

Designers and purchasing teams are getting close to making a decision to "reawaken the mass use" of leather.

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Unchained

Three regions of the world house the vast majority of hide supply, while one region dominates consumption. There are a lot of inequities prevalent in our industry and realistically they all share the same motive: profit. The hide and leather manufacturing processes are not labour intensive when compared to finished apparel and footwear. The labour content in raw hide, wet end and leather processing is moderate, but in finished goods the human aspect represents the highest product cost and the biggest challenge. Chasing cheaper labour pools has been an ongoing challenge for both the garment and shoe business for years and this facet of leather manufacturing is now centre stage.

Chain gang

I wish my chain was being pulled, but alas this is not the case. Our globally traded product that circumnavigates the globe is now under the microscope of an NGO that monitors labour abuses. Know The Chain is a resource for businesses and investors who need to understand and address forced labour abuses within their supply chains. They state that they are a practical resource to help companies comply with the growing legal obligations in the industry and help companies operate more transparently and responsibly. Today, an estimated 21 million people around the world are victims of forced labour, generating \$150 billion in illegal profits in the private economy.

A recent case study is gaining traction: published in June, they assessed five footwear and luxury clothing brands in respect of forced labour risks across their leather supply chains. The study attempted to switch the focus away from

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environmental issues and animal welfare issues to policies and practices against human rights.

While the emphasis on the treatment of people in shoe factories and apparel companies is not necessarily new, the connection to the leather supply chain is noteworthy. One of the companies mentioned in the study, adidas, referenced a programme called Modern Slavery Outreach and specifically cited tanneries in Taiwan and China. This is a very controversial issue that will resonate in the marketplace and is yet another example of a continuing pattern of demonising not only how leather is created and processed, but now bringing focus to the people working within its supply chain.



This report will further motivate the various tiers within the leather supply chain to reveal their sourcing and processing strategies, which will further encourage transparency for the entire system. So besides ensuring that the 'Bioma Amazônia' is not treeless, freedom from salt, and that Cr₂O₃ does not become Cr6+, the industry has now to ensure that labour practices and conditions meet certain standards that have yet to be defined. Or more importantly it will have to attempt to mandate that all countries that produce footwear and apparel for the US and EU markets comply with these yet unspecified standards.

Chain mail

The leather industry is a basic and in many ways a strategic industry. We are, without doubt, a by-product business. We recycle a material that is generated from a human need and requirement for protein. Let's make no mistake, the sole reason for the existence of the leather industry is due to the consumer demand for meat. Food and the dietary habits of billions of humans around the globe are the genesis of the supply of hides. We are carnivores first and foremost and this is never going to change. The supply of hides is 100% dependent on our eating habits, plain and simple. For this there is absolutely no argument and no disagreement, so it makes little sense for NGO after NGO to continuously attack and undermine the leather industry for the work that we do in converting this by-product into a wonderful, sensory material with high consumer recognition and demand.

Leather manufacturing is not alone in having a questionable history of imprecise processing methods; there are other industries, for example the petrochemical business, that can also be blamed for poor environmental stewardship.

Different set of priorities

Today things have changed as we have a much more educated and connected consumer base, fully cognisant of the need to operate in an environmentally and socially acceptable fashion. These facts do not change the need to improve how the industry interacts with social

responsibility and in countries that sacrifice human welfare and dignity for profit we must object and clearly distinguish ourselves from those regions that have different values. But in doing so we must recognise and applaud the businesses and regions of the world that operate correctly.

The current administration aside, the US operates under very clear rules and ethics and our businesses, including those in our industry, function at the highest of standards. We are the benchmark by which all others should be judged. Our environmental and social responsibilities should be referenced as the gold standard and be recognised by all NGOs as the basis on which other areas should be adjudicated. This is a worthwhile and worthy cause.

Hide dealers, processors and tanners provide a vital function in the lifecycle of managing and developing a material that is positioned in luxury products across a wide spectrum of consumer goods. The countries and companies that follow appropriate, socially acceptable morals, values and ethics in the treatment of their employees should be praised and utilised as the standard and not ignored or grouped with others who exploit.

Apparel and shoe companies that outsource and offshore for strictly lower costs can be regarded as hypocritical when only through consumer and NGO pressures do they suddenly adopt a socially aware conscience. The principal reason their goods are cheap is due to low labour rates. It is preposterous to believe that buying shoes ex-Asian factory at below \$10 per pair, including all materials, is possible while complying with western labour standards.

Chainsaw

This summer's season for beef is no disappointment, in fact quite the opposite as packers are enjoying terrific margins, plentiful cattle supplies and opportunities to run their facilities six days per week. Commercial red meat production for the United States totalled 4.28 billion pounds in May, up 7% from the 4 billion pounds produced in May 2016. This was reflected by the cattle slaughter totalling 2.75 million head, up 9% from May 2016. This more or less translates into one million more hides being produced in the

first five months of this year.

Besides declining live cattle prices and therefore improved margins, what's driving bigger kills is that total meat poundage per animal has declined. The average live weight was down 26 pounds from the previous year, at 1,307 pounds. Beef is in demand and together with improved export conditions we see no reason why the increased slaughter won't continue for the balance of the summer. As reported in previous missives we can expect for 2017 over two million more hides compared to 2016, welcome news for tanners.

Auto slow-down

According to *Automotive News*, after a record 17.55 million cars and light trucks were sold in 2016, the US auto industry has posted lower sales every month this year, with high consumer discounts and inventory levels posing concerns for Wall Street. Deliveries are off 2.1% through June. So the bad news is on the table and auto sales are down. But, and there is always a but, pick-up trucks, SUVs and crossovers are taking an increasing share of the market. This is the good news, as the use of leather in this segment is growing and the net impact is little changed year on year, in terms of number of hides required.

Chained up

Just when you thought it was safe to go back in the water we conjured up thoughts of a previous era. It brought back memories of Mungo Jerry's happy refrain "In the summer time" which suitably emphasises the market's current condition namely: "Have a drink, have a drive, Go out and see what you can find". We are entering that time of the year when we are in between seasons. Designers and the purchasing teams are all trying to determine when to reawaken the mass use of this raw material and we believe we are getting close. Currently the hide market is awash with supply: too many sellers are chasing too few available buyers. Therefore, we expect hide prices to adjust. There is no reason to believe that we won't see another 5% to 10% adjustment prior to reaching the bottom. We also are also expecting consolidation to take place in September. ☺