



The need for extra efficiency

Details of recent developments in the leather industry in various countries across this crucial region.

India's industrial production levels continued to rise at the end of 2009, with production rising 16.8% in December compared with the December 2008 figures. An official statement said the cumulative growth for the period April-December (the first three-quarters of the current financial year) stood at 8.6% compared with the prior-year period.

It remains to be seen whether this increase will be enough for the industry to meet its ambitious export target for 2009–10. The Council for Leather Exports (CLE) is aiming for exports of more than \$4.2 billion in the financial year ending March 31. This would represent an impressive increase on the figures for the financial year that ended in March 2009, when the Indian leather industry registered exports valued at almost \$3.6 billion.

Breaking this figure down, exports of leather footwear were worth more than \$1.5 billion in 2008–09. Exports of finished leather were worth \$673.3 million, while those of leathergoods had a value of \$965.4 million, and those of leather garments (an important market for India, and one that has enjoyed more success in the last year or so) reaching a value of \$426.1 million.

The projected figures for 2009–10 anticipate exports worth almost \$1.9 billion for leather footwear, more than \$1 billion for leathergoods, \$890.3 million for finished leather and \$424 million for leather garments. By 2013–14, the CLE projects that the corresponding figures will be \$3.4 billion, \$1.8 billion, \$1.4 billion and \$492.4 million, so India's ambitions show no sign of easing.

For the 2,000-plus member companies to achieve these objectives, CLE chairman, Habib Hussain, has called on the leather sector in India to improve productivity.

Speaking at the twenty-fifth India International Leather Fair (IILF) in Chennai in February, Mr Hussain said: "India and China have almost the same population, but we have around 3% of world trade, while China has maybe 25%. The reason for this is that we are not as productive. Even if we could improve our productivity by 50% it would make an enormous difference to our companies."

India is an important centre for the manufacture of leather apparel and accessories, markets that have picked up over the past year

CREDIT: INDIAN COUNCIL FOR LEATHER EXPORTS





Regional Commentary: Asia excluding China

He went on to say that he believed that Indian leather companies were doing well in niche markets, but that for the industry to make a similar impact on the global mass market to the one some of their counterparts in China have had, an improvement in productivity will be necessary.

"Indian leather is doing well in niche markets, but even in those niche markets there is a lot to learn. However, if we want to get into the Wal-Marts and Marks and Spencers of this world, our productivity has to improve."

For his part, the chairman of the Indian Finished Leather Manufacturers and Exporters Association, VP Naimur Rahman, said at the same event that he had been impressed by comments he had heard in reports from the recent World Economic Forum in Davos, Switzerland, and that he believed they could apply to the leather industry.

He said: "I am pleased we are celebrating the silver jubilee of IILF this year, looking back on 25 successful years. But I am also pleased that we have entered the second decade of this millennium and are able to look forward to recovery from the worst recession we have ever known, at least since the 1930s. But the message from business leaders and economists at Davos was that leaving the recession behind is giving people the opportunity to re-think and re-design their businesses in the post-recession period, and it confirmed that the world's centre of gravity is shifting from west to east."

"This is important for the Indian finished leather industry. We will need to focus more on the domestic market, but for us as exporters, it means that we also need to look at other countries in Asia. Sri Lanka and other small Asian countries are beginning to be very important for the Indian finished leather industry."

Downward spiral in Pakistan

Members of the Pakistan Tanners' Association have been dismayed at the recent declines in leather exports. The value of Pakistan's leather sector exports fell by 5.7% during the month of December 2009 to \$63.7 million from \$67.6 million in November. Exports fell 13.3% compared with December 2008 (\$73.5 million), according to the Federal Bureau of Statistics.

The breakdown showed that during December 2009 the country exported leather worth \$22.7 million, leathergoods worth \$34.9 million and footwear worth \$6.1 million, compared with \$24.1



The Council for Leather Exports has predicted that India's exports of leather garments and leathergoods will be worth \$2.2 billion by 2013-2014.

CREDIT: INDIAN COUNCIL FOR LEATHER EXPORTS

million, \$36.7 million and \$6.7 million respectively in the previous month. Pakistan's total leather sector exports during the first six months of the current financial year (July to December 2009) fell by 24.2% to \$416.8 million from \$550.1 million during the same period last year.

When the figures for the July to November period came out, showing a 25% drop in exports year-on-year, the chairman of the Pakistan Tanners' Association (PTA), Gulzar Firoz, wrote to the government's commerce secretary, Zafar Mahmood, to express his dissatisfaction. The letter pointed out that the federal government had promised to set up a road map for the rehabilitation of the leather sector, but that there was still no solution in sight.

He was upset by the figures, which showed that leather apparel exports had fallen 15.9% to \$165.1 million during the five-month period compared with \$196.3 million in the prior-year period. Leather footwear exports had dropped 13.6% to \$36.4 million. The PTA said the government should be doing more to help an already struggling sector during difficult times.

And this has been an ongoing theme in the last year. At the beginning of January,

Mr Firoz complained to the government about the increasing cost of finance for leather exporters. An export refinance scheme is in place in Pakistan to help manufacturers there grow their businesses, but Mr Firoz criticised the State Bank of Pakistan for recent increases in the interest it charges for providing the financial backing. In recent months, the rate has risen several times, from 6% to its current rate of 7.5%.

The PTA chairman warned at the time that the cost of doing business in the Asian country would become prohibitive and said the situation could cause goods manufactured there to become uncompetitive in the world market.

Mr Firoz also lobbied government before a 13.6% increase in electricity charges, which came into effect on January 1, was brought in. He claimed electricity costs were already too high and that there was no justification for the hike. He said the change would make life even more difficult for firms in the leather industry and would make their products less competitive.

And back in November the PTA vehemently opposed government plans to restrict the working week in the country to five days out of seven from December in a bid to save energy. Mr Firoz said that



Regional Commentary: Asia excluding China

business leaders across all Pakistani industries agreed the policy decision would harm business.

He predicted that if the move went ahead the export of leather and leathersgoods, which had already been declining steadily, would decrease further. He also said some tanners and finished goods manufacturers could find themselves unable to meet existing export orders on time, and that the two-day stoppage would make Pakistani firms less responsive and, therefore, put them at risk of losing potential future orders.

Nevertheless, there has been some positive news for several niches and regions within the Pakistani leather sector. One positive segment was sole leather, for which production rose from eight tonnes in August 2008 to 17 tonnes in August 2009. In July and August 2009, Pakistan produced more than double the amount of sole leather than during the same two months the previous year. The 2009 figure was 33 tonnes, while 2008 production totalled just 16 tonnes.

Meanwhile, things appear to be going well for tanners in Sialkot if a recent awards ceremony is anything to go by. Pakistan's Prime Minister, Syed Yousuf Raza Gillani, presided over an awards ceremony for the country's top leather garments and leathersgoods exporters in mid-November. Leather Field from Sialkot won a trophy for its performance in achieving exports of leather garments worth \$43.4 million between July 2008 and July 2009. Meanwhile, Blue Horizon, Mahr Garments and Kampala Industries, all from Sialkot, picked up awards for exports of leather gloves.

Pakistan's leather sector has been making positive strides on an international scale. The sector attracted foreign investment worth \$4 million in the year ended June 2009. This represents a significant increase (+122%) compared with the level of investment during the same period the previous year, which totalled just \$1.8 million. According to the state bank, the leather sector attracted investment of \$6.5 million, \$3.5 million and \$3 million in financial years 2005, 2006 and 2007, respectively.

In addition to this, leather delegations from Pakistan have visited many different regions in recent months including a trade group of 14 tanners, led by Mr Firoz, to Vietnam and Indonesia from January 31. The aim was to find new avenues for bilateral business relations through detailed negotiations and meetings. According to Mr Firoz, the two countries have great



The United Nations Development Programme is making funding available to rural communities in Mongolia to help them bury livestock after a particularly harsh winter. Herders will preserve as many hides and skins as possible.

CREDIT: UNITED NATIONS DEVELOPMENT PROGRAMME

potential to do more business with tanners in Pakistan. During the 2008-09 financial year, Pakistan's leather industry exported products with a total value of \$14.4 million to these two countries. Other delegations travelled to Sudan, South Africa, the EU and the US.

Bangladesh: tanners earn six-month reprieve

The High Court of Bangladesh has announced that tanneries operating in the Hazaribagh area of the capital city, Dhaka—the traditional centre of the tanning industry in the country—will have an extra six months to complete a forced move to a new industrial site.

In June 2009, the government told tannery operators that they had to move away from Hazaribagh to the new site at Savar by February 28. Tannery owners and the Bangladesh Tanners Association (BTA) had lobbied for a two-year extension, but as recently as the end of January, government ministers were insisting that the industry would have to meet the February 28 deadline and there would be no concessions at all.

The dispute over the new site at Savar centres on the project's common effluent treatment plant, which is still not complete. The tanning industry and the government have been arguing over who should pay for the common effluent treatment plant since 2003. Discussions

stalled when the country had only a caretaker government between January 2007 and December 2008.

The most recently suggested solution is that the tannery owners will pay for the common effluent treatment plant, but that the government will encourage the country's banks to make capital more easily available to them. BTA general secretary, Abdul Bye, has said that if tanners do not receive help to complete the move "the sector will be destroyed". Rezaul Karim Ansari, president of Bangladesh Finished Leather Goods Association, has estimated that leather sector companies need \$700 million to complete the move to Savar.

Mongolia: millions of hides to become available

The United Nations Development Programme (UNDP) is offering rural communities in Mongolia cash incentives to bury livestock, which will mean the hides and skins of millions of goats, sheep, horses, camels, cows and yaks will come onto the market.

Millions of animals scattered around the country have died or are close to perishing after 60% of Mongolia was covered by up to 40 centimetres of snow this winter. Grazing areas are out of reach for most of Mongolia's livestock and many are malnourished. More than 2.7 million animals have already perished from the cold, and their carcasses remain in the



Regional Commentary: Asia excluding China

fields. Once the snow starts to melt, this poses threats to the spread of diseases, infections and soil pollution.

To prevent this from happening the UNDP has offered to pay herders to clean and bury the carcasses. The aim is to reach 60,000 herders, with special emphasis on those with fewer than 200 animals who have been particularly adversely affected. Already one-third of the population lives below the poverty line in Mongolia, a figure that is expected to rise owing to the massive livestock loss.

While Mongolians are used to frigid winter conditions, this year is particularly harsh because of a phenomenon called Dzud, which occurs when severely cold winters (with the temperature at times falling below -50°C) are preceded by dry summers that make it hard for people in agricultural communities to store sufficient grazing. Fodder supplies in Mongolia have now run out, resulting in the loss of the millions of livestock in a country where one-third of the population relies on herding and agriculture.

The Mongolian government has estimated that by the end of the cold season in June another three million animals will die. For burial of more than five million

animals, the government of Mongolia requested \$4 million for clearing the carcasses. UNDP has already allocated \$300,000 and is working on raising further resources towards the estimated budget.

"While immediate needs of food, shelter, heating and health care must be met, this approach would prevent the spread of diseases and also help herders to feed their families during the Dzud," said Akbar Usmani, UNDP resident representative in Mongolia. "Livestock is the cornerstone of existence for so many Mongolians and many people have lost all their direct income and food source."

The UNDP's programme officer for biodiversity conservation, Onno van den Heuvel, told *World Leather* that preserving as many of the hides and skins as possible was an important part of what the organisation was seeking to do in the face of the Dzud. The UNDP accepts that the value of the hides represents an important source of income for the herders. He said: "The point is very important and I would like to clarify that only the hides that are no longer usable would be buried."

Mr van den Heuvel went on to explain that most herders in Mongolia sell hides in small volumes to traders. "According to the

information we have received about the last months, many herders are keeping the hides inside their gers [the local word for yurt, or portable dwelling] along with live animals for their survival," he said.

He went on to say that the UNDP support will be in two steps. The immediate response will help to clear out animal remains to reduce health risks, while providing some additional income to the herders to get through this harsh period. But in the following stage the organisation will try to support initiatives that will help herders improve their livelihoods. "We are looking at ways that their livelihoods can be made less vulnerable to disasters and climate change," he said. "We can look into the issue of the hides further to see if support can be provided to buy up the hides collectively."

Thailand broadens its horizons

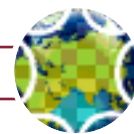
Thailand's leather industry is expecting to see real recovery in 2010. According to Sakul Sikkasamat, president of the Thai Leather Association, exporters have started to target Europe and Japan rather than the US, and this strategy is likely to help them cope with lower demand from what was traditionally their strongest export destination.

STYLES MAY HAVE
CHANGED...
THE DEMANDS
FOR STYLE HAVEN'T

adding colour and finishes to the
automotive world for over six decades

www.quakercolor.com

QUAKER COLOR
A Step Ahead...
evolution of knowledge & style with roots in
traditional industry for over a century



Mr Sikkasamat claims these alternative markets are willing to pay more for Thai leather and leathersgoods than for similar goods from China and Vietnam because they are of a higher quality.

Thailand's leather and leathersgoods exports fell 15% in 2009.

Estimates suggest there are around 130 tanneries in Thailand producing a wide range of products including leather for luggage, shoes and boots, gloves, toys, handbags, apparel, belts and purses. Most of these are based in the Samut Prakarn province, 20 kilometres southeast of Bangkok.

The average tannery is thought to produce approximately 15,000 tonnes of leather per year, with most focusing their production on bovine and buffalo leather. Many of the hides are imported, with around 50% believed to come from China. Premium hides are shipped from the US.

Luxury goods thrive in Malaysia

Despite the far-reaching effects of the global economic downturn, Malaysia continues to be a hotspot for luxury goods. Switzerland-based luxury brand Davidoff opened its first flagship store in Malaysia in

2009. The 70 square-metre store offers a wide range of products including leathersgoods, watches, writing instruments and fragrances. Its leathersgoods collection includes belts, travel goods, wallets, briefcases and bags.

"Kuala Lumpur and Malaysia form an international travel hub and an important shopping destination in south-east Asia, so it is a natural step that we open a boutique here," said chief executive officer, Christian Schaffner, at the time. Other companies have also taken up opportunities in Malaysia recently. Another Swiss brand, the Swatch Group launched its Omega fine leathersgoods collection in Malaysia in what it said was an attempt to capture a bigger share of the market for luxury goods there.

Beef consumption rises in Japan

Japan consumed 80,383 tonnes of beef in October 2008, up 17% compared with the October 2009. For the year to October, beef consumption totalled 690,732 tons, up 3% compared with the prior-year period. The increase has been attributed to the success of Western-style fast food networks selling burgers as well as to the low prices on offer.

Beef imports rose 33% year-on-year

during the month and the consumption of imported beef rose 27% to 48,571 tonnes. This was the highest monthly figure since December 2003.

Consumption of domestically produced beef also increased 4% to 32,267 tonnes. While access for US beef remains limited in Japan, consumers in the former number-one export market are more ready than at any time in recent years to choose beef from the US, according to surveys carried out by the US Meat Export Federation (USMEF).

The surveys have found that, over the past three years, the number of Japanese consumers who feel "extremely safe" or "somewhat safe" in consuming US beef has more than doubled from 12.1% in 2006 to 30.1% in August 2009. Those consumers who feel "not very safe" or "not safe at all" have declined from 62.5% to 30.8%, while the balance have no firm opinion.

"The message of the quality, safety and wholesomeness of US beef is resonating with Japanese consumers," said Takemichi Yamashoji, USMEF-Japan senior marketing director. "Our programmes are geared toward reinforcing these positive perceptions among consumers and the trade, and the trend is very positive."

emmezeta
TANNERY MACHINES - AUTOMATION SYSTEMS

NEW!

NEW TOGGING DRYER
FOR DRY LEATHERS

MACH

- + Quality
- + Yield
- + Productivity
- + Versatility
- Consumptions

EMMEZETA TANNMAC SRL - Loc. Isola Corso, 1 (SS 11) - Montebello Vicino (Italy) - Tel. +39.0444.440025 - Fax +39.0444.848800
www.emmezeta.it - emmezeta@emmezeta.it