BRAZIL

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CS Brazil Market Research

Furniture Industry in Brazil

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Summary

According to Brazilian Association of Furniture Manufacturers (ABIMOVEL), the Brazilian furniture total market size reached approximately US$10.8 billion in 2007, (US$1.00 – R$1.60) of which about US$284 million were imports.

The market can be broken down in three main categories:

Residential	60%
Office	20%
Institutional *	20%.

* Organizations such as schools, hospitals, restaurants and hotels

Industry analysts believe the greatest potential for growth in the furniture industry lies in the office, hospital segments and general high-end furniture.

This report covers the types of furniture shown in the chart below.

HS Code	Description
9401	Seats transformed into beds, and their parts (except the one of the position 9402)
9403	Other pieces of furniture and their parts (offices, kitchens, living rooms, wood bedrooms, plastics, metals, wicker, bamboo, *etc.*)
9404	Mattresses

Items classified under the HS Code 9402 (medical, surgical, dental or veterinary furniture) are not part of the statistics mentioned in this report.

As a consequence of rising exports over the past few years, the industry developed its production capacity and significantly improved the quality of its products, by using advanced technologies and raw material.

Market Highlights

Brazil has almost 12,355,000 acres of planted forests, almost all of which are located in southern Brazil. Wood from such forests is mainly used in the production of furniture, pulp and paper. The main furniture production centers, as well as the most important markets, are also located in southern Brazil.

Eucalyptus	Pines	Other	Total
2,964	1,769	249	4,982

The production of particleboard, which was 758,000 m³ in 1994, jumped to 1.8 million m³ in 2003, a growth of 238%. This trend is expected to continue in the near future. The furniture complexes are the main clients of particleboard production. Between 80% and 90% of Brazil's particleboard production is consumed by the furniture sector. A smaller volume is marketed by re-sellers and destined to small furniture manufacturers.

As the Brazilian furniture market continues to reap more of its profits from exports, production is increasingly tailored to satisfy market niches. To meet this need, the Brazilian industry is investing more in design and development; however, these investments are small in comparison to investments made in the United States, Italy and Germany.

Due to particleboard producers investing in MDF, ironware and accessories, coating paints and varnishes, and furniture manufactures, the particle sector growth rate will remain constant and possibly increase during this decade.

Brazil is also importing state-of-the-art equipment to address quality issues mandated by foreign markets, *e.g.,* the United States, Italy and Germany. Today, the segment requires the import of equipment such as wood-drying machinery, finishing machinery and tools.

According to ABIMOVEL, there are approximately 16,298 Brazilian furniture manufacturers, most of which are small. These firms generate more than 208,684 job opportunities and are typically family-owned companies. The majority of their income is mostly from local currency – the Brazilian real (HEY-*owl).*

Best Prospects

The products listed below offer the best sales prospects:

- Vehicle and aircraft seats and parts;
- Medical, surgical, dental or veterinary furniture;
- Office, kitchen, living room (metal, wood, plastic);
- Mattresses (except pneumatic and water-filled).

Brazilian Furniture Industry – Total Sales in US$ millions
US$1.00 = R$1.60.

	2004	2005	2006	2007
Local Production (Total Sales)	7.839	7.531	8.100	10.800
Total Market Size	6.990	6.648	7.291	10.079
Exports	941	991	945	1.005
Imports	92	108	136	284
Exports/Production (%)	22.0	18.3	13.56	-
Imports/Total Market (%)	2.6	2.3	2.2	-

Source: ABIMÓVEL
Notes:
1. Total market equals imports plus local production minus exports.
2. All values in this report are in U.S. dollars FOB.

Domestic Production

Total domestic furniture production was approximately US$10.8 million in 2007. According to ABIMOVEL, most of Brazil's furniture manufacturers are small family-owned firms whose capital is exclusively Brazilian.

Furniture manufacturers are categorized according to their size:

Micro companies (up to 9 employees)	12,108
Small Companies (10 to 49 employees)	3,446
Medium Companies (50 to 99 employees)	432
Large companies (more than 100 employees)	312
Total	**16,298**

Source: ABIMÓVEL

The Brazilian furniture industry is characterized by the high number of micro-enterprises and small companies and by the large demand for labor.

Historically, the greatest proportion of Brazilian manufacturers has been concentrated in areas of large population density in southern Brazil. Consequently, some Brazilian states have Furniture Industrial Parks such as Bento Gonçalves in Rio Grande do Sul; São Bento do Sul, in Santa Catarina; Arapongas in Paraná; Mirassol, Votuporanga and São Paulo, in São Paulo; Ubá in Minas Gerais and Linhares in Espírito Santo State.

Furniture Industrial Parks

Furniture Industrial Parks	States	Number of Companies	Number of Employees
Ubá	MG	310	3,150
Bom Despacho	MG	117	2,000
Linhares e Colatina	ES	130	3,000
Arapongas	PR	150	7,980
Votuporanga	SP	210	8,500
Mirassol	SP	85	7,400
Tupã	SP	54	700
São Bento do Sul	SC	210	8,500
Bento Gonçalves	RS	370	10,500
Lagoa Vermelha	RS	60	1,800
São Paulo	SP	3.000	9,000

Import / Export Market

Traditionally Brazil's exports exceed Brazil's imports.

Imports 2007 - Main Origin	% of Total	Exports 2007 – Main Destination	% of Total
Germany	20	United States	27
United States	20	France	9
France	9	United Kingdom	8
Italy	8	Argentina	7
Spain	6	Spain	6
Other	25	Germany	4
		Other	*39*

Source: ABIMÓVEL

Total Imports by product in US$

Year	9401 Seats even transformed in beds, and their parts	9403 Other pieces of furniture and their parts	9404 Mattresses	Total US$
2005	90.715.649	9.754.191	1.228.628	101.698.468
2006	103.206.201	31.859.796	1.416.388	136.482.385
2007	233.718.735	49.490.507	1.675.261	284.884.503

Source: ABIMOVEL

Imports from the U.S. by products in US$

Year	9401 Seats even transformed in beds, and their parts	9403 Other pieces of furniture and their parts	9404 Mattresses	Total US$
2005	7.128.923	1.472.716	281.401	8.883.040
2006	7.136.356	12.446.580	320.847	19.903.783
2007 *	5.559.137	15.823.196	738.049	22.120.382

**2007 – Jan/Jun*
Source: ABIMOVEL

Imports from the United States

In 2007, Brazil imported furniture worth US$22.1 million from the United States - a growth of 173.2% compared to 2006. This growth was particularly strong in new designs for office furniture, as well as high-end, high-value-added residential furniture. Market analysts estimate that within the next four years, imports of U.S. institutional furniture, such as those used in hospitals and hotels will increase considerably.

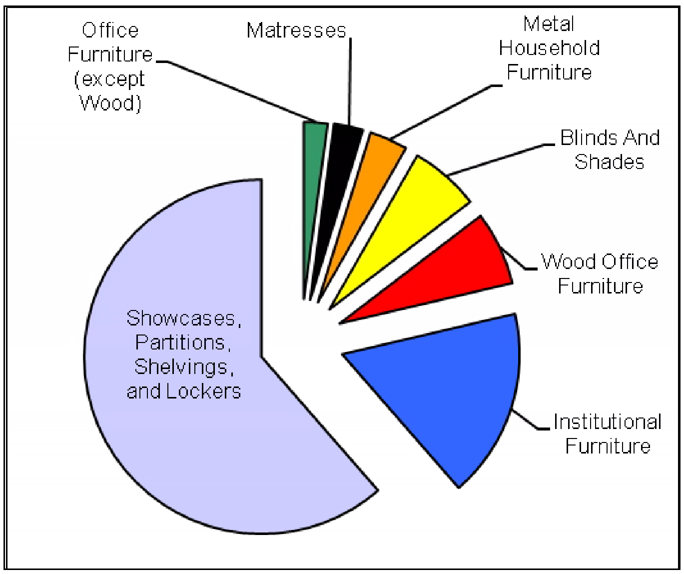
The number of U.S. furniture manufacturers established in Brazil is reasonably small. U.S. exports of furniture to Brazil originate mainly from direct sales to local furniture importers, agents or stores. Although not every Brazilian furniture manufacturer enjoys the same level of sophistication, several companies are up to world standards and practice global sourcing.

U.S. Exports of Furniture and Fixtures to Brazil
(US$ Thousands)

Description	2004	2005
Wood Kitchen Cabinets and Countertops	–	-
Upholstered Household Furniture	21	7
Metal Household Furniture	105	184
Institutional Furniture	653	736
Wood Sewing Machine Cabinets	0	7
Wood Office Furniture	512	135
Office Furniture (except Wood)	90	116
Showcases, Partitions, Shelvings, and Lockers	1,563	1,327
Mattresses	45	106
Blinds And Shades	235	426
Total	**3,224**	**3,045**

Source: www.census.gov
As of April 2004
As of April 2005

U.S. Exports of Furniture and Fixtures to Brazil



Mercosur exports to Brazil

Seats, other pieces of furniture and mattresses

Year	Argentina	Paraguay	Uruguay
2005	2.656.309	335.295	1.748.447
2006	2.569.200	221.964	2.477.193
2007 *	1.810.982	15.221	1.155.976

Source: ABIMOVEL
** 2007 – Jan/Jul*

Market Access

The Brazilian furniture market consists of different industry segments including: automotive, aviation, residential, commercial and institutional. Each of those areas has its own purchasing approach. For example, the automotive industry may import directly from its headquarters and in the case of the residential, commercial or institutional furniture, the end-user might be an importer or a store chain.

It is important to mention there are no major distributor chains in Brazil. Most furniture imports are through direct importers and, in a small quantity, by local manufacturers wishing to complement their product line.

Import Climate

Brazil has no import restrictions on furniture; however, the taxes and other costs associated with imports can be quite high. Brazil has a tariff-based import system and has simplified the process for obtaining import licenses. Import tariffs are levied “ad valorem” on the Customs, Insurance, Freight (CIF) value of the imports. The Import tax (II) for furniture varies from 5 to 18%. Other taxes and costs increase the FOB price for the Brazilian distributor by 40 to 70% and about 100% to the end user.

Internal Brazilian taxes relevant to U.S. exporters are the Industrial Products Tax (“Imposto Sobre Produtos Industrializados,” or IPI) and the Merchandise Circulation Tax (“Imposto Sobre Circulação de Mercadorias e Serviços,” or ICMS).

The Industrial Products Tax (IPI) is a federal tax levied on most domestic and imported manufactured products. It is assessed at the point of sale by the manufacturer, or processor in the case of domestically produced goods, and at the point of customs clearance in the case of imports. The tax rate varies by product and is based on the product’s CIF value plus duties.

The Merchandise Circulation Tax (ICMS) is a state government value-added tax applicable to both imports and domestic products. The ICMS tax on imports is assessed *ad valorem* on the CIF value, plus duties, plus IPI. Effectively, the tax is paid only on the value-added, as the cost of the tax is generally passed on to the buyer in the price charged for the merchandise. The state sales tax (ICMS) is 18% in São Paulo, but is much lower (10 to 12%) in some Brazilian states. On interstate movements, the tax is assessed at the rate applicable in the destination state.

Distribution and Business Practices

When choosing a local agent, it is important to take into consideration the agent’s trade contacts and experience in the market. The international manufacturer and local agent or distributor can freely negotiate details of local representation, i.*e.,* whether it will be exclusive or not.

U.S. companies should contract local law firms when signing an agent or distribution contract with a Brazilian partner. Commercial distribution contracts are not regulated by specific legislation but only by general Brazilian commercial law. There is, however, specific legislation regulating the relationship between the foreign company and the Brazilian agent. Although the contract clauses are freely negotiated between the U.S. companies and the local agent, there are laws that govern this relationship. The monetary compensation payable to the agent in case of contract termination is established by law and it is usually very favorable to the Brazilian agent.

Major end-users of furniture will only purchase from well-known and reliable suppliers. Although large end-users may import directly from foreign suppliers, they are always concerned with after-sales service. Technical assistance and availability of replacement parts are considered important factors in the purchasing decision. In some segments, such as commercial and institutional, this factor may determine from whom the end-user will purchase the equipment. A physical presence in the market, either through an agent or a manufacturing plant, increases the end-user's trust in the supplier's commitment to the market.

Payment Terms

The most usual payment terms are:

- Payment in advance;
- Cash against document;
- Confirmed letters of credit for higher-value imports;
- Open account (although not generally recommended).

Consumer Purchasing Power per Brazilian State

Brazilian State	IPC	Furniture and Home Acessories (in US$ million)
São Paulo	27.01	1,600
Minas Gerais	12.60	760.2
Rio Grande do Sul	10.86	655.2
Paraná	9.06	546.6
Rio de Janeiro	8.66	522.4
Santa Catarina	5.70	343.9
Bahia	4.38	264.1
Pernambuco	3.30	199.1
Ceará	2.74	165.4
Distrito Federal	1.88	113.5

Trade Promotion Opportunities

Domestic Furniture Industry Shows

ABIMAD – Feira de Alta Decoração de Móveis e Acessórios – São Paulo/SP
Website: www.abimad.com.br

FEMAP – Feira da Tecnologia Moveleira no Horto Floresta – Ubá/MG
Website: www.intersind.com.br

FEMUR – Feira de Móveis de Minas Gerais – Ubá/MG
Website: www.intersind.com.br

FENAVEM – São Paulo/SP
Website: www.fenavem.com.br

FIMMA BRASIL – Bento Gonçalves/RS
Website: www.fimma.com.br

Linea Domus South America - Salão do Mobiliário – São Paulo/SP
Website: www.laco.com.br

MOVELPAR – Arapongas/PR
Website: www.movelpar.com.br

MOVELSUL – Bento Gonçalves/RS
Website: www.movelsul.com.br

MOVEXPO - Feira de Móveis da Região Nordeste – Recife/PE
Website: www.movexpo.com.br

Tech Móvel - São Paulo/SP
Website: www.techmovel.com.br

Top Móvel – Fortaleza/CE
Website: www.dinamicaeventos.com.br

International furniture Industry Shows

Las Vegas – NE
Website: www.lasvegasmarket.com

Guadalajara – Mexico
Website: www.furnituretoday.com

High Point, NC
Website: www.highpoint.org

Industry Associations

For more information on the furniture industry in Brazil, please contact us!

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LOCAL TRADE ASSOCIATIONS

ABIMÓVEL – Brazilian Association of Furniture Manufacturers
(Associação Brasileira das Indústrias do Mobiliário)
Address: Av. Brigadeiro Faria Lima, 1234 – 15th floor, Suite 151
01451-913, São Paulo – SP
Brazil
Phone: 55-11-3817-8711
Fax: 55-11-3817-8711
E-mail: abimovel@abimovel.com
Website: www.abimovel.org.br

SINDMOVEIS – Furniture Industry Sindicate
(Sindicato das Indústrias da Construção e do Mobiliário)
Address: Rua 13 de Maio, 229 / 2nd floor –
95700-000 , Bento Gonçalves – RS
Phone: 55 54 2102-6800
Fax: 55 54 2102-6802
E-mail: sindmoveis@sindmoveis.com.br
Website: www.sindmoveis.com.br

SINDIMOL – Wood and Furniture Industry Union
(Sindicatoda Indústria de Madeira e Móveis)
Address: Av. dos Moveleiros, 50
29.900-970, Linhares, ES
Tel: 55 27 3373-8294/3372-6161
Contact: Ademilse Guidini, President
E-mail: director@cimol.ind.br
Website: www.sindiol.com.br

ABIMAD – High End Furniture Brazilian Association
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Trade Finance

The U.S. Export-Import Bank, which is very active in Brazil, offers financing to importers of U.S. made equipment and services.
Information on ExImBank programs are available at:
www.exim.gov

With its team of industry sector experts, the US Commercial Service can assist US exporters gain entry into the Brazilian market through market research reports, matchmaking services and advocacy programs. The Commercial Service has offices in Brasilia, São Paulo, Rio de Janeiro and Belo Horizonte.

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