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**ASSISTANCE
TO THE
LEATHER
INDUSTRY
SECTOR**

EM/SUD/76/007

SUDAN

**Technical report:
MARKETING OF SUDANESE LEATHER AND
LEATHER PRODUCTS ON THE DOMESTIC
AND EXPORT MARKETS**

**Prepared for the Government of Sudan by the
United Nations Industrial Development Organization
in cooperation with the
United Nations Development Programme**

United Nations Development Programme

ASSISTANCE TO THE LEATHER INDUSTRY SECTOR

SM/SUD/75/007

SUDAN

Technical report: Marketing of Sudanese leather and
leather products on the domestic and export markets

Prepared for the Government of the Sudan
by the United Nations Industrial Development Organization,
executing agency for the United Nations Development Programme

Based on the work of Koloman Troka, marketing expert
for leather and leather products

United Nations Industrial Development Organization
Vienna, 1976

Explanatory notes

References to dollars (\$) are to United States dollars, unless otherwise stated.

The monetary unit in the Sudan is the Sudanese pound (LSd). During the period covered by this report, the value of the LSd in relation to the United States dollar was LSd 1 = \$US 2.88. There are 100 piastres, or 1,000 mills, to one LSd.

A slash between dates (1974/75) indicates a financial year.

A full stop (.) is used to indicate decimals.

A comma (,) is used to distinguish thousands and millions.

In the tables, a dash (-) indicates that the amount is nil or negligible.

Totals may not add precisely because of rounding.

The following abbreviations of organizations are used in this publication:

LIC Leather Industries Corporation

OECD Organisation for Economic Co-operation and Development

For the purposes of this report, Belgium and Luxembourg only are included in the name "Benelux"; statistics are given separately for the Netherlands.

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ABSTRACT

The project "Assistance to the Leather Industry Sector" (SM/SUD/75/007) of the United Nations Development Programme (UNDP) in the Sudan was carried out by an expert from the United Nations Industrial Development Organization (UNIDO) which was the executing agency. The mission lasted six months, starting on 5 October 1975 and ending on 4 April 1976.

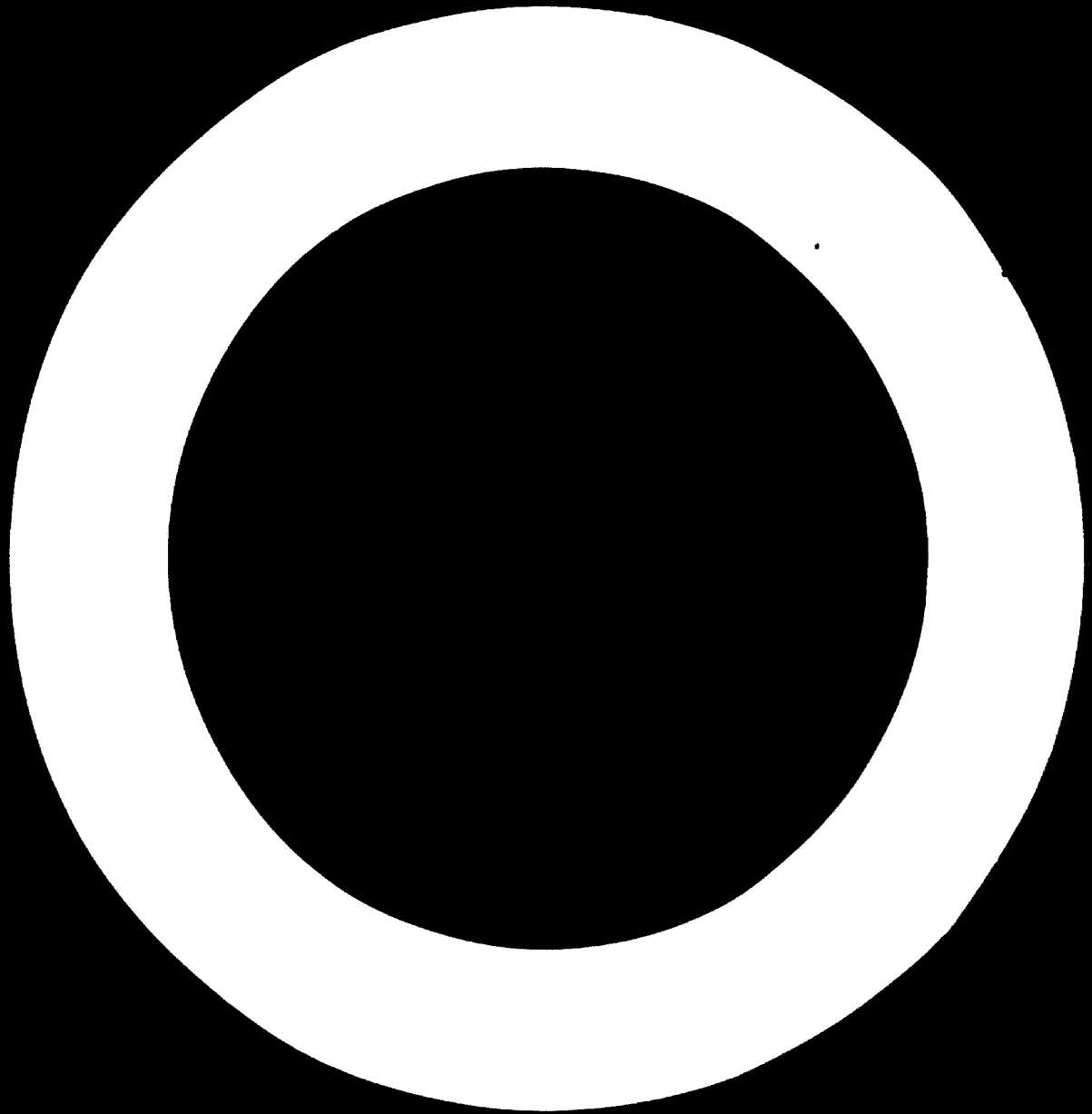
The main objective was to advise the Government and the leather industries on the necessary action to be taken to develop the industries to international standards, with the aim of quality production for domestic and export markets.

The expert's duties were:

1. To study the existing situation of the marketing of raw hides and skins.
2. To advise on methods of commercialization and marketing of the raw material used in the tanneries.
3. To advise on price structures and all other aspects of domestic and export marketing of raw hides and skins and of finished leather.
4. To organize and conduct a national meeting on the integrated development of the leather industries.
5. To prepare concrete recommendations to create an infrastructure for the integration of all facets of the leather industry.

The expert recommended that the leather industries should be re-organized as export-oriented industries and that (a) a network to purchase raw hides and skins be organized throughout the country and (b) a marketing organization be created.

He also recommended that the 15% export tax on leather and leather products be abolished in order to encourage the export of such items in place of raw hides and skins.



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INTRODUCTION

The first National Workshop for the Development of Leather and Leather Allied Industries in the Sudan, organized in collaboration with the United Nations Industrial Development Organization (UNIDO), in March 1976, outlined the present serious situation of the leather and leather processing industries.

The success of these industries depends on the realization of the Workshop's recommendations (annex V). However, only a few of them have been realized. The establishment of the tanneries has been completed but this can not be considered a success without the full development of an export and marketing programme which has the support of the Government.

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The expert recommended that the leather industries should be re-organized as export-oriented industries and that (a) a network to purchase raw hides and skins be organized throughout the country and (b) a marketing organization be created.

He also recommended that the 15% export tax on leather and leather products be abolished in order to encourage the exporting of such items in place of raw hides and skins.

I. FINDINGS

A. Leather and leather products

Leather

The estimated yearly production of raw hides and skins in the Sudan is as follows:

1,000,000 cattle hides
3,250,000 sheep skins
2,300,000 goat skins

Based on this large production an ambitious programme for the development of the leather and leather processing industries has been established. Its aims are to provide domestic markets with more, better and cheaper leather and leather products, to stop leather imports, and to substitute the export of leather and leather products for that of raw hides and skins as this would earn larger amounts of foreign exchange.

This programme has only partly materialized. Better and more shoes are produced and more workers are employed; the import of leather and leather products has stopped but the anticipated exports of leather did not take place as all efforts were concentrated on technical development and the marketing services were entirely neglected.

During the past decade, three large, new tanneries and a pickling plant have been added to the countless number of rural tanneries and to the semi-mechanized tannery in Omdurman. Their estimated capacities are shown in table 1. For the development of exports of leather and leather products the new tanneries are important; the others are of local significance only.

Table 1. Estimated yearly capacities of new Sudanese tanneries

Name	Number of hides		Sheep and goat skins (pieces)
	Pieces	Area (sq m)	
Khartoum Tannery	225,000	556,000	450,000
White Nile Tannery	255,000	630,000	900,000
Gezira Tannery	300,000	740,000	750,000
Port Sudan Pickling Plant			<u>300,000</u>
Total	780,000	1,926,000	2,400,000

Almost the only domestic consumer of the leather produced in these mechanized tanneries is the shoe industry whose consumption is estimated at 360,000 sq m/annum. The consumption of man-made materials is far larger than that of genuine leather: for shoe uppers it is estimated at 500,000 sq m/annum and for insoles at 400,000 sq m/annum.

The annual increase of leather consumption is estimated at 20%. Consumption could be increased, eventually justifying a ban on the import of man-made materials, if leather were used instead of man-made materials for uppers and insoles of shoes and for other products. Recently, a cheaper type of lining leather and vegetable tanned shoulders for insoles have been successfully introduced. But even if all shoes were produced of genuine leather the yearly surplus of finished or unfinished leather would be well over 1,000,000 sq m of cattle hide leather and 2,400,000 sheep and goat skins. This is to say that the Sudanese leather industry should be export-oriented.

The industry does not reflect this view. Production costs are high and the link between production and marketing is loose, if it exists at all. The consequence is that the leather industry produces hardly 50% of its capacities and exports are negligible.

Leather shoes

The capacity of the Sudanese foot-wear industry is large compared to actual production (table 2).

Table 2. Comparison of foot-wear production capacity with actual production, 1974/75

Type of foot-wear	Capacity (pairs)	Production (pairs)	Production to capacity ratio (%)
Leather shoes	10,570,150	3,459,000	32.7
Plastic shoes	6,762,200	3,225,400	47.7
Canvas/rubber shoes	8,417,200	2,787,930	33.1
Slippers	<u>30,523,000</u>	<u>8,422,000</u>	<u>27.6</u>
Total	56,272,500	17,894,300	
Average			31.8

So-called leather shoes are not necessarily 100% genuine leather. Of the cited production of 3,459,000 pairs less than 50% were all-leather; man-made materials are used for the biggest part of shoe production.

The advantages of man-made materials for shoe production are that production is simpler and cheaper, the shoes look brighter than leather ones, and they can be washed. The disadvantages are that the materials have to be imported and they are less hygienic than leather.

There are 19 shoe factories which produce solely for the domestic market. The largest is the Bata Nationalized Corporation with approximately 40% of the total production of the Sudan. The second largest is Larco, with about 30% of the total production. These are mechanized and well-organized factories. The rest are smaller units.

Shoe sales are fairly well organized. Bata Nationalized Corporation has a wide sales network of its own shoe shops and depots all over the country. Other shoe factories also have their own shops but the majority of shoes produced are sold in individual unspecialized shops. The market is fairly well supplied; only the demand for fashion and luxury shoes is not fully met.

Only spring and summer shoes are produced as winter practically does not exist in the Sudan. The material, styles and lasts are not changed each season, as is customary in the developed countries. The quality and workmanship of the shoes produced satisfies local demand but they could and should be improved for export.

Other leather products

A fairly large number of ladies' handbags are made of crocodile, lizard and snake skins and are sold mainly to visiting foreigners. Supply does not meet demand, which is increasing, and most handbags are of man-made materials. All leather goods are made by hand; production is not perfect.

B. The marketing organization

An efficient marketing department should be established as the existing one in the Khartoum Tannery is inadequate and the tanneries are pressing for quick and large export sales. This department should then establish an efficient sales network.

Khartoum Tannery

The tannery started production in 1962, with a capacity of approximately 556,000 sq m of ox hide leather and approximately 450,000 sheep and goat skins.

Faced with many different problems, and without the support of an efficient marketing organization, the production and export of semi-processed and finished leather did not develop as its importance was not realized by the management who concentrated on the domestic market.

Nor did the export of pickled sheep skins develop. After a promising start of an annual export of approximately 250,000 pieces, it dropped to below 100,000 pieces. In the meantime, individual exporters handled nearly 200,000 pickled sheep skins annually.

In the last two years, a new attempt has been made to produce for export semi-processed and finished leather. The results, in spite of initial shortcomings, are not discouraging. Management is experienced enough to produce the quality and type of leather the international market requires.

White Nile Tannery, Khartoum

This tannery started production in early 1975 with trained labour and foreign technological experts but without an experienced marketing organization. The tannery concentrated on the production of leather for the domestic market thus sharing the limited domestic demand with the dominant Khartoum Tannery.

Production capacity of the White Nile Tannery is approximately 630,000 sq m of cattle hide leather and 900,000 sheep and goat skins. Actual production is far below these figures as the domestic market could not absorb these amounts and the tannery is not exporting yet.

Gezira Tannery

In a few months, this tannery will start production, with trained labour and foreign experts, of finished and unfinished leather.

Domestic market

Leather sales vary on the domestic market (annex I) but do not exceed 300,000 sq m/annum of upper leather and approximately 130,000 kg/annum of sole leather.

By far the biggest part of leather for shoe uppers is produced from cattle hides. As these raw hides are badly damaged, by nature and by bad handling, the finished leather is not satisfactory. Because of grain damages, all the leather has corrected grain finishing and full-grain finished leather does not exist. Of the total production of upper leather only about 20% can be finished with hair cell embossing, the rest has to be heavily embossed. A small quantity of hunting suede leather is produced of very good quality.

The production of shoe uppers of sheep and goat leather is in the initial stage of development. Only sheep and goat skins are accepted for patent leather which is lately in increased demand. Its quality is satisfactory. Suede nappa and other types of upper leather are under development.

Leather produced in the rural tanneries

Leather produced by the rural tanneries is mainly of low-grade hide and skins and is 100% vegetable tanned by a simple method.

Detailed statistical data do not exist but approximately 1,000,000 kg of sole leather and 700,000 sq m of goat and sheep upper leather are produced annually for about 2,500,000 pairs of local shoes, namely marcoubs.

C. Raw hides and skins

Production

Hardly 25% of raw hides originates from controlled slaughter-houses, of which there are few. The rest is produced by individual butchers throughout the country. Almost all sheep and goat skins are produced by individuals. Raw hides and skins are used by the rural population, rural tanneries, the modern leather industry and some are exported (table 3).

Table 3. Estimated yearly consumption and exports of raw hides and skins (Pieces)

Item	Total consumption	Rural tanneries	Modern tanneries	Exports
Cattle hides	1,165,000	385,000	780,000	-
Sheep skins	2,550,000	750,000	1,800,000	700,000
Goat skins	1,400,000	800,000	600,000	900,000

Owing to the lack of up-to-date official standards for the production, curing, handling and trading of raw hides and skins standards are low. Most hides are carelessly flayed, with many flay-cuts and holes and badly damaged grain side. The production of goat skins and, especially, sheep skins is better. The flaying is good, except for the so-called Kurbanî skins which have many flay-cuts. The drying is on open frames. Goat skins are mainly case-dried.

In the northern part of the country hides are salted, multi-folded and dried. The trimming is poor, a thick layer of salt covers the flesh and artificially increases the weight of the hides and multi-folding prevents an opening being made for inspection. In the south, hides are treated with more care. The flaying is good, trimming perfect and the hides are suspension-dried. Quality depends on the region and the merchants. But almost all regions and merchant have an established reputation.

Purchasing

The present marketing of raw hides and skins is handled by exporters who have their own purchasing organization, in the interior of the country and in the capital, through which they ensure their share of production. Except for the raw hides which are auctioned monthly at the slaughter-house in Omdurman, purchasing, especially of sheep and goat skins, is sporadic and irregular and not based on a fixed production programme.

A committee fixes the purchasing price of raw hides and skins, preference being given to lower prices regardless of quality or of the processing results of previously purchased lots.

To check the pricing and purchasing policy of the tanneries, the economic results of the pickling of 7,063 frame-dried sheep skins have been analysed (annex II), as shown in table 4. The quality and size of these skins were below average as neither of these factors were taken into account by the purchasing department and the price committee when the purchase price (average L\$ 1.25) was fixed.

Table 4. Valuation of frame-dried pickled sheep skins

Number of pieces	Price/ piece (LSd)	Total cost	Sales value (\$)	Profit	Loss	Profit or loss (\$)
3,064	1.25	15,883	14,255		1,628	10.3
999	1.33	5,414	6,022	608		11.2
1,500	1.20	7,360	6,737		623	8.5
1,500	1.25	7,776	5,905		1,871	24.0

Only one lot, purchased at the highest price of LSd 1.33, showed a financial gain (11.2%) after processing.

A link between an export policy and the purchasing of raw hides and skins is not established. The management of the tanneries cannot decide whether raw material should be purchased, processed and then offered for export or pickled and processed leather should be marketed abroad and only after that raw hides or skins purchased. Trying to minimize the risk of market fluctuations the management often does nothing. Yet the purchasing of raw hides and skins, which represent up to 70% of the total value of the semi-processed or finished leather, is the most important part of the tanneries' organization. If properly managed, it can be the foundation of their prosperity, but careless purchasing can ruin even the best tannery. The essential conditions for an efficient purchasing policy are:

1. Purchasing agents should be established in the capital and in the interior.
2. Exporters should co-operate with the tanneries in the supply of raw hides and skins or in the export of processed leather.
3. The financial results of every lot purchased should be checked after processing.
4. The purchasing price of raw hides and skins should depend on the estimated financial result after processing.

D. Export markets

Market research

Leather

The developed countries of the Organisation for Economic Co-operation and Development (OECD) are the biggest importers of leather (tables 5 and 6). Their production is declining year by year while consumption and imports are increasing (annexes III and IV) which offers a sound basis for the development of exports.

Table 5. Increase in leather imports of OECD countries, 1970 to 1973
(Thousands of dollars)

Year	Total	Sole leather	Uppers leather	Sheep and goat leather
1973	908,000	144,800	414,400	348,800
1970	395,890	43,200	221,330	131,360
Increases (%)	229	335	187	266

Table 6. Leather imports of main importing OECD countries, 1973
(Thousands of dollars)

Country	Total	Sole leather	Uppers leather	Sheep and goat leather
France	70,978	4,774	34,005	32,199
Federal Republic of Germany	185,267	10,272	87,252	87,747
Italy	115,349	51,246	9,228	54,875
United Kingdom	86,858	14,573	64,139	8,146
United States	117,854	1,042	94,596	22,216

Most leather imported by the OECD countries is from member countries but one third is from non-member countries (tables 7 and 8).

Table 7. Total leather imports of OECD countries compared with imports from non-OECD countries, 1973

Type of leather	Total imports (thousands of \$)	Imports from non- OECD countries (thousands of \$)	Partial to total imports ratio (%)
Sole	144,800	80,400	55.52
Uppers	414,400	113,700	27.43
Sheep and goat	<u>348,800</u>	<u>105,500</u>	30.25
Total	908,000	299,600	33.00

Table 8. Leather exports of the main exporting non-OECD countries to the main importing OECD countries, 1973
(Thousands of dollars)

Exporting country	Importing country				
	France	Federal Republic of Germany	Italy	United Kingdom	United States
Argentina	4,057	7,766	10,860	3,915	24,499
Bangladesh	2,122	3,895	11,984	957	-
Brazil	4,025	4,366	2,902	6,888	9,032
Colombia	1,382	3,372	4,779	58	2,611
India	32,621	22,521	44,090	47,433	9,960
Nigeria	619	1,387	3,678	4,854	74
Pakistan	9,127	1,143	18,010	2,162	368
Uruguay	2,157	3,336	2,026	1,133	1,607
Yugoslavia	700	5,320	1,596	1,464	3,172

Leather shoes

As is the case with leather, production of leather shoes is declining in many developed countries and imports are increasing. The total production of leather foot-wear in the OECD countries in 1969 was 1,326,245,000 pairs and in 1973 only 1,193,900,000 pairs, or 10% less (table 16, annex III).

The world's largest importers of foot-wear are some of the developed countries, namely, Benelux, France, Federal Republic of Germany, Italy, the Netherlands, Switzerland, the United Kingdom and the United States. In 1973, their imports valued \$2,399,529,000 which is 87.25% of the total foot-wear imports of the OECD countries and is 87% more than their imports in 1970 (annex IV, table 17).

The largest exporters of foot-wear are: Austria, Brazil, France, Federal Republic of Germany, Hong Kong, Italy, Japan, Spain, Switzerland and the United Kingdom. In 1973, their exports valued \$2,077,373,000, or over 75% of the total imports to the OECD countries (annex IV, table 18).

The developing countries share of foot-wear imports of the OECD countries is increasing. In 1970 this share amounted to \$164,984,000, or 11.3% of total imports, but in 1973 it amounted to \$570,478,000, or 20.74% of total imports.

Types of exports

The majority of countries producing raw hides and skins have established new industries and now export leather and leather products instead of raw hides and skins. There are different opinions on the type of leather to be exported. Exports from the developing countries started with pickled skins, then different types of tanned, unfinished leather, followed, in recent years, by finished leather and leather products. This development depends primarily on the capability of the producing and exporting organization in each country. The most successful organizations, which are already exporting finished leather and leather products, are Brazil, India, Yugoslavia; the less successful, still exporting pickled skins and tanned, unfinished leather, are Kenya and Nigeria among others.

Production and export of leather by the Sudan should be developed and that of semi-processed leather gradually discontinued with the exception of wet blue hides or skins which, if necessary, could be kept as an alternative. The large, well-organized shoe factories have good export prospects and the up-to-date tanneries can produce over 1,000,000 sq m of leather from cattle hides and over 2,400,000 pieces of leather from sheep and goat skins. The following types of finished and unfinished leather could be produced and exported:

Cattle hides

Finished leather

Chrome-tanned for industrial gloves
Hunting-suede coupons for shoe uppers
Vegetable-tanned sandal leather for uppers

Unfinished leather

Chrome-tanned and retanned for shoe uppers
Hunting-suede
Vegetable-tanned kips

Sheep skins

Finished leather

Garment nappa

Garment suede

Shoe uppers and lining

Unfinished leather

Chrome-tanned for garment nappa

Garment suede

Shoe uppers

Chrome-tanned crust for varied purposes

Vegetable-tanned for varied purposes

Goat skins

Finished leather

Shoe upper leather, crushed or shrunk

Suede leather for shoe uppers and lining

Unfinished leather

Chrome-tanned and retanned for shoe uppers

Vegetable-tanned

The industry's aim is to produce large quantities of specialized leathers for selected buyers. So far the Sudanese leather industry has not found a permanent market. The best ones would be the following:

1. Countries of the Council for Mutual Economic Assistance (CMEA), and Yugoslavia, for unfinished sheep and goat leathers.
2. France, Italy, Japan and Spain for all types of unfinished leather.
3. The Federal Republic of Germany for finished leather.
4. The United Kingdom for all types of unfinished leather especially vegetable kips, also for cheaper finished leather.
5. The United States, for finished sheep and goat leathers.

Apart from the large markets, all the developed countries of western Europe import finished and unfinished leather and may eventually represent an important market for the Sudan, especially for sheep leather for garments. Most raw hides are exported to Egypt and special attention should be given to this market which could absorb the larger part of unfinished leather from cattle hides.

The normal trade channels are:

1. Specialized importers of leather.
2. Specialized agents selling leather to different factories.
3. Factories using imported leather.

Often one importing channel excludes others. An importer will not accept the same leather that is being offered directly to factories in the same market. Or an agent will not sell leather that other agents are selling in the same market and so on.

Each market should be built up with a fixed programme of development and agents carefully selected. To establish a good reputation for Sudanese leather, agencies should be given only to specialized and reputable enterprises. All general merchants and agents should be avoided. The Khartoum Tannery has registered the names of important buyers of leather.

Export tax

An export tax of 15% is levied on raw hides and skins, pickled sheep skins, unfinished and finished leather and leather products.

The export of leather and leather products is more beneficial to the national economy than that of raw hides and skins. The leather industry is growing, more workers are employed, the value of exports is increased by added values etc. However, it has to face foreign customs duties and keen competition from the protected domestic industries of foreign markets and from subsidized exports of leather and leather products from other developing countries. The export of raw hides and skins faces no such difficult situation in foreign markets. It is recommended, therefore, that the export tax on leather and leather products be abolished.

II. A PROPOSAL FOR THE ORGANIZATION OF THE MARKETING
DEPARTMENT OF THE LEATHER INDUSTRIES CORPORATION

Approximately 400,000 cattle hides and approximately 2,500,000 sheep and goat skins are exported every year, traditionally in the raw state. The production of raw hides and skins will continue as the development of livestock is promising.

Initial research and testing of foreign markets has shown that they are ready to accept Sudanese leather and leather products but the short-comings of this trade are as follows:

1. No serious research has been undertaken of domestic or foreign markets for a realistic and long-term programme of production and sales.
2. Personnel in the leather industries are insufficiently trained in marketing services.
3. There is no organized development of individual markets nor of the production and export of certain types of leather and leather products other than pickled sheep skins.
4. Development of the export trade should not remain only the export department's concern. All departments in the tanneries, and especially production, should co-operate.
5. An indifference as to the cost of leather production exists throughout the tanneries. The sales department's efforts are mainly concentrated on getting the highest possible price from the buyer, as if the only factor for a successful sale is a high selling price. Research for cheaper and better production is seldom made.
6. Essential parts of marketing services are lacking, such as research material and personnel, promotion and advertising, valuation of the purchased raw hides and skins by supplier and region, quality control, production development etc.
7. Training and sales activities of marketing personnel have been reduced. The visits of potential buyers are minimized, promotion and advertising is sporadic.

The existing tanneries and those under construction are publicly owned as is the largest shoe factory. Thus the responsibility for the development of the leather industries lies mostly, if not solely, on the commercial and marketing department of the LIC.

The marketing department is also responsible for yearly sales of approximately 1,500,000 sq m of cattle leather and approximately 2,000,000 pieces (1,300,000 sq m) of sheep and goat leather. The domestic market may absorb about 25% of this, the rest should be exported as semi-tanned or finished leather and leather products.

Present domestic and export sales do not account for a regular 100% capacity of production. A new sales organization should be introduced as the present one is inefficient.

A strong, and centrally organized, marketing department should be established to handle, for and in close co-operation with the tanneries and other leather processing industries, the main marketing activities. The advantages would be:

1. Permanent centres could be established throughout the country, responsible for the purchasing of raw hides and skins, based on quality, which would then improve considerably.
2. Research could be co-ordinated to assist production development resulting in better and cheaper production.
3. Purchasing prices on the domestic market could be fairly well balanced, avoiding unnecessary competition between units. However, sales of finished products should be handled directly by the individual units as competition between them will improve production and services to the customers and selling prices will be reduced.
4. Competition between units for export markets could be eliminated, and exports increased.
5. A steady flow of raw hides and skins of uniform quality would allow the tanneries to standardize their products.
6. Purchasing basic chemicals in bulk would result in new, and cheaper, sources of supply and, by using uniform chemicals, production and products could be standardized.

7. The marketing department would be responsible for promotion and advertising and provide information on fashion trends, and so on.

General rules for the new marketing department

The marketing department of the LIC should be divided into four sections, under one manager, as follows:

1. Product development: quality control, public relations and advertising fairs etc., and research statistics.
2. Domestic market.
3. Supplies: chemicals, raw hides and skins.
4. Export: unfinished and finished leather, and leather products.

The commercial and technical personnel should be engaged according to the growth of the service and to the availability of trained and skilled individuals. The manager and heads of sections should be appointed as soon as possible.

The proposed centralization of the marketing of leather and leather products is not ideal. Ultimately the units should operate individually and be responsible for their own operations. The development will be the decisive factor for the final form of organization.

The marketing department should act as a commercial organization and buy and sell in its own name but for the account of the units.

The basis of the organization's activities should be the units' yearly estimated production and sales programme.

The purchasing of raw hides and skins and of other materials, export and all other marketing activities should be organized at regular meetings between unit departments and the marketing department of the LIC. All material conditions, qualities, quantities, prices, delivery times etc. should be made in writing.

For the purchasing of raw hides and skins, chemicals and other materials or services, the units should transfer to the marketing department money provided in the yearly budget for that purpose. The units should pay the

marketing department for merchandise immediately after delivery and acceptance of goods or services. The money deposited by the units should be held in separate accounts and used only for the assigned purpose.

Exports should be paid for with a Letter of Credit to the account of the exporting unit which shall be responsible for all expenses connected with the order such as transport, taxes etc.

In every unit a micro marketing department should be established to take over responsibility for mutual business operations from the marketing department of the LIC.

II. RECOMMENDATIONS

1. The Sudanese leather industry has to be re-organized as an export-oriented industry.
2. The existing surplus production is over 1,000,000 sq m of cattle hide leather and over 2,400,000 pieces of goat and sheep leather and a new marketing organization is urgently required to deal with this.
3. Marketing activities should be oriented toward large markets and customers or efficient sales agents who are well established in the leather trade. General merchants and agents should be strictly avoided. A programmed development of individual markets should be ensured.
4. Exhibiting at trade fairs, especially the Paris Semaine du Cuir, travelling to important markets and visiting prospective buyers or agents should be routine practice.
5. Special attention should be paid to the method and prompt handling of correspondence, shipments and documents, offers and samples, and efforts made to fulfil all accepted or anticipated obligations.
6. Quality standards should be established.
7. A network should be organized to purchase raw hides and skins in all important parts of the country and such purchases should be guided by the economic results of those previously processed.
8. Travel abroad, samples, purchasing of raw hides and skins and other commercial activities should be handled by the management and be free of all administrative formalities and restrictions.
9. The export tax of 15% on leather and leather products should be abolished.
10. Until the overall project for the development of the Sudanese leather industry is completed, assistance should be requested from international organizations for a team consisting of:
 - One marketing expert for the export of leather and leather products
 - One technologist for production development
 - One expert for the organization of the purchasing of raw hides and skins

Annex I

LEATHER SELLING PRICES ON THE DOMESTIC MARKET

Table 9. Production of the Khartoum and White Nile tanneries

Item	Grade	LSd/sq ft (effective 9/2/75)
<u>Chrome leather</u>		
Boxside smooth	I	0.335
" "	II	0.305
" "	III	0.275
" " natural		0.275
" " chrome		0.320
" " smooth aniline		0.340
" " snake imitation	II	0.475
" " " "	I	0.525
" metallic effect		0.475
" smooth patent Agaco		0.550
" " " "		0.465
" " embossed	I	0.290
" " "	II	0.265
" " "	III	0.240
" " patent		0.465
Hunting crops		0.430
" side	I	0.350
" "	II	0.315
" "	III	0.285
" split		0.240
Crust croupon		0.305
" side semi-finished		0.275
Box crops embossed (all kinds)	I	0.320
" " " " "	II	0.300
Football leather (all kinds)		0.295
Insole chrome natural		0.360

Table 9 (continued)

Item	Grade	LSd/sq ft (effective 9/2/75)
<u>Vegetable-tanned leather</u>		
Upper leather smooth colours		0.320
" " embossed		0.320
" " " patent		0.465
" insole smooth		0.320
" " " natural		0.300
" " " E/4 socks		0.265
<u>Sheep skins</u>		
Smooth colour	I	0.265
" "	II	0.240
" "	III	0.195
" "	IV	0.175
Natural	I	0.240
"	II	0.195
"	III	0.175
"	IV	0.155
Suede	I	0.465
"	II	0.420
"	III	0.360
"	IV	0.315
Nappa	I	0.465
"	II	0.420
"	III	0.360
"	IV	0.315
		(effective 24/8/75)
Boxside smooth brush-off	I	0.400
" " " "	II	0.360
" " " "	III	0.325

Annex II

SELLING PRICES OF SHEEP SKINS

Lot 1

1,500 frame-dried sheep skins, bought at Omdurman, at LSd 1.25 per piece	<u>Grading in raw</u>	<u>Pieces</u>	<u>kg</u>
	I	559	699
	II	401	440
	III	<u>541</u>	<u>500</u>
Total		1,501	1,639

Lot 2

1,500 frame-dried sheep skins, bought at Omdurman, at LSd 1.25 per piece			
	I	77	92
	II	399	440
	III	<u>1,024</u>	<u>1,023</u>
Total		1,500	1,555

Table 10. Sales value of pickled pieces from lots 1 and 2

Grade	No. of pieces	Sales price/ dosen (\$US)	Sales value (\$US)
<u>(a) Value of large skins</u>			
I	95	90.00	712.50
II	223	81.00	1,505.25
III	376	72.75	2,279.50
IV	552	54.00	2,484.00
V	<u>312</u>	20.00	<u>520</u>
Subtotal	1,558		7,601.25

Table 10 (continued)

Grade	No. of pieces	Sales price/ dozen (\$US)	Sales value (\$US)
(b) Value of medium skins			
I	100	76.25	635.42
II	293	68.625	1,575.59
III	210	61.35	1,073.62
IV	215	45.75	819.69
V	<u>178</u>	20	<u>296.67</u>
Subtotal	996		4,500.99
(c) Value of small skins			
I	229	57.15	1,090.61
II	85	51.435	364.33
III	145	45.72	552.45
IV	51	34.20	145.35
V	<u>-</u>	-	<u>-</u>
Subtotal	510		2,152.74
Total sales value			14,254.98

<u>Costing</u>	<u>LSd</u>	<u>\$US</u>
Purchasing value of 3,064 pieces at LSd 1.25 each	3,830.00	
Processing costs at LSd 0.55 per piece	<u>1,685.20</u>	
Total	5,515.20	
<u>Summary</u>		
Sales value		14,254.98
Costing		<u>15,883.78</u>
Loss		1,628.80 (10.25%)

Lot 3

1,000 frame-dried sheep skins, bought at Omdurman, at LSd 1.33 per piece		<u>Grading in raw</u>	<u>Pieces</u>	<u>kg</u>
		I	460	587
		II	510	510
		III	<u>30</u>	<u>30</u>
Total			1,000	1,127

Table 11. Sales value of pickled pieces from lot 3

Grade	No. of pieces	Sales price/ dozen (\$US)	Sales value (\$US)
<u>(a) Value of large skins</u>			
I	122	90.0	915
II	190	81.0	1,282.50
III	460	72.75	2,788.75
IV	<u>216</u>	54.	<u>972</u>
Subtotal	988		5,958.25
<u>(b) Value of medium skins</u>			
I	2	76.25	12.71
II	<u>9</u>	68.625	<u>51.47</u>
Subtotal	11		64.18
Total sales value			6,022.43

<u>Costing</u>	<u>LSd</u>	<u>\$US</u>
Purchasing value 1,000 pieces at LSd 1.33	1,330.00	
Processing cost at LSd 0.55 per piece	<u>550.00</u>	
Total	1,880.00	5,414.40

Summary

Sales value	6,022.43	
Costing	<u>5,414.40</u>	
Total	608.03	(10.10%)

Lot 15

1,500 frame-dried sheep skins
bought at Kosti at LSd 1.20

	<u>Grading in raw</u>	<u>Pieces</u>	<u>kg</u>
	I	52	63.5
	II	287	290
	III	<u>1,161</u>	<u>1,090</u>
Total		1,500	1,443.5

Table 12. Sales value of pickled pieces from lot 15

Grade	No. of pieces	Sales price/ dozen (\$US)	Sales Value (\$US)
<u>(a) Value of large skins</u>			
I	12	90.0	90.00
II	88	81.0	594.00
III	123	72.75	745.69
IV	264	54.	1,188.00
V	<u>139</u>	20	<u>2,231.67</u>
Subtotal	626		2,849.36
<u>(b) Value of medium skins</u>			
I	111	76.25	705.31
II	108	68.625	617.63
III	166	61.35	848.68
IV	123	45.75	468.94
V	<u>96</u>	20.00	<u>160.00</u>
Subtotal	604		2,800.56
<u>(c) Value of small skins</u>			
I	18	57.15	85.73
II	87	57.435	372.90
III	165	45.72	628.65
IV	-	-	-
V	<u>-</u>	-	<u>-</u>
Subtotal	270		1,087.28
Total sales value			6,737.20

<u>Costing</u>	<u>LSd</u>	<u>\$US</u>
Purchasing value 1,500 pieces at LSd 1.20 each	1,800.00	
Processing costs at LSd 0.55 per piece	<u>825.00</u>	
Total	2,625.00	7,360.00

Summary

Sales value		6,737.20	
Costing		<u>7,360.00</u>	
Loss		622.80	(8.46%)

Lot 16

1,500 frame dried sheep skins, bought at Ondurman, at LSd 1.25 per piece	<u>Grading in raw</u>	<u>Pieces</u>	<u>kg</u>
	I	250	310
	II	360	380
	III	<u>890</u>	<u>870</u>
Total		1,500	1,560

Table 13. Sales value of pickled pieces from lot 16

<u>Grade</u>	<u>No. of pieces</u>	<u>Sales price/ dozen (\$US)</u>	<u>Sales value (\$US)</u>
<u>(a) Value of large skins</u>			
I	20	90.00	150.00
II	36	81.00	243.00
III	100	72.75	606.25
IV	276	54.00	1,242.00
V	<u>312</u>	20.00	<u>520.00</u>
Subtotal	744		2,761.25

Table 13 (continued)

Grade	No. of pieces	Sales price/ dozen (\$US)	Sales value (\$US)
(b) Value of medium skins			
I	84	76.25	533.75
II	80	68.625	457.50
III	98	61.35	501.03
IV	113	45.75	430.81
V	<u>148</u>	20.00	<u>246.66</u>
Subtotal	523		2,169.75
(c) Value of small skins			
I	72	57.15	342.90
II	60	57.435	257.18
III	96	45.720	365.76
IV	-	-	-
V	<u>5</u>	20	<u>8.33</u>
Subtotal	233		974.17
Total sales value			5,905.17

Costing

Purchasing value of 1,500 pieces
at LSd 1.25 each

LSd
1,875.00

Processing costs LSd 0.55 per
piece

825.00

Total cost

2,700.00

\$US

7,776.00

Summary

Sales value

5,905.17

Costing

7,776.00

Loss

1,870.83 (24.06%)

Annex III

LEATHER PRODUCTION DATA

Table 14. Leather production of the OECD countries, 1971 to 1973

Country	Production (tons)			Ratio of 1973 to 1971 production (%)
	1971	1972	1973	
(a) <u>Sole leather, industrial leather etc.</u>				
Australia ^{a/}	5,100	3,865	3,711	72.76
Austria	1,023	985	907	88.66
Benelux	2,086	2,007	2,085	99.95
Canada	1,710	1,636	1,823	106.61
Denmark ^{b/}	154	115	80	51.95
Finland	266	258	217	81.58
France	6,638	6,700	5,656	85.21
Federal Republic of Germany	5,830	6,599	4,965	85.16
Italy	23,800	23,800	28,650	120.38
Japan	15,969	15,969	13,145	82.32
Netherlands	1,950	1,570 ^{c/}	1,280 ^{c/}	65.64
Norway	875	675	500	57.14
Portugal	2,508	3,130 ^{c/}	2,633	144.86
Spain	15,127	15,679	18,300	120.98
Sweden	19	2	-	-
Switzerland	833	861	546	65.55
Turkey	1,722	1,722	1,200	69.69
United Kingdom	10,730	11,445	7,577	70.62
United States	<u>55,237</u>	<u>52,091</u>	<u>44,362</u>	<u>80.31</u>
Total	151,577	149,109	137,637	90.80

a/ Estimate.

b/ Sole leather only.

c/ Provisional figures.

Table 14 (continued)

Country	Production (in thousands of sq ft)			Ratio of 1973 to 1971 produc- tion (%)
	1971	1972	1973	
(b) <u>Leather for uppers, etc.</u>				
Australia ^{a/}	64,700	49,492	36,762	56.82
Austria	43,957	48,244	33,602	76.44
Benelux	46,664	38,867	32,480	69.63
Canada	107,728	108,598	93,607	86.89
Denmark	22,182 ^{d/}	24,669 ^{d/}	19,606	88.39
Finland	29,431	32,398	27,867	94.69
France	210,720	214,630	171,167 ^{d/}	81.23
Federal Republic of Germany	316,800	298,840	227,077	71.68
Ireland	38,443	33,756 ^{c/}	33,978 ^{c/}	88.39
Italy	278,000	285,000	254,000	91.37
Japan	124,454	139,435	128,989	103.64
Netherlands	66,600	63,500 ^{a/}	53,700 ^{a/}	80.63
Norway	10,500	12,000	11,500	100.52
Portugal	27,094	31,020 ^{c/}	42,497	156.85
Spain	198,367	206,391	170,000	85.70
Sweden ^{e/}	34,861	36,991	33,167	95.14
Switzerland	16,386	15,670	10,925	66.67
Turkey	-	-	1,700	-
United Kingdom	281,970	231,510	204,602	72.56
United States	<u>713,610</u>	<u>702,240</u>	<u>622,300</u>	<u>87.20</u>
Total	2,632,467	2,573,251	2,209,526	83.93

d/ Including industrial leather.

e/ Excluding production of patent leather.

Table 15. Production of sheep and goat leather of the OECD countries, 1971 to 1973

Country	Production (sq ft)			Ratio of 1973 to 1971 production (%)
	1971	1972	1973	
Australia	4,500	6,863	3,644	80.98
Austria				
Benelux	13,761	17,378	12,857	93.43
Canada	3,743	-	-	-
Denmark	4,152	4,840	2,402	57.85
Finland	6,020	6,034	7,303	121.31
France	362,704	388,300	271,134	74.75
Federal Republic of Germany	104,940	105,134	80,321	76.54
Ireland	4,735	3,631 ^{c/}	2,435 ^{c/}	51.42
Italy ^{a/}	202,000	232,000	415,585	205.74
Japan	1,656	4,065	4,828	291.55
Netherlands ^{a/}	21,800	21,000	16,300	74.77
Norway	1,000	750	700	70
Portugal	14,654	11,251 ^{c/}	11,251	76.78
Spain	213,295	229,435	180,000	84.39
Sweden	15,558	13,826	11,332	72.84
Switzerland	887	714	646	72.83
United Kingdom	165,710	178,638	166,725	100.61
United States	<u>119,517</u>	<u>115,043</u>	<u>72,670</u>	<u>60.80</u>
Total	1,260,632	1,338,902	1,260,133	99.96

a/ Estimate.

b/ Sole leather only.

c/ Provisional figures.

Table 16. Production of main OECD countries producing leather foot-wear, 1966 to 1973

Country	Production (in thousands of pairs)				Ratio of 1973 to 1966 production (%)
	1966	1970	1972	1973	
France	127,000	86,000	98,100	87,144	68.62
Federal Republic of Germany	117,315	116,508	108,248	95,128	81.09
Italy	166,000	264,700	265,850	242,500	146.08
Netherlands	24,536	16,300	14,110	11,910 ^{a/}	48.54
Sweden	8,216	5,475	4,352	4,005	48.75
Switzerland	11,700	10,177	8,876	7,036	60.14
United Kingdom	119,566	98,206	94,664	84,008	70.26
United States	<u>535,936</u>	<u>441,966</u>	<u>418,240</u>	<u>377,669</u>	<u>70.46</u>
Main countries	1,110,269	1,039,332	1,012,440	909,400	81.91
All OECD countries	1,326,245	1,276,218	1,276,206	1,193,900	90.02

a/ Provisional figures.

Annex IV

IMPORTS AND EXPORTS OF LEATHER FOOT-WEAR

Table 17. Imports of leather foot-wear of the main importing OECD countries, 1970 to 1973
(Thousands of \$US)

Country	1970	% of total	1972	% of total	1973	% of total	Ratio of 1973 to 1970 imports (%)
Total imports of all OECD countries	1,464,463	100	2,240,823	100	2,750,031	100	188
<u>Main OECD importing countries</u>							
United States	629,402	43	915,015	40.8	1,081,998	39.3	172
Federal Republic of Germany	245,057	16.7	441,098	19.7	538,062	19.6	220
United Kingdom	97,377	6.7	155,973	7.0	206,917	7.6	212
France	68,950	4.7	109,291	4.9	131,340	4.8	195
Benelux	64,883	4.4	105,830	4.7	136,704	5.0	211
Netherlands	63,244	4.3	96,475	4.3	117,211	4.3	185
Sweden	60,051	4.1	74,389	3.3	80,421	2.9	134
Switzerland	<u>55,500</u>	<u>3.8</u>	<u>87,502</u>	<u>3.9</u>	<u>106,876</u>	<u>3.9</u>	<u>192</u>
Total	1,284,464	87.7	1,985,573	88.6	2,399,529	97.4	187

Table 18. Exports of leather foot-wear from the main exporting countries to OECD countries, 1970 to 1973

Country	1970	% of total	1972	% of total	1973	% of total	Ratio of 1973 to 1970 exports (%)
Total imports of all OECD countries	1,464,463	100	2,240,823	100	2,750,031	100	188
Italy	611,475	41.8	898,758	40.00	1,024,351	37.2	166
Japan	113,416	7.7	74,557	3.3	37,867	1.4	33
France	106,758	7.3	166,018	7.4	220,210	8	194
Federal Republic of Germany	74,628	5.1	90,288	4	105,927	3.9	142
Spain	99,727	6.8	236,444	10.6	273,872	10.00	275
United Kingdom	61,024	4.2	60,077	2.7	66,417	2.4	109
Hong Kong	50,652	3.4	56,817	2.5	52,635	1.9	104
Austria	38,764	2.6	64,380	2.9	85,829	3.1	221
Switzerland	27,559	1.9	31,594	1.4	36,467	1.3	132
Netherlands	21,956	1.5	24,623	1.1	20,827	0.76	95
Czechoslovakia	17,523	1.2	24,358	1.1	33,821	1.23	193
South Korea	15,397	1.1	56,417	2.5	101,160	3.68	657
Sweden	16,633	0.9	21,687	1.0	28,747	1.05	211
Benelux	18,157	1.2	20,415	0.9	24,427	0.89	135
Finland	12,993	0.9	16,181	0.7	16,612	0.60	128
Yugoslavia	12,766	0.9	28,834	1.3	34,701	1.26	272
Denmark	10,545	0.7	16,186	0.7	19,875	0.72	188
Canada	14,024	1.0	13,900	0.6	18,130	0.66	129

Table 18 (continued)

Country	1970	% of total	1972	% of total	1973	% of total	Ratio of 1973 to 1970 exports (\$)
Greece	5,464	0.4	14,750	0.7	24,483	0.89	448
Poland	7,413	0.5	14,312	0.6	21,143	0.77	285
Hungary	4,603	0.3	6,727	0.3	9,427	0.34	205
Mexico	8,736	0.6	10,595	0.5	15,368	0.56	176
Brazil	7,388	0.5	48,920	2.2	58,178	3.57	1 329
Pakistan	1,927	0.5	5,037	0.2	5,470	0.20	284
India	6,935	0.5	9,040	0.4	7,288	0.27	105
Total imports of the OECD countries from the developing countries	164,984	11.3	379,171	16.9	570,478	20.74	346

Annex V

RECOMMENDATIONS OF THE WORKSHOP

1. No horizontal development should be planned for either the tanning industry or the shoe industry until the present capacity is fully organized and utilized.
2. Export of raw hides and skins must be phased out to enable the tanneries to obtain raw materials.
3. A feasibility study should be made of specialization in the tanneries.
4. The production of the tanneries, and all the leather processing factories, should be export-oriented as only 25% of their production capacities can be absorbed by the domestic market.
5. Sufficient funds must be provided to the Hides and Skins Improvement Section, in order for it to carry out its programme of improving raw materials. The Leather Industries Corporation is required to contribute funds to this effect and a part of the export tax on hides and skins is to be allocated for this purpose. A part of the tax collected by local government authorities, on the transfer of hides and skins from province to province, should also be added to the improvement funds. A committee should be formed to look into the problems of the improvement of hides and skins and to suggest workable schemes.
6. The export tax of 15% on tanned, unfinished and finished leather and leather goods should be abolished. An incentive should be given to exporters of these items which would make the industry more competitive and would lead to higher foreign exchange earnings.
7. Sheep and goat skins should be exported as finished leather and hides as semi-finished leather.
8. A project should be planned to further development in the leather industry and assistance requested from international organizations for:
 1. A leather technologist with a background in raw materials.
 2. A marketing expert in the purchasing hides and skins and sales of leather and leather products, in the domestic and export markets.
 3. A shoe industry expert.

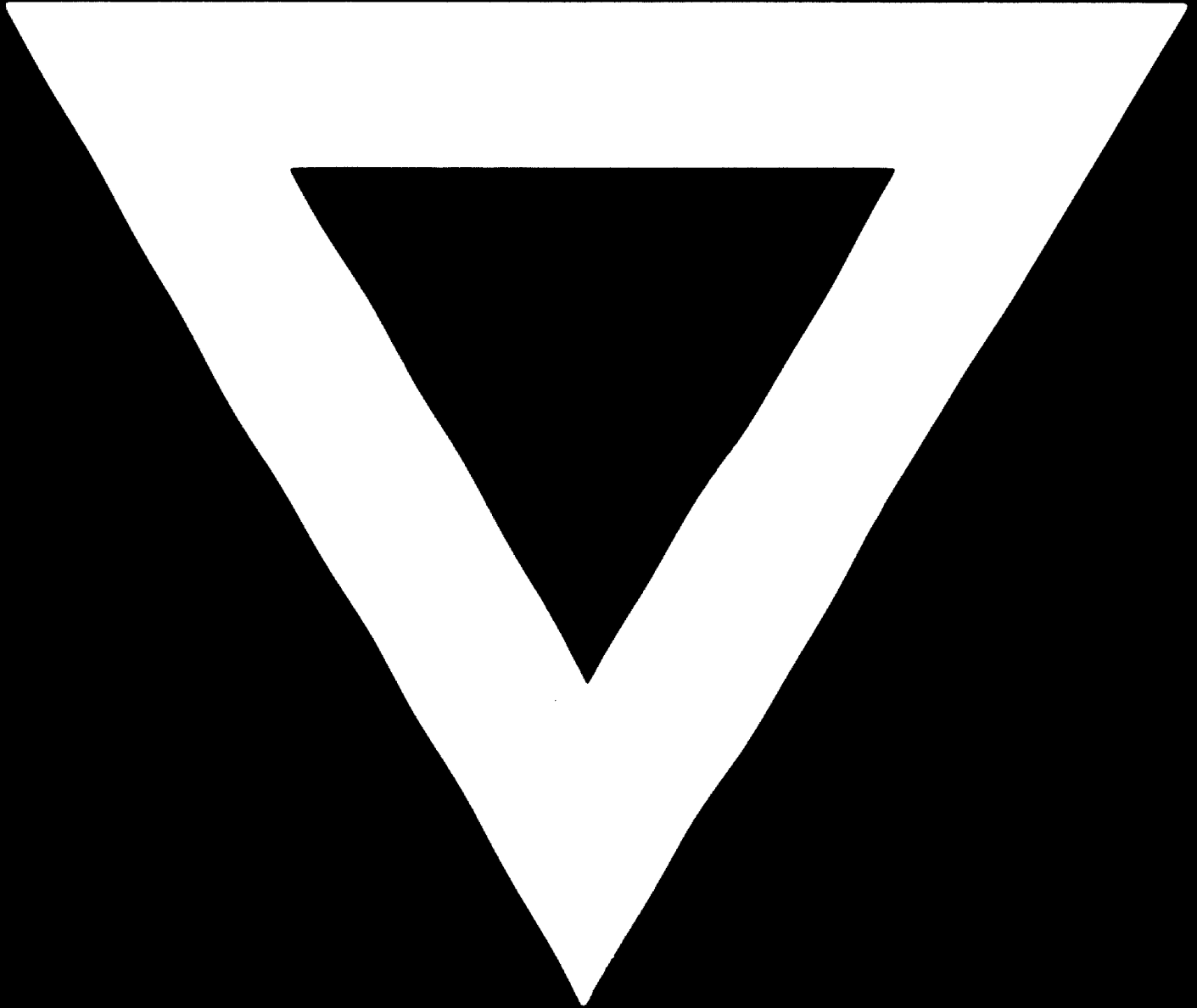
The duration of such a project should be at least two years.

9. A committee should be set up to improve and organize the Leather Institute so that it can better serve the national leather industry.
10. Training of personnel should be intensified.
11. Close co-ordination must exist between the Leather Industries Corporation, the Ministry of Agriculture and the academic institutes, especially the Chemical Engineering department of the University of Khartoum.
12. Local research must be made in the production of chemicals such as chrome tanning materials, Garad tan, lime and sulphated oils. A study should be made of the utilization of tannery waste products by converting them into gelatin, glue, leather board etc.
13. Research on Garad should be continued as the problem of the high iron content is not yet solved. The help of international organizations should be sought.
14. Small workshops or factories should be encouraged to produce leather goods such as belts, purses, industrial gloves etc. to make use of leather of a quality which cannot be exported.
15. The purchasing of hides and skins should be based on quality and guided by production results.
16. Section 7 of the Hides and Skins Ordinance 1954, which specified centres for the purchase of hides and skins, should be released by the Ministry of Agriculture.
17. New official standards should be established for the production, curing, handling and grading of raw hides and skins.
18. A control system must be established to improve the quality of leather to make it competitive with the production of other countries.
19. An efficient marketing organization should be urgently established within the Leather Industries Corporation.
20. Marketing of leather and leather products for export should be conducted on a long-term basis and aim for a uniform production for export.
21. A broadening of experience by attending fairs and visiting prospective buyers should be facilitated.

22. Production management techniques should be introduced in the tanneries.
23. An assessment must be made to ascertain whether present technology can meet the technological and economic conditions of the export-oriented tanneries.



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