



A shoe design incorporating a Brazilian amethyst as the heel.

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Brazil at the start of 2018

After a turbulent twelve months, signs of optimism began to appear for the Brazilian leather industry in the early part of this year.

The executive president of Brazil's tanning industry body CICB, José Fernando Bello, admits that Brazil has gone through "a difficult time" recently, politically and economically. "The path we are on is a new democratic process," Mr Bello says. "Our democracy is still young." Nevertheless, at the start of this election year, he says the domestic market is starting to lift a little and the overall economic situation has become slightly better.

Between 15% and 17% of all the leather produced in Brazil, using hides from what CICB insists is the biggest "commercial" cattle herd in the world, is consumed in the domestic market. In 2017, Brazil's 310 tanners exported a combined total of 202.3 million square-metres of leather (at the various stages of processing), bringing in revenues of \$1.9 billion. These figures represent an increase in volume year on year of 4.3%, but a decline in value of 6.5% compared to 2016.

"We're working to promote leather," the CICB executive president continues, "and to encourage more companies to use it. We also have in place our Lei do Couro (Leather Law) to challenge finished product brands that try to pass synthetics off as leather. But the whole global market has had a hard time recently. When raw material prices were high, we saw lots of substitution, especially in sports and women's shoes. Synthetic materials' share keeps growing so it's been a difficult time for leather, especially in footwear. It's a

challenge to bring the shoe market back because synthetic materials are improving in quality all the time, and they have the advantage of a regular shape."

While top-end footwear brands still want to use large quantities of leather, he points out that what they seek to source is top-quality leather. It's a similar story among luxury brands and their successful handbag collections: use of leather is growing, but only really where high-quality leather is concerned. "Brazilian leather probably has some way to go to reach that level," he says.

He points out that the world now tends to look for speed, for quick solutions for everything. Meanwhile, leather hasn't much changed its way of working for 7,000 years. "We need to find ways of reducing waste material," he adds, "because, at the moment, there is probably 40% waste in what tanners deliver to automotive clients and between 25% and 30% waste in what goes to footwear manufacturers. Soon, the world will no longer accept that waste."

Will the world continue to accept leather's good points too? Mr Bello certainly hopes so, but he says one of leather's most lauded qualities has been its durability and that, the way the world is now, the fashion industry is not interested in durability. "Young people don't want shoes that last for years," he argues. "They only want to wear those shoes for about three months."

In better news, demand for automotive leather has grown,



although Mr Bello points out that it's not easy to predict how long this situation will last. Plus, automotive brands can be hard customers to keep happy. He says: "Automotive tanners have to spend a lot of money on research, testing and so on. Ten years from now cars will all be electric and self-driving. Those changes are coming and the leather industry has to react to that. Cars could have direct-injection seats and it may become tougher for leather to keep its share of the market, but we must not give up."

Something else that is making Mr Bello more optimistic is the Brazilian Leather Certification of Sustainability (CSCB), which his organisation introduced in 2015. He has paid tribute to Rio Grande do Sul-based tanning group Fuga Couros, named in January 2018 as the first leather manufacturer in Brazil to receive full CSCB accreditation. CICB has described the programme as "an unprecedented initiative that firmly establishes sustainable good practices in Brazil's leather sector".

Mr Bello says that it has taken 18 months for Fuga Couros to achieve CSCB certification after what he calls "a very serious process". He goes on to say this is important in an international context because Fuga Couros is a company that exports to customers in 40 different countries.

"It is my hope that all of our tanners will adopt CSCB," the industry association executive president says. "The market isn't just demanding price and quality. It wants to buy from companies that care for society and for the environment too. This makes the whole question of certification a complex one because the fashion industry is now full of certification programmes and brands all have their own proprietary requirements. And in parallel, the big difficulty for tanners centres on how to receive the recognition and the pay-back they deserve."

The first area in which Fuga and other CSCB participants



CICB executive president, José Fernando Bello.

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have begun to achieve pay-back is, he says, in the improvements the exercise has brought inside the company. It will also receive pay-back simply by being able to present itself to customers as the first tannery in Brazil to receive CSCB certification. "We will help Fuga explain what this means if a buyer asks" Mr Bello continues. 🌐

Brazilian brands must keep design content (and prices) high

São Paulo-based fashion designer Walter Rodrigues has told *World Leather* that brands in Brazil that resist setting up their own design teams or working with external designers can expect trouble. If they continue to focus exclusively on selling at high volumes and low prices, he says, they will be lucky to survive the next two years.

Asked what response he gives to finished product manufacturers who show no interest in design at all, he says: "It's very simple; I tell them they will be lucky to survive two years. It's impossible for companies here to compete with China on price. We have a street market here in São Paulo, on the Rua 25 de Março, where you can find all sorts of cheap products and materials from China. It would be impossible to make those things here at a competitive price. The only way companies here can compete is by innovating and adding value."

While adding design content to footwear, leathergoods and other finished products isn't exactly rocket science, Mr Rodrigues, who is famous in Brazil for his own bags, shoes and apparel, has developed a "trickle-down theory" for



Fashion designer Walter Rodrigues says the days of brands that resist incorporating design content into their products are numbered.

CREDIT: INSPIRAMAIS



design. "It's a pyramid methodology," he says. "Only 10% of products have totally independent, completely new design ideas. Some of these ideas will be picked up and incorporated into more widely manufactured products that will appeal to 30% of the market. And some of those ideas will go beyond that and become easy enough to produce for brands to adapt further and make them available to 60% of consumers, including fans of fast fashion. It's not about price; it's about mass appeal and that means appropriation, with mass-market brands taking high-level ideas and making them commercial. Fashion is always about appropriation."

Fashion designers, Mr Rodrigues makes clear, find inspiration everywhere (he himself found his creativity greatly stimulated by Denis Villeneuve's *Blade Runner 2049* film, released last year). Inspiration sometimes flows more slowly and less directly. He says, for example, that another influence on designers in 2017, which is working its way into collections for this year, was Belgian surrealist painter René Magritte. Last year was the fiftieth anniversary of Magritte's death and there were important exhibitions of his work in a number of cities, including Paris, Brussels and Frankfurt, to mark the date. "You may have noticed that you seldom see people's feet in Magritte's work," the Brazilian designer says. "That has influenced fashion greatly." In 2019, he insists, something similar will happen when the world celebrates 100 years since the start of the Bauhaus School.

It's essential for an idea to start at the 10%, move from there to the 30% and, only after that, to be taken up by the 60%. It cannot go directly from the 10% to the 60%. He explains: "If you are a designer, you create, you innovate and people see your ideas at the big fashion shows and in the clothes that brands in the 10% bracket start to offer. Next, one of those ideas, let's say 'lightness', gets picked up and moves to the 30%. If it works there and there is ongoing demand to justify it, 'lightness' will move to the 60% and we will see it in High Street shops. But, I insist, it's not about money; it's about catering to the mass market. People always get annoyed when I say this but I maintain that Chanel is a 60% brand. Not because it's cheap, everyone knows it isn't, but because of its mass appeal. Chanel's ideas are picked up very quickly and move into fast fashion very quickly. That's why there is always lots of interest in Chanel catwalk shows."

In the Walter Rodrigues first law of fashion thermodynamics, the 10-30-60 flow is critically important because it's only when an idea moves from 10% to 30% that manufacturers will begin to put in place the systems that will allow them to make products on a bigger scale. The same applies with a move to the 60%, which means a move into mass-production, allowing an idea to begin knocking on fast fashion's doors. "This may or may not work," he says, "because of constraints on materials or on techniques. I thought 'lightness' would take six months to go from 10% to 60%, but it seems to be taking between 24 and 30 months. I imagine this is only happening slowly because people don't have the courage to gamble on these things."

Specific to leather, Mr Rodrigues thinks the trends brands in Brazil and beyond will seek to tap into will include technology (this is why he thinks *Blade Runner 2049* was important). In leather, he insists, this is manifesting itself



Eccentricity more than exoticness attracts Walter Rodrigues to skins from the pirarucu, a freshwater fish from the Amazon, tanned by Nova Kaeru.

CREDIT: INSPIRAMAIS

mostly in shininess. He flags up as examples a shiny dark blue lambskin from Rhoma Pelles. More for their eccentricity than for their exoticness, he also likes skins from the pirarucu, a freshwater fish from the Amazon, tanned by Nova Kaeru. *Blade Runner* comes to mind again when he highlights Indonesian python skins tanned by Tre Anytry. He says it looks like "alien skin".

Cerise reds, earthy greens and dark blues are his three favourite colour groups for Brazil's autumn-winter 2019 season, but he says he likes all leather. "The most interesting thing about the leather industry is that it's thousands of years old," he says. "It's big business here because Brazil has the largest herd in the world. One of the industry's problems is that it has always kept things behind closed doors. I suppose tanners are like pharmaceutical companies in that they all have their own ingredients and their own ways of working, their own magic. It may seem like the leather industry is struggling, but it's very strong. Even if footwear's consumption of leather is lower now, there is leather in apparel, furniture, aeroplanes, boats, cars and so on. It's everywhere." 🌐



Curtime Della Torre believes in running its own beamhouse.

CREDIT: WTP



It's fitting that Brazil's oldest tannery should have, and still uses every day, the first Mostardini leather press to reach the South American country.

CREDIT: WTP

Brazil's oldest tannery

Brazil's democracy may be young but its tanning industry is not. Curtime Della Torre in Franca lays claim to being the oldest tannery in the country, which is to say it is the company that has been continuously making leather for the longest time.

Still family-run, Curtime Della Torre was set up in 1886 by an Italian family, in partnership with a local priest (also from Italy). This was at a time when immigrants from Italy had arrived in Franca, 400 kilometres into the interior from São Paulo, to work on coffee plantations.

It took until the 1920s for the large-scale footwear factories for which it's famous today to become fully established in Franca, but no one doubts it was the knowledge of leather and shoes that these settlers brought from Italy that made it possible for Franca to become the 'Capital Nacional do Calçado', the national footwear capital of Brazil. It is not the only city in Brazil to claim this accolade for itself, but few deny that Franca, with 1,500 shoe factories still running today, is the country's principal centre of production for men's shoes. In any case, Curtime Della Torre was part of that picture from the very start.

Production director Antonio (Toninho) Della Torre is a representative of the fourth generation of the family that runs the tannery. It still specialises in leathers for (mainly men's) footwear uppers, including Crazy Horse and pull-up articles, of substances between 1.8 and 3.4 millimetres, although it is also making some leather for bags as well these days and ships some of its leather, as crust, to automotive leather finishing plants. Around 250 employees work there,

processing 1,300 hides per day.

In all, 90% of the company's finished leather goes into footwear, but only 20% of it remains in Brazil these days and most of the material that it exports goes to China. "We've been supplying the brands we supply for a long time," says Toninho Della Torre, "and that's where they are producing their shoes. Some are now opening new footwear factories in places such as Cambodia and Vietnam so we are sending leather there too. The shoe upper market is in Asia. The big programmes are there." Pushed by these customers, Curtime Della Torre achieved a silver award from multi-stakeholder body the Leather Working Group (LWG) in September 2017. "The brands said do it [LWG] or lose us," the production director says. "They are going to become much more serious about this in 2018; no leather shoe will be able to enter the European Union unless the leather is LWG leather."

He is of the school of thought that maintains it's important for a tannery to run its own beamhouse, to be able to control the quality of the finished material. "It's important for the kind of leather we produce," he insists. "We want a tight tannage and, in my opinion, if you buy wet blue you end up with hides that have been opened up too much. That's to say nothing of what farmers could do to help improve the quality of Brazilian hides. CICB has estimated that, if we could convince farmers to improve living conditions for cattle, Brazil could add \$1 billion per year to the value of our meat and leather."

Curtime Della Torre is the proud owner of the first hydraulic leather press installed in the South American country by Italian tanning machinery provider Mostardini. And what's more, the press is still in perfect working condition and is in use every day.

The company invested in the press in 1961. "We've continued to invest and have later versions, too, of course," Antonio Della Torre says, "but this first one still works very well." He says Mostardini's version of events is that its presses from that time were made from disused tanks from World War II. "That means it's very strong," Mr Della Torre says, "and that must be why it has lasted so long." 🌐



JBS takes steps to rebuild its reputation

A new head of compliance appointed in June 2017 by packer and tanning group JBS, Dr Marcelo Proença, made an important impact in his first six months in the role, senior representatives of the company have told *World Leather*.

Dr Proença's appointment came in the wake of a series of business and political scandals that affected JBS last year, leading to the imprisonment of executives at the very top of the organisation.

During a conversation in São Paulo this January, the JBS compliance team's Ricardo Bocutti says appointing Dr Proença, a prominent lawyer and academic, has helped put compliance at the centre of JBS's ongoing production of meat and leather. "A year ago I was on my own," he says. "Now there are nine of us and we are hiring; the team will have 15 people before the end of 2018."

Changes to have come about since last year's events include a new ethics committee that will begin to meet in March to examine issues that could lead to new threats to JBS's reputation and a new whistleblower service, run by a third-party organisation, to make it easier for employees to report cases of alleged corruption, bullying, discrimination or sexual harassment in the workplace. "We are still fine-tuning this," Mr Bocutti explains. "We are trying to get across the message that all the information people give us is classified, that there will be no recrimination or consequences for them."

He also says JBS has worked with consultancy Deloitte to try to identify corruption risks that it may expose itself to in the 4,000 interactions it has with customers and suppliers every month. Deloitte is developing a new JBS-specific tool for this, he explains, to help the meat and leather producer see where the risks are and understand better its "third-party environment".

One of the biggest scandals to hit JBS in 2017 centred on a plea-bargain agreement that executives entered into with the federal public prosecutor's office, saying they would reveal all they know about a wider scandal affecting Brazilian politics and business, Operação Lava Jato ('Operation Car Wash'). Ricardo Bocutti says that, after studying the details of

It's been a tough 12 months for JBS, but innovation continues at the largest producer of leather in the world as it seeks to rebuild its reputation in the industry.

CREDIT: JBS COUROS

the plea-bargaining agreement, JBS has cut its ties with more than 160 companies revealed to have been involved in the scandal; they are blocked on its enterprise resource planning system. He says these suppliers will be able to earn a second chance in future if they are able to demonstrate that they are corruption-free. He points out that JBS, too, is having to earn second chances of its own with some major customers, including global consumer products and fast-food companies, by submitting data to show it is acting in compliance with the required standards now.

Meeting standards in animal welfare is another subject JBS has been concentrating on, with quality assurance manager Luiz Fernando Russo de Abreu taking a lead role in driving improvements since the company set up a dedicated animal welfare committee in 2017. This is a subject on which the Brazilian company has worked closely with global expert Professor Temple Grandin of Colorado State University since 2014, building on a partnership it already had with Dr Mateus Paranhos, an animal science expert at São Paulo State University. JBS runs its own television channel for livestock farmers in Brazil, with one hour of programmes every day (on subjects such as price protocols, new technology and so on); Dr Paranhos is a frequent contributor.

As a result, Mr Russo says, Professor Grandin's five fundamental animal freedoms are given paramount importance at all JBS slaughterhouses. The five are that animals should have freedom: from hunger and thirst, from discomfort, from pain, injury and disease, from fear and distress and to express normal behaviours. "We believe these five freedoms are good for the animals, good for our products and good for the company," he explains, "and we have developed our own programme based on these five pillars. Good products must come from healthy, well treated animals."

The JBS programme includes using CCTV cameras as back-up for its onsite monitoring to make sure animals are in the right environment and are behaving as they should. In 2015, it launched a project to use double-decker trailers to



transport animals from farms to abattoirs. Cattle are loaded onto one deck and when it's full, a hydraulic mechanism raises it up to make room for more animals to board the truck's lower deck. In total, 50 head of cattle can travel on one truck each time. "It's a good idea," Mr Russo says. "There are no ramps and that reduces bruising." Once again, there are cameras on board as part of a new project being developed to allow the company to assess animals' behaviour during transportation. This is a \$35 million project because the trucks are specially made for JBS; it has around 70 vehicles in the fleet at the moment, although it aims to have more than 100 by the end of 2018.

Throughout its recent upheavals, JBS has had some steady hands to help it. Founder, José Batista Sobrinho, whose initials gave the company its name, came out of retirement in September to resume the role of company president. And then there is Jeremiah O'Callaghan, named as the group's chairman in October 2017 after more than a decade as its investor relations manager.

Originally from Ireland, Jerry O'Callaghan moved to Brazil in 1979. He joined the Brazilian meat industry in 1983, specialising in developing global trade strategies for Brazilian packer companies. He worked at Mouran from 1983 to 1989, then at Bordon from 1989 to 1995 before joining JBS in 1996, although he had known the Batista family for years before that. He was instrumental in persuading the Batistas to move to São Paulo from their home state of Goiás to take advantage of tax breaks and to make the move towards becoming an international player.

Mr O'Callaghan says he drifted to Brazil after spending time in the 1970s in India and London, where he made friends with people from Brazil, including famous musicians. The door to the meat industry opened for him when a business contact hired him to help seize for Brazil a much bigger share of the tinned corned beef sector in the wake of disputes between the UK and Argentina over the Falkland Islands in 1982. Around the same time, he became an expert on the famous Hilton Quota for beef exports. "Everyone has heard of the Hilton Quota," he says, "but not many people truly understand it." It gives beef-exporting countries beneficial access to the market in the European Union, with the name deriving from the Hilton Hotels & Resorts group's strategy of seeking to give its guests in Europe exactly the same experience, including the same kind of steak for dinner in its restaurants, as they enjoy in the US.

"Brazil wasn't using up its whole quota when I first got involved," Jerry O'Callaghan says, "because part of the requirement is that you have to have a reliable government inspection service to clarify carcasses. We now have a lot of talk about a complete overhaul of the inspection service and we expect that the private sector will have to pay for that."

He says incentives may be required if farmers are to bring to market cattle that will fit the bill for the Hilton Quota (Brazil's annual limit has doubled in recent years to 10,000 tonnes of beef per year) and he thinks incentives are also the best way for leather manufacturers to get their hands on better-quality hides. He accepts that it's the meat companies who are likely to have to provide this motivation. "Even \$1 extra per head might be enough to get farmers' attention," he insists. "We've got to educate them about issues such as branding and barbed-wire. I have a small ranch of my own in Goiás with around 150 yearlings and I have seen the constraints. I removed all barbed-wire from the property and the



JBS group chairman, Jerry O'Callaghan, says livestock farmers should receive a cash incentive to encourage them to improve the quality of cattle hides.

CREDIT: JBS COUROS

employees were surprised but it was the right thing to do. Meat people need to incentivise and teach the farmers."

Innovation has not stopped at the group's leather division, JBS Couros. Following the launch in 2017 of the Authentic collection of leather designed specifically for furniture manufacturers, JBS Couros, still the world's largest producer of leather, is turning its attention to the footwear and leathersgoods markets.

At the 2018 India International Leather Fair in Chennai in early February, the company gave *World Leather* details about a new crust range it will be launching called Cambré. This collection will be targeted mainly at the Asian footwear market.

The material used in the collection will come from Argentinean, Brazilian and US hides. It has chosen to offer crust rather than finished leather so as to offer possibilities for greater versatility and added value to finishing tanneries and shoemakers.

JBS Couros selected Asia as the target market for the Cambré collection following extensive market research. Representatives of the company recently spent two weeks in Asia visiting potential customers to learn about their needs. It will focus its marketing strategy for the collection mainly on China, India and Southeast Asia.

It is aiming to make an impact on the accessible luxury footwear market, citing leather's good penetration in this segment as a key reason. It also believes shoe manufacturers in this segment do not view price as the most important factor when choosing which raw material to use in their products.

JBS Couros maintains that leather still has a role to play in footwear, despite the ground it has lost in recent years to synthetic materials. It cites a lack of effective branding demonstrating leather's versatility and natural quality as a reason for this.

At the same time, Conceria Priante, JBS's unit in Italy, which focuses on the luxury and high-end markets, is launching a new collection for the leathersgoods market called Absolute Freshness. The collection will include products made in Italy using a wider range of JBS raw materials from around the world.

The new collections will be officially launched at the 2018 APLF exhibition in Hong Kong in March 14-16. 🌐