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Mexico

Solid Wood Products

Revised: Forest Products Annual Report 2000

(Part II, Market Report)

2000

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Report Highlights: The U.S. industry should continue intensive promotional programs to disseminate information on applications for temperate hardwood, as well as softwood products. Mexican manufacturers generally lack knowledge about temperate species, particularly with regard to suitable applications, grades, machining, etc., and end-user education would help increase their knowledge and, ultimately their demand, for these products.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Mexico ATO [MX2], MX

SECTION I.

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SECTION III.

SECTION I. FOREST SITUATION AND OUTLOOK

The outlook for the Mexican economy continues to brighten after the uncertainty caused by the economic crises in Russia, Asia, and Brazil during the latter part of 1998 and early 1999. The nearly tripling of world oil prices combined with the Government of Mexico's (GOM) conservative fiscal and monetary policies have led to considerable strength in the Mexican economy. Estimated at 3.5 percent, GDP growth for 1999 surpassed earlier expectations, and the Bank of Mexico made believers out of skeptical market analysts by finishing 1999 below its13 percent inflation target for the year, with an estimated 12.3 percent inflation rate.

Steady growth over the next three to five years should positively affect demand for U.S. wood products, particularly in light of the country's growing dependence on imported products. Rapid expansion of Mexico's construction industry, estimated to have grown by 10.2 percent in 1997, fell by nearly 2 percent in the last quarter of 1998 due largely to cuts in public sector projects. Private sector investment in projects along the U.S./Mexico border and Mexico's Eastern and Western coasts appear to have weathered the storm thanks to a booming Maquiladora (export manufacturers) industry and growing tourism. And across the country, construction activity is badly needed to overcome the country's severe housing deficit, which the National Chamber of the Construction Industry (CMIC) estimates at 4.6 million homes.

Mexico's total forest resource base is estimated at 56.8 million hectares, from which 21 million hectares are used for commercial purposes. The property is divided 80 percent to communities (ejidos), 15 percent to small size proprietors and five percent to government property. Annual roundwood production in 1997 was 7.7 million cubic meters. Domestic lumber production remained flat in 1998, but became a more formidable competitor to wood products imported from the United States due to the devaluation of the peso. Despite several government programs introduced to spur domestic reforestation and reduce Mexico's dependence on imported products, the country's immediate and long term ability to meet domestic consumption is dim. Deforestation remains a severe problem and Mexico's substandard infrastructure and lack of logging and production equipment compels this country to rely on foreign sources for wood products.

U.S. wood product exports to Mexico exceeded the landmark $ 360 million in 1998 and 1999, and are approaching levels prior to the country's 1994/1995 economic crisis. Hardwood lumber reached $90 million in 1999, the highest export level since 1970, while softwood lumber exports were $ 58 million this same year. Strong gains were made in 1999 in practically all other wood products promoted by the U.S. industry in Mexico, including softwood plywood, oriented strand board (OSB), treated lumber, and hardwood and softwood molding. Mexico's recent economic contraction will most likely slow this pace in 2000, particularly for wood products used in public sector construction projects. However, exports are expected to remain active in Mexico's private construction sector as well as its furniture industry.

Based on data from the Mexican Secretariat for the Environment, Natural resources and Fishing (SEMARNAP), the total standing inventory of commercial forests is 2.8 billion meters^3, of which 1.8 billion meters^3 is from temperate forests and 1.0 billion meters^3 is from tropical forests. The distribution of standing volume, by state and species, in the main producing areas is as follows:

SOFTWOOD

Durango (25%), Chihuahua (24%), Michoacan (16%), Jalisco(8%) and Guerrero (4%).

Average Softwood Prices USD				
Sizes	Veneer (M2)	Plywood (M2)	Poles	Beams
3.5 X 3.5 X 8.2"			3.68	
3.5 X 2 X 10"				6.73
	2.63	2.63		

Source: Consejo de la Madera en la Construccion (COMACO)
Rate of Exchange: 9.50 Pesos to 1.00 USD.

TEMPERATE HARDWOOD

Michoacan (30%), Durango (20%), Chihuahua (16%) and Jalisco (5%).

Average Hardwood Lumber Prices USD/Board Feet		
Size	Oak	Ash
1"	3.70	3.70
1.5"	4.75	4.75
2"	5.78	5.78

Source: Consejo de la Madera en la Construccion (COMACO)
Rate of Exchange: 9.50 Pesos to 1.00 USD.

TROPICAL HARDWOOD

Chiapas (30%), Veracruz (25%), Quintana Roo (22%), Tabasco (4%) and Oaxaca (4%).

Average Tropical Hardwood Lumber Prices USD/Board Feet		
Size	White Cedar	Mahogany
1"	1.89	4.73
1.5"	1.89	4.73
2"	1.89	4.73

Source: Consejo de la Madera en la Construccion (COMACO)
Rate of Exchange: 9.50 Pesos to 1.00 USD.

The current annual allowable cut is 2.8 million cubic meters, although there is no reliable information available on illegal cutting, contraband, and rural self-consumption of round wood as fuel. According to private sources, however, illegal cutting is a very serious problem due to the attractive round wood prices. Existing environmental regulations pertaining to forestry management are minimal. However, one example of GOM efforts to curb illegal cutting is the restriction on log harvesting applicable in certain areas of the state of Michoacan to protect the migration of the "Monarch" butterfly.

TRADE

Overview/Outlook

The U.S. faces several constraints in this market. Import restrictions applied by Mexican customs, combined with a fragmented wood products distribution system and a poor infrastructure continues to hamper U.S. wood product exports to this market. And consumer bias against the use of wood for structural purposes stands in the way of industry attempts to actively develop this market segment. The biggest constraint is the lack of end-user awareness about the superior attributes of U.S. wood products, which leads architects and the trade to base purchasing decisions solely on price. Without an understanding of U.S. wood product working properties, grades, treated retention levels and dimensions, and relatively lowcost products from other sources. Domestic and foreign suppliers will continue to threaten the U.S. industry's position in this market.

Three to Five year Outlook for Trade

Despite current economic uncertainties, the 3-5 year outlook appears positive for Mexico, both as an importer of raw materials and semi-finished products, and as an exporter of furniture, moldings and flooring. In general terms, however, Mexico will continue to be a net importer of forest products, although in specific product areas it is self-sufficient and an exporter. Although growth in the Mexican economy remained slow through 1999, Mexico's forest products processing industry grew in 1999, particularly the furniture, molding, and flooring sectors. These sectors capitalized on the competitiveness of the lower-valued Mexican peso to increase their exports, particularly to the United States. As a result, they will continue to be prime candidates for U.S. raw materials.

Competition

Indonesia and Canada continue to aggressively penetrate the Mexican tropical hardwood plywood market by offering low-priced product. As a result, their imports have increased dramatically during the last three years.

Market Development Activities

For both U.S. hardwoods and softwoods, Mexico's furniture manufacturing and construction industries are key market segments, the later a primary user of U.S. molding, millwork, and flooring. The construction sector is also the primary end-user for structural softwood lumber, treated lumber, and structural panels used in both wood frame construction and concrete forming. Material handling (e.g., pallets and crates) is a key segment for U.S. structural panels, but deemed as having little potential for U.S. softwood lumber due to intense competition from low-cost "commodity grade" domestic lumber. For structural, exterior, and material handling segments, the center of activity is in the border states, as well as Mexico's East and West coasts. For furniture and other interior applications, Mexico's Maquiladora industry is a prime target, as well as Mexico City and Guadalajara, where most of the country's furniture is produced.

Industry sources indicate that special promotional efforts should be conducted between Mexican consumers along the U.S.-Mexican border. U.S. lumber and plywood exporters who wish to increase sales to Mexico should identify and meet specific demand and material requirements, provide good service, and price their products competitively. A main concern among the maquiladoras along the U.S.-Mexican border is the high price Mexican distributors charge for U.S. wood products. Reportedly, these companies may import U.S. lumber directly. Maquiladoras manufacture most of the furniture destined for export markets, including structural woods, bathroom furniture and T.V. cabinets, among other products.

Also, the U.S. industry should continue intensive promotional programs to disseminate information on applications of temperate hardwood, as well as softwood products. Mexican manufacturers generally lack knowledge about temperate species, particularly with regard to suitable applications, grades, machining, finishing, and other mechanical and physical properties. Activities such as seminars targeting potential Mexican users of U.S. temperate hardwood products could expand the market for U.S. forest products. U.S. wood exporters interested in the Mexican market should consider participating in some of the major trade shows targeting the furniture and construction industries in Mexico. For more information on show dates and contact information, interested U.S. wood exporters should contact the Mexican offices of the following three U.S. Trade Associations:

American Forest & Paper Association
Claudia Villagomez, Director
Tel 011-525-282-2111
Fax 011-525-282-0919
Email: cvillagomez@infosel.net.mx

American Hardwood Export Council
Luis Zertuche, Director
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Email: luiszertuche@infosel.net.mx

APA The Engineered Wood Association
Philippe Mercado, Director
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SECTION II. STATISTICAL TABLES

STRATEGIC INDICATOR TABLE: CONSTRUCTION MARKET

Country: Mexico Report Year: 2000	Previous Calendar Year 1998	Current Calendar Year 1999	Following Calendar Year 2000
Total Housing Starts (number of units)	309,282	361,860	NA
–Of which, wood frame	150	250	NA
–Of which, steel, masonry, other materials	309,132	361,610	NA
–Of total starts, residential	156,800	183,463	NA
---Of residential, single family	NA	NA	NA
---Of residential, multi-family	NA	NA	NA
–-Of total starts, commercial	152,482	178,397	NA
Total Value of Commercial Construction Market ($US million)	18,500	23,400	NA
Total Value of Repair and Remodeling Market ($US million)	1,12.0	1,640	NA
Are tariffs on softwood from the United States Higher, equal or lower than softwood imported from other countries? 1/	Lower	Lower	Lower
Are tariffs on plywood from the United States Higher, equal or lower than plywood imported from other countries? 1/	Lower	Lower	Lower
Are non-tariff barriers on softwood from the United States, higher, equal or lower than softwood imported from other countries? 1/	Equal	Equal	Equal
Are non-tariff barriers on plywood from the United States, higher, equal or lower than plywood imported from other countries? 1/	Equal	Equal	Equal
Are there market development programs for construction, softwood or plywood imports funded by foreign governments?	Yes	No	No
If yes, identify the following:			
–Country(ties)	Canada		
–Form(s) of competition: Export subsidy, trade show, trade servicing, permanent market representative (number), permanent office (location), or other. 2/	Trade servicing		
Estimated annual market expansion outlay ($US million) by country.	Total $ 1,305 U.S. $ 940	Total $1,460 U.S. $ 1,071	Total $ 1,635 U.S. $ 1,221
Is the acceptability of U.S. style timber frame construction (i.e. per building codes, mortgage availability, etc.) High, medium or low? 3/	Medium	Medium	Medium
Are consumer preferences for solid wood materials vis-a-vis non-wood materials in construction high, medium or low? 3/	Medium	Medium	Medium
From Post's experience, is the willingness of U.S. suppliers to deliver products per importers' specifications low, medium or high? 3/	High	High	High
If price quotes for construction and structural wood products are available, identify the leading source(s)			

Source: Mexican Chamber of the Construction Industry (CMIC), Consejo de la Madera (COMACO)
Rate of Exchange: MXP$ 8.9 and MXP$ 9.5 for 1998 and 1999 respectively.

Explanatory Notes:

1/ Preferential tariffs to countries within NAFTA.
2/ If “other”, then explain in report text.
3/ The acceptability of U.S. style timber frame construction and customer preferences for solid wood materials vis-à-vis non-wood construction materials, the general perception of this type/style of construction and materials is still influenced adversely by cultural factors. There has been a positive change in consumer attitudes in exploring different construction techniques.

Construction starts figures broken down, by type, are recorded by CMIC, and only represent the sector composed of their affiliated companies which amounts to 20 percent of the total activity within the national construction industry. This means that the total figures may be as much as five times great for assessing the actual market size.

Residential Starts figures according to various private real estate sources.

Estimated annual market expansion outlays for 1999 and projected figures for 2000 are based upon a projected average annual growth rate (for construction building materials imports from the U.S.) of 14 percent for 1999 and for 2000.

STRATEGIC INDICATORS TABLE: FURNITURE & INTERIORS MARKET

Country: Mexico Report Year: 2000	Previous Calendar Year 1998	Current Calendar Year 1999	Followin Calenda Year 2000
Total Housing Starts (number of units)	309,282	361,860	NA
Total Number of Households.	19.3 M *	NA	NA
Furniture Production ($US million)	657.5	NA	NA
Interiors Market Size ($US million)	NA	NA	NA
Total Furniture Imports ($US million)	33.4	30.3	NA
Total Furniture Exports ($US million)	156.2	175.0	NA
Are tariffs on hardwood from the United States higher, equal or lower than hardwood imported from other countries? 1/	Lower	Lower	Lowe
Are non-tariff barriers on hardwood from the United states higher, equal or lower than hardwood imported from other countries? 1/	Lower	Lower	Low
Are there market development programs for furniture or interiors market expansion funded by foreign governments?	NO	NO	NO
If yes, identify the following:			
–Country(ties)			
–Form(s) of competition: export subsidy, trade show, trade servicing, permanent market representative (number), permanent office (location), or other.			
-Estimated annual market expansion outlay ($US million) by country.	NA	NA	NA
From Post’s experience, is the willingness of U.S. suppliers to deliver products per importers’ specifications low, medium or high?	High	High	NA
If price quotes for furniture and interiors products are available, identify the leading source(s).	Private sector	Private sector	NA

Source: BANCOMEXT
Rate of Exchange: 1998 MXP 8.9, and 1999 MXP 9.5 per 1 USD.

Explanatory Notes:
1/ Imports of U.S. products benefit from the NAFTA accord.

* Number of households from last census 1995.

STRATEGIC INDICATOR TABLE: MATERIAL HANDLING MARKET

Country: Mexico Report Year: 2000	Previous Calendar Year 1998	Current Calendar Year 1999	Following Calendar Year 2000
Total Value of Industrial Output ($US million)	11.0	12.3	N.A.
New Pallet Production (million units)	0.4	0.5	N.A.
Are consumer preferences for solid wood pallets and packaging materials vis-a-vis non-wood materials high, medium or low? 1/	High	High	High
Repaired/recycle pallets over new pallets low, medium or high? 1/	High	High	High
From Post's experience, is the willingness of U.S. suppliers to deliver product per importers' specifications low, medium or high? 1/	High	High	High
Identify leading source(s) of price quotes:			
Are there market development programs for the materials handling market expansion funded by foreign governments?	No	No	No
If yes, identify the following:			
–Which countries?			
–Forms of competition: Export subsidy, trade show, trade servicing, permanent market representative (number), permanent office (location), or other. 2/	No	No	No
–Estimated annual market expansion outlay ($US million) by country	N.A.	N.A.	N.A.

Source: National Statistics Institute (INEGI)
Rate of Exchange 1998 MXP $ 8.9 and 1999 MXP$ 9.5 per 1 USD.

Explanatory Notes:

1/ Consumer preferences for wood-based pallets, crates and other packaging devices have traditionally been biased toward repaired/recycled and low cost material handling devices. However, this trend has been changing since the end of 1997 because of the industry's increasing need to provide a more cost effective and protective means of handling products and materials.

STRATEGIC INDICATOR TABLE: FOREST PRODUCT TARIFFS AND TAXES (percent)

Country: Mexico Report Year: 2000	Product Description 1/	Current Year 1999	Following Year 2000	Other Import Taxes/Fees 2/	Total Cost of Import	Export Tax
4401	Fuel wood, in logs, in billets, in twigs, in faggots or in similar forms; wood in chips or particles; sawdust and wood waste and scrap, whether or not agglomerated in logs, briquettes, pellets or similar forms.					
4401.10.01	Fuel wood, in logs, in billets, in twigs, in faggots or in similar forms.	EX	EX	NA	NA	EX
4401.21.01	Coniferous.	3.0	2.0	NA	NA	EX
4401.22.01	Non coniferous.	EX	EX	NA	NA	EX
4401.30.01	Sawdust and wood waste and scrap, whether or not agglomerated in logs, briquettes, pellets or similar forms.	3.0	2.0	NA	NA	EX
4403	Wood in the rough, whether or not stripped of bark or sapwood, or roughly squared.					
4403.10.01	Treated with paint, stain, creosote or other preservatives.	3.0	2.0	NA	NA	EX
4403.20.99	Other, coniferous.	3.0	2.0	NA	NA	EX
4403.41.01	Dark Red Meranti, Light Red Meranti and Meranti Bakau.	EX	EX	NA	NA	EX
4403.91.01	Of oak (Quercus spp.).	EX	EX	NA	NA	EX
4403.92.01	Of beech (Fagus spp.).	EX	EX	NA	NA	EX
4404	Hoopwood; split poles; piles, pickets and stakes of wood, pointed but not sawn lengthwise; wooden sticks, roughly trimmed but not turned, bent or otherwise worked, suitable for the					

	manufacture of walking-sticks, umbrellas, tool handlers or the like; chip wood and the like					
Country: Mexico Report Year: 2000	Product Description 1/	Current Year 1999	Following Year 2000	Other Import Taxes/Fees 2/	Total Cost of Import	Export Tax
4404.20.02	Non coniferous.	EX	EX	NA	NA	NA
4404.20.03	Non coniferous.	EX	EX	NA	NA	NA
4404.20.04	Non coniferous.	EX	EX	NA	NA	NA
4404.20.99	Non coniferous.	EX	EX	NA	NA	NA
4405	Wood wool (excelsior); wood flour.					
4405.00.01	Wood wool (excelsior); wood flour.	4.5	3.0	NA	NA	EX
4405.00.02	Wood wool (excelsior); wood flour.	4.5	3.0	NA	NA	NA
4406	Railway or tramway sleepers (cross-ties) of wood.					
4406.10.01	Not impregnated.	4.5	3.0	NA	NA	EX
4407	Wood sawn or chipped lengthwise, sliced or peeled, whether or not planed, sanded or finger-jointed, of a thickness exceeding					
4407.10.01	Coniferous.	3.0	2.0	NA	NA	EX
4407.10.02	Coniferous.	3.0	2.0	NA	NA	NA
4407.10.03	Coniferous.	3.0	2.0	NA	NA	NA
4407.10.99	Coniferous.	4.5	3.0	NA	NA	NA
4407.24.01	Virola, Mahogany (Swietenia spp.), Imbuia d Balsa.	4.5	3.0	NA	NA	EX
4407.24.99	Virola, Mahogany (Swietenia spp.), Imbuia and Balsa.	EX	EX	NA	NA	NA
4407.25.01	Dark Red Meranti, Light Red Meranti and Meranti Bakau.	EX	EX	NA	NA	EX
4407.26.01	White Lauan, White Meranti, White Seraya, Yellow Meranti and Alan.	EX	EX	NA	NA	EX
4407.91.01	Of oak (Quercus spp.).	4.5	3.0	NA	NA	EX
4407.92.01	Of beech (Fagus spp.).	EX	EX	NA	NA	EX
4407.92.99	Of beech (Fagus spp.).	EX	EX	NA	NA	NA

4408	Veneer sheets and sheets for plywood (whether or not spliced) and other wood sawn lengthwise, sliced or peeled, whether or not planed, sanded or finger-jointed, of a thickness not exceeding 6 mm.					
Country: Mexico Report Year: 2000	Product Description 1/	Current Year 1999	Following Year 2000	Other Import Taxes/Fees 2/	Total Cost of Import	Export Tax
4409	Wood (including strips and friezes for parquet flooring, not assembled) continuously shaped (tongued, grooved, rebated, chambered, V-jointed, beaded, molded, rounded or the like) along any of its edges or faces, whether or not planed, sanded or finger-jointed.					
4409.10.01	Coniferous.	EX	EX	NA	NA	NA
4409.10.02	Coniferous	EX	EX	NA	NA	NA
4409.10.99	Coniferous.	EX	EX	NA	NA	EX
4409.20.01	Non coniferous.	EX	EX	NA	NA	EX
4409.20.99	Non coniferous.	EX	EX	NA	NA	NA
4410	Particle board and similar board of wood or other ligneous materials, whether or not agglomerated with resins or other organic binding substances.					
4410.11.01	Wafer board, including oriented strand board.	6.0	4.0	NA	NA	EX
4410.90.01	Of other ligneous materials.	4.5	3.0	NA	NA	EX
4410.90.02	Of other ligneous materials.	6.0	4.0	NA	NA	NA
4410.90.99	Of other ligneous materials.	6.0	4.0	NA	NA	NA
4411	Fiberboard of wood or other ligneous materials, whether or not bonded with resins or other organic substances.					
4411.11.01	Not mechanically worked or surface covered.	EX	EX	NA	NA	EX
4411.21.01	Not mechanically worked or surface covered.	EX	EX	NA	NA	EX
4411.31.01	Not mechanically worked or	EX	EX	NA	NA	EX

	surface covered.					
4411.91.01	Not mechanically worked or surface covered.	EX	EX	NA	NA	EX
4412	Plywood, veneered panels and similar laminated wood.					
Country: Mexico Report Year: 2000	Product Description 1/	Current Year 1999	Following Year 2000	Other Import Taxes/Fees 2/	Total Cost of Import	Export Tax
4412.19.01	Other, with both outer plies of coniferous wood.	4.5	3.0	NA	NA	EX
4412.19.02	Other, with both outer plies of coniferous wood.	4.5	3.0	NA	NA	NA
4412.19.99	Other, with both outer plies of coniferous wood.	6.0	4.0	NA	NA	NA
4412.22.01	With at least one ply of tropical wood specified in subheading note 1 to this chapter.	6.0	4.0	NA	NA	EX
4412.23.99	Other, containing at least one layer of particle board	4.5	3.0	NA	NA	EX
4412.92.01	With at least one ply of tropical wood specified in subheading note 1 to this chapter.	6.0	4.0	NA	NA	EX
4412.93.99	Other, containing at least one layer of particle board.	4.5	3.0	NA	NA	EX
4413	Densified wood, in blocks, plates, strips or profile shapes.					
4413.00.01	Densified wood, in blocks, plates, strips or profile shapes.	EX	EX	NA	NA	EX
4413.00.02	Densified wood, in blocks, plates, strips or profile shapes.	EX	EX	NA	NA	NA
4413.00.99	Densified wood, in blocks, plates, strips or profile shapes.	EX	EX	NA	NA	NA
4414	Wooden frames for paintings, photographs, mirrors or similar objects.					
4414.00.01	Wooden frames for paintings,	EX	EX	NA	NA	EX

	photographs, mirrors or similar objects.					
4415	Packing cases, boxes, crates, drums and similar packing, of wood; cable-drums, of wood; pallets, box-pallets and other load boards, of wood; pallet collars of wood.					
4415.10.01	Cases, boxes, crates, drums and similar packing; cable-drums.	EX	EX	NA	NA	EX
4415.20.01	Pallets, box-pallets and other load boards; pallet collars	6.0	4.0	NA	NA	EX
Country: Mexico Report Year: 2000	Product Description 1/	Current Year 1999	Following Year 2000	Other Import Taxes/Fees 2/	Total Cost of Import	Export Tax
4416.00.01	Casks, barrels, vats, tubs and other coopers' products and parts thereof, of wood, including staves.	EX	EX	NA	NA	EX
4416.00.02	Casks, barrels, vats, tubs and other coopers' products and parts thereof, of wood, including staves	EX	EX	NA	NA	NA
4416.00.03	Casks, barrels, vats, tubs and other coopers' products and parts thereof, of wood, including staves	EX	EX	NA	NA	NA
4416.00.04	Casks, barrels, vats, tubs and other coopers' products and parts thereof, of wood, including staves	EX	EX	NA	NA	NA
4416.00.99	Casks, barrels, vats, tubs and other coopers' products and parts thereof, of wood, including staves	EX	EX	NA	NA	NA
4417	Tools, tool bodies, tool handles, broom or brush bodies and handles, of wood; boot or shoe lasts and trees, of wood.					
4417.00.01	Tools, tool bodies, tool handles, broom or brush bodies and handles, of wood;	EX	EX	NA	NA	EX

	boot or shoe lasts and trees, of wood.					
4417.00.99	Tools, tool bodies, tool handles, broom or brush bodies and handles, of wood; boot or shoe lasts and trees, of wood.	EX	EX	NA	NA	NA
4418	Builders' joinery and carpentry of wood, including cellular wood panels and assembled parquet panels; shingles and shakes.					
4418.10.01	Windows, French-windows and their frames.	EX	EX	NA	NA	EX
Country: Mexico Report Year: 2000	Product Description 1/	Current Year 1999	Following Year 2000	Other Import Taxes/Fees 2/	Total Cost of Import	Export Tax
4418.50.01	Shingles and shakes.	EX	EX	NA	NA	EX
4419	Tableware and kitchenware, of wood.					
4419.00.01	Tableware and kitchenware, of wood.	EX	EX	NA	NA	EX
4420	Wood marquetry and inlaid wood; caskets and cases for jewelry or cutlery and similar articles, of wood; statuettes and other ornaments, of wood; wooden articles of furniture not falling within chapter 94					
4420.10.01	Statuettes and other ornaments, of wood.	EX	EX	NA	NA	EX
4421	Other articles of wood.					
4421.10.01	Clothes hangers.	6.0	4.0	NA	NA	EX
Pre-fabricated Houses, a subsection under chapter 96		NA	NA	NA	NA	NA

Explanatory Notes:

1/ Insert additional lines for Commodity tariff identification should tariffs vary within
2/ Formula to calculate the Customs Transaction Fee (*"Derechos de Tramite Aduanero"* or "DTA"): DTA= (Value of Commodity) (.0008) Valued Added Tax (VAT)= (Value Commodity+DTA+Ad Valorem Duty) (0.15). The importer must pay this fee upon the entry of any commodity to Mexico, including forest products.

STRATEGIC INDICATOR TABLE: FOREST AREA (million hectares/million cum)			
Country: Mexico	Previous	Current	Following
Report Year: 2000	Calendar Year	Calendar Year	Calendar Year
	1998	1999	2000
Total Land Area	196.7	196.7	196.7
Total Forest Area	141.7	141.7	141.7
--of which, Commercial	56.8	56.8	56.8
----of commercial, tropical hardwood	26.4	26.4	26.4
----of commercial, temperate hardwood	16.8	16.8	16.8
----of commercial, softwood	13.6	13.6	13.6
--of forest area, non-commercial	84.9	84.9	84.9
Forest Type			
--Of which, virgin	NA	NA	NA
--Of which, plantation	0.21	0.25	NA
--Of which, other commercial (regrowth)	0.14	0.14	NA
Forest Ownership			
--Nationally owned and no commercial access	9.1	9.1	9.1
--Nationally owned, commercial logging permitted	7.1	7.1	7.1
--Other publicly owned land, no commercial access	NA	NA	NA
--Other publicly owned, logging permitted	NA	NA	NA
--privately owned commercial forest	NA	NA	NA
Total Volume of Standing Timber	2,803.49	2,803.49	2,803.49
--Of which, Commercial Timber	NA	NA	NA
Annual Timber Removal 1/	7.5	7.5	7.5
Annual Timber Growth Rate	35.1	35.1	35.1
Annual Allowable Cut	2.8	2.8	2.8

Source: The Secretariat for the Environment, Natural Resources and Fishing (SEMARNAP), based on the National Forest Inventory, 1994.

SECTION III. NARRATIVE ON SUPPLY, DEMAND, POLICY & MARKETING

Construction Sector Overview

The Mexican construction industry grew 11.0 percent during 1998. This figure is more than double Mexico's growth rate in gross domestic product (GDP) which was 5.0 percent for that year. The demand for new homes, hospitals, schools, office buildings, hotel rooms, retail stores, and restaurants is expected to grow at 11.0 percent during 2000. The housing deficit in Mexico has increased in the last few years due to an increase in population, an increase in building costs, and a decrease in the purchasing power of end users.

Among the leading construction building material imports are prefabricated wood products, such as doors and windows.

Market Size for Construction Building Materials (US Billion Dollars)			
	1998	1999	Projected avg. annual growth rate for the next two years (%)
Import market	1.4	1.5	12.0
Local production	8.5	9.4	5.0
Exports	3.6	4.0	14.0
Total market	6.3	6.9	2.2
Imports from U.S.	1.0	1.1	14.0
Exchange rate: (Peso per U.S. dollar)	8.9	9.5	9.5

Source: Secretariat of Commerce & Industry (SECOFI)

Following is an estimate of 280 construction companies and developers associated to the CMIC that will participate in the construction of medium and upper-income homes during the next three years as follows:

Year	Medium-Income Homes (# of units)	Upper-Income Homes (# of units)
1998	13,640	8,866
1999	23,085	11,542

2000	23,449	14,069

Source: SOFTEC (Real estate market analysts).

It should be mentioned that in the market for low-cost income homes, there are over 400 small and medium constructors, 12,000 developers and 10 large construction groups.

Marketing

Mexico is a producer of softwoods. In the construction sector, softwood lumber traditionally is preferred over hardwoods, whether temperate or tropical. More than 60 percent of the domestic production of softwood lumber goes to concrete false work. Most of the time, this lumber is sold rough, with poor uniformity in size and of low quality.

A significant increase in the demand for U.S. plywood has been reported by private sector sources. This product is being substituted for domestic plywood, which currently is more expensive in Mexico than U.S. imports.

Policy

U.S. wood products imported by the Mexican construction sector benefit from the lower import tariff duties in accordance with the North American Free Trade Agreement (NAFTA). There are no technical or regulatory restrictions in place in the country which constrain wood frame construction. Building codes in Mexico are open to new technologies, if it can be demonstrated that they are as effective as traditional masonry/concrete construction.

Trade

Wood products play an important part in construction in the form of timbers, posts, beams, and roof beams. Domestic customer preferences for U.S. style timber frame construction materials have startec to show a positive change of attitude towards different construction techniques and their benefits, such reduced construction times and improved energy savings. However, large scale timber frame housing construction is still experiencing some resistance from banks, insurance companies and developers dui to the lack of understanding on their part of the quality of materials and their durability, as compared t traditional masonry/concrete buildings. According to private sources, the wood products used which should be in greatest demand for building over the next three years include pressed wood panels, flooring material, lumber, plywood, wood windows and doors.

Furniture & Interiors Sector Overview

Traditionally, Mexico depends on imports of U.S. hardwoods to meet the domestic demand of its furniture industry. Mexico's inadequate infrastructure, poor distribution channels and poor forestry practices have prevented the domestic Mexican industry of meeting market demand. According to the Mexican Bank of Foreign Trade (BANCOMEXT), Mexico is the 8th larger exporter of finished furniture to the United States.

Furniture Production in Mexico
1999

Classification	Share
Metallic / Tubular	7.87%
Upholstered living rooms leather or fabrics	11.87%
Solid wood * Bedrooms / Dinning rooms	23.37%
Particle board Bedrooms / Dinning rooms	10.12%
Forged Iron	5.25%
Office / Home office	7.28%
Rustic *	15.12%
Decorative items	15.87%
Other **	3.25%
Total	**100.00%**

Source: American Hardwoods Export Council's research among the most representative furniture manufacturers and records of the latest furniture-related trade shows in Mexico.

* In the category "solid wood furniture", rustic furniture is included. Rustic style furniture is made out softwoods and according to different furniture manufacturers, rustic style furniture represents 50 perc of the "solid wood furniture" production.

** "Other" includes the manufacture of Kitchen cabinet, chairs, entertainment centers, etc. The nursery furniture and bed manufacturers were included in the "Bedroom / Dinning room" according to the species used.

Marketing

The U.S. species most commonly used by the Mexican industry for solid hardwood furniture production are red oak, white oak, hard maple, poplar and ash. Mahogany remains the main competitor for U.S. hardwoods in furniture production. According to furniture manufacturers who were interviewed by the American Hardwood Export Council's (AHEC) representative in Mexico, 95 percent of lumber imports to Mexico are sourced from the United States. Currently, these furniture manufacturers uses 50 percent imported lumber, mostly oak with the remainder sourced from domesti tropical species and domestic softwoods.

In addition to price constraints, many Mexican importers are not able to import U.S. hardwoods in large quantities but instead place orders of one truckload or less because they lack sufficient cash flow and credit sources. This makes it difficult for the U.S. exporter to ship in a cost efficient manner and t subsequently sell their products at a competitive price. In spite of these constraints, Mexico showed a 10.6 percent increase in 1998 as compared to 1997 in U.S. hardwood products imports.

Material Handling Industry Overview

The U.S. structural wood panel industry is the leader in supplying structural wood panels to Mexico. Although considerable inroads have been achieved by the U.S. structural wood panel industry over the last years, a large part of this market remains untapped. The Maquiladora industry has turned Tijuana into the world capital for manufacturing televisions. Electronics is one of the sectors with a high export turn-out. Mexico also has a sizable agricultural, chemical and other processed and non-processed product sectors which all require heavy-duty packaging material for their respective exports. In this market, both structural softwood plywood and oriented strand board (OSB) have opportunities. Because of its low price, OSB has a definite advantage in the manufacturing of non-returnable pallets and crates.

There is an increasing segment of the industry which uses pallets and containers. Those manufacturers that are exporting are interested in the cheapest packing that they can buy, as they will never see that packing again and care little about the quality, but care much about the price. This segment is supplied by the domestic softwood lumber industry. Currently, there is a small market segment of the export industry utilizing these “non-returnable” pallets and crates, which are manufactured with a cover of either plywood or (OSB). Exporters of electronic components, chemical compounds, automotive parts, etc. tend to ensure the quality and safety of their exports by using good quality and resistant packing material. This market segment is likely to expand and become a niche for U.S. suppliers.

In the case of the industry investing further into captive handling systems (cement, beer, soft drinks, food canners, frozen products processors), whereby a structural panel-decked pallet can be reused many times over a long period of time at minimal maintenance cost, pallets manufactured with either wood based structural plywood or OSB could find a promising market niche. There has been a significant penetration of reusable panel-decked pallets in the industrial market. Rather than decreasing, the volume of structural panel-decked plywood and OSB panels imported into Mexico, which are used in the manufacturing of long-lasting captive materials handling systems (pallets and agr. bins), tends to be growing.

Marketing

There are significant market opportunities due to the flexibility of the custom made pallet design to handle any kind of product, regardless of the product form, nature or presentation (boxes, drums, sacks, bundles, bulk, etc.). Supermarkets and large distribution centers like the central markets and the agricultural community, constitute attractive and large market opportunities. Also, government warehouses for feed grains and basic consumption items like Conasupo offer a growing opportunity for the panel-decked type materials handling device.

Policy

Wooden pallets classified under HTS Import Tariff Number 4415.20.01 are subject to a 4.0 percent import duty, Mexico subjects these goods to sanitary regulations, such as the *NOM-014-RECNAT-1997*, a sanitary standard regulation for the import of used pallets, crates and other wood packing material.

Trade

The primary area of consumption continues to be along the border. Areas that are further away from the border tend to have higher prices for U.S. products due to the high cost of domestic freight. The main constraints are the lack of familiarity with the panel life cycle-cost, coupled with the traditionally used disposable board lumber pallet. Phytosanitary restrictions for incoming green lumber into Mexico can be readily avoided by having the Mexican authorities fumigate the load at the border at a minimal cost.