

Leather: one of the most significant industries within the Turkish economy

Over the years Türkiye has steadily insinuated itself into a major position in the world's leather industry without ever quite achieving the high profile of an India, a Brazil, or more recently China. Since the industry is an exports oriented sector, it is affected directly by the economic vicissitudes in the world at large. The last Asian crisis and then in particular the Russian crisis seriously affected the Turkish leather sector. Suffering problems which resulted from its dependence on one single market—Russia—Türkiye has now started to target a much wider spread of markets.

Table 1 shows that production of leather has steadily grown—albeit with a false peak in the mid-nineties—making Türkiye regionally important for Europe and the Middle East but still smaller than major European country producers such as Italy.

Table 2 shows total exports of the leather and allied industries had moved up in 2003 to \$760 million. The strongest growth in the past few years has been footwear. Curiously these export numbers are almost perfectly matched by imports (Table 3) demonstrating that there exists a strong domestic market.

Garment exports mainly target Germany, France the USA, Spain and Russia, whereas footwear has started to shoe more of a focus on the Middle Eastern area.

Of the \$760 million in official exports, leather garments and accessories have a share of 49.6%, shoes with 22.8%, hair or wool-on 9.2%, and finished leather and raw hides/skins share 18.4%. The figures run from January through November. The huge 'luggage trade' is largely with Russia, and overshadows these figures. Some estimate that Russia would represent over 80% of all leather and leather product exports were they correctly included, dwarfing Germany, France and Spain put together.

Still important economically

The Turkish leather industry is of considerable importance to the domestic economy accounting for 3.3% of manufacturing industries' output, 1.5% of manufacturing industries' labour force, and 3.0% of total Turkish exports earnings. If the 'luggage export' business is taken into account, the share of the Turkish leather industry reaches 10% of the total export earnings.

Ranked tenth among all industries in Türkiye, the sector is second only to textiles in foreign currency earnings.

The Turkish industry continues to be a leader in the world shearling and wool-on sheepskin production. This has led to a developing industry in sheepskin machinery as described by The Machine Minder in this issue, and to other associated productions such as chamois.

Tanning has also benefited the chemical sector. Historically famous for its alum supplies Türkiye manufactures large volumes of chrome and about 90% of its domestic needs for leather chemicals, and exports some products such as dyestuffs.

Garments

When compared to other countries, the leather apparel industry is one of the largest in the world even though it is

Table 1: Turkish Leather Production
Millions sq.ft., million pairs.

	1990	2000	2001	world rank
Bovine light leather	107.3	123	100	18
Sheep & goat	288.4	145	148	4
Leather footwear	61.6	70	71	10

Source: FAO 2003 compendium

Table 2: Exports \$'000

	2000	2001	2002	2003
Raw/finished leather	88,843	100,365	138,317	140,000
Leather garment/prod.	343,000	374,000	389,000	377,000
Hides, skins, furskins raw	62,724	68,555	67,205	70,000
Shoes	114,184	126,116	131,356	173,000
Total	608,751	669,036	725,878	760,000

Table 3: Imports \$'000

	2000	2001	2002	2003
Raw/finished leather	230,000	249,000	296,000	272,000
Leather garment/accs.	12,000	25,000	25,000	24,000
Hides, skins, furskins raw	225,000	275,000	453,000	397,000
Shoes	116,000	84,000	116,000	182,000
Total	583,000	633,000	890,000	875,000

impossible to make a ranking. Production is over 50 million pieces and 85% are exported. It is claimed that there are 3,000 active companies with 75,000 employees, registered exports of \$270 million and an enormous 'luggage trade' of \$2.5 billion, even though steps have been taken to regulate this business. A major portion of the Turkish leather apparel industry manufactures shearling type coats. Italy, Spain, Uruguay and China are also manufacturers of fur-suede products but the Turkish industry considers Italian and Spanish fur-suede products too specific and expensive for some segments of the market and those from Uruguay and China of lower quality. For this reason, Türkiye claims it is an unrivalled country which can appeal to middle and upper middle classes in this category.

Türkiye would have been in a much stronger position in many countries' markets had its concentration on the Russian market especially after 1994 not caused it to ignore much of the rest of the world. The quality of garments overall has continued to improve and the industry considers they can now be compared with Italy.

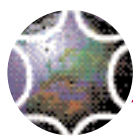
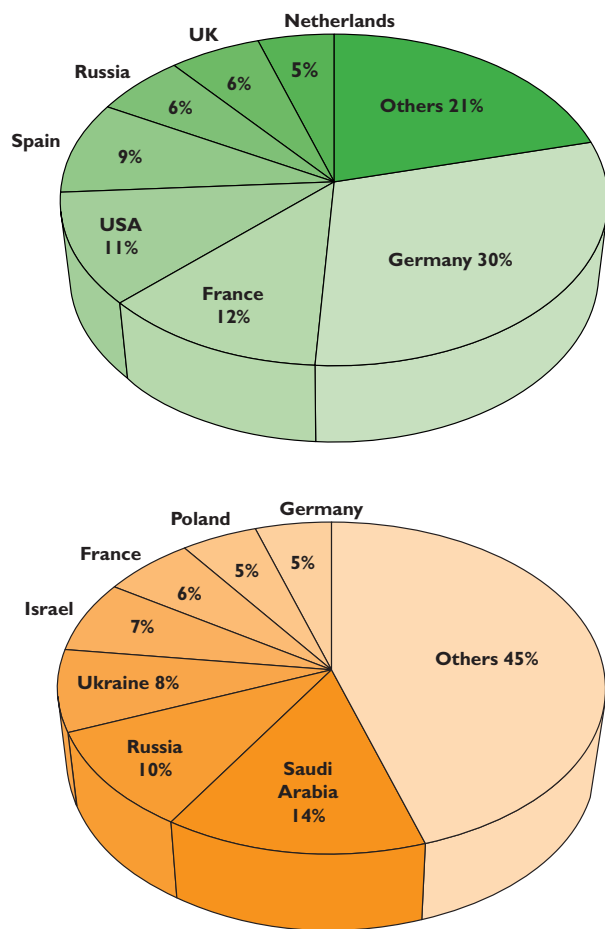


Figure 1: Total garment (top) and accessory exports



Source: ITKIB Istanbul Leather & Leather Products Exporters Association

An innovative success

Over the years, Turkish exhibitors have become a major presence at the international, especially at the international show APLF, Hong Kong. One of the regulars is a company called Tess, which started up in 1986. In the early 1990s, it was one of the first exhibitors to use new computer technology. With a laptop on the stand, Tess's Osman Baturay, who has a definite entrepreneurial flair, would have buyers signing order confirmations on the stand; when the show shut, every evening details of orders taken would be sent back to Istanbul so that the production side would know what was required, by whom and by when. While others were still processing orders by 'long hand' he had shortened production lead time and cut out wasteful to-ing and fro-ing while waiting for orders to be confirmed.

From hesitant beginnings based on youthful ambition and the confidence of youth, the business has grown rapidly across the years. Today this producer and exporter of leather garments, with strong markets in Italy, Spain, Canada and Scandinavian countries in the west and Russia and the Turkic Republics and Kazakhstan in the east, has become a very creative company with a unique capacity in doubleface patch-work garments which are matched with its production of leather caps and handbags.

Leather scraps export leads to bigger things

Appreciating that the leather industry has a reputation for leaving offcuts on the floor, since 1992 it has collected leather scraps from all over Türkiye and exported them to Hong Kong and China, already sorted by size, colour and type of leather.

As a result of the good relations built up in Hong Kong and China and the increasing demand and development of the Chinese market, Tess has now opened an office/showroom in China, one of the first Turkish companies of its kind to do so. According to Baturay, his personal interest to get to know his customers and establish permanent offices has allowed the company to function efficiently using direct selling techniques that are well suited to meet local needs.

Footwear

The shoe industry, which began to appear as a small-scale industry in 1950, is now well-developed.

Today, the production capacity of the 33 leading companies in the sector is 328,100 pairs daily. In addition, there are many small- and medium-size establishments in the sector. Türkiye's shoe production was 85.5 million pairs in 1985; this number reached 161 million pairs in 2000. Almost 28% of the production consists of leather shoes.

The industry is now concentrating its efforts on training and design. In this context, with the initiative of the shoe industry, the Turkish Shoe Industry Research, Development and Education Foundation was established in 2001. In order to meet the lack of qualified personnel in shoe design, a new department of education, "The Shoe Design Department" has been opened at Mimar Sinan University in Istanbul, which offers two-year courses.

The Turkish shoe sector had an export value of \$131 million in 2002 and \$173 million last year. The performance of the sector largely depends on exports. Until recently, the Russian Federation was the number one market for Turkish shoe exports. The volume of export to the Russian Federation reached its highest level of \$116.8 million in 1996. Since then, export volumes have fallen and were down to \$11 million by 2002. At present, Saudi Arabia, Israel, France, Germany, Ukraine, Libya, The Netherlands, United Kingdom and Poland are the other

major markets for Turkish made shoes.

Shoes with leather uppers make up 38.6% of footwear exports and had a value of \$50.7 million in 2002.

A new market oriented strategy

In the process of continued self audit Türkiye has identified deficiencies in its education and training, R&D and marketing. Plans are underway to improve in every sector. The industry has formed the view that countries creating their own brands and designs have a greater competitive capability. Since the beginning of 2000, the leather industry has adopted a new strategy in order to get more market share in international markets,

The elements of this strategy are;

- Market differentiation via promotional activities and fairs, with careful geographic targeting
- Product differentiation by research & development studies and cooperative activity with overseas companies
- Greater activity to strengthen the image of Turkish leather and leather products, at home and abroad

According to one report the Middle East market for footwear and leather goods is over \$1 billion, and with the Russian market continuing to prove unstable, Türkiye has started to target this area with some thought of using Egypt as the conduit. ●