system of land tenure to allow longer-term property rights. Previously, forest reserves had been allotted only on a year-by-year basis. As a result of the new legislation, private properties are likely to gradually replace the *ejidos*.

THE WOOD SUBSECTOR

Although Mexico's formal forest industry is some 70 years old, it is still in its infancy in terms of technology, infrastructure and forest management practices. The industry is characterized by small-scale producers using outdated technology.

As a result, forest yields are only about one cubic metre round per hectare annually. This compares with 3.5 cubic metres per hectare in the United States and 2.3 in Canada. Logs and lumber are typically stored outdoors for considerable periods and there are few kiln drying facilities. Modernization efforts are hampered by transportation problems.

PRODUCTION

Wood production fell by one-third between 1987 and 1993, reducing the industry's share of gross domestic product (GDP) from 1.3 percent to 0.9 percent. Production increased slightly in 1994.

Until very recently, all of Mexico's wood production has come from wild forests rather than commercial plantations. In 1994, 76 percent of wood output was sold as scantling, and about 16 percent went to the paper industry. Small amounts were used for posts and piles, railway sleepers and fuel. More than three-quarters of forestry production comes from five states. Durango is the largest forestry state, accounting for 30 percent of production.

The devaluation of the peso in December 1994, has given the industry a temporary boost. But Mexican producers will have difficulty competing with imported wood products in the long run. In 1994, production was only about 43 percent of domestic consumption, which is estimated at 15 million cubic metres.

Mexico's Forest Resources, 1993
millions of hectares

Forest Type	Total Resources	Commercial Availability
Temperate and cold-climate species	**25.4**	**15.0**
Softwood	17.3	
Hardwood	8.1	
Tropical and subtropical	**24.2**	**6.0**
Mid- and low-forests	19.7	
High-forests	4.5	
Total	**49.6**	**21.0**

Source: *Cámara Nacional de la Industria Forestal (CNIF)*, National Chamber of the Forest Industry.

Sawmills

Notwithstanding the low technological standards of the forest industry in general, a large proportion of Mexico's 1,375 sawmills are reasonably competitive. The domestic sawmill industry met 91 percent of demand in 1993. Some observers believe that this subsector is in a position to reverse the long-term trend towards increasing import penetration. This will require considerable capital investment and perhaps joint ventures with foreign manufacturers.

Veneer and Plywood

The Mexican veneer and plywood industry has the potential to exploit major resources of tropical hardwoods that are not available in Canada or the United States. To do so, this industry will have to substantially increase its productivity, and infrastructure improvements will be needed as well. Transportation costs typically make up half of the cost of the delivered product.

Particleboard and Fibreboard

Mexican producers of particleboard and fibreboard are considered

Timber Production
'000s of cubic metres round