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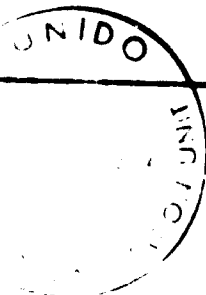
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GOAT AND SHEEPSKIN LEATHER
AND PRODUCTS THEREOF^{1/}

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1. INTRODUCTION

Many developing countries which traditionally have exported most of the locally available sheep and goat skins as raw materials, have for several years now been exporting semi-processed leather made from such skins in the vegetable tanned or wet-blue chrome tanned state. Most of these countries are now eager to develop further their own leather industry in order that the production of ready-to-finish leather or fully-finished leather, as well as the manufacture of various leather products can be increased and improved to cater for the domestic market and for export. Such a development will create employment opportunities and added value to the raw materials available in the country.

Restrictions imposed by Governments on the export of raw materials and semi-processed leather can accelerate the transition towards the increased production of finished leather and leather products. However, there are several important factors to keep in mind in this connexion. In terms of total export earnings, too hasty a change-over to the production of a more advanced product could have certain negative effects. Without an adequate marketing structure, marketing ability, market demands, sufficient technological know-how and a sufficiently large home market to absorb the inevitable export reject production, severe losses could occur in export earnings.

If a sufficiently large domestic market for leather and leather products does not exist, a gradual transition is therefore to be recommended.

2. AVAILABILITY OF RAW MATERIALS

The magnitude and importance of the trade related to leather made from goat skins and sheepskins can be seen from the following statistical data on the availability of these raw materials in the world.

Table 1
Distribution of Estimated World Sheep Population
(in 1971)

Total			1,032.4 million
In developing countries	422.5 million	42 %	
In developed countries	609.9 million	58 %	

Table 2
Distribution of Estimated Availability of Sheepskins
(in 1971)

Total			311.5 million
In developing countries	130.8 million	39 %	
In developed countries	213.7 million	61 %	

This shows that the main part (three-fifths) of the available sheepskins are produced in developed countries.

Table 3
Distribution of Estimated World Goat Population
(in 1971)

Total			363.6 million
In developing countries	277.2 million	76 %	
In developed countries	86.4 million	24 %	

Table 4
Distribution of Estimated Availability of Goat Skins
(in 1971)

Total			128.3 million
In developing countries	101.7 million	79 %	
In developed countries	26.6 million	21 %	

This shows, therefore, that more than three quarters of the total number of goat skins available in the world are produced in developing countries.

3. LEATHER PRODUCED FROM SHEEPSKINS AND GOAT SKINS

The total world production of leather made from goat skins and sheepskins is not known, owing to the lack of reliable statistical data. In addition, available data from certain countries do not provide separate information on the production of leather from goat skins and leather from sheepskins but group it collectively under the production of leather from small skins.

It is, however, evident that the production of leather from these raw materials is predominantly being carried out in developed countries. This is demonstrated in the following table, showing that the six countries which are main producers of leather from goat skins and sheepskins are all within the group of developed countries.

Table 5
Annual Production of Leather from Goat Skins and Sheepskins
Main Producing Countries
(in 1969)

	<u>Approximately</u>
France	300 million square feet
Italy	200 million square feet
United States of America	185 million square feet
United Kingdom	170 million square feet
Federal Republic of Germany	125 million square feet
Spain	<u>120 million square feet</u>
These six countries together produced approximately	1,100 million square feet of this type of leather

Particularly in the field of leather made from goat skins the prospects appear, therefore, to be very promising for developing countries to increase their production of such leather and ultimately also the manufacturing of different products therefrom, especially leather garments. In the sheepskin sector the fashion trends also appear to be in favour of increasing in developing countries the production of leather and fur made from sheepskins, and articles manufactured therefrom, particularly garments and gloves.

Developing countries wishing to develop further their production and export of leather and leather products are therefore recommended to become aware of the potentials existing within the area of goat and sheepskin leather.

4. LEATHER GARMENT INDUSTRY

Up until a few years ago the leather garment industry played a minor role in the end uses of leather. It has been estimated that as late as in 1968 the share of the clothing industry in the total leather usage was only about 5 per cent. During the last five years, however, important changes have taken place in the leather trade, and the demand for garment leather and leather garments has increased considerably.

Previously the leather clothing industry mainly served consumers such as sportsmen, hunters, people engaged in outdoor work, etc., and where cold and harsh climatic conditions necessitate a special type of outerwear.

The leather garment industry began to realize that in order to obtain a greater share of the consumers clothing expenditure on the market, it had to enter the so-called fashion market. This was actually achieved by thorough and careful investigation and development work, starting with the adaptation of leather for the fashion garment industry as a material equal to textiles. However, it was necessary to introduce a considerable change at the leather producing stage in order to produce leather types which could meet the demanding requirements of the garment industry. The result was that nowadays leather can be used for practically all types of clothing, including fashion garments, shirts, blouses, trousers, and even swim-suits and evening gowns.

Requirements like faultless coloring fastness, light fastness and high quality of the finish in general are, therefore, much more demanding in the field of garment leather than in the more traditional field of leather for footwear. Consequently it is necessary to recognize the fact that no viable leather garment manufacturing industry can be successfully established in a developing country without the existence and/or development of a local leather producing industry which is in a position to produce suitable leathers of consistent quality meeting the demanding requirements of the leather garment market.

5. LEATHER GLOVING INDUSTRY

The rapid increase in the demand for leather garments has already put much strain on the raw material market, particularly on the supply of sheep-skins, causing a direct reduction in the production volume of gloving leathers. This can easily be understood when one considers that the leather consumption of an average garment is equal to about fifteen pairs of gloves. With the diminution of leather production for gloving in several developed countries enjoying great demand for leather garments, the opportunities for export of leather for gloves or of leather gloves by developing countries appear evident. Many developing countries have already successfully exported leather gloves to markets in developed countries.

6. APPLICATION OF EXPORT INCENTIVES

Many developing countries are heavily subsidizing the export of finished leather and leather products in order to stimulate the growth of the local industries producing these products. However, this may lead to other countries adopting the same policy, which would make the finished leather export an uneconomic proposition without the aid of the Government.

The production and export of semi-processed leather in the wet-blue state gives a quick and large profit return to the individual producer. However, this approach is economically unsound as it yields a relatively low added value per unit produced, and is consequently reflected in poor foreign currency returns of the producing country.

The production of "ready-to-finish" leather gives a good return on capital and also a relatively high added value in terms of foreign currency. The production of finished leather products gives the highest added value to the raw material used and should, therefore, be the ultimate aim in the long-term planning.

The current practice whereby little or no duty is being paid on wet-blue leather, while finished leather and leather products pay higher duty, accentuates the situation.

Governments of developing countries can contribute substantially to supporting the immediate needs of a developing industry producing finished leather for various end uses, not only by introducing appropriate export incentives for finished products, but also by facilitating the import of essential machinery and chemicals which are not yet produced locally, as well as by simplifying as much as possible unavoidable bureaucratic procedures.

7. PERSPECTIVE FOR DEVELOPMENT

There are strong indications that in the future the demand for leather products made from sheepskin and goat skin leather will continue to increase, particularly due to the popularity of leather garments as fashion and utility wear. It is, therefore, important that the available raw materials be treated with care, that the leather produced from them be of the required quality to meet the actual demands of the market, and that the available leather be

manufactured to the utmost extent into as high-class consumer goods as possible.

Good opportunities can be seen for the export of a wide variety of leather products from developing countries, using goat skins and sheepskins as the basic raw material, particularly in the field of leather garments and leather gloves, provided certain marketing provisos are observed. Several countries, developed as well as developing, as for instance, Spain, Finland, Iran and Turkey, are already realizing high export revenue in the export of leather apparel.

The value per piece of such products is relatively high, yet the product imported by a developed country from a developing country is usually much cheaper than that produced locally. Provided leather wear remains fashionable, which seems highly probable, then there appear to be expanding domestic markets in many developing countries, as well as a need by developed countries to increase the import of such products, in order that the rising demand can actually be satisfied.

It is to be hoped that Governments in developing countries will endeavour to benefit from these good prospects for this branch of the leather industry and are determined to support their local industries and trade concerned with the production and trading of leather from goat skins and sheepskins and the products that can profitably be manufactured therefrom. The result would be increased employment opportunities and increased foreign currency earnings due to the considerably added value to the locally available raw materials.

APPENDIX 1

ANIMAL POPULATION - SHEEP

(in million heads, 1972)

The twentyfive most important countries with respect to number of sheep are:

1. Australia	179.0
2. USSR	135.0
3. People's Republic of China	61.0
4. New Zealand	60.0
5. Argentina	48.6
6. India	41.0
7. Turkey	37.0
8. South Africa	35.9
9. United Kingdom	27.3
10. Iran	25.0
11. Brasil	24.6
12. Uruguay	21.9
13. U.S.A.	21.8
14. Afghanistan	21.0
15. Spain	19.2
16. Peru	16.3
17. Romania	14.0
18. Mongolia	13.8
19. Ethiopia	12.7
20. Morocco	12.2
21. Yemen Arab Republic	11.6
22. Mali	11.0
23. Pakistan	10.1
24. France	10.0
25. Iraq	<u>9.7</u>

These 25 countries have -

879.7 million heads - 85.2 %
of the total sheep population

APPENDIX 2

ANIMAL POPULATION - GOATS
(in million heads, 1972)

The twentyfive most important countries with respect to number of goats are:

1. India	65.0
2. People's Republic of China	55.0
3. Nigeria	20.6
4. Turkey	20.2
5. Brazil	14.7
6. Iran	14.0
7. Ethiopia	11.3
8. Mexico	8.5
9. Somalia	8.0
10. Bangladesh	7.2
11. Algeria	7.0
12. Indonesia	7.0
13. South Africa	7.0
14. Morocco	6.2
15. Bulgaria	6.0
16. Greece	6.0
17. Sudan	6.0
18. Niger	5.7
19. Argentina	5.0
20. Togo	5.0
21. Mongolia	4.8
22. Tanzania	4.5
23. Pakistan	4.3
24. USSR	4.2
25. Peru	<u>3.5</u>

These 25 countries have -

306.7 million heads = 84.3 %
of the total goat population

APPENDIX 3

COUNTRIES WHICH ARE THE PRINCIPAL
PRODUCERS OF GOAT AND SHEEPSKINS

Sheep

(millions of units)

1. USSR	61.2	
2. Australia	37.0	<u>98.2 = 29.4% of total</u>
3. New Zealand	32.0	(2 countries)
4. People's Republic of China	18.6	
5. India	16.4	<u>165.2 = 49.5% of total</u>
6. U.S.A.	12.5	(5 countries)
7. United Kingdom	12.0	
8. Turkey	10.3	
9. Argentina	8.5	
10. South Africa	8.5	
11. Afghanistan	8.4	
12. Spain	7.2	
13. Ethiopia	7.0	
14. Romania	6.9	
15. Iran	6.0	
16. Brazil	5.4	
17. France	5.2	
18. Yugoslavia	4.6	
19. Italy	4.5	
20. Pakistan	4.0	
21. Greece	3.8	
22. Bulgaria	3.8	
23. Iraq	3.8	
24. Uruguay	3.6	
25. Morocco	3.5	
		<hr/>
		294.7 = 86 % of total (25 countries)

Goats

(millions of units)

1. India	29.0	
2. People's Republic of China	<u>14.0</u>	<u>43.0 = 33.5% of total</u>
3. Pakistan	7.3	(2 countries)
4. Ethiopia	7.0	
5. Nigeria	<u>7.0</u>	<u>64.3 = 50% of total</u>
6. Turkey	6.1	(5 countries)
7. Brazil	4.1	
8. Iran	4.0	
9. South Africa	3.5	
10. Greece	3.2	
11. Argentina	3.0	
12. Indonesia	2.5	
13. Bulgaria	2.4	
14. Spain	2.2	
15. Morocco	2.0	
16. Mexico	2.0	
17. Tanzania	1.8	
18. Togo	1.7	
19. Angola	1.7	
20. Somalia	1.6	
21. Uganda	1.5	
22. U.S.A.	1.5	
23. Niger	1.4	
24. USSR	1.2	
25. Saudi Arabia	<u>1.2</u>	
		<hr/>
		112.9 = 88 % of total (25 countries)

APPENDIX 4

GENERAL SCHEME PREFERENCES (GSP) CONCERNING
GOAT AND SHEEPSKIN LEATHER

<u>Tariff Item</u> <u>No.</u>	<u>Products</u>
41.04	Goat and kid skin leather
41.03	Sheep and lamb skin leather

General Scheme Preferences (GSP)

<u>Country</u>	<u>Preferential Treatment</u>
(a) <u>41.04</u>	
EEC	Only 41.04-B-II not specified: Quota amount: US\$ 982,000 Federal Republic of Germany 368,250 Benelux 148,300 France 266,100 Italy 199,350
U.S.A.	Duty-free
Canada	Duty-free
Nordic Countries	Duty-free
United Kingdom	Duty-free
Hungary	Only 41.04-(b) Nappa leather 5 %
Bulgaria	30 % tariff reduction from m.f.n. rates
Czechoslovakia	50 % tariff reduction from m.f.n. rates
Switzerland	30 % tariff reduction, therefore, Fr. 42.- and 56.- per 100 kg gross
Japan	50 % tariff reduction, therefore, 41.03-1 = 10 % 41.03-2 = 3.75 %
New Zealand	No preference
(b) <u>41.03</u>	
EEC	Duties are totally suspended
U.S.A.	Duty-free
Canada	Duty-free
Nordic Countries	Duty-free
United Kingdom	Duty-free
Hungary	Duty-free

Country

Preferential Treatment

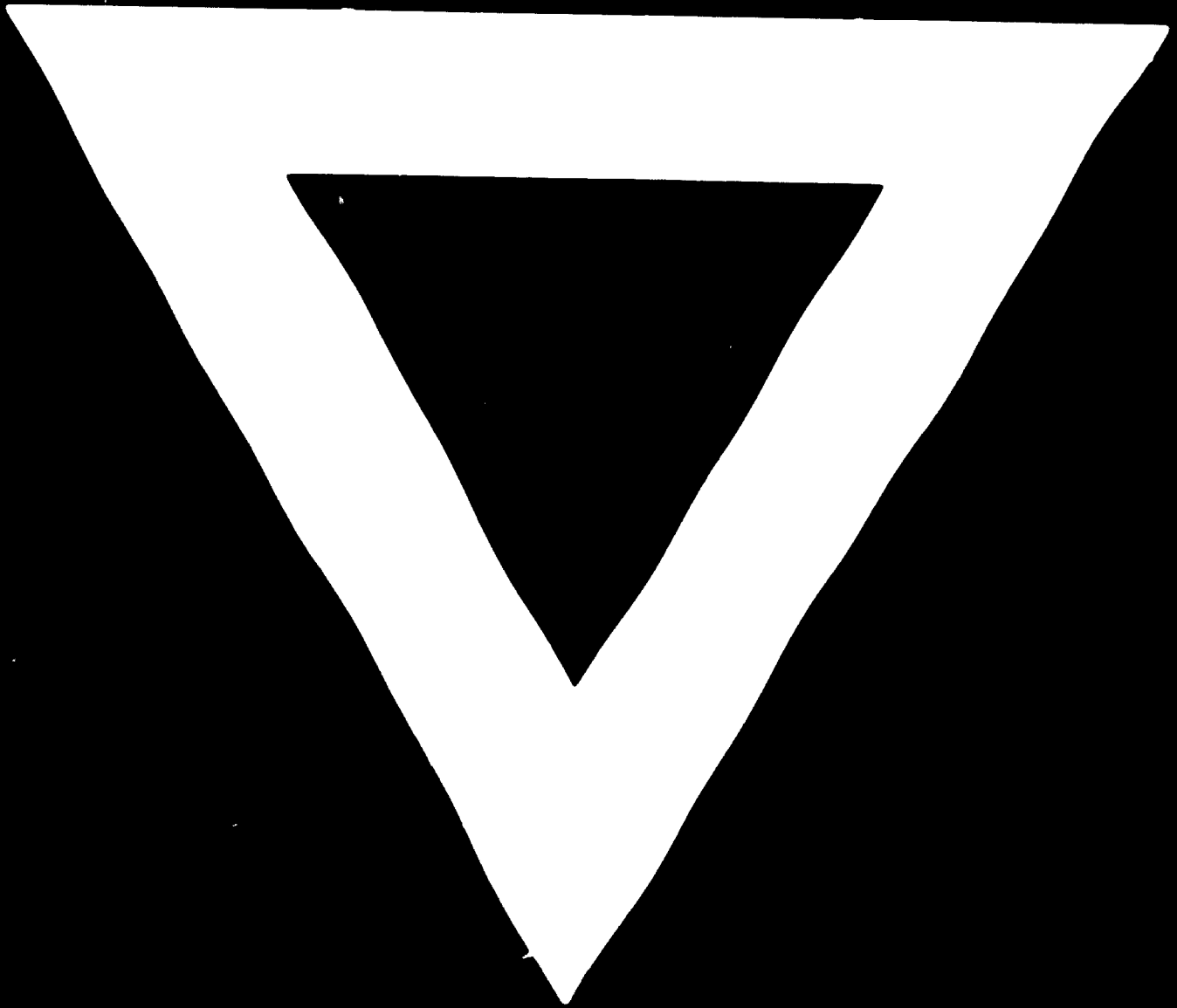
(b) 41.03 - Cont'd.

Bulgaria	30 % tariff reduction from m.f.n. rates
Czechoslovakia	50 % tariff reduction from m.f.n. rates
Switzerland	30 % tariff reduction, therefore, Fr.24.50 per 100 kg gross
Japan	50 % tariff reduction, therefore, 41.04-1 = 10 % 41.04-2 = 3.75 %
New Zealand	No preferences

APPENDIX 5

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