



Mexico Update



Sales of Canadian Beef

According to the National Institute of Statistics, the Mexican economy slowed during Sept. Analysts forecast a currency depreciation of 20% against the dollar at the end of this year and during 2023, even though the Mexican peso has

shown great strength against the US currency. Despite the economic uncertainty and higher meat prices and inflation rates faced by the industry, the momentum for retail and foodservice beef sales continues. Sept Canadian beef exports set a new volume record in 18 months, reaching 2,451 MT for the first time this year, with a value of US\$16.47 million. Jan to Sep Canadian beef exports rose 1.92% from last year (15,755 MT) to 16,058 MT and total value climbed 4% to US\$124.5 million. Chilled muscle cuts accounted for 83% of total Cdn exports while frozen cuts and variety meats were 7% and 10%.

Retail Sector Conditions

Throughout October, the prices of animal protein had a variable behavior ranging from minimal contractions to considerable increases. Regarding meat prices in Mexico City, pork was 3.2% more expensive and chicken 2.3%, with prices of \$128.8 MXP/kg (CAD\$8.87) and \$47.3 MXP/kg (CAD\$3.26) respectively, while beef steak prices fell 1.1% to a value of \$177 MXP/kg (CAD\$12.19). In Monterrey, prices reflected an upward trend of 10.1% for chicken, 1% (\$182.6 MXP/ CAD\$12.57) for beef steak and 0.5% (\$127.4 MXP/ CAD\$8.77) for pork. According to the State Agricultural Council, to reduce prices of the basic food basket products, only adjustments to the distribution chain were needed instead of opening imports at duty-free quotas. Beef costs between producer and consumer vary by up to 28% higher.

Economic Indicators for Mexico

Indicator	Change	Last 3 Mth	Prev 3 Mth
Consumer Confidence	-3.0	41.07	44.03
Business Confidence	-1.2	50.73	51.90
Currency (PESO = 1US\$)	1 %	20.19	20.04
Inflation (%)	0.7	8.52	7.77
Interest Rates (%)	1	8.33	7.00
Stock Market (MEXBOL)	-9 %	45833	50173

Food Service Sector

After being one of the sectors hardest hit by pandemic restrictions, the restaurant industry has not only recovered to pre-pandemic levels, but has also registered historic sales. However, it has also reduced its profit margins due to higher ingredient prices by up to 150%. Inflation rate, staff shortages and other problems are impacting profits and many restaurants are absorbing the cost, while some others are passing it on to the consumer. Shortages in personnel, have led to wage increases, which is also putting pressure on profits. The contraction starting to register in the restaurant sector is the largest since Dec 2020, and points towards a retraction in consumption of non-essential services, in an environment of high inflation and higher interest rates.

Import/Distribution

Argentina will compete in the Mexican market for imported meat. After eight years of negotiations and the approval of the Mexican health authority, 22 Argentine processing plants are approved, although it is yet to be defined under which import quotas. Every year, Mexico imports a total of US\$716 million of chilled meat proteins and US\$29 million of frozen cuts. Although the US and Canada are the main suppliers to the Mexican market, thanks to zero import duties, Argentina aspires to a small share of the market which can grow over time. Argentinian producers also have to pay duties in their own country to be able to export and which they have asked their government to eliminate.

Value, Volume, Price and Market Share % of Beef Imports from Major Suppliers (September 2022, YTD) -10% +10%

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	4 %	\$124,521	\$119,716	2 %	16,057	15,755	2 %	\$7.75	\$7.60	8 %	13%	12%
USA	-9 %	\$649,282	\$709,779	-8 %	85,970	93,071	-1 %	\$7.55	\$7.63	-2 %	70%	72%
AUS	10 %	\$6,998	\$6,335	-34 %	680	1,031	67 %	\$10.29	\$6.14	-30 %	1%	1%
NZ	%	\$264	\$0	%	15	0	%			%	0%	0%
Other	5 %	\$101,216	\$96,420	0 %	19,686	19,650	5 %	\$5.14	\$4.91	6 %	16%	15%
ALL	-5 %	\$882,281	\$932,250	-5 %	122,408	129,507	0 %	\$7.21	\$7.20		100%	100%

Source: (Comecarne)