

## PULP AND PAPER INDUSTRY

Mexican pulp and paper industry represents less than 1% of national GDP, 6% of all water borne pollution is produced by companies in this sector. Such high levels of pollution have resulted in significant attention from environmental authorities, and most pulp and paper companies have been pressured to implement environmental solutions. Many companies have already invested in wastewater technology and those that haven't will be required to do so quickly. From the perspective of the Canadian supplier, two points are key: i) given the limited target market and mounting government pressure, speed is critical; and ii) resources within the industry are scarce, and consequently financing is important.

The federal government currently allows companies a maximum two year period to implement wastewater solutions. This time period is strictly enforced in the pulp and paper sector. Given decision and construction lead times, those companies that have yet to purchase technology are looking to do so quickly.

Additionally, there are only 73 plants operating in this sector in Mexico. 7 focus exclusively on the production of pulp, 58 focus on the production of paper, and the remaining 8 are involved in both pulp and paper processes. Many plants already have some form of wastewater technology, further reducing the number of potential customers. Given such a small target market, Canadian companies will need to move quickly in order to obtain a customer in the pulp and paper field.

Both the pulp and the paper segments of the industry have fallen upon hard times. The combined growth rate for both segments in 1992 was -1.6%. The comparable figure for 1991 was -3.1%. Pulp producers, in particular, are faced with significant problems: only 52.2% of installed capacity was used in 1992. Production in 1992 was 20% less than in 1991, while the total market size has decreased 40% in 4 years. Reductions are largely due to a significant increase in the use of secondary (recycled) pulp. Over the long term, use of secondary pulp is expected to continue to rise, further dampening the outlook for pulp producers.

In fact, the only growth area in pulp is the manufacture of secondary pulp. Mexican production in 1992 was estimated at \$US 398 million; total market value for 1996 is projected at \$US 487 million.

### Norms and Enforcement:

Three norms — 15, 24, and 25 — regulate the discharge activities of pulp and paper companies. Nearly 50% of all plants are located in zone 1 enforcement areas, and are being strongly encouraged to treat their liquid discharges.

### Perspectives:

The industry is in a state of decline. While the paper segment can expect to regain growth in the future, pulp producers will continue to suffer.

### Target Market:

There are only 73 pulp & paper plants in Mexico, owned by approximately 60 companies.

Like the pulp segment, the Mexican paper industry also experienced a slight shrinkage in 1992. Demand problems were complicated by falling exports and rising imports. For example, 1992 paper imports were nearly 75% higher than the 1991 statistic.

While there is no direct relationship between the contraction of the industry and wastewater equipment sales, it is probable that cash resources within the industry are scarce. As a result, financing will be critical in most deals made with pulp and paper companies.

### Industry Summary (Millions of Tons)

	Pulp	Paper
Current Capacity	1.072	3.935
Capacity in 1997	1.104	4.295
Investment Projects	0.032	0.360

Although both segments are suffering, the paper industry holds more long-term potential than the pulp sector. Wastewater suppliers may wish to focus their efforts in this area. While the pulp market is shrinking, demand for paper is expected to grow 4.5% annually over the next several years. The industry association expects the demand for paper to expand by 650,000 tons per year by 1997. Similarly, experts estimate that an additional