



The Indian government has set the country's leather sector the challenging target of achieving exports worth more than \$8 billion by 2014. CREDIT: CLE

Unstoppable growth in Asia

A series of news-led articles that combine to give an up-to-date snapshot of the situation in the leather industry across the region.

India: Ambitious targets

The Indian government has set the country's leather sector the ambitious target of tripling export revenues by 2014.

India's Council for Leather Exports (CLE) has said the country can achieve a huge growth in the value of its leather sector exports. Speaking just before the start of the 2011 India International Leather Fair in Chennai in January, CLE chairman, Rafeeqe Ahmed, said the value of exports could reach \$8.25 billion by 2013–14, even though the most recent complete financial year figures show export

values of \$3.4 billion. He said the export of leather and leathergoods for the first nine months of the current fiscal year (April 2010–March 2011) touched \$2.5 billion compared to \$2.2 billion over the same period last financial year.

Mr Ahmed said: "The \$8.25 billion export target is ambitious but is achievable even [after] the EU scraps the 16.5% and 10% anti-dumping duty on the shoes imported from China and Vietnam respectively. India's share in the global leather trade is less than 3% whereas China's is 22%."

He said large importers in Europe and in the US are now looking to reduce their exposure to China, and a 10% shift in demand from China to India would provide his member companies with the boost required.

Naresh Bhasin, chairman of the CLE's western region has said that he is certain his country's level of growth can continue. Speaking in Chennai at the start of IILF 2011, Mr Bhasin said: "We are now achieving in one year growth that it was taking ten years to achieve." He explained to *World Leather* that



Regional Commentary: Asia, excluding China

improvements in the country's infrastructure were at the core of this. He made it clear that bringing infrastructure up to the required standard had been an important challenge in a country as large and diverse as India, but now that the country has managed to improve its roads and supply networks, it is reaping benefits and expects to continue to do so at an ever-faster rate in the years ahead.

The government says its commitment to helping the leather industry is strong. It has talked about "revamping" the cluster programme and has urged tanners, their suppliers and some user organisations to "take maximum advantage" of the cluster set-up.

Reports suggest that the government is considering plans to set up at least one mega-cluster for the leather industry (possibly more), co-locating tanneries, supply companies, leathergoods manufacturers and a state-of-the-art effluent treatment plant together on the same site. The CLE has recommended five possible sites to the central government and is awaiting a decision on which site or sites will receive approval. The CLE has confirmed to *World Leather* that, while approval for all five sites to set up the mega-cluster projects is unlikely, it believes that as many as three may get the go-ahead, but did not specify which locations are most likely.

The mega-clusters idea has worked well for the textile industry, and will work for the leather sector, too, the CLE said.

At the same time, the country's central bank has announced plans to finance students who are pursuing courses from vocational training institutes. Institutes training people who want to join the leather sector workforce are included and IILF says the industry is aiming to create 500,000 new jobs in the next five years.

India's minister for micro, small and medium enterprises, Virbhadra Singh,



India's minister for water resources and minority affairs, Salman Khurshid (right), and minister for micro, small and medium enterprises, Virbhadra Singh, at the opening ceremony for the India International Leather Fair 2011.

presided over the official opening ceremony of CLE this year, and another minister, Salman Khurshid (responsible for water resources and minority affairs), was also in attendance. Mr Singh said that roughly 2.5 million people are employed by the leather sector in India at the moment, including "a large number of people" from "the weaker sections" of Indian society. Women make up 30% of the workforce. He also pointed out that 75% of Indian leather companies are micro, small or medium-sized. He said his ministry would extend "all the help it can" as the leather industry strives to meet its new target.

For his part, Mr Khurshid said he was interested in leather as a consumer, but also



CLE chairman, Rafeeqe Ahmed, says India could set up as many as three mega-clusters for the leather industry.

CREDITS: CLE

because "leather and water have to meet". He said he feared that crises were looming for India and, indeed, the whole world because we are not managing water well enough. "Stakeholders have to get together," he said. "Everybody, including the farmer, has to achieve better water management."

Mr Khurshid said his responsibility for minority affairs was also part of his commitment to "put in as much effort as I can to help this sector". He concluded: "The leather industry can help fulfil the dreams of people in this country. We want to achieve growth, and micro, small and medium enterprises are going to be the backbone of that growth. But it has to be growth with an inclusive dimension, growth with a human face." ☉



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Pakistan: Recovery from flood damage

Pakistan's total leather sector exports during the first six months of the current financial year (July-June 2010-11) surged by 23% to \$529.6 million from \$430.8 million in same period last year.

The breakdown showed that during the July-December 2010 period, the country exported 13.9 million square-metres of finished leather at \$202.5 million, compared to 9.9 million square-metres at \$137.7 million in July-December 2009, showing a growth of 40.6% and 47% in terms of quantity and value.

This represents a remarkable recovery from the devastating floods that affected the country over this period, the second half of calendar year 2010.

The Food and Agriculture Organization of the United Nations (FAO) has confirmed that the floods, which began in late July 2010, have had a devastating impact on agriculture, which represents 25% of the economy and provides employment to 50% of the workforce. The losses, according to Mohsin S. Khan, a

senior fellow at the Washington-based Peterson Institute for International Economics, included the death of 10 million head of livestock.

In the face of this, the chairman of the Pakistan Leather Garments Manufacturers & Exporters Association (PLGMEA), Fawad Ijaz Khan, has urged the country's government to release funds for the promotion of his sector and of leathergoods production in general.

His focus is on promotion funding of more than \$5 million for the 2009-2012 period. The PLGMEA chairman has argued that the industry is entitled to the help because export taxes on products it makes and sells go towards the fund.

Leather garment exports increased by 14.8% in value between July and December 2010, but the PLGMEA has said this level of growth will be hard to maintain without government assistance. ☉

Bangladesh: Hides stand-off off

It was a difficult end to 2010 for the Bangladesh leather and tanning industry, as tanners decided to stop buying raw hides during the Eid-ul-Azha festival in November due to rising prices.

Reports at the time suggested that seasonal traders and wholesalers had bought bovine hides at rates that were 40-45% higher than the price fixed by the authorities; as a result, tanners were refusing to buy hides at higher rates than the fixed ones. The stand-off came to an end after nearly two weeks, following a meeting between the Bangladesh Finished Leather, Leather Goods and Footwear Manufacturing Exporters' Association (BFLLEA) and the Bangladesh Tanners Association (BTA) at which it was decided that tanners would start buying raw hides again from the end of November onwards. ☉

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South Korea: Livestock troubles

The big news in South Korea has been the outbreak of foot-and-mouth disease (FMD) in November last year, the third outbreak of 2010, which has yet to be contained and has so far compelled the government to cull a record 3.45 million head of livestock, at an estimated cost of around \$2.6 billion. The first case was confirmed on 29 November, 2010, and in the following days livestock markets across the country were shut down for an indefinite period.

FMD is highly contagious and affects all cloven-hoofed animals, such as cattle, pigs, deer, goats and buffalo. It is classified as a 'List A' disease by the Paris-based World Organization for Animal Health although it is harmless to humans.

In December last year, the South Korean government announced a vaccination programme that has included 98.6% of remaining cattle in the country and 73.6% of the pig population. On the last day of February, the slaughter total was 3,079 head, whereas the average daily figure at the



start of the month was 25,000, indicating that the outbreak may have peaked.

Possibly as a result of concerns over FMD, domestic beef prices in the country

reportedly fell 0.8% in February this year from the previous month, while imported beef prices advanced 6.8%, representing the highest growth recorded since 7.5% in July 1996.

Certainly, imports of US beef to the country could well be at their highest since the South Korean government lifted the ban on US beef imports in July 2008. The import of US beef was banned in 2003 after a case of bovine spongiform encephalopathy (BSE) was discovered in the US. At the time, South Korea was the third-largest purchaser of US beef exports, with an estimated market value of \$815 million. In 2010, two years after imports resumed, South Korea regained its place as the third largest US beef importer. This correlates to an announcement made by the US Meat Export Federation (USMEF) in February that the country's beef and pork export results for 2010 were "outstanding". The USMEF accredited strong growth in South Korea and Japan as key to its new global record export value. ●



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Vietnam: Anti-dumping relief raises hopes of strong growth

The lifting of an anti-dumping tariff of 10% on Vietnamese leather footwear exports to the European Union will boost the country's growing export sector. Existing measures will expire on March 31, 2011.

The vice-chairman of the Vietnam Leather and Footwear Association (Lefaso), Diep Thanh Kiet, recently said that manufacturers of leather footwear in the Asian country are confident of growth in 2011; the removal of the tariffs should help. The leather and footwear sector's export revenue reached nearly \$5.1 billion in 2010, a year-on-year increase of nearly 25%, Mr Kiet said. It is Vietnam's second-biggest export earner behind textiles.

The Lefaso vice-chairman said that many positive signs had emerged from the US market that would give local footwear businesses more opportunities to widen their market share.

Another favourable condition for the industry this year is that markets in the Association of Southeast Asian Nations (ASEAN) region, Japan and China have also opened their doors to Vietnamese shoes. Moreover, with high consumption demand in the domestic market, local footwear also had a great opportunity to grow at home, Mr Diep said.

Vietnam's ministry of industry and trade has approved a growth strategy for the sector from now until 2020 that will focus on the development of support industries as well as material supply. Under the plan, the investment capital needed for the next 15 years will be roughly \$3 billion, with 43% coming from domestic agencies and 57% from overseas. The sector will enter a new development period with targets to ensure sustainable development.

The major targets for 2020 are to turn leather and footwear into a key export industry in the national economy, continue to be among the world's leading leather and footwear producers and exporters, and create more well-paid jobs with greater social responsibility for workers.

The sector's projected growth target is for export turnover of \$9.1 billion by 2015, \$14.5 billion by 2020 and \$21 billion by 2025. Long-term goals for the sector's development include building industrial parks to produce leather and footwear materials and developing more centres for vocational training, scientific and technological research, quarantine, trade promotion and fashion.



Special attention will also be paid to the possibility of designing products and developing human resources for the leather and footwear sector as well as the fashion sector. The ministry of industry and trade will direct the leather and footwear sector to work together with the garment and textile sector and other relevant sectors to give fresh impetus to developing the Vietnamese fashion industry in major urban areas and cities.

Under the plan until 2020, the sector will apply advanced and environmentally friendly technologies for producing leather, as well as the expansion of cattle herds to

reduce the import surplus and boost production. By 2020, total production value is predicted to hit 1.6 billion pairs of footwear, 300 million suitcases, briefcases, handbags and wallets, and 63,000 tonnes of finished leather.

Under the zoning plan for the sector's development, there will be four major regions targeted, including the Red River Delta, the southeastern region, the north-central and coastal central region, and the Mekong River Delta.

For the time being, however, the issue of rising raw material prices is hitting factories in Vietnam particularly hard, with firms stating there has been a post-New Year labour shortage—the main reason for which is that workers from rural communities have complained of high living costs in areas such as Ho Chi Minh City and have said that even if a job closer to home pays less, the money goes further. Employers have cited rising raw materials prices as their reason for not putting wages up at the moment.

Large footwear manufacturers are responsible for 70% of Vietnam's total leather sector export earnings and 40% of these firms are in the Ho Chi Minh City region, 25% in Binh Duong and 11% in Dong Nai, all in the south.

One manufacturer in Binh Duong province, Dong Hung, has a workforce of 3,000 people and has been working flat out to meet export orders it must deliver midway through 2011. ☉



PrimeAsia tannery in Vung Tau province, Vietnam. CREDITS: WTP