



High-end imports of leathersgoods, such as the Coach Ergo bag, are popular in Japan.

CREDIT: COACH.

Leather losing out in Japan's intra-Asian export boom

The latest statistics from the Japanese government suggest that the country's economy is benefiting from healthy levels of exports.

Concerns, however, surfaced after the unemployment rate rose in September for the second month running, but this was after it had fallen to a nine-year low (3.6%) in July. It now stands at 3.8%.

It's interesting to look more closely at these figures. The job-losses came in the small and medium enterprise sector (companies employing 500 people or fewer), which shed 550,000 positions in September. But large Japanese companies, those with 500 employees or more, created more than half a million new jobs (510,000) in the same month.

Tanners and leathersgoods manufacturers in Japan, as in most countries, definitely belong to the former group, the one in which job creation is difficult. Industry representative organisation, the Tanners' Council of Japan (TCJ), has confirmed that life for members is tough at the moment.

The organisation is still in the process of compiling statistics that will offer a complete picture of the industry in Japan, which it will present at the next meeting of the International Council of Tanners, likely to take place in Hong Kong on Sunday, March 30 next year. However, TCJ president, Mr K. Tokunaga, has given us advance word that the going is tough. "Almost all Japanese tanneries would say with one voice that things are very bad," he says. "That's the best way to sum up the

recent achievements of the sector in Japan."

What's unfortunate here is that the overall economic climate in the country has been favourable to exports for some time. Yes, the US market has been a tricky one to sell into since the exchange-rate became such a big headache and the US economy became turbulent, but the September situation was that Japan's trade surplus (the extent to which exports outweigh imports) was up by 63% on the same period last year, reaching \$14 billion for the month.

The *Financial Times* reported at the time that the number of shipments to the US had fallen by 9.2%, the biggest drop for four years and the first fall in five months. In spite of this, the value of Japan's exports in September rose by 6.5%. This is highly significant because it seems to prove the trend that economic observers refer to as the "decoupling" of the Japanese economy from that of the US.

Exports to other Asian countries are the big news in Japan these days. In September, exports to Asia as a whole grew by 8.3%, but the headline figure was that the volume of goods shipped to China was up by 16.5% compared to September 2006. Double-digit growth in China is giving Japan's economy a new impetus.

Perhaps, in time, this will mean an improved export market for Japanese tanners but the industry, according to Mr Tokunaga, has yet to register any improvement. He says that all he is hearing from his members are complaints about

the lack of orders coming in—from China or from anywhere else. The same is true of Japanese footwear manufacturers, he adds. "Everyone is lamenting the lack of orders," he insists.

One of the reasons the export market is so important to Japan is that the problem of a flat consumer spend at home has persisted for some time. The domestic market is weak and may be growing weaker. A sign of this is that imports were down by 3.2% in September, and further weakening of the yen is scarcely going to help.

Ironically, it is in the domestic consumption of leathersgoods and leather footwear that the industry will find the most heartening news in Japan, with high-end fashionable imports playing the most prominent role. For example, Coach has picked up considerable success in Japan, most notably with its Ergo bag, this year, and the Gucci Group reported a 12% growth in sales there for the first half of 2007.

It will come as little surprise to learn that these figures have failed to improve the mood of Mr Tokunaga. He says: "Consumption of leathersgoods, including leather shoes, is bullish here in Japan. What that means, though, is that it is those in retail or wholesale business circles who will be able to maintain good market conditions for themselves."

Meanwhile, for those responsible for producing leather and leathersgoods on home soil, the fight goes on. ☹



Regional Commentary: Australia

Kangaroo leather is on the up



Kangaroos can be an agricultural pest if left uncontrolled.

Leather from Australia's most famous animal, the kangaroo, could be on the rebound after California's governor, Arnold Schwarzenegger, signed a bill in October to repeal the state's 36-year-old ban on importing the material. The situation came to a head in the summer when California's Supreme Court upheld the ban, just as (arguably) the world's most famous user of kangaroo leather, footballer David Beckham, was arriving to begin his career with the Los Angeles Galaxy.

The former Manchester United and Real Madrid midfielder had already decided to stop using the boots made from kangaroo leather that his supplier, adidas, includes in its Predator range. Reports suggested this was because of pressure from animal rights groups, who were behind the Supreme Court case in the summer. Whether the recent decision by Governor Schwarzenegger will make David Beckham think again remains to be seen.

Back in Australia, the companies who produce kangaroo leather—using skins that come from government-run programmes to control the kangaroo population in four states (New South Wales, Queensland, South Australia and Western Australia)—have been looking on in puzzlement as the debate spread from California to the wider world. The main outcome of these programmes is that kangaroo meat has become much more widely available, and also increasingly popular as a low-fat alternative to beef. And as we know, where there is meat, there is leather.

Special qualities

One of the companies involved on the leather side, AI Topper, has been exporting kangaroo leather for years, winning customers all over the world because of kangaroo's special qualities. Marketing director, Micaela Topper, describes it as a uniquely strong and lightweight material in high-performance applications.

She explains that kangaroo leather has a unique structure. In all other leathers the individual collagen fibres are arranged in a random vertical pattern, which means that the surface area of contact between individual fibres is minimal. Kangaroo fibre, however, has a more horizontal and uniform orientation and an absence of sweat glands, which gives it higher tear-strength, tensile-strength, and "elongation performance". All this in what Ms Topper calls "a leather of fine substance" that provides extreme comfort.

Another advantage is that kangaroo leather does not require splitting, which helps avoid any potential weakening of the fibre structure.

"There is a growing trend among buyers to use more supple leathers in sports applications and, as a result, new technologies and tannages have been designed to give consumers a softer handle or feel," she continues. But she points out that the challenge for tanners producing kangaroo leather is to achieve this softness without compromising on any of the material's traditional attributes.

Kangaroo skins and the finished leathers AI Topper and other tanners produce from them are in demand from a diverse range of buyers, from fur-skin manufacturers to major sports and fashion brands, including, as mentioned, adidas. "This list is not exhaustive, just a summary," Micaela Topper says, "but the main applications for our kangaroo leathers are soccer boots (indoor and outdoor), baseball shoes, tennis shoes, casual athletic footwear, fire-retardant shoes and gloves, golf shoes and gloves, as well as gloves for skiing and motorcycling, high-quality aniline footwear, and luxury goods."

Her take on the situation in California is that Mr Schwarzenegger's October decision closed "an antiquated loophole". She adds: "They have accepted that kangaroo harvesting is an environmentally wise and sustainable industry, which is

tightly regulated by the Australian government. Governor Schwarzenegger signed off on a bill that makes the sale of all sustainably harvested kangaroo products completely legal in the state. This initiative has generated a considerable level of positive media coverage for kangaroo leather products. The Kangaroo Industry Association (a promotional body) is aware of at least 50 articles in mainstream media worldwide discussing this development and looking at the reasons why kangaroo is so desirable, particularly for first-class sporting shoes."

Looking at the other side of the argument, she says those who campaign for an end to the use of kangaroo leather tend to be people who are against using any animal product for human consumption. "They are generally opposed to most livestock industries," she says, "but their rationale is often based on misinformation and opinion rather than scientific fact."

The Kangaroo Industry Association of Australia carries information on its website offering a detailed analysis of the situation. It attempts to point out where the opponents of kangaroo meat and leather have got their wires crossed and to make it clear that this is a sector that is good for Australia and good for Australians. For example, it says that consumption of kangaroo meat in Australia has increased 50-fold in the last decade, that the kangaroo population (at 58.6 million in 2002) is higher than ever, and that "harvesting" between 10% and 12% of them will have no detrimental effect on numbers. The kangaroo, it insists, is the most abundant large mammal on earth.

"All harvesters must be licensed, every skin must be tagged and each export consignment must be accompanied by a very specific set of documents," Micaela Topper adds. And she says the reasons for harvesting kangaroos are compelling, from both an economic and an environmental point of view.

Regional Commentary: Australia



Kangaroos can be “a significant agricultural pest” if left uncontrolled, she points out. Studies have shown that harvesting kangaroos within the right limits can increase wool production by up to 25%. The main reason for this is that sheep have better nourishment if they don’t have to compete with larger, faster marsupials for grazing space. It’s also worth noting that the programmes to control kangaroos have created over 4,000 jobs across Australia.

From an environmental perspective, harvesting kangaroos is also favourable. If left to grow uncontrolled, kangaroos can over-graze the fragile rangelands. The resultant degradation and loss of plant bio-diversity can take decades to repair. However, more recently, conservationists have acknowledged an even more compelling reason to develop the kangaroo harvest.

Greenpeace Australia has released a report calling for increased consumption of kangaroo meat. The organisation has noted the low methane emissions of kangaroos compared to those of sheep and cattle, and suggested that Australia could achieve a significant reduction in its carbon emissions by switching from beef to kangaroo as a staple source of protein. The

Greenpeace report also notes that the harvest is sustainable and responsibly conducted.

A whole range of environmental and conservation groups openly supports the Australian government’s harvesting programme and its management of the animals as a sustainable resource. These include the Australian Veterinary Association, the Australasian Wildlife Management Society and the Ecological Society of Australia.

Ms Topper explains that, with government quotas on the numbers killed, approximately 3.5 million kangaroo skins a year make their way into the leather supply chain. These give an average of five square-feet of leather each, making a total combined output of around 16 million square-feet a year.

She goes on to make the point that quantities have been increasing steadily over the past decade. This is partly marketed, but it is also the result of increased efficiency in the leather supply chain. In recent years, the industry has put in place a number of changes, designed to provide a consistent flow of quality kangaroo skins and leather. Suppliers and manufacturers have gained “significant benefits” as a direct result, she says.

Specifically, all the kangaroo skins that AI Topper receives are now ‘green’ and go for processing immediately. This is saving the company extra costs through salting and grading the raw stock. At the same time, the large quantities of skins that suffered damage through improper or delayed curing are a thing of the past and this, too, is saving money. This streamlining has brought about what Ms Topper calls “complete quality control of product” from the abattoir door right through to the factory floor, with better returns for everyone along the value chain.

Her company is also using a grading system that enables raw stock to be earmarked for specific end-products at source. This results in far fewer “outsorts” at the leather production stage and is helping to reduce the amount of leather that requires reworking (saving even more cost). This is also making it easier for Topper to offer just-in-time leather deliveries to important customers.

“All of these factors combine to create a reliable stream of product delivered at the right time, at the right price,” she concludes. “Moreover, this system helps to avoid volatile pricing patterns, which are destructive over the long-term for all participants along the value chain.”



Footballer David Beckham at the launch of the adidas +Predator Absolute football boot two years ago. He was, until recently, the most famous wearer of kangaroo leather in the game.

CREDIT: ADIDAS.