

CUSTOMERS

In 1994, Mexican consumption of paper totalled 3.8 million tonnes. This was an increase of 10.5 percent over 1993. Since domestic production was only about 2.8 million tonnes, an increase in imports was needed to support this level of consumption. About two-thirds of all paper consumption occurs in Mexico City and its outskirts.

Paper Markets

Percentage of total

Packaging	27
Food	12
Cement	4
Pharmaceuticals	3
Others	8
General business	20
Financial sector	5
Others	15
Educational	17
Graphic arts	16
Newsprint	5
Others	11
Home sector	11
Government	9
Total	100

Sources: *Cámara Nacional de las Industrias de la Celulosa y del Papel (CNICP)*, National Chamber of the Pulp and Paper Industry, Jefferson Smurfit Group of Ireland (SMURFIT), Kimberley-Clark.

Packaging

The most important user of packaging paper and paperboard is the food and beverage sector. The packaging industry is dominated by a small number of integrated companies which produce both the paper and the finished packaging. The Jefferson Smurfit Group of Ireland (SMURFIT) is the leading producer in the packaging industry, and is one of the largest consumers of secondary fibers. It operates a large paper mill at Ecatepec, Estado de México.

Newsprint

All of Mexico's newsprint is produced by *Productores e Importadores de Papel (PIPSA)*, Producers and Importers of Paper. This is a group of three government-owned or government-backed manufacturers. *PIPSA* is also the main importer of newsprint.

As part of the government's policy of encouraging pro-government newspapers, *PIPSA* will pay for imported paper in cash, and then sell it to friendly newspapers for credit. *PIPSA* also provides warehousing facilities for imported paper. The larger independent newspapers, including *El Universal*, *Reforma*, *Excelsior*, *El Financiero*, and *La Jornada* import most of their paper directly, despite the extra cost.

Sanitary and Facial Products

Sanitary and facial products are purchased mainly by retail stores, especially supermarkets, and institutions. Raw stock for these products is purchased by some Mexican manufacturers. Kimberley-Clark produces 47 percent of all sanitary and facial papers, followed by *Compañía Industrial de San Cristobal*, Scott Paper, with a 30 percent market share. Other manufacturers include: *Fábricas de Papel Loreto y Peña Pobre* (10 percent), *Compañía Papelera Maldonado* (4 percent), *Fábricas de Papel Potosí* (3 percent) and *Fábrica de Papel Finess* (1 percent). According to recent media reports, Scott Paper and Kimberley-Clark are in the process of merging their Mexican operations.

Publishing and Printing

There are about 1,200 registered editors in Mexico. This includes roughly 800 private companies, 10 institutions, 100 government agencies and 65 personal editors. The total number of editors has fallen sharply over the past few years

because of a decline in the book industry caused by imports. This industry is highly concentrated, with less than 10 percent of the companies accounting for three-quarters of all publications. Typical print runs are between 2,000 and 5,000 copies and they rarely exceed 10,000 copies. The magazine printing industry includes some 250 establishments, but it is dominated by two firms: *Talleres Rotográficos Zaragoza* and *Offset Multicolor*.

The *Secretaría de Educación Pública (SEP)*, Secretariat of Public Education, provides free textbooks to all public schools. Private schools are allowed to use non-governmental textbooks but are also entitled to official textbooks. In an effort to remain politically independent, *SEP* imports directly, mostly from Canada.

COMPETITION

The sharp devaluation of the peso in December 1994 has changed the competitive situation considerably. Prior to the devaluation, the markets for paper products were strongly oriented towards quality and service. Now, customers are more interested in price and financing.

Paper buyers say that they are now willing to accept small defects in colour or texture in return for lower prices. The willingness to accept lower quality is an advantage for Mexican firms, which generally have difficulty meeting international standards of quality.

Capital is scarce and very expensive in Mexico. Companies that can take advantage of lower financing costs in Canada to offer deferred payments and preferential interest rates will enjoy a competitive advantage. The ability to hedge against future devaluations by denominating contracts in pesos is also a benefit.