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CONSTRAINTS AFFECTING
THE LEATHER AND LEATHER PRODUCTS INDUSTRY
AND MEASURES REQUIRED*

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Abbreviations:	
FAO	Food and Agricultural Organization of the United Nations
ITC	International Trade Centre
LMCS	Landell Mills Commodities Studies

INTRODUCTION:

This paper is analyzing the prevailing situation of the African Leather and Leather products sector in the context of the Global Leather industry. It attempts to identify and highlight all the features regarding raw material/Hides & Skins production, quality as well as trade.

Important aspects of processing of Hides and Skins to semi-processed and finished leathers including marketing are considered.

Due to the diversity in level of development of the leather sector in various countries and regions of the World and the existing differences in the scale and form of trading activities the paper presents a Global outlook with emphasis on Africa.

Organizations such as UNIDO and sister agencies, FAO and ITC have been involved in running programmes for several years in Africa aimed at upgrading the quality of hides & skins, processing and manufacturing of Leather products as well as their marketing. The structural character of the sector and the magnitude of the problems facing it as appears in this paper indicates that there is still along way to go before all the constraints are removed.

Going back into Africa's history one sees the important role livestock, and livestock products played in the everyday life of the people. Indeed most cultural activities such as marriages rotated around the unique relationship between man and his livestock. Livestock rearing is still an important occupation for pastoralists all over the continent mainly providing milk and meat for the people's dietary needs. Hides and Skins which in the past used to be crudely processed either with oil tannage or tanned in pits using vegetable tannins are still tanned along major rivers such as the Nile and Niger and are used for making simple sandals and other leather articles.

The major changes which have taken place in Africa during this century in all aspects of life and economic development have revolutionalized the status of livestock and livestock by-products such as Hides and Skins. The commodity has assumed major economic importance for many countries as a readily available renewable resource with the potential of generating foreign exchange earnings and creating employment opportunities. Considering the large livestock population in Africa and the low position the leather sector occupies in terms of the global trade, it is clear that a lot require to be done in order to improve it's performance.

The performance of this sector is dependent on several factors and parameters which determine the quality of raw materials, the

ability of the Industry to process good quality leather and the existence of a thriving leather goods and footwear industry. Unfortunately, in most African countries there are major problems associated with the quality of the major raw materials, that is Hides and Skins. A lot of these could be eliminated or avoided as discussed in this paper while at the same time the other crisis facing the industry ranging from management to procurement of imported inputs such as spare parts and chemicals could be reduced.

With the recent successful implementation of UNIDO's regional project on Hides & Skins, Leather and Leather products Scheme US/RAF/88/100 and the associated National projects in East and Southern African countries the potential of the sector and constraints existing have been brought into sharp focus. The underlying solutions require strategies adopted taking into account not only the magnitude of the constraints but also the benefit which the global leather industry will acquire through increased availability of better quality material for footwear and leather goods industries. Projections of Global raw stock supply by the LMCS study indicate possibility of a net deficit in the long run. (See annex I - Surplus/Deficit of Raw stock supply world total 1980-2000).

As you are aware the world hides and skins market appear to have finally turned around after some years of increased supplies and lowered prices, this is the most opportune time to reflect on the constraints which faced the sector during this period and what requires to be done to avoid decline of the sector.

SUMMARY OF CONSTRAINTS AND RECOMMENDED REMEDIES

The major development changes which have occurred in Africa during the last three decades have promoted the economic position of hides and skins, leather and leather products sector within the national economies. However, given the large livestock population in Africa and the significant production of raw hides and skins, the sector plays a very small role in terms of the global leather and leather products trade. The present status concerning the hides and skin production in the various parts of the world, including Africa are presented in the illustrations 1 - 4 (Annexes VI- IX). These illustrations show the hide and skin production in the years 1970 -1980-1990 and provides an estimate for the year 2000. The illustrations clearly demonstrate the need of improvements in the African leather sector.

In order to promote the performance of this sector, constraints identified at the various sub-sectoral levels should be eliminated by instituting measures as recommended.

Raw hides and skins

The following factors affect the supply of raw hides and skins:

1. African countries face several limitations in their animal husbandry practices which results in very low off-take averaging 7% for cattle and 25% to 30% for the small

stock. As livestock production partly determines availability of hides and skins, it follows that better livestock management systems in Africa would increase supply of raw hides and skins.

It is recommended that measures that would reduce disease incidences, and ecto-parasites at the same time promoting improved Animal husbandry practices in Africa be adopted by national Governments and international agencies such as FAO taking into perspective the importance of raw hides and skins as a traded commodity.

2. The damage caused to hides and skins by extensive branding should and can be reduced if not completely eliminated although there is continued practical need of identifying animals.

It is recommended that hides and skins improvement extension activities promoting awareness of economic importance of hides and skins and reduced branding or branding on those positions which will not reduce the value of raw hides and skins substantially be strengthened. This also underlines the importance of continuation of hides and skins improvement activities by UNIDO through regional and national programmes.

Research should be undertaken to find better methods of identification of livestock other than branding under African conditions.

3. Defects on hides and skins occurring during slaughter such as flay cuts and subsequent defects which occur due to poor handling and preservation reduce the value of the commodity significantly.

In order to enable the butchers to avoid or stop causing these defects, it is recommended that better slaughtering facilities should be provided by upgrading existing slaughter-slabs and providing flayers with proper flay and splitting knives. Experience gained during the implementation of UNIDO's Hides and Skins, Leather and Leather Products Improvement Scheme US/RAF/88/100 show that these defects can be avoided if proper extension work supported by the provision of suitable tools provided to butchers. This support should be continued through international agencies, and national institutions.

It is, however, important that the hide and skin improvement activities will be made self-sustaining. The Revolving Fund operations to assist the hide and skin improvement as started during the first phase of the UNIDO Regional Africa Hides and Skins, Leather and Leather Products Improvement Scheme, US/RAF/88/100 should be continued and strengthened.

4. Low recovery of raw hides and skins caused by lack of awareness of the economic importance of raw hides &

skins, scattered slaughter points, and low producer prices which discourage collection.

To improve collection of rawmaterials, it is recommended that incentives such as better raw material pricing structure aimed at encouraging producers should be devised in order to encourage improved collection of raw hides and skins. Extension service for hides and skins improvement should be strengthened and extension workers be provided with means of transport which would enable them to reach producers. These extension workers should be provided with the necessary training.

5. In several African countries there is no hides and skins grading for quality and therefore trade at the local level is conducted without taking into account the quality of materials purchased. As these materials are subsequently sold according to their quality when exporting, the dealers usually pay relatively unattractive producer prices and this serves as a disincentive to the producers.

It is recommended that UNIDO's fairly comprehensive Quality Grading system for hides and skins be introduced and adopted in African countries. Possibility of making this grading system an accepted uniform grading system for raw materials of African origin should be investigated.

Leather processing Industries:

6. Many tanneries in Africa were established by national Governments and in some cases without assessing their economic viability. As a result the industry faces several constraints, such as:

- Over capacity and over establishment of personnel
- Management and financial constraints
- Lack of trained manpower
- Breakdown of machinery and lack of spare parts.

It is recommended that privatization of tanneries in the state sector should be accelerated as this is the only way the complex problems facing these tanneries could be addressed. Once privatized it is important that donor assistance should be provided to enable rehabilitation and rationalization of the total sector.

7. Government policies have at times discouraged development of local tanning industry. The policies especially with the adoption of liberalized trading in many African countries may encourage export of raw hides and skins, leaving the local industry without raw materials.

High tariffs on imported raw material inputs mainly chemicals coupled with devaluation of local currencies against the US dollar have made the cost of processing

raw hides and skins in Africa to sky rocket over a relatively short period.

In cases where survival of the tanning sector is threatened by Government policy including that related to liberalization, there is need to modify these policies or institute other fiscal measures which will create a level playing field for all in the industry.

8. Pollution control is a major problem for the tanning sector. The investment required in order to treat tannery effluent, reduce gaseous emissions and dispose solid waste is very high. Requirements for pollution control are becoming more stringent even in those African where previously they did not exist.

The idea of a common effluent treatment plant shared by several tanneries in order to reduce effluent treatment cost is the most ideal for those tanneries located close to each other to reduce cost of setting up plants but these are not many. It is recommended that international organizations like UNIDO should continue giving assistance to the African leather sector in order to alleviate pollution control.

9. There is poor, distorted or non-existent data on livestock population, raw hides and skins collection and quality as well as the relevant data on leather and leather products in most African countries. This data is required to form an information base upon which reliable sector policy guidelines and investment decisions are based.

It is recommended that national and regional information gathering systems on the livestock and leather sectors be strengthened through cooperation between national institutions and international agencies like UNIDO, FAO and ITC.¹

Footwear and Leather Products

10. The world footwear consumption data are presented in annex X. with figures from the year 1988 and estimates for the years 1995 and 2000. It is clear from these figures that Africa is expected to remain as the smallest consumer of footwear of all the world regions. The Low productivity, poor workmanship, lack of design capability and lack of information on fashion trends

¹ During the 10th leather panel meeting a proposal was presented to establish a pilot scheme for the improvement of such data gathering. The UNIDO statistics and sectoral studies branch prepared a project proposal for it. Unfortunately no funding has been received to start the project.

contribute to the poor performance of the footwear and leather products sub-sector.

To overcome these constraints effort should be made to train local personnel in order for them to acquire requisite technical skills by strengthening leather Footwear and leather goods training institutions where they exist. It is recommended that international organizations like UNIDO should continue providing both material and technical support to these institutions.

11. Government policies encouraging imports of cheap footwear at the expense of local leather products have led to labour lay-offs and closure of factories in several African countries.

While competition is welcome in leather products marketing, it is important that protection of the leather products manufacturing sub-sector which is still at it's infancy is necessary especially from unfair trade practices.

12. The UNIDO project has proposed that the African shoe industry needs fresh ideas and a new approach to solve their present problems. Further more the region needs a model for a well conceived and executed shoe industry project. A project which can lead the way and provide the know how and, in practical terms, demonstrate successful development project implementation and attract additional investors to establish footwear operations in the African region. The benefits for the countries concerned would be the creation of export income, adding value to indigenous raw material base, creation of employment and development of entrepreneurial skills.

The basic idea of such a project is to establish a "Model Shoe Factory" which is to use mainly local and regional inputs and to produce good quality footwear for the local and tourist market and to export major part of the products to the European and possibly USA markets.

The objectives are to show that the African region is indeed ready to produce high quality products for the consumer market by utilizing its own raw materials for added value products and can indeed achieve an acceptable export quality level.

Recent world wide studies ² in the footwear industry clearly show that the market for footwear will continue to expand and that the footwear in high and rising

² "Footwear to the Year 2000, challenges and opportunities" by Landell Mills Commodity Studies, April 1991

proportion - one in every three pairs - is traded internationally.

Technical development in the footwear manufacturing sector must still change significantly before the labor intensive nature of the (leather) footwear manufacture will be effected. Therefore it is expected that the international footwear industry will continue to seek most favorable conditions to locate its productive capacities.

According to studies conducted by UNIDO and other international agencies, as well as various NGO's, Africa has so far received relatively little international attention as potential source of quality footwear for export. As wages will rise in Asia during the coming years more interest is expected to be shown in the African locations. The most promising locations in the sub-Saharan Africa are currently Kenya and Zimbabwe.

A pre-feasibility study for the project has been prepared and is available for the leather panel members at request. The present economic constraints in the region has so far delayed the investment decision.

Conclusion

To reverse the decline of Africa's Hides and Skins, leather and leather products sector from it's current state and improve its low performance it is recommended that all measures required to remove existing constraints be taken. This should be done with the active involvement of the leather industry and trade through trade organizations and national Governments by adopting necessary policy measures and by international organizations such as UNIDO, FAO and ITC providing training and technical assistance.

Current Situation and Outlook:

A. Raw Hides and Skins

Supply:

It is evident that Global production of Hides and Skins has been growing slowly and unfortunately this increase has not kept corresponding pace with the demand for leather products. At the same time increased meat production has mainly been attributed to increased carcass weight per head and therefore may not necessarily lead to increased production of Hides and Skins. These peculiar attributes of the sector amongst other factors such as livestock population, slaughter rates, collection rates, and quality of raw hides and skins directly influence the Global availability of the commodity.

Raw Hides and Skins are by-products of the meat industry whose level of development has a significant bearing to the overall livestock structure. The supply of raw materials at the national level depends on the livestock population and the national kill. At the Global level the scope of the livestock sector is very wide due to the diverse levels of livestock development and attainment in Animal husbandry practices.

Developed countries like United States of America and countries belonging to the European community practice advanced animal husbandry methods which result in high offtake rates and production of good quality hides. On the other hand, in Africa livestock is reared under very different conditions ranging from open Savanna grasslands, semi-deserts, and in a few countries under organized commercial ranching for cattle. Livestock reared in different ecological zones yield different quality and sizes of raw materials with the animals reared in more drought prone zones usually being more adversely affected.

Animal husbandry practices also have a direct bearing on the low off-take rates of livestock in Africa estimated at between 7% to 10% for cattle in most of the countries. This is a great pity when one considers the large tracts of land suitable for livestock farming. Other drawbacks for livestock development can be attributed to lack of dipping facilities to reduce disease incidences, keeping animals as a symbol of wealth until old age, and using of draft animals. All the above factors contribute to reduced production of raw hides and skins.

Quality and Grading:

The fact that hides and skins are by-products of the meat industry have important implications for it's value and quality at the production stage especially in Africa.

There are various forms of defects on Hides and Skins which could broadly be classified into pre-slaughter, slaughter defects, and post-slaughter depending on when they occur.

(a) Pre-slaughter defects

All livestock are primarily reared to provide meat, and owners attach great importance to every individual ability to recognize and distinguish his animals especially cattle when in the field. This need is quite legitimate when one considers rampant cattle rustling in some of the African countries and this has inevitably led to widespread branding of animals.

Unfortunately, very little care is taken when branding and brands take all forms of shapes and sizes. Brands are responsible for destroying many hides and skins as well as down grading their quality. Some farmers brand their animals on the most useful parts of the hide

which are also the most easily visible parts. It has not been possible to quantify the actual number of hides of African origin entering international markets per annum which have been downgraded but recent work by UNIDO Africa Leather project indicate that at least 20% of hides from East and Central African countries except Malawi bear some form of branding.

Other defects on hides and skins can be attributed to parasites such as ticks, diseases like pox, scratches caused by thorns and horn rakes. (See annex II -Defects on leathers produced from salted and suspension dried hides in Tanzania).

(b) Slaughter defects

These defects occur during slaughter either because the slaughter facilities are inadequate or totally lacking or due to lack of proper slaughter tools. While a lot of cattle are slaughtered mostly in slaughter-slabs scattered in various market centres, a lot of small stock is slaughtered in homesteads where basic facilities for slaughter such as proper flaying knives, and water for washing off blood and dirt are lacking.

More importantly flay defects which could easily be eliminated are caused by flayers who fail to take adequate care due to lack of awareness or simply because they use wrong flay and splitting knives.

(c) Post slaughter defects

Post slaughter defects are associated mainly with the preservation methods adopted after slaughter. The two preferred methods are air-suspension drying which is more widespread in Africa and wet-salting. While dry-salting, and wire-drying are also practiced to some extent, there are many incidences of ground drying which contributes to putrefaction of hides and skins.

The centralized slaughter houses in cities and urban centres located near tanneries are increasingly selling green hides to these tanneries. This trend, however, has not yet been widely practiced and involves only a small fraction of the total hides & skins production. One would agree that if use of green raw materials by the tanneries would increase, a lot of defects stemming from post-slaughter factors would be eliminated. However, this is certainly not practical in the short and medium term as establishment of widespread centralized abattoirs in Africa will take many years to achieve.

Wet-salting of hides and skins have unfortunately become prohibitively expensive in Malawi, Zambia and Zimbabwe where the cost of salt is very high mainly because of the high transport cost from origin in South Africa to these countries. This element has now

contributed to hides being thrown away in pits in Zambia as alternative methods of preservation such as air-suspension drying are not yet established. UNIDO's Africa leather project in conjunction with the Leather Industries Association of Zambia is establishing air-suspension drying sheds in parts of Zambia in order to encourage this alternative method of preservation.

Results from field trials so far conducted comparing Wet-salting and air-suspension drying of hides (not skins) while they cannot be termed conclusive indicate there may not be significant advantages of wet-salting over well prepared, air-suspension dried hides. Environmental factors also favour air suspension drying as salt is increasingly being considered a major pollutant (see annex iii). Quality of leathers produced from salt cured and suspension dried hides).

Use of insecticides to prevent moth attack on air-suspended dried hides and skins is also practiced especially on raw materials which have to be stored for long periods.

Grading of Hides and Skins:

Quality of raw hides and skins have important bearing on the way the trade is conducted and determines not only the pricing structure but also the products to be made out of the raw materials. Therefore producers of these raw materials should fetch prices corresponding to the quality of their produce. However, in the absence of grading systems and in a situation where prices paid for raw hides & skins are uniform irrespective of quality aspects, the producers inflict damage on raw material through improper handling. This is the prevailing situation in a number of African countries and therefore there is no incentive for producers to produce good quality raw hides & skins.

In order to have a simple and fairly adoptable grading system for African producers UNIDO drew a comprehensive grading system which is being introduced to the countries covered by UNIDO's leather development programmes. The Guidelines for Grading of Hides and Skins by Quality was presented to the FAO organized third session of the Sub-Group on Hides and Skins (April 1992).³

³ Copies of the guideline paper are available to the panel members.

Raw Hides and Skins trade and utilization:

During the last three decades, global hides and skins trade has undergone very significant changes which are reflected in the pattern of raw material utilization. These changes can be attributed to interplay of several underlying factors which have directly or indirectly contributed to the diverse development, not only of raw hides & skins trade, but also of manufacturing facilities for leather and leather products. Some of the factors are considered below:

(i) Per-capita income growth patterns in various countries

Most developing countries' economies face severe difficulties and have stagnated over many years in real terms. Their poor economic status and the low per-capita income have failed to provide these countries with the necessary impetus for establishment of dynamic leather products industries, utilizing locally available raw hides and skins. In these countries, especially in Africa, about 90% of the hides, skins and leather production is exported in raw or semi processed state and processed to added value products in other countries.

One should, however, not generalize and it should be noted that one of the worlds leading economies, that of the United States, keeps exporting large quantities of raw hides to the world market. In 1992 United States is reported to have utilized about 500,000 tons of cattle hides (less than half of its own raw hides production of about 1.1 million tons) and exported 600,000 tons. Large quantities of these exports are destined over Hong Kong to mainland China as well as other south east Asian countries.

(ii) Development of leather processing capacities in South East Asia countries

The rapid development of the leather and leather products industry in South East Asian countries notably South Korea and Taiwan with practically no raw materials of their own is unique. South Korea in 1992 imported 390,000 tons of cattle hides which comprised of 97% of all hides utilized in that country.

Other countries in Asia with own raw materials such as India, Pakistan and Indonesia continue with varying degrees to have healthy leather industry sectors. India and Pakistan are these days also

importing raw hides and skins and semi processed leathers in large quantities to supplement their raw materials production.

What these countries have in common with African countries is the low domestic wages but comparison stops here. The success of these countries is dependent on their ability to establish labour intensive industries, with high productivity and good craftsmanship. These attributes are lacking in most African countries and require to be developed through training.

(iii) Environmental factors

Global awareness of environmental factors have increased tremendously over the years transforming the leather sector which has a reputation of being one of the most polluting industrial sectors. Pollution problems have forced industry to relocate to countries with less stringent pollution control requirements or to new operational sites which would enable them to set up effluent treatment plants. These developments have been very expensive for the sector and while relocation of industry in the past may not necessarily have taken into account raw hides and skins availability, this could change.

Tannery operations require large amounts of water and the industry therefore discharges large amount of effluent. At the same time the industry emits solid and air pollutants. Unfortunately, even with the development of modern effluent treatment plants the cost of setting up these plants remain very high and is a great burden to the profitable operations of the industry. It is increasingly difficult to compete with tanneries located in countries which allow tannery operations without enforcing sound environmental legislation. Environmental legislation should be based on realistic, scientifically-based, objectives rather than unattainable standards resulting from political or even emotional motives.

It is also unfortunate that the tanning industry is almost in all cases unable to utilize residual waste from tannery operations especially those originating from wet operations and containing chrome. Disposal of sludge, especially chrome-containing sludge, is presently one of the most difficult issues without a satisfactory solution.

(iv) Competition from synthetic products:

The leather industry has been faced with mounting competition from synthetic products designed to

resemble leather. These synthetic products are usually much cheaper than leather and although lacking natural characteristics associated with leather they still replace leather in the making of very cheap footwear. It is safe to assume manufacturers of these products will continue striving to making them more appealing in order to replace leather. However, it is unlikely a complete replacement of leather will be found but this should not make leather producers more complacent, instead they should become more innovative.

Raw Hides and Skins processing to semi-finished and finished leathers

The processing of raw hides and skins to either semi-finished or finished leather is determined by several factors including the ability of the tanneries to convert raw materials to good quality leather acceptable to the available market.

Tanning industries' success in countries where there are thriving leather products industries suggests that the back bone of leather processing in the world so far, is not so much the source of raw hides and skins but the strength of finished products industry. For instance African countries with a lot of raw materials have mostly a weak tanning sub-sector processing mainly wet-blue leather in most cases.

Established tanneries in Africa range in size from artisanal, small to medium scale, and in some cases large highly mechanized tanneries. Irrespective of the size of the tannery, the factories face similar problems with the larger enterprises experiencing bigger problems. Most of these large tanneries were established initially as parastatal organizations without establishing their economic viability and in some cases purely for political reasons.

Often plants were started with wrong plant design, over capacities created and mostly with an over establishment of personnel. The plants also lacked properly trained manpower.

As would be expected in such situations these tanneries have experienced severe operational problems attributed to poor management, financial constraints, breakdown of machinery and lack of spare parts. The result has been low capacity utilization in some cases as low as 8% capacity utilization. However, in the countries where tanneries are in private hands, they are usually more successful although faced with some of these constraints.

Recently there have been major efforts by national Governments to privatize parastatal/Government owned tanneries as has happened in Tanzania and Sudan. With economic liberalization taking place throughout the African continent it is expected more tanneries will be offered for sale to the private sector by Governments. This coupled with UNIDO's rehabilitation efforts through the regional programme will no doubt create increased processing efficiency in the region's tanning sub-sector.

At the global level there are common constraints facing the tanning sub-sector:

(a) Trade protectionism and Government policies:

Performance of the tanning industry is affected to varying degrees by Government policies such as trade barriers on imports and exports which interfere on the volume and direction of trade flow. Sometimes as is happening in some African countries Government policy encourages exports of raw hides and skins at the expense of the tanning sub-sector which finds itself without raw material for processing. On the other hand some Governments offer liberal incentives to the processing industry as follows:

- Ban on the export of raw hides and skins
- Ban on wet-blue leather exports of selected products or levy on such exports
- Facility for custom duty draw back or duty exemption on imported inputs
- Export refinance schemes and concessionary loans for export oriented processing industries

The consequence of the two scenarios is easy to predict. The country whose Government is interested in short term benefits of quick foreign exchange earnings drives its processing industry out of business and does not benefit from the Value-added benefits and increased employment opportunities for its people accruing from a healthy and competitive tanning sector.

Export restrictions mainly by developing countries can not always be described as beneficial to the sector. During the implementation of UNIDO project on hides and skins leather and leather products improvement scheme US/RAF/88/100 , it has been observed that restrictions of raw material exports sometimes results in producers being paid very little money for their produce. These producers therefore neglect the raw material and sometimes do not bother to collect it.

Although according to the report published by the U.S. Department of Agriculture's World Agriculture Board march, 1993 the impact of protectionism on trade in hides and skins and leather products would result in minor benefits for the developing countries if eliminated estimated at US\$16 million, it is important to study this issue further.

(b) Environmental factors

Pollution control requirements have increasingly become quite stringent throughout the world. This has led to a spate of tannery closures especially in Europe as the cost of establishing effluent treatment plants is high.

(c) Over capacity in processing plants:

The tanning sub-sector is faced by a situation where there is generally bigger capacity for hides and skins processing than

the supply. Utilization of existing capacity has also dropped in those countries with high labour costs and this is particularly so in countries like Italy which had stable utilization over many years and where level of utilization is reported to have dropped by between 7-10% compared to the 1980's.

(d) Market trends and currency fluctuations:

The competitive nature of the tanning industry and the low margins which tanners must accommodate means that they have to follow strictly the volatile market trends of rawmaterials, semi-processed leather and finished leather as well as the currency fluctuations.

Sellers of raw hides and skins are required to offer for sale materials according to an agreed selection and grading while at the same time specifying delivery time. A lot of suppliers in Africa find it difficult to adhere to these basic market requirements sometimes for reasons completely out of their control like the poor transport infrastructure. Lack of standard grading systems for hides & skins, easily understood by buyers is also a hindrance to marketing activities. This situation is further complicated not only by regular currency devaluations in some of the developing countries but also the hides and skins price fluctuations without the information on market being readily available. (See annex v - Sauer World prices indexes for hides & skins 1991/92).

The importance of grading and selection for marketing purposes extends to market requirements for semi-processed and finished leathers. The tanners leave no room for poor selection and grading and insist on having uniform materials so that they can supply finished leather products manufacturers with uniform leather of the specified grade, finish, colour and thickness.

In order to conform to the above mentioned market requirements, access to appropriate technology and training is important and may not be available in developing countries.

Fashion requirements are probably the most important influence on global market trends. The supply and demand factors do not always influence the market mainly because the supply of hides and skins is inelastic. At times the market show seasonal demand pattern sometimes attributed to the cold weather in major consumer countries when demand for leather boots and garments pick up.

There are times when drop of prices is not sufficient to generate or create demand for leather products. The demand for top quality material is almost always there although there is an element of demand fluctuation. Demand for the lower quality grades is, however, less certain and this puts constraints on producers of this type of quality in Africa and other developing countries.

The strength of world economy and related factors tend to influence leather and leather products markets. Whenever there is increased consumer confidence in OECD countries the market of leather and leather products tends to firm. Events connected to the breakdown of the former Eastern block amongst other factors have affected negatively the economies of Western European countries and this has had a marked influence on the leather market.

Leather Footwear and other Leather Products

At a first glance, a consumer of Leather footwear may not see the connection of raw hides and skins with the leather product. This is in itself a reflection of the amount of effort in terms of technology, workmanship and other inputs put in transforming the rawmaterials to an attractive finished leather product. However, irrespective of whatever amount of effort is put, the quality and specific physical properties of the raw hides and skins determine the end product to be made.

The current international distribution of leather products manufacturing/processing as discussed elsewhere in this paper does not determine proximity or volume of raw material supplies. However, the trade pattern of hides and skins, semi-finished and finished leather is determined by this distribution. Currently there are indications some Asian countries previously not known as big consumers and importers of raw materials like China have increased their importation as well as processing capacities.

Footwear being the most important leather end product, the success of its manufacture is therefore the best indicator of level of available technology, design capability and labour cost in any particular country.

African countries have been particularly weak in the area of footwear and leather products manufacture. This can be attributed to several factors such as:-

(i) The short history of footwear consumption in the warm tropical countries of Africa means that footwear demand is moderate although gradually increasing.

(ii) Changes in fashion trends are not frequent and therefore per-capita footwear consumption remains low. Footwear factories in Africa usually do not follow fashion changes and are mostly not aware of fashion trends.

(iii) The per-capita income of African countries is low and footwear rates low on the list of priorities for most individuals. Demand for footwear as is well known is a function of income and this is therefore reflected in the low footwear consumption especially of footwear made out of leather.

(iv) Low productivity and poor workmanship contributes to the weakness of footwear industries.

Another factor peripheral to the foregoing but probably even more important is the Government policies which sometimes discourage local production of footwear by allowing dumping of imported cheap footwear at extremely low prices mainly originating from Far Eastern countries. In a number of African countries this has led to closure of local footwear factories.

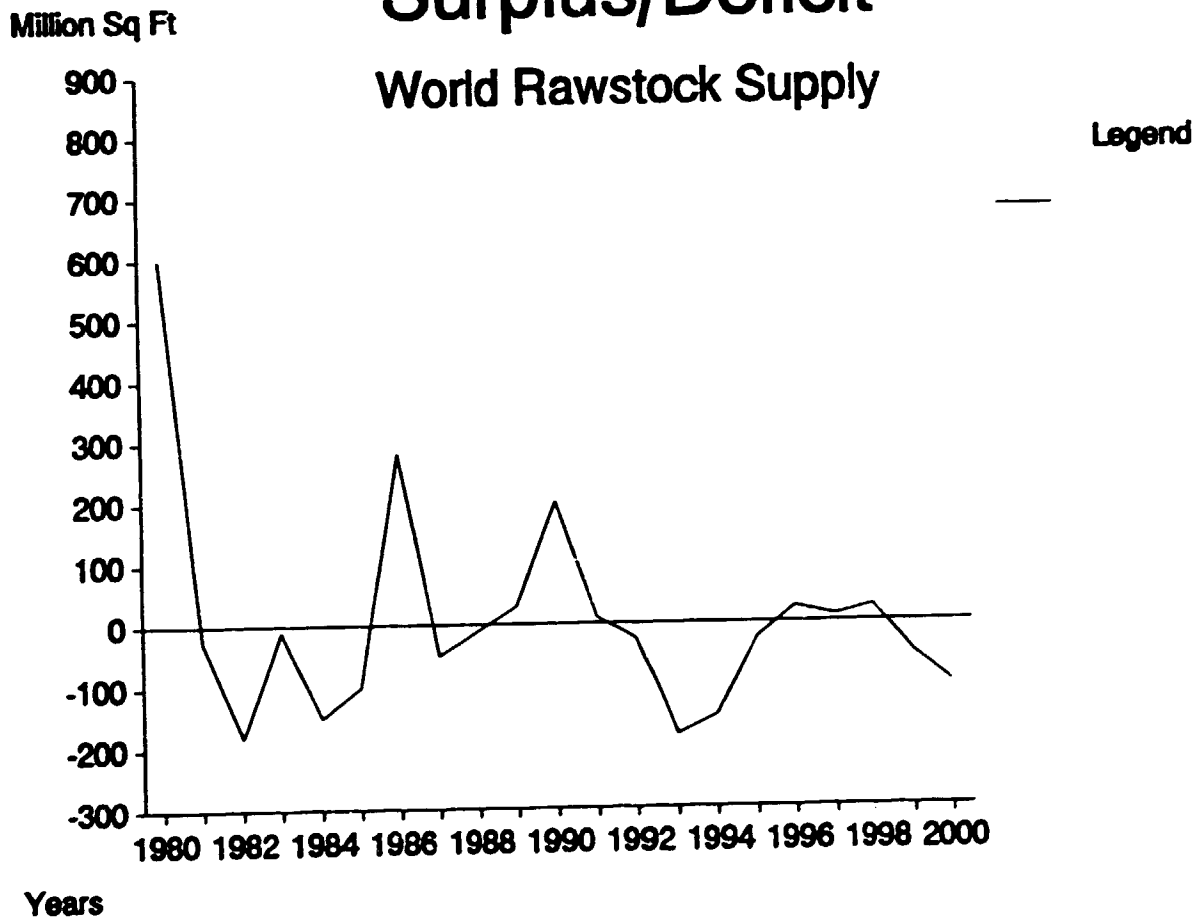
Demand for leather products other than footwear in African countries is rather low. There are few leather goods manufacturers and their products tend to be specialized. This specialization extends from manufacture of special tourist items usually with hand painted designs, traditional baskets made out of sisal with leather components, key rings, leather bags and purses.

The leather products manufactured are mostly hand crafted especially those made out of vegetable tanned leather and therefore are low technology items. In the absence of mechanized production of these articles and where technical staff is trained on the job aspects of quality are not fully addressed and this leads to poor workmanship. Other drawbacks include lack of uniformity of the articles manufactured, and low production efficiency. Although these countries have low wages it becomes difficult for overseas markets to accept low quality products which they produce.

Other factors which hinder development of leather goods include lack of fittings and accessories which are mostly imported, irregular supply of good quality leather from local tanneries and Government policies which impose high taxation on leather goods allowing cheaper imports to dominate domestic markets and stifling growth of the local leather goods industry.

Surplus/Deficit

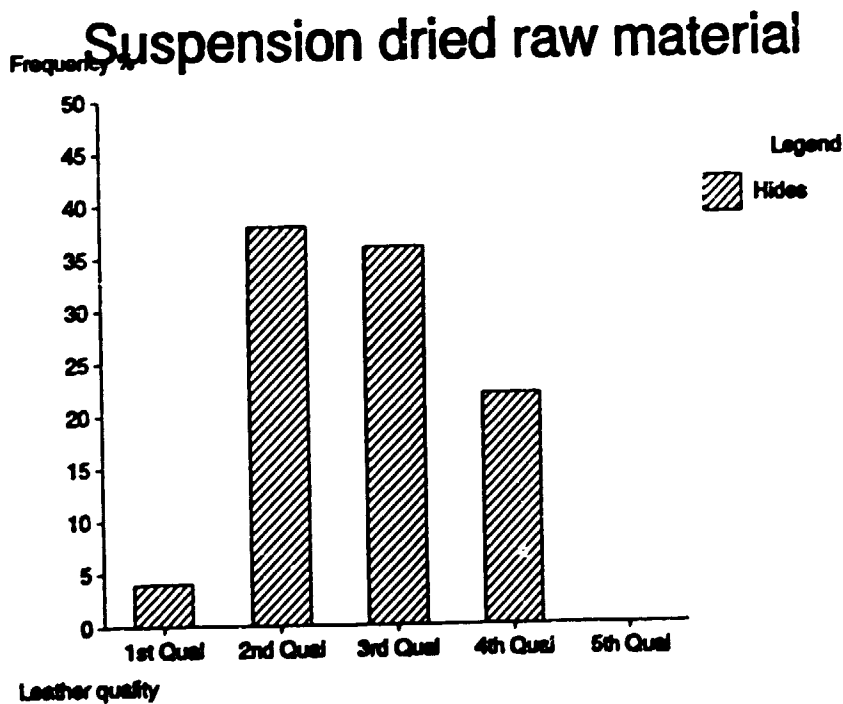
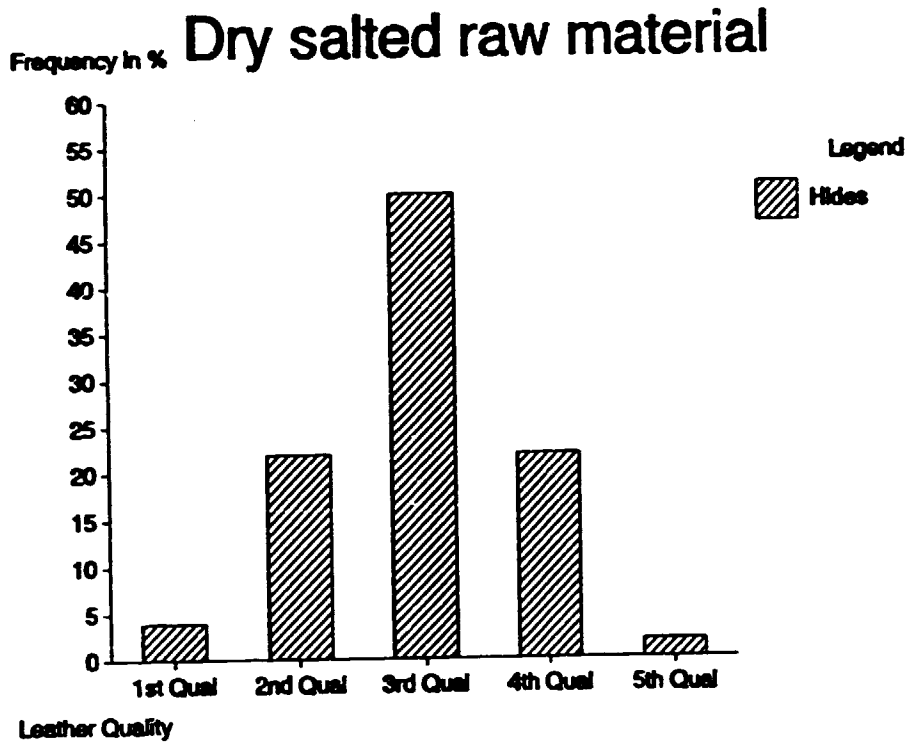
World Rawstock Supply



Source: LMCS

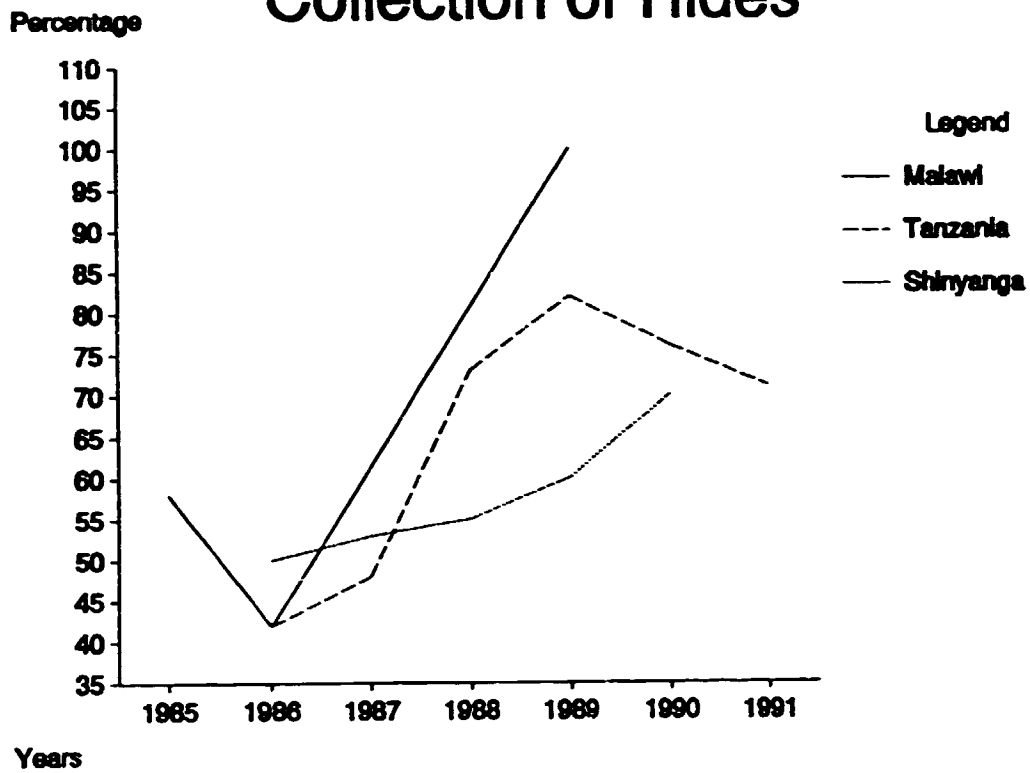
**DEFECTS ON LEATHERS PRODUCED FROM SALTED
AND SUSPENSION DRIED HIDES IN TANZANIA**

ORIGIN	DEFECT	LEATHERS AFFECTED
Pre-slaughter	Tick marks	100 %
	Scratches	100 %
	Growth marks	37 %
	Brands/Cauterization marks	16 %
	Mange	10 %
	Senkobo	6 %
	Diseases/Wounds	
Peri-slaughter	Cut/holes	70 %
Post-Slaughter	Putrefaction	14 %

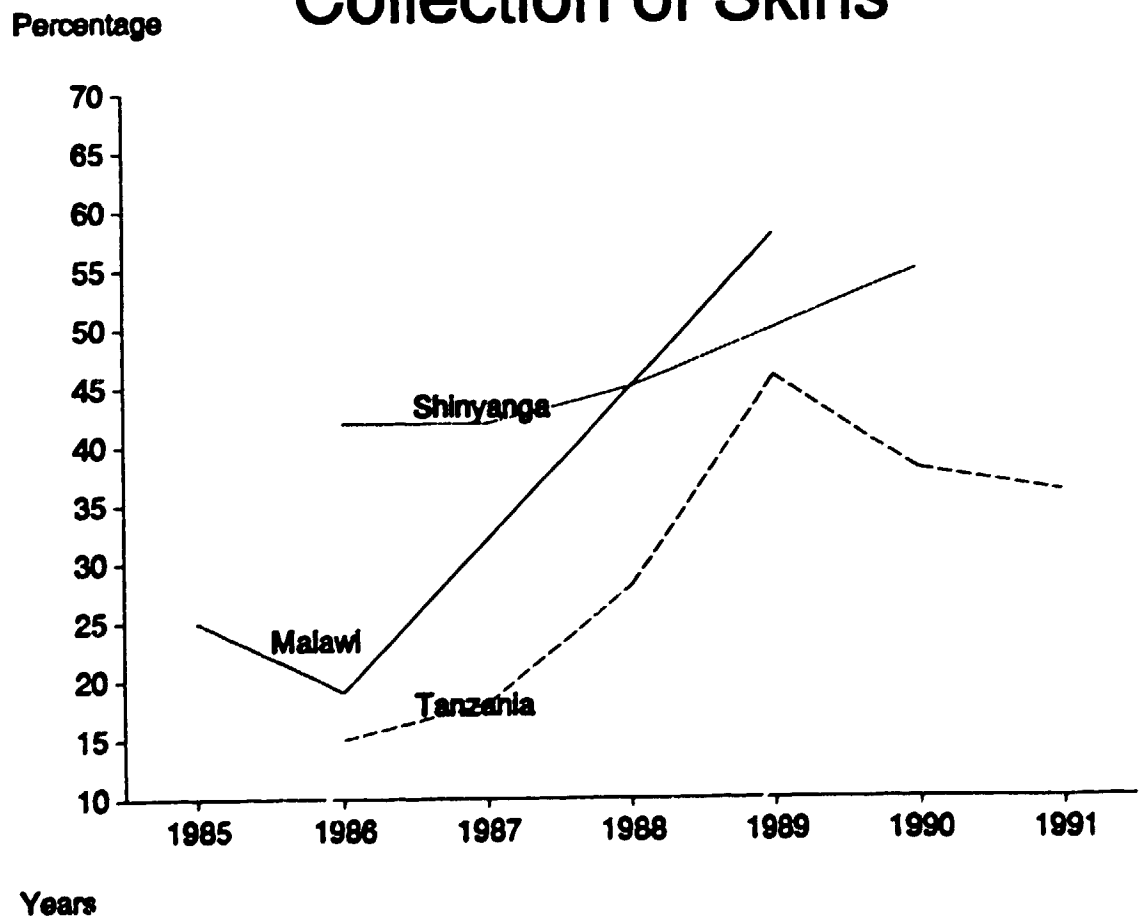


Quality of Leathers Produced from Salt Cured and Suspension Dried Hides in Tanzania

Collection of Hides



Collection of Skins



Sauer's Indexes

MNS for Hides & Skins

(Based on a basket of 64 types of the world's major internationally traded Hides & Skins)

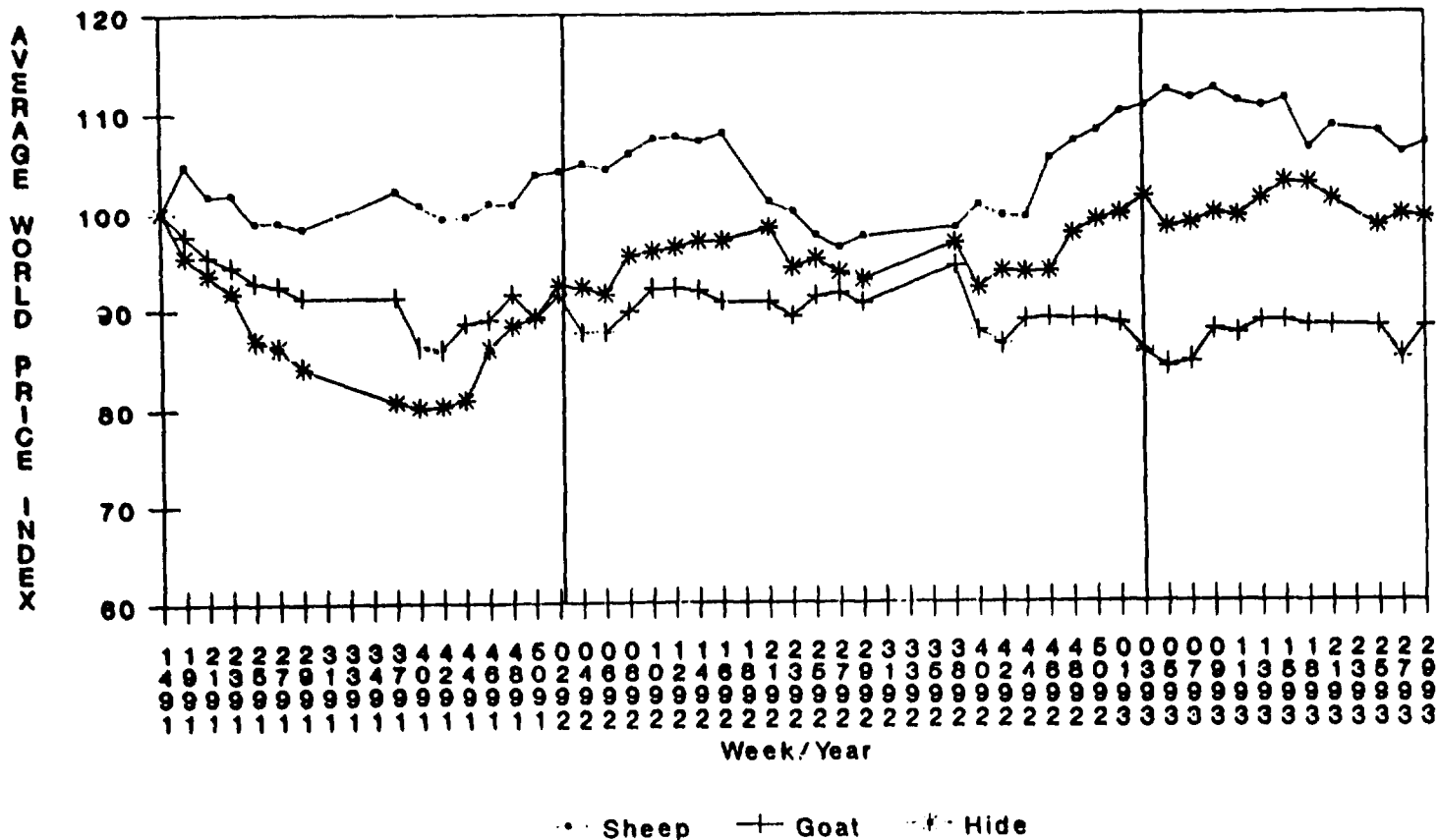


Figure 1. World Hide Production

The production of hides in the different regions is shown in ten year intervals; namely 1970, 1980, 1990 and the estimate of the year 2000. The developed regions such as North America and Europe are not expected to show any significant growth. The main growth areas are expected in the Asian region and in Latin America.

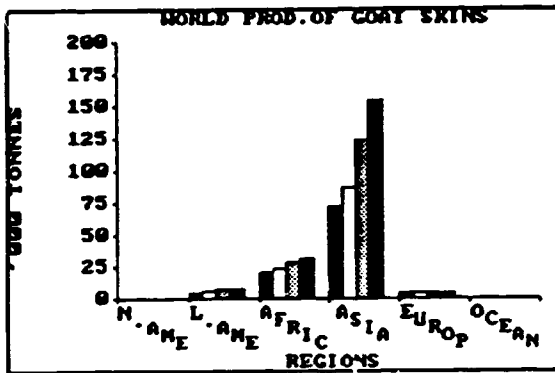
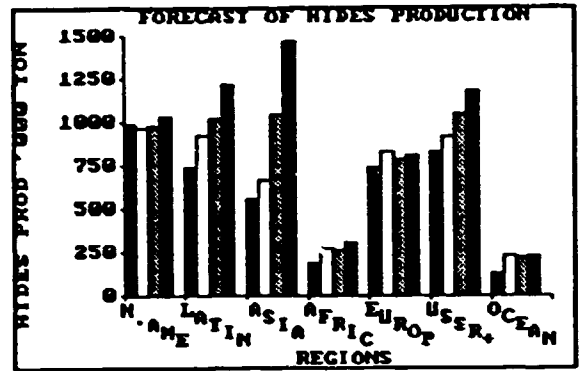


Figure 2. Goat Skin Production

The world production of goat skins is shown in the different regions in ten year intervals; namely 1970, 1980, 1990 and the estimate for the year 2000. The main growth area is expected to be the Asian region. Africa will remain as an important producer of goat skins with modest growth expectations.

Figure 3. Sheep Skin Production

The world sheep skin production is shown in ten year intervals; namely 1970, 1980, 1990 and the estimate of the year 2000. Main growth is again expected in the Asian region. Africa remains an important producer of sheep skins with modest growth expectations. All other regions are practically stagnant.

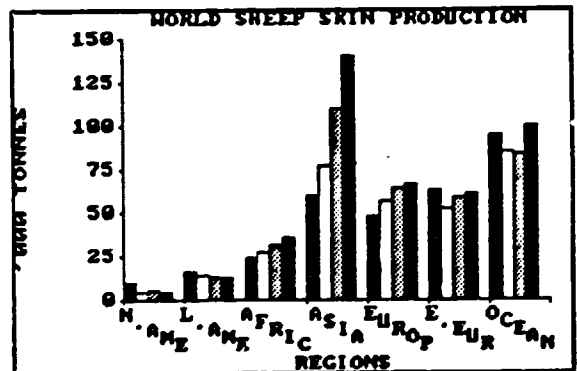


ILLUSTRATION 1.

**WORLD PRODUCTION OF HIDES AND SKINS IN '000 TONNES
1970-2000**

Figure 4. Year 1970

African hides production, compared with the total production of hides in the world, is only about four percent.

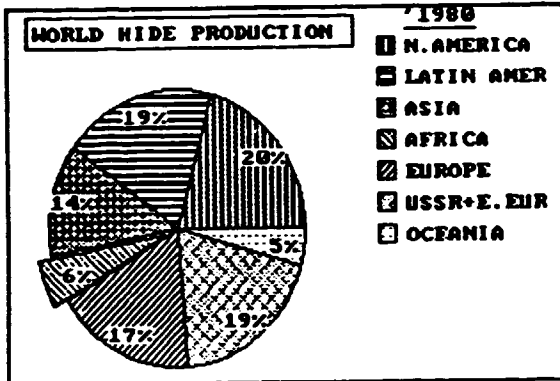
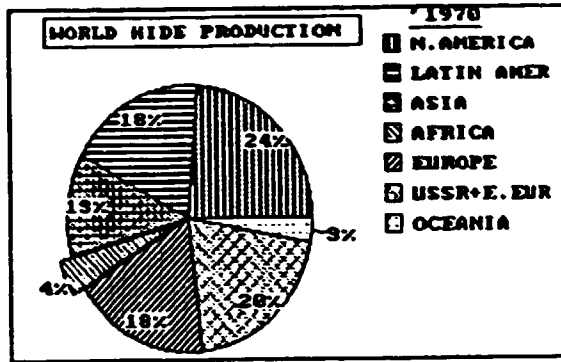


Figure 5. Year 1980

The African portion of the world production is now about six per cent, a two percent increase from the previous decade.

Figure 6. Year 1990

The African hide production portion has decreased by one percent compared with the previous decade. Note the rapid growth in Asia.

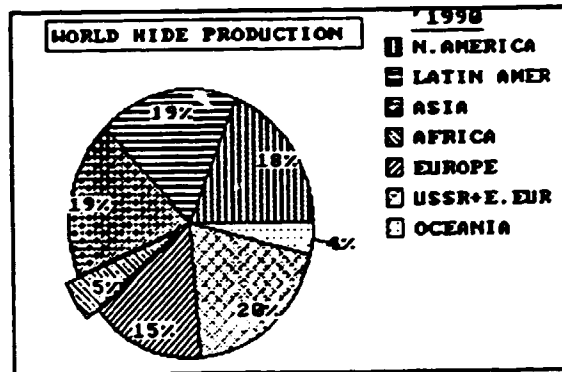


Figure 7. Year 2,000

The African portion remains static at 5 percent of the worlds total bovine hides production. The Asian production is expected to increase greatly and is now expected to be the major producer of bovine hides in the world.

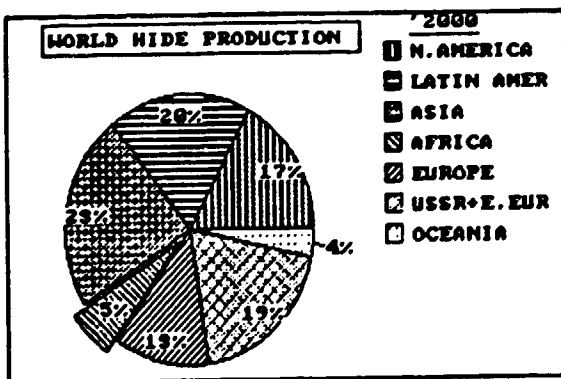


ILLUSTRATION 2.

WORLD PRODUCTION OF BOVINE HIDES
1970-2000

Figure 8. 1970 Goat Skin Production

World goat skin production is shown in the various regions as a percent of the world total. 1970 Africa produced about 20% of the total world output of goat skins.

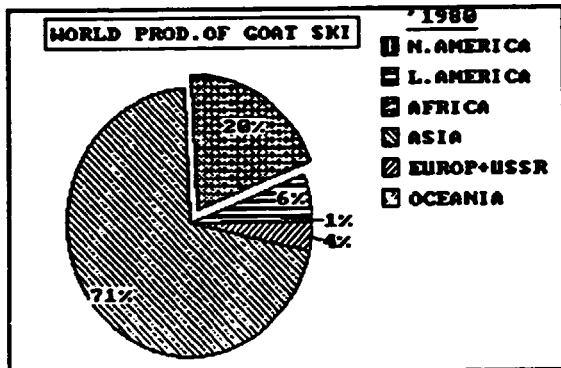
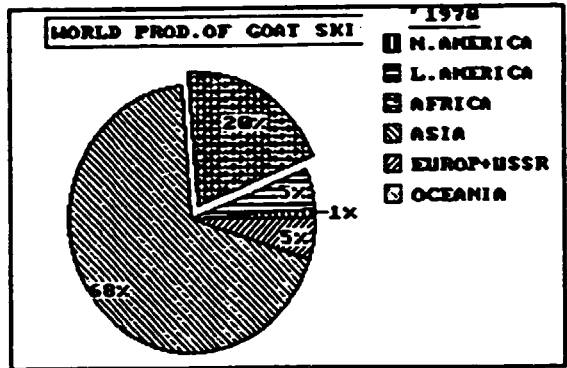


Figure 9. 1980 Goat Skin Production

In 1980 the African production of goat skins remains at the level of 20% of the total world output. The production of goat skins in Asia has grown to 71% of the world total.

Figure 10. 1990 Goat Skin Production

The African production, although growing moderately, has been reduced to 17% of the total world goat skin production. Note the rapid growth in Asia which now produces 77% of the total world goat skins.

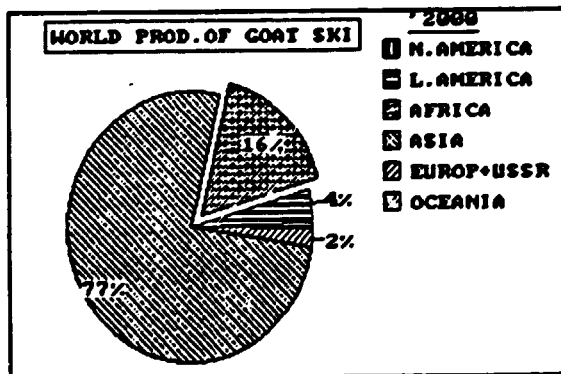
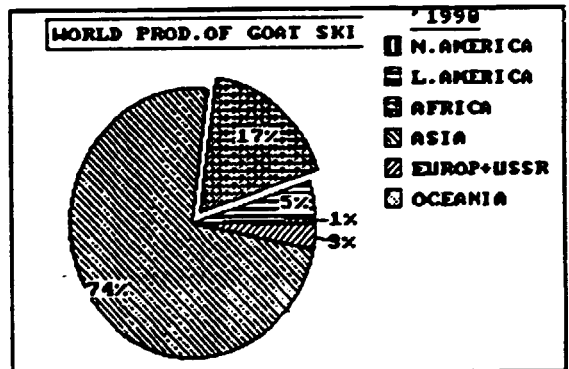


Figure 11. 2000 Goat Skin Production

The African production of goat skins is expected to be reduced to the level of 16% of total world production. African goat skin production continues to show a modest growth in quantitative terms and Africa remains the second most important region in the world. High growth is expected to continue in the Asian region.

ILLUSTRATION 3.

WORLD PRODUCTION OF GOAT SKINS
1970-2000

Figure 12. 1970 Sheep Skin Production

The world production of sheep skins in 1970 is shown in the various regions as percent of the total production. Africa is producing 8% of the total world output.

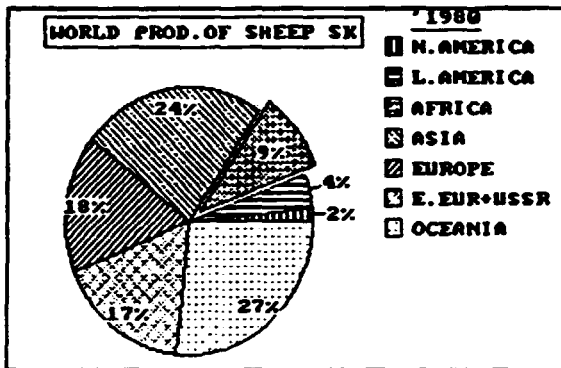
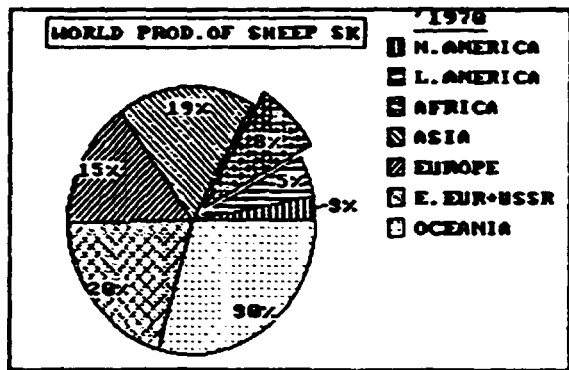


Figure 13. 1980 Sheep Skin Production

African production of sheep skin has grown slightly and now represents 9% of the total world output.

Figure 14. 1990 Sheep Skin Production

African production of sheep skins continues to be 9% of the world total. The growth in Asia is very substantial and the Asian region is now the largest supplier to the world and has passed Oceania as the number one producer of sheep skins.

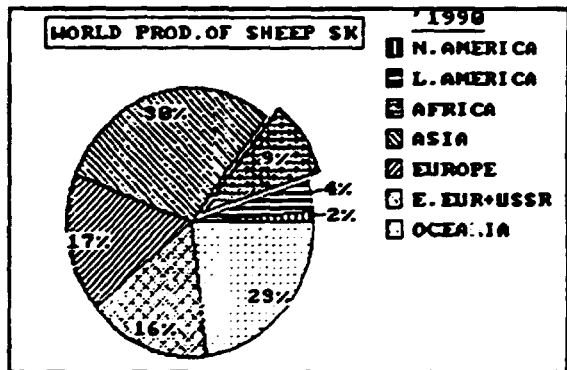


Figure 15. 2000 Sheep Skin Production

It is expected that the African production of sheep skins will remain in the region of 9% of the world total. Further growth is expected in the Asian region by the end of the century it is envisioned to supply 1/3 of the total world output in sheep skins.

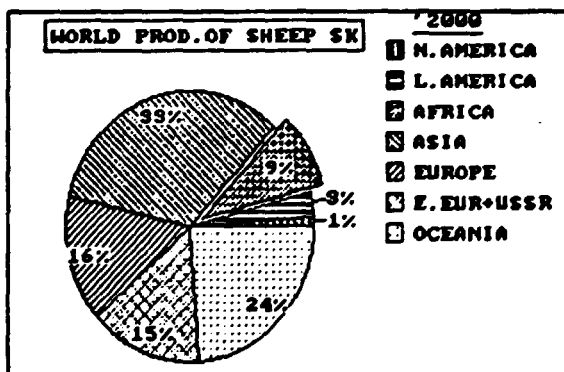
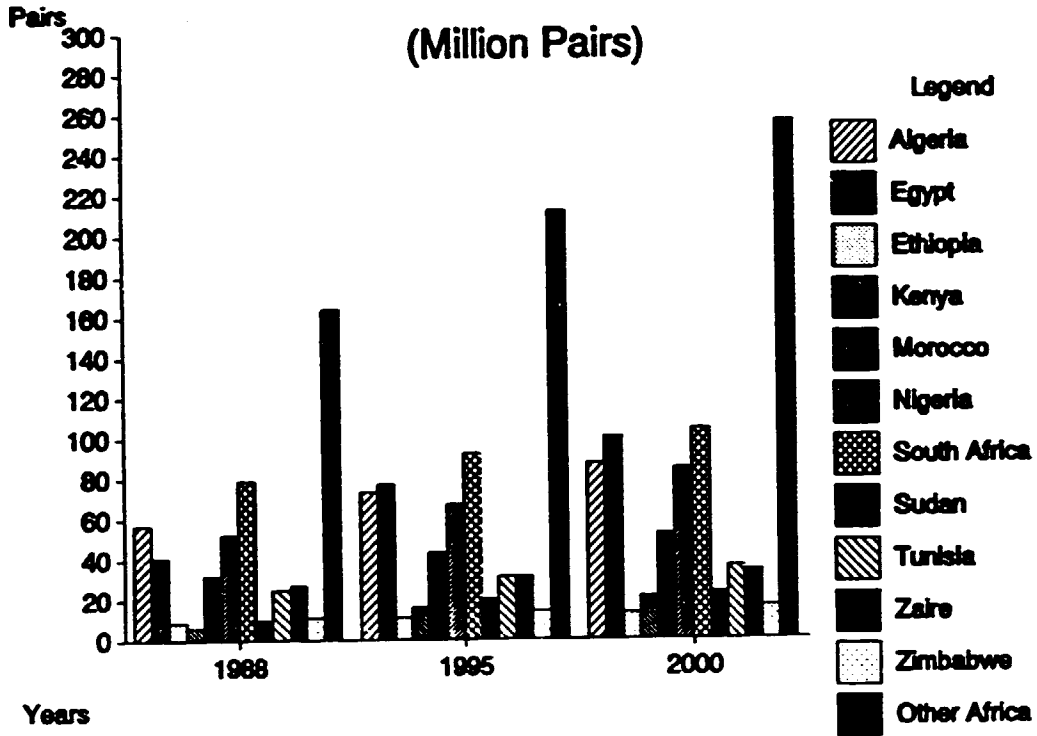


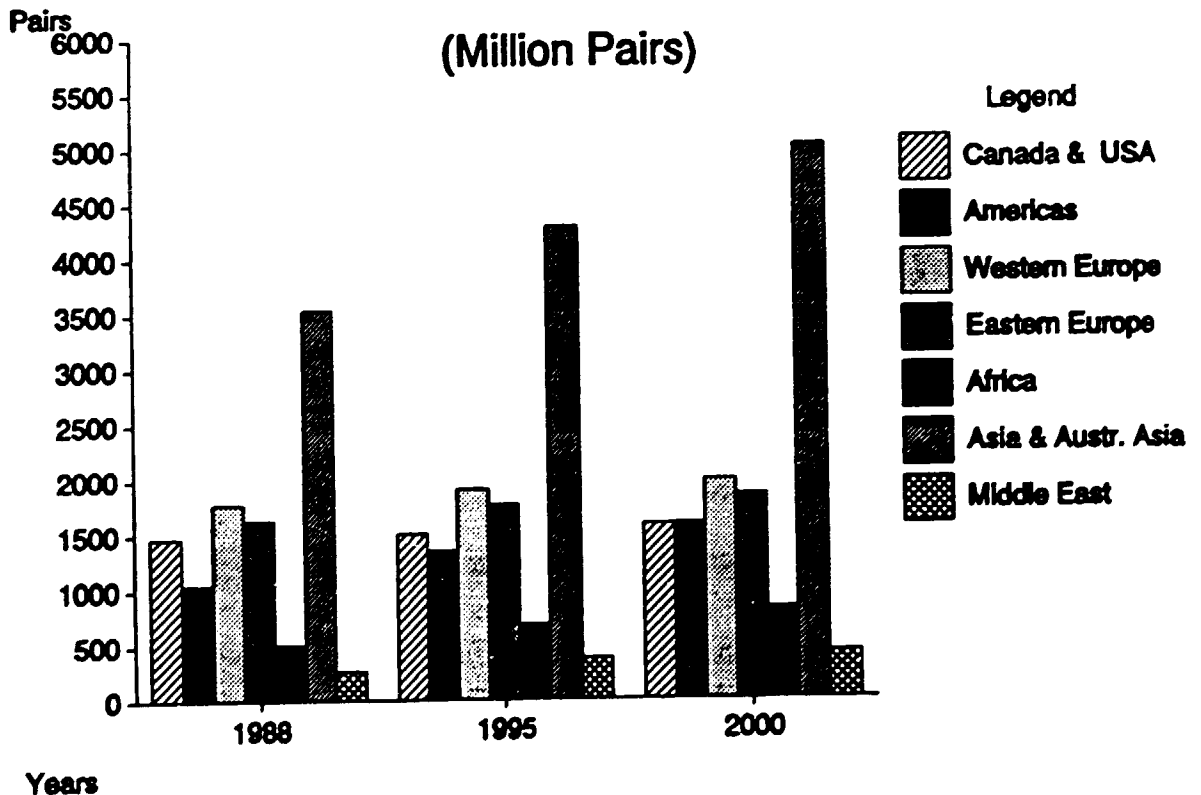
ILLUSTRATION 4.

WORLD PRODUCTION OF SHEEP SKINS 1970-2000

AFRICAN FOOTWEAR CONSUMPTION



WORLD FOOTWEAR CONSUMPTION



Source: LMCS