



Raw material developments down under

Despite the intense focus in recent months on developments in raw material supply in the Americas, the importance of Australia and New Zealand to hide traders and tanners around the world is far from diminished. Here we take the opportunity to examine in detail the current situation in those countries.

Government body Meat and Livestock Australia (MLA) raised concerns at the start of 2010 by pointing to falling slaughter rates across the country. Meat prices domestically and in important export markets such as Korea, Japan and the US have become unattractive to packer firms, leading to an ongoing row between MLA and packers' industry body, the Australian Beef Association, and a shortage of animals in the country's abattoirs, some of which have had to close down in the first months of 2010.

It would be impossible for the companies that tan and trade Australian hides to remain unaffected by these events.

A senior industry source has told *World Leather* that kill numbers at the moment are down by between 20% and 25%, stretching perhaps to as much as 45% in parts of Queensland. The numbers he has seen from facilities in New South Wales, however, are not as bad. Some players there have been able to keep more of their focus on the domestic market thanks to contracts with important retail groups. They've been able to move with demand.

There's no denying, though, that wet weather recently, and the pressure from increasing competition in Asian export markets of US beef, have made a big impact in other parts of Australia. Some abattoirs in the north of the country that usually open for the season in February were only able to open at the end of March this year. The big packers have been the worst affected by this situation, our source said.

"Farmers have been holding on to cattle," he explained. "And the reason is obvious: they don't have to pay to feed them at the moment because wet weather means there's plenty of grass around. With poor prices on offer, why would they sell at the moment instead? I think it will be a year before this situation turns around. Then things will settle down."

New Zealand fashion from footwear and apparel brand Wear Like Me. There is big demand for New Zealand lambskins.

CREDIT: WLM





Meat and Livestock Australia is working hard to promote Australian beef in markets such as Korea, but competition from the US and unattractive export prices are putting Australian packers off and many are holding on to their cattle.

CREDIT: MEAT AND LIVESTOCK AUSTRALIA

Kangaroo punch

There is a well known business adage that the riches are often in niches. One Australian niche, if you are in the tanning sector, is kangaroo leather. Just like with any other type of leather, tanners such as Queensland-based Packer Leather that specialise in kangaroo are largely dependent on conditions in the meat market.

There is an organised quota on kangaroo slaughter, in place because of the damage the marsupials can do to important crops. Most years, around 3 million of the beasts are culled in this way. And although the quota can sometimes be higher, the kangaroo meat industry cannot build capacity beyond this.

For some time, the most important export market for kangaroo meat has been Russia, but towards the end of

2008, exporters received a shock when this market was abruptly closed owing to a health-scare with the meat, one that is unfounded according to the authorities in Australia.

Raw material sourcing manager, David Packer, who represents the fifth generation of his family to take an active role in the tanning business, explains: "This has caused a big problem because 75% of the kangaroo meat market was Russia, and the market there does not look like opening again soon. This has translated into meatworks having to shut up shop, even though a number of them, very recently, invested in modern equipment. I know of one in Charleville that built a completely new plant in 2006. Two years later it was idle."

Kangaroos are only a pest when there

is not enough food around in the wild, he goes on. With heavy rains in many parts of Australia this summer, the animals in those areas ought to have plenty of food and water for many months to come, meaning they will be less likely to come into conflict with humans in their quest to find enough to eat. Slaughter numbers in the months ahead are likely to be on the low side, in other words.

But in spite of contraction in the kangaroo sector overall, David Packer's tannery will continue to secure supply of enough hides to meet customer demand. "We have set up a supplier agreement with VIP Pet Foods, a big buyer of kangaroo carcasses," he explains. "That has been in place since 2005 and, as a result, we've really had no issue with supply. We're bringing in 15,000 to 20,000 skins a week on average from that one supplier."

Sports gloves are an important target market for the leather, which is one of the strongest and lightest that nature produces and demand levels remain healthy. Mr Packer's only complaint is that some of his customers are beginning to believe that kangaroo leather is too good because it lasts too long. "That's been the hurdle," he says. "Price, is too, but customers want to turn over volume."

He is encouraged that longer-lasting products are increasingly becoming part of some brands' sustainability story. This, and the fact that kangaroos as animals "leave no carbon footprint", make him confident that this niche leather will have a bigger and bigger role to play in the years ahead.

New Zealand lambskins back in demand

According to the marketing manager for beef and general products at Invercargill-based packer and hide trader The Alliance Group, Carl Alswailer, his country has contributed to the current global shortage of raw materials. He explains that the landscape of New Zealand has changed in the last ten years as farmers have moved out of the lamb (and, consequently, lambskin) market and into dairy cattle. The reason is clear. With a big increase in demand for dairy protein in some of the most important developing economies, especially China, dairy was where the money was.

Naturally, there is still a seasonal slaughter of dairy cattle (peaking in October in New Zealand) when substantial numbers of middle-to-



Regional Commentary: Australia and New Zealand



Argentina's (and Barcelona's) star player, Lionel Messi, is among many top footballers who have discovered the benefits of kangaroo leather, in this case in adidas F50 TUNIT boots.

CREDIT: ADIDAS

heavyweight dairy cow hides become available, but it's only for a short time.

Mr Alsweiler confirms that prices are now beginning to rise across the board for New Zealand hides and skins. Last year, salted cow hides were leaving the country's ports for Italy at a price of \$25 per item. Nine months later, the same types of hide are changing hands for around \$70 each.

"People didn't have the confidence to buy them last year because of the crisis," he says. "Last year was just a terrible year. But now there is more demand. There is big demand for New Zealand lambskins, too, especially from China, Korea, India and, still, Italy, and in lamb there has been a 35% increase since January on skins."

Over the last two years, he has seen another trend emerging. Many of New Zealand's lambskins were going into leather jackets for the US market.

Because of the problems there have been in the US economy, a number of tanners who were supplying jacket manufacturers have begun to look at handbags instead, quite big bags in soft, vegetable-tanned lambskin. It's a move that has helped tanners immensely, he insists, especially tanners in Asia.

So, demand is strong and prices of hides and skins have gone up, but Mr Alsweiler has a concern that the prices of finished leather and finished leather

garments have not kept pace. "They will have to rise," he says. "A customer in the US told me recently that we all had to be careful of pushing prices too high, but I think we should be looking to move leather out of the low-end market anyway and into the higher end. We don't want freely available leather going into low-priced garments. We need to move higher. It's the only way this industry can survive." ■

New possumibilities

There are thought to be around 30 million possums in New Zealand and these marsupials are seen by many as the country's number-one pest. However, local entrepreneur Greg Howard and his company Planet Green have come up with a way of limiting the damage they inflict upon the country's plant and wildlife. His aim is to use every part of the animal to make useful products, including leather sports gloves.

The few hundred possums introduced from Australia and Tasmania during the nineteenth century have rapidly multiplied and are thought to consume tens of thousands of tonnes of vegetation each night. They also eat birds and eggs as well as competing with native birds for food. Added to this, possums carry tuberculosis.

One of the ways the possums are being controlled is with the use of 1080, a controversial pesticide. But Mr Howard believes the money spent on 1080—which simply leaves the animals to rot—could be put to better use, mirroring a scheme already employed on a small scale by Maori groups.

He says: "My idea is to follow an Iwi [Maori] idea, which the Tūhoe [a Maori group] have got in the Gisborne Bay of Plenty area. They have banned 1080 and trained Iwis to go out into the forest and trap possums. From that, over the last five years, all the fauna has come back, the birdlife has come back and the trappers are earning a very, very good wage. If we get into the full potential of the possum, they can earn double that wage."

The full potential he is referring to means using each part of the possum so that there is no waste, and in order to get the maximum return. "The easiest way to explain it is I compare it to the lamb, the sheep. You've got the wool; that sells. You've got the skin, the leather, and then you've got the meat. From the sheep you've got major export dollars and major, major employment."

Similarly, with the possum, there are several uses. The meat can be eaten, although it is primarily used to feed animals in New Zealand. Asia, however, is a growing market for the meat and is seen as a healthy, low-cholesterol delicacy. The hair can be used for clothing and, according to Mr Howard, is 20% warmer and 20% lighter than wool.

Nevertheless, the main by-product as far as he is concerned is the leather, which he is using to make gloves. He produces the gloves for five golf brands, equestrian brand Mark Todd and baseball gloves for the US market. These gloves, and other leather items such as bikinis that can be made from the possum leather, could really take off, he believes.

Overall, Mr Howard believes the industry could "easily" be worth NZ\$100 million (\$71.2 million) right away if it is handled properly. He claims this could eventually increase to anything over NZ\$500 million. "So from this again you've got major employment and major, major export dollars," he says. ■



Possum leather works particularly well for sports gloves including golf, equestrian and baseball gloves.

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