THE BRAZILIAN CERAMIC INDUSTRY: NEW BASES FOR COMPETITIVENESS IN THE GLOBAL MARKET

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1. INTRODUCTION

During the past few years, the world market for the ceramic tile industry has gone through an expansion process and a scale-up of competition is being stimulated too.

In spite of the continuity of the European technological and commercial leadership (Italy and Spain) in the industry, China is becoming known as the newest protagonist, leading the world production and with growing presence in the international market. In parallel, Brazil is consolidating its position as the third world producer (considering the amount produced) and is ranked as the fourth world exporter, also being counted other emerging players, such as Turkey and Indonesia, and India whose production is presenting an expressive growth in sales to its domestic market.

Within this context of a globalized and competitive market, the Brazilian ceramic industry is looking for new competitiveness in order to guarantee its expansion and better insertion in the international market.

This paper analyzes the Brazilian tile industry, making an attempt to characterize its productive structure, the configuration and consolidation tendency of its main clusters, and the main technological and marketable vectors to be pursued, seeking the development on sustainable bases.

2. THE CERAMIC TILE INDUSTRY IN BRAZIL

The industrial base was the ceramic industry network established during the first half of the 20^{th} Century, and after that the first tile factories began their activities, initially producing hydraulic tiles and, later, tiles and ceramic and glass slabs. Back in the 60's, during its first development boom, the domestic tile industry supplied the internal market, since practically all production was absorbed by the civil construction demand.

In the eighties, with the installation of the fast firing process, the industry went through a new development period, with consolidation of the first industrial concentrations in the southern and southeastern portions of Brazil. In the 90's, in the course of the commercial opening process of the Brazilian economy, there was a great modernization effort by the industrial units, allowing an important increase in production, and quality improvements in the products. In this phase, some types of slabs, especially tiles, were already exported, and production of porcelain tile began. As their production was being exported, the leading companies were required to manufacture with international quality levels and to make a great effort to obtain certification of their products.

The Brazilian industry includes 94 companies, with 117 industrial plants and an installed capacity for 670 million sq.m/year. The production is concentrated mainly in the southeastern and southern portions of the country, where the Santa Gertrudes cluster (in the State of São Paulo) and the Criciúma cluster (in the State of Santa Catarina) are situated.

Presently, to be noted is the regionalization of production and the interest of international entrepreneurs to set up industrial units, participating as suppliers, and directly mining ceramic industrial minerals. Among the competition factors there is, in particular, the improved quality of the products and the investments made in design and brands, especially among the leading companies.

To this domestic scenario, it should be added the strong expansion of the Brazilian exports in the last five years. There was a modest participation in the total sales at the turn of the century, and since then, the Brazilian industry has been gradually consolidating a position of relative distinction in the international market.

Brazil significantly participates in the world tile market. In 2006, production reached 594 million sq.m, the volume was 4.5% above the previous year. This production level situates Brazil as the 4th major manufacturer. The industry is presenting significant growth rates, since the production expanded over 60% during the past 10 years. The expectations for 2007 are optimistic, with a forecast of robust growth above 10%, due to expansion of the domestic demand.

Brazil is the largest Western consumer of ceramic tiles. In 2006, about 485 million sq.m were sold in the domestic market, representing an increase of 9.7% compared with the square meters marketed in 2005. The amount of imported products is very small: its market share does not reach 1%.

The Brazilian exports have growing conspicuously since 1998, when sales were about 30 million sq.m/year and reached 126 million sq.m in 2004. A growth of more than 300% in volume during that period of time has consolidated Brazil as the 4th major exporter, and that ranking position was disputed with Turkey until 2002.

In 2005, the export volume dropped 9.5%, when 114 million sq.m were sold, and the same level was maintained in 2006. This decline in exports is attributed in the business world to the notable appreciation of the Brazilian currency with regard to the American dollar in the last years. On the other hand, it is true that there was an addition of more than 25% in US$ sales from 2004 to 2006, indicating an appreciable added value to the Brazilian products.

3. PERSPECTIVES AND CHALLENGES TO THE BRAZILIAN CERAMIC INDUSTRY

In a long term, the expectation of the ceramic tiling segment in Brazil is of growth for the domestic sales and of the exports, and it may overtake Spain in the next few years, consolidating its position as the second major world producer in volume.

A big challenge will be achieving a larger added value for Brazilian products in the international market. In order to reach that target, the following investments are needed:

- Supply of mineral raw materials on a sustainable basis – quality improvement, discipline of the mineral activity with stricter environmental control and reclaiming by the enterprises.
- Continuous quality improvement for tile (dry route).
- Development of a national design, and
- Insertion and consolidation of Brazilian brands in the international market.

The aspects concerning the product innovations involve a significant expansion of porcelain tile, with new industrial plants being launched in several states. This behaviour follows the international market trend, where the ceramic industries from Italy and China stand out.

For other traditional Brazilian products (dry and humid routes), a continuity of production expansion is expected in the domestic market, although the growth rates are less expressive than during the past decade, as well as in the international market. Additionally, the rustic extruded tiles (*cotto* type) are also achieving a broader slice in the portfolio of national products.

In the world context, the trend already shown is production internationalization led by European business groups. Among the reasons for such movement, two aspects should be considered. The first aspect is saturation of domestic demands in almost all of the European producing countries, which should lead, more and more, to increased exports and the search for new markets. The second aspect refers to the environmental restrictions for production expansion, especially in the Italian cluster of Sassuolo.

These challenges, to be faced by the European companies, may be translated into opportunities for new investments in Brazil, with capital and ceramic technology inflows from the leading countries, namely Italy and Spain.

In the field of the mining businesses, the Brazilian comparative advantages, such as the domestic market dimensions and the mineral geodiversity, are already attracting foreign companies, especially the European specialized producers of ceramic industrial minerals.

A noticeable aspect is the evolution of the geographical configuration of the Brazilian industrial base. The end of last century was marked by production concentrated in the southern and southeastern portions of the country, initially, in the pioneering cluster of Criciúma (State of Santa Catarina), and at the end of the 90's with consolidation of the Santa Gertrudes cluster (State of São Paulo). Recent movements of the production sector have been evidencing a trend of development of new clusters, with companies in the northeast of Brazil, and new plants being built in the central-western portion of the country.

This dynamics of the ceramic manufacturing segment should generate important opportunities for other links in the production chain, providing them with leverage for new investments in mining, and in the supply of raw materials, complementary products and related services.

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