Required Report - public distribution

Date: 3/9/2001

GAIN Report #MX1029

Mexico

Solid Wood Products

Annual Report (Part II, Market Report)

2001

Approved by:
Chad R. Russell
U.S. Embassy
Prepared by:
Carlos Zertuche

Report Highlights: Mexican manufacturers still need greater awareness of and familiarity with the many applications of US wood. However, progress is being made in educating the industry about the quality and versatility of US wood as evidenced by export figures showing growth from 1999 to 2000 in US exports of softwood and treated lumber, panel products, including plywood, and other value-added wood products. This trend is expected to be maintained over at least the next 3-5 years given continued economic growth and stability in the Mexican economy.

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

FOREST SITUATION AND OUTLOOK

The Mexican economy is expanding and inflation continues to fall. In early 1999, economic activity was suffering from the repercussions of the global financial turbulence and the decline in oil prices, the peso had depreciated significantly and inflation had increased. But timely policy action in response to the successive shocks proved effective in restoring confidence with inflation beginning to fall gain, interest rates resumed their downward trend and the peso exchange rate stabilized.

Economic performance is expected to remain largely favorable over the short term. The continuation of a positive business climate should bolster private spending. The momentum built up in the second half of 1999 that continued throughout 2000 should help support a real GDP growth of around 4.5 to 5 percent during 2001 and 2002. According to private sector information sources, inflation is expected to come down gradually to around 7.5 percent by the end of 2001. To preserve foreign and domestic confidence and to continue the disinflation process, Mexican authorities have maintained a relatively tight monetary policy.

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 2000 declined to 7.5 million cubic meters from 7.7 in 1998. Domestic lumber production remained flat in 1999 and 2000, but became a formidable competitor to wood products imported from the United States due to price differentials. 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 not good. Deforestation remains a severe problem, Mexico's substandard infrastructure and lack of logging and production equipment compels it to rely on foreign sources for wood products.

Based on data from the Mexican Secretariat for the Environment and Natural Resources (SEMARNAT), the total standing inventory of commercial forests is 2.8 billion cubic meters, of which 1.8 billion cubic meters is from temperate forests and 1 billion cubic meters is from tropical forests. The distribution of standing volume, by state and species, in the main producing areas is as follows: <u>Softwood</u>: Durango 25%, Chihuahua 24%, Michoacan 16%, Jalisco 8% and Guerrero 4%, <u>Temperate</u> <u>Hardwood</u>: Michoacan 30%, Durango 20%, Chihuahua 16% and Jalisco 5%, <u>Tropical Hardwood</u>: Chiapas 30%, Veracruz 25%, Quintana Roo 22%, Tabasco 4% and Oaxaca 4%.

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 attractive round wood prices.

<u>TRADE</u>

Although the improvement in economic performance has continued and growth prospects for Mexico are favorable, public finances are in near balance, inflation is falling and the current account deficit is moderate, the US forest industry faces several constraints in this market. Import restrictions applied by Mexican customs, combined with a fragmented wood products distribution system continue to hamper US wood product exports to this market. However, the biggest constraint is the lack of end-user awareness about the US wood product working properties, grades, treated retention levels and dimensions all of which curtail the demand for wood frame houses.

The 3-5 year outlook appears positive for Mexico, both as an importer of raw materials and semi-finished products, and also as an exporter of furniture, moldings and flooring. In general terms, Mexico will continue to be a net importer of forest products, although in specific product areas it is self-sufficient and, in some cases, an exporter. Mexico's forest products processing industry grew in 2000, particularly the furniture, molding, and flooring sectors. These sectors capitalized on the competitiveness of the peso vis-a-vis the US dollar to increase their exports, particularly to the United States. As a result, they will continue to be prime candidates for US raw materials.

Competition

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

Market Development Strategies

Industry sources indicate that special promotional efforts should be conducted between Mexican consumers along the US-Mexican border. US 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 as competitively as possible. A main concern among the assembly lines (maquiladoras) along the US-Mexican border is the high price that Mexican distributors charge for US wood products. Reportedly, these companies may import US 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 US industry should continue 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 US temperate hardwood products could expand the market for US forest products. US 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 US wood exporters should contact the Mexican offices of the following three US 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
Tel 011-525-282-0909
Fax 011-525-282-0919
Email: luiszertuche@infosel.net.mx

APA The Engineered Wood Association
Philippe Mercado, Director
Tel 011-525-281-6087
Fax 011-525-281-6089
Email: philippemercado@apawood.org

MARKET SEGMENT ANALYSIS

Construction Sector

Overview

The Mexican construction industry grew 6.6 percent during 2000 when Mexico's growth rate in gross domestic product (GDP) was 8.6 percent for that year. The demand for new homes, hospitals, schools, office buildings, hotel rooms, retail stores, and restaurants is expected to grow in the coming years. The housing deficit in Mexico increases every year due to an increase in population and the increase in building costs. Among the leading construction building material imports are prefabricated wood products, such as doors and windows.

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.

For both US hardwoods and softwoods, Mexico's furniture manufacturing and construction industries are key market segments, the later a primary user of US 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 US structural panels, but deemed as having little potential for US 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.

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

Policy

On October 26, 1999, the Secretariat for the Environment and Natural Resources (SEMARNAT) published in the *Diario Oficial* (Mexico's "Federal Register") two controversial proposed wood import standards entitled:

1) NOM-014-RECNAT-1997, "Phytosanitary Regulations for the Importation of New or Used Wooden Pallets, Crates or Other Packing Boxes and Platforms", as published July 21, 1997. (see MX7069)

2) NOM-016-RECNAT-1997, "Regulation for the Importation of New Lumber and Wood," as published June 11, 1998 (see MX8061).

SEMARNAT is consulting with the private sector (see MX8124) to gauge what impact these proposed requirements would have on their respective industries. Many US lumber exporters and Mexican importers continue to be concerned that US shipments could be impeded if the proposed requirements become law.

On September 14, 2000, Mexico's Treasury Secretariat (SHCP) announced in the *Diario Oficial* (Mexico's Federal Register) the implementation of a Customs Cash Account system, that went into effect on October 1, 2000 (see MX9117 & MX9139). Wood products are included on the list of agricultural products subject to this Customs Cash Account system (HS classification 4412.13.01, 4412.13.99, 4412.19.02 and 4412.22.01). This system will require importers to deposit in an account 100 percent of duties assessed on the difference between the actual invoice value and the value of the shipment based on a predetermined reference price

At the same time, SHCP has continued updating, through several announcements published in Mexico's *Diario Oficial* (D.O.), the reference price system which was designed in an attempt to control under invoicing tropical hardwood plywood and softwood plywood imports.

US 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.

Tariff Rate Quotas (TRQ)

Under NAFTA, Mexico instituted tariff-rate quotas for five products (see the table below), mainly covering softwood chips and planks. On November 5th , 1999, Mexico's Secretariat of Commerce and Industrial Development (SECOFI) announced in the "*Diario Oficial*" the auction for "Quota Certificates"

(*Certificados de Cupo*) to import wood products from the United States for 2000. The TRQs expired on December 31, 2000. The auctions for the quota certificates took place on December 6, 1999, and the results were as follows:

Auction of Permits to Import US Wood Products During 2000

Auction number	Tariff number	Original TRQ (MT)	Mexican Allocations (MT)	Quota Unallocated (MT)
A.N.09/200	4407.10.02	9,500	0	9,500
08/2000	4407.99.99	2,470	256	2,214
07/2000	4407.10.01	119,700	0	119,700
A.N.09/200	4407.91.01	3,325	3,325	0
A.N. 11/2000	4403.10.01	14,250	0	14,250

Because of NAFTA, the import duties for these products have been lowered to three percent and, as such, importers prefer paying the import duty rather than participate in the auction.

Trade

Wood products play an important part in construction in the form of timbers, posts, beams, and roof beams. Domestic customer preferences for US style timber frame construction materials have started to show a positive change of attitude towards different construction techniques and their benefits, such as 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 due to the lack of understanding on their part of the quality of materials and their durability, as compared to 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.

Prices

Average Softwood Prices USD/Board Foot		
Sawnwood	1/2"	3/4"
Sizes		
0.10 x 2.50 mts (4" x 98")	3.30	3.63
0.15 x 2.50 mts (8" x 98")	6.61	7.28

0.30 x 2.50 mts (12" x 98")	10.13	11.15
0.10 x 2.50 mts (4"x 98")	6.47	9.58
0.15. x 2.50 mts (8"x 98")	12.94	19.17
0.30 x 2.50 mts (12" x 98")	20.77	30.78
Beam 3 ½ x 3 ½ x 98"	4.11	
Pole 1 ½ x 3 ½ x 98"	2.26	
Flooring	18.04	
Paneling	13.50	

Source: Consejo de la Madera en la Construccion (COMACO)
Rate of Exchange: 9.70 Pesos to 1.00 USD.

Average Hardwood Lumber Prices USD/Board Foot		
Size	Oak	Ash
1"	3.30	3.60
1.5"	4.44	4.60
2"	5.18	5.60

Source: Consejo de la Madera en la Construccion (COMACO)
Rate of Exchange: 9.70 Pesos to 1 USD.

Average Tropical Hardwood Lumber Prices USD/Board Foot		
Size	White Cedar	Mahogany
1"	3.60	3.60
1.5"	3.60	3.60
2"	3.60	3.60

Source: Consejo de la Madera en la Construccion (COMACO)
Rate of Exchange: 9.70 Pesos to 1 USD.

Furniture & Interiors Sector

Overview

The wood furniture industry in Mexico has not fully recovered its production levels since the Peso devaluation in 1995. In 1999, the most recent year for which information is available, the growth in wood furniture production remained stable as compared to previous years, the total furniture industry production was of US$ 657.5 million. The production trend of the domestic plants has been to look for more simple processes through innovative technology, reduce the use of tropical hardwoods, and increase the use of temperate hardwoods and medium density fiberboard (MDF) as substitutes for solid wood. Another concern of the industry has been to enhance the quality level of production to comply with the standard ISO 14000, which will become a requirement to export to the European Union (EU). As of 2000, countries in the EU require that wood products are made of wood harvested from certified commercial forest plantations.

Traditionally, Mexico depends on imports of US 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 furniture industry from meeting market demand. According to the Mexican Bank of Foreign Trade (BANCOMEXT), Mexico is the 8^{th} largest exporter of finished furniture to the United States.

Marketing

The US 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 US 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 domestic tropical species and domestic softwoods.

In addition to price constraints, many Mexican importers are not able to import US 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 US exporter to ship in a cost efficient manner and to subsequently sell their products at competitive prices.

Material Handling Industry

Overview

The US structural wood panel industry is the leader in supplying such products to Mexico. Although considerable inroads have been achieved by the US structural wood panel industry over the last few years, a large part of this market remains untapped. The maquiladora industry has turned Tijuana into the world's capital for manufacturing televisions. Electronics is another sector 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 materials 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 US 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), is 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 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 3.0 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 US 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.

STATISTICAL INFORMATION

STRATEGIC INDICATOR TABLE: CONSTRUCTION MARKET

1999 – 2000 - 2001

Country: Mexico Report Year: 2001	Previous Calendar Year 1999	Current Calendar Year 2000	Following Calendar Year 2001
Total Housing Starts (number of units)	361,860	401,665 [1]	NA
–Of which, wood frame	50,600	56,230[2]	NA
–Of which, steel, masonry, other materials	311,260	345,435	
–Of total starts, residential	211,658	310,230	NA
---Of residential, single family	NA	NA	NA
---Of residential, multi-family	NA	NA	NA
—Of total starts, commercial			
Total Value of Commercial Construction Market ($US million)	7,880	9,062	NA
Total Value of Repair and Remodeling Market ($US million)	233	267	NA
Are tariffs on softwood from the United States Higher, equal or lower than softwood imported from other countries?	Lower	Lower	Lower
Are tariffs on plywood from the United States Higher, equal or lower than plywood imported from other countries?	Lower	Lower	Lower
Are non-tariff barriers on softwood from the United States, higher, equal or lower than softwood imported from other countries?	Equal	Equal	Equal
Are non-tariff barriers on plywood from the United States, higher, equal or lower than plywood imported from other countries?	Equal	Equal	Equal
Are there market development programs for construction, softwood or plywood imports funded by foreign governments?	Yes	Yes	Yes
If yes, identify the following:			
–Country(ies)	Canada	Canada	Canada
-Form(s) of competition: Export subsidy, trade show, trade servicing, permanent market representative (number), permanent office (location), or other.	Trade servicing	Trade servicing	Trade servicing
Estimated annual market expansion outlay ($US million) by country.	Total $1,460 US $ 1,071	Total $1,556 US $ 1,146 [3]	Total $1,665 US $ 1,226

Is the acceptability of US style timber frame construction (i.e. per building codes, mortgage availability, etc.) High, medium or low?	Medium	Medium	Medium
Are consumer preferences for solid wood materials vis-a-vis non-wood materials in construction high, medium or low?	Medium	Medium	Medium
From Post's experience, is the willingness of US suppliers to deliver products per importers' specifications low, medium or high?	High	High	High
If price quotes for construction and structural wood products are available, identify the leading source(s)	COMACO	COMACO	COMACO[4]

Source: Camara Mexicana de la Industria de la Construccion (CMIC)
Rate of Exchange: MXP$ 9.5 to 1 USD.

Explanatory Notes:

1/ Construction starts figures supplied by the Mexican Chamber of the Construction Industry (CMIC), represent the sector composed of their affiliated companies which amounts to only 20% of the total activity within the national construction industry, meaning that the total figures may eventually be five folded for assessing its real market size.
2/ Source: INEGI. Consists of houses which include wood as a component of construction (walls or roof).
3/ Estimated annual market expansion outlays for 2000 and 2001above are based upon a projected average industrial annual growth rate of 7.0 percent
4/ Consejo de la Madera para Construccion (COMACO)

STRATEGIC INDICATORS TABLE: FURNITURE & INTERIORS MARKET			
Country: Mexico Report Year: 2001	Calendar Year 1999	Calendar Year 2000	Calendar Year 2001
Total Housing Starts (number of units)	361,860	401,665	NA
Total Number of Households	19.3 M	21.9 M [1]	NA
Furniture Production ($US million)	657.5	703.5	NA
Interiors Market Size ($US million)	NA	NA	NA
Total Furniture Imports ($US million)	52.2	69.	NA

Total Furniture Exports ($US million)	864.1	860.6	NA
Are tariffs on hardwood from the United States higher, equal or lower than hardwood imported from other countries?	Lower	Lower	Lower
Are non-tariff barriers on hardwood from the United states higher, equal or lower than hardwood imported from other countries?	Lower	Lower	Lower
Are there market development programs for furniture or interiors market expansion funded by foreign governments?	No	No	No
If yes, identify the following:			
- Country(ies)			
- Form(s) of competition: export subsidy, trade show, trade servicing, permanent market representative (number), permanent office (location), or other.			
- Estimated annual market expansion outlay ($US million) by country.	NA	NA	NA
From Post's experience, is the willingness of US suppliers to deliver product per importers' specifications low, medium or high?	Medium	Medium	Medium
If price quotes for furniture and interiors products are available, identify the leading source(s).	Private Sector	Private sector	Private Sector

Source: Foreign Trade National Bank (Bancomext)
1/ National Census 2000, Rate of Exchange: MXP 9.5 per USD

STRATEGIC INDICATOR TABLE: MATERIAL HANDLING MARKET

1999 – 2000 - 2001 Country: Mexico Report Year: 2001	Previous Calendar Year	Current Calendar Year	Following Calendar Year
Total Value of Industrial Output ($US million)	11,044	13,494	NA
New Pallet Production (million units)	0.360	0.475	NA
Are consumer preferences for solid wood pallets and packaging materials vis-a-vis non-wood materials high, medium or low?	High	High	High

Repaired/recycle pallets over new pallets low, medium or high?	High	High	High
From Post's experience, is the willingness of US suppliers to deliver product per importers' specifications low, medium or high?	High	High	High
Identify leading source(s) of price quotes:	Private sector	Private sector	Private sector
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.	No	No	No
–Estimated annual market expansion outlay ($US million) by country	NA	NA	NA

Source: Instituto Nacional de Estadística, Geografía e Informática (INEGI)
Rate of Exchange MXP$ 9.5 per 1 USD.

Explanatory Notes:

Consumer preferences for wood-based pallets, crates and other packaging devices used to be for repaired/recycled and low-cost material handling devices. However this trend has substantially improved since the end of 1997 because of the industry's increasing awareness to provide cost effective and protective handling means to its products and materials.

STRATEGIC INDICATOR TABLE: FOREST PRODUCT TARIFFS AND TAXES

Country: Mexico	Product Description	Tariff Year 2000	Tariff Year 2001	Other Import Taxes/Fees	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	VAT 1/	NA	EX
4401.21.01	Coniferous. 2/	3.00	2.00	VAT 1/	NA	EX
4401.22.01	Non-coniferous.	EX	EX	VAT 1/	NA	EX
4401.30.01	Sawdust and wood waste and scrap, whether or not agglomerated in logs, briquettes, pellets or similar forms.	3.00	2.00	VAT 1/	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. 2/	3.00	2.00	VAT 1/	NA	EX
4403.20.99	Other, coniferous.	3.00	2.00	VAT 1/	NA	EX
4403.41.01	Dark Red Meranti, Light Red Meranti and Meranti Bakau.	EX	EX		NA	EX
4403.49.01	Other.	EX	EX		NA	EX
4403.49.99	Other.	3.00	2.00	VAT 1/	NA	EX
4403.91.01	Of oak (Quercus spp.).	EX	EX		NA	EX
4403.92.01	Of beech (Fagus spp.).	EX	EX		NA	EX
4403.99.99	Other.	3.00	2.00	VAT 1/	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; chipwood and the like					
4404.10.01	Coniferous.	EX	EX		NA	EX

4404.10.99	Coniferous.	6.00	3.00	VAT 1/	NA	NA
4404.20.01	Nonconiferous.	EX	EX		NA	EX
4404.20.02	Nonconiferous.	EX	EX		NA	NA
4404.20.03	Nonconiferous.	EX	EX		NA	NA
4404.20.04	Nonconiferous.	EX	EX		NA	NA
4404.20.99	Nonconiferous.	EX	EX		NA	NA
4405	Wood wool (excelsior); wood flour.					
4405.00.01	Wood wool (excelsior); wood flour.	4.50	3.00	VAT 1/	NA	EX
4405.00.02	Wood wool (excelsior); wood flour.	4.50	3.00	VAT 1/	NA	NA
4406	Railway or tramway sleepers (cross-ties) of wood.					
4406.10.01	Not impregnated.	4.50	3.00	VAT 1/	NA	EX
4406.90.99	Other.	EX	EX		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. 2/ 3/	3.00	2.00	VAT 1/	NA	EX
4407.10.02	Coniferous. 2/ 3/	3.00	2.00	VAT 1/	NA	NA
4407.10.03	Coniferous. 2/	3.00	2.00	VAT 1/	NA	NA
4407.10.99	Coniferous. 3/	4.50	3.00	VAT 1/	NA	NA
4407.24.01	Virola, Mahogany (Swietenia spp.), Imbuia and Balsa.	4.50	3.00	VAT 1/	NA	EX
4407.24.99	Virola, Mahogany (Swietenia spp.), Imbuia and Balsa.	EX	EX		NA	NA

4407.25.01	Dark Red Meranti, Light Red Meranti and Meranti Bakau.	EX	EX		NA	EX
4407.26.01	White Lauan, White Meranti, White Seraya, Yellow Meranti and Alan.	EX	EX		NA	EX
4407.29.01	Other	EX	EX		NA	EX
4407.29.99	Other	EX	EX		NA	NA
4407.91.01	Of oak 2/	4.50	3.00	VAT 1/	NA	EX
4407.92.01	Of beech (Fagus spp.).	EX	EX		NA	EX
4407.92.99	Of beech (Fagus spp.).	EX	EX		NA	NA
4407.99.01	Other.	4.50	3.00	VAT 1/	NA	NA
4407.99.02	Other.	3.00	2.00	VAT 1/	NA	NA
4407.99.03	Other.	EX	EX		NA	NA
4407.99.04	Other.	EX	EX		NA	NA
4407.99.05	Other.	EX	EX		NA	NA
4407.99.99	Other. 2/	4.50	3.00	VAT 1/	NA	EX
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.					
4408.10.01	Coniferous.	EX	EX		NA	EX
4408.31.01	Dark Red Meranti, Light Red Meranti and Meranti Bakau.	EX	EX		NA	EX
4408.39.99	Other.	EX	EX		NA	EX
4408.90.99	Other.	EX	EX		NA	EX

4409	Wood (including strips and friezes for parquet flooring, not assembled) continuously shaped (tongued, grooved, rebated, chamfered, 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
4409.10.02	Coniferous	EX	EX		NA	NA
4409.10.99	Coniferous.	EX	EX		NA	EX
4409.20.01	Nonconiferous.	EX	EX		NA	EX
4409.20.99	Nonconiferous.	EX	EX		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	Waferboard, including oriented strand board.	6.00	3.00	VAT 1/	NA	EX
4410.19.99	Other	6.00	3.00	VAT 1/	NA	EX
4410.90.01	Of other ligneous materials.	4.50	3.00	VAT 1/	NA	EX
4410.90.02	Of other ligneous materials.	6.00	3.00	VAT 1/	NA	NA
4410.90.99	Of other ligneous materials.	6.00	3.00	VAT 1/	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	EX

4411.19.99	Other.	EX	EX		NA	EX
4411.21.01	Not mechanically worked or surface covered.	EX	EX		NA	EX
4411.29.99	Other.	EX	EX		NA	EX
4411.31.01	Not mechanically worked or surface covered.	EX	EX		NA	EX
4411.39.99	Other.	EX	EX		NA	EX
4411.91.01	Not mechanically worked or surface covered.	EX	EX		NA	EX
4411.99.99	Other	EX	EX		NA	EX
4412	Plywood, veneered panels and similar laminated wood.					
4412.13.01	With at least one outer ply of tropical wood specified in subheading note 1 to this chapter.	6.00	3.00	VAT 1/	NA	EX
4412.13.99	With at least one outer ply of tropical wood specified in subheading note 1 to this chapter.	4.50	3.00	VAT 1/	NA	NA
4412.14.99	Other, with at least one outer ply of nonconiferous wood.	4.50	3.00	VAT 1/	NA	NA
4412.19.01	Other, with both outer plies of coniferous wood.	4.50	3.00	VAT 1/	NA	EX
4412.19.02	Other, with both outer plies of coniferous wood.	4.50	3.00	VAT 1/	NA	NA
4412.19.99	Other, with both outer plies of coniferous wood.	6.00	3.00	VAT 1/	NA	NA
4412.22.01	With at least one ply of tropical wood specified in subheading note 1 to this chapter.	6.00	3.00	VAT 1/	NA	EX
4412.23.99	Other, containing at least one layer of particle board	4.50	3.00	VAT 1/	NA	NA
4412.29.99	Other.	6.00	3.00	VAT 1/	NA	NA

4412.92.01	With at least one ply of tropical wood specified in subheading note 1 to this chapter.	6.00	3.00	VAT 1/	NA	EX
4412.93.99	Other, containing at least one layer of particle board.	4.50	3.00	VAT 1/	NA	NA
4412.99.99	Other.	6.00	3.00	VAT 1/	NA	NA
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	EX
4413.00.02	Densified wood, in blocks, plates, strips or profile shapes.	EX	EX		NA	NA
4413.00.99	Densified wood, in blocks, plates, strips or profile shapes.	EX	EX		NA	NA
4414	Wooden frames for paintings, photographs, mirrors or similar objects.					
4414.00.01	Wooden frames for paintings, photographs, mirrors or similar objects.	EX	EX		NA	EX
4415	Packing cases, boxes, crates, drums and similar packings, 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 packings; cable-drums.	EX	EX		NA	EX

4415.20.01	Pallets, box-pallets and other load boards; pallet collars	6.00	3.00	VAT 1/	NA	EX
4415.20.99	Pallets, box-pallets and other load boards; pallet collars.	EX	EX		NA	NA
4416	Casks, barrels, vats, tubs and other coopers' products and parts thereof, of wood, including staves.					
4416.00.01	Casks, barrels, vats, tubs and other coopers' products and parts thereof, of wood, including staves.	EX	EX		NA	EX
4416.00.02	Casks, barrels, vats, tubs and other coopers' products and parts thereof, of wood, including staves	EX	EX		NA	NA
4416.00.03	Casks, barrels, vats, tubs and other coopers' products and parts thereof, of wood, including staves	EX	EX		NA	NA
4416.00.04	Casks, barrels, vats, tubs and other coopers' products and parts thereof, of wood, including staves	EX	EX		NA	NA
4416.00.99	Casks, barrels, vats, tubs and other coopers' products and parts thereof, of wood, including staves	EX	EX		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; boot or shoe lasts and trees, of wood.	EX	EX		NA	EX
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
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	EX
4418.20.01	Doors and their frames and thresholds.	EX	EX		NA	EX
4418.30.01	Parquet panels.	EX	EX		NA	EX
4418.40.01	Formwork (shuttering) for concrete constructional work.	EX	EX		NA	EX
4418.50.01	Shingles and shakes.	EX	EX		NA	EX
4418.90.01	Other	EX	EX		NA	EX
4418.90.99	Other.	6.00	3.00	VAT 1/	NA	NA
4419	Tableware and kitchenware, of wood.					
4419.00.01	Tableware and kitchenware, of wood.	EX	EX		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	EX
4420.90.99	Other.	EX	EX		NA	NA
4421	Other articles of wood.					
4421.10.01	Clothes hangers.	6.00	3.00	VAT 1/	NA	EX
4421.90.01	Other.	4.50	3.00	VAT 1/	NA	EX
4421.90.02	Other.	4.50	3.00	VAT 1/	NA	NA
4421.90.03	Other.	6.00	3.00	VAT 1/	NA	NA
4421.90.04	Other.	4.50	3.00	VAT 1/	NA	NA
4421.90.99	Other. 4/	6.00	3.00	VAT 1/	NA	NA
4422		NA	NA	NA	NA	NA
4423		NA	NA	NA	NA	NA
4424		NA	NA	NA	NA	NA
4425		NA	NA	NA	NA	NA
Pre-fabricated Houses, a subsection under chapter 96		NA	NA	NA	NA	NA

1/ VAT = Valued Added Tax; 15% Mexico and 10% Border Region and Cancun.

2/ The import of merchandise from North America included in the indicated tariff fractions, will be exempt of taxes if a TRQ certificate issued by the Secretariat of Commerce and Industrial Development (SECOFI) is presented.

3/ The import of merchandise from North America included in the tariff fractions 4407.10.01, 4407.10.02 and 4407.10.99 will be exempt of taxes, when imported by companies enrolled in the Registry of Construction Companies and Wood Frame Structures Trading Companies of the Secretariat of Commerce and Industrial Development (SECOFI), and certifying that merchandise will be used exclusively in the construction of wood frames for the Construction Industry and fulfill the established requirements for such fractions in the list of Mexico, contained in Annex 302.2 of the North America Free Trade Agreement.

4/ The import of merchandise from North America included in the indicated tariff fractions, will be exempt of taxes if imported only as wooden blinds.

EX - Exempt

STRATEGIC INDICATOR TABLE: FOREST AREA (million hectares/million cum)			
Country: Mexico	Previous	Current	Following
Report Year: 2001	Calendar Year	Calendar Year	Calendar Year
	2000	2001	2002
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 and Natural Resources (SEMARNAT), based on the National Forest Inventory, 1994.