

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.

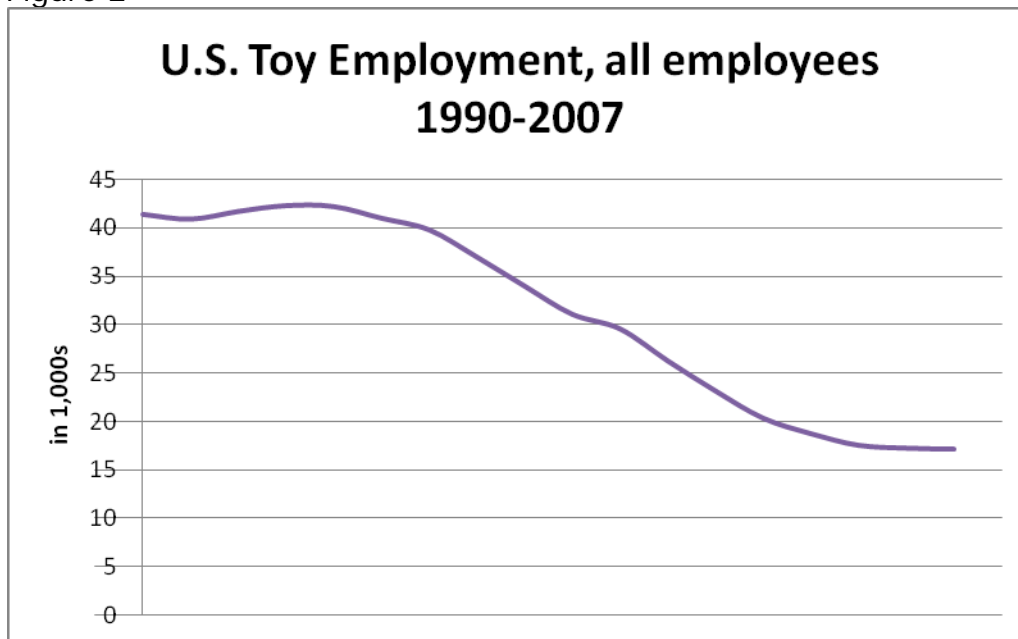
Current Economic Indicators

	2003	2004	2005	2006	2007	2008
339931 Dolls and Stuffed Toys	202,409	142,536	149,604	245,208	205,926	
339932 Games, Toys and Children's Vehicles	3,094,849	3,037,898	3,134,418	3,185,911	2,989,020	
Product Shipment Subtotal	3,297,258	3,180,434	3,284,022	3,431,119	3,194,946	
Exports	862,756	880,493	1,070,187	1,325,192	1,983,033	1,554,128
Imports	14,173,871	14,244,081	16,243,647	16,971,999	21,768,888	22,820,281
Apparent consumption	16,608,373	16,544,022	18,457,482	19,077,926	22,980,801	
Imports as a Percentage of Apparent Consumption	85.34%	86.10%	88.01%	88.96%	94.73%	
Imports from China	11,660,592	12,053,678	13,439,770	14,592,830	19,446,731	20,677,929
Imports from China as a percentage of Apparent Consumption	70.21%	72.86%	72.81%	76.49%	84.62%	
Employment (339931 and 339932) in \$1,000	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 2008 net revenue of \$5.918 billion and \$4.021 billion¹.

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 2007², 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 2008 Mattel and Hasbro reports available via the corporate websites.

² Bureau of Labor Statistics, Employment, Hours, and Earnings from the Current Employment Statistics survey. 2008 employment not available.

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

The industry's domestic production in 2007, the latest year of available data, was valued at approximately \$3.194 billion³. 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 sector⁴.

Toy Sales

The U.S. Toy Industry Association, TIA, estimates that U.S. retail sales of traditional toys were \$21.4 billion in 2008, down 3 percent from 2007⁵. The top five toy categories in 2007 were: 1) Infant/Preschool, 2) and 3) Dolls and Outdoor and sport toys, 4) Arts and crafts, and 5) Games. TIA estimates that the worldwide retail sales of toys totaled \$78.091 billion in 2008⁶. The top ten markets by retail sales were: United States; Japan, China, the United Kingdom, France, Germany, Brazil, India, Mexico and Italy⁷.

TIA annually organizes one of the world's largest toy trade shows. Held each year in February in New York City, ToyFair attracts more than 20,000 attendees and 12,000 exhibitors in 350,000 square feet of exhibit space. 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 \$1.554 billion in 2008, 48% of U.S. production⁸. The top five export destinations were Canada, Mexico, Paraguay, the United Kingdom, and Hong Kong, see figure 3. Combined, Canada and Mexico accounted for 45 percent of toy exports.

³ 2004, 2005, 2006, and 2007 Annual Survey of Manufactures, U.S. Census Bureau

⁴ 2002 Economic Census of Manufacturing NAICS 339931 for Dolls and Stuffed Toys. Updated data for the 2007 Economic Survey will be available in early 2010.

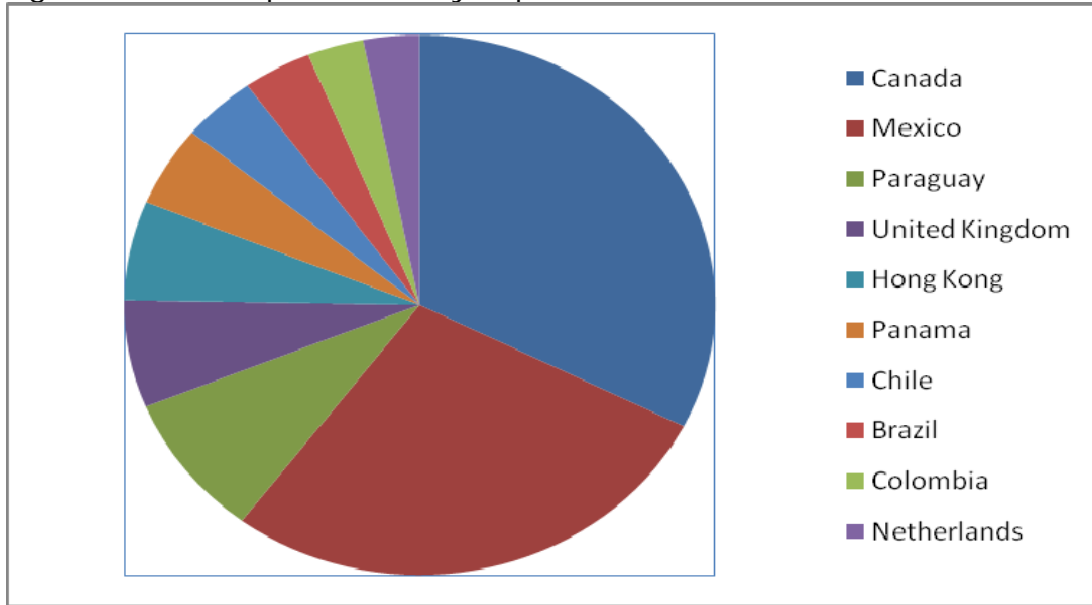
⁵ Toy Industry Association website "State of the Industry" table: www.toyassociation.org. Traditional toys excludes video games.

⁶ "Toy Markets in the World: 2009 Edition" by the NPD Group available at: www.toyassociation.org.

⁷ Id.

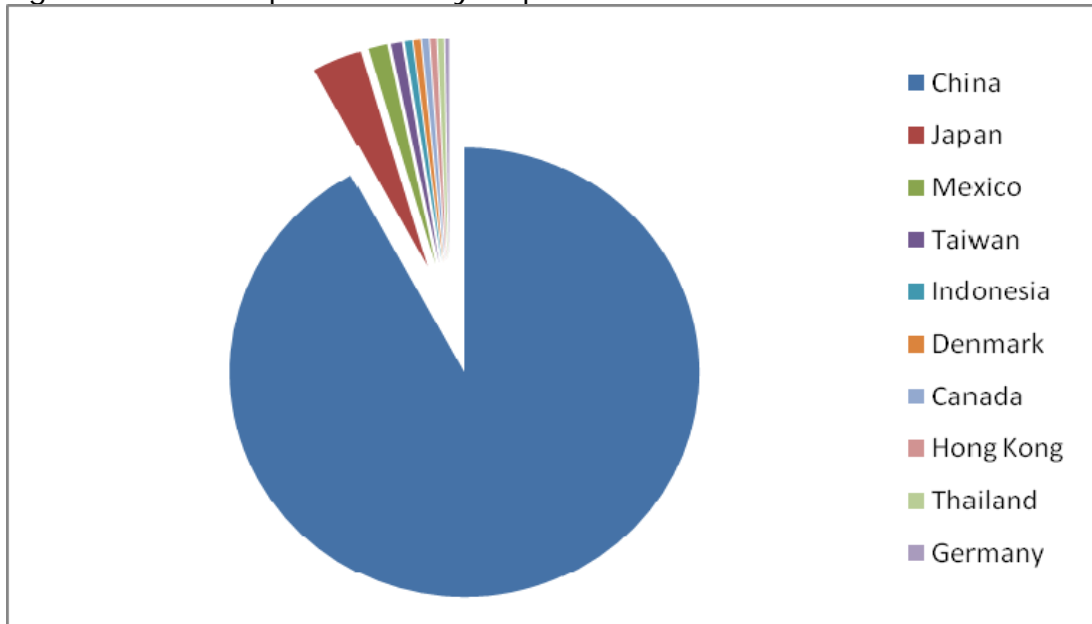
⁸ U.S. International Trade Commission, Trade Dataweb, www.usitc.gov

Figure 3 2008 Top 10 U.S. Toy Export Destinations



The toy industry imported \$22.820 billion worth of toys, dolls and games in 2008, an increase of 5 percent over 2007 levels⁹. The top five source countries were China, Japan, Mexico, Taiwan, and Indonesia, see figure 4. U.S. apparent consumption of toys was approximately \$19.08 billion in 2006¹⁰ with imports accounting for 89 percent of the total.

Figure 4 2008 Top 10 U.S. Toy Import Sources

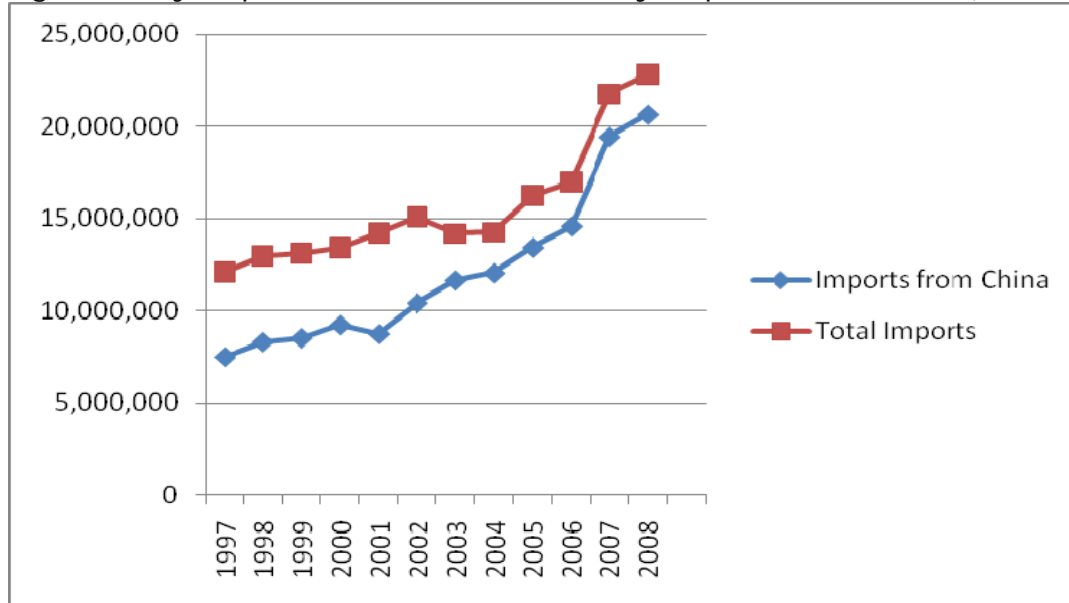


⁹ Id.

¹⁰ The most recently available product shipment data is from 2006. Therefore, apparent consumption cannot be estimated for 2007.

China's portion of the U.S. apparent consumption of toys was 84.62 percent in 2007. Chinese imports accounted for 90.6 percent of all toy imports in 2008. See figure 5 to see that the proportion of toy imports from China since 1997.

Figure 5 Toy Imports from China vs. All Toy Imports 1997-2008 (in \$1,000)



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 productsⁱ 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.

APEC Toy Safety Initiative

The APEC Toy Safety Initiative was developed jointly by the U.S. Government and its private sector partner, the U.S. Toy Industry Association, in partnership with the following cosponsoring APEC economies: Chile, China, Chinese Taipei, Japan, Malaysia, and Viet Nam.

It was developed in response to the APEC Leader's call in Australia in 2007 to "strengthen consumer product safety standards and practices in the region, using scientific risk-based approaches and without creating unnecessary impediments to trade" and as a response to the 2008 Leaders Meeting in Peru, which stated the following, "We recognize the importance of improving current standards and practices in this area, and direct officials to take steps in this regard, including by undertaking work to ensure the safety of toys in 2009."

The objective of this initiative is to increase transparency, encourage better alignment and reduce unnecessary impediments to trade related to toy safety standards and practices in the APEC region. The initiative is comprised of two workshops.

The first workshop titled, "A Regulator Dialogue on Toy Safety", was held on the margins of the Singapore SCSC meeting August 1-2, 2009. Twenty of the 21 APEC member economies were represented and 13 (10 formally) presented information about their regulatory approaches to toy safety and their use of the three main international toy safety standards: ASTM F963, EN-71, and ISO 8124¹¹.

The SCSC Chairman Teo Nam Kuan opened the event by referring to the APEC Leader's Statement from 2008 calling on economies to undertake work in the area of toy safety. He also noted the importance of toys in the APEC region referencing the volume of trade accounted for by APEC economies (estimated at above 80 percent) and the number of economies that exported toys (19 out of 21).

Inez Tenenbaum made her first overseas trip as Chairman of the U.S. Consumer Product Safety Commission to give a keynote address at the Summit and introduce herself to APEC members as a partner and advocate for child safety. Ms. Tenenbaum opened her address stating that strong safety standards can save children's lives and calling for manufacturers to "get the lead out of children's toys." She outlined the requirements of the Consumer Product Safety Improvement Act of 2008, (CPSIA) which made ASTM F963 mandatory on February 10, 2009 and enhanced CPSC's regulatory authorities. On August 14, 2009, the U.S. lead limit will drop to one of the lowest allowable limits in the world and new tracking and tracing labels will be required on all children's products. In February 2010, the current stay of enforcement for testing and certification for phthalates and lead content will be lifted and the law's requirements will be enforced. She closed her statement by calling for increased regulatory harmonization and

¹¹ Power Point presentations from the Regulator Dialogue on Toy Safety can be found on the APEC website [www.apec.org](http://aimp.apec.org/MDDDB/pages/BrowseMeeting.aspx) in the APEC Document Database: <http://aimp.apec.org/MDDDB/pages/BrowseMeeting.aspx> The meeting was held in August, 2009.

encouraged regulators to view product safety as goal on par with fostering trade. Her official comments can be viewed at the [U.S. Consumer Product Safety Commission](#) website.

Following the two-day event, participants released the following Outcome Statement:

Outcomes

- Taking direction from the APEC Leaders' commitment, participants in the APEC Toy Safety Initiative Regulator Dialogue agreed to find practical ways to strengthen consumer product safety standards and practices using risk-based scientific approaches, and without creating unnecessary impediments to trade.
- Moving forward, regulators agreed to consider ways to improve implementation of the WTO Agreement on Technical Barriers to Trade in the area of toy safety, including in the area of conformity assessment, by strengthening and expanding dialogue on best practices with key stakeholders.
- Participants concurred on the need to promote greater alignment of technical requirements including by exploring ways to “expand the common set” of reference standards and redoubling efforts to harmonize on emerging hazards.
- Participants agreed that the second phase of the APEC Toy Safety Initiative in Hong Kong presented an important opportunity to find practical ways to move forward on these critical issues, and welcomed the opportunity to engage with all stakeholders – including consumer organizations, manufacturers, retailers, standards developers, and conformity assessment bodies. Participants expressed interest in working together to develop and define issues for the Hong Kong Agenda, and agreed to conduct outreach to interested stakeholders in their economies in advance of the Hong Kong Workshop.
- Regulators from Member economies participating in the Dialogue affirmed their commitment to transparency, and expressed a desire for a reference document outlining different toy safety systems in APEC. It was suggested that the document be designed as a matrix with a series of categories that would enable regulators to see where there are common approaches and divergences exist. The following topics were suggested for inclusion:
 - The extent to which the toy safety regulations of Member economies are based on voluntary reference standards or are unique;
 - The three top hazards Member economies seek to address in toy safety regulations;
 - Whether Member economies utilize licensing requirements for the

- manufacture, distribution and sale of toys;
- o Economy approaches to the use of tracking labels, recall systems, and lead and phthalates requirements.

The U.S. Project Overseer will work closely with the cosponsors and other interested participants to define the scope of the document and will seek to present it at the second phase of the APEC Toy Safety Initiative workshop in Hong Kong on the margins of the Toy Fair in January 2010.

- Participants also emphasized the importance of strengthening capacity on risk assessment on toy safety hazards, and encouraged further collaboration in this area.
- Participants reviewed several important activities underway in other international organizations on product safety and noted their desire that the APEC Toy Safety Initiative complement, and not duplicate, that work. They agreed that to promote greater engagement of APEC economies in these international cooperative activities. In this regard,
 - o Regulators from Member economies were encouraged to attend the tracking label event being held in Stockholm, Sweden in September 10, 2009 under the auspices of the [International Consumer Product Safety Caucus](#) (ICPSC).
 - o Canada welcomed participation in the [International Consumer Product Health and Safety Organization's](#) (ICPHSO) "International Cooperation on Production Safety Symposium" held on October 27-28, 2009 in Toronto hosted by the Canadian Standards Association and Health Canada.
 - o Participants took note of the meeting of the [ISO Toy Safety Technical Committee](#) (TC 181) to be held in New York City on November 9-13, 2009.
 - o Regulators agreed to explore with the ICPHSO the possibility of including APEC toy safety work on the program of its February meeting in the U.S. APEC year 2011.
 - o APEC member economies were encouraged to review the work on product safety conducted under the auspices of the [OECD Committee on Consumer Policy](#), and consider participation in the ongoing activities on product safety of the OECD.
- Participants noted the important role customs authorities play in ensuring product safety and requested that the SCSC share this report with the Subcommittee on Customs Procedures.

The second workshop titled, "An Open Dialogue on Toy Safety for All Stakeholders", will be held on the margins of the Hong Kong Toy Fair on January 12, 2010. The U.S. Consumer Product Safety Chairman, Inez Tenenbaum, will be joined by her European counterpart, Commissioner Kuneva, and her AOSIO counterpart Minister Wang in deliver opening statements. The results from the APEC Toy Safety Survey conducted following the Singapore meeting will be released. Discussions involving the role of consumer groups in toy safety, manufacturer and retailer best practices, conformity assessment models will take place. The survey results and power point presentations will be posted to the APEC website following the event.

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@trade.gov

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