

Mexico Update



Sales of Canadian Beef

So far in 2022 the Mexican meat sector reported avg. price increases of 35%, although some meat products have risen up to 300%. Inflation accelerated in May and reached its highest level since 2001 due to the persistent increase in food prices. Inflationary pressures continue and food

prices are expected to remain high until the third quarter, before beginning a gradual decline. Mexico's accumulated beef imports from all sources Jan-Apr '22 decreased 17.2% in volume from '21, but increased 2% in value due to a 23.1% rise in prices. YTD Jan-April 2022 vs 2021, beef imports from the US fell 19.7% in volume and 1% in value, while the cumulative volume of Canadian beef imports for the same period fell 11.8% vs. 2021 (6410 MT), and increased in value by 24% (US\$54.6 million). Chilled muscle cuts accounted for 80% of total April Canadian beef imports (1037 MT), while the ratio for variety meats was 14%.

Retail Sector Conditions

The high levels of inflation in Mexico have forced Mexican families to modify their consumption preferences. Although overall inflation for goods and services in May eased to 7.65%, in central Mexico, the cost of the basic food basket increased by 0.5%. During April 2022, all meat categories experienced record increases of 2.2% in average prices compared to the previous month. Beef and chicken suffered the strongest increases, while pork once again became the most consumed protein due to its lower cost. During the last week of April, retail prices for domestic ground beef was US\$6.72/kg, Chuck US\$9.54/kg, and beef tenderloin at US\$21.95/kg, while price for pork chops was US\$5.30/kg, and pork loin was offered at US\$5.85/kg.

Food Service Sector

Although Mexico is experiencing its 5th COVID wave, the food service sector expects to continue with the gradual reopening

Economic Indicators for Mexico

Indicator	Change	Last 3 Mth	Prev 3 Mth
Consumer Confidence	0.3	44.10	43.80
Business Confidence	0.2	52.13	51.90
Currency (PESO = 1US\$)	-2 %	19.93	20.43
Inflation (%)	0.4	7.59	7.24
Interest Rates (%)	1	6.60	5.60
Stock Market (MEXBOL)	1 %	53194	52649

and the recovery of the economic sector. The Health Secretariat has approved full capacity in closed spaces, with no restrictions at commercial premises, restaurants and public spaces. Sales during Father's Day are expected to be significant for this sector, however they are still estimated to be 30% below pre-pandemic periods since the celebration will take place under the scenario of economic uncertainty due to higher prices. Additionally a decrease in optimism among Mexican consumers is projected further eroding sales.

Import/Distribution

Low prices for imported pork continue to increase the purchase volumes of this protein. Alternatively, high prices of beef and chicken have reduced the imported volume of these two proteins. In May, the volume of chicken imports fell 6.3%, impacted by an 18.8% rise in price, while a record 600,000 MT of pork meat was imported, mostly from the U.S, and driven by a 9% drop in price. Mexico will continue to eliminate tariffs on imports of meat products to control inflation and avoid price pressures. The federal government seeks to increase the supply of animal protein from other countries with less dependence on the US & Canada, from where 92% of the beef is imported. The drought that is hitting the southern states of the US is forcing ranchers to sell their slaughter-ready cattle to Mexican slaughterhouses at a lower price & reaching historically high figures. This has increased the supply of domestic slaughtered beef and reduced the demand for imported boxed beef.

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	24 %	54,641	43,931	-12 %	6,410	7,268	41 %	\$8.52	\$6.04	2 %	12%	12%
USA	-1 %	279,475	281,122	-20 %	36,265	45,150	24 %	\$7.71	\$6.23	-7 %	69%	74%
AUS	43 %	3,661	2,559	12 %	551	493	28 %	\$6.64	\$5.19	30 %	1%	1%
NZ	%	159	0	%	9	0	%			%	0%	0%
Other	41 %	48,561	34,462	15 %	9,403	8,194	23 %	\$5.16	\$4.21	33 %	18%	13%
ALL	7 %	386,497	362,074	-14 %	52,638	61,105	24 %	\$7.34	\$5.93		100%	100%

Source: (Comecarne)