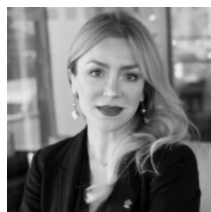


Mexico Update



Claudia Herrera-Blanc

Sales of Canadian Beef

Mexico continues to export more beef than what it imports. However, Mexican beef export sales to Sept showed a decline, while imports are on the rise. Pork continues to be the main imported protein reaching 949,091 MT to Oct, 21.8% higher than in 2020. Total beef imports YTD October rose 19% in volume reaching 142,567 MT and up 54% in value to US\$995 million. Canadian beef exports to Mexico in Oct were down 8.8% from Sept volume at 1,418 MT, with export value also slipping 8.41% from US\$13.7 million to US\$12.2 million. Imported volumes of Canadian chilled muscle cuts remained steady from last month and frozen muscle cut volumes were 44% higher, although frozen offals volume dropped 48% from 427 MT to 224 MT. For Jan through Oct, overall Canadian beef imports jumped 63% from last year's volume of 10,534 MT to 17,173 MT. Value was up 109% from 2020 to US\$126.6 million in 2021 YTD October.

Retail Sector Conditions

Consumer prices in Mexico accelerated more than what was expected in October, with a monthly increase of 0.84%. This is the highest increase for the same month in 23 years. Beef prices have risen 17% compared to the first half of October, and now sells for over 219 pesos per kg. This price increase is not exclusive to meat protein and includes other foods and services as well. Nonetheless, beef consumption in Mexico from January to October 2021, increased 4.5% compared to the same period in 2020. Supermarket chains are adapting to the constant changes in the economic environment and consumer behavior by having stores without any cashiers, promoting aggressive price offers in certain seasons, and implementing pop up stores for limited time frames.

Food Service Sector

Given the increase in food costs and constant economic uncertainty, restaurant prices have reached their highest levels since 2014. Before the start of the pandemic, the annual inflation rate recorded its lowest level in April 2020 of 2.2%, but from that point onwards, the increase in consumer prices have been on an

Economic Indicators for Mexico

Indicator	Change	Last 3 Mth	Prev 3 Mth
Consumer Confidence	-0.2	43.47	43.67
Business Confidence	0.1	51.47	51.37
Currency (PESO = 1US\$)	2 %	20.41	19.94
Inflation (%)	-0.9	5.00	5.86
Interest Rates (%)	-1	5.00	5.50
Stock Market (MEXBOL)	3 %	51946	50654

upward trend. In the specific case of restaurants, prices began rising in March 2021 and for October 2021 the increase is now 6.74% YOY, the highest since November 2014. The increase in beef prices which have risen by 40%, as well as the confinement, the emergence of dark kitchens offering food delivery only and the drop in family income, has had a very negative effect on the traditional dine in restaurant industry. Beef is one of the most important ingredients so in order to avoid increasing their menu prices, restaurants are now substituting their dishes for other cheaper meat options such as pork. The high demand for typical Mexican foods made with pork has reached record levels and also the revenues of companies that process this protein.

Import/Distribution

From being a country with a traditional diet based on vegetables and corn, Mexico became the sixth largest consumer of meat worldwide, with more than 8.8 million MT of meat purchased annually, and a per capita consumption reaching 69 kgs per year. For Jan-Sep 2021 total meat imports increased by 61.7% to US\$3.49 billion compared to the previous year. Pork continues to be the most imported protein, followed by chicken. Of all proteins beef imports however showed the largest increase in value at 64.3% compared to 2020. Mexico officially opened its doors to British pork for the first time and which may further fill the demand for cheaper meat. Australian beef imports into Mexico strengthened from September to October, increasing 298% to 334 MT mainly due to higher prices and tight supply from other sources. Imports from Nicaragua fell 9.35% from September to 2,065 MT and US imports slightly recovered 5.7% in October compared to September reaching 9,217 MT.

Origin	Year \$ Change	US\$ '000 YTD		Year MT Change	Volume (MT) YTD		Yr \$/kg Change	US\$/Kg YTD		Yr Share Change	Market Share MT	
		2021	2020		2021	2020		2021	2020		2021	2020
CAN	109 %	126,604	60,710	63 %	17,173	10,534	28 %	\$7.37	\$5.76	37 %	12%	9%
USA	42 %	756,506	531,180	8 %	102,288	94,429	31 %	\$7.40	\$5.63	-9 %	72%	79%
AUS	178 %	8,482	3,055	39 %	1,365	984	100 %	\$6.21	\$3.10	17 %	1%	1%
NZ	-100 %	0	60	-100 %	0	15	-100 %	\$0.00	\$4.00	-100 %	0%	0%
Other	105 %	103,503	50,428	56 %	21,741	13,915	31 %	\$4.76	\$3.62	31 %	15%	12%
ALL	54 %	995,095	645,433	19 %	142,567	119,877	30 %	\$6.98	\$5.38		100%	100%

Source: (Comecarne)