

AHEC MEXICO/LATIN AMERICA *Update*



Statistic Analysis

Hardwood Lumber

Area/Partners of Destination
And Commodities Exported

January - September
Quantities/Values in Dollars

Partner	Product	UOM	2019		2020		Period/Period % Change (Value)	Period/Period % Change (Qty)
			Value	Qty	Value	Qty		
Mexico	Hardwood Lumber	M3	88,796,874	213,349.0	70,637,313	185,112.0	-20	-13
Mexico	Hardwood Lumber, Other Temperate	M3	21,806,581	59,468.0	21,232,934	57,936.0	-3	-3
Mexico	Hardwood Lumber, Hickory	M3	10,381,022	37,374.0	15,427,874	56,853.0	49	52
Mexico	Hardwood Lumber, Red Oak	M3	12,830,877	29,368.0	11,734,439	26,925.0	-9	-8
Mexico	Hardwood Lumber, Maple	M3	4,997,402	8,892.0	4,893,213	8,285.0	-2	-7
Mexico	Hardwood Lumber, Western Red Alder	M3	4,047,440	10,166.0	4,557,844	11,881.0	13	17
Mexico	Hardwood Lumber, White Oak	M3	6,096,775	9,162.0	3,925,446	5,593.0	-36	-39
Mexico	Hardwood Lumber, Yellow Poplar	M3	3,709,046	8,778.0	3,311,184	8,148.0	-11	-7
Mexico	Hardwood Lumber, Walnut	M3	4,073,999	8,206.0	2,040,459	3,468.0	-50	-58
Mexico	Hardwood Lumber, Cherry	M3	8,161,447	18,350.0	1,220,998	1,175.0	-85	-94
Mexico	Hardwood Lumber, Ash	M3	2,112,558	3,315.0	1,038,806	1,702.0	-51	-49
Mexico	Hardwood Lumber, Tropical	M3	10,145,125	18,667.0	772,251	1,032.0	-92	-94
Mexico	Hardwood Lumber, Beech	M3	396,997	1,544.0	429,935	1,914.0	8	24
Mexico	Hardwood Lumber, Birch	M3	37,605	59.0	51,930	200.0	38	239
Grand Total		M3	88,796,874	213,349.0	70,637,313	185,112.0	-20	-13

The US Census Bureau Trade Data has released the statistics for September 2020 where we can see that despite the fall of 20 percent in value and 13 in volume, Mexico continues to be the fourth most important market for hardwood lumber exports after China, Vietnam and Canada in that order. Almost \$6.00 out of every \$100.00 dollars of all hardwood lumber export sales have come from Mexico and \$3.71 out of every \$100.00 are from Red Oak lumber only regardless of the loss of 9% in value and 8% in volume for this species in the period of January to September of 2020 compared to the same period in 2019.

What really is an eye-catching fact is the astounding increase of 49% in value and 52% in volume of hickory

lumber exports into Mexico and that can be easily explained due to the manufacturing of the cage for panel trucks by a well-known Korean car manufacturer through a maquila operation in Mexico.

Cherry lumber reported a dramatic downfall during this period when compared to 2019 given that China is the major buyer today for Cherry and almost 9 out every 10 boards produced for export are going there.

Hardwood lumber exports to Mexico account for \$70.6 million dollars as of September 2020, a drop of 20 percent if compared to the same period in 2019 derived from 185,112 cubic meters, meaning that the market is beginning to recover after being seriously hit by the pandemic, if we remember the figures from

June 2020 when hardwood lumber shipments dropped by almost 30 percent to the southern neighbor.

Although furniture manufacturers have been working incessantly yet not at full gas, they are relying on their current stock and whatever they settled before the pandemic started. Traders, on the other hand, are less shy on purchases but at a gingerly pace re-stocking what is on demand.

AHEC Mexico has held a series of Zoom sessions with timber traders and furniture suppliers of different associations having very positive results and an optimistic feeling of rebooting the market by the first quarter of 2021.

All Hardwood Products

Area/Partners of Destination
And Commodities Exported

January - September
Quantities/Values in Dollars

Partner	Product	UOM	2019		2020		Period/Period % Change (Value)	Period/Period % Change (Qty)
			Value	Qty	Value	Qty		
Mexico	Hardwood Lumber	M3	88,796,874	213,349.0	70,637,313	185,112.0	-20	-13
Mexico	Hardwood Siding	M2	99,461,935	1,494,096.0	43,324,647	638,608.0	-56	-57
Mexico	Hardwood Veneers	M2	21,178,759	14,375,062.0	18,225,323	12,649,833.0	-14	-12
Mexico	Hardwood Plywood	M3	4,610,723	7,411.0	3,562,650	6,223.0	-23	-16
Mexico	Hardwood Logs	M3	433,535	1,032.0	1,160,016	2,424.0	168	135
Mexico	Hardwood Flooring	M2	756,991	22,413.0	424,658	14,175.0	-44	-37
Mexico	Hardwood Chips	MT	1,151,152	28,211.0	311,915	6,696.0	-73	-76
Mexico	Hardwood Molding	METER	229,446	73,560.0	224,427	78,304.0	-2	6
Grand Total		MT	216,619,415	28,211.0	137,870,949	6,696.0	-36	-76

Not only Mexico is the 4th top All Hardwood Products market for hardwood lumber but for all hardwood products as whole. Regardless of the nosedive on shipments of hardwood siding, 98.7 percent of the export production has been sent to Mexico accounting for \$43.3 million dollars for some 6.8 million square feet, ranking the country in the first place for the most

important markets for hardwood siding.

Hardwood lumber, siding and veneers are the top three products shipped to Mexico as of the ninth month of the year accounting for 96 percent of all sales to the country, the remaining 4%, or \$5.7 million dollars, is split between plywood, logs, flooring, chips and molding.

Veneer exports to Mexico reached 12.6 million square meters, or 136.2 million sq ft meaning \$18.2 million dollars, which represents 10.3% of the total veneer shipments out of the US to the world, placing Mexico as the second largest market for hardwood veneers.

AHEC Activities

Amongst the now new normality in working from a distance, AHEC has not stopped having contact with the trade a key players in the market , AHEC held a round table with professionals of the furniture supplying industry and timber traders members of different associations to discuss the current situation of the wood market in Mexico. The session was recorded and is available to AHEC members at <https://youtu.be/p9gUKmjFOA4>



Above - AHEC Zoom panel with specialists of the wood industry

Habitat Expo

After having the vast majority of events been postponed initially at the beginning of the pandemic and then most of them cancelled

including trade shows, seminars and practically all AHEC activities involving mass gatherings and having the travel topic out of the question, the only trade show that survived took place on the beginning of November in Mexico City not without seeking the

accreditation of the GBAC (Global Biorisk Advisory Council) Star Facility certification via the implementation of GBAC filters to guarantee filtering of 40% of the outdoor air as well as the use of a much more comprehensive system of measures and protocols

necessary for the cleaning, and sanitization of both the staff and the premises. The show also allowed 30% of the visitors that would normally be allowed by the venue.

AHEC staff worked within a fenced stand to give information and technical material to all the visitors. To prevent physical contact most of the technical publications were downloaded via a QR code.

All AHEC staff stays healthy and working from home

***Right - AHEC staff working behind a fenced safety area.
Below - AHEC stand featuring QR codes to download technical***



publications.

MEM + TecnoMueble

The Magna Expo Mueblera or MEM or its name in Spanish and TecnoMueble are two trade shows that have been providing the furniture supplying industry with a myriad of options for the past 30 years. The first in Mexico City and the latter in Guadalajara, Jalisco

IMEXFOR News

During IMEXFOR Extraordinary General Assembly on November 27, it was announced that the Mexico's Ministry of Economy announced that the criteria for obtaining automatic amendments to the tariff schedule was already published in

Mexico has used eight-digit tariff classifications since the implementation of the Harmonized system in 1988.

The Ministry of Economy also published the methodology for the creation and modification of these commercial identification numbers on August 28, 2020. The publication of the goods classified in the new ten-digit commercial identification numbers is still pending.

This means that Mexico will now have a harmonized 10 digit tariff system but by no means will modify the dues, fees or tariffs that have to be paid by the importer, this is all about paperwork for custom agents when processing the 'pedimento'. Although the US has been working under the 10 digit scheme for many years now, Mexico's 10 digit norm may not match exactly the American tariff numbers since each country establishes and determines the merchandise that enters their territory in their very own classification. The 10 digit number of commercial identification (NICO) only describes more thoroughly the product that is being imported.



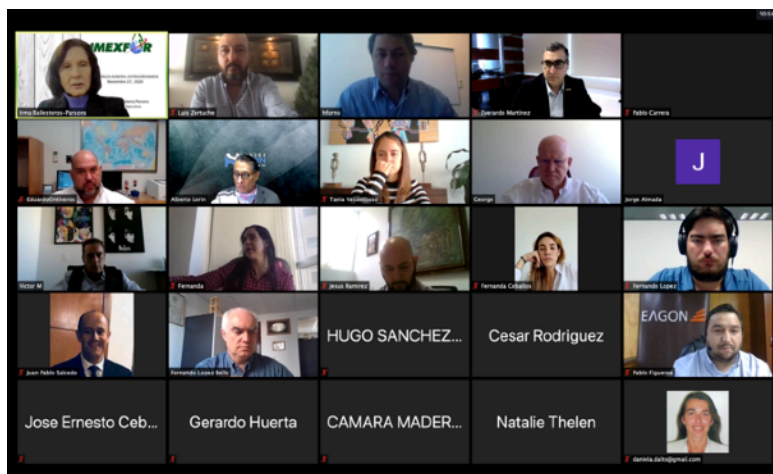
Zoom Press Conference by Hannover Fairs

have now been sold to the German company Hannover Fairs along with the smaller show from AMPIMM (Mexican Association of Suppliers for the Wood and Furniture Industry) merging in one single show that will be held alternating venues between Mexico City and Guadalajara every year, for 2021 it will be held in Guadalajara on August 18-21 and for 2022 it will be held on mid-January. Hannover Fairs has promised to make this single show grow and make it the most important show for furniture supplies in the country with expectations to have over 11,000 sq meters of exhibition area for 2023.

This was announced during a press conference via Zoom to over 240 participants of the media and the industry.

the Diario Oficial and will be effective as of December 28, 2020.

The New Complimentary Rule 10 establishes the methodology for creating and modifying commercial identification numbers referenced by two digits added to the end of the full eight-digit tariff classification.



IMEXFOR Extraordinary General Assembly via Zoom

Latin America

Focus on Brazil - With less than two months left to the end of 2020, Brazilian furniture exports have not risen as in some other producer countries despite the highly favourable exchange rate which has clearly benefitted wood panel exporters. In the case of furniture, 2020 is expected to end with export earning at about the same level as in 2017, that is around US\$650 million.

Between January and September 2020 furniture exports totalled US\$465.2 million, 10% less than in the same period of 2019. The main exporters are concentrated in the southern region of the country. The states of Santa Catarina, Rio Grande do Sul and Paraná together account for 80% of total exports with half of this coming from Santa Catarina.

Among the states that exported over US\$1 million in the first 9 months of the year Rio de Janeiro in the south eastern region, showed the greatest expansion a doubling of exports going from US\$929,000 to US\$1.9 million dollars. At the other extreme

is the state of Pernambuco in the north eastern region of Brazil where exports dropped 38%.

Source: ITTO

Domestic demand recovering and exports of most wood products rising - At the beginning of the pandemic there were forecasts of reductions in domestic demand and exports, notably of solid wood products. The expectation was for a decline in domestic and international demand for all forest products throughout 2020 and into 2021.

After six months and with the pandemic affecting 30 million people, the scenario is markedly different from that forecast. The Brazilian domestic market is already showing signs of recovery with resumption of civil construction and exports of most wood products have increased.

Although there was a drop in exports for some products, overall there was growth in the first seven months of this year. Exports of veneers stand out although export volumes are still small. However,

other products such as non-coniferous roundwood exports increased 23% year on year to a record 700,000 cu.m.

International demand for wooden doors expanded over 20% with some 70% of exports going to the US. Exports of value-added products were expected to be severely impacted by the pandemic but this proved wrong. The pandemic did affected exports at the beginning of the year but the situation has changed dramatically over the past two or three months.

Comparing August 2020 with the same month in 2019 exports of tropical plywood almost doubled, pine plywood exports were up 45% and pine sawnwood exports increased 68%. However, furniture exports have not yet recovered.

This picture is totally different from that foreseen at the beginning of the pandemic when a 30% to 40% reduction in Brazilian exports of solid wood products was projected.

Source: Revista Referência Florestal (October, 2020)



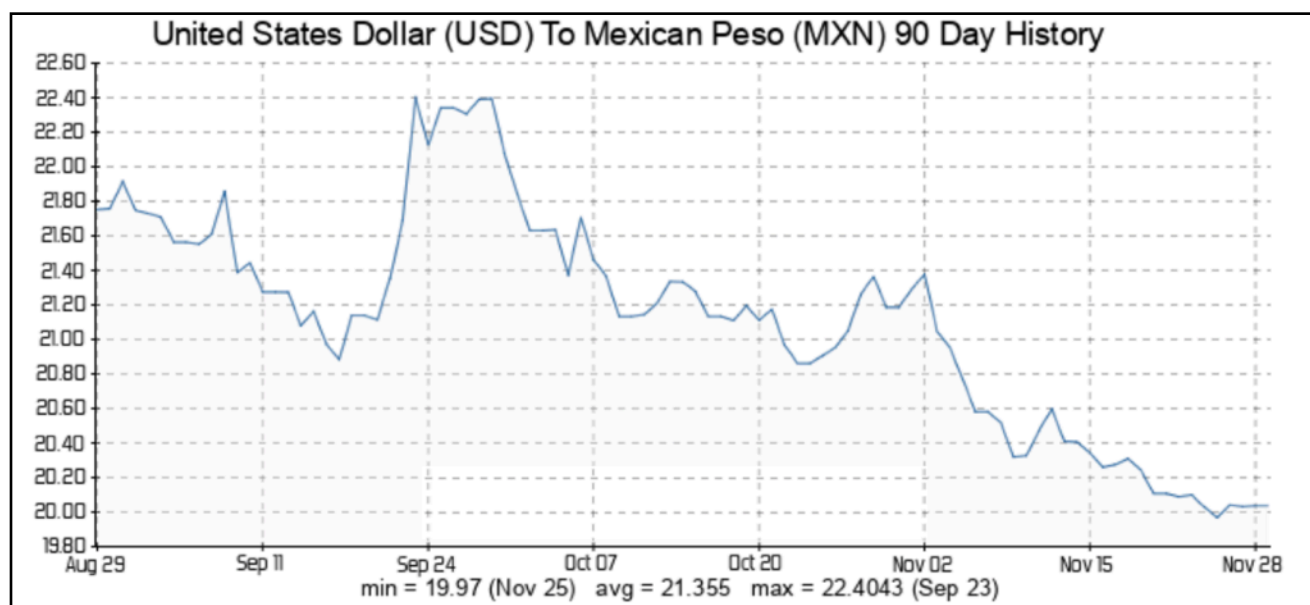
Exchange rate

The Mexican peso traded with gains against the dollar as of November 19. The spot exchange rate stands at 20.2435 units per dollar

compared to the record of 20.2620 units per dollar at the end of November 18, reported the Bank of Mexico (Banxico).

The movement of the parity means for the local currency an

appreciation of 1.85 cents or a variation of 0.09 percent. The crosshair moves in a range between a maximum of 20.4320 units and a minimum of 20.2032 units per dollar.



AHEC Latin America forthcoming events

Event	Date	Description	Venue
FIMMA Bazil	April 26-29, 2021	Trade show for industrial wood processing and furniture manufacturing	Bento Gonçalves, RS Brazil
Habitat Expo	May (TBD)	A show that targets interior designers, architects and developers.	World Trade Center Mexico City Mexico
Exphotel	June 15-19, 2021	Trade show targeting the hospitality industry of the riviera Maya area. Interior decoration, remodeling and maintenance professionals.	ICC Cancun Centre Cancun, QR Mexico
ForMobile	June 22-25, 2021	Trade show for industrial wood processing and furniture manufacturing	Expo Sao Paulo São Paulo Brazil
Interzum Bogota	June 22-25, 2021	Trade show for industrial wood processing and furniture manufacturing	Corferias Center Bogotá, Colombia

PR Highlights



Above: Sector Mueblero Magazine - 'Connected' 2-page article

Circulation - 10,000

Unpaid worth - US\$ 6,200



Above: Design Hunter Magazine - 'Sebastian Angel' 4-page article

Winner AHEC Design Awards 2018

Circulation - 30,000

Unpaid worth - US\$ 25,600

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