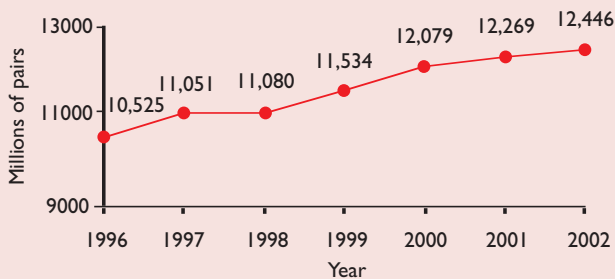




Italy – fighting to maintain its place in the world market

The leather and leather using industries worldwide continue to grow but fighting for a share of the market continues to be a battle. World production of footwear, for example, moved up to 12.4 billion pairs in 2003, and annual growth of 1.5% (Table 1). Hidden behind this figure are declines in production in all markets except Asia and South America. Africa and North America saw a 13% decline and Europe, both east and west, declined by 9%. With Italy by far Europe's leader in all things to do with footwear, these are difficult times.

Table 1 World production of footwear



Source: ASSOMAC/UNIC

As John Koppani of CIDECE told the ALCA centenary conference earlier this year, China, India and Brazil look like being the major powerhouses behind the leather industry with everyone else fighting for crumbs.

Interestingly, although European participation in the recent ACLE fair in Shanghai appeared quite high, at the Wenzhou Fair the Italians were listed as the leading European participants. This latter is primarily—but not exclusively—a footwear event. (World Leather reporters were amazed at how many familiar faces from Europe and North America were not present.) Increasingly Chinese shows are becoming shows for the Chinese by the Chinese. Some of the Chinese companies show with European

partners but recent trends indicate that it will not be long before their foreign partners will be jettisoned.

So how does Italy react to being left struggling for a seat at the top table after so many decades sitting at the head as world leader? Certainly the growth of manufacture in Asia has been underpinned by the weak dollar and strong euro. This has put pressure on Italian tanners who have seen their production continue to fall. Table 2 shows an overall decline in 2003 of some 14%.

Table 2 Leather production in Italy (€ millions)

	2003	2002	Var.% 2003/02
Production	5,344	6,186	-13.61
Export	3,313	3,792	-12.63
Import	2,300	2,915	-21.10
Domestic consumption	1,013	877	+15.51

Source: ASSOMAC/UNIC

As production decreased so did exports, leaving the residual Italian leather-using industries to absorb more of the production. It is noteworthy that Eastern Europe countries, especially Romania, Poland, Bulgaria and Albania, jumped up the list of significant destinations for Italian leather.

The FAO figures (Table 3) only go up to 2001 but show an industry fighting creditably through the 1990s, yet holding its own. Since then the business climate has become much more competitive as more production of footwear and leather goods left Europe to move east.

In 2003 Italian leathergoods production dropped by 4% and the production of footwear dropped 9.5% to 303 million pairs. Exports also fell 8% with declines to every region of the world except Central and South America which have never figured as important destinations.

Looking at the data for world production and consumption of footwear, the predominance of countries such as China is very obvious. The domestic consumption of countries such as India and China is important and, looking at their low per capita consumption of pairs, they have plenty of room for future growth as their economies and individual wealth continue to grow.

In Italy output of leather for footwear and garments has been hit significantly while furniture and automotive leathers have fared better. Allied to this, the Santa Croce tanners in Tuscany and those in Solofra in Campania have suffered more than ➤



Assomac chairman Giovanni Gaia seen addressing the association's annual meeting in June when he acknowledged the problems being faced by its members in the footwear, tannery and leathergoods machinery sectors. 2003 saw a serious fall in both production and exports of machinery and the first months of 2004 showed no reversal of the trend. He stated that the association's main objective must be to defend and reassert Italy's technological leadership.



Table 3 Italian leather production

Year	Light bovine m.sq.ft	sheep/goat m.sq.ft	Heavy leather 000 tonnes
1984/86	1003	468	35
1987/89	1067	438	38
1990	1145	469	40
1995	1523	409	54
1996	1674	420	56
2000	1428	494	58
2001	1429	497	58

Source: FAO

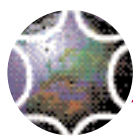


Table 4 Worldwide production and consumption of footwear - 2002 (selected countries)

COUNTRY	Production (million pairs)	Import (million pairs)	Export (million pairs)	Consumption (million pairs)	Population (million)	Consumption per capita (-) pairs
EUROPE						
France	76	290	48	318	59.5	5.3
Germany	33	343	74	302	82.4	3.7
Italy	335	225	322	238	58.1	4.1
Netherlands	4	122	67	59	16.1	3.7
Portugal	101	26	87	40	10.4	3.8
United Kingdom	28	315	31	312	60.2	5.2
Spain	198	104	137	165	41.3	4.0
Poland	52	95	31	116	38.6	3.0
Romania	77	65	58	84	22.4	3.8
Russia	41	144	5	180	143.5	1.3
AMERICAS						
Canada	10	117	4	123	31.3	3.9
Mexico	194	25	39	180	101.7	1.8
U.S.A.	59	1,896	30	1925	287.4	6.9
Argentina	71	9	1	79	36.3	2.2
Brazil	642	5	164	483	173.8	2.8
Colombia	57	32	1	88	43.8	2.0
ASIA/OCEANIA						
Republic of China	6,950	6	4,300	2,656	1,280.7	2.1
Korea	137	50	22	165	8.4	2.3
Philippines	140	50	7	183	80.0	4.1
Singapore	116	471	2	585	127.4	4.6
Hong Kong	1	809	772	38	6.8	5.6
India	750	2	63	689	1,049.5	0.7
Indonesia	509	17	176	350	217.0	1.6
Iran	100	10	18	92	65.6	1.4
Pakistan	245	7	10	242	143.5	1.7
Thailand	270	10	136	144	62.6	2.3
Türkiye	215	13	62	166	67.3	2.5
Vietnam	360	2	333	29	79.7	0.4
AFRICA						
Egypt	66	50	17	99	71.2	1.4
Morocco	62	10	31	41	29.7	1.4
WORLD TOTAL	12,448	7,516	7,516	12,448	n.d.	n.d.

Source: ASSOMAC/SATRA

those tanners in the northern region around Arzignano. These northern tanners have a much more diversified customer base, and a major export presence.

Another increasing trend has been the use of wet blue and crust in place of raw hides. At the same time, the industry is beset by concerns over the introduction of REACH in 2006, which looks set to impose severe financial burdens on tanners in Europe. (See *World Leather*, Aug/Sept. 2004.) It is hard to see how they will reconcile compliance with the need to contain costs unless the EC begins to understand the impact of this piece of legislation and agrees to ameliorate its effects.

The tanners' approach to all this has been varied. Some have decided to move overseas with joint ventures and other business arrangements in Asia and Latin America, while others have moved elements of production into Eastern Europe. The latter is attractive as staff can get home for the weekend, and technology and production secrets are easier to protect. A small group has decided to sit tight and work in niche high quality areas, but these now look like the beleaguered few.

The situation is almost perfectly reflected in the machinery business, which is discussed elsewhere in this issue and has become the subject of some complaints from the tanners over their exports. Exports of Italian tannery machinery, developed with the help of Italian tanners, is perceived in some quarters as

tantamount to giving away Italian leather making technology and with it jobs. But then, identical complaints are to be heard in the textile sector and this sort of concern is not unique to either Italy or the leather industry.

Curiously the leather chemicals industry has never faced such complaints although it could be argued that chemicals are more essential to copying European processing than machinery. The chemical industry, however, has always been more internationally capable than tanners or the machinery sector and has had to be at the forefront of globalisation in order to secure its future.

For Italy, the business of leather chemicals parallels the fortunes of the tanners with reduced overall volumes, declines in beam house chemicals, and an increased focus on upholstery. To help the surviving tanners, the chemical companies are introducing products related to raw material upgrading, environmental benefits and other innovative value creating systems. For instance, TFL, which maintains an academy in Italy, would certainly class its Cool System, White Line and Upgrading System as successful offers in these areas.

Notwithstanding, Italy is still seen as the centre of innovation for the leather sector at virtually every level—machinery, creativity, finishing and colour—but it is increasingly having to fight off the challenges of non European production and cheap imports into its own backyard. ●