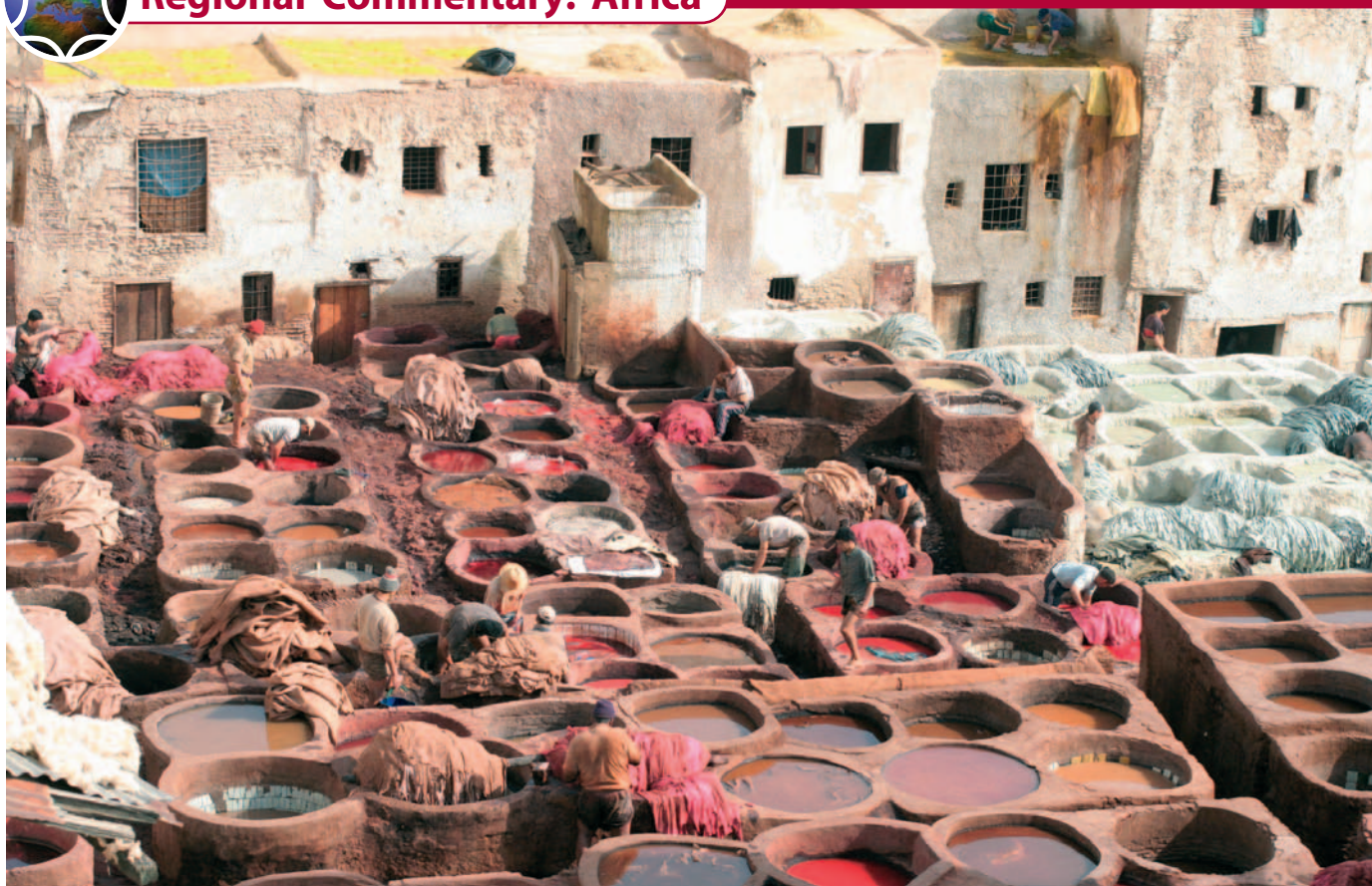




Low-tech. A traditional tannery in North Africa. The leather industry across the continent now wants to introduce modern methods of production.

Africa: local leather industries have huge footwear demand to meet

When Dr Samuel Kiruthu talks about the leather industry in Africa, one of the first things he likes to point out is the size of the continent, which he thinks people underestimate. A combination of China, the United States, Argentina and western Europe—yes, all of them together—would comfortably fit into Africa's land-mass.

With all this space available, it's no surprise to learn that a substantial proportion—around 12%—of the world's cattle population is in Africa. Just two countries, Sudan and Ethiopia, have 35% of Africa's total between them. However, in spite of what Dr Kiruthu calls these "numerous livestock resources", Africa at the moment supplies only 4.5% of the world's hide supply. There is, therefore, a disconnect between livestock owners and the leather industry.

Samuel Kiruthu, based in Nairobi, Kenya, is the head of the secretariat of the Eastern and Southern Africa Leather Industries Association (ESALIA). He explains that most of the tanneries in Africa work when hides, from local

sources, become available to them, from which they mostly produce wet blue. They also produce some crust and there is, he says, "substantial export" of the semi-finished leather from African countries.

"South Africa is an exception," he continues. "It has a developed leather industry and imports raw hides from neighbouring countries."

South Africa is the continent's most developed economy and produces large quantities of leather for the automotive industry (several multinational automotive brands have set up production sites on South African soil, providing local suppliers in several sectors with hugely important pieces of business).

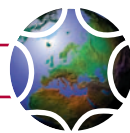
Unfortunately, however, there are some question marks over the long-term future of some of the tanneries supplying leather for automotive upholstery. The automotive sector as a whole is struggling and one leather expert has told this magazine that the whole leather industry in South Africa is "holding its collective breath" to see what the big automotive brands decide to do with their facilities there. "There is a great

deal of debate about what will happen if the automotive tanneries pull out," he added. "There have been some major disruptions in electricity supply in South Africa and I am sure that this would have affected all industries."

Even taking this into account, the leather industry in South Africa has been a considerable success and 2007 even brought a boost for some of the tanneries there that specialise in leather for footwear. Local manufacturers said they had become wary of the value and quality of leather imported from China.

Northern rock

Some of the countries in North Africa also offer an exception. Dr Kiruthu continues: "The leather industry in North Africa has a longer history compared to other regions in sub-Saharan Africa. North African countries such as Egypt, Morocco and Tunisia have enjoyed close ties with the European leather industry, especially with the developed industry of Italy. As a result these countries have moved further downstream to production of finished



leathergoods, mostly footwear.”

But Africa's traditional artisan producers of leather and leathergoods are in decline, the head of ESALIA points out. Before “the economic liberalisation” of most African countries, local craftspeople made a significant contribution to the manufacture of leather products, especially footwear. “In Kenya, for example,” he says, “the informal sector was responsible for producing up to 60% of footwear and leathergoods in the mid-1980s.”

The picture is changing now as industrialised production makes its mark on the leather industry across the continent, but, however, this change has happened gradually and not always in a linear way.

For example, Dr Kiruthu points out that much of Africa's raw bovine hide resource began to go for export (principally to Asia) in the mid-1990s. ESALIA data shows that there was a peak in this activity around the turn of the century when African countries together exported around 55 million hides a year, before it tailed off in 2002 (see table). Something similar happened with the raw skins of sheep and lambs, with exports coming close to 30 million in 2001 before the drop the following year.

Raw material is still being exported from Africa but, as tanneries become more modern, they stand a better chance of securing the source of hides and producing leather on home soil. In Dr Kiruthu's ESALIA region there are now 77 tanneries and he believes most of them are working hard to move up the value chain from wet blue, to crust, to finished leather.

Shoe sense

Without looking any further, consumption of footwear in Africa ought to offer a strong market into which these tanners could sell their finished leather. Figures from SATRA put leather footwear consumption across the continent in 2006 at just over 500 million pairs, while pan-African production is less than 200 million, some of which go for export. The shortfall is 400 million pairs of shoes that African nations are importing at the moment. “The bulk of our leather footwear (77%) is imported,” Dr Kiruthu continues. “The low production figures indicate that production can be increased for local consumption and export.”

His opinion is that one of the best ways in which to encourage African economies to produce more of their own leather shoes is through what the developed world often calls “trade-distorting tariffs”. In Africa's case, he argues that “distorting” trade is



Tanned and coloured hides drying in the sun in North Africa.

perfectly fair. He talks freely about “a protectionist attitude” helping to promote the leather sector value chain.

There are various examples. Ethiopia has

imposed a 10% import duty on raw and wet blue hides and skins, and a duty of 30% if that material has been tanned to crust or finished leather. The other great

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Regional Commentary: Africa

COMESA

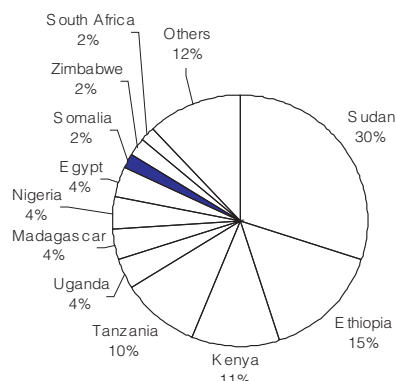
The Common Market for Eastern and Southern Africa (COMESA) is a preferential trading area with 20 member states stretching from Libya to Zimbabwe. It was formed in December 1994, replacing a Preferential Trade Area that had existed since 1981.

COMESA says its strategy so far has been to emphasise the need to remove trade and investment barriers in member states' economies. The organisation feels it has made good progress using this approach, and will continue to pursue it, but has said its focus in the next decade and beyond will shift towards "development integration".

This will mean increased investment in industry sectors that produce goods and it says investment from the private sector will play a central role. COMESA states it aims now to create the space and environment in which the private sector can play "its rightful role" as the main driver of the economic integration process.

The organisation has its headquarters in Lusaka, Zambia, and will be looking for a new secretary general in June after the long-serving incumbent, Erastus Mwencha, steps down.

Raw hide production in Africa

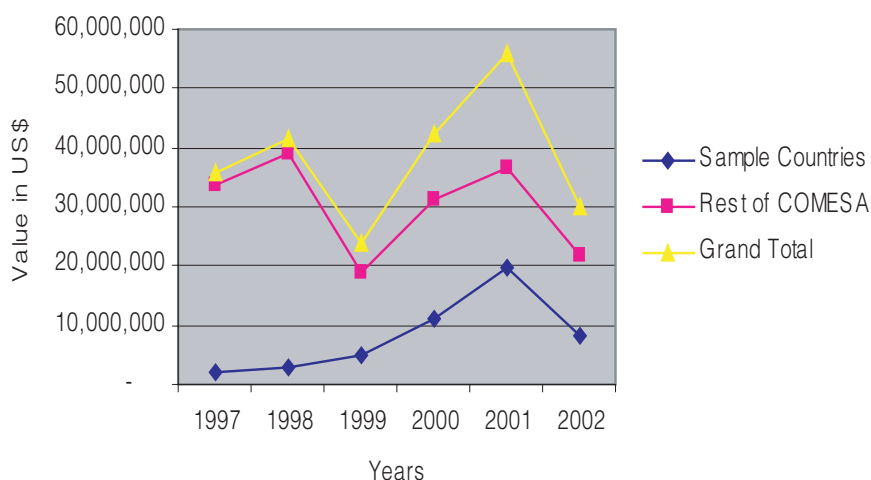


producer of African hides and skins, Sudan, puts import duty on both types of material at a crippling 45%. Countries such as Kenya and Zimbabwe, which have fewer locally produced hides to compete with, impose lower levels of duty, 15% for crust and finished and as little as 5% for some raw hides. All these countries make concessions if the material originates from within the COMESA (Common Market for Eastern and Southern Africa) trading area (see panel)—a substantial concession in Sudan's case.

It's also interesting to look at import duties on finished leathergoods in these four sample countries. Ethiopia charges 35% on all types of goods made from leather, including footwear, while Sudan charges a staggering 60%. Zimbabwe, which has a tiny proportion of Sudan's resources, has also imposed a duty of 60% on imports of leathergoods, including shoes; if the goods come from within COMESA, the duty payable in Zimbabwe can still be as high as 54%. Kenya's duties are lower: 35% on leather shoes, 25% on other leathergoods.

For internal production to increase to take advantage of this protectionism, Samuel Kiruthu is in no doubt about the importance of expertise and investment from players in the international leather sector, most notably from China. They can make money, but they can also be of great help in boosting the industry locally by increasing skill levels, introducing new technology and equipment, and—in time—helping goods manufactured in Africa reach lucrative markets overseas.

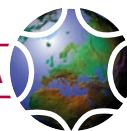
Exports of Raw Hides (Bovine) 1997-2002



A shortfall of 400 million pairs a year means the African leather footwear market is a wonderful potential outlet for locally produced leather.

Investment for improvement

He points to the need for investment to



help African tanners improve their environmental performance, for example. "Environmental issues have become important and are being enforced strictly in most African countries," he says. The most recent instance of this occurred in Uganda. The National Water and Sewerage Corporation (NWSC) there closed off supply lines to two tanneries in March after the National Environment Management Authority (NEMA) ordered them to shut down because of pollution.

The local authorities on Jinja Municipal Council moved to bring the operations of Uganda Leather and Tannery Industries (Ulati) and Skyfat to a halt after reports of deterioration in the local air quality and contamination in the waters of Lake Victoria, allegedly caused by the leather-producing facilities.

The chairman of NWSC's technical committee, Yokoramu Katwiremu, led the moves to seal off water supplies to the two facilities. He said at the time: "We have been communicating with the two industries about their effluent but they have not met our standards, they have not complied. The National Water and Sewerage Corporation is not the one responsible for the stench in this town (Jinja). It is the tanneries."

He explained that closing off supplies should serve as a warning to some of the industries that discharge into NWSC pipelines without treating the effluent. He warned town authorities to keep a keen eye on the closed plants to ensure that they do not discharge directly into the lake after the sewage lines have been closed. Mr Katwiremu also urged the tanneries to come up with plans to have their own effluent treatment plant.

The tannery closures have led to 250 people becoming redundant. The financial controller of Ulati, Sanjoy Gosh, said the NEMA action had led to more than 110 job losses at his company's site. "What we shall lose is production of 60 tonnes of finished, semi-finished and wet blue leather, worth \$10,000, per day," he said.

Helping hand

Some African governments are offering large incentives to overseas companies that are prepared to help local tanners move into the twenty-first century. Malawi is one of a number of countries prepared to waive the import duties on raw materials for manufacturing companies, while Kenya offers a ten-year exemption from tax. The Ugandan authorities say they will refund 100% of the money overseas companies



CREDIT: BMW AG

A supplier workshop at the BMW plant in Rosslyn. The automotive industry has helped South Africa build a fully developed leather industry, but there are doubts over the motor industry's future there, which could have serious consequences for tanneries.

spend on scientific research.

Companies that are willing to come and work with Africa, to put something in as

well as take something out, are welcome, Dr Kiruthu says, and have much to gain from the experience. ☺

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Expansion plans in Ethiopia

Local media in Ethiopia have reported that the Sheba Tannery Share Company is set to undergo an intensive expansion programme involving hundreds of thousands of dollars' worth of investment. The company says it wants to boost production at the Addis Ababa facility, which is owned by Effort Industries.

The investment will go into improving tannery processes for the production of finished leathers, clothing, shoe uppers and shoe lining leathers. A further part of the expansion plans will be to enhance the waste treatment facilities at the tannery.

Ethiopia has the largest combined livestock population in Africa and the tenth-largest in the world, currently estimated at 35 million cattle, 21 million sheep and 16.8 million goats.

One international tanning group that has had an involvement in the industry in Ethiopia for many years is Pittards. It manages the state-owned Ethiopia Tannery Share Company.

As far as Pittards' marketing director, Mike Dodd, can tell, the announcement of the new investment in the Sheba Tannery is typical of moves that are taking place throughout the industry in Africa. "Sheba

has been working sheepskins through to the pickle state for the last four or five years," he says. "Now its owners are investing because they want to make crust, finished leather and, after that, shoes, garments and other finished goods. Generally, this is the way we see Africa wanting to go."

He believes many African countries are beginning to recognise the potential that exists in their own leather sector and their own natural resources.

He adds: "Ethiopia is a country that doesn't have too many natural resources, but hides and skins, and the leather and finished goods you can make from them, are definitely one."

The push to move up the leather value chain is part of a more general drive to reform the economy in Ethiopia and Mr Dodd is sure many other African countries are looking to make similar progress. It comes as no surprise to him that African governments have reached the conclusion that input from overseas operators will be an important element of this, nor that—where leather is concerned—it's often Chinese companies that are at the head of the queue now.

"Chinese money is flowing in," he says. "We are now seeing Chinese-owned

Workers in a tannery run by Pittards in Ethiopia. CREDIT: PITTARDS.

industrial parks opening and they, the Chinese authorities, have been happy to encourage a move out of China of industries they don't necessarily want to keep in their own country in the medium-to-long term, with the tanning industry being one of those. We have certainly encountered that in Ethiopia."

He points out, though, that China has "always bought a lot of African material". Chinese companies are also already making some finished leather products on the continent, including footwear. This is, partly, a response to what he refers to as "duty changes" in China, which have led operators there to look first to India and Vietnam and, in some cases at least, to Africa after that.

From the point of view of African nations, Mike Dodd is of the opinion that job creation and the promotion of wealth (for some) will be part of the attraction. "In the shorter term, though, I'm sure it's about the raw materials," he concludes. "They don't want to continue to see their raw materials leave without keeping any of the benefits in Africa." 🌐