MEXICO MARKET PROFILE

MEXICO: FOREST PROFILE[1]

Mexico is moderately forested with around 30 percent forest and woodland cover. Mexico is rich in temperate and tropical forests. Mexico possesses 1.3 % of the world's total forest resource, with one quarter of Mexico's total land area classified as forest lands. Mexico is exceptionally rich in pines: there are in total 72 species, varieties and forms, more than any other country in the world.

	Forest Cover 2000	Distribution of land cover/use % (1993)		
	´000 ha	Forest	Other Wooded Land	Other land
Mexico	55,205	28.9	41.4	27.9
North America	549,306	26.1	15.9	57.8
World	3,869,453	29.4	11.2	58.6

MEXICO'S FOREST DISTRIBUTION

Of 192 mha total land area, approximately 50 mha are wooded, made up of both coniferous and broad-leaved forests. Mexico has, however, a broad range of climatic zones and these give rise to a broad range of vegetation and forest types. More than 70 percent of the country is classified as semi-arid, or drier, but Mexico also has wet humid zones, as well as montane and alpine vegetation. Lowland forest is mainly broadleaved, with significant areas of dry and arid-tropical forest, particularly on the west coast, and moist tropical forest on the southern Yucatan peninsula. Inland montane regions, notably in the Sierra Madre ranges, have large areas of mixed coniferous forest, dominated by pine and fir species, but also with significant proportions of oak. Mexico has a moderate area of, mainly pine species, plantations. Mexico has more than 2.5 M hectares of forest in protected areas, approximately 4 percent of the country´s total forest area.

The coniferous and broad-leaved forests, located in temperate-cold climate, total about 26 mha, and account for 90% of Mexico's forest production. The largest areas of temperate-cold forest can be found in the states of Chihuahua, Durango, Jalisco, Michoacan, Oaxaca, Chiapas and Guerrero. At 24 mha, tropical and subtropical forests are comparable in size, but they account for only 10% of Mexican forest production. Tropical forests are located in the states of Chiapas, Quintana Roo, Yucatan, Campeche, Tabasco and Oaxaca.

PRODUCTS AND TRADE

The majority of production is softwood sawnwood and wood-based panels. Most of the softwood production is used in domestic construction - mainly concrete forming. Other important uses include finishing work such as molding and parquet flooring, manufactured doors, windows and furniture. Over 90% of all hardwood consumed in Mexico goes to the furniture manufacturing industry.

Mexico produces significant quantities of wood and paper products, mainly for domestic consumption. Mexico´s paper industry relies on secondary fibres from recycling for 80 percent of its fibre needs. The country imports moderate quantities of forest products, most notably pulp and paper. Important non-wood forest products found in Mexico include resins, waxes, fibres, and latex.

Although Mexico's forest area is relatively large, its contribution to the nation's (GDP) is barely 0.6%. As a consequence, the government has traditionally assigned few resources to developing and managing Mexico's forests, or investments in infrastructure. Transportation costs in the forestry sector are unusually high, in part because of the low road density: only 8 m per hectare, or one third of the density recommended by the FAO. Timber is often found in hard to reach mountainous regions, and what roads do exist can be made impassable by heavy rains. Wood production costs are currently 35 to 40 percent higher than the world average.

POLICIES/ISSUES

In recent years, Mexico has begun to implement major changes to more fully develop its forest industries. The government has chosen to develop the forest sector under the guidelines of sustainable forest management. Consequently, constitutional changes were made in the nation's land tenure system. In 1991 the Mexican Constitution was amended and a new Agrarian Law was enacted, allowing the ejidatarios (groups of farmers that collectively manage forested and agricultural lands) to either lease or sell their lands to individuals or corporations, with the approval of the group. The government's intent is to demonstrate to national and international investors the Mexico's forests represent a sound investment.

[1] Source: World Forest Institute. http://www.worldforestry.org/wfi/world-forests.htm

MEXICO TRADE OVERVIEW

Mexico Export Stats
Commodity: Wood Products (44)
Value: $1,000,000

Partner Country	2003	SHARE	1YR Δ	5YR Δ
World	747.5	100.0%	9.1%	58.2%
United States	433.9	58.0%	3.8%	8.3%
Chile	140.7	18.8%	13.6%	685.9%
Brazil	37.7	5.0%	28.1%	285.2%
Peru	26.8	3.6%	8.7%	188.8%
Malaysia	20.8	2.8%	-0.5%	2776.6%
Indonesia	17.6	2.4%	5.3%	-10.3%
Germany	12.1	1.6%	57.4%	671.9%
Venezuela	12.0	1.6%	129.9%	10390.9%
China	9.7	1.3%	17.2%	575.5%
Spain	8.6	1.1%	31.2%	332.4%

Mexico Import Stats
Commodity: Wood Products (44)
Value: $1,000,000

Partner Country	2003	SHARE	1YR Δ	5YR Δ
World	989.5	100.0%	4.1%	59.9%
United States	488.7	49.4%	-4.7%	2.2%
Chile	170.4	17.2%	18.4%	720.3%
Brazil	56.1	5.7%	32.6%	387.5%
Malaysia	41.8	4.2%	6.6%	867.0%
Canada	38.9	3.9%	8.3%	83.0%
Peru	32.5	3.3%	18.1%	200.1%
Indonesia	28.7	2.9%	-26.5%	-21.9%
China	26.6	2.7%	24.5%	569.7%
Germany	13.6	1.4%	30.6%	989.5%
Spain	10.8	1.1%	44.1%	297.1%

TOP IMPORTED PRODUCTS

MEXICO IMPORT STATISTICS FROM WORLD								UNITS: $1,000
TYPE	**HS**	**DESCRIPTION**	**2001**	**2002**	**2003**	**1YR Δ**	**5YR Δ**	**% Share**
ALL	44+94	Wood + Furniture	995,197	1,121,428	1,174,048	4.7%	62.3%	100.0%
ALL	44	ALL WOOD PRODUCTS (EX-FURNITURE)	832,514	950,385	989,545	4.1%	59.9%	84.3%
TOTAL PRIMARY			684,495	760,882	777,161	2.1%	63.1%	66.2%
PRIMARY	4407	Lumber	278,040	325,870	345,381	6.0%	69.2%	29.4%
PRIMARY	4412	Plywood & Panels	177,526	188,171	190,109	1.0%	81.7%	16.2%
PRIMARY	4411	Fiberboard	87,236	106,002	108,854	2.7%	114.5%	9.3%
PRIMARY	4410	Particle Board	57,452	61,739	56,175	-9.0%	9.4%	4.8%
PRIMARY	4408	Veneers Sheets	33,384	34,582	37,344	8.0%	60.4%	3.2%
PRIMARY	4403	Logs	19,929	13,696	16,309	19.1%	-3.8%	1.4%
PRIMARY	4406	RR Ties	14,250	10,464	8,201	-21.6%	-42.8%	0.7%
PRIMARY	4413	Densified Wood Shapes	10,333	12,262	7,220	-41.1%	-18.6%	0.6%
PRIMARY	4404	Hoopwood, Poles, Pickets, Stakes	3,230	4,068	4,555	12.0%	389.4%	0.4%
PRIMARY	4405	Wood Wool or Flour	1,367	1,826	1,495	-18.1%	50.2%	0.1%
PRIMARY	4401	Fuel Wood & Wood Chips	985	1,416	1,270	-10.4%	579.1%	0.1%
PRIMARY	4402	Wood Charcoal	764	785	248	-68.4%	5.0%	0.0%
TOTAL SECONDARY			310,702	360,547	396,887	10.1%	60.8%	33.8%
SECONDARY	94	ALL WOOD FURNITURE	162,683	171,044	184,503	7.9%	76.6%	15.7%
SECONDARY	4409	Wood, Continuously Shaped	43,284	51,989	66,109	27.2%	53.0%	5.6%
SECONDARY	4421	Articles Of Wood, Nesoi	34,587	45,678	49,276	7.9%	27.1%	4.2%
SECONDARY	4415	Wood Packing Material	28,908	41,160	40,561	-1.5%	37.6%	3.5%
SECONDARY	4418	Builders' Carpentry	20,258	23,182	26,009	12.2%	56.6%	2.2%
SECONDARY	4417	Tool & Broom Bodies	6,130	10,277	14,181	38.0%	284.2%	1.2%
SECONDARY	4420	Wood Marquetry Etc.	6,024	6,603	6,828	3.4%	69.8%	0.6%
SECONDARY	4414	Wood Frames Etc.	4,660	5,527	4,248	-23.1%	78.9%	0.4%
SECONDARY	4419	Wood Tableware & Kitchenware	2,111	2,507	2,808	12.0%	184.4%	0.2%
SECONDARY	4416	Cooperage Products	2,057	2,579	2,366	-8.3%	-25.3%	0.2%

IMPORT OVERVIEW

Mexico is a relatively small import market when compared to the other top countries, with total value of imports just over $1.1B. The Mexican market has seen strong growth in total imports of forestry products by almost 63% from 1999-2003. This growth came on the back of both primary and secondary import increases. The primary market commands 2/3 of imports, with 1/3 going for secondary products. The U.S. remains the dominant trading partner with Mexico, supplying almost 50% of total import demand. The opening of Mexico's markets via the North American Free Trade Agreement (NAFTA) have rewarded the U.S. handsomely over the last decade, with exports outperforming imports from the Mexican market. However, Chile is swiftly becoming a key competitor for U.S. products in the Mexican market as imports of Chilean forest products have grown by 720% since 1999. Chile is currently the 2nd largest supplier to Mexico, with a recently acquired 17.2% market share. Brazil rounds out Mexican imports with 5.7%.

PRIMARY PRODUCT IMPORTS

LOGS

MEXICO IMPORTS: PRIMARY	UNITS: $1,000			
PRODUCT	2003	% Share	1 YR AGR	5 YR AGR
TOTAL PRIMARY	777,161	66.2%	2.1%	63.1%
SW Lumber	203,366	17.3%	12.6%	168.2%
Other Wood Products	170,808	14.5%	11.7%	46.4%
HW Lumber	142,015	12.1%	-2.3%	10.7%
HW Plywood	102,185	8.7%	3.2%	90.1%
SW Plywood	84,104	7.2%	-2.4%	73.5%
MDF	77,524	6.6%	30.5%	145.1%
Hardboard	41,561	3.5%	28.8%	227.8%
Other Panel Products	40,620	3.5%	-19.0%	11.6%
HW Veneers	32,975	2.8%	8.3%	61.4%
Particleboard	22,228	1.9%	-23.6%	-4.9%
OSB-WB	17,309	1.5%	13.1%	427.1%
RR Ties	8,201	0.7%	-21.6%	-42.8%
SW Veneers	4,369	0.4%	6.0%	53.0%
HW Logs	2,279	0.2%	-26.6%	-41.4%
SW Logs	1,084	0.1%	237.9%	63.0%
SW Chips	717	0.1%	-27.1%	8123.6%
HW Chips	24	0.0%	241.4%	223.3%
Poles	-	0.0%		-100.0%

Mexican imports of logs reached $16.3M in 2003, down slightly over 1999 values. Top suppliers to the Mexican market are Chile (55.1%), the U.S. (22.0%), and Canada (20.5%). Once again, Chile has seen drastic increases in exports of logs to Mexico, with average gains of 120% per year. The U.S. and Canada have both lost significant market share as Mexican imports remained flat throughout the period. HW log imports outpaced SW's by a factor of 2. However, HW log imports showed dramatic decreases in demand (-41.4%), while SW Log imports jumped 63.0% over the period.

LUMBER

The value of Mexican lumber imports reached saw huge increased over 1999 figures, reaching $345M in 2003. Imports, in total value, grew by 69.2% over the period on strong housing demand from a rebounding Mexican economy, despite the global economic slowdown. The U.S. holds a 47.5% share of the supply to Mexico, followed by Chile (27.6%), Peru (6.7%), and Canada (6.1%). Despite the large increases in demand over the period, U.S. market share gave way to imports from Chile, Peru, Canada, and Brazil; each experienced strong growth in the Mexican market.

PANEL PRODUCTS: PLYWOOD, VENEERS, FIBERBOARD, AND PARTICLEBOARD

Mexican imports of Plywood products saw strong, steady growth over the period as imports reached 313M kg in 2003. Imports of plywood almost doubled through the period (89.9%), as construction spending fueled domestic demand for panel products in general. Total value of plywood imports grew by 81% to reach $190M in 2003. The U.S. has remained the leading supplier to Mexico (27.8%), but is barely holding its lead over rival Malaysia (22.2%), as lower-cost plywood attracted Mexican importers. Malaysia, Chile, and Brazil have all seen strong gains in the Mexican market.

Imports of Veneer sheets continued the strong growth trend for valued-added wood products with total imports reaching almost 530 m³ in 2003; an increase of 54.6% over 1999 volumes. In total value, veneer imports reached $37M in 2003, continuing the trend upward. Spain regained its position as the dominant supplier of veneers to the Mexican market (46.6%), while the U.S. (12.6%) continued to lose ground to competitors like Brazil and Gabon. Brazil, who was barely a player on the market 5 years ago, has grown to become the second largest supplier of Veneers in Mexico.

Fiberboard imports also witnessed record growth numbers from 1999-2003 with shipments reaching almost 270M kg. This number represents import growth of 125% over the period. Total value of fiberboard followed suit with 114.5% growth to $109M. The U.S. dominated the category with 56.4% of the market on strong five year growth of nearly 70%, losing ground slightly to the 2nd leading supplier, Chile (14.8%), Venezuela (6.8%), and Brazil (6.5%). Fiberboard represents a strong market prospect for U.S. firms as growth numbers support continued demand.

Imported Particleboard (particleboard, OSB, Waferboard) witnessed moderate growth of 38.1% over the period, with volumes reaching 175.7M kg in 2003. This growth comes on the back of significant gains in the Oriented Strand Board (OSB) & Waferboard segments (340%). The U.S. is the dominant supplier of this value-added product with 84.3% of the market in 2003. The U.S. experienced a solid increase in demand for particleboard over the period (20%), while rivals Canada and Japan showed very strong growth, cutting into the U.S. hold on Mexico.

SECONDARY PRODUCTS IMPORTS

MEXICO IMPORTS: SECONDARY	UNITS: $1,000			
PRODUCT	2003	% Share	1 YR AGR	5 YR AGR
TOTAL SECONDARY	396,887	33.8%	10.1%	60.8%
HW Flooring, Molding, Siding	52,915	4.5%	15.7%	68.1%
Pencil Slats	47,494	4.0%	7.9%	24.6%
Wood Framed Seats	44,224	3.8%	2.7%	115.8%
Packing Material	40,561	3.5%	-1.5%	37.6%
Office Furniture	35,974	3.1%	6.1%	44.3%
Household/Bedroom Furniture	31,156	2.7%	0.2%	157.5%
Builders Carpentry	20,635	1.8%	10.6%	39.4%
SW Flooring, Molding, Siding	18,568	1.6%	72.1%	37.1%
Kitchen Furniture	11,579	1.0%	20.2%	202.6%
Cooperage Products	2,366	0.2%	-8.3%	-25.3%

Mexican imports of secondary products almost reached $400M in total sales in 2003. Continuously shaped wood was the largest category, divided between HW FMS ($52M) and SW FMS ($18M). Secondary import growth represents an increase of over 60% from 1999 levels. Top product categories were HW Flooring, Molding, and Siding, Pencil Slats, Wood framed seats, and Packing Material. The best performer over the period was Kitchen Furniture, with a strong 202.6% increase in imports. Household Furniture also turned in strong growth numbers with 157.5% from 1999-2003.

U.S. EXPORT OVERVIEW

Mexico is the 3rd largest U.S. export market behind Canada and Japan. Total exports destined for Mexico, in terms of total value, were $511M in 2003, up an estimated 13.1% from 1999-2003. Mexico represents almost 9% of the global demand for U.S. forestry products exports. In terms of global market share, Mexico is the #1 export market for Softwood Plywood (37.8%), Particleboard (85.1%), and pencil slats (25.4%); a minor secondary category for the U.S. Mexico is also the #2 export market for 13 other primary and secondary categories including: HW/SW molding (24%), HW/SW siding (27.7%), MDF (34.2%), OSB/Waferboard (14.9%), and Hardwood Plywood (14.0%). The benefits of geography and the preferential NAFTA agreement are evident in the combined market share that Mexico and Canada retain for U.S. exports. The U.S. export market to Mexico is dominated by Lumber sales, accounting for nearly 26% of the entire market. In fact, primary products accounted for 61.9% of exports to Mexico, while secondary products retained 38.1% of the market.

US EXPORT STATS:		**MEXICO**					**UNITS: $1,000**	
TYPE	**HS**	**DESCRIPTION**	**2001**	**2002**	**2003**	**1YR Δ**	**5YR Δ**	**SHARE**
TOTAL	44+94	Total Wood Products + Furniture	466,211	482,987	511,846	6.0%	13.1%	100.0%
TOTAL	44	Total Wood Products	404,245	418,025	433,894	3.8%	8.3%	84.8%
TOTAL PRIMARY		Total Primary	331,109	336,293	316,945	-5.8%	0.1%	61.9%
PRIMARY	4407	Lumber	134,277	127,850	132,067	3.3%	-10.2%	25.8%
PRIMARY	4410	Particleboard	58,550	63,460	55,034	-13.3%	46.6%	10.8%
PRIMARY	4412	Plywood & Panels	51,292	52,509	44,709	-14.9%	-12.4%	8.7%
PRIMARY	4411	Fiberboard	37,948	38,790	33,529	-13.6%	37.5%	6.6%
PRIMARY	4403	Logs	13,487	11,035	19,184	73.9%	-31.9%	3.7%
PRIMARY	4408	Veneer Sheets	11,219	19,402	16,248	-16.3%	13.7%	3.2%
PRIMARY	4406	RR Ties	13,422	10,155	7,659	-24.6%	20.2%	1.5%
PRIMARY	4413	Densified Wood Shapes	6,527	6,148	3,579	-41.8%	-32.5%	0.7%
PRIMARY	4404	Hoopwood, Poles, Pickets, Stakes	2,066	4,111	2,569	-37.5%	85.1%	0.5%
PRIMARY	4401	Fuel Wood & Wood Chips	1,017	1,376	1,674	21.6%	339.3%	0.3%
PRIMARY	4405	Wood Wool	825	1,002	623	-37.8%	23.2%	0.1%
PRIMARY	4402	Wood Charcoal	480	454	68	-85.0%	-51.6%	0.0%
TOTAL SECONDARY		Total Secondary	135,103	146,694	194,901	32.9%	43.2%	38.1%
SECONDARY	94	All Wood Furniture	61,967	64,962	77,951	20.0%	50.3%	15.2%
SECONDARY	4409	Wood, Continuously Shaped	16,713	29,424	58,930	100.3%	132.5%	11.5%
SECONDARY	4421	Articles Of Wood, Nesoi	25,950	16,993	19,316	13.7%	-26.5%	3.8%
SECONDARY	4415	Wood Packing Material	13,295	13,540	14,759	9.0%	-15.8%	2.9%
SECONDARY	4417	Tool & Broom Bodies	3,813	9,732	11,939	22.7%	747.9%	2.3%
SECONDARY	4418	Builders' Carpentry	7,579	6,436	6,562	2.0%	-23.5%	1.3%
SECONDARY	4420	Wood Marquetry Etc.	957	1,034	2,322	124.6%	173.9%	0.5%
SECONDARY	4416	Cooperage Products	1,709	1,361	1,804	32.6%	-32.1%	0.4%
SECONDARY	4414	Wood Frames Etc.	2,697	2,563	1,032	-59.7%	-22.5%	0.2%
SECONDARY	4419	Wood Tableware & Kitchenware	423	650	287	-55.8%	-7.9%	0.1%

U.S. EXPORTS- PRIMARY

U.S. PRIMARY EXPORTS:	MEXICO	FACTOR:	VALUE ($000)	MARKET
PRODUCT	2003	5YR Δ	1YR Δ	SHARE
SW PLYWOOD	$30,530	14.5%	-16.1%	6.0%
PARTICLEBOARD, OTHER	$29,844	5.1%	-22.2%	5.8%
OTHER PANEL PRODUCTS	$27,012	25.2%	-25.7%	5.3%
HW LUMBER, RED OAK	$23,217	-12.1%	0.9%	4.5%
MEDIUM DENSITY FIBERBOARD	$16,772	122.7%	18.9%	3.3%
HW VENEERS	$13,760	14.9%	-5.3%	2.7%
HW LUMBER, MAPLE	$13,143	17.6%	39.0%	2.6%
HW LUMBER, WESTERN RED ALDER	$12,444	108.0%	41.9%	2.4%
SW LUMBER, OTHER PINE	$9,677	-40.6%	7.1%	1.9%

The U.S. has seen hardly any change in aggregate demand for primary products in the Mexican market, with 2003 exports reaching almost $338M, a year over year change of .1%. Primary products represent almost 33% of all forest products exports to Mexico. The major categories for U.S. exports to Mexico were: Lumber ($132M), Particleboard ($55M), Plywood ($44M), and Fiberboard ($33M). Major primary subcategories exported to Mexico were Softwood Plywood, Other Particleboard, Other Panel Products, and Red Oak Lumber. Hardwood lumber products dominated export sales of primary products to Mexico. Major categories within HW lumber were Red Oak, Maple, Western Red Alder, and Yellow Poplar. Softwood Lumber exports were dominated by Other Pine, Other Spruce, Ponderosa Pine, and Other Softwood Lumber.

U.S. EXPORTS BY GROWTH: MEXICO PRIMARY			
VALUES IN $1000			
PRODUCT	2003	5YR Δ	1YR Δ
SW CHIPS	$1,159	2172.5%	66.8%
SW LUMBER, REDWOOD	$553	574.4%	71.2%
HW LOGS, MAPLE	$1,517	537.4%	290.0%
SW LUMBER, OTHER SPRUCE	$9,593	306.5%	156.2%
HW LUMBER, BEECH	$1,038	255.5%	11.9%
OSB/WAFERBOARD	$5,433	209.2%	-28.6%
PULPWOOD	$326	188.5%	1064.3%
SW LUMBER, OTHER	$7,508	143.8%	-9.3%
SW LUMBER, LODGEPOLE PINE	$531	131.9%	-69.9%
MEDIUM DENSITY FIBERBOARD	$16,772	122.7%	18.9%
HW LOGS, YELLOW POPLAR	$488	116.9%	180.5%
HW LUMBER, WESTERN RED ALDER	$12,444	108.0%	41.9%
SW LUMBER, OTHER CEDAR	$127	104.8%	-36.8%
HARDBOARD	$5,513	99.7%	85.3%

The fastest growing forest products based on 5-yr total growth are listed in the adjoining table. The following categories witnessed strong growth: Fiberboard (47%), Particleboard, including OSB/Waferboard (38%), and Wood Chips/Fuel Wood (339%). U.S. Softwood Chips drove most of the demand from 1999-2003 (2172%). Maple logs and Redwood Lumber have also seen substantial increases in 5 and 1-yr. export totals, although volume is still very light at $553,000 and $1.5 M, respectively. The structural panels market was one of the single largest growth categories for exports to Mexico. In the structural panels market, U.S. exports of OSB/Waferboard and Medium Density Fiberboard (MDF) showed the strongest export sales, with moderate volume. This growth occurred due to high domestic demand and under-capacity in the Canadian structural panels market.

U.S. EXPORTS- SECONDARY

U.S. SECONDARY EXPORTS:	MEXICO	FACTOR:	VALUE ($000)	MARKET
PRODUCT	2003	5YR Δ	1YR Δ	SHARE
WOOD HOUSEHOLD FURNITURE	$42,785	20.3%	9.8%	8.4%
SW MOLDING	$26,690	346.6%	394.1%	5.2%
WOOD PACKING MATERIAL	$13,463	-22.4%	6.3%	2.6%
WOOD KITCHEN CABINETS	$12,971	1565.3%	986.1%	2.5%
WOOD OR WOOD FRAME SEATS	$11,980	43.7%	29.9%	2.3%
WOODEN OFFICE FURNITURE	$8,500	16.1%	-33.7%	1,7%
WOOD FURNITURE PARTS	$5,580	-70.2%	-34.9%	1.1%
PREFABRICATED BUILDINGS	$3,821	111.1%	30.5%	0.7%
TREATED LUMBER	$2,395	250.7%	182.8%	0.5%
WOOD DOORS AND FRAMES	$2,238	-45.7%	-0.9%	0.4%

U.S. exports of secondary forest products to Mexico saw marked increased in 2003, reaching $194M, increasing by more than 30% over 2002. This also represents a 43.2% increase over 1999 values. Secondary forest products represent around 38% of all U.S. exports of forestry products reviewed in this study. Secondary products exports grew on the back of the continued surge in demand for Wood Furniture. Wood Furniture was the dominant category in this market, accounting for 40% of all secondary exports. Continuously Shaped Wood, was the dominant non-furniture category in the Mexican market. Products under this category include Flooring, Molding, and Siding. Specifically, the demand for Softwood Molding and Siding drove the majority of export sales of secondary products. Softwood Molding (6.2%) saw an almost 4-fold increase in demand from 2002-2003, as the burgeoning housing sector continued to seek construction products. Following increased demand in both the U.S. and Canada, exports of wood furniture continued an impressive run, with 2003 market share almost reaching 15% of all U.S. exports to Mexico. Leading products within the Furniture category were Wood Household Furniture, Wood Kitchen Furniture and Wood Framed Seats, whether or not upholstered.

Top growth markets for U.S. exports in 2003 were Softwood Molding, Treated Lumber, and Softwood Siding, among other promising products. Also, U.S. exports have seen substantial growth in the Wooden Prefabricated Buildings market (111.1%), which includes mobile homes made of wood-based products. While the Builder's Carpentry category (windows, doors, FSWM, and shingles/shakes) has seen reduced export volume to Mexico, Wood Windows and Frames continue to gain market share with continued strong growth in value ($2.2M). Once again, construction materials and products destined for the Mexican housing market were the strongest performers for the U.S.

U.S. EXPORTS BY GROWTH: MEXICO SECONDARY			
VALUES IN $1000			
PRODUCT	2003	5YR Δ	1YR Δ
WOOD KITCHEN CABINETS	$12,971	1565.3%	986.1%
SW MOLDING	$26,690	346.6%	394.1%
TREATED LUMBER	$2,395	250.7%	182.8%
SW SIDING	$872	135.0%	138.3%
PREFABRICATED BUILDINGS	$3,821	111.1%	30.5%
WOOD WINDOWS AND FRAMES	$2,224	69.0%	36.4%
WOOD OR WOOD FRAME SEATS	$11,980	43.7%	29.9%
WOOD HOUSEHOLD FURNITURE	$42,785	20.3%	9.8%
WOODEN OFFICE FURNITURE	$8,500	16.1%	-33.7%
HW SIDING	$547	13.5%	-11.2%

SOUTH CAROLINA EXPORTS

	SC EXPORTS TO MEXICO	TOTAL VALUE ($)						
HTS	Description	2003	SC 1YR	SC 5YR	US 5YR	% SHARE	SC RANK	% SC SHARE
44+94	WOOD + FURNITURE	1,944,889	-11.2%	345.0%	2.8%	100.0%		
44	ALL WOOD	1,857,665	-13.1%	388.5%	8.3%	95.5%	20	0.4%
4411	Fiberboard	1,441,851	-20.8%	#DIV/0!	37.5%	74.1%	3	4.3%
4407	Lumber	232,093	204.2%	378.5%	-10.2%	11.9%	23	0.2%
	All Wood Furniture	87,224	64.5%	53.7%		4.5%		
4410	Particleboard	75,438	-52.7%	#DIV/0!	46.6%	3.9%	11	0.1%
4401	Wood Chips	29,719	#DIV/0!	#DIV/0!	339.3%	1.5%	6	1.8%
4412	Plywood	22,778	#DIV/0!	#DIV/0!	-12.4%	1.2%	22	0.1%
4409	Wood, Continuously Worked	21,487	336.7%	#DIV/0!	132.5%	1.1%	21	0.0%
4417	Tool/Tl+Broom Body/Et	18,639	-46.2%	-94.4%	747.9%	1.0%	19	0.2%
4414	Frme F Paint/Phot/Etc	15,660	#DIV/0!	#DIV/0!	-22.5%	0.8%	9	1.5%
4408	Veneer Sheet	0	-100.0%	#DIV/0!	13.7%	0.0%	26	0.0%
4421	Othr Articles Of Wood	0	#DIV/0!	#DIV/0!	-26.5%	0.0%	37	0.0%
4418	Blders'Joinry+Carpntr	0	#DIV/0!	#DIV/0!	-23.5%	0.0%	27	0.0%

Mexico represents South Carolina's 10th largest export market, with 3.0% of the total market. In 2003, South Carolina exported nearly $2.0M in primary and secondary forest products to Mexico. Exports to Mexico have seen dramatic growth over the last 5 years with a record 345% increase over 1999 levels. South Carolina has gained significant market share over other U.S. states through the period, rising to a #20 rank for total exports. Even with dramatic growth in exports to Mexico, leading states still dwarfed SC, as evidenced by a .4% market share for U.S. exports to Mexico. Primary products represented almost all exports to Mexico, save Wooden Furniture. Dominant export categories, by market share, were Fiberboard (74%), Lumber (11.9%), Wood Furniture (4.5%), and Particleboard (3.9%). SC was ranked #3, #23, and #11 in each category, excluding furniture. The bulk of growth in exports to Mexico came from Fiberboard, which went from $0 in 1999 to over $1.4M in 2003. Exports of Fiberboard between .35 and .5 g/cm³ NESOI, were 99% of the fiberboard category. In the lumber category, almost 80% of all exports came from SW Lumber, likely Southern Yellow Pine, at $186,000. Other HW lumber exports accounted for the remainder. Unworked Particleboard represented the major product (60%) in the particleboard category.

Although exports were not very diversified, South Carolina did see huge increases in lumber exports (378.5%), and Fiberboard exports ($0-$1.4M) over the period. SC exports of fiberboard control 4.3% of the total U.S. export market to Mexico. Continuously Shaped Wood saw marked growth over 2002, but with a much lighter volume of $21,000.

BEST PROSPECTS- U.S. PRIMARY

HW LOGS:	MAPLE
HW LUMBER:	MAPLE, WESTERN RED ALDER
SW LUMBER:	OTHER SPRUCE, OTHER SW (nesoi), LODGEPOLE PINE
PLYWOOD:	SW (441219- 2 outer coniferous plies)
PARTICLEBOARD:	OSB/WAFERBOARD, PARTICLEBOARD (nesoi)
FIBERBOARD:	MDF, HARDBOARD
VENEERS:	HW
OTHER:	RR TIES, HOOPWOOD/POLES/PICKETS/STAKES

BEST PROSPECTS- U.S. SECONDARY

WOOD FURNITURE:	HOUSEHOLD FURNITURE, KITCHEN CABINETS, WOOD FRAMED SEATS
WOOD, CONT. SHAPED:	SW MOLDING, SW SIDING
BUILDERS' CARPENTRY:	WOOD WINDOWS & FRAMES, PARQUET PANELS
OTHER:	PREFABRICATED BUILDINGS, TREATED LUMBER

BEST PROSPECTS- SOUTH CAROLINA

FIBERBOARD:	OTHER (441139-OTHER LIGNEOUS >.35G/CM^3)
LUMBER:	SW (PINE SPECIES)
WOOD FURNITURE:	WOOD FURNITURE (nesoi)

ECONOMIC FACTORS (GENERATING DEMAND)

GDP GROWTH

Economic growth in Mexico is directly linked to performance in the U.S. and Canadian economic sectors. When U.S. expansion is slowed, so is that of the Mexican economy. Mexico's economic recovery is gradually taking hold, with real GDP rising at a modest but improved 1.3 percent rate in 2003 following weak 0.8 percent growth the year before. A strong U.S. economy will help boost Mexico's growth rate to 3 percent in 2004 followed by even stronger growth in 2005. Real GDP rose at a year over year pace of 3.7 percent in the first quarter of this year, though an expected increase in interest rates will temper the pace of economic activity during the remainder of the year.[2] Although Mexico's economic performance in 2001 paled by comparison to the nation's 7% increase in GDP in 2000, it still had one of the strongest emerging economies in the world with historically low inflation and a relatively stable GDP, according to experts. A rebound is predicted in 2004 with growth supported by investment instead of consumer spending in spite of challenges such as layoffs, a low growth rate (economists expect Mexico's GDP to expand by approximately 1.8% if the U.S economy continues to recover), lagging public spending, and a lack of infrastructure. One of the leading sectors the will benefit from increased economic performance will be the housing and construction sector, which continues to demand U.S. building products including Lumber and Builders Carpentry.

MEXICO: INDICATORS	2000	2001	2002	2003
GDP per head ($ at PPP)	8,939	9,005	9,080	9,200
GDP (% real change pa)	6.58	-0.12	0.73	1.3
Government consumption (% of GDP)	11.09	11.77	11.76	11.9
Budget balance (% of GDP)	-1.1	-0.69	-1.18	-0.7
Consumer prices (% change pa; av)	9.49	6.37	5.03	4.55
Public debt (% of GDP)	20.74	20.05	22.8	24.4
Labor costs per hour (USD)*	1.57	1.74	1.79	1.68
Recorded unemployment (%)	2.22	2.46	2.7	3.25
Current-account balance/GDP	-3.13	-2.9	-2.2	-1.5
Foreign-exchange reserves (mUS$)	35,509	44,741	50,594	58,956

CONSTRUCTION/ BUILDING INFORMATION

Mexico's construction sector is seen enjoying a strong 2004, buoyed by strong infrastructure investment, growing housing demand and an economic recovery, analysts said. Last year, the sector grew 3.4 percent, outstripping an expansion of the broader economy of 1.3 percent. This year, construction is seen growing at a higher clip of 3.5 percent, while the economy is forecast to grow 3.1 percent. "There is a favorable environment for infrastructure and housing construction," Francisco Suarez, deputy analysis director with Banorte told Reuters.[3]

Construction Products Demand

More than 60 percent of the domestic production of softwood lumber is used for concrete support in the construction sector. In the construction sector, softwood lumber is preferred over hardwoods, whether temperate or tropical. The construction sector is also the primary end-user for structural softwood lumber, treated lumber and structural panels used for wood frame construction.

HOUSING STARTS [4]

Mexico has long had a chronic housing shortage with many poor people living in self-built shacks. President Vicente Fox has made housing a priority, handing out mortgage credits to Mexicans who want to buy a house through various agencies. The Mexican housing market is booming driven by high demand, improved economic indicators, and major government support for housing finance, says Moody's Investors Service in a

[2] Source: http://www.econ.pncbank.com/MEXICO.HTM
[3] Source: Reuters Investor Services. www.reuters.com
[4] Source: Moody's Investor Service. http://www.moodys.com/cust/default.asp

new report. Demographics illustrate the rising and long-term need for housing as two-thirds of Mexico's 97 M people are under 30 years of age, and within three decades the population over the age of 20 is projected to increase from 56 M to 96 M, which should more than double the need for homes, says Moody's.

"This demographic trend supports Moody's view that the demand for housing is long-term because household formation is highly correlated to a population's age. Moreover, the rental market in Mexico is small, representing only 13% of the total housing stock, thus first-time homebuyers in Mexico tend to be younger than in other countries," the analysts say.
In addition to household formation, there are other factors that will continue to affect demand for housing in any particular region, such as immigration, replacement of sub-standard houses, and move-ups from one income level to another, Posch and Kibel say.

Currently, there is a housing deficit of approximately five M homes. Partially due to social pressure, current and past federal administrations have taken various initiatives to reduce the deficit, sponsoring home buying particularly in the low, to mid-low income segment, where the housing deficit is largely concentrated.

TRADE FACTORS (AFFECTING U.S. EXPORTS)

Currently, the US faces no major trade barriers to the imports of wood by Mexico, though all products must be imported with the NAFTA certificate of origin and follow the phytosanitary import requirements. Since January 1, 2003, import duties on wood products and the zero tariff rate quotas were eliminated.

NAFTA

The North American Free Trade Agreement is a preferential trade agreement between Canada, the U.S., and Mexico which includes the gradual elimination of almost all tariffs on goods produced within the economic block. This is not a free trade agreement as the name indicates, but rather a preferential trade agreement subject to country policy. With the onset of these reductions Initiated in 1994, NAFTA has created a favorable environment for U.S. wood products by giving products a competitive edge over non-NAFTA products. However, as it turns out, factors such as economic growth, exchange rates, and other commodity price relationships, have had considerably more impact on forest products trade between the two countries than the better-known NAFTA

POLICY

PLYWOOD RESTRICTIONS

On August 15, 2002 The Secretariat of Economy (SE) announced in Mexico's "Diario Oficial" ("Federal Register") the initiation of an official global safeguard investigation against plywood imports. This investigation was in response to a petition submitted by the Mexico's National Association of Plywood Producers (ANAFATA).

For many years Mexican plywood manufacturers have been concerned about unfair competition from tropical plywood imports from Indonesia and Malaysia and softwood plywood imports from Chile. The Secretariat of Economy issued a decision on the safeguard investigation mentioned above on July 4, 2003 but this has not been published in the Diario Oficial to become effective. According to private sources, the safeguard is expected to affect plywood imports from Chile with a 12 percent import duty, and plywood imports from Indonesia and Malaysia with a 35 percent import duties. This safeguard action will not be directed toward US plywood imports due US softwood plywood imports occupy a niche market that does not compete directly with Mexican plywood products. The US hardwood industry is concerned that, if successful, this measure may be adopted by other wood production sectors, including the domestic lumber industry.

WOOD PACKING MATERIAL

Mexico abides by the National Plant Protection Organization (NAPPO) guidelines of the United States, Canada and Mexico. These "Guidelines for Regulating Wood Packaging Material in International Trade" were approved by the International Plant Protection Convention (IPPC) on March 15, 2002.

Most recently, the Mexican Secretariat of the Environment and Natural Resources (SEMARNAT) published a regulation detailing technical specifications on phytosanitary treatments for packaging material: NOM-EM-144-SEMARNAT-2003. This regulation is an emergency rule with a validity of 6 months. According to SEMARNAT the emergency standard regulation NOM-EM-144 will be replaced later this year (2004) with a permanent rule.

The IPPC will require that all SWPM entering the United States either be heat-treated or fumigated and marked accordingly. However, on October 30, 2003 APHIS revised the implementation date (2003 State Cable 153943) to April or May 2004, but will begin issuing notices from January 2, 2004 to the National Plant Protection Organizations for material not appropriately treated and marked leading up to strict enforcement of ISPM No. 15 expected by mid-year 2004. According to SEMARNAT authorities, when Mexico is confident that internally the industry is in full compliance with this standard, they will begin to require that other countries that export to Mexico comply with equivalent measures for wood packaging materials.

Solid Wood Packaging Materials Included in this Standard: Pallets, boxes, cases, packing blocks, dunnage, crates, drums, load boards and skids, within others.

Wood Packaging Materials Excluded: Those made wholly of wood-based products such as plywood, particle board, oriented strand board or veneer that have been created using glue, heat and pressure or a combination of these. Veneer peeler cores, sawdust, wood wool and shavings, and raw wood cut into pieces of 6 mm thickness or less.

Approved Treatment Identity Mark: The IPPC will begin to reguire use of an identity mark to ensure that the solid wood packaging materials used for export have received one of the approved treatments mentioned in ISPM No. 15 of the International Plant Protection Convention (IPPC) guidelines. This standard follows the agreement between Mexico, the United States and Canada, as members of the North American Plant Protection Organization (NAPPO), to prevent the introduction of pests of quarantine significance via solid wood packaging materials (SWPM).[5]

Other Wood Products Regulations[6]	Current Situation
NOM-016-RECNAT-1997	Sets forth sanitary regulations applicable to new sawn wood. The project was submitted on June 11, 1998, and re-opened to comments on February 6, 2002. Final resolution from authorities not yet foreseen.
NOM-017RECNAT-1997	Sets forth sanitary regulations applicable to used sawn wood and plywood imports. Project was submitted to comments on June 11, 1998. SEMARNAT is considering the cancellation of this project.
NOM-NMX-C-322-ONNCCE-2003	The National Standardization Organization (ONNCCE) proposes this standard, it sets forth sanitary regulations on wood preserved under pressure, grading and its requirements. This standard is pending to review and approval due it is only applicable to products manufactured in Mexico and chemical products recommended are not available in the country. Final resolution from authorities not yet foreseen.
NMX-C-325-1970	Standard project for oriented strand board (OSB) plywood aimed to the construction sector. This project is in process of review. A preliminary review will take place mid 2004.
NMX-C-239-1985	Standard update "Construction Industry" – Wooden housing, and urban outfitting – structural qualifications of pinewood.

MEXICAN STANDARD ON NEW SAWN LUMBER

On July 25, the Secretariat for the Environment and Natural Resources (SEMARNAT) published in the Diario Oficial the final standard for the importation of new sawn lumber. New and air-dried lumber coming or originating from the United States will require a certificate specifying that the wood received treatment at origin against pests and diseases. (It can also be treated at the border.) Kiln-dried new sawn lumber originating or coming from the United States will require a certificate of heat treatment indicating that the lumber has been dried in a kiln.

[5] Source: http://www.fas.usda.gov/gainfiles/200402/146105351.pdf
[6] Source: http://www.fas.usda.gov/gainfiles/200401/146105322.pdf

COUNTRY INFORMATION SOURCES

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