



AHEC MEXICO / LATIN AMERICA MARKET REPORT

August - September, 2004

AMERICAN HARDWOOD EXPORT COUNCIL

US Agricultural Trade Office
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US HARDWOOD LUMBER EXPORT STATISTICS

Mexico	Value U\$ 7 mos 04	Value U\$ 7 mos 03	% Change
Ash	330,221	688,300	-52
Beech	565,817	515,880	9.7
Birch	424,245	369,933	14.7
Cherry	864,108	799,586	8.1
Hickory & Pecan	42,142	349,965	-88
Maple	9,540,084	8,269,536	15.4
Other	7,827,418	3,377,409	131.8
Red Oak	14,014,655	13,510,899	3.7
Walnut	365,530	181,568	101.3
West Red Alder	6,141,787	9,273,236	-33.8
White Oak	1,496,196	1,413,418	5.9
Yellow Poplar	6,457,794	4,499,408	43.5
Totals	48,069,997	43,249,138	11.6

US HARDWOOD PRODUCT EXPORT STATISTICS

Mexico	Value U\$ 7 mos 04	Value U\$ 7 mos 03	% Change
Flooring	1,492,270	525,455	184
Logs	6,914,648	3,305,277	109.2
Lumber	48,070,097	43,249,198	11.1
Molding	1,151,273	584,060	97.1
Dimension	14,933,346	9,616,086	55.3
Plywood	7,412,097	5,273,037	40.6
Siding	663,257	340,872	94.6
Veneer	11,474,430	6,710,541	71
Parquet Flooring	244,313	200,254	21.8
Railroad Ties	1,397,655	5,053,255	-72.3
Totals	93,753,386	74,858,035	25.7

The Mexican market for U.S. hardwood products continues to grow. Overall exports into Mexico increased by 25% in value during the first seventh months of 2004. With the exception of railroad ties, exports of all U.S. hardwood products have increased. The U.S. remains the primary supplier of imported wood products to Mexico. According to Mexican import statistics, U.S. products makes up approximately 73% of the imported lumber, 50% of imported veneer and 90% of imported molding and dimension products, which is remarkable, given that U.S. products made up 50% in 2002. While Mexico is primarily a lumber market, it is important to note that exports of secondary wood products are steadily increasing.

Based on reports from key contacts throughout the manufacturing sector, Mexican manufacturers are increasingly beleaguered by Chinese and Southeast Asian imports, and are looking for ways to both differentiate and upgrade their products and increase the efficiency of their production facilities. To accomplish this, many manufacturers are specifying some of the lesser known species in the Mexican market, such as soft maple, tulipwood and basswood. In addition, a number of manufacturers have expressed an interest in importing components and other dimension products, complaining that local production tends to be untimely, unreliable and of lesser quality. Finally, as noted during Home Mart's presentation at the Second AHEC Latin America Convention, Home Depot has opened several chains throughout Mexico, which is driving some of this growth.

AHEC ACTIVITIES

Trade Servicing to Campeche, August, 2004/Participation in Architectural Forum-Cancun

AHEC Latin America Director traveled to the State of Campeche and visited some contacts in Ciudad del Carmen and Campeche. The State of Campeche formerly was an important supplier of Mahogany and Cedar but these species have become increasingly scarce. In addition, due to environmental regulations, currently all hardwood species traded in the area must be imported.

However, based on reports from the field, there are a number of misconceptions about U.S. hardwood products. Importers and end-users associated hardwood with local tropical species such as Pucté, Machiche and Tzalam, which are very hard to machine. AHEC Mexico director explained the characteristics of different American hardwood species, using the information contained in the Species guide to address issues of density and workability. As a result, AHEC convinced these new contacts to try U.S. species. It should be noted, though, that limited distribution in the region will likely prove a significant obstacle to these new contacts. AHEC expects that, with time and effort, we will be able to generate enough interest in U.S. hardwood to pull U.S. products through existing distribution channels in Merida, Villahermosa and Mexico City.

AHEC identified one contact in the city of Campeche who was already using American Red Oak for the renovation of a high-end hotel and the local convention center. The architect explained that he specified Red Oak after noticing its use in several hotels in the U.S. He also expressed interest in receiving more information about different species. AHEC left him with the AHEC technical publications and the membership directory for further reference.

Insect problems are very common in this area, as well as in other regions with similar weather conditions. Therefore flooring, siding and millwork applications are not recommended; furniture however, may represent an opportunity for AHEC. All contacts were invited to the 3rd AHEC convention to be held February 23-25, 2005 in Cancun.

AHEC Mexico director also attended the Urbanism Forum in Cancun, Quintana Roo. Architects presented projects for high-end housing around the Cancun area and different tourist developments including a cruise pier and several hotels. Three important projects were presented:

- 1.- Malecon Cancun. 287.9 hectares located in front of the Nichupte lagoon, between the Hotels zone and the Urban Area. This project is planned to have a business area and 4,200 hotel rooms.
- 2.- Puerto Cancun. 327 hectares, with an access to the sea. Shopping malls are still under construction, as well as the Marina and the hotel area. The project will hold 26,000 hotel rooms and 2,100 private apartments and a marine that will host 330 yachts. This complex is presumed to be the third port in importance for the region.
- 3.- Costa Maya. Still under construction and projected to continue growing for 10 more years. Located in Mahahuala, about 80 miles south from Cancun, expected to be as successful as Cancun but in a higher profile with state-of-the-art housing and recreational areas including golf courses and a yachting zone.

Technical support to new users is crucial for the success of the program. Importers rely on AHEC information as a sales tool, therefore they were all left with the small hardwood manual created specifically for this purpose so they can eventually distribute it to their costumers. Regardless of the projects going on in the Cancun area, the Yucatan peninsula has been dominated by Pine, Cedar and Mahogany for generations, which makes it difficult to penetrate the market. Nevertheless, AHEC has addressed this constraint by visiting with distributors and specifiers and supplying them with AHEC publications information. The new contacts were very receptive to AHEC's efforts and were interested in expanding the range of products they currently offer their costumers.

Participation in Deconarq, September 2004

The third edition of the Deconarq trade show drew over 70 exhibitors including solid and engineered wood flooring manufacturers targeting the high end housing contractors.

Canadian companies were extremely active, promoting red oak, hard maple, beech and bamboo flooring at competitive prices. After a brief interview, the company revealed that their most popular product included beech flooring.

Danish beech furniture seemed to be popular at the show; many visitors stopped by and asked for prices. The furniture was composed of veneered panels. Flooring companies were featuring their new products including engineered flooring; not the traditional veneer over MDF but three real wood layers overlaid in opposite directions for better stability. Featured species included American Oak, American Cherry, American Hard Maple, German beech and other South American species like Caobilla.

AHEC PR Summit, London, September 2004

The AHEC European office held its annual PR meeting in London. Five PR firms (Germany, Italy, Spain, France and the UK) gathered to discuss the annual PR plan with the AHEC European director. These firms have over 10 years of experience in the AHEC programs.

The AHEC Latin America office was interested particularly in the Spanish, Italian and French programs due to the similarity of those audiences and their influence in Mexico, South America and the Caribbean countries.

AHEC LA director contacted the directors of the firms to discuss the approach to latin markets and audiences and learned that some of the materials already produced in these European countries can easily be adapted for the Latin American targets. AHEC Latin America will keep in communication with the Spanish, Italian and French firms to interchange those material that may be useful for each other.

AHEC Mexico & Latin America SPC meeting, October 2004, Toronto

Attendees:

Luis Zertuche – AHEC Latin America Director
Steve Sievers – AHEC Chairman C/K International
Orn Gudmundsson – Northland Corporation
Mark Taylor – Oaks Unlimited
Alejandro Zamora – ☐umbre de Mexico
Happy Whitlock – AHEC Program Manager Mexico/Korea

I. MAP 2004-2005

A. Overview of 2003-2004 program and budget (L.Zertuche)

A short briefing of the market situation in Mexico, Latin America and the Caribbean was presented for those who were not in attendance for the early morning presentation.

II. Proposed Activities for 2004-2005 program (L. Zertuche)

- 1) Trade Servicing.- LZ explained to the SPC the Architects program and the strong trade servicing campaign that was held last year and how AHEC LA plans to follow up with trade servicing visits to under serviced areas.

Regarding Trade servicing to Central America, the suggested destinations were Costa Rica, Nicaragua and Panama.

- 2) Proposed Seminars-grading & architectural.- Proposed dates
- Grading Seminars

- April 7-8, 2005 Veracruz and Mexico City
 - April 11-12, 2005 Villahermosa and Aguascalientes
 - April 14-15, 2005 Durango and Queretaro
 - Caribbean Seminars
 - April 25, 2005 Port of Spain, Trinidad & Tobago
 - April 28, 2005 Fort de France, Martinique (TBD)
 - May 2, 2005 Kingston, Jamaica
 - South American Seminars
 - May 17, 2005 Santiago, Chile
 - May 19, 2005 Curitiba, Brazil
 - May 23, 2005 Buenos Aires Argentina
- 3) Trade Shows
- ExpoCIHAC (construction) October 14-19, 2004
 - ProMueble (Furniture supplying industry) January 26-29, 2005
 - ExpHotel (Interiors) June 8-10, 2005
 - Expo AMPIMM (Furniture supplying industry) June 23-25, 2005
- 4) PR Update.- A new PR firm was selectewd for working in the Mexico and Caribbean programs. Grupo POM was replaced.
- 5) New Publications
- 6) AHEC Mexico & Latin America convention. SPC suggested holding a conference including custom brokers and port authorities to talk about logistics.

II. SPC Feedback

The SPC generally approved of the direction of the program. Specifically, Alejandro Zamora supported AHEC's efforts to target architects, noting that this mirrors his own company's long-term development strategy.

Regarding the grading seminars, Alejandro Zamora reiterated the importance of holding grading seminars in Mexico City, noting that this remains Lumber de Mexico's greatest obstacle in growing the market for U.S. hardwoods. He volunteered his facilities for a grading seminar in Mexico City. AHEC staff will follow up with Alejandro prior to the seminars.

It is also important to note that AHEC Mexico received a positive evaluation from the global evaluator. Consistent with feedback from the SPC, the evaluator supported the direction of the program and applauded AHEC's efforts to reach both the specifier community and smaller manufacturers in underserved areas of Mexico.

UPCOMING ACTIVITIES

As a reminder, trade shows represent a good opportunity to meet face to face with Mexican importers and build solid trade contacts in the Mexican marketplace.

Any company interested in joining the AHEC Mexico staff for trade shows or interested in obtaining booth space at an upcoming show is welcome to contact Happy Whitlock for more information.

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Date	Event	Description	Location
October 14 – 19, 2004	ExpoCIHAC 2004	One of the largest shows exhibiting materials for construction & interior finishings	Banamex Centre Mexico City
October 26-29, 2005	Pan-American Architectural Forum	Latin America architectural show targeting Caribbean and South American specifiers	Guadeloupe
January 26-29, 2005	Magna Exposición Mueblera ProMueble 2005	Trade show divided in 3 sections a) Furniture b) Furniture suppliers c) Home electrical appliances	Banamex Centre Mexico City
February 16-19, 2005	Expo Mueble 2005 Winter edition	Furniture show	Expo Guedalajara Guadalajara, Jalisco
February 23-25, 2005	AHEC Latin America Convention	3rd AHEC Latin America Convention targeting architects and developers servicing the growing hospitality industry along the Maya Riviera	Presidente InterContinental, Cancun, Mexico
April (dates TBD)	Mexico Grading Seminar Series	Lumber grading seminars	Veracruz, Mexico City, Durango, Queretaro, Villahermosa, Aguascalientes
April-May (dates TBD)	Caribbean Seminar Series	Seminars on specification of moisture content and pest control	Trinidad, Martinique, Jamaica
May (dates TBD)	South America Technical Seminars		Santiago, Curitiba
June 23-25, 2005	Expo AMPIMM (Formerly Tecno Mueble)	Furniture supplier's exhibition	Expo Guedalajara Guadalajara, Jalisco