

Brazil In Search of New Foreign Markets for Its Leather

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Brazil saw a 35% growth in its leather exports in 2006. Brazilian tanneries earned a total US\$ 1.87 billion from exports last year.

There was a 78% revenue increase in the sector compared to the previous year when exports to the countries in the League of Arab States are taken separately, even though the amount exported is still negligible.

According to data provided by the Association of Tanning Industries of Rio Grande do Sul (AICSul), national companies had revenues of US\$ 1.79 million from leather exports to the Arabs in 2006, against US\$ 1 million in 2005.

"All alternative, under-explored markets should continue growing in 2007," says AICSul president, Cezar Muller.

Muller attributes the increase in sales to a strategy, adopted by Brazilian companies, of seeking new markets. To the countries that are already traditional customers of the sector, according to Muller, export values are quite high. Fierce competition in these markets also hampers Brazil from expecting an increase in sales to them.

According to the president of AICSul, the overall volume of leather sales in 2007 should remain stable. According to Muller, this projection is the result of obstacles facing the sector, such as the depreciated dollar against the Brazilian real, which makes the country's products less competitive on the foreign market.

Since the beginning of the current year, Brazilian wet-blue leather in an early stage of processing is being taxed at 9% before leaving the country. But this will not hamper the increase in foreign sales, since the sector intends to sell larger amounts of leather in advanced production stages - such as the finished variety - which have higher added value.

Exports should remain stable, volume-wise, but they should increase in terms of dollars. The Brazilian government increased the tax at the request of associations in the sector. Taxes on wet-blue leather were at 9% in 2000, and dropped during the first years of president Luiz Inácio Lula da Silva's term in office. The tax should have been reduced to zero this year. After the measure became effective, though, the situation was reversed.

Some Brazilian tanneries and manufacturers of leather goods believe that the tax will favor sales of finished products. They claim that foreign industries use Brazilian wet-blue leather to produce finished leather, shoes and artefacts, which end up competing against Brazilian products at the end of the chain. "The measure aims at making finished and manufactured products more competitive," Muller explains.

One of the sector's actions in order to boost the foreign sales volume should be an increase in the number of destinations for Brazilian leather. This will require an effort to enter markets such as the Arab one.

The figures indicate that, in the Arab world, the largest buyers of Brazilian leather are those in North Africa. This is so because leather sales to the Middle East, where the Arab Gulf countries are located, amounted to only US\$ 314,000 in 2006.

In the previous year, sales were even lower, at US\$ 276,800. The 13% increase was much lower than recorded for the Arab League as a whole.

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