Furniture Market Report

Domestic Market:

Throughout Argentina there are approximately 3,410 manufacturers of wood products. Out of these companies, 90% of them are SMEs and 2,640 are specialized in making furniture. The furniture sector employed about 20,000 workers. The development of this sector has always been closely linked to the domestic market. A majority of these manufactures is concentrated in the province of Buenos Aires, followed by Santa Fe, Cordoba, Misiones, and Mendoza.

The advantages of this sector are the abundance of forestry land in Argentina and its large supply of various raw materials. At present, there is a significant improvement in the design development among local manufactures.

The furniture sector in Argentina has been facing few challenges including high cost of international and domestic fares, lack of export tradition, lack of standardization of woods and low degree of integration of the industry as well as shortage of the skilled labors. As a result, only 10% of the production is dedicated to the foreign market.

Since the financial crisis in 2001, the furniture production is able to maintain the average growth rate of 60% due to the increasing domestic demand and governmental supports. According to official figures, the investment in wood processing and furniture manufacturing rose 13 percent during 2009. The employment level in this sector also increases by 23 percent and sales by 33 percent.

The remaining concerns of the Argentine furniture manufactures are the fierce competition from other exporting countries, unfair competition (subsidies and dumping), quality standards, and certificates used as barriers to market entry.

Exports:

In regard to exports of Argentine furniture, metal furniture stands out with a highest market share, followed by wooden and plastic furniture. The total exports fell in 2009 due to the global economic recession which reflected in declining revenue of 40 million U.S. dollars, while it had earned about 56 million U.S. dollars in 2007. However, it is predicted to have an exports growth in 2010 as the global economy slowly recovers, especially with its main trading partner, Brazil.

Most exported products by ranking (2009 and Jan. of 2010)

Rank	HS.CODE	FOB U.S. dollars	Market share
1	94.03.20 -Metal furniture, nes (excl. seats)	18.571.543	45,93 %
2	94.03.60 –Wooden furniture, nes	5.883.245	14,55 %
3	94.03.70 –Furniture (excl. seats) of plastics	4.800.726	11,87 %
4	94.03.90 -Parts of furniture	4.772.166	11,80 %
5	94.03.30 –Wooden furniture of a kind used in offices (excl. seats)	2.881.499	7,13 %
6	94.03.40 –Wooden furniture of a kind used in the kitchen	1.499.037	3,71 %
7	94.03.50 –Wooden furniture of a kind used in the bedroom (excl. seats)	1.326.974	3,28 %
8	94.03.10 -. -Metal furniture of a kind used in offices	447.501	1,11 %
9	94.03.89 –Furniture of other materials, including cane, osier, bamboo or similar materials : Other	250.195	0,62 %
10	94.03.81 –Furniture of other materials, including cane, osier, bamboo or similar materials : Of bamboo or rattan	1.601	0,00 %
	Total	40.434.486	

Source: Nosis Data based on Argentina Customs

The exports show an increasing trend from 2002 onwards, albeit limited opportunity to the global market. The most important exports destination for Argentina is Chile, followed by Uruguay.

Exports by Destination (2009 and Jan. of 2010)

Rank	Country	Market share
1	CHILE	20,47 %
2	URUGUAY	14,38 %
3	VENEZUELA	9,79 %
4	BRAZIL	9,65 %
5	PERU	9,50 %
6	COLOMBIA	8,58 %
7	UNITED STATES	6,81 %
8	PARAGUAY	6,17 %
9	DOMINICAN REP.	4,58 %
10	PANAMA	2,35 %
	Others	7,71 %
	Total	100 %

Source: Nosis Data based on Argentina Customs

In addition, Brazil is the most important trade partner of Argentina in term of both furniture and raw material (timber). In 2009, the export of intermediate goods from Argentina to Brazil accounted for 86.4% of its total exports while the import of furniture from Brazil accounted for 46% of its total imports. The trade balance between the two countries has been characterized by a deficit for Argentina in term of value due to higher prices of Brazilian furniture.

Imports by Destination:

The main source of imported furniture comes from Brazil, followed by China. The total import of furniture from these two countries accounted for 76% of market share. Recently, there is a decrease on imports of furniture due to the restrictions imposed by the Argentine government. The Argentine Chamber of Wooden Industry (Federacion Argentina de la Industria de La Madera y Afines-FAIMA) filed a complaint to the government against the excessive competition from other exporting countries. As a result, the government has implemented more protectionist strategy by applying antidumping measures against unfair pricing as well as expanding the list of items for non-automatic licensing (LNI).

In 2009, the total import of furniture dropped to 45 million U.S. dollars while it was registered at 91 million U.S. dollars in 2008.

Country of Origin, Imports by ranking (2009 and Jan. of 2010)

Rank	Country of Origin	Market Share
1	BRAZIL	52,15 %
2	CHINA	24,30 %
3	ITALY	2,85 %
4	CANADA	2,79 %
5	UNITED STATES	2,58 %
6	MALAYSIA	1,76 %
7	NETHERLANDS	1,57 %
8	SPAIN	1,56 %
9	CHILE	1,55 %
10	INDONESIA	1,33 %
	Others	7,56 %
	Total	100 %

Source: Nosis Data based on Argentina Customs

Restriction on Imports:

In March 2009, the Ministry of Production has extended the application of non-automatic licensing on imported furniture under chapter 94 of HS Code: bedding, mattresses, mattress supports, cushions and similar stuffed furnishings; lamps and lighting fittings. Thus, the Argentine government requires importers to obtain the permission from the Minister of Industry before they can import these products into the country. This measure seeks to balance the development of the forest/timber industry sector in Argentina and to avoid flooding the market with products from Brazil and China.
(For more info please visit: http://www.comercio.gov.ar/web/index.php?pag=93&btn=161#lic_no_aut)

According to the Argentine Federation of Wood Industry Associations (NSAIDs) report, domestic consumption has benefited from the application of this import restriction and has led to an average increase of 25% as well as allowing entrepreneurs to safeguard employment levels and invest in new technology.

Market survey conducted by the Embassy:

On the contrary, this protectionist measure has negative impact among the private store owners and small retailers who are selling Asian furniture. According to this market survey done in various parts of the federal capital, when business owners were asked about how the restrictions affect their businesses, most of them complained about the rising prices for imported furniture, paperwork complication and lack of available stock, with the consequent lost in sales. Most of these private store owners traveled to Asia to buy directly from artisans in order to avoid intermediary cost and to personally select the products. The non-automatic licensing policy has affected their ability to purchasing the products from abroad as well as reducing the variety of selection for customers. The most affected products are the Asian furniture and luminaries which are mainly imported from China.

Beside China, these business owners purchased their products mainly from Indonesia, Thailand, and Vietnam. Their merchandizes consist of furniture and home decorations from Indonesian; silks, tapestries, and home decoration from Thailand; and ceramics and home decorations from Vietnam. Among the three countries, Indonesia products have the highest market share due to one of local wholesalers who chose to import furniture from Indonesia approximately 60-70 containers per year and sell them through big stores, such as Ribeiro, Falabella and Wal-Mart. These big stores have advantage because they have several branches throughout the country and they sell furniture in "Combo" and coordinated by colour instead of by pieces. In addition, Indonesia Embassy in Buenos Aires had organized a few exhibitions in

Argentina and in neighboring countries which is a good way of introducing the Indonesian furniture to local buyers.

Importers by ranking (2009 and Jan. 2010)

Rank	Importers	%
1	DELOS S R L	7,43 %
2	RIBEIRO S.A.C.I.F.A.E I.	6,64 %
3	FALABELLA S A	6,56 %
4	VETAS S R L	5,43 %
5	INC SOCIEDAD ANONIMA	4,34 %
6	GERSZUNY JAIME S R L	3,47 %
7	WAL- MART ARGENTINA SOCIEDAD DE RESPONSABILIDAD	3,41 %
8	DISTRIBUIDORA LA GIOCONDA S R L	3,08 %
9	IBM ARGENTINA SA	2,50 %
10	YUDIGAR ARGENTINA S A	2,42 %
	Others	54,66 %
	Total	100 %

Source: Nosis Data based on Argentina Customs

Among the ASEAN countries, Malaysian furniture and related products have highest market share due to the entrepreneurship of Malaysian businessmen. They often take advantage of the direct flight of Malaysia Airlines from Kuala Lumpur to Buenos Aires to explore new business opportunity in Argentina and negotiate business deal directly with the local retailers.

Imports from ASEAN Countries

(Malaysia)

Rank	**HS. Code**	**FOB** U.S. dollars	**Market Share**
1	94.03.60 -Wooden furniture, nes	701.025	77,63 %
2	94.03.30 -Wooden furniture of a kind used in offices (excl. seats)	199.421	22,08 %
3	94.03.90 -Parts of furniture	2.256	0,25 %
4	94.03.20 -Metal furniture, nes (excl. seats)	348	0,04 %
	Total	903.050	

Source: Nosis Data based on Argentina Customs

(Indonesia)

Rank	**HS.Code**	**FOB** U.S. dollars	**Market Share**
1	94.03.60 -Wooden furniture, nes	505.581	81,62 %
2	94.03.50 -Wooden furniture of a kind used in the bedroom (excl. seats)	39.504	6,38 %
3	94.03.20 -Metal furniture, nes (excl. seats)	27.976	4,52 %

4	94.03.81 -Furniture of other materials, including cane, osier, bamboo or rattan	20.053	3,24 %
5	94.03.70 -Furniture (excl. seats) of plastics	10.466	1,69 %
6	94.03.89 -Furniture of other materials, including cane, osier, bamboo or rattan	8.767	1,42 %
7	94.03.90 -Parts of furniture	6.328	1,02 %
8	94.03.30 -Wooden furniture of a kind used in offices (excl. seats)	754	0,12 %
	Total	619.428	

Source: Nosis Data based on Argentina Customs

(Vietnam)

Rank	**HS.Code**	**FOB** U.S. dollars	**Market Share**
1	94.03.60 -Wooden furniture, nes	279.520	73,40 %
2	94.03.20 -Metal furniture, nes (excl. seats)	38.058	9,99 %
3	94.03.50 -los demás muebles y sus partes.los demás muebles de madera	27.954	7,34 %
4	94.03.90 -Parts of furniture	19.186	5,04 %
5	94.03.89 -Furniture of other materials, including cane, osier, bamboo or similar materials : Other	8.625	2,26 %
6	94.03.30 -Wooden furniture of a kind used in offices (excl. seats)	4.625	1,21 %
7	94.03.81 -Furniture of other materials, including cane, osier, bamboo or rattan	2.860	0,75 %
	Total	380.830	

Source: Nosis Data based on Argentina Customs

(Thailand)

Rank	**HS.Code**	**FOB** U.S. dollars	**Market Share**
1	94.03.81 -Furniture of other materials, including cane, osier, bamboo or rattan	1.892	48,98 %
2	94.03.20 -Metal furniture, nes (excl. seats)	1.265	32,74 %
3	94.03.90 -Parts of furniture	390	10,09 %
4	94.03.60 -Wooden furniture, nes	316	8,18 %
	Total	3.863	100 %

Source: Nosis based on Argentina Customs

According to figures for Indonesia, there is a big gap between bedroom and office furniture imported from Indonesia to Argentina. For example, bedroom furniture was accounted for 39.000 U.S. dollars while the office furniture only received revenue of 9.000 U.S. dollars. This data reflected that most of the buyers of Indonesian furniture are in household sector. They probably purchased the furniture directly from the big stores, such as Ribeiro, Falabella and Wal-Mart.

Furniture made from metal, bamboo and rattan earn the highest market share among the imported furniture from Thailand. They are accounted for almost 50 % of the total Thai exports of furniture to Argentina. However, the total revenue from the exports of furniture from Thailand to Argentina remains very small. It only accounted for 3.863 U.S. dollars. This number reflected that most of current exports of Thai furniture to Argentine occurred through the Argentine private store owners who traveled to Thailand to buy their products directly with Thai artisans.

Market Opportunities:

Being Buenos Aires a growing tourist destination, many tourists from Brazil mainly compete with local buyers to purchase Asian goods because of their cheaper prices than in Brazil. There are big stores such as Falabella, where due to its location in the heart of the city, 80% of the sales of furniture and decorative are purchased by Brazilian tourists. For other small retailers, purchases are dominated by the high end consumers (locally called ABC1) and tourists that are predominantly young generation.

According to a report made by the Argentine Confederation of Medium Business, furniture sales rose sharply during December 2009, after several months of low sales. Bestsellers were office furnishings, with a sales increase of 12.5% over the previous period, followed by home furnishings with a sales increase of 8.2%. The main factors that boost the sales during this period were the payment option of up to 12 payments without interest.

Base on the market survey conducted by the Embassy, the Argentine people prefer to buy more home decorations from Asia than the furniture. Perhaps, they prefer to buy sofa or table set that are made locally or in Europe. The main factor that influences clients' decision is the products design.

It is most likely that Argentine government will maintain its protectionist policy in order to support the development of domestic industry. It is suggested that establishing a joint venture with Argentine counterparts is alternative channel to sell Asian furniture in the Argentine market and export them to neighboring countries such as Brazil and Uruguay. For further information on join venture please visit the webpage from the Argentine Investment Agency (ProsperAr) http://www.inversiones.gov.ar

Perhaps, there is more business opportunity in home decorations than furniture which Thailand also has advantage over design development and skill labor. In addition, kitchenware is another area that is worth exploring.

Due to the poor presence of Thai furniture in the Argentina, the Embassy highly recommends Thai entrepreneurs to participate in the furniture fairs that several chambers of Argentina organized per year. It is a good way of introducing Thai products to local buyers. Other Asian countries, like Indonesia and Vietnam, have constantly participated in order to promote their products in this market.

Interested companies, who wish to participate in the furniture fairs, can export their products into Argentina without taxes. However, they must re-export these products back to Thailand or the origin countries when the exhibition is over. If the companies choose to sell their products during the exhibitions, the tariffs and all related taxes will be collected directly at the venue by the Argentine tax collectors. The followings are the most important furniture fairs in Argentina:

- **Expo Mueble 2010**

  September 9th to 13th, 2010: Capital Federal - Buenos Aires- Argentina

Expo Mueble provides an opportunity for furniture designers and exporters to present their designs, encourage future business partnerships, and promote exports opportunity. This event is organized by Camara de Fabricantes de Muebles, Tapicerias y Afines (CAFYDMA) and sponsored by Federacion Argentina de la Industria de La Madera y Afines (FAIMA), Confederacion Argentina de la Median Empresa (CAME) and with the support from Camara de Empresarios Madeneros y Afines (CEMA).

Expo Mueble is visited by the general public in search of new designs and buying opportunities, but it is also visited by the hotel industry, entrepreneurs, wholesalers, technicians, professionals, architects, industrial designers and students.

- **Feria Internacional del Mueble Argentino (FIMAR)**

  April 14th to 17th, 2010: Cordoba-Argentina.

The essence of FIMAR is to become an extraordinary marketing, exhibition, meeting and exchange tool. It is intended for traders, purchasing managers and professional designers, architects as well as journalists from Argentina and around the world to meet.

It represents a direct and personal way to build and strengthen business ties. Both FIMAR 08 and FIMAR 09 were visited by the audience specifically interested in furniture made in Argentina. The visitors were businessmen and professionals from Argentine provinces as well as traders from USA, Russia, Uruguay, Venezuela, Chile, Guatemala, Colombia, Mexico, Bolivia, Ecuador and South Africa.

Sources:
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-“Licencias no automaticas”, información sectorial, Instituto del Mueble Argentino.
-“Diagnosticos Sectoriales”, Informe Mensual n°3, Banco Ciudad de Bs As, november 2008.