U.S. Department of Commerce Industry Report
Dolls, Toys, Games, and Children's Vehicles
NAICS Code 33993

Industry Definition

NAICS 339931 comprises establishments primarily engaged in manufacturing complete dolls, doll parts, and doll clothes, action figures, and stuffed toys. NAICS 339932 comprises establishments primarily engaged in manufacturing games and game sets for adults and children, and mechanical and non-mechanical toys. Establishments primarily engaged in manufacturing electronic video game cartridges and non-doll rubber toys are not included. The information in this industry report aggregates the industry data for both NAICS codes.

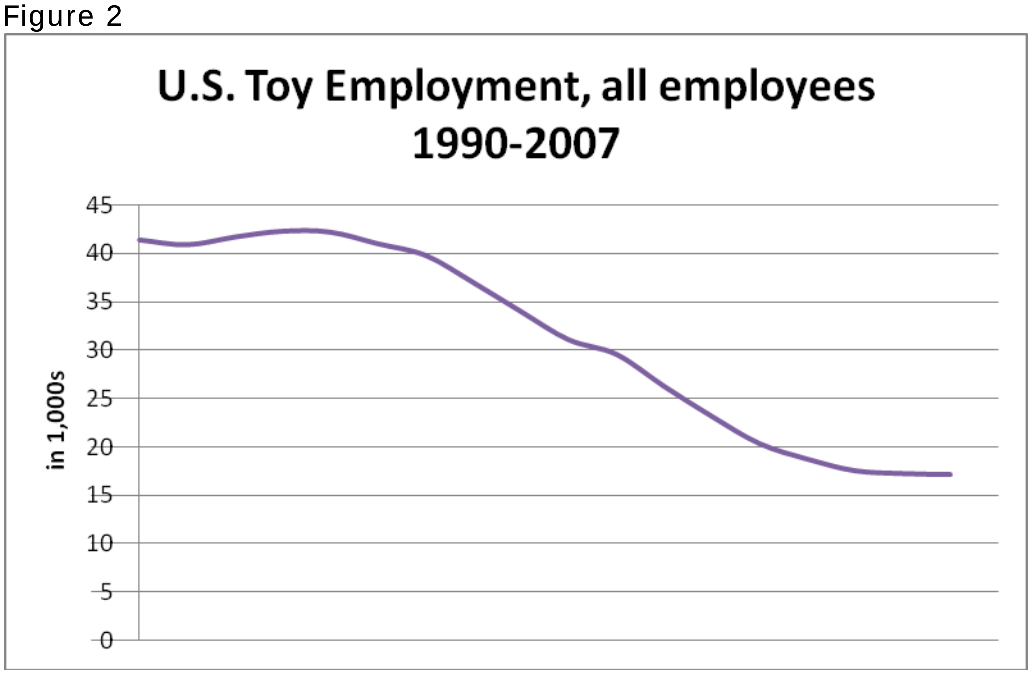
Current Economic Indicators

	2002	2003	2004	2005	2006	2007
339931 Dolls and Stuffed Toys	272,644	202,409	142,536	149,604	245,208	n/a
339932 Games, Toys and Children's Vehicles	3,227,861	3,094,849	3,037,898	3,134,418	3,185,911	n/a
Product Shipment Subtotal	3,500,505	3,297,258	3,180,434	3,284,022	3,431,119	n/a
Exports	835,036	862,756	880,493	1,070,187	1,325,192	1,983,033
Imports	15,062,108	14,173,871	14,244,081	16,243,647	16,971,999	21,768,888
Apparent consumption	17,727,577	16,608,373	16,544,022	18,457,482	19,077,926	
Imports as a Percentage of Apparent Consumption	84.96%	85.34%	86.10%	88.01%	88.96%	
Imports from China	10,428,832	11,660,592	12,053,678	13,439,770	14,592,830	19,446,731
Imports from China as a percentage of Apparent Consumption	58.83%	70.21%	72.86%	72.81%	76.49%	
Employment (339931 and 339932) in $1,000	23.2	20.4	18.8	17.6	17.3	17.2

The U.S. toy industry is the world's leader in children's entertainment products. It achieved that position by combining high value-added domestic operations, such as product design, engineering and strategic marketing, with substantial overseas production. The two largest U.S. companies are Mattel and Hasbro. Mattel is the world's number one toy manufacturer marketing some of the leading brands including American Girl, Barbie, Fisher Price, Hot Wheels, Matchbox, and holds licenses for Barney, Sesame Street, and Star Wars. Hasbro markets Milton Bradley, Parker Brothers, Playschool, and Wizards of the Coast among others. Both are publicly held and reported 2007 net sales of $5.97 billion and $3.84 billion[1].

See figure 1 for a complete listing of the current economic indicators for the toy industry. While the majority of toys destined for the American market are designed in the United States, large-scale production has shifted abroad. Accordingly, total employment in the doll, toy, and game industry has declined from its high in 1993 of 42,300 workers to 17,200 workers in 2007[2], see figure 2.

Figure 2



Even though large portions of the major U.S. toy companies' product lines are manufactured abroad, they still incorporate significant U.S. value in terms of the product design, marketing, research and development, and corporate support functions. While U.S. toy companies have their own toy development divisions, they also support a loose network of independent toy inventors and designers that sell their concepts to the larger companies. Such jobs are not counted in the U.S. Government estimates of toy industry employment. The toy trade association, Toy

[1] Sales data courtesy of the 2007 Mattel and Hasbro reports available via the corporate websites.
[2] Bureau of Labor Statistics, Employment, Hours, and Earnings from the Current Employment Statistics survey.

Industry Association (TIA) has resources that toy inventors and designers can use to market their products to manufacturers.

The industry's domestic production in 2006, the latest year of available data, was valued at approximately $3.43 billion[3]. New York City was once the toy manufacturing capital, although today, the industry is more dispersed with approximately half of the companies located in the following ten states; California, New York, Pennsylvania, Ohio, Illinois, Florida, Colorado, Michigan, Missouri and Maryland. The first five states account for 36 percent of all U.S. toy companies and 42 percent of U.S. employment in the sector[4].

Toy Sales

The U.S. Toy Industry Association, TIA, estimates that U.S. retail sales of traditional toys were $22.2 billion in 2007, down 2 percent from 2006[5]. The top five toy categories in 2007 were: 1) Infant/Preschool, 2) Dolls, 3) Outdoor and sport toys, 4) Arts and crafts, and 5) Games. TIA estimates that the worldwide retail sales of toys totaled $72 billion in 2007.

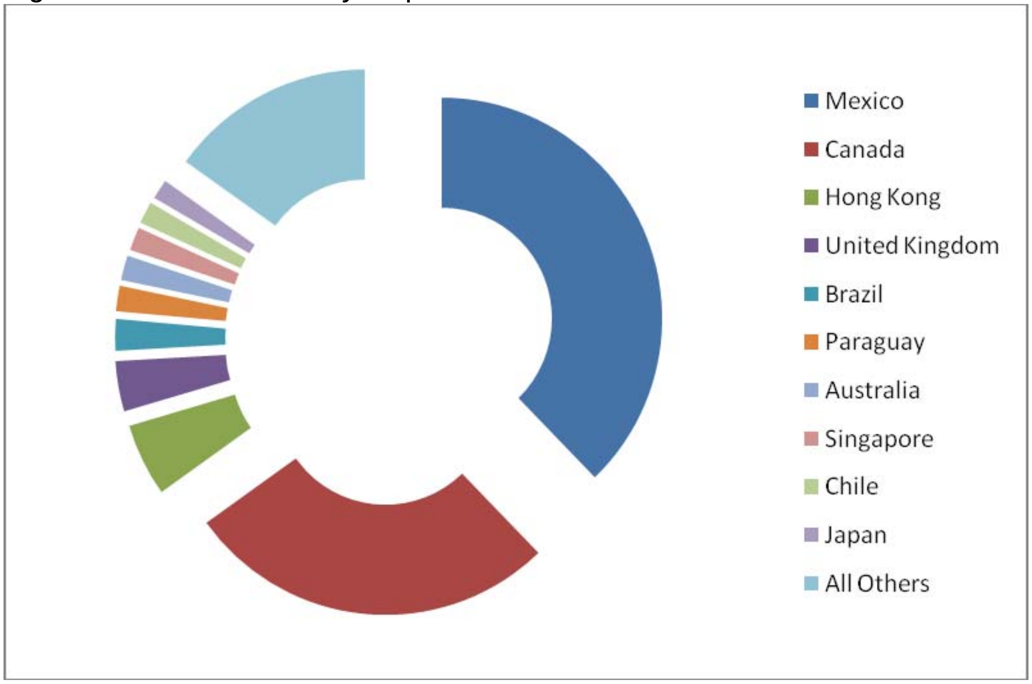
TIA annually organizes one of the world's largest toy trade shows. Held each year in February in New York City, ToyFair attracted more than 25,000 total participants in 2007 including over 12,000 buyers, 1,300 exhibitors, and 1,000 members of the media. Visit the TIA ToyFair website for more information. TIA also maintains a list of domestic and international toy related trade shows and events.

Detailed Trade Statistics

U.S. trade statistics don't reflect the global strength of the U.S. toy industry since the majority of toys consumed in the U.S. are imported or produced regionally to serve specific markets. The U.S. toy industry exported $1.98 billion in 2007 (over 50% of total U.S. production), an increase of 49.60 percent over 2006 levels[6]. The top five export destinations were Mexico, Canada, Hong Kong, the United Kingdom, and Brazil, see figure 3. Combined, Canada and Mexico accounted for 65 percent of toy exports.

[3] 2004, 2005, and 2006 Annual Survey of Manufactures, U.S. Census Bureau
[4] 2002 Economic Census of Manufacturing NAICS 339931 for Dolls and Stuffed Toys
[5] Toy Industry Association 2007 Annual Report: http://www.toyassociation.org/AM/PDFs/AnnualReport07.pdf
[6] U.S. International Trade Commission, Trade Dataweb, www.usitc.gov

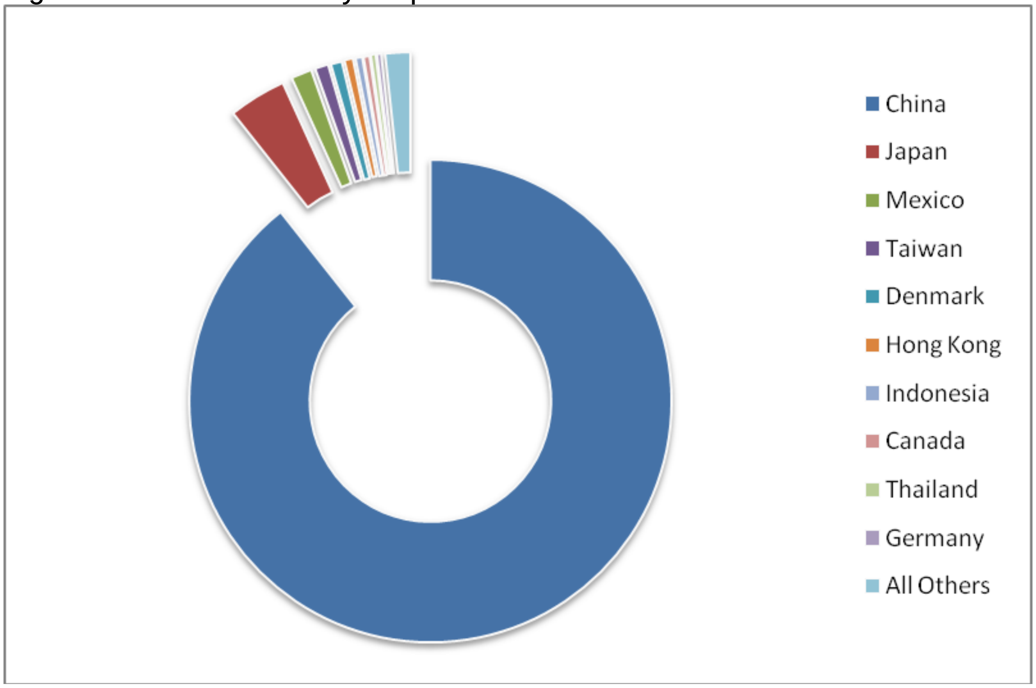
Figure 2 2007 U.S. Toy Exports



The toy industry imported $21.77 billion worth of toys, dolls and games in 2007, an increase of 28.3 percent over 2006 levels, see figure 3. The top five source countries were China, Japan, Mexico, Taiwan, and Denmark. U.S. apparent consumption of toys was approximately $19.08 billion in 2006[7] with imports accounting for 89 percent of the total.

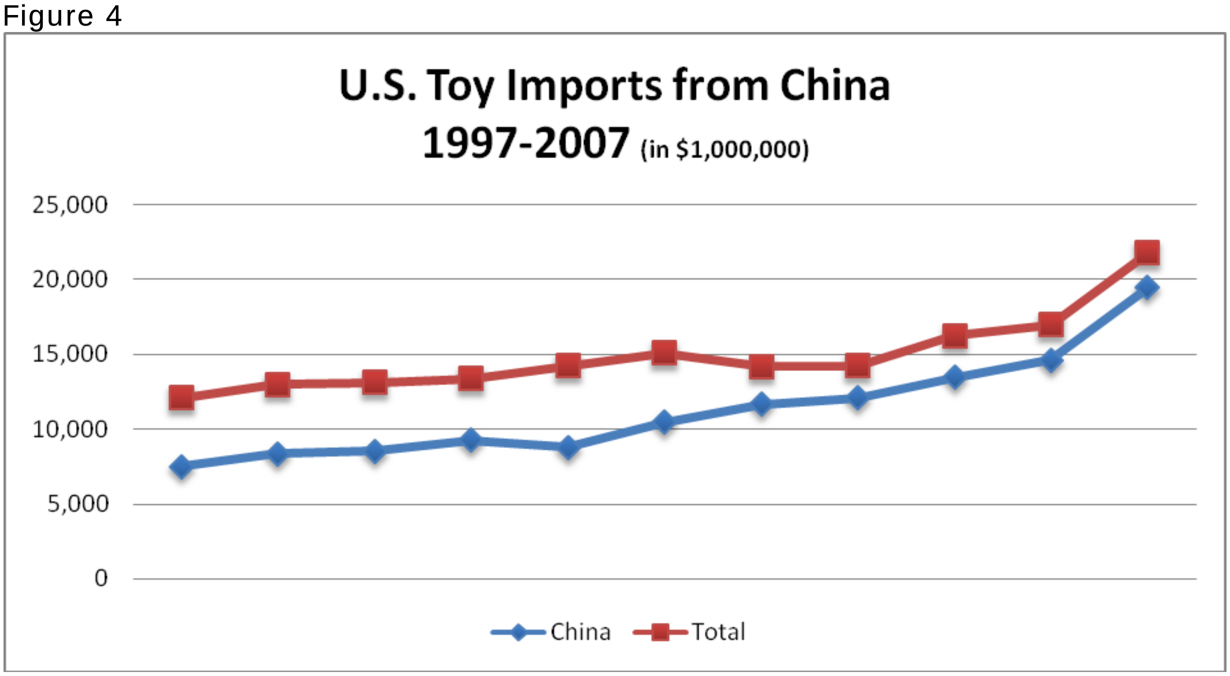
[7] The most recently available product shipment data is from 2006. Therefore, apparent consumption cannot be estimated for 2007.

Figure 3 2007 U.S. Toy Imports



China's portion of the U.S. apparent consumption of toys was 76.49 percent in 2006. Chinese imports accounted for 89.33 percent of toy imports in 2007. See figure 4 to see that the proportion of toy imports from China has remained steady over the last ten years.

Figure 4



Trade Policy

The U.S. toy industry faces relatively low foreign tariffs. U.S. toy tariffs were reduced beginning in 1995, and eliminated by 1999, as part of the GATT Uruguay Round "Zero-for Zero" negotiations. Other signatories to the agreement include the European Union, Japan, and Korea. Toy trade between Canada, Mexico and the United States is duty free under the NAFTA agreement. As part of China's accession to the WTO, it eliminated tariffs on most toy categories in 2005. Despite low tariffs in many major markets, U.S. toy companies still face tariffs ranging of up to 10-20 percent in South American countries such as Brazil, and Asian countries such as Indonesia, Vietnam. For current tariffs on U.S. products contact the Trade Information Center or call 1-800-USA-TRADE.

While U.S. toy companies generally enjoy relatively low tariffs in key export markets, they can still encounter non-tariff barriers to these same markets. Companies that encounter problems exporting are encouraged to report their problem to the International Trade Administration's Trade Compliance Center.

Industry Legislative Changes and Toy Recalls

In 2007, 45 million toys and other children's products were recalled for hazards such as lead paint and small powerful magnets that could injure children if swallowed. Stakeholders, including toy manufacturers, retailers, and consumer groups, participated in numerous Congressional hearings which resulted in significant changes to the standards and testing procedures applied to domestically produced and imported toys and children's products. On July 31st, 2008, Congress sent President Bush a compromise bill, H.R. 4040, entitled "Consumer Product Safety Improvement Act of 2008". The Act reauthorizes and modernizes the Commission, increasing its funding from $80 million to $136 million for fiscal year 2009. The Act impacts the U.S. toy industry in the following ways:

- Children's products[i] that contain lead above 600 parts per million for the first year, reducing to 100 parts per million beginning the third year following the enactment of the Act, will be treated as banned hazardous substances. The limits represent some of the lowest lead limits in the world and effectively bans lead from children's products.

- Third party testing and certification for certain children's products will be mandatory. The requirements will be implemented at different times depending on the product. Section 102 of the Act states that accreditation "may be conducted either by the Commission or by an independent accreditation organization designated by the Commission". It is expected that the CPSC will accept a new accreditation and certification system developed jointly by the Toy Industry Association (TIA) and the American National Standards Institute (ANSI) known as the Toy Safety Certification Program.

- Children's products would be required to bear tracking labels that would allow their path from factory to store to be more easily retraced in the event of a recall. The requirement is effective one year after the enactment of the Act.

- Toys and games advertised for sale on the internet and in catalogs will be required to prominently display the same cautionary language included on product packaging. The effective date for internet websites and catalogues or other printed materials is 120 and 180 days respectively, following the enactment of the Act.

- The voluntary industry standard ASTM F-963 will become a mandatory standard overseen by the Commission.

- Phthalates are a group of chemicals added to plastic toys and other plastic products to make them soft and pliable. The phthalates DEHP, DBP, and BBP would be banned above concentrations of 0.1 percent. Until the results of a Chronic Hazard Advisory Panel have been received, the phthalates DINP, DIDP, and DNOP will be banned above concentrations of 0.1 percent in any children's toy or childcare article that can be placed in a child's mouth. Both restrictions are effective 180 days following the enactment of the Act.

The Consumer Product Safety Commission website has numerous informational resources to help stakeholders understand how the Act's requirements will be implemented including downloadable video files of recent public meetings and timelines which summarize the required actions pursuant to the Act.

Questions or Additional Informational Requests

Questions related to this industry report should be directed to the toy industry analyst, Jamie Ferman at 202-482-5783 or Jamie_Ferman@ita.doc.gov.

Last updated 10-21-08