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Mexico

Product Brief

Christmas Trees

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Report Highlights:

The Mexican market for US Christmas trees was over \$9 million in 2003. The market for imported Christmas trees is growing and the US enjoys a 95 percent import market share. Mexicans are increasingly using Christmas trees as a symbol of the holiday and domestic production is not sufficient to meet rising consumer demand.

Includes PSD Changes: No
Includes Trade Matrix: No
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Section I. Market Overview

The Mexican market for Christmas trees has been growing over the last ten years. In 2003, the United States exported \$9.35 million in Christmas trees to Mexico, which resulted in an import market share of 95 percent. Christmas trees have become more popular in Mexican Christmas celebrations known as “posadas”. The Christmas tree is used primarily as a symbol of the holiday season, but not as a place to put presents.

Table 1: Advantages and Challenges facing US Exporters of Christmas trees to Mexico

Advantages	Challenges
Proximity to the US; lower transportation costs.	Rising competition from Canada both in terms of price and quality.
US trees, primarily those from Oregon, are highly recognized in the marketplace.	Threat of substitution from artificial trees because they are less expensive over the long-term.
US trees are almost exclusively offered in retail chains.	Mexican trees are lower in price, and can substitute for higher quality, more expensive US trees during times of economic weakness.
Mexicans are increasing their use of Christmas trees as a symbol of the holiday.	
Rising preference by Mexicans for US quality Christmas trees.	Phytsanitary regulations have blocked the importation of many tree varieties from many US states.
US Christmas trees enter duty-free.	

Section II. Market Sector Opportunities and Challenges

a. Domestic Production

Mexico’s Christmas tree production is not sufficient to meet domestic demand and is not recognized for its quality or diversity. According to a February 2000 Christmas tree production study published by the Mexican Ministry of Natural Resources- Forestry Division (SEMARNAT), natural forests were used for Christmas tree production during the 1970s and 1980s, but starting in the 1990s commercial production shifted to plantations and nurseries. Based on the most recently available data, Mexico has 2,000 hectares of specialized plantations and nurseries that produce about 600,000 Christmas trees annually. Nurseries account for the majority of the production. There are over 400 nurseries producing Christmas trees on 1,250 hectares, primarily concentrated in the areas of Puebla and Veracruz. In addition, ninety specialized plantations cover an estimated 700 hectares. Those states with the most land dedicated to plantation production are Mexico (424 hectares), Nuevo Leon (89 hectares), and Veracruz (60 hectares). Much of the production in Mexico is dedicated to the *Pinus Ayacahuite*, *Pinus Cembroides*, and *Abies Religiosa* varieties.

Most local producers sell Christmas trees directly from their production area, though there are some local producers that sell to neighborhood markets. Retailers tend to purchase US and Canadian production.

Table 2: Christmas Tree Production, 1981-1999
(Thousands of trees)

Year	Nurseries	Specialized Plantation	Natural Forest	TOTAL
1981	300	32	75	407
1982	157	53	104	314
1983	198	67	130	395
1984	203	63	202	468
1985	250	70	213	533
1986	400	100	300	800
1987	276	81	187	544
1988	300	80	112	492
1989	328	105	221	654
1990	310	60	0	370
1991	349	31	0	380
1992	400	67	0	467
1993	615	73	0	688
1994	609	89	0	698
1995	569	57	7	633
1996	570	70	0	640
1997	395	194	0	589
1998	395	225	0	620
1999	395	240	0	635

Source: Dirección General Forestal SRN-SEMARNAT, 2000

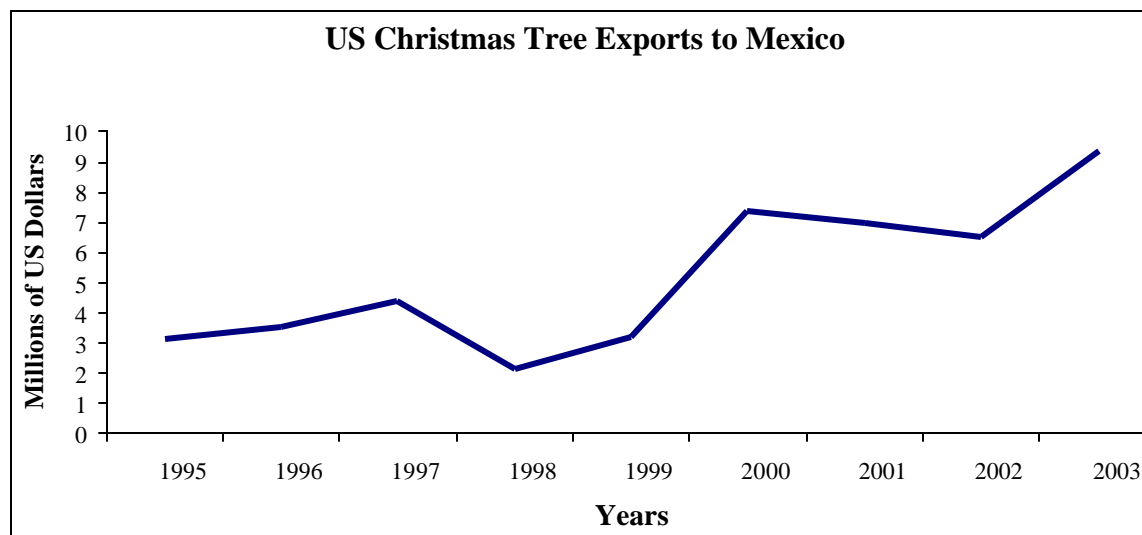
b. Imports and Foreign Competition

Over 90 percent of imported Christmas trees are from the United States. The majority of US trees sold in Mexico are from the state of Oregon. According to the Oregon Department of Agriculture, Mexico accounted for nine percent of its total exports of Christmas trees in 2003, worth \$8 million in sales. Retailers and distributors report that they primarily import Douglas and Noble fir trees from the state of Oregon.

The main US competitor is Canada, whose import market share is less than 10 percent in Mexico. However, there are indications that Canadian trees are becoming more competitive with US origin trees because they are offering trees at competitive prices.

c. Domestic Consumption

The Mexican government does not have any official statistics on Christmas tree purchases. However, US Department of Commerce export statistics indicate that Mexican imports of US Christmas trees have grown over the last 10 years and Mexican distributors believe that this increase reflects overall growth in demand. Mexico has risen from being the United States' fourth largest export market for Christmas trees, to its third largest export market over this period. Consumption in Mexico is reported by importers to be strongest in Mexico City and surrounding areas, followed by Guadalajara, the border region, and the southeastern region of Mexico (Oaxaca and Chiapas).

Table 3: US Christmas Tree Exports to Mexico

Source: US Department of Commerce

d. Market Size and Structure

Mexico has over 104 million inhabitants, of which 55 percent are between 5 and 29 years old. Furthermore, the population is equally divided between men and women. Mexico City has an estimated population of over 20 million. The second largest city is Guadalajara, with 6.3 million people and is located 290 miles northwest of Mexico City. Monterrey occupies the next position with 4 million people, located in the northern border state of Nuevo Laredo, and is the state with the highest per capita income in the country.

Christmas trees are traditionally imported through third-party distributors usually found in the Central de Abasto (central market) in Mexico City. These distributors supply retail chains, local markets, and street vendors. However, in the last five years the larger retailers have started to import directly from exporters. This shift in import practices along with the unpredictability of the market forced many distributors from the market in the last five years.

The major retailers that import Christmas trees directly include: Walmex (Walmart, Sam's Club, Superama, Aurerra, and Bodega Aurerra), Comercial Mexicana (Comercial Mexicana, Mega Comercial, Bodega Comercial, and Sumesa), and Gigante (Gigante, Bodega Gigante, and SuperG). Regional chains like Soriana (northern area), Chedraui (east and southeast), and Casa Ley (northwest) also commercially sell Christmas trees, but have not yet shifted to direct imports.

Section III. Entry Strategy

a. Business Culture

Mexico and the United States are neighbors, but are worlds apart when it comes to culture. Doing business in Mexico can be easy, but also it can be quite complicated for an exporter from the United States for many reasons including a language barrier. Sometimes the difference between success and failure is just a matter of a positive attitude and patience.

Personal relationships are the primary base of Mexican business relationships because Mexicans like personal contact: they deal with *people*, not companies. Therefore, an email or a fax is not appropriate for initial contact. Also, the concept that "time is money" should be left at the border because developing personal relationships is more important to Mexicans than immediately getting "down to business". In the face of a disagreement, Mexicans tend to be skilled at diplomacy and choose to avoid confrontation and loss of face. In a potential confrontation they strive to reach a consensus without having clearly defined winners and losers.

The best way to understand the Mexican market is by visiting the country and talking to buyers, retailers, distributors, and other players to prepare a more effective entry strategy. US exporters must do their market research, which includes finding appropriate business contacts and thoroughly reviewing Mexican import regulations. The following would be recommended procedures in order to start a business relationship in Mexico:

1. Contact the Agricultural Trade Office (ATO) in Mexico City or Monterrey. The ATO issues a variety of reports that can assist you with information on the market potential for products and on exporting procedures. All of these reports can be accessed via the Internet. <http://www.fas.usda.gov/scriptsw/attacherep/default.asp> Beyond providing reports, the ATO staff can provide a variety of services, see below.
2. When contacting a person on your own **do**:
 - a. Speak Spanish, or at least try. Mexicans appreciate foreigners trying to speak Spanish no matter if, in the end, conversations are held in English or something in between. Though many educated Mexicans speak English, many professional business people do not. Assume business and communication will be conducted in Spanish, and have a translator or a person working for you that speaks Spanish.
 - b. Respect Mexico's timing because the pace is different than in the United States. Business meetings are seldom carried on at the office. Lunch meetings are customary, which go longer depending on the importance of the business.
 - c. Keep in mind that office hours are different in Mexico: 9 AM to 7 PM. Lunch break is usually one to two hours, at 2 PM.
 - d. Be flexible. In spite of modernity and NAFTA, always remember it is another country, and another culture after all.
3. When contacting a person on your own **do not**:
 - a. Expect them to speak English. Though most Mexicans will say they do speak English, truth is few really do.
 - b. Expect them to cope with the American way of doing business.
 - c. Rely on faxes or emails as secure means of dealing. As stated above, Mexicans deal with *people*, not with machines.
 - d. Keep a tight schedule. The person you are meeting might keep you waiting for a while, or just moving from one end of town to another might take longer than expected.

Finally, finding a good, reliable importer/distributor or developing a relationship with a retailer who imports directly is a key component to export sales in Mexico. A good distributor should promote sales and make sure that the imported products are available at points of sale. Importers/distributors serve as a link to buyers and in-country representatives, have the expertise to handle complicated regulations, and can troubleshoot problems at the border. Avoiding these key links in the distribution process to save money will almost always result in a loss of resources.

b. Trade Services Available and Events

The Agricultural Trade Offices (ATOs) in Mexico are located in Mexico City and Monterrey. Their function is to assist US businesses to access the market by providing a variety of services such as: sponsoring US Pavilions in trade shows, provide information about local distributors, and arrange services from a contractor (Ag Aides) who can set up individual meetings in the country for a fee. For more information on available services, or to connect with our Ag Aides, please contact our ATO offices directly.

US firms should also consider using a variety of marketing tools to effectively distribute their products in Mexico. These promotional activities could include:

- Preparing brochures and promotional materials in Spanish,
- Hosting technical seminars to inform end users, distributors, and retailers of new technologies, innovations and product advantages, and
- Being involved with the ATO who continuously organize marketing campaigns to support American companies exporting to Mexico.

Section IV. Import Requirements

a. Tariff, taxes, quotas

NAFTA reduced Christmas tree tariffs to zero as of 1994. Christmas trees are exempt from paying the 15 percent value-added tax (IVA in Mexico) collected by Mexican Customs on non-food products. The only relevant taxes and charges for Christmas trees are for customs brokers, who charge an average of 0.5 percent of the total value plus storage and handling fees.

b. Phytosanitary Requirements

SEMARNAT and the Ministry of Agriculture (SAGARPA) established sanitation requirements for imports of Christmas trees, which are found in Mexico's Federal Register (Diario Oficial). The Mexican regulation for Christmas trees is titled NOM-O13-RECNAT-1997 for the following species: *Pinus sylvestris*, *Pseudotsuga menziesii*, and the *Abies* genus. Other requirements stated in NOM-O13-RECNAT-1997 for imported Christmas trees are as follows:

1. The trees shall come without roots and soil.
2. Trees should be mechanically shaken in their place of origin before being transported.
3. Trees should not carry paint on the foliage.
4. All trees are subject to a methyl bromide treatment. Mexican authorities shall not be liable for the phytotoxic effect that this product may cause on Christmas trees.
5. Interested parties must submit the international phytosanitary certificate (IFC).
6. White pines of certain varieties (see table 3 below) that carry *Cronartium ribicola* are banned from importation.
7. Only trees coming from zones free from *Lymantria dispar* and *Tomicus piniperda* infestations will be allowed in the country. There are some US states under quarantine; see tables 4 and 5, respectively.

Other federal regulations have established that the marketing of trees require submitting a commercial invoice as proof of the legal origin of the tree. The Mexican Federal Agency for Environmental Protection (PROFEPA) requires that growers use special labels for forest supervision and monitoring purposes.

On June 21, 2004, SEMARNAT published a proposal to update the 1997 NOM that regulates the importation of Christmas trees to Mexico. This proposal, if implemented, will expand the current regulation to regulate potted Christmas trees and all species of the genus *Pinus*. Furthermore, the proposal also introduces sampling and implementation procedures for the pest *Cylindrocopturus furnissi* and the pathogen *Phytophthora ramorum*. This proposal may be accepted or eliminated in part or in its entirety. Any regulatory changes could take place over the next six months to two years, but currently the 1997 NOM 13 is still applicable. Producers and locales are advised to work with the Animal Plant and Health Inspection Service (APHIS/USDA) on issues related to the variety and locality prohibitions.

Table 4: White Pine Tree Varieties Prohibited for Importation

Pinus albicaulis	P. aristata	P. armandii
P. ayacahuite	P. balfouriana	P. embra
P. dalantensis	P. fenzeliana	P. flexilis
P. griffithi	P. himekomatsu	P. korlaensis
P. lambertiana	P. monticola	P. morrisonicola
P. parvifolia	P. peuce	P. pentaphylla
P. pumila	P. reflexa	P. sibirica
P. strobiformis	P. strobus	P. wallichiana
P. wangii		

Source: NOM-013-RECNAT-1997, Diario Oficial Mexicana

Table 5: Approved Entry Points in Mexico for Importation of Christmas Trees

Border Points	
Tijuana, Baja California	Mexicali, Baja California
San Luis Rio Colorado, Sonora	Nogales, Sonora
Ciudad Juarez, Chihuahua	Piedras Negras, Coahuila
Colombia, Nuevo Leon	Nuevo Laredo, Tamaulipas
Ciudad Reynosa, Tamaulipas	Ciudad Miguel Aleman, Tamaulipas
Matamoros, Tamaulipas	
Airports	
Mexico City International Airport	Monterrey International Airport
Harbors	
Veracruz, Veracruz	Manzanillo, Colima

Source: NOM-013-RECNAT-1997, Diario Oficial Mexicana

Table 6: US States under quarantine for *L mantria dis ar* by county

State	County
Conneticut	Entire State
Delaware	Entire State
District of Columbia	Entire District
Maine	<p>Entire Counties of: Androscoggin, Cumberland, Hancock, Kennebec, Knox, Lincoln, Sagadahoc, Waldo, Washington, and York.</p> <p>Aroosktook- Cities of: Benedicta, Island Falls, and Sherman Mills</p> <p>Fairfield- Cities of: East Wilton, Farmington, Jay, Kingfield, New Sharon, Phillips, Rangeley, Strong, Temple, Weld, Wilton</p> <p>Oxford- Cities of: Andover, Bethel, Brownfield, Buckfield,</p>

	<p>Canton, Denmark, Dixfield, Fryeburg, Hebron, Hiram, Lovell, Mexico, Newry, Norway, Oxford, Paris, Peru, Porter, Roxbury, Rumford, Sumner, Waterfod</p> <p>Penobscot- Cities of: Brangor, Bradford, Bradley, Brewer, Burlington, Carmel, Charleston, Corinna, Dexter, Dixmont, East Millinocket, Eddington, Etna, Exeter, Garland, Hampden, Hermon, Holden, Howland, Hudson, Kenduskeag, Kingman, Lagrange, Lee, Levant, Lincoln, Mattawamkeag, Medway, Milford, Millinocket, Newport, Old Town, Orono, Orrington, Passadumkeag, Stacyville, Stetson, and Winn.</p> <p>Somerset- Cities of: Anson, and Athens.</p>
Maryland	Entire State
Massachusetts	Entire State
Michigan	All counties except: Alger, Baraga, Delta, Dickinson, Houghton, Iron, Kalkaska, Keweenaw, Marquette, Menominee, Ontonagon, Schoolcraft, and the Upper Peninsula
New Hampshire	Entire State
New Jersey	Entire State
New York	Entire State
North Carolina	<p>Entire County of Currituck</p> <p>Dare County: The area bounded by a line beginning at the intersection of State Road 1208 and Roanoke Sound; then easterly along; this road to its junction with State Road 1206; then southerly along; this road to its intersection with US Highway Business 158; then easterly along an imaginary line to its intersection with 111E Atlantic Ocean; then northwesterly along the coastline to its intersection with the Dare-Cuurituck county line; then westerly along this county line to its intersection with the Currituck Sound; then southeasterly along this sound to the point of beginning</p>
Ohio	Ashtabula, Columbiana, Geauga, Lake, Mahoning Counties.
Pennsylvania	Entire State
Rhode Island	Entire State
Vermont	Entire State
Virginia	<p>Cities of: Alexandria, Buena Vista, Charlottesville, Chesapeake City, Colonial Heights, Fairfax, Falls Church, Franklin, Fredericksburg, Hampton, Harrisonburg, Hopewell, Lexington, Manassas, Manassas Park, Newport News, Norfolk, Petersburg, Poquoson, Portsmouth, Richmond, Staunton, Suffolk, Virginia Beach, Waynesboro, Williamsburg, Winchester</p> <p>Counties of: Accomack, Albemarle, Amelia, Amherst, Arlington, Augusta, Buckingham, Caroline, Charles City, Chesterfield, Clarke, Culpeper, Cumberland, Dinwiddie, Essex, Fairfax, Fouquier, Fluvanna, Franklin, Frederick, Gloucester, Goochland, Greene, Hanover, Henrico, Isle of Wight, James City, King and Queen, King George, King William, Lancaster, Loudoun, Louisa, Madison, Mathews, Middlesex, Neslon, New Kent, Northampton,</p>

	Northumberland, Nottoway, Orange, Page, Powhatan, Prince Edward, Prince George, Prince William, Rappahannock, Richmond, Rockbridge, Shenandoah, Southampton, Spotsylvania, Stafford, surry, Sussex, Warren, Westmoreland, York.
West Virginia	Entire counties of: Barbour, Berkeley, Brooke, Grant, Hampshire, Hancock, Hardy, Jefferson, Marion, Marshall, Mineral, Monongalia, Morgan, Ohio, Pendelton, Pocahontas, Preston, Randolph, Taylor, Tucker, Wetzel.

Source: NOM-013-REC NAT-1997, Diario Oficial Mexicana

Table 7: US States under quarantine for *Tomicus ini erda* by county

State	County
Illinois	Boone, Champaign, Cook, Du Page, Grundy, Iriquous, Kane, Kankakee, Kendall, La Salle, Lake, Lee, Lingston, McHenry, McLean, Piatt, Stephenson, Vermillion, Will, Winnebago
Indiana	Adams, Allen, Benton, Blackford, De Kalb, Delaware, Elkhart, Fulton, Grant, Huntington, Jasper, Kosciusco, Lagrange, Lake, LaPorte, Marshall, Miami, Newton, Noble, Porter, Pulaski, Randolf, Starke, Steuben, Tippecanoe, Wabash, Wells, White, Whitely
Maryland	Allengany
Michigan	Allegan, Barry, Bay, Berrien, Branch, Calhoun, Cass, Clinton, Eaton, Hillsdale, Huron, Ionia, Isabella, Jackson, Kent, Lapeer, Lenawee, Livingston, Macomb, Monroe, Oakland, Saginaw, Saint Joseph, Sanilac, Shiawassee, Tuscola, Van Buren, Washtenaw
New York	Allegany, Cattaraugus, Chautauqua, Erie, Genessee, Livingston, Monroe, Niagara, Ontario, Orleans, Oswego, Seneca, Steuben, Wayne, Wyoming
Ohio	Allen, Ashland, Ashtabula, Auglaize, Carroll, Columbiana, Crawford, Cuyahoga, Defiance, Delaware, Erie, Fulton, Geauga, Hancock, Hardin, Harrison, Henry, Holmes, Huron, Jeffereson, Knox, Lake, Lorain, Lucas, Mahoning, Marion, Medina, Monroe, Ottawa, Portage, Richland, Sandusky, Seneca, Stark, Summit Trumbull, Tuscarawas, Union, Van Wert, Wayne, Williams, Wood, Wyandot
Pennsylvania	Allegheny, Armstrong, Beaver, Butler, Cameron, Clarion, Clearfield, Crawford, Elk, Erie, Forest, Jefferson, Lawrence, McKean, Mercer, Venango, Warren, Washington, Westmoreland

Source: NOM-013-REC NAT-1997, Diario Oficial Mexicana

Section V. Contact Information

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