



# COMESA-LLPI NEWSLETTER

## Jan. - Mar. 2014 Issue

### COMESA/LLPI Unleashing The Growth of The Leather Value Chain in The COMESA Region Through Strengthening of SME's

The COMESA/LLPI in its endeavor to transform the COMESA leather value chain, is leaving no stone unturned and is engaging all relevant stakeholders nationally, regionally and internationally to develop robust programs that would spur growth of the sector. To achieve the growth and development of the sector in a holistic and sustainable manner, it has adopted the triple helix and the inclusive markets approaches. The adoption of the two approaches ensures that the Cluster Development process takes into account the critical elements of sustainable growth, technology transfer, market consolidation and policy support. It places the Private Sector at the centre of wealth creation and rural industrialization through the creation of value addition, jobs, intra trade and contributing revenue to the fiscus. According to UNDP (2013) "Inclusive businesses integrate low-income individuals into value chains in various capacities, be it as consumers, producers, employees and entrepreneurs. Thus, they bring the benefits of growth directly to low-income communities. This is not charity. Inclusive businesses create a strong foundation for profit and long-term growth by bringing previously excluded people into the marketplace"

As part of the overall framework, with limited resources COMESA/LLPI has supported the development of the Leather Value Strategy in Zimbabwe and is currently working with Rwanda, Uganda and Sudan in the development of the same. The formulation process of the strategies is participatory and brings to the fore the key actors and makes them accountable in the implementation of such strategies. The strategies embrace the Inclusive Business Ecosystem Diamond, which outlines the four primary functions required to support inclusive businesses:

» Information provides businesses with the awareness, knowledge, technology and know-how required to operate in low-income markets;

» Incentives provide businesses with the impetus to engage with low-income communities by rewarding positive externalities and reducing the cost of doing business;

» Investment provides the financial backing that enables businesses to venture into challenging low-income markets;

» Implementation support provides the logistics, transaction, marketing and communication, and micro-business support services that allow inclusive businesses to function in a variety of dynamic environments.

COMESA/LLPI is ready to support Member States beyond the crafting of the strategies, by supporting them in the process of implementing the strategies, monitoring and evaluation.

To complement the above soft issues, the COMESA/LLPI is also engaging on action and tangible results-based activities such as skills development and promotion of intra trade. To this end, it trained 240 SMEs in five COMESA countries and it also supported the participation of SMEs in seven regional trade fairs. These activities have led to the production of quality footwear products, and also trade linkages have been established among SMEs in the COMESA countries. Mr. Simon Ng'ang'a SME from Kenya, has had this to say about COMESA/LLPI interventions "the future of SMEs is bright, given the proactive stance, which COMESA/LLPI has taken in engaging all the key stakeholders from the smallest to the biggest"

In order to promote and reduce the cost of technology transfer from global premier institutions in leather technology COMESA/LLPI has signed MOUs with CLRI and KIFLT

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**NEXT ISSUE  
JUNE 2014**



**Dr. Mwinyikione Mwinyihija, Executive Director of COMESA-LLPI**

Dear Readers,

I am pleased to bring to you this 2014 first quarter newsletter that highlights some of the major activities of COMESA-LLPI during the period January to March 2014 and other leather related news from the Region and elsewhere.

COMESA/LLPI steadily continued its endeavors of supporting member countries to unlock the potential of the leather sector development. As part of this activity, the Institute conducted survey studies in 5 selected COMESA countries to determine current performance of Small and Medium Enterprises (SMEs) manufacturing footwear and the constraints which they are facing. The outcome of the study is used to strategize priority intervention areas to enhance the SMEs productivity and competitiveness and for improved utilization of the immense potential that the Region has in the leather sector. Some of the grand activities that the Institute accomplished during the just ended quarter included co-sponsoring the 7th All African Leather fair, Addis Ababa in February 2014, missions to the Sudan (for SME training and curriculum development) and Malawi (for SMEs training in leather footwear making). To date more than 300 SMEs have been trained in the Region with very receptive support from respective Governments of the participating countries. The next quarter will witness the spearheading of strategy development in Burundi, Ethiopia, Kenya, Sudan, Uganda and Zambia.

As mentioned above, this quarter's newsletter addresses also many important updates with respect to hides and skins and leather market information from within and outside COMESA Region.

As usual, please maintain your readership with us and keep on sending your views and comments.

Sincerely,

#### COMESA/LLPI Unleashing ...

*Continued from Page 1*

of India and South Korea respectively. It is currently in the process of signing similar MOUs with Ege University of Turkey. Templates for auctioning these MOUs are in the process of being developed.

At national level, activities are being implemented in partnership with national technical and business organizations. For example, in Malawi, LLPI is working with Malawi Chamber of Commerce and Industry, in Zimbabwe it is working with the Leather Institute of Zimbabwe and in Zambia with the University of Copperstone and Zambia Development Agency. This applies to many countries in the Region. To reinforce this partnership, COMESA/LLPI has been quick to concretize an MOU, which was signed between AMSCO and the COMESA Secretariat, by submitting a project proposal to the former. The initiation phase of this project started in February 2014, and this program would be premised on the inclusive market approach, which ensures that critical movers are committed to the project. One critical actor in the equation is an "off-taker", that is, a committed buyer of the products from the SMEs. Member States Government are expected to function as the most important off taker in the procurement of footwear for security and other government departments. A commitment by Governments to purchase 2% of their footwear requirements from SMEs, would inject US\$25 million in the SMEs. COMESA/LLPI would soon be engaging relevant government departments, in order to agree on quality standards of such footwear, which would in turn inform the nature of the footwear to be produced by SMEs, in order to satisfy such orders.

COMESA/LLPI is also embracing the e-commerce high way; it has designed a leather online portal, where the profiles and pictures of products are currently being uploaded. This is set to strengthen the intra and international linkages of SMEs at minimal cost. This site can be accessed at <http://portal.comesa-llpi.org>.

COMESA/LLPI is working tirelessly to contribute the overall mandate of COMESA, by complimenting the work of trade and industry divisions of COMESA. In addition to this it has participated in most of the events which have been organized by the COMESA Business Council, mainly because the voice of the business is important. The SMEs, being grown by COMESA/LLPI are the future of the voice of business.

The COMESA Summit in DRC has also assisted COMESA/LLPI to identify contact points to work with, in regard to the development of the leather value chain in DRC, and also to link it with regional suppliers of finished leather,

footwear and leather goods. DRC has the potential to grow the footwear making industry, as reflected by the high quality footwear currently being produced by SMEs. On the other hand DRC, has a big market with huge profit margins.

International development partners, such as the European Union, remain pivotal in ensuring the success of a number of interventions. The year 2013 has recorded successful interventions in capacity building, promotion of intra trade and strengthening the cluster management capacity at Member States level, mainly supported by the European Union. The COMESA/LLPI has also developed a number of project proposals which have been submitted to several potential development partners.

In conclusion, COMESA/LLPI would want to thank the Members States and the Secretary General of COMESA, who have supported it during difficult times and we would like to assure them that their patience and investment is now bearing fruits.

Leather for Health,  
Wealth and Luxury!

#### Regional Governments to Buy COMESA Leather Products

The COMESA Leather and Leather Products Institute (LLPI) is following up commitments by Governments in the Region to purchase 2% of their footwear requirements from Small and Medium Enterprises (SMEs). This is projected to inject US \$25 million in the SMEs and thus bring the benefits of growth directly to low-income communities.

The Director of the Institute, Dr. Mwinyikione Mwinyihija said that LLPI would soon engage relevant Government departments, in order to agree on quality standards of such footwear. This would inform the nature of the footwear to be produced by SMEs, in order to satisfy such orders.

“The new approach reinforces a partnership agreement signed between the COMESA Secretariat and the African Management Services Company (AMSCO) in 2013. Under the agreement, AMSCO committed to support private sector development in Member States, with a focus on small scale enterprises,” he said.

The initiative with Governments started in February 2014, and is premised on the inclusive market approach, which ensures that critical movers are committed to the project.

“One critical actor in the equation is an “off-taker”, that is, a committed buyer of the products from the SMEs”, Dr. Mwinyihija says. “Member State

governments are expected to function as the most important off-taker in the procurement of footwear for security and other Government departments.” The Leather Institute has adopted the ‘inclusive markets’ approach to transform the leather value chain and create a strong foundation for profit and long-term growth by bringing previously excluded people into the marketplace.

“The inclusive approach will ensure that the cluster development process takes into account the critical elements of sustainable growth, technology transfer, market consolidation and policy support,” Dr. Mwinyihija said during the COMESA Policy Organs’ Meetings in Kinshasa, DRC.

The COMESA Region has a huge market for footwear and finished leather, estimated at 365 million pairs and one billion square feet of leather. As part of the overall framework, COMESA/LLPI has supported the development of the Leather Value Strategy in Zimbabwe and is currently working with Rwanda, Uganda and Sudan in the development of the same. In Malawi, LLPI is working with Malawi Chamber of Commerce and Industry, in Zimbabwe it is working with the Leather Institute of Zimbabwe and in Zambia with the University of Copperstone, Zambia Development Agency.

#### COMESA Leather and Leather Products Institute Conducted Service Centers Assessment in Five COMESA Member Countries

The COMESA Expert Team composed of Prof. Mekonnen Hailemariam, Leather Value Chain Expert at COMESA/LLPI, and Mr Alfredo Martinelli, a renowned footwear consultant from Italy, conducted Service Centers assessment for Leather Industry in five COMESA countries, namely Burundi, Kenya, Rwanda, Uganda and Zimbabwe, from February 9 to 28, 2014. The assessment encompassed identifying human resource capacity and equipment and technology gaps of the Service Centers vis-a-vis the ideal situation, and identifying current performance and constraints of MSMEs in the leather sector.



Visits to TCFC in Uganda



Discussion with SMEs at Leather Institute of Zimbabwe

The study is expected to come up with practical recommendations with regard to what should be done to transform the identified centers into Service and Incubation Centers; the support which should be given to MSMEs in order to improve their productivity, quality of leather products, participation in formal national, regional and international trade and create more jobs; and facilitation needed by MSMEs to enhance their linkages in the formal national, regional and international supply chains.



SMEs Meeting at the Gatsibo leather CPC and Kigali, Rwanda





*Visit and Discussion with SMEs and AfriTan in Bujumbura, Burundi*



*Visit to SMEs in Kariuko, Nairobi Kenya*

#### The COMESA/LLPI Delegation Back from the Sudan Mission

The COMESA Leather and Leather Products Institute Delegation, led by its Executive Director Dr Mwinyihija Mwinyikione and composed of 8 Experts, successfully completed a working mission to Sudan from March 21st to 26th, 2014. Four of the Experts were from COMESA/LLPI while the remaining four were from Kenya, Uganda, Zambia and Zimbabwe (one from each).

The objectives of the mission were:

- » To review Karari curriculum and develop a framework for the Diplomas in footwear and leather goods technology;
- » To attend the graduation event of COMESA/LLPI sponsored trainees in leather footwear
- » To strengthen COMESA/LLPI relationship with the Sudan Government and other important institutions; and
- » To discuss and agree on the way forward on strategy formulation for the Sudan leather sector;

»



*Karari Curriculum Development Review in Khartoum, Sudan*

The mission was successfully completed with the following outputs:

- » The Karari Vocational Training Curriculums in leather footwear and other leather goods from Level I to Level IV were reviewed, competency gaps were identified and recommendations were made.
- » The graduation event of 10 trainees in leather footwear was colorfully organized by the Karari Vocational Center with the attendance of Honorable Minister of Human Resources, H.E. Eng. Abdullahi Ahmed Hamad and other high ranking Government Officials.

» COMESA/LLPI Delegation held meetings and fruitful discussions with the Governor of the States of Khartoum, H.E. Mr. Abdelrahman Alkheldir; the Spokesperson of the National Assembly of the Khartoum State, H.E. Mr. Mohamed Elsheikh Madanin; the Minister of Human Resources Development and Labour, H.E. Dr. Yahia Salih Mukwar; the Minister of Investment and Production Council, H.E. Eng. Abdullahi Ahmed Hamad; the Minister of Social Development, H.E. Dr. Amal Elbakri Elbeelly; the representative of Ministry of Trade; and officials from Vocational Training General Administration and Karari Vocational Training Center and the private sector. Among the important issues discussed and agreed upon were holding a leather sector strategy formulation workshop in April 2014, conducting second round training of 10 SMEs in footwear manufacturing that will be sponsored by COMESA/LLPI and finalizing the Diploma level Curriculum development in Leather Technology by June, 2014.



*Karari Curriculum Development Review in Khartoum, Sudan*

The COMESA/LLPI Delegation expressed its appreciation and gratitude for the excellent reception, warm welcome and hospitality extended to it.

**COMESA-Leather and Leather Products Institute (COMESA-LLPI) co-sponsored and co-organized the 7th Edition of All Africa Leather Fair, 2014 conducted at the Millennium Hall, Addis Ababa, Ethiopia.**



*H.E. Dr. Mulatu Teshome, President of the Federal Democratic Republic of Ethiopia, Opening the Trade Fair*



The 7th Edition of AALF was inaugurated by H.E. Dr. Mulatu Teshome, President of the Federal Democratic Republic of Ethiopia.

He was accompanied by H.E. Mr. Ahmed Abtew, Minister of Industry and other high ranking Government Officials, members of the Diplomatic Corps, International Organizations and influential partners in the leather industry.

Leather products were displayed for three consecutive days, from 20th to 22nd February 2014. At this event a total of 200 companies from 41 countries, presented their latest offerings.

COMESA-Leather and Leather Products Institute fully sponsored 14 SMEs Exhibitors from 7 African Member States.



*Partial View of COMESA-LLPI-Sponsored Participants During 7th Edition of AALF*

#### Ethiopia: Animal Hides Go Cheap as Leather Industry Falters

On the early morning of Thursday, September 12, 2013, a day after the Ethiopian New Year, Besheir Meded slaughtered two sheep and a goat for three of his customers. After finishing his work, he went to the market around Meshualekia, on the Debre Zeit road, to sell the skins, which he receives as payment for his slaughtering service.

Unlike the previous holidays, Besheir, who works as a daily labourer, doesn't have to pay any extra money to his clients for the skins, since they are fetching a lower price at market.

"I used to pay an extra 25 Br to 30 Br after receiving the skins," Besheir told Fortune. "However, currently the sheep skins bring back a relatively low return in the market."

Although Besheir did not pay anything for taking the sheep skins, he received an additional 35 Br for his service of slaughtering the goat. This is because goat skin fetches a much lower price than the sheep skin.

Around 9:00am, Besheir sold the goat skin for 25 Br to Getu Tenkir, who has been in the business of collecting skins for the last 10 years. However, he did not succeed in selling the sheep skin, since he asked Getu to pay him 55 Br for each.

Getu collects raw skins in his booth located around Meshualekia. The booth was donated by USAID for skin collectors to sell skins, without affecting its quality, to skin collectors that then supply the skin to leather factories.

Getu has been collecting the skins as of 6:00am on Thursday, and had amassed 70 by the time Besheir arrived. This is a sharp increase from the other holidays where he often accumulated only around 20 skins a day.

Getu bought sheep and goat skins for 50 Br and 25 Br, respectively, mostly from households that slaughter the animals for the holiday. He would later sell the skin to factory suppliers, who travel around the city in the afternoon, for 53 Br, he claims.

The price of raw leather has been fluctuating since last Christmas, when sheep skin was sold at 90 Br, on average, and each goat skin fetched 30 Br. Cattle hide, which can weigh up to 48Kgs, sold for 3.50 Br a kilo, at the time.

The price showed a slight decline during the following Eastern holiday, when the price of sheep skin stood at 80 Br, on average. Goat skin and ox hide, however, remained relatively stable.

During the current holiday season, Getu could not accommodate the needs of Besheir, however, since he was anticipating a lower return from the sheep skins.

"I am surprised by the sudden price decline of sheep skin, which stood at 80 Br, on average, during the last Easter holiday," Besheir told Fortune.

But with the price he asked, which was 55 Br, Besheir could have been successful if he walked a few metres around the premises of the Addis Abeba Exhibition & Marketing Development Enterprise (AAEMDE), where Ahmed Delil, another raw skin collector, was buying sheep skin for between 55 Br and 60Br.

The reason for the drop in the price of raw skin is unclear to the likes of Ahmed and Getu. They claim to sell the skins with prices set by their buyers, who later submit it to one of the 29 suppliers in Addis Abeba.

Nurhussien Ahmed is Ahmed's customer. He supplies raw skin to tanneries and leather factories. He says that this holiday sale stands out as different from previous times, as the tanneries and leather factories demand less skin with a higher quality, when compared with the previous holidays.

Although Ethiopia has a definite comparative advantage, with a large livestock population, easy accessibility to quality leather is lower when compared to neighbouring countries. During the 2011/12 fiscal year, the total population of cattle was 53.3 million, while sheep and goats numbered 25.5 million and 22.7 million, respectively, according to the Central Statistical Agency (CSA).

Ethiopia's cattle population is far greater when compared to that of Kenya and Sudan, which have a population of 11.7 million and 39.8 million, respectively. When comparing sheep and goat populations, Kenya has 1.7 million and 24.7 million, respectively, while Sudan has 48.9 million and 39.8 million.

Despite having a large population, the proportion of cattle consumed in Ethiopia is only seven percent, compared to 10pc and 20pc for Kenya and Sudan.

The proportion of sheep and goat consumed in Ethiopia is 33pc and 38pc, respectively, compared to 30pc and 29pc in Kenya and 45pc and 30pc in Sudan. But both countries lead Ethiopia in the population of these two animals.

Berhanu Abate, President of the Ethiopian Skin & Hides Suppliers Association, supports Nurhussien's argument.

The price of sheep skin has declined since the demand

from tanneries and leather factories is limited at this time, claims Berhanu.

The price of sheep skin, which are originally bought for 55 Br on average from people like Besheir, is sold for around 75 Br when it reaches the tanneries and leather factories.

“The market of skin depends upon the demand from the factories,” says Berhanu.

Tanneries do not deny this.

Pittards Ethiopia Tannery is one example of an institution that has made the choice to postpone its plan to buy skins from the market during the current holiday season.

J. Moriarty, managing director of Pittards Ethiopia Tannery, which produces finished sheep skins, goat skins and hide products for gloves, shoe uppers, garments and linings, as well as cow hide products for leather goods, admitted that his company will not purchase raw hides and skins from its suppliers, since the company has enough stock at its warehouse.

The company has been utilising 75% of its capacity, since the demand in the international market is declining, according to Moriarty. The company have a capacity to process 70,000 sheep skins and 1,500 cow hides, annually.

“We cannot be competitive in the international market, if we keep buying animal skins locally at higher price,” he claimed.

However, tanneries, such as the Gelan Tannery Plc, which collects the raw skins from its customers, found the current price surprising and encouraging.

“The market is becoming stable, which in turn will help the growth of the leather industry, “ Esmaeil Awol, officer of Trade at the Factory, says.

The higher raw material prices incurred by most of the tanneries operating in the country is in addition to the levy of export tax imposed on unfinished leather products since 2012.

This measure is intended to realise the vision of the government for the leather industry, by introducing a 150% tax on the export of crust leather.

The last half decade has not been as successful for the leather sector as the Government had planned. The government’s plan of collecting close to half a billion dollars in revenue from exports at the end of its previous five-year economic plan, which ended in 2009/10, was not achieved. Only 205 million dollars was collected. Part of the reason for this failure is that 20 of the 26 leather exporters export only crust leather, while only

six export finished leather.

Before the introduction of the export tax, most of the income from leather exports came from crust leather. This accounted for 67.3% of the 104.1 million dollars earned during the 2010/11 fiscal year. The plan was to achieve 180.4 million dollars.

Although the introduction of export tax failed to achieve the Government plan, as outlined in the Growth & Transformation Plan (GTP), it discouraged the export of crust once and for all. The government envisions earning one billion dollars from the export of leather products by the end of 2014/15 fiscal year.

In the just ended fiscal year, the country earned only 308,000 dollars from the export of 14 tons of crust. Two years before the introduction of the export tax, the country secured 74 million dollars by exporting 4,062 tons of crust. But the export earnings from finished products increased to 121 million dollars.

However, this seems not enough for the Ethiopian Leather Industries Association (ELIA), which has close to 50 factories involved in the leather industry as members.

The price has to go even lower if the leather industry is going to be competent in the international market, said Abdissa Adugna, Secretary General of the ELIA.

Melaku Wirtu, Commercial Manager of Colba Tannery Plc, which exports finished leather products to India, Italy and Indonesia, also said that the international market is not responding to the Ethiopian leather products as a result of higher price.

“We were planning to buy 20,000 skins in the holiday season, but we bought far fewer than our plan, since the demand in the international market is less.” Melaku told Fortune.

It has become clearer to actors in the leather industry that previous prices are no longer acceptable, if they are to stay in the market, according to Abdissa.

Berhanu Serajbo, Director of Corporate Communications of the Leather Industries Development Institute (LIDI), shares Abdissa’s view.

Leather factories were unable to clear their unpaid bills, as their input cost is much higher than their final price in the international market, Berhanu claims.

More is coming to the industry, as a new draft law is expected to reduce the number of middlemen in the market chain. According to the Government, these are the main reasons

for the inflated prices.

The draft, which is expected to be ratified at the end of September, aims to make the process of raw skin sale transparent, H.E. Tadesse Haile, state minister for Industry, told Fortune.

If the current draft is ratified, all trading between tanneries and suppliers will be conducted after the former has signed an agreement with the latter.

"The draft aims to avoid the price speculation that was seen between tanneries and suppliers," said Tadesse.

Nurhussien agrees with the stand of the State Minister, the LIDI and the ELIA, when it comes to a sharp drop in the price of raw leather.

For Nurhussien, the drop in price means an improved opportunity for buying more skins. This would increase his profits, if suppliers are willing to buy.

"My profit is around five Br, whether the price remain the same or not," Nurhussien told Fortune.

Source: <http://allafrica.com/stories/201309161981.html?viewall=1>

### Failing to Nurture Leather Industry Costing Uganda

Many Ugandans opt for imported leather products, ignoring the locally made ones, thinking they are of poor quality. PROSSY NANDUDU examines the potential of the leather industry in Uganda and why it should be nurtured.

The absence of a factory to process hides and skins into finished leather is hindering the growth of the leather industry in Uganda, Emmanuel Mwebe, the coordinator of the Uganda Leather and Allied Industries Association, has said.

Mwebe said Uganda has seven medium-sized leather tanneries and several small ones, but there is no factory that processes hides and skins into final leather. The hides and skins are only processed up to wet-blue level.

"Other countries make the final leather," said Mwebe. He said this has hindered the growth of the industry and local factories are deprived of by-products that could be put to other uses.

Mwebe noted that the establishment of a factory will increase the production of leather products in Uganda and create employment for the youth.

"We should not stop at making wet blue, but also go an extra mile to make the finished leather. This will also give us by-products that will increase earnings from hides and skins," said Mwebe.

The absence of a leather factory has also fueled the importation of cheap and synthetic products. This has frustrated efforts by the footwear factories in Uganda. Mwebe said, in Ethiopia, leather factories have opened up footwear shops, which has enabled the country penetrate regional markets.

#### ♦ Demand for leather products

It is estimated that Ugandans buy 25 million pairs of shoes every year. Of these, only one million are produced in the country. The rest are imported. This has been partly blamed on lack of awareness of the existence of locally made leather products in Uganda,

according to Tom Mukiibi, the Executive Manager of Crane Shoes and Crafts in Kampala.

Mukiibi says leather can be got from fish, chicken, snakes and wild animals in addition to domesticated animals such as goats, sheep and cattle.

Figures from the Uganda Bureau of Statistics show that Uganda has potential to produce 1.4 million cattle hides, 3.1 million goatskins and 0.68 million sheepskins annually.

However, collection rates currently average at 1.2 million hides, 2.4 million goat skins and 0.54 million sheep skins. Most of the hides and skins produced are exported in raw or semi-processed form.

Out of the five major tanning industries, it is only the Jinja-based Leather Industries of Uganda that processes hides and skins up to finished product stage - ready for use in the local market.

The other four tanneries; Skyfat Tanneries, Novelty Investment, Jambo Tannery and Gomba Fish Skins Industry, only process hides and skins to the stage of wet blue - semi processed hides and skins - for export.

#### ♦ Availability of raw materials

Hides and skins, the raw material for leather, are byproducts of the meat industry and they are derived from either urban or rural slaughter houses.

With a population of about 11.4 million cattle, 3.4 million sheep and 12.4 million goats with offtake rates of 17% for cattle and 30% for goats and sheep, the potential raw material available in Uganda is about 1.9 million cattle hides and about 4.8 million goat/sheep skins.

#### ♦ The environment

Leather tanneries have been accused of polluting the environment, partly due to lack of a factory that processes wastes into valuable products. The problem has been compounded by the fact that most leather tanneries are located in urban centres.

But Mwebwe says there will soon be a tannery waste management factory that will process parts of leather that are likely to cause smell into edible products and products that can be used in other industries such as pharmaceuticals.

One of the major by-products from leather is gelatin, which is processed into a food additive used in yoghurt, capsules, cream, sweets and glue. Other products from leather include key holders, decorations, leather sandals, shoes, belts, bags and table mats.

The factory will be setup by a South African company that currently takes some of the waste materials.

Also, stakeholders are in talks with the National Agriculture Research Organisation to make fertilisers out of some of the waste.

The tanneries also have to treat the water used to wash skins before it is disposed of. The water can also be used as fertiliser.

#### ♦ Challenges

Inadequate and unreliable electricity affects production and increases the costs of doing business. Rao R, the Director of Hoopoe Trading, a tannery in Lugazi, has called on Umeme and the Uganda Electricity

Transmission Company to provide the tannery with a direct line of electricity to reduce the cost of fuel used to run generators.

"The power line in Lugazi is too congested and cannot supply enough electricity for our processes," said Rao. He said, on average, they use 70 litres of fuel per hour to run generators whenever there is load shedding, which can sometimes take up to one week.

Even when there is no load shedding, the Firm has to supplement insufficient power supply with a generator that runs during the night to eliminate any possible smell that may arise due to lack of power supply to the processing plant.

Rao made the request while taking members of the Uganda Manufacturers Association around the factory recently. Another challenge is that butchers do not have the proper skills and equipment to skin animals. They use kitchen knives that create holes in the skin, affecting its quality.

Source: <http://www.newvision.co.ug/news/653103-failing-to-nurture-leather-industry-costing-uganda.html>

### Kenya Insists Extra Export Tax on Raw Hides to Remain in Place

The Government has defended its recent decision to increase export tax on raw hides and skins to encourage value addition. Industrialisation and Enterprise Development Cabinet Secretary, Adan Mohamed, Wednesday maintained that the extra levy would neither be withdrawn nor reviewed downwards as it is part of reforms being championed to improve strong production source of leather materials.

The Government early last year increased export duty on raw hides and skins from 40% to 80% to protect local market from scarcity of leather products. Further, Government argued the taxation would assist in encouraging value addition. "Key priority as a Government is to ensure the leather industry has gained out of the local production. By increasing the tax our intention is to ensure the local processing capacity is fully utilised," said Mohamed.

He said most of the leather products in the past have been exported as raw and wet blue and thus not attracting premium prices in the international market. He made the remarks during a tour of the Alpharama Limited, a leather factory based in Athi River, in the former Eastern Province. "In this way it will be easier to make the local economic industries more competitive and to a large extent maximise producers' earnings," he added.

Currently the industry is earning the country about Sh10 billion out of 10 million hides and skins produced annually. In Kenya, most of the leather sector players comprise of micro, small and medium size entrepreneurs whose production capacity is limited.

According to Kenya Leather Development Council (KLDC), the industry resource base currently stands at 17.5 million cattle, 27.7 million goats, 17.1 million sheep, 3 million camels, 1.8 million donkeys, and 1.83 million pigs. KLDC Acting Chief Executive Officer, John Muriuki said the taxation policy is being implemented by Kenya Revenue Authority, which levies 80% Free on Board (FOB) export tax on behalf of the Government. "Soon we will ask Treasury to increase the duty to 120% so that Kenya can compete at the same level with its peers, like Ethiopia, which is levying 150% on raw hides and skins and 100% on wet blue," said Mr Muriuki in an interview.

Source: <http://www.standardmedia.co.ke/business/article/2000107348/kenya-insists-extra-export-tax-on-raw-hides-to-remain-in-place>

#### Tanzania: Smuggling of Raw Hides and Skins Rife at Border Post

SMUGGLING of raw hides and skins to neighbouring countries through border posts has now escalated at an alarming rate after it was contained at the Dar es Salaam port, a leader of Leather Association of Tanzania (LAT) has said.

Mr Joram Wakari, the LAT Executive Secretary told the 'Daily News' in an interview that after the Government imposed some measures to curb smuggling at the Dar es Salaam port, the incidences had increased to other border posts.

He said statistics showed that the Government was losing over 400/- export levy due to an illegal export of over 60,000 pieces of raw hides and skins.

"After increasing some control measures at the Dar es Salaam port, smugglers were currently using the other border posts to smuggle raw hides and skins," he said.

As it did at the Dar es Salaam port, the government should continue acting strongly on the illegal business on raw hides and skins for the sector to contribute accordingly to economic growth.

He said while the government was struggling to put favourable environment for investors, but few officials

are putting stumbling block to the efforts by collaborating with some owners of the warehouses in the borders to ensure the illegal business is successful.

"Apart from swindling the much needed government revenues; the malpractice has also been denying the tanneries operating in the country the necessary raw materials, thus cutting down production capacity," he added.

Available statistics put Tanzania in the second place in Africa with the largest population of livestock having potential of producing 3.6 million hides and around 6.1 million skins but surprisingly, almost all tanneries in the country have shelved production due to insufficient raw materials.

Source: <http://allafrica.com/stories/201403050111.html>

#### Ethiopia Earned US\$ 80M from Leather Export During the First Half of Fiscal Year 2013/2014

Ethiopia obtained US\$ 80 million revenue from leather and leather products export during the first half of the current budget year, the Leather Industry Development Institute (LIDI) said.

Communication Director with the Institute, Birhanu Sarjabo, told Ethiopian News Agency that the plan was to earn as much as US\$ 173.5 million.

The revenue obtained during the reported period has increased by US\$ 10 million compared to the amount earned a year earlier, according to Ethiopian News Agency.

The Institute is working in close collaboration with stakeholder in the industry to achieve the US\$ 347 million earning target set for the financial year.

The Institute is currently working with the Addis Ababa Technology Faculty and other foreign institutes to build capacities of Ethiopian companies. In collaboration with the Ministry of Agriculture, the Institute is also undertaking activities to raise the public's awareness to prevent damage on hides and skins.

Around 32 companies are engaged in producing leather and leather products in Ethiopia, employing more than 15,000 citizens.

Source: <http://www.2merkato.com/news/alerts/2865-ethiopia-earned-us-80m-from-leather-export-during-the-first-half-of-fy-2013/14>

#### Zimbabwe's New Leather Strategy aims to Boost Exports 5-fold

A strategy designed to improve the livelihoods of people working in the leather industry in Zimbabwe has been officially launched, after more than a year of intensive work and involvement by the industry. The Zimbabwe Leather Sector Strategy was developed with the support of the International Trade Centre (ITC) and the Common Market for Eastern and Southern Africa (COMESA), under ITC's Programme for building African Capacity for Trade (PACT II), which is funded by the Canadian International Development Agency (CIDA).

Zimbabwe's leather industry is currently working at about 20% of its capacity despite market opportunities in the country, in the COMESA region and abroad, according to industry experts. Until 2000, Zimbabwe produced 17 million pair of shoes, falling to just 1 million in 2011 due to lack of raw materials. In 2011, 84% of raw hides and skins were exported, leading to a serious shortage of raw hides for local industry and forcing half of the country's tanneries to shut down. Had Zimbabwe found a way to tan and use the leather in the country and sell the finished products abroad, it would have achieved far higher export earnings. "If all the raw hides and skins in Zimbabwe are transformed into finished goods like footwear, garments and other leather goods, the industry would balloon to US\$ 2.5 billion from the present value of US\$ 450 million," said COMESA Secretary-General Sindiso Ngwenya.

The objective of the Leather Sector Strategy, which has unified all value chain players, including private sector and support institutions, is to encourage the production and export of value-added products such as finished footwear, garments and other leather items.

Mr. Ngwenya said: "The Zimbabwe leather value chain strategy takes place at an opportune time when regional integration is being stressed as one of the key economic strategies and a rallying point for the development of the African continent."

The strategy was officially launched by the Government of Zimbabwe in Bulawayo on June 13th, 2013. Professor Welshman Ncube, Minister of Industry and Commerce, said: "The National Leather Sector Strategy seeks to facilitate the leather sector and related sectors of the economy towards export-orientation and international competitiveness, whilst ensuring that Zimbabwean firms and households enjoy continued access to a wide range of high quality leather goods."

Hernan Manson, ITC Project Manager, said: "The strategy is a platform for the industry to call upon government and support institutions to agree on joint actions for the development of the leather sector. It also

enables investors to select entry points for revitalizing the industry. ITC, COMESA, the Government and the donor community are all facilitators in this process. Until today, the private sector has been called to meetings but now the private sector is the one calling for meetings."

Leading up to the launch of the strategy, representatives from the European Union delegation in Zimbabwe, the Embassy of Brazil, ZimTrade (the national trade development and promotion organization), the Ministry of Industry and Commerce, the Ministry of Agriculture, COMESA/Leather and Leather Products Institute, Practical Action, ITC and private sector investors from Ethiopia were guided by the local private sector-led Strategy Coordinating Committee to visit large, medium and small businesses, financial institutions and other national support institutions involved in the leather industry. The objective of the leather value chain scoping tour was to provide participants with first-hand experience of the leather sector, to assess its performance and identify the support that needs to be available through the strategy, as well as new investment and business opportunities.



The scoping tour approach is part of ITC's methodology to support awareness building, implementation commitment and resource mobilisation. It brings strategies to life by allowing beneficiaries and local stakeholders to show exactly how their sector is performing. It is also a practical way of enabling donors to undertake rapid needs assessments.

Hopewell Zheke, Programme Team Leader, Practical Action, said: "The scoping tour has provided us with an opportunity to understand the leather sector and the strategy through real-life examples of how the sector is performing. In my professional life, I have had the opportunity to see many strategies designed, developed and launched, but I think this strategy ranks among the top three, if not the best, in terms of the way it is structured. To me, it is very practical and we can start to implement from today."

Source: <http://www.intracen.org/news/Zimbabwes-new-leather-strategy-aims-to-boost-exports-five-fold/#sthash.VJEgANf.dpuf>

#### Possible Export Ban on Russian Hides Worries Italian Leather Industry

Italy's leather industry is worried about losing millions of Euros if a possible temporary ban on exports of animal skins from Russia is enforced.

Home to handbag makers Prada and Gucci, Italy is Europe's biggest producer of finished leather but less than 10 percent of the raw or semi-finished hides used in the industry come from Italian farms.

Russia is its fifth-biggest supplier, according to Tanners' Association, UNIC.

On Feb. 6, Russia's Ministry of Trade and Industry posted a statement on its website saying it had added raw hides and tanned leather to a list of goods considered essential to the domestic market, which could become subject to temporary limitations or export bans.

The Ministry could not be reached for comment. The statement said the products were added to the list to enable limiting exports as domestic demand far outstrips supply.

It followed an announcement on its website last year of a draft resolution to ban exports of raw hides and skins for six months. It was not clear whether the resolution was ever passed.

UNIC says its members are very worried about a possible ban, and calculates a six-month break in supply would cost Italy's tanneries 115 million Euros (\$159 million) in

lost revenue.

Angelo Gerolimetto, co-owner and director of the Scamosceria del Brenta Tannery in Vicenza, said a Russian supplier had told him a ban on exporting semi-worked or "wet blue" skins was highly likely to come into force on May 1.

"This is a real problem," said Gerolimetto, whose tannery was founded by his grandfather in 1941, and now imports from Russia around 70% of the wet blue leather it works before selling on to clients, primarily shoemakers in Europe and Asia.

"I fear that something like this could place further pressure on raw material prices, which are already high," said Gerolimetto, and he was worrying about being forced to buy lower-quality hides.

The fashion industry is seen as a bright spot in an Italian economy struggling to emerge from recession. The National Chamber of Fashion estimates clothes, shoes and accessories will bring in revenue of 62.5 billion Euros in 2014. (\$1 = 0.7255 Euros) (Additional reporting by Alessandra Prentice and Andrey Kuzmin in Moscow, editing by Mark Heinrich)

Source: (Reuters) - <http://www.reuters.com/article/2014/03/21/italy-leather-russia-idUSL6N0MI3N320140321>

#### United States of America - Record Hides, Skins and Leather Exports in 2013

Official statistics from the US Department of Agriculture (USDA) have reported a year-on-year increase in the value of exports of wet salted cattle hides of 12%, to reach US\$1.85 billion in 2013.

At the same time, exports of wet blue increased in value by 27%, to reach US\$800 million, while exports of pigskin increased by 15% in value to reach US\$57 million. Since 2009, the US hide, skin and leather industry has increased the overall value of its exports by 90%.

In response to the figures, the president of the US Hide, Skin and Leather Association (USHSLA), Stephen Sothmann, said: "The US continues to be the world's preferred supplier of raw and semi-processed materials for leather production. Though the label may state 'Made in China' or 'Made in Italy', the hide or skin used to make the leather likely came from a Texas steer, a California dairy cow or an Iowa sow. Manufacturers throughout the world prefer to use US materials in their shoes, handbags, upholstery and automobiles."

China maintained its status as the largest importer of US hides and skins. In 2013, the value of shipments of wet salted US hides to China increased by 23% to reach US\$1.1 billion, and wet blue exports rose in value by 7% to reach US\$282 million. Of all agricultural-sector exports from the US to China, hides and skins are the third-most important.

Source: [http://www.fashionnetasia.com/en/BusinessResources/6525/United\\_States\\_of\\_America\\_Record\\_hide\\_skin\\_and\\_leather\\_exports\\_in\\_2013.html](http://www.fashionnetasia.com/en/BusinessResources/6525/United_States_of_America_Record_hide_skin_and_leather_exports_in_2013.html)

### Toad Leather Bags Are Now Top Accessory

If the French like frogs and toads as delicacies to eat, a new fashion fad emerging from Australia and Europe shows that toad skin bags and wallets are the new 'it' accessories among fashionistas.

Australian cane toad skin seems to be fast replacing snake and crocodile skin as far as bags and accessories go. Some of the top designers in Europe, especially in Poland, seem to be taking fancy to these toad skins.

While some of the other leather from animals make it to garments as well, the toad skin is used in whole, retaining its physical form, to give the fashionistas an edgy accessory.

Polish designer Monika Jarosz is one such person who

seems to fancy using toad skin as an accessory for both men and women, where she has used them on wallets, purses and bags.

While the use of toad skin has been around for the past couple of years, the fashion world seems to have taken notice of this only in the past few months.

While the trend hasn't reached American and Asian high streets yet, the fashion pundits say that the chic lot have already embraced the fad in these continents after their Europe trips.

[http://articles.timesofindia.indiatimes.com/2014-01-17/trends/43251626\\_1\\_toad-skin-bags](http://articles.timesofindia.indiatimes.com/2014-01-17/trends/43251626_1_toad-skin-bags)

### In Manufacturing, Leather and Pharma Lead Employment Intensity

The top five manufacturing industries in the order of their employment intensity are: leather and leather goods, pharmaceuticals, textiles, engineering & capital goods, and auto components & ancillary.

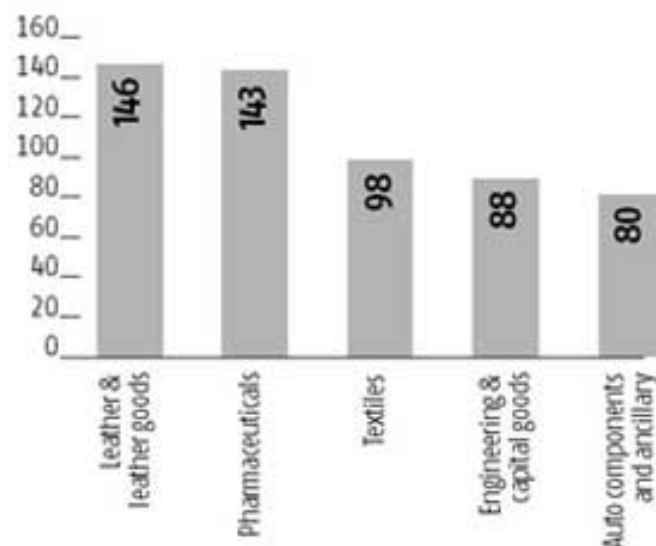
CRISIL has analysed the employee strength of 2,450 micro, small, and medium enterprises (MSMEs) in the service sector in 2012-13 (refers to the financial year, April 1 to March 31). The study was conducted to compare the employment generation potential of various industries in the manufacturing sector. The results indicate that employment-intensity is highest in enterprises involved in the leather and pharmaceutical industries.

As India is a major leather producer and its leather industry is among the top ten foreign-exchange earners for the country, positive policy support and incentives for this sector would not only strengthen the country's position in the global leather goods market but also create employment avenues for semi-skilled and skilled labour. Similarly, a positive environment for pharmaceutical outsourcing and investments by multinational companies (MNCs) will not only boost industry growth but also bring in valuable foreign exchange while generating additional employment.

Note: The analysis is based on the latest audited financial statements and information of CRISIL-rated MSMEs. CRISIL rates over 50,000 MSMEs in India. This fortnightly tracker brings to our readers insights on MSMEs, a key element of the Indian economy.

Source: [http://www.business-standard.com/article/sme/in-manufacturing-leathe%20r-and-ph%20arma-lead-employment-intensity-114033101198\\_1.html](http://www.business-standard.com/article/sme/in-manufacturing-leathe%20r-and-ph%20arma-lead-employment-intensity-114033101198_1.html)

**Average number of employees per unit in manufacturing sector MSMEs**





#### ***Establishment***

The formation of the Leather and Leather Products Institute (LLPI) was approved by the former Preferential Trade Area (PTA) for Eastern and Southern African States (forerunner of COMESA) in 1988 to fulfill its industrial objective to “support and develop the leather industries of the COMESA Region”. It was then established by the signing of the Charter by member States on 23rd November 1990.

#### **LLPI Vision:**

A Competent Leather and Leather Products Centre of Excellence for Regional and Global Competitiveness.

#### **LLPI Mission:**

To Promote and Develop the Regional Leather Sector Through Research and Development, Capacity Building, and International Cooperation & Trade for Enhanced Productivity.

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