

4

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EDITION

SECTORIAL STUDY

**THE
CONTEMPORARY
ART MARKET
IN BRAZIL**

4th EDITION, SEPTEMBER, 2015

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latitude

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FOREWORD

ABACT, the Brazilian Association of Contemporary Art, in partnership with Apex-Brasil, the Brazilian Trade and Investment Promotion Agency, have the honor to present the 4th edition of the Sectorial Study on the contemporary art market in Brazil, conducted by Latitude - Platform for Brazilian Art Galleries Abroad.

Performed in order to provide the Latitude Project and ABACT with detailed information for the planning and development of their activities, the Sectorial Study has become a source of objective, organized and confident data about the Brazilian market for contemporary art galleries as well as their international performance. In addition to serving the galleries and the Association for policy actions on improvement and expansion of national and international business, the Study is an indispensable tool for information on the arts system, agents, public managers, partners, specialized media, and other interested parties. We thank the member galleries for providing the information that resulted in this Study and contained important data for the consolidation of the Brazilian art market.

The data presented in this issue - for the year 2014, a period of remarkable economic instability - shows a positive performance for the sector among the galleries associated with ABACT, which constitute a fairly representative sample of the Brazilian contemporary art market. It is with optimism that we see that the sector continues to record increases in revenue and establish new partnerships.

Eliana Finkelstein

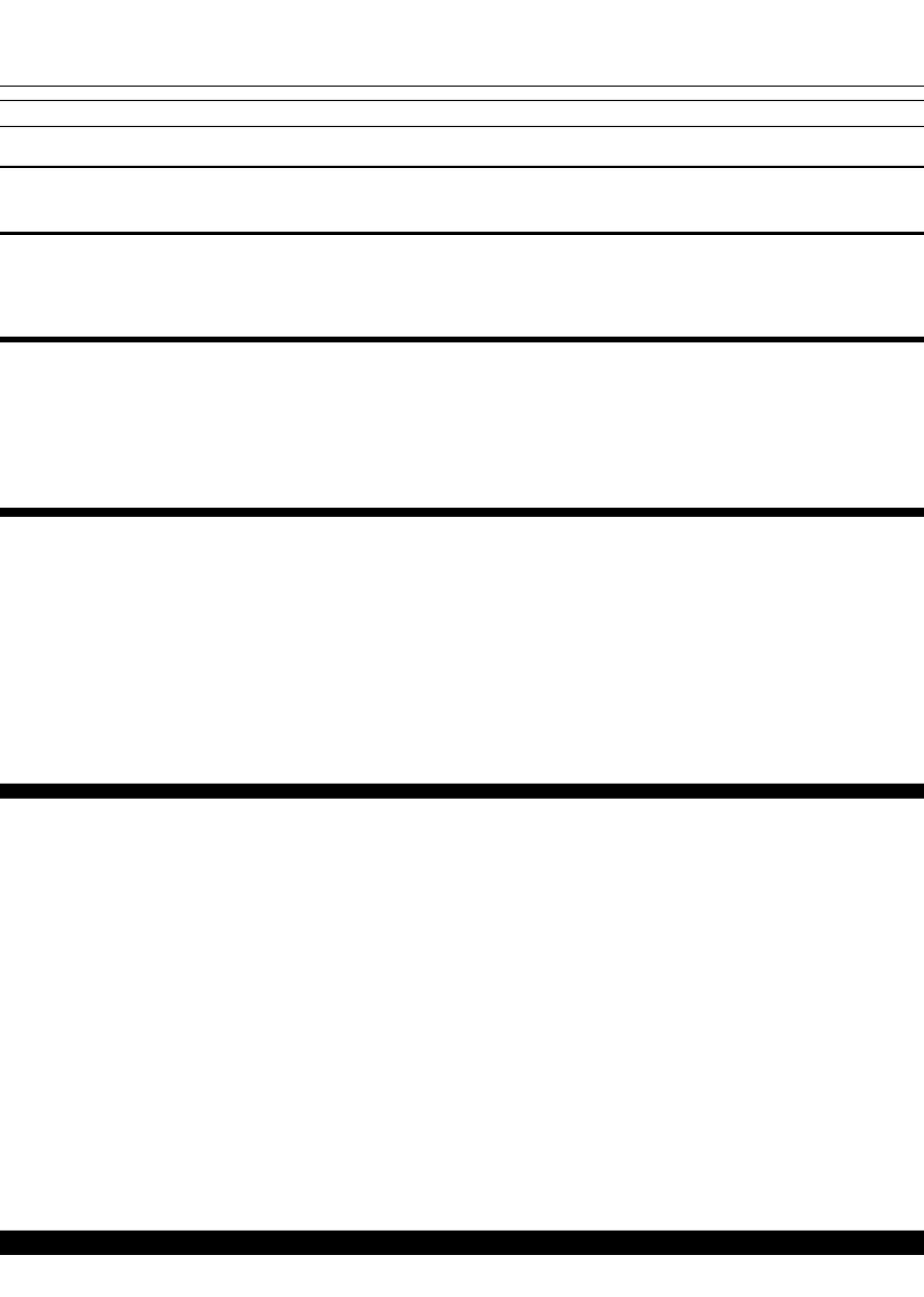
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PRESENTATION

This report presents the results of the 4th edition of the Latitude Sectorial Study on the primary contemporary art market in Brazil, with data for the past year.

2014 was atypical, and many rumors and speculations about the performance of the galleries circulated, largely betting on a severe market downturn due to 3 factors that marked the calendar: the stagnation of the economy, the presidential election and the World Cup. As we shall see, a significant portion of the market showed positive results in 2014, contrary to what was expected. The relevance of the research lies precisely in bringing forth objective data bringing forth objective data, in order to overcome subjective and isolated impressions..

The study has maintained the thematic lines of the previous editions in order to ensure the construction of a historical analysis based on a consistent methodology. However, the number of issues addressed was reduced, on the grounds that some of the aspects analyzed in previous editions, such as issues relating to infrastructure and the *modus operandi* of the galleries, do not change in the short term and can be updated with a larger time interval.

On the other hand, the study sought to pinpoint the sector's developmental indicators and understand their determinants. The downsizing of the questionnaire did not affect the quality of data collected or the improvement of qualitative analysis.

Each edition of the survey seeks to address issues/ aspects that had not been previously explored. In this sense, the 4th edition of the Latitude Sectorial Study once again brings an unprecedented external contribution, now with the participation of Marcos Lelis, economist and professor at Unisinos [Universidade do Vale do Rio dos Sinos, São Leopoldo, Brazil], in charge between 2008 and 2014 for the development and coordination of the Business Intelligence area at Apex-Brasil. The statistical analysis and data cross-referencing brought by Professor Lelis offers an interesting key to understanding the recent development of the sector, bringing to light specific features of the different segments that make up the universe of surveyed galleries.

We hope that the 4th edition of the Latitude Sectorial Study and the results of the collaboration with Marcos Lelis and Unisinos can contribute uniquely to expand and deepen reflection on the art market in Brazil, the professionalization of the sector, and its strengthening, despite the currently adverse national economic context.

THEMATIC LINES

The issues are grouped into five major themes that make up the chapters of this report: **Profile and scale of the galleries**, which shows the characteristics of the group studied, pointing to its typological diversity and providing data that speak to the scale of companies, such as revenue, number of artists represented, number of exhibitions, number of employees and participation in fairs; **Modus operandi**, addressing the relationship with artists, partnerships and obstacles to the development of the sector; **Sector growth and dynamics**, which features the indicators for development of the sector, sales information, types of art sold, prices, main business platforms, profiles of collectors; **International insertion**, which deals with different aspects related to the internationalization of the galleries, such as representation of foreign artists, internationalization strategies, sales abroad, international insertion of the artists represented in international institutions, sales destinations and the development of exports; and permeating the text where appropriate, **cross-checkings** developed from the statistical analysis, indicating determinants that help to understand certain behavioral nuances and dynamics within different gallery profiles, and the relationship of this data with gallery business performance. Finally, the **Conclusions**, where we present the main results and observed trends.

OBJECTIVES

The main objectives of the study are still to:

- **Provide Latitude Project and ABACT with detailed information on the sector in order to support the planning and development of their activities.**
- **Foster the creation of management and commercial promotion tools by Latitude, ABACT and galleries involved, aimed at improving and expanding business in the sector.**
- **Be a source of objective, organized and trustworthy data on the sector for agents of the art system, as well as public managers, partners, specialized media and other interested parties.**

UNIVERSE OF STUDY AND METHODOLOGY

The 4th edition of the Latitude Sectorial Study addresses a universe of 41 galleries in the primary contemporary art market, members of Latitude Project. The response rate was exactly the same as it was in the previous edition, i.e., 91%. The number of surveyed galleries, however, decreased significantly: there were 45 in 2013 and 41 in 2014.

Some galleries are no longer part of the group because they have ended their activities or disassociated themselves from the project; and others who participated in the previous survey did not respond to this year's edition, though they remain associated with the project. Recently associated galleries such as Mezanino and Rabieh, participated in the study for the first time. The universe remains very heterogeneous, and the contingent of newer galleries remains the largest.

As noted earlier, the group studied does not equal the total number of active galleries in the primary market, but, as can be seen by the list of participating galleries presented below, the most active, professionalized, and internationalized galleries are fully covered. The empirical basis is therefore fairly representative of the Brazilian contemporary art market. This data is also a key differentiator of this research, because we can determine exactly the universe to which it refers, in contrast to some international reports on the art market that use anonymous questionnaires with low response rates. For this reason, although we constantly seek whenever possible, data on other markets, the lack of equivalent studies using a similar methodology restricts the potential for comparative analyses.

This report presents quantitative and qualitative data from primary sources, collected through an electronic form containing approximately 50 questions, fewer than in the 2nd and 3rd editions of the study, because it is understood that certain issues do not change from year to year and may be collected in longer intervals, for example data on infrastructure and operating modes.

In addition to the questionnaire, this edition had a more pronounced qualitative focus, by collecting information through in-person conversations with officers and employees of the galleries in order to check the information provided in the questionnaire and understand how the difficult environment in 2014 affected the sector. In addition, data provided by Apex-Brazil on the performance of the galleries in international markets and the volume of exports were used, as well as some statistical economic indicators in order to collaborate on this issue.

RESPONDING GALLERIES

- A GENTIL CARIOCA
- ALMACÉN GALERIA
- ANITA SCHWARTZ GALERIA DE ARTE
- ATHENA CONTEMPORÂNEA
- BARÓ GALERIA
- BLAU PROJECTS
- BOLSA DE ARTE DE PORTO ALEGRE
- CASA TRIÂNGULO
- CELMA ALBUQUERQUE GALERIA DE ARTE
- CENTRAL GALERIA DE ARTE
- EMMA THOMAS
- GALERIA BERENICE ARVANI
- GALERIA DA GÁVEA
- GALERIA EDUARDO FERNANDES
- GALERIA ESTAÇÃO
- GALERIA FORTES VILAÇA
- GALERIA INOX ARTE CONTEMPORÂNEA
- GALERIA JAQUELINE MARTINS
- GALERIA LAURA MARSIAJ
- GALERIA LEME
- GALERIA LUISA STRINA
- GALERIA LUME
- GALERIA MARCELO GUARNIERI
- GALERIA MARILIA RAZUK
- GALERIA MEZANINO
- GALERIA MILLAN
- GALERIA NARA ROESLER
- GALERIA PILAR
- GALERIA RABIEH
- GALERIA RAQUEL ARNAUD
- LUCIANA CARAVELLO ARTE CONTEMPORÂNEA
- MENDES WOOD DM
- MERCEDES VIEGAS ARTE CONTEMPORÂNEA
- PARALELO
- PORTAS VILASECA GALERIA
- SERGIO GONÇALVES GALERIA
- SILVIA CINTRA+BOX4
- GALERIA TEMPO
- VERMELHO
- YBAKATU ESPAÇO DE ARTE
- ZIPPER GALERIA

MAIN RESULTS

SECTOR DEVELOPMENT IN A CRISIS CONTEXT

Since data on the sector began to be monitored in 2010, most of the surveyed galleries have recorded an annual growth in revenue, largely attributed to the strong Brazilian economy in recent years. In 2014, a severe economic crisis came to Brazil, and with it, the fear that the art market in Brazil suffered a sharp downturn.

However, the survey pointed to a surprising continuity of the sector's growth attested by the fact that 51.2% of surveyed galleries reported revenue growth, with 47% also reporting an increase in staff. The positioning of the galleries in the national and international markets, the recognition of artists, and the expansion of their collectors base are the factors that explain sector growth. Only 14.6% of the galleries reported negative growth and there were no layoffs in the sector in 2014. The galleries that showed negative growth pointed to the economic crisis and the fact that 2014 was an election and World Cup year as the determining factors for a retraction of revenues.

During the period, the major difficulties faced by all the galleries surveyed were related to economic instability in the country and a high tax burden. A lack of access to institutional collectors was also observed, especially by newer galleries.

SALES, WORKS AND VALUES

- The surveyed galleries sold about 5,750 art works in 2014.
- Among them, 56.1% raised prices of works for sale, with the average being an increase of 8.4% in price.
- The range of prices was from R\$ 300 to R\$ 1.4 million and the average price for an object in 2014 was R\$ 30,836.

ART FAIRS

- About 40% of gallery sales took place in art fairs. All galleries participated in national and/ or international fairs and the average number of fairs held by a gallery rose from 4.5 in 2013 to 5 in 2014. SP-Arte, ArtRio and Art Basel Miami Beach were the most important fairs for performing business.

DOMESTIC MARKET vs. INTERNATIONAL MARKET

- The ratio of sales in the Brazilian market and the international market remained the same in 2014: 85% and 15% respectively, just like in 2013 and 2012. The weight of Brazilian private collectors was quite significant in the business of the galleries and was responsible for 73% of sales volume, while foreign private collectors were responsible for 16% of sales.

- The main destinations of sales in 2014 were the United States, Colombia, the United Kingdom, Switzerland, Spain and France. Colombia, which had emerged as an important destination in the previous survey, seemed to consolidate its position, and Spain came in a better position, ahead of France.

INSTITUTIONAL INSERTION

- International institutional interest in the artists represented by the galleries surveyed remains relevant. The galleries surveyed sold at least 114 works to 24 international institutions. The Guggenheim in New York was the institution with the highest number of acquisitions in 2014. Tate Modern and MoMA also stood out among the institutions that have made purchases from the surveyed galleries.

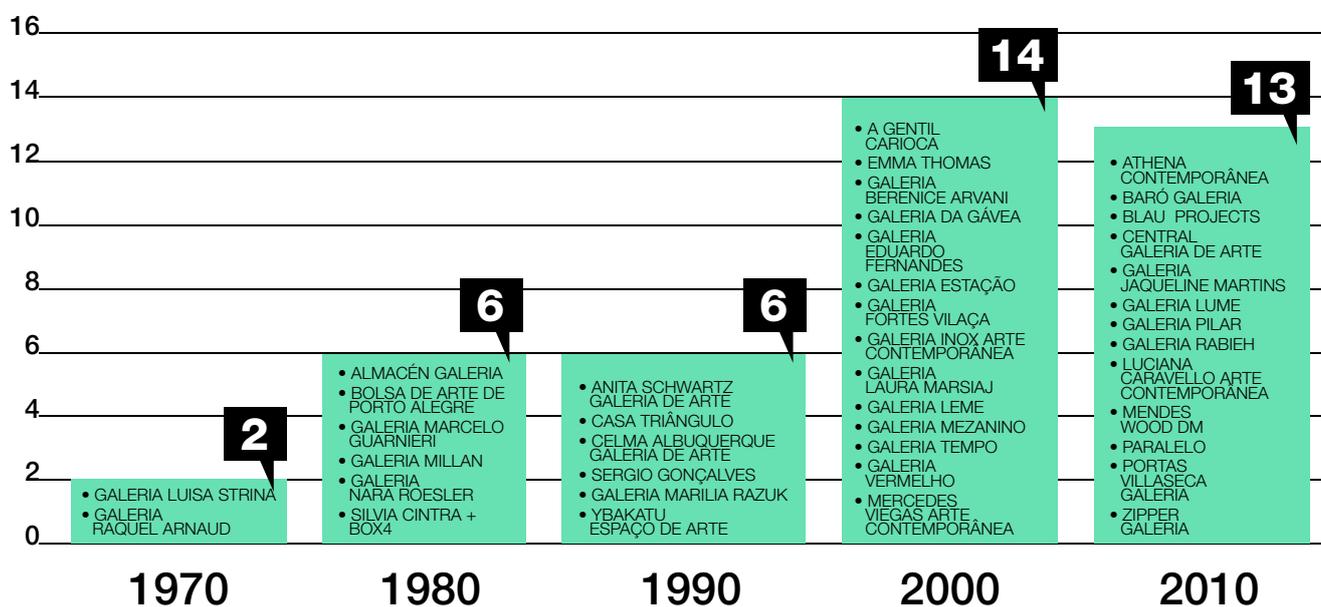
**profile
and
scale of
galleries**

GERACIONAL CROSS SECTION

The research includes different generations of galleries, whose creation dates indicate the evolution of the contemporary art market in Brazil.

More than half of the galleries that responded to the survey were established in the 2000s. On the extremes of range in age, the newest gallery in the sample was Blau Projects, which opened in 2013, and the oldest galleries were Raquel Arnaud and Luisa Strina, founded in 1973 and 1974 respectively.

NUMBER OF GALLERIES ACCORDING TO DECADE OF ESTABLISHMENT



REGIONAL DISTRIBUTION AND NEW EXHIBITION SPACES

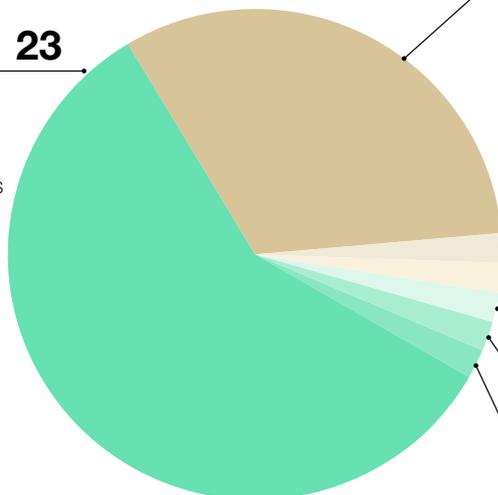
The existence of a dynamic arts system is a prerequisite for the development of the art market. São Paulo and Rio de Janeiro have a wide variety of agents and equipments: artists, art schools, critics, curators, alternative spaces, artist residencies, public and private institutions, etc., and are the cities where most of the surveyed galleries are found.

Other cities, though they may have thriving artistic production and some relevant institutions, do not yet have art markets that are as developed and, therefore, have little representation in the survey. However, initiatives such as Galeria Marcelo Guarnieri, in Ribeirão Preto, in the state of São Paulo, and Bolsa de Arte de Porto Alegre are noteworthy. Both opened branches in the city of São Paulo in 2014. In 2014, Galeria Nara Roesler, headquartered in São Paulo, opened a branch in Rio de Janeiro, and Galeria Fortes Vilaça will open a branch in Rio in 2016. Another interesting fact is that some galleries are opening a second exhibition space in the same city. Galeria Fortes Vilaça was the first to have a second address there, and in 2014, the Baró and Mendes Wood DM galleries also opened branches in the city of São Paulo. This is an unprecedented phenomenon among contemporary art galleries in the primary market, and also an indicator of an optimism in the sector about its potential for development.

DISTRIBUTION OF GALLERIES BY CITY

SÃO PAULO 23

- BARÓ GALERIA
- BLAU PROJECTS
- CASA TRIÂNGULO
- CENTRAL GALERIA DE ARTE
- EMMA THOMAS
- GALERIA BERENICE ARVANI
- GALERIA EDUARDO FERNANDES
- GALERIA ESTAÇÃO
- GALERIA FORTES VILAÇA
- GALERIA JAQUELINE MARTINS
- GALERIA LEME
- GALERIA LUISA STRINA
- GALERIA LUME
- GALERIA MARILIA RAZUK
- GALERIA MEZANINO
- GALERIA MILLAN
- GALERIA PILAR
- GALERIA RABIEH
- GALERIA RAQUEL ARNAUD
- MENDES WOOD DM
- PARALELO ART GALLERY
- ZIPPER GALERIA
- VERMELHO



13 RIO DE JANEIRO

- A GENTIL CARIOCA
- ALMACÉN GALERIA
- ANITA SCHWARTZ GALERIA DE ARTE
- ATHENA CONTEMPORÂNEA
- GALERIA DA GÁVEA
- GALERIA INOX
- GALERIA LAURA MARSIJ
- GALERIA SILVIA CINTRA +BOX4
- GALERIA TEMPO
- LUCIANA CARAVELLO ARTE CONTEMPORÂNEA
- MERCEDES VIEGAS ARTE CONTEMPORÂNEA
- PORTAS VILASECA GALERIA
- SERGIO GONÇALVES GALERIA

1 SÃO PAULO AND RIO DE JANEIRO

- GALERIA NARA ROESLER

1 RIBEIRÃO PRETO AND SÃO PAULO

- GALERIA MARCELO GUARNIERI

1 CURITIBA

- YBAKATU ESPAÇO DE ARTE

1 BELO HORIZONTE

- CELMA ALBUQUERQUE GALERIA DE ARTE

1 PORTO ALEGRE AND SÃO PAULO

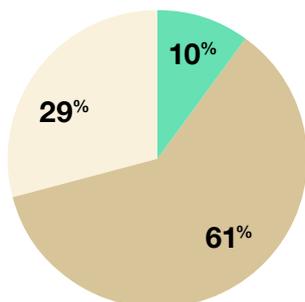
- BOLSA DE ARTE DE PORTO ALEGRE

SCALE

The scale, or size, of a gallery not only speaks to its revenue, but also the characteristics of its infrastructure, the number of artists that it represents, the quantity of exhibitions that it shows, the number of jobs it generates, the amount of fairs in which it participates, the number of clients it has in its portfolio, etc.

Next, we deal with some of these aspects that point to the different scales of contemporary art galleries in operation.

DISTRIBUTION OF GALLERIES ACCORDING TO **ANNUAL GROSS REVENUE IN 2014**



UP TO R\$ 3.6 MILLION

OVER R\$ 3.6 MILLION

DID NOT ANSWER

2013
64% UP TO R\$ 3.6 MILLION
31% OVER R\$ 3.6 MILLION
5% DID NOT ANSWER

BUDGETARY SCALE

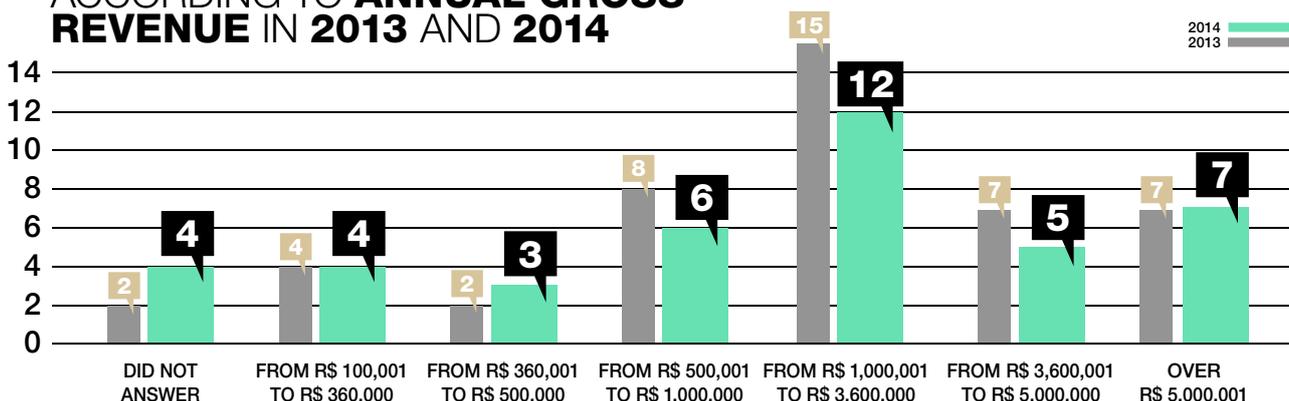
Of the universe surveyed, 38 galleries provided information on annual gross revenue in 2014, and three did not respond to this question on the survey.

Although not encompassing the totality of surveyed galleries, the graphs above show that most of them had revenues of up to R\$ 3.6 million per year. The percentage of the galleries that had revenues up to R\$ 3.6 million decreased and the percentage of non-respondents increased, but, considering the answers by non-respondent galleries in previous editions, we can ascertain that the group of galleries that have over R\$ 3.6 million in revenue is increasing.

Based on the evidence, there is a concentration of a large business volume in fewer galleries, which, by comparison, represent more artists, employ more people and are responsible for a large part of the exports recorded by the sector.

Statistical analysis of the data shows the galleries in the lower-revenue group were the ones that raised prices the most, but also had the highest revenue growth in the period. The greatest difficulties faced by these galleries are access to institutional collectors, tax burden, and spending a larger percentage of their budgets on infrastructure. For the galleries with annual revenues above R\$ 3.6 million, the biggest difficulties concern Brazil's economic instability and tax burden, with spending on international travel being higher for this group.

DISTRIBUTION OF GALLERIES ACCORDING TO **ANNUAL GROSS REVENUE IN 2013 AND 2014**



NUMBER OF **REPRESENTED ARTISTS**

There are galleries that work with only 5 artists and others representing as many as 41 artists. Most galleries work with an average of 21.5 artists. The survey therefore covers a universe of nearly 900 artists, significantly fewer than the 3rd edition of the survey, when a higher number of galleries attended and the average of represented artists was 22.5.

NUMBER OF **EXHIBITIONS PER YEAR**

INDIVIDUAL AND GROUP EXHIBITIONS

One of the main activities of a gallery is to organize solo shows. The surveyed galleries had, on average, 7 solo shows and 1.5 group shows in 2014, the same average as in the last edition of the study. Whereas the principal place of doing business is the gallery space itself, contrary to the international trend in which fairs have become the main platform for business, it makes sense that Brazilian galleries continue to invest heavily in their exhibition programs. This is also one of the activities that weigh the most on the budget of the galleries, as we will see.

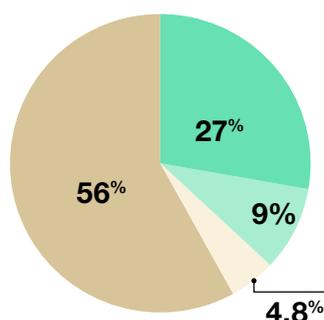
CLIENTS

There was a wide variation in the number of clients who purchased works from the galleries in 2014. Some galleries reported having had 15 clients who made purchases in 2014, and others had more than 300. Similar numbers were reported in the previous survey.

NUMBER OF **EMPLOYEES AND SERVICE PROVIDERS**

There is significant variation: some galleries have only three people working, and others have 29 employees. The average is 9.3 people working daily in their headquarters, and 47% of the galleries reported having increased their staff in 2014. In 2013, the average was 8.4 employees. 53% of the galleries maintained the same number of employees they had in 2013.

DISTRIBUTION OF GALLERIES ACCORDING TO AVERAGE WAGES



1-2 MINIMUM SALARIES

2-5 MINIMUM SALARIES

5-10 MINIMUM SALARIES

10-20 MINIMUM WAGES

AVERAGE WAGES¹

The majority of galleries paid between 2x and 5x the national minimum wage to their workers, but the average wage can vary according to gallery revenue. The average wage per company is 7.5 times the minimum salary, but for galleries with revenues over R\$ 3.6 million per year the average is R\$ 9,830. For those that have revenue below R\$ 3.6 million annually, the average of the highest salary is R\$ 2,933.

NUMBER OF FAIRS PER YEAR

In 2014, the surveyed galleries reported a total of 207 participations in national and international fairs, an average of 5 fairs per gallery. This average includes a range of galleries that participated in as few as 2 fairs, as well as those that participated in up to 12 fairs within the surveyed period. In 2013, the average was of 4.5 fairs per gallery and some galleries had not participated in any fair; in 2014, all the surveyed galleries participated in at least 2 fairs.

Naturally, the newer galleries participated in fewer fairs – mostly national fairs, in general. However, some newer galleries, founded since 2010, such as Mendes Wood DM and Galeria Jaqueline Martins, have been participating in important fairs on the international circuit, such as Frieze.

¹ The Brazilian Minimum Wage is R\$ 788 (september 2015)

***modus
operandi***

RELATIONSHIP WITH REPRESENTED ARTISTS

Every year, there can be changes in the group of artists represented, with the inclusion of new names and the exclusion of others.

RECRUITING NEW ARTISTS IN THE MARKET

This data describes the commercial capacity of the galleries in launching new artists, which involves some risk, but is critical to the renewal and expansion of the sector. The galleries reported that 3.5% of the represented artists entered the market for the first time in 2014. This percentage has decreased significantly compared to the 3rd edition of the Study, in which the galleries reported that 15% of the artists represented were entering the market for the first time. This finding is probably related to current economic instability environment which proves to be adverse to risking such as investing in building reputation of artists new to the team and that do not yet have a market - which requires time and effort with long-term and uncertain results. In addition, these numbers speak of the need to invest in career building for existing artists from the previous year, which requires time and longer-term work.

PARTNERSHIPS AND COLLABORATIONS

Almost half of the galleries (48%) reported having established new partnerships in 2014, both with other galleries in Brazil and abroad. Partnerships generally involve the exchange of artists and collaboration in the promotion of shared artists. According to the testimony of some galleries, international partnerships are part of the strategy for a gallery to position itself in lesser-known markets or where the gallery does not operate yet. This strategy implies a lower cost than participating in art fairs.

Statistical analysis of the data collected and cross-checking of the information have allowed the identification of certain differences between the profile of galleries that made new partnerships and the ones that did not. The group of galleries that made new partnerships works with a higher average price (R\$ 37,650) than the overall average, sold a greater number of works of art, and made more sales to domestic and international institutions. The galleries who did not form partnerships are smaller, newer galleries, that are still building their base of collectors and relationships, but on the other hand are consolidating their business and growing, reason that justifies a more pronounced positive shift in their business volume than the galleries that made partnerships.

OBSTACLES

The main obstacles highlighted by the galleries with regard to the development of the sector were, in order of importance:

- **ECONOMIC INSTABILITY – 22%**
- **TAXES BURDEN – 19.5%**
- **DIFFICULTY IN ACCESSING INSTITUTIONAL COLLECTORS – 17.1%**
- **DIFFICULTY IN MANAGEMENT – 7.3%**
- **DIFFICULTY IN PLANNING – 7.3%**
- **BUREAUCRACY – 7.3%**
- **LIMITED NETWORK OF CONTACTS – 7%**
- **DIFFICULTY IN ACCESSING PRIVATE COLLECTORS – 2.4%**

For the galleries that handle a higher volume of business, economic instability is the most important obstacle to their work, followed by taxes. Interestingly, in last year's Study, instability was only ranked as the 7th most important obstacle.

For smaller galleries, which have less than R\$ 3.6 million in revenue, the most important obstacle is access to institutional collectors, however, taxes are also ranked second. It is interesting to note that the smaller galleries did not report the economic crisis as one of their principal obstacles.

OPERATING EXPENSES

Participation in fairs is the expense that weighs most on the budgets of the galleries surveyed, followed by infrastructure spending, payroll, and costs from exhibits.

There is a difference, however, between the smaller and larger galleries. In galleries with revenues of up to R\$ 3.6 million, the percentage of spending dedicated to infrastructure is higher when compared to the galleries with higher revenues. Galleries with revenues of over R\$ 3.6 million, on the other hand, state that travel expenses make up the largest percentage of total spending, which is higher than that stated by smaller galleries. For other items, there is no difference in spending percentages between smaller and larger galleries.

sector growth and dynamics

GROWTH INDICATORS

Since data collection on the sector began in 2010, the average annual growth among the galleries surveyed was 22.5%. In 2013, growth was broader and stronger: 90% of the galleries said they had increased their revenue, against 81% in 2012; the average growth of the total surveyed galleries stood at 27.5%.

In 2014, as was to be expected, the percentage of galleries citing revenue growth slowed. However, surprisingly, the percentage was still quite high: 51.2% of the surveyed galleries registered an increase in revenue last year. It was not possible to determine the average growth since not all the galleries provided revenue information, but among those 14 that did, average growth was 41%.

The galleries that had increases in revenue attributed their success to:

- **GOOD WORK**
- **RECOGNITION AND CONSOLIDATION OF THE GALLERY'S PROGRAMMING**
- **RECOGNITION AND QUALITY OF THE REPRESENTED ARTISTS**
- **PARTICIPATION IN FAIRS**
- **INCREASE IN THE COLLECTORS BASE**
- **MORE FAVORABLE INTERNATIONAL SCENARIO**
- **GREATER RECOGNITION FOR CONTEMPORARY ART**
- **ESTABLISHMENT OF PARTNERSHIPS**
- **RELATIONSHIP DEVELOPMENT WITH CLIENTS AND CURATORS**
- **STAFF'S KNOW-HOW**

It should be noted that the newer galleries, recently opened, generally attest to more aggressive growth, because as its artists start to become better-known and acquire market value, the gallery's revenue growth can go from 0 to 100% in one year of activity. This factor increased the average growth rate of part of the group to over 40% in 2014, for some of them have reported growth higher than 100%.

Interestingly, however, that some galleries that have been in the market longer also reported to have grown over 15% in 2014. "The economic crisis brings good business opportunities," said one of them. "Those at the top of the economic pyramid do not give up their lifestyles because of the crisis. They could even face difficulties in their business and establish a policy of austerity and job cuts, but not change their spending habits."

Some newer galleries also highlighted the strong performance of some Brazilian private collectors who invested a lot in 2014. One gallery specifically said it sold a set of works by the same artist to some of these

private collectors, which gave some comfort to the gallery and made sales to the domestic market in 2014 proportionally more important than to the international market when compared to previous years.

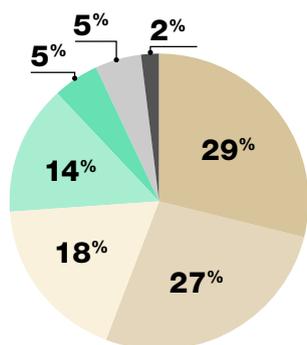
Despite such good performance, the galleries that grew in 2014 believe that sales to the domestic market will be a challenge in 2015, and are committed to internationalization as a strategy to confront the economic crisis which arose in Brazil.

The galleries that recorded negative revenue growth consider that such poor performance was the result of the economic crisis, the elections and the World Cup. Some also pointed out that because they had performed exceptionally well in 2013, 2014 was not as good, but was not bad at all. Depreciation of the Brazilian Real also hindered the work of galleries who work with foreign artists, burdening imports and hindering the sale of these artists' work.

We also observed that the fastest growing galleries, despite the economic crisis in Brazil, are both smaller, newer galleries that may work with lower average prices, while expanding their collectors base, as well as larger galleries, which have a higher sales volume and higher prices, and whose collectors have very high purchasing power. Those that suffered most in 2014 are those that are in the intermediate range.

The workforce employed in the sector did not suffer any loss: 47% of the galleries increased the number of workers in 2014 and 53% maintained staff levels in 2014, the same number as in 2013. Even some galleries that reported having had negative growth in 2014 nevertheless reported having increased their staff at the same time – an interesting factor that can be understood as a strategy to resume growth by investing in the hiring of specialized professionals.

DISTRIBUTION
OF TYPE OF
WORKS SOLD
IN RELATION
TO TOTAL
WORKS SOLD



SALES, WORKS AND VALUES

- The surveyed galleries sold about 5,750 art works in 2014, significantly fewer than reported in 2013, namely 6,500.
- Among them, 56.1% readjusted the prices of works for sale, with the average adjustment being of 8.4% in price.
- The range of prices, from cheapest to most expensive, was from R\$ 300 to R\$ 1.4 million in 2014.

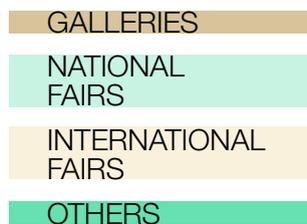
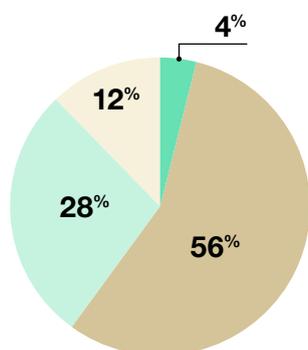
AVERAGE PRICE

- Generally speaking, the higher the revenues, the higher the prices. The average price of works sold in the primary market is R\$ 3,836, while in 2013 the average was R\$ 24,500. This average shows a significant variation considering the groups that are in the extreme ranges of revenue.
- The average sales price for galleries with revenues under R\$ 3.6 million in 2014 was R\$ 14,338. However, for galleries with more than R\$ 3.6 million in revenues, the average price was R\$ 65,000 per work sold.

ART WORKS SOLD

- The smaller galleries, with under R\$ 3.6 million in revenue in 2014, sold, on average, 100 works, and the larger galleries, with over R\$ 3.6 million in revenue, sold, on average, 251 works. There are also extremes in that data, with galleries selling only 18 objects for the year, while others sold more than 800 objects in 2014.

**PLATFORM
FOR DOING
BUSINESS
IN 2014**



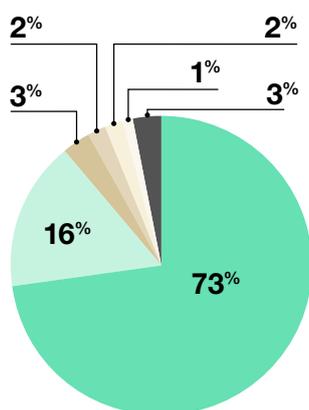
BUSINESS PLATFORM

The prime location for doing business remains a gallery's headquarters, where 56% of transactions take place. Art fairs are also very important and are responsible for 40% of sales. Sales using other channels such as gallery website, visits to clients and partnerships with other commercial entities represent 4% of the business.

THE IMPORTANCE OF ART FAIRS

- 40% of sales are made in national and international fairs, the same proportion indicated in the last edition of the study.
- SP-Arte, ArtRio and Art Basel in Miami Beach continue to be the fairs where galleries achieve the best revenue. Other fairs cited as important from that point of view, were Frieze London and Frieze New York, Art Basel in Basel, SP-Arte/Foto and Parte.

PARTICIPATION
OF DIFFERENT
COLLECTORS
ACCORDING
TO **SALES VOLUME**
IN **2014**



PRIVATE
BRAZILIAN
COLLECTORS

PRIVATE
FOREIGN
COLLECTORS

BRAZILIAN
INSTITUTIONS

FOREIGN
INSTITUTIONS

BRAZILIAN
CORPORATE
COLLECTIONS

FOREIGN
CORPORATE
COLLECTIONS

OTHERS

DOMESTIC MARKET VS. INTERNATIONAL MARKET

- 15% of the revenue comes from sales made abroad and 85% of the revenue comes from sales made domestically.
- The proportion of sales in the domestic market to those in the international market remained the same in 2014 as it was in 2013 and 2012.

PROFILE OF COLLECTORS

The division above, which highlights the greater weight of the domestic market in gallery sales, is shown in more detail in the chart on the left.

- Sales are driven mainly by Brazilian private collectors, accounting for over 73% of the galleries' revenue, slightly below the 2013 rate, when they accounted for 76% of sales. Foreign private collectors are the second largest customer, with Brazilian and foreign institutions following behind.
- Brazilian institutions account for 3% of sales. These figures indicate, as we have stated on other occasions, the still incipient institutional collecting in Brazil.

- On the other hand, some international institutions develop consistent policies for the acquisition of works by Latin American (and Brazilian) artists, such as the MoMA in New York, the Tate Modern in London, and more recently, the Guggenheim in New York. The Guggenheim, incidentally, stood out in 2014 for being the foreign institution that acquired the most works from the surveyed galleries².
- The importance of these collectors in relation to the value of sales and the number of sold works was measured, and although there could be a difference between the distribution of data, it follows the same logic as before.

² Surely this emphasis is due to the project coordinated by Pablo León de la Barra, which is part of Guggenheim UBS MAP Global Art Initiative, whose goal is to focus on the activities and acquisition of works of the three regions that were, until recently, not very present in the museum: Asia, Middle East and Latin America. De la Barra presented the first stage of the program focused on Latin America in the exhibition "Under the Same Sun: Art from Latin America Today", which was showing at the Guggenheim from June to October 2014. In it were displayed works acquired by the museum, comprising 40 artists, including five Brazilians and more than a dozen artists from other

countries but represented by Brazilian galleries. For more about the project, see: <http://www.guggenheim.org/guggenheim-foundation/collaborations/map/latinamerica#artists>

**international
insertion**

The internationalization of the Brazilian market is part of a broader process of internationalization of the arts system as a whole and the growing international visibility of its agents on the international circuit³. The internationalization of the market, specifically, should not be assessed only in relation to the volume of sales and exports, but also should take into account other important factors, among them, the representation of foreign artists, the inclusion of artists in international collections, the encouragement for artists to participate in international events, the portfolio of clients and partners abroad, and the participation in fairs. We analyzed some details in order to evaluate the international insertion of Brazilian galleries in the primary market.

INTERNATIONALIZATION OF THE PRIMARY MARKET FOR CONTEMPORARY ART

INTERNATIONALIZATION OF THE STABLE OF ARTISTS

Among the galleries surveyed, 75% work with artists from other countries, with, on average, 20% of their artists being of foreign origin, exactly the same percentage observed in 2013. There are galleries that house no international artists and those that have more than 50% of their represented artists being of foreign origin.

INTERNATIONALIZATION STRATEGIES

Participating in fairs, establishing relationships with international institutions, establishing partnerships with galleries abroad, and representing international artists are seen as the main strategies for the internationalization of galleries.

In 2014, 80.5% of the galleries took part in fairs abroad, a record compared to previous surveys. In the same period, 37.5% of the galleries offered support for the participation of their artists in international institutional events, and 29% of the galleries made new partnerships with other galleries abroad.

³ This topic was already dealt with in other publications. Cf.: FIALHO, Ana Letícia. "Expansão do mercado de arte no Brasil: oportunidades e desafios." In: GRAÇACOUTO, Ronaldo (org.). O valor da obra de arte. São Paulo: Metalivros, 2014, pp. 34-85 and FIALHO, Ana Letícia. "Contribuições à internacionalização do sistema das artes no Brasil/Contributions to the Internationalization of the Brazilian Art System." Catálogo da SP-Arte 2014. São Paulo: SP-Arte, April 2014.

INTERNATIONAL **SALES**

About 85% of sales in the galleries were made in the domestic market and 15% in the international market in 2014, just as in 2013 and 2012.

However, as noted earlier, internationalization is fundamental to the business of contemporary art galleries, whose process of recognition and appreciation goes necessarily through the international circuit. The international promotion activities are important because they impact the symbolic recognition and importance of the artists and the very reputation of the gallery, which in turn is reflected in their business.

SALES **VOLUME**

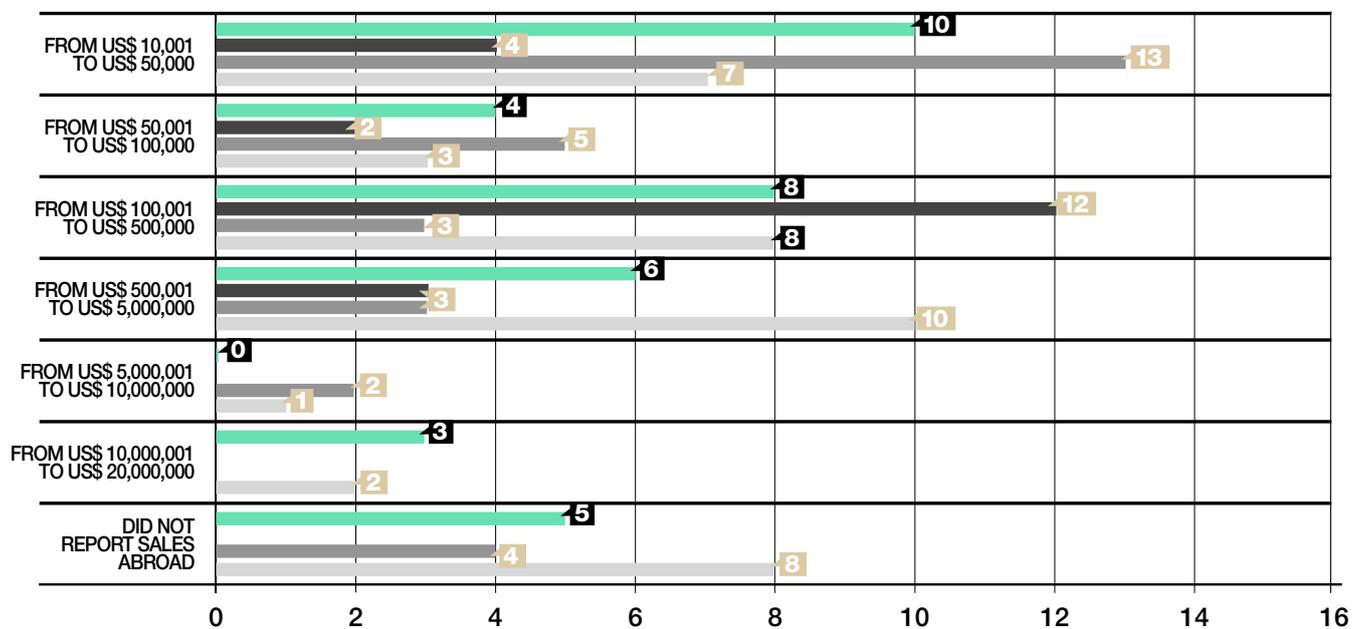
At least 75% of surveyed galleries sold works abroad in 2014, the same as in 2013.

A comparative analysis of sales in 2011, 2012, 2013 and 2014 shows that the number of galleries as well as the sales volume abroad increased. In 2011, 21 galleries reported sales abroad, in 2012 there were 25, in 2013, 32, and in 2014, 31 galleries reported having made sales abroad. 17 galleries reported sales above US\$ 100,000 and 14 galleries reported sales below this amount.

Among the galleries that made sales to the international market, 58.1% also reported revenue growth in the period. Among those who did not do international sales, 40% said they had increased their revenue in 2014.

NUMBER OF GALLERIES ACCORDING TO SALES ABROAD 2011-2014

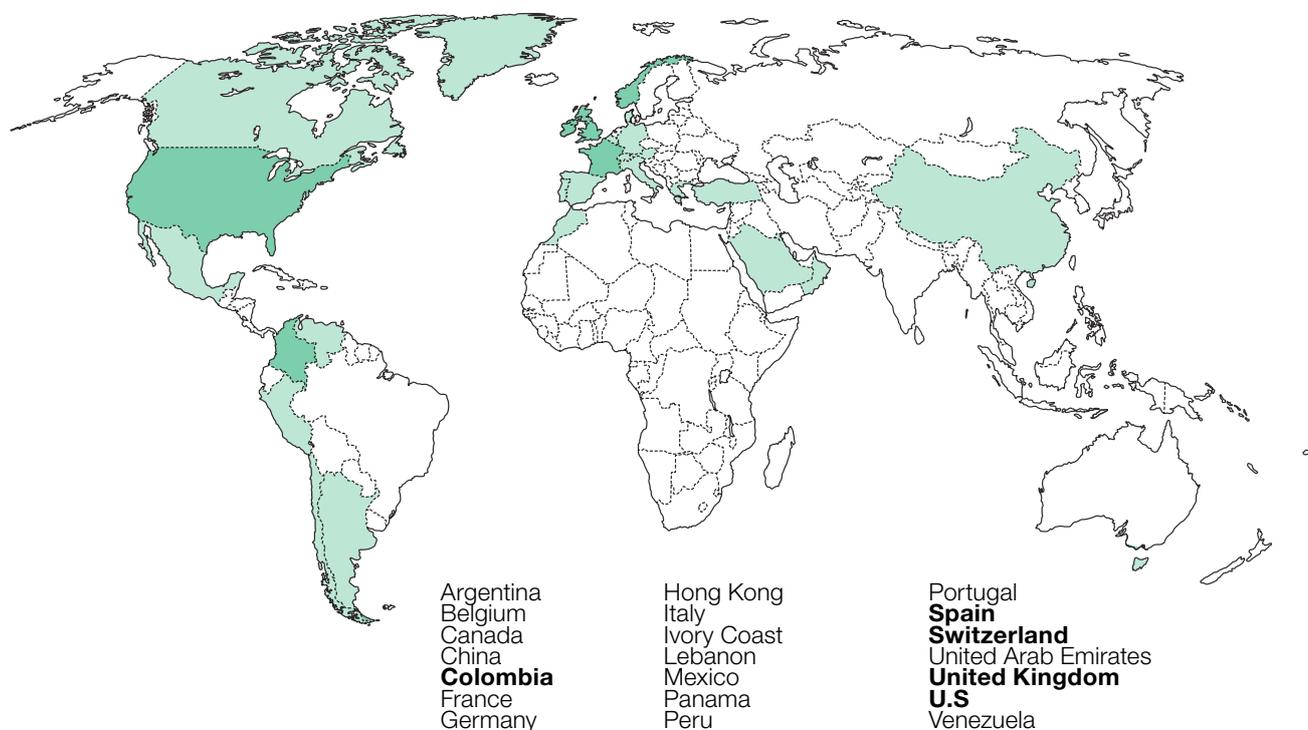
NO. GALLERIES 2014 ■
 NO. GALLERIES 2013 ■
 NO. GALLERIES 2012 ■
 NO. GALLERIES 2011 ■



DESTINATIONS OF SALES

In 2014 the galleries reported having sold to 21 countries.
The United States, United Kingdom, Switzerland, France, Spain and
Colombia are seen as the main destinations.

ALL REPORTED DESTINATIONS



PROFILE OF INTERNATIONAL COLLECTORS

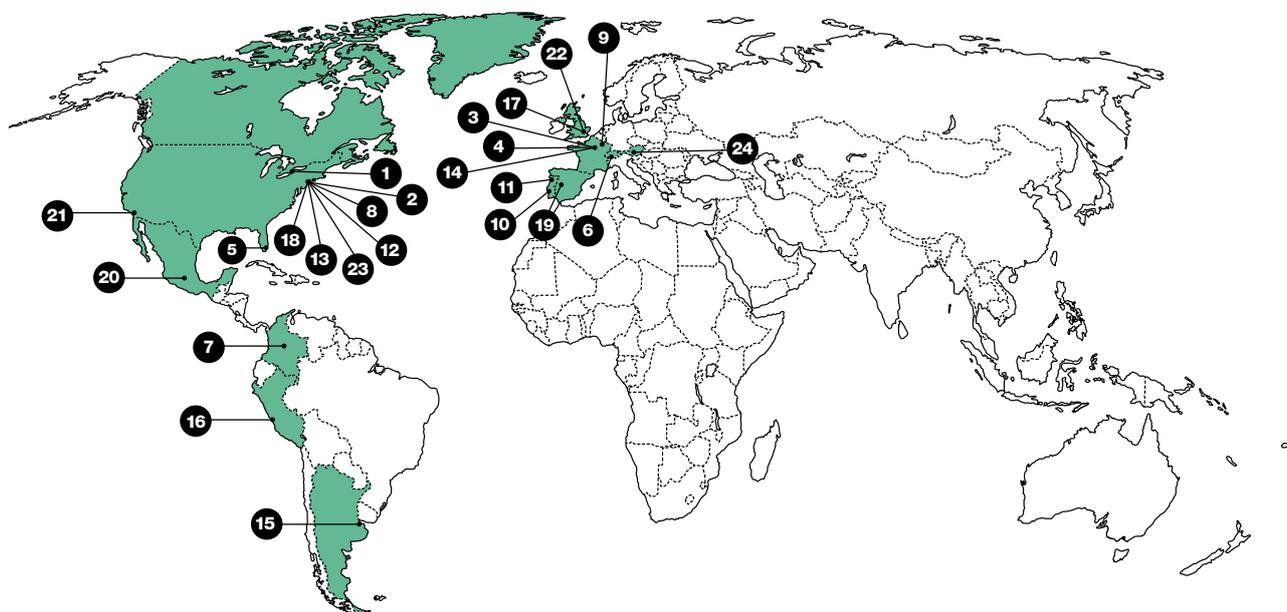
The percentages have changed from the previous survey as foreign private collectors increased their share of sales of the galleries from an average of 12% in 2013 to 16% in 2014. The share of international institutions and corporate collections showed no significant change.

INSTITUTIONAL INSERTION

International institutions represent 2% of revenue but are critical to the business of the galleries by providing visibility to the artists they have acquired. Previous editions of the survey allowed the mapping of over 130 institutions around the world who collect works from artists represented by Brazilian galleries.

In 2014, 21% of the galleries surveyed reported the sale of 114 works to 24 international institutions. Most of these institutions are located in Europe and the United States, the main destinations of international sales since we began tracking the data. As in last year's edition, not all the galleries responded to this question. However, we believe that the expansion and diversification of institutions that collect from artists represented by Brazilian galleries is an ongoing process and certainly more comprehensive than suggested by the following map:

INSTITUTIONS THAT HAVE ACQUIRED WORKS BY THE SURVEYED GALLERIES IN 2014:



- | | |
|---|---|
| 1 Art Gallery of York University,
Toronto, Canada | 13 JPMorgan Chase Art Collection,
USA |
| 2 Bronx Museum,
New York, USA | 14 LVMH Collection,
Paris, France |
| 3 Centre Georges Pompidou,
Paris, France | 15 MALBA,
Buenos Aires, Argentina |
| 4 Centre National d'Art Contemporain,
Paris, France | 16 Mali (Museo de Arte de Lima),
Peru |
| 5 Cisneros Fontanals Art Foundation (CIFO),
Miami, USA | 17 Middlesbrough Institute of Modern Art (MIMA),
USA |
| 6 Colección DAROS-Latinamerica,
Zurich, Switzerland | 18 MoMA,
New York, USA |
| 7 Colección de Arte del Banco de la República,
Bogota, Colombia | 19 Museo Reina Sofia,
Madrid, Spain |
| 8 Deutsche Bank,
New York, USA | 20 Museo Tamayo,
Mexico City, Mexico |
| 9 Fond Régional d'Art Contemporain,
Lorraine, France | 21 Museum of Contemporary Art San Diego,
USA |
| 10 Fundação Gulbenkian,
Lisbon, Portugal | 22 Tate Modern,
London, United Kingdom |
| 11 Fundação Serralves,
Porto, Portugal | 23 The Guggenheim,
New York, USA |
| 12 Fundación Cisneros, Colección Patricia Phelps de Cisneros,
New York, USA | 24 Thyssen Bornemisza Contemporary Art,
Vienna, Austria |

EXPORTS

The volume of exports for the sector as a whole has been gradually growing since we started tracking this data. The year 2013 was exceptional, and should be considered separately. Observing a wider period, we assess that the sector's growth has been gradual since 2011. This gradual increase is also observed in the number of exporting galleries in the project, which reached 26 in 2014. It is possible to observe a difference between the number of galleries who claim to have made sales to the international market (31) and the number of galleries indicated as exporters by Apex-Brasil according to data obtained from the Ministry of Development, Industry and Foreign Trade [MDIC] (26). This difference can be explained by the fact that some galleries use intermediaries to carry out the exports (trading companies) or even forward the export responsibility to the artist or recipient / buyer of the work.

PROGRESSION OF **EXPORTS** FOR THE **ART MARKET** AND **LATITUDE PROJECT** FROM **2011** TO **2014**⁴

YEAR	AMOUNT EXPORTED ART MARKET (total)	NUMBER OF EXPORTING COMPANIES (total)	AMOUNT EXPORTED LATITUDE PROJECT	NUMBER OF EXPORTING COMPANIES LATITUDE PROJECT
2011	\$ 60.144.054	198	\$ 18.609.624	22
2012	\$ 51.170.357	160	\$ 27.130.165	19
2013	\$ 127.439.480	192	\$ 51.314.577	23
2014	\$ 82.215.808		\$ 33.921.564	26

⁴ SOURCE: Latitude Project Commercial Intelligence/ Apex-Brasil Planning and Budget Unit. All amounts in U.S. dollars FOB

MAIN EXPORT DESTINATIONS

NUMBER OF EXPORTING COMPANIES LATITUDE PROJECT

EXPORT DESTINATIONS FROM 2011 TO 2014⁵

2011	RANKING BY COUNTRY	AMOUNT EXPORTED LATITUDE PROJECT	MARKET SHARE	NO	2012	RANKING BY COUNTRY	AMOUNT EXPORTED LATITUDE PROJECT	MARKET SHARE	NO
1	UNITED STATES	\$ 7.035.014	37,8%	19	1	UNITED STATES	\$ 10.036.044	36,91%	13
2	FRANCE	\$ 5.424.671	29%	6	2	UNITED KINGDOM	\$ 6.383.607	23,50%	8
3	SWITZERLAND	\$ 3.153.642	17%	5	3	SWITZERLAND	\$ 5.635.888	20,80%	4
4	UNITED KINGDOM	\$ 1.952.387	10,5%	8	4	FRANCE	\$ 1.392.207	5,14%	5
5	UNITED ARAB EMIRATES	\$ 318.000	1,7%	1	5	HONG KONG	\$ 988.500	3,65%	3
	OTHERS	\$ 759.910	4%			OTHERS	\$ 2.693.919	10 %	

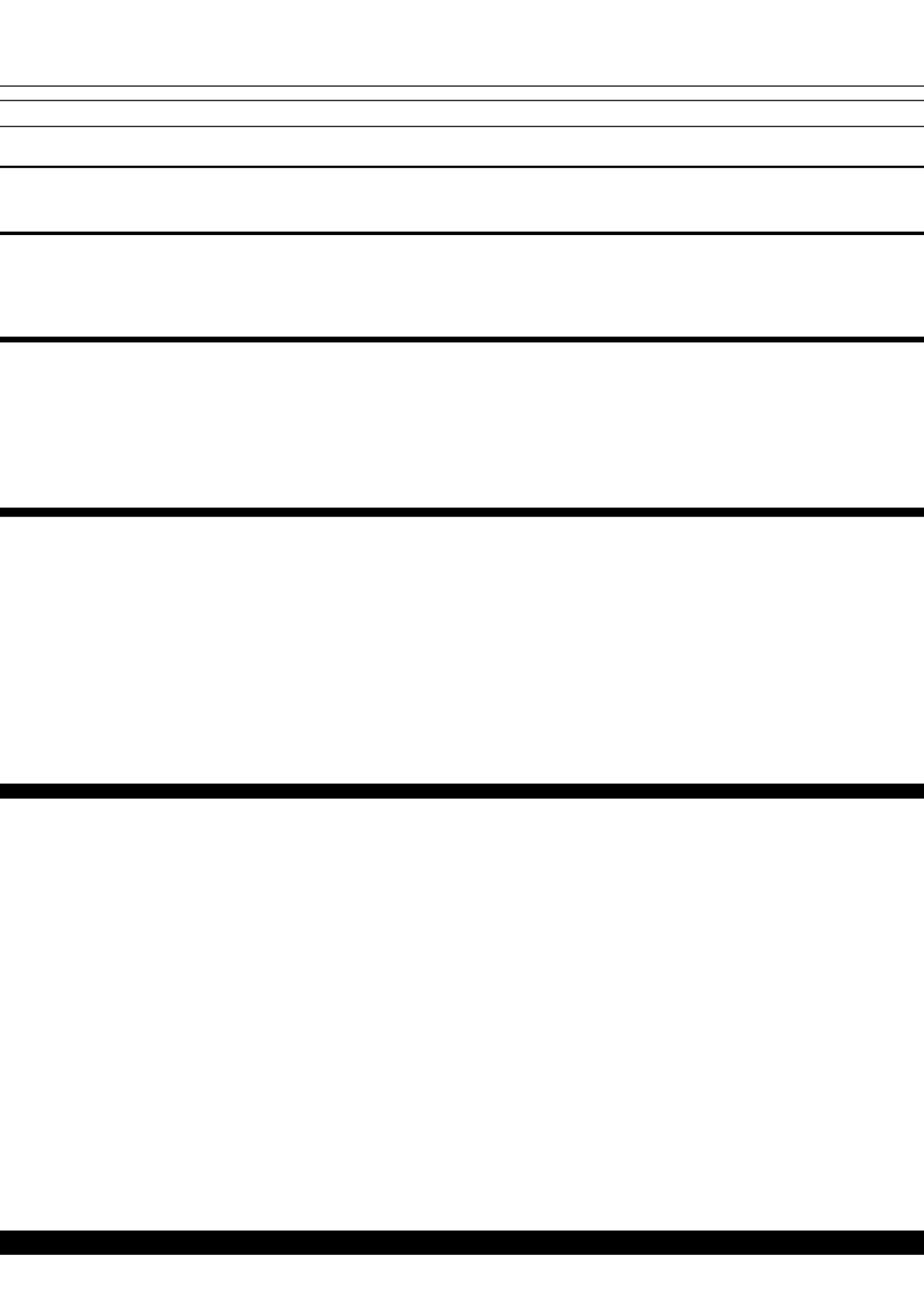
2013	RANKING BY COUNTRY	AMOUNT EXPORTED LATITUDE PROJECT	MARKET SHARE	NUMBER OF EXPORTING COMPANIES LATITUDE PROJECT
1	UNITED STATES	\$ 30.703.244	60%	19
2	UNITED KINGDOM	\$ 7.370.009	14%	12
3	SWITZERLAND	\$ 5.115.053	10%	6
4	FRANCE	\$ 2.073.128	4%	10
5	SPAIN	\$ 1.293.185	2,5%	6
	OTHERS	\$ 4.759.958	9,5%	

2014	RANKING BY COUNTRY	AMOUNT EXPORTED LATITUDE PROJECT	MARKET SHARE	NUMBER OF EXPORTING COMPANIES LATITUDE PROJECT
1	UNITED STATES	\$ 21.432.529	63,2%	21
2	SWITZERLAND	\$ 4.839.961	14,3%	10
3	UNITED KINGDOM	\$ 4.531.743	13,4%	9
4	SPAIN	\$ 547.379	1,6%	5
5	FRANCE	\$ 496.207	1,5%	4
	OTHERS	\$ 2.073.745	6%	

- The top 5 export destinations in 2014 were: the United States, Switzerland, the UK, Spain and France.

The United States is the main destination of sales and exports, since the industry began to be monitored. Its importance is shown in total revenue and also in the number of galleries that export to the U.S.: 21 in 2014, a record number since the data started being monitored. The four main destinations have remained the same for the past four years, while the 5th position has fluctuated, showing the galleries' search for new markets. In 2014, Spain took a prominent position, overtaking France as a top destination for exports.

⁵ Data referring only to Latitude Project galleries based on total exports. Source: Latitude Project Commercial Intelligence/ Apex-Brasil Planning and Budget Unit. All amounts in U.S. dollars FOB.



CONCLUSIONS

The greatest expectation in relation to the publication of the 4th edition of the Latitude Sectorial Study, was to understand how the contemporary art market in Brazil had behaved in the year that the country had presidential elections, the World Cup and the worst economic performance in recent years - the GDP growth rate was 0.14% and inflation reached 6.4%⁶. The fear that the art market had suffered a sharp retraction in response to the adverse political and economic context was evident.

However, the survey pointed to surprising continuity in the sector's growth attested to by 51.2% of surveyed galleries, with 47% also increasing their work force. Only 14.6% of the galleries reported negative growth, yet there were no layoffs in the sector in 2014. Within this context, the major difficulties faced by all the surveyed galleries were Brazil's economic instability and high tax burden.

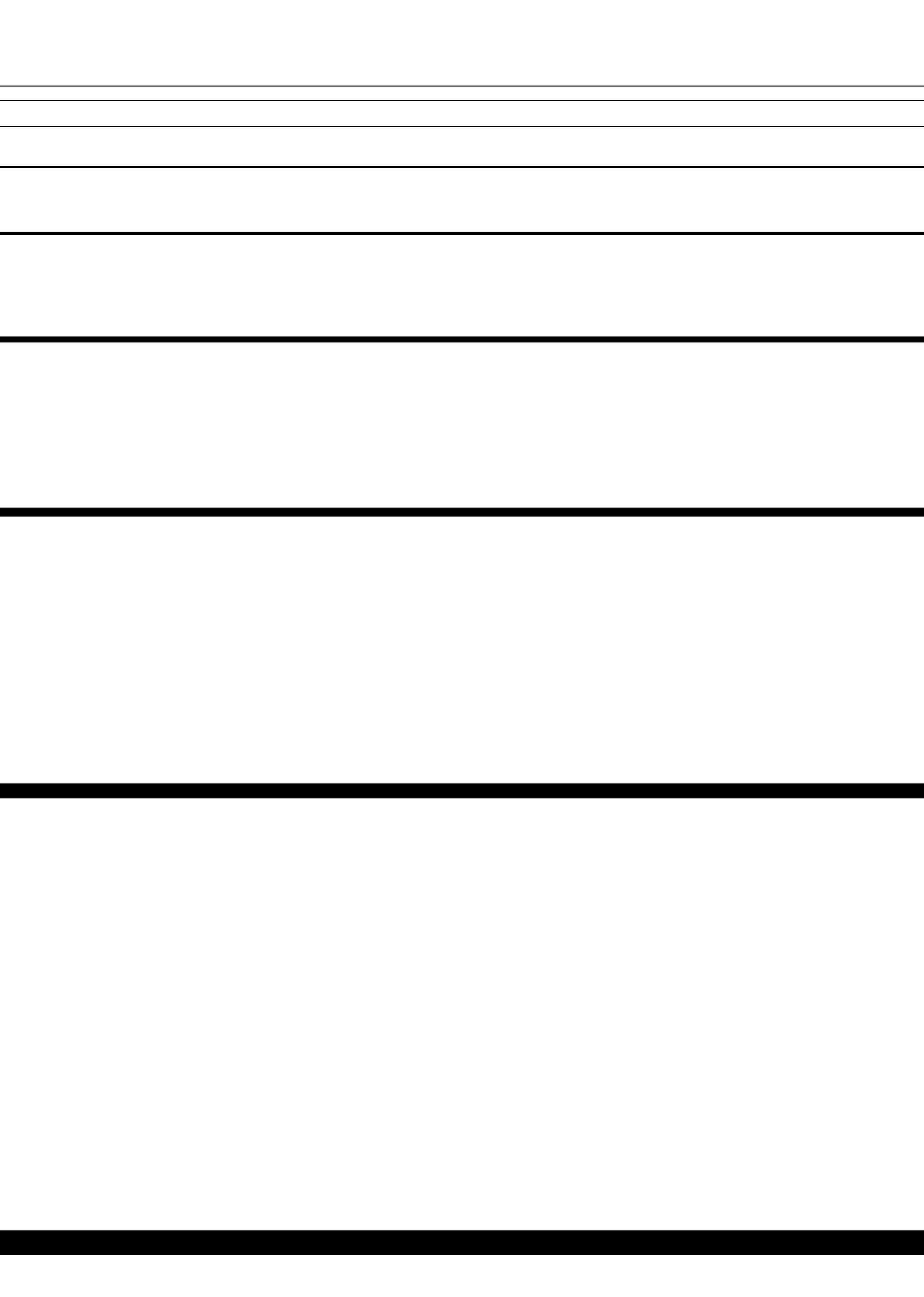
The participation of Brazilian private collectors in the art market has remained predominant, and they are driving the growth of the newer galleries, sometimes taking on a quasi-institutional role in stimulating the recognition of recently introduced artists.

Another important factor to note is the visibility and recognition achieved by Brazilian art in the international arena, which has consolidated in recent years, and is attested to by a number of temporary exhibitions as well as the acquisitions of Brazilian artists by international institutions such as the examples identified by this research in the chapter dealing with international participation. Such interest favors the participation of Brazilian galleries internationally. Participation in art fairs, partnerships with galleries abroad and support for artists to be represented in institutional exhibitions in other countries are the main strategic actions galleries take for business growth in the years to come.

Perhaps the economic environment in the country suggests caution, but it also demands investment, innovation and a certain optimism. That seems to be the feeling of many of the surveyed galleries, which in 2014, invested in the expansion of their exhibition spaces, opening of new offices, and growth of their teams.

As stated earlier, the art market in Brazil has developed gradually and consistently, and it does not seem so vulnerable to the setbacks in the national economy. We believe that the professionalization and internationalization of galleries, driven by the work that the Latitude Project has done since 2007, is an important key for the sector to continue developing, strengthening and facing the challenges posed by the country's challenging context and the growing opportunities that are present internationally.

⁶ The inflation rate in 2014, calculated based on the Broader Consumer Price Index (IPCA). Source: IBGE



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