



Country Commentary

Talented Turkey seeks a fair price for its leather

Experts on the Turkish leather sector argue that technicians and craftspeople there have shown for years how able and creative they can be in making high-quality leather and finished products. This report suggests that if companies in Turkey can sustain their businesses by securing a half-decent price for lower-grade material, their better-quality products can fly high in the most demanding luxury markets.

In contrast to most of the rest of the global industry, Turkey's leather-sector exporters, at national level, claimed at the end of 2017 that footwear was one of the brighter stars on the horizon. This is doubly ironic because Turkey has always been more famous, at least in the international arena, for its leather garments. At the same time, most of the global leather footwear sector has been complaining of hard times in the last year or two.

The president of Turkey's leather products exporters' union, Mustafa Senocak, has predicted a 20% increase in the value of his member companies' exports in 2018. He has described 2015-2017 as a particularly challenging period for Turkish leather-sector exporters, principally because of a decline in demand for leather garments. The downturn in business was especially severe in what has traditionally been Turkey's most important market, Russia. Mr Senocak believes that an increase in exports of Turkish footwear is now helping to compensate for this.

He has put the total value of exports for 2017 at around \$1.5 billion and has made it clear he believes the increasing importance of footwear is grounds for optimism; growth in 2018 will be strong, he insists. Mr Senocak says footwear exports accounted for 50% of

the 2017 total, while 30% was attributable to leather garments. Ten years ago, he explains, leather garments accounted for 60% of Turkey's leather-sector exports.

Russia is still the most important market for Turkish leather-sector exports, but the interest in Turkish products from other important markets, including Germany, Italy, UK, France, Japan and the US, is increasing, helping to make up for a downturn in demand from Russia.

Geographical diversity

Many of Turkey's tanneries operate in the country's dedicated leather clusters, with the facilities at Bursa, Gaziantep, Corlu-Tekirdag, Menemen-Izmir, Gerede-Ankara and Tuzla-Istanbul among the best known and busiest. Chairman of the Aegean Leather and Leather Products Exporters' Association (EDMIB), Jak Galiko, makes



High-fashion footwear from Turkish brand Darkwood.
CREDIT: DARKWOOD



Jak Galiko believes tanners have a raw material conundrum to solve.
CREDIT: AEGEAN LEATHER AND LEATHER PRODUCTS EXPORTERS' ASSOCIATION

it clear that these different geographical zones have always run different kinds of business for different export markets and he says those, such as the cluster most closely linked to his Izmir-based organisation, with traditionally fewer links to the Russian market, have fared better in the tough times of the last few years.

"Markets always go up and down," he says, "and exporters are used to the tension. Our counterparts in Istanbul, which is a very big centre for tanning and for the production of finished goods such as shoes, garments and bags, have everything, but they have tended to work very closely with the Russian market and these last few years have been difficult for them. Our region doesn't have too much contact with the Russian market and I think that's good. To be an exporter in Izmir you need to have a mind that is open to all cultures."

The finished article

A seasoned observer of the whole of the Turkish industry, he commends Gaziantep, in the south-east of the country, for its success in building up a strong export business in less usual markets such as Iraq, which he says has become very dependent on Turkey for a wide range of products, including footwear. Izmir's contact is more with the European Union and, within that, to markets that "appreciate high-quality finished leather" such as Germany, Italy and the UK. He continues: "Turkish leather technicians are very able. I remember people saying we would not be able to make garment leather from Australian sheep, only wool-on leather. But we did it, and we worked it out for ourselves. Our technicians had the vision and creativity to make finished leather from Australian and New Zealand skins. That is the capacity and the mentality of Turkish leather technicians; anyone can do it from entrefino material from Spain."

He confirms that the importance of footwear in the wider context of the Turkish leather is increasing and that, if it accounted for a 20% share of the industry's export revenues ten years ago, its share is now 50% or even 55% of the total. In terms of quality, Mr Galiko believes Turkey's best tanners are in a good position to compete with leather manufacturers in Portugal and India for a share of the global shoe market. "We have good-quality cows, sheep and lamb,"

he says. "We have the workmanship to do at least from raw to wet blue very well and we are able to answer the environmental questions. At the same time, our sheep and lamb leather is comparable, in my opinion, to entrefino and to South African gloving leather." He explains there is demand for Turkish wet blue in hard-to-please markets such as Italy. Tanners there know Turkey has a ban on exports of raw material and so they ask for wet blue instead. "I am trying to discourage this," Mr Galiko continues, "because I want our tanners to add as much value as possible here at home. It's very important for us to raise employment levels and our gross domestic product."

A fair price

He believes that making finished leather will make it much more feasible, although still not easy, for Turkish tanners to sell 100% of the material they produce. There is a conundrum here and the main problem is the selection of raw material, he says. If tanners choose (and pay for) better-quality raw material, they will stand a better chance of finding buyers for all the leather they make with, perhaps, the lower selections going to customers in Asia and the higher ones going to Europe. However, to make the investment in better raw material viable, customers need to be willing to pay tanners a fair price for all the leather they buy and this is proving difficult.

"For it to work, though, you have to use all of the skins," Mr Galiko continues. "You go to see tanners here and they often have in their warehouses lots of skins that they cannot sell, so how can we compete? To compete, you would need to be able to secure a fair price for all of your material. You could send 50% to the European Union and 50% to Asia, or keep 50% for the domestic market. If you get a fair price for the best-quality material going to Europe, you can afford to sell the other 50% at cost, or even at a 10% loss. If you can't sell that lower-quality leather, though, you could survive for maybe one year, but not more. It wouldn't be a sustainable business." 🌐



Just as demand for leather garments is presenting problems to exporters, footwear has brought a boost. CREDIT: DARKWOOD