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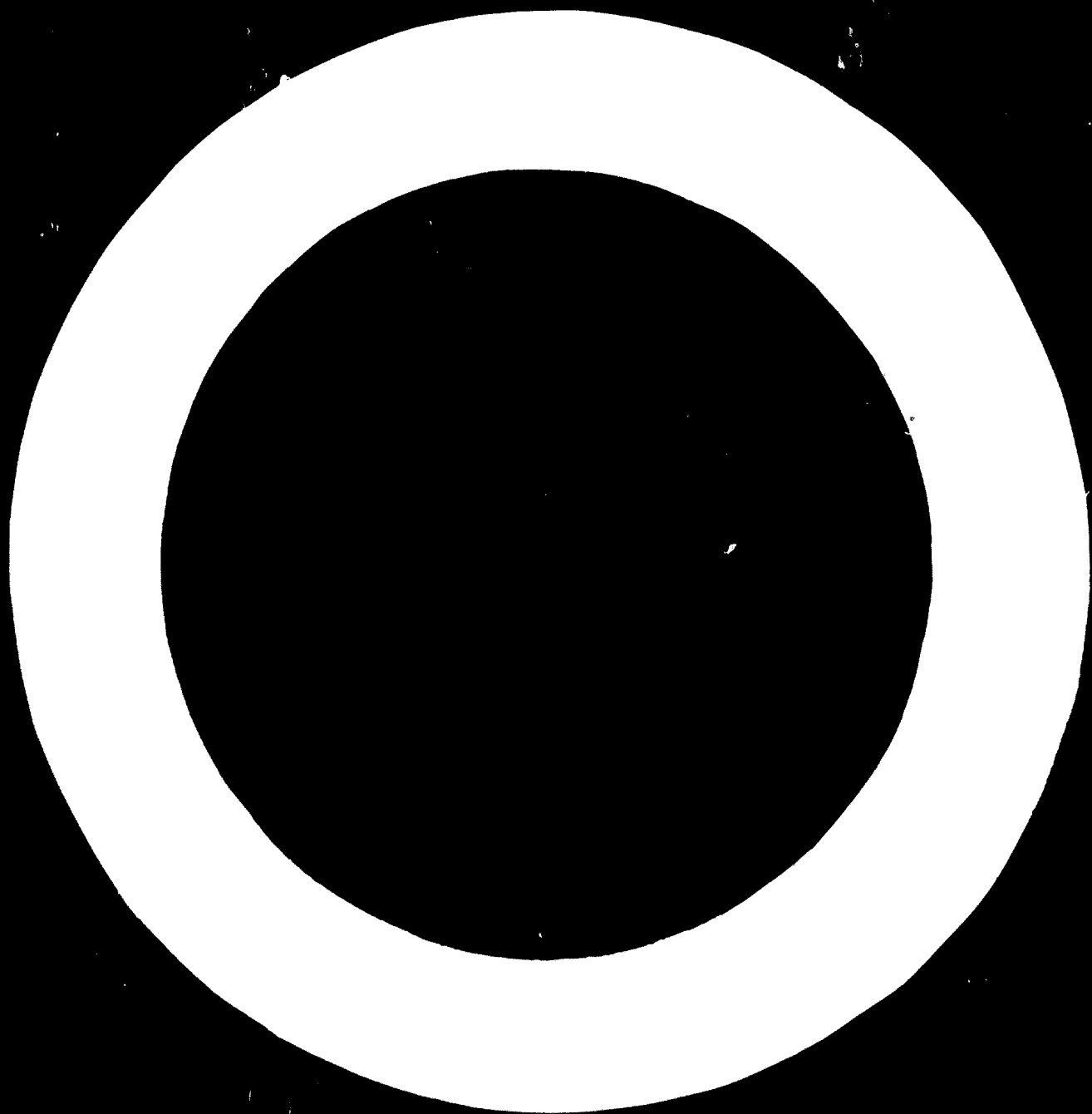
STATEMENT  
ON THE SITUATION OF THE LEATHER INDUSTRY IN  
ISRAEL

presented by

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Allow me to begin with some historical remarks:

The tanning industry is one of the oldest in the Holy Land and in the whole Orient. Thus we find in one of the earliest sources of written history - the Bible - right after the expulsion of Adam and Eve from the Garden of Eden, the words: "And the Lord God made for Adam and his wife garments of skins, and clothed them." We can hardly imagine that the Lord would have clothed Adam and Eve's naked body in some animal's skin. Here, some processing must have taken place.

From sources written several hundred years B.C. we learn that Jerusalem tanners were requested to carry out their business at a special place, outside the settled town area which, I suppose, must be one of the first measures taken by man to cope with ecological questions.

The leather scrolls on which the Holy Scriptures were written; the remains of leather garments and leather footwear which have been discovered and, thousands, point to the high level of skill tanners had reached already at biblical times.

#### I. The progress in the last twenty years

Turning to modern Israel, we find a rapid development of the tanning industry which took its start in the early 50's. Since then, output has grown more than tenfold, and the number of industrial workers is four times that of 1950/51. The questions that interest us here are: what is the tanners' share in this development? Our statistics prove that during the twenty years from 1951 till 1971, the output of skins, leather and leather for lining has increased about eight times, from an annual two million, three hundred thousand to 18 million sq. ft.

The number of workers in this branch has risen from an approximate 200 in 1950, or more than three times.

The output of sole leather has remained fairly static: 700 tons per year. On the other hand we have a production of 4 1/2 million sq. ft. of garment leather, an industry which in 1951 was practically non-existent.

#### II. The various factors that had an influence on the branch

Statistics show that the development of the tanning industry has not kept pace with the general progress of Israel's industry.

There are a number of reasons for this:

All industries - and this is true for all countries in the world - strive to secure

It is themselves the source of the problem, they look for outside investment. They are therefore in a kind of natural dependence on the outside world. There are limited in every economy.

It seems to me that within this context for capital investment, the tanning industry is just a disaster area.

- a) One reason is that of course such investment has to be in a high return or a high contribution to a country - even in the long run. It is not in any way, above all in the industrial sector, where there is a lot of capital work that cannot be done by machines. This sector is still a good deal of the way in many, particularly among people of the young generation who prefer to start on a career and more comfortable trade than that of a farmer.
- b) The second reason is that the tanning industry does not offer high profits to the investor because tanning is only one stage out of an extended production process that leads to the finished leather product. Therefore it is exposed to great fluctuations in the quantity and prices of supply and demand. Such a tannery, even though its profits both with the supplier of the raw product and with the manufacturer of the finished product. For this reason, the profit which the investor may expect from a tannery is fairly modest.

Moreover, those responsible for economic development - from the central policy makers down to the local councils (which have to approve the setting-up of a tannery in their area) are not too keen on helping in the advancement of the branch.

The main reason for this attitude lies in the factor of environment which has gained in importance during recent years. Now industries have to watch pollution of environment in the tanning industry. The extent of use of chemicals and their necessary discharge into the sewerage system; the quantities of leather, waste and other refuse left over from the first stages of processing; do not help to enhance the image of the industry in the eyes of the public. Large sums of money are necessary to prevent pollution, and since these investments have to be made before direct contact with output, they too tend to lower profitability.

- c) In Israel we have our special problems. One of them is the serious shortage of water in our country which is afflicted by a desert climate. The second is the very small supply of locally produced raw skins.

Locally produced hides do not cover more than 10% of the quantity required by our

c) tanneries which is partly explained by the water shortage and the lack of pasture land. The problem is very acute in the case of the tanneries in the Negev region, which are the most of the branch.

Also the shortage of animal skins, resulting from the decrease in the number of animals, is a problem for the tanneries.

In spite of all these restricting factors which have resulted, the last 20 years have brought an impressive expansion of the tanning industry due to the increasing demand from the consumers' side.

With the quickly rising retail sale and with the enormous increase in the export of finished leatherware, local tanneries were increasingly put under pressure to work for the raw product for the leather-processing industries. While in 1951, domestic consumption of footwear of all kinds was about one and a half (1 1/2) million pairs, the corresponding figure for 1971 was 10 million. A similar increase took place in the consumption of leathers goods. At the same time the leather garments industry developed into a flourishing export business which started in the early sixties. Within a few years time, Israeli footwear succeeded in gaining a respectable place on the world market. Although the import of dressed skins has been no problem - at least until the last 2 years - it is clear that domestic demand for leather garments bore pressure on local tanneries to increase their output. The leather garments industry had not only an effect on the expansion and the volume of output of the tanneries but also on the quality of the raw material demanded a high level of workmanship from local tanneries, according to the export standards of the leather goods industry. Since the leathers goods manufacturers have the alternative to import skins from other countries in their own country in Israel (it should be noted that there are no customs in Israel on import of raw material for the purpose of export, and local tanneries are under a high pressure to compete with experienced and well-established tanneries abroad).

#### The present situation

The impetus which the Israeli tanning industry received as a result of the described situation, led to the establishment of some forty tanneries. Three or four among these are medium-sized plants that employ about fifty people and produce between 20 to 30 million sq. ft. per year. The two biggest tanneries are relatively new enterprises, located far away from the regions where most of the industry is concentrated. Ten of the 40 tanneries employ up to twenty people and the remainder are smaller enterprises. A breakdown of the domestic annual output shows:

20. Allocation of 10% of the total area of the country for footwear; the allocation of 15% of the total area for leather goods; 10% of leather, other than cow leather, for leather goods; 10% of leather-garments; 10% of leather for other leather goods.

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obstacles in the supply of the needed quantities. Thus the only question that remains is that of the price for the raw product. We look constantly for additional sources of supply with a view to reduce the amount we are paying for import.

There are also several plans for plants to utilize the by-products from the tanneries. The problem is, however, not an easy one. Since the whole output is not too big, the quantity of by-products is also relatively small. It is therefore questionable whether an investment in the utilization of these materials is profitable from the economic point of view.





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