



Statistics from France's Conseil National Du Cuir provide a reminder of just how much value tanners and finished product manufacturers are able to add to hides. In the right hands, the worth of the waste that the meat and dairy sectors generate can increase by more than 2000% (two thousand per cent).

Waste worth billions



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GREEN JOBS

There have been concerns in the global leather industry for several years about hides and skins being destroyed or going into landfill following animal slaughter instead of being transported to a tannery for processing. We reported in the last issue of *World Leather* that the Leather and Hide Council of America (LHCA) believes 5.5 million US hides failed to make it into the leather value chain in 2019. Its initial calculation is that wasting these hides allowed \$35.75 million to go down the drain. This figure refers only to the economic value of the raw material. We want in this article to explore how much value tanners and finished product manufacturers can add to this.

LHCA worked out that it would have been possible to turn these 5.5 million hides into millions of finished products to create even more value. It said the material could have produced 99 million pairs of shoes, 110 million footballs or 2 million leather sofas, but it did not try to work out how much extra money these products could have generated. Fortunately, figures that France's Conseil National du Cuir (CNC) released around the same time went some way towards providing an answer. Also focusing on 2019, CNC said the leather industry in France had achieved export revenues of €13.2 billion, an increase of 13% year on year. It said last year was a disappointing one for exporters of raw material. They contributed €512.8 million towards the total, which was a fall of 17% year on year, reflecting the decline in hide prices that was largely to blame for hides going to waste in the US. For finished leathersgoods, footwear, leather garments and gloves, though, the figures from France were strong. Companies there exported €12.7 billion worth of these products in 2019, growth of 14% thanks to what CNC called "continued strong demand for luxury products from France". Together, these figures provide us with excellent insight into how much value the leather supply chain adds to raw material that, according to some, has so little worth that landfill is the best place to put it.

The 2000% club. In 2019, French tanners and their customers took €665 million worth of waste from the meat and dairy sectors and converted it into products, such as this jacket from the latest collection from Jitrois, that generate €14.4 billion in revenues.

CREDIT: JITROIS



2019 leather-sector exports, France

Type of product	Value (€ millions)
Raw hides and skins	216.9
Finished or semi-finished leather	295.9
Footwear	3895.5
Leathergoods	8456.6
Gloves	29.7
Garments	208.6
Various	85.3
Total	13,188.6

Source: Conseil National du Cuir

2019 exports of leather handbags from France

Export market	Value (€ millions)
Hong Kong	689.9
US	643.3
Singapore	637.8
Italy	506.2
United Kingdom	453.1
Others	1944.1
Total	4,874.5

Source: Conseil National du Cuir

French flair

France's raw material is among the best in the world, as are the country's manufacturers and sellers of finished leather products. Therefore, the intention in presenting this analysis is not to suggest that other countries could generate the same top-line revenues from their hides, but to show the added value that can accrue from processing hides into leather and using the leather to make beautiful finished products. Ministry of agriculture figures suggest that the volume of animals French farmers send to slaughter each year results in 3.4 million bovine hides coming onto the market, plus 1.2 million calf skins, 4.2 million sheepskins, and 675,000 goatskins. These figures have remained steady year on year in recent times, although they have fallen substantially since the levels of 30 years ago (with the exception of goatskins).

The 35 or so companies that collect and trade bovine hides, calfskins, sheepskins and goatskins in France typically generate 80% of their income from export sales, or at least have done so for the last three years for which we have seen figures: 2016-2018. The price of hides fluctuates, as everyone knows, but the share of exports in the overall sales figures these companies achieve is consistently at that 80% level. If we return to the 2019 figures, CNC has broken down its €512.8 million figure into €216.9 million that came from exports of raw hides and skins and €295.9 million from sales to companies outside France of finished or semi-finished leather. At this point in our analysis, the figure that matters is the €216.9 million from raw hides and skins, 75% of which was from sales of French raw material to tanneries in Italy,



incidentally. Exports of bovine hides contributed the most, almost 65% of the total, followed by calf and sheepskins. From the ministry of agriculture figures, we can say that €216.9 million is likely to be 80% of all the revenue the country's hide and skin sales generated in 2019, which means the total would be around €270 million. This means that French tanners spent €53.1 million on domestic hides and skins last year.

Raw material spend

It is also true that these tanners made some of their leather from imported raw material and, thanks to CNC, we know how much they spent on hides and skins from elsewhere. The organisation's statistics show that France imported raw hides and skins with a value of €130 million in 2019 and semi-finished or finished leather worth €482.4 million. This shows that French tanners spent much more on raw material from other countries than they did on domestic hides and skins. It also shows that France's manufacturers of finished leather products do not rely solely on French leather manufacturers for the material they source. In any event, what matters is that we know how much the French leather sector spent on raw material last year, €665 million. Now we have to try to work out how much money it generated from that investment.

The export revenue figure is the one CNC has reported, €13.2 billion. From this, we can subtract €216.9 million, the amount that France raised by selling its raw material rather than adding value to it on home soil. This gives us an export added-value figure of just under €13 billion. What is missing,



A Hermès store in Hong Kong. French-made leathergoods from all brands brought in export revenues of almost €13.2 billion in 2019.

CREDIT: MODERN AFFLICTION, UNSPLASH

then, is the revenues that the French leather sector generated in domestic sales, to discerning consumers in France and the tourists with taste who invested in high-quality leather products while visiting the country. CNC does not give this number, but we can come up with an educated estimate.

Sales on the domestic market

Across all industries, all markets globally and all its brands, luxury group LVMH reported total revenues of €53.7 billion in 2019. Again, across all its segments, it reported sales revenues in France at €4.7 billion, which corresponds to 8.7% of the total. The corresponding percentage was 9.6% in 2018 and 9.8% in 2017. At Hermès, the proportion of revenues generated by sales in France rather than in export markets was 13% in 2018 and 13% once more in 2019. The idea here is not to compare the two groups. There are many differences between them: LVMH is multi-brand and not all of its brands are based in France (Fendi and Loro Piana are from Italy and Loewe from Spain, for example). Hermès is smaller, with revenues of €6.9 billion in 2019 and €5.9 billion in 2018, but leathergoods and saddlery contribute a higher proportion of this group's overall

revenues, 50% in both years, compared to 40% at LVMH, which, in any case, groups leathergoods and fashion together. Our educated guess, then, of the sales that companies in the French leather value chain are generating on home soil is a conservative 10%.

The value of the resource

If we now return to CNC's figure, €13 billion, we can add another €1.4 billion to reach a total value generated by France's leather sector of €14.4 billion. That means raw material worth €665 million generated revenues of €14.4 billion. Again, we stress that this figure is illustrative rather than pinpoint accurate.

It still means growth of more than 2000%. Of course, raw material is far from the only cost tanners and finished product manufacturers have, but incurring these other costs, they create jobs, pay tax and help suppliers of chemicals, machinery, water, energy and so on to stay in business and grow. This, too, is an important way of adding value.

The French example shows that, with talent, hard work and the right raw material, the leather sector is able to take a waste product and transform it into goods worth billions. The exports that make up around 90% of total revenues included, in 2019, almost €8.5 billion from leathergoods (almost €4.9 billion from handbags alone), €3.9 billion from footwear, €208.6 million from leather garments and €29.7 million from leather gloves, with other products contributing €85.3 million. CNC points out that its figures do not include leather furniture. Waste turned into in-demand products worth billions. It seems too good to be true, but the facts and figures prove it to be reality. ☺



Finished leather on display at Première Vision in Paris in February 2020.

CREDIT: PREMIÈRE VISION