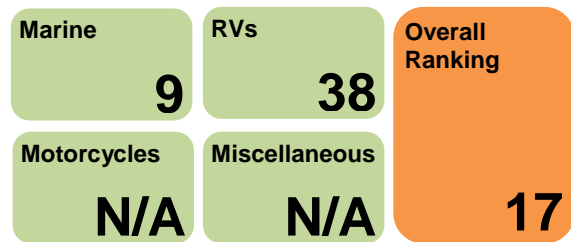




2016 Top Markets Report **Recreational Transportation** Country Case Study

Brazil – Recreational Marine

Brazil is the second largest destination market for U.S. boat exports in Latin America, and ranks 17th in terms of overall projected recreational transportation exports. This case study therefore focuses on the export of marine products. U.S. recreational marine exports to Brazil are forecast to grow 7 percent annually between 2015 and 2018 and total \$63 million. Brazilian tax and tariff policies, however, pose serious problems for U.S. exporters. Brazilian import tariffs, which were recently raised to 35 percent, combined with several different taxes, lead to significantly higher purchase prices in Brazil when compared to other markets.



Brazil has approximately 4,660 miles of coastline. Add to that the Amazon River and all its tributaries, and Brazil has the potential to be a huge boating market. Already, there are 540 marinas, 67,687 wet berths, drystack and drysail berths and 8,240 open moorings. Brazil's GDP per capita PPP is only \$12,221. Like Mexico's, Brazil's boating market is mostly for the wealthy.

Bearing this out is the fact that 65 percent of all boats in Brazil are inboard motorboats. Inboards are typically large boats with large diesel engines. Brazilian manufacturers supply most of the Brazil boating market. Several European and recently an American firm have opted to establish joint ventures in the market in order to lessen the effect of tariffs, local taxes and fees.

Challenges and Barriers to Recreational Marine Exports

The challenge for the Brazil market is how to expand the market to the middle class. It should start with government reforms that will lower tariffs and taxes to give the middle class more buying power.

Opportunities for U.S. Companies

The infrastructure for a strong boating market is present, so there will be many opportunities for U.S. boating manufacturers. Several of the larger manufacturers, however, may decide that the best way to sell in the market is to produce in Brazil.

There will also be opportunities for small-size outboard boat manufacturers as development along the Amazon River continues. In addition, portable customized dock structures will likely be popular in the Amazon basin. Most of the products will have to be environmentally friendly in this area.

Finally, the 2016 Rio Olympics could offer opportunities for high-end marine boats and

accessories. Besides equipment for the organizers, boats can be used for viewing platforms at many of the aquatic events.

Optimizing U.S. Leverage

Brazil's recreational marine sector is hindered by high tariffs. If the applied tariffs for smaller boats were lowered to allow the entry level market to grow, this would eventually help Brazilian manufacturers of larger yachts when these consumers look to upgrade to larger models of boats.

In order to open up the market to more middle-class families, U.S. interests need to educate consumers. One of the best tools available is the NMMA's "Discover Boating" website and YouTube Channel. Brazil's trade association for recreational boating, ACOBAR, has started a new project called "Venha Navegar," which is a great step toward helping consumers chose a boat that is right for them.

During the 2016 Miami International Boat Show there was a large buyer delegation from Brazil that hopefully will open new avenues of expansion for U.S. companies, as these buyers met with many U.S. manufacturers. Another factor with the Brazilian market is that several Brazilian manufacturers are exploring the possibility of opening up manufacturing facilities in the United States. Continuing to recruit a Brazilian delegation would be beneficial for further growth.

Furthermore, participation in Brazil's major boat trade shows can be a great opportunity to increase sales to Brazil. The Sao Paulo Boat show (September 2016) and the Rio Boat Show (March 2017) are the major trade shows and take place on alternate years. Participating in overseas shows like these can help U.S. companies find the right long-term partner to sell their products into the Brazilian boating market.

Did You Know?

1. Currently, Brazil's boat market consists mostly of inboard boats.
2. Brazilian trade association has introduced "Venha Navegar," a program to encourage new boat owners in Brazil.
3. Many Brazilians buyers come to US boat shows, like the Miami International Boat Show.
4. Brazilian boat shows in Rio and San Paulo are a great way to introduce your products into the market.