% from a year ago. Values for May vs. April climbed 67.7% to US\$14.8 million (up 54.4% from 2021). Jan to May '22 export values to Mexico represent 45.5% of last year's total value of US\$151.4 million. May chilled boneless beef accounted for 74.4% (964 MT) of Canadian exports, followed by 14.4% (187 MT) variety meats, chilled bone-in beef (73 MT) and frozen boneless cuts (72 MT).

Retail Sector Conditions

Inflation has unleashed a battle for consumers among retailers such as Soriana, Walmart and La Comer. In the last month, beef steak registered an average national price increase of 4.26%, going from \$172 MXP/kg (\$10.79 CAD) to \$180 MXP/kg (\$11.29 CAD). For the same period pork chops increased from \$99.47 MXP/kg (\$6.24 CAD) to \$109.87 MXP/kg (\$6.89 CAD). Chicken prices have not been spared and so far this year its increase has been constant, registering a rise of 40%, and bringing its average cost, from \$64.40MXP/kg (\$4.04 CAD) to \$123.60 MXP/kg (\$7.75 CAD) between June and July 2022. Monterrey was the city with the most significant price increases for chicken and pork in May with only the price of beef steak trending downwards.

Economic Indicators for Mexico

Indicator	Change	Last 3 Mth	Prev 3 Mth
Consumer Confidence	0.4	43.93	43.50
Business Confidence	0.4	52.07	51.70
Currency (PESO = 1US\$)	-1 %	20.03	20.29
Inflation (%)	0.5	7.77	7.27
Interest Rates (%)	1	7.00	5.93
Stock Market (MEXBOL)	-6 %	50265	53707

Food Service Sector

The restaurant industry represents 12.2% of all businesses in Mexico. This sector requires liquidity to recover its level of growth prior to the pandemic. The importance of the sector becomes even more relevant given the probable scenario of an economic slowdown. Many of the restaurant groups that survived the pandemic are showing important recovery and expansion plans. A growth of 35% is expected for this sector at the end of the year. Although inflation increases are a relevant factor for consumers to overcome, several entities such as Quintana Roo, Baja California, Nuevo León, and Mexico City have shown a constant dynamism. With adequate support and well-founded expansion plans, this industry expects to return to its regular annual growth rate of 5.5%. Adequate financing in 2023 and 2024 will be decisive for the industry to reach its pre-pandemic status.

Import/Distribution

Between January and May 2022, Mexico reduced its beef imports from the United States by more than 17% and its dependence on total foreign purchases went down by 12.5% compared to the same period of the previous year, with an import volume accounting for 66,757 MT. The recorded drop is mainly due to the decline in purchases from the United States, which currently represents 69.2% of total imports. Between January and May, Mexican imports of all meat proteins amounted to 1.02 million MT. This volume represented an increase of 6.1% compared to the same period from last year, despite the fall in imports of beef and chicken.

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	30 %	68,832	53,017	1 %	8,736	8,680	29 %	\$7.88	\$6.11	11 %	13%	12%
USA	1 %	345,722	342,794	-15 %	46,382	54,763	19 %	\$7.45	\$6.26	-6 %	69%	74%
AUS	40 %	4,088	2,919	7 %	579	541	31 %	\$7.06	\$5.40	19 %	1%	1%
NZ	%	158	0	%	9	0	%			%	0%	0%
Other	32 %	59,188	44,958	10 %	11,546	10,497	20 %	\$5.13	\$4.28	22 %	17%	14%
ALL	8 %	477,988	443,688	-10 %	67,252	74,481	19 %	\$7.11	\$5.96		100%	100%

Source: (Comecarne)