



COMESA-LLPI NEWSLETTER

Leather for Health, Wealth and Luxury!

January - March 2017 (Issue No. 9)

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The 9th Edition of All African Leather Fair Conducted with Success



Official Opening of the 9th Edition of the All African Leather Fair

The 9th Edition of the All Africa Leather Fair (AALF-2017) was held from 17th -19th March 2017. It brought together tanners, footwear and leather goods manufacturers, equipment and technology suppliers, chemical and inputs suppliers, manpower training institutions, trade promotion organizations, etc from all over the world.

The Fair was graced by H.E. Mr. Bogale Feleke, State Minister, Ministry of Industry, Ethiopia; H.E. Eng. Abdalla Ahmed Ahmad, Minister, Ministry of Industry & Investment, Sudan and Prof. Mwinyihija Mwinyihija, Executive Director of COMESA/LLPI. H.E. Mr. Bogale Feleke, State Minister, in his opening speech reiterated the importance of the leather sector in the Ethiopian economy and the Fair as vehicle for experience sharing and inter and intra market linkages development.

Prof.Mwinyihija, (Executive Director of COMESA/LLPI), during his opening remarks said that the 9th edition of the AALF differs from previous editions in



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**NEXT ISSUE
MARCH 2017**



H.E. Mr. Bogale Feleke Making an Official Opening Speech



Prof. M. Mwinyihija Making an Opening Remark

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Prof. Mwingikione Mwingihija, Executive Director of COMESA-LLPI

Dear readers:

Welcome back to this first quarter edition of our Newsletter that gives highlights of activities accomplished during period January to March 2017. In this edition, you will read more than 20 news items of which half were activities accomplished by our Institute while the rest half were other leather related news from the Region and globally.

During the ending quarter, the Institute co-organized with success The 9th Edition of All African Leather Fair; participated in the International Council of Tanners (ICT) Annual Meeting; Mounted Experts Team Mission to Djibouti and Madagascar; Completed Recruitment for the Vacant Positions of Programs Coordinator and Institutional Capacity Development & Consultancy Expert; Made a Breakthrough in Green Production of Footwear in Kenya by working with UNEP under Switch-Africa Green Project; Unpacked the Ethiopia Leather Value Chain Strategy; Met and Discussed with Visitors from Public and Private Sectors and Academia at the Institutes Headquarters.

We appreciate and value all our partners and stakeholders for their invaluable support and collaboration for all the successes registered during the quarter. We hope this newsletter will keep us connected with respect to information in the region's leather sector development and other activities in the sector within and outside the region.

Kindly accept our appreciation for taking time to read and providing us with your thoughts.

Sincerely,

Prof. (Dr^h.) Mwingikione Mwingihija

Executive Director



Partial View of the Official Opening of the 9th Edition of the AAI African Leather Fair



such a way that there is a new characteristic that we are bringing into this Fair. We have investors amongst us; so there is investment discussion that is to be held. We have buyers amongst us; there are entrepreneurial activities that are to be dealt with. There are principal development partners; and there will be also a lot of developmental aspects that are going to be discussed. Prof. Mwinyihija also indicated that by bringing all these together we will achieve the transformational growth that Africa is looking forward.

Prof. Mwinyihija went on to elaborate the regional economic characterization of Africa by giving a narration of the economic situation obtaining among the Regional Economic Communities. He explained that Africa is divided into several Regional Economic Communities (RECs). The Arab Maghreb Union (AMU) with population at 53.2 million and GDP of USD 427.7 Billion with an intra trade rate 3% in Africa; Economic Communities of West African States (ECOWAS) has a population of 325 million and a GDP of USD 312 Billion trading 9.4% within Africa. Economic Communities of Central African States (ECCAS) is with a population of 46.6 million and a GDP of USD 257.8 billion trading only 2% in Africa. The Tripartite COMESA-EAC-SADC has a population size of 632 million and USD 1.3 trillion GDP and trades 10.4% in Africa. For purpose of comparison, Latin America trades about 25% within themselves; and Europe and Asia more than 50% within themselves. He emphasized on the importance of translating the leather sector's potential into an opportunity to serve the African Youth who are dying while crossing the Mediterranean Sea to Europe.

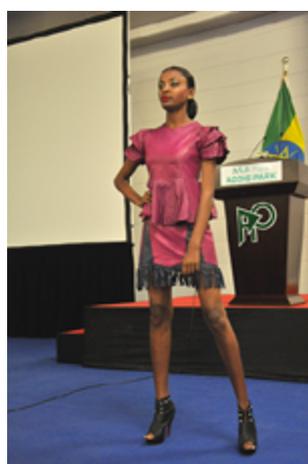
Prof. Mwinyihija also articulated that with per capita consumption of 1 pair per person per year, Africa demands almost 1 billion pair of shoe per year. However, the production within Africa is only 200 million pairs per annum and there is a deficit of 800 million pairs per annum. He pronounced that the leather sector has a huge potential in creating wealth, poverty reduction, and employment

generation which in turn will have a trickling down effect to the rural producer level.

COMESA/LLPI in collaboration with the RISM program of the COMESA Adjustment Facility supported about 14 participants from public and private sector to participate in the Fair from seven COMESA countries namely; Burundi, Ethiopia, Kenya, Rwanda, Sudan, Uganda, and Zimbabwe.



Honorable Guests Visiting Exhibitors Stand



Leather Fashion Show During the Opening Session

COMESA/LLPI to Host the XXXVI IULTCS Congress in 2021



COMESA/LLPI in collaboration with the Ethiopian Government was chosen to host the XXXVI IULTCS Congress in 2021, that is the first of such event in Africa.

COMESA/LLPI has started preparations to host this major event in 2021 expected be held back-to-back with the All African Leather Fair (AALF).

The decision was made during the XXXIV IULTCS Congress took that place in Chennai and was hosted by Central Leather Research Institute (CLRI).

The congress was held for three days under the slogan “Science and Technology for Sustainability of Leather”. Chemists and leather technologists from all over the world came together and presented latest ideas, concepts and projects. Beside the presentation and discussion of papers, poster sessions were also organized for students and other academics to display their scientific work and results. Generally, the event created perfect opportunities to exchange and network within the research community.



Prof. M. Mwinyihija, Executive Director of COMESA/LLPI at the IULTCS Congress



COMESA/LLPI in the International Council of Tanners (ICT) Annual Meeting

The International Council of Tanners (ICT) held their annual meeting in Hong Kong on 28 March 2017, where 28 members and invited guests were present.

COMESA/LLPI was represented by its Executive Director Prof. Mwinyikione Mwinyihija who is an executive member of ICT.

A main item was an update by Richard Pai, President of ICT and of the Taiwanese International Leather Association (TILA) together with Su Chaoying, Honorary Chairman of China Leather Industry Association (CLIA) on the third World Leather Congress.

The core theme of the 3rd Congress was “The Leather Revolution – How the Industry will respond”. Recognising the profound changes that will be taking place throughout

the leather marketing chain over the next 20 years.

With the help of global experts in consumer marketing, from major brands and from international tanners the meeting explored:

- » The key changes in the way that consumers are behaving and with special focus on China;
- » The direction that leather products manufacturers, will take over the next few years and what will make them continue to use leather;
- » How modern tanneries will respond to the challenges posed by consumers, brands, environmental demands and pressures on raw materials.

Regarding the state of trade, all members reported some difficulties in the market in 2016; 2017 was seen broadly as stable, but there was general concern about recent increases in raw material prices, which did not appear to be justified by supply and demand conditions.

The Council also agreed to circulate and promote new ICT Guidelines for the purchase of raw materials, following the lack of agreement so far on the revision of the International Contracts.

In the Open Session of the meeting, Mike Redwood gave a presentation on key issues for the leather industry

over the next few years in which he reminded members of the need to continue to stress the positive aspects of leather and to avoid leather becoming a commodity. Roberto Vago of ASSOMAC gave a general overview of electronic measuring machines – as background to the ICT's review of the appropriate reference method for measuring leather in the case of disputes. Giacomo Zorzi of ICEC presented the Italian Certification system for leather, where the discussion focussed on the importance of credible industry based schemes and the need to try to avoid a proliferation of different schemes promoted by customer organisations or commercial organisations.

COMESA-Leather and Leather Products Institute (COMESA/LLPI) Mounts Experts Team Mission to Madagascar



Two COMESA/LLPI's Experts, Prof. Mekonnen Hailemariam and Mr. Harrison Mungai conducted a mission to Antananarivo, Madagascar from March 26 to April 1, 2017.

The objective of the mission was to conduct a baseline survey for gathering information that will serve as input for formulation of projects that will support and strengthen the Madagascar's Leather Value Chain towards enhanced value addition, increased productivity and improvement in quality and market access.

The Experts Team held consultative meetings with government senior officials from different Ministries, Private sector players, training Institution and made visits to different enterprises along the leather value chain. The complete report of the mission activities will be shared with all institutions and enterprises that participated in the survey activities.

The COMESA-RISM program is acknowledged for the financial support for the implementation of the baseline survey.



Partial View of LLPI's Experts' Team to Madagascar

COMESA/LLPI at the Djibouti 4th Edition of the Artisanal Innovation Day



The Djibouti 4th edition of the Artisanal Innovation Day was held around the theme “Craftsmanship and Regions” on January 5, 2017 at “PALAIS DU PEUPLE”, Djibouti. The event was organized by the Ministry of Trade, SMEs, Crafts, Tourism and Formalization, in collaboration with stakeholders and the private sector. More than 200 participants, including a large number of artisans that came from all over the country took part in this event.

HE Mr. Abdulkader Mohamed Kamil, Prime Minister of the Republic of Djibouti, H.E Mr. Hassan Houmed Ibrahim, Minister of Trade, SMEs, Crafts, Tourism and Formalization, and other Ministers and high ranking Government Officials graced the occasion.

The event was marked by speeches made by H.E. Mr. Abdulkader, the Prime Minister, H.E Mr. Hassan, Minister of Trade, Other Higher Officials of the Government, and representatives of artisans from different regions of Djibouti, and an exhibition of artisanal products drawn from across the country, which was followed by an official awards ceremony to the winners of the 2016 artisanal innovation competition in which different administrative regions of the Republic of Djibouti competed.

COMESA-Leather and Leather Products Institute

was represented by Prof. Mekonnen Hailemariam, Institutional Capacity Building and Consultancy Expert and Mr. Awlacheu Sintie, Information Systems Expert. The Institute shared the experience of SMEs and artisans from the COMESA region to the participants, by distributing brochures and printouts, and by displaying leather products made by the artisans and banners with pictures of leather products from different countries.

COMESA/LLPI believes that events of such nature plays a great role in enhancing the visibility of the artisans and in promoting innovation, growth, development and market access of the artisans’ products.



Leather SMEs in Djibouti Displaying Products During the Event



Partial View of the LLPI Quarter During the Event

COMESA/LLPI Gets New Programs Coordinator and Institutional Capacity Development & Consultancy Expert

It is to be recalled that following the retirement of the COMESA Leather and Leather Products Institute's (COMESA/LLPI) two senior staff (Mr. Zewdu Kebede, Programs Coordinator and Dr. Tadesse H. Mamo, Training, Consultancy and Extension Expert) the vacant positions were advertised in all member States, and there was a rigorous selection process conducted by the Board of Directors of the Institute.



Mr. Nicholas Mudungwe making "Thank You" message

Prof. Mwinykione Mwinyihija, Executive Director of the Institute, who graced the occasion, made brief speech on the selection process and how the two winners performed during the process. He wished success for the new appointees and called all the staff to continue to uphold the achievements and even take them to newer heights during the new year 2017.



Mr. Nicholas Mudungwe and Prof. Mekonnen Hailemarim, are now, respectively, the new Programs Coordinator and Institutional Capacity Development and Consultancy Expert of the Institute.

The Staff of the institute welcomed the two new appointees at a tea reception held on January 12, 2017 at the Institutes Cafeteria.



Prof. Mwinyihija Welcoming Mr. Nicholas Mudungwe



Mr. Mudungwe in his thank you message praised the Lord and expressed his deep appreciation for the inbuilt Team Work spirit and culture that he has witnessed within the Institute. He said that the significant achievements of the Institute in facilitating the development of the leather sector in the region which were/are recognized and appreciated at regional and global levels were the fruits of the Team work. He promised to continue in the same path and contribute his level best to further strengthen it.



Prof. Mwinyihija Welcoming Prof. Mekonnen Hailemarim

Team of Academicians from Bahir Dar University Visited COMESA/LLPI

A Team of Academicians from Bahir Dar University Visited COMESA/LLPI on March 9, 2017. The Team was composed of a Public Relation Officer, Researchers and Lecturers. They were warmly welcomed by the Executive Director of COMESA/LLPI, Prof. Mwinyikoine Mwinyihija and his Team.

The objective of the visit was to (i) invite COMESA/LLPI to participate in the forth coming event called "6th International Conference on Cotton, Textile and Apparel Value Chain in Africa" which will be held in Bahir Dar, Ethiopia; from June 2 to 3, 2017 and (ii) to initiate possible collaboration in technology transfer and exchange of professionals in the leather sector.

The Delegates were briefed on COMESA/LLPI Mission, Objectives, Mandates, and major activities performed at Member States level.

During the discussion , it was agreed to have a working Memorandum of Understanding between COMESA/LLPI and Bahir Dar University which will serve as



Discussion being made at COMESA/LLPI Board Room

umbrella agreement for future collaborative activities between the two institutions..

Bahir Dar University in one of the Universities in Ethiopia offering training programs in Leather Technology at Degree and Masters Levels.

Hub Footwear Consultant Supports U.S. Market Linkages with Ethiopian and Kenyan Firms



The Hub's footwear consultant traveled to Ethiopia and Kenya over the past week to meet with footwear stakeholders and exporters. Ethiopia is the largest African exporter of footwear under AGOA and Kenya is seeking to revitalize its leather sector, with footwear as a major component. The Hub's footwear consultant assessed Ethiopian and Kenyan footwear firms to identify export-ready enterprises with which the Hub will engage. Selected firms will benefit from one-on-one technical assistance and linkages with U.S. buyers. Selected firms will also be eligible to participate in Hub-sponsored trade shows, including the upcoming

Sourcing at MAGIC trade show in Las Vegas, NV on February 20-23, 2017.

While in Ethiopia, the Hub's footwear consultant conducted a technical workshop with 20 export-ready companies to educate participants on U.S. market dynamics and requirements. Prof. Mwinyihija, the Executive Director of the Common Market for Eastern and Southern Africa Leather and Leather Products Institute also made a presentation on intra-regional footwear market opportunities in Eastern Africa which was well received by companies.

LLPI and UNEP working under Switch-Africa Green Project Make a Breakthrough in Green Production of Footwear in Kenya.



LLPI in pursuance of its mandate of empowering the SMEs, makes a breakthrough in facilitating Green Production of footwear in Africa. SMEs are producing footwears through eco-friendly processes through the technical support from the COMESA/LLPI and UNEP Switch Africa Green Project and financed by EU.

LLPI is optimistic that its partnership with UNEP and a funding from the European Union (EU) it would create opportunities for reducing poverty, creating wealth, improving on gender parity and stimulating rural development particularly geared towards the SMEs empowerment.

Furthermore, LLPI is anticipating to replicate the success story in other Africa countries and, therefore, takes special appreciation to its excellent working partnership with Kenya Leather Development Council (KLDC) and UNEP through financing accessed from EU. The SMEs being supported under the project, have significantly imparted the quality and competitiveness, through employing green technologies.

The following are major outcomes from the Switch Africa Green (SAG) Project:

- » Improved Quality and Design of Shoes – Courtesy of trainings on Basic Footwear Production Technology.
- » Better record keeping and costing of products because of awareness creating through trainings offered under SAG.
- » Higher vibrancy and motivation to cluster with other MSMEs;



- » Increased sales orders from key clients due to improved designs and qualities.
- » Creative and economical utilization of leather offcuts i.e. for making key holders, sandals etc. Reduced waste in terms of leather.
- » Revival of Kenya Footwear Manufacturers Association (KFMA) and opening of six (6) branch offices in the areas covered by SAG.
- » Use of 3 phase power plan as advocated for purposes of energy efficiency under SAG Project.
- » Employed Accountants to look into aspects of record keeping for establishments.

The Ethiopia Leather Value Chain Strategy Unpacking Workshop Held



The Ethiopia Leather Value Chain Strategy (2016-2020) unpacking workshop was held on February 10, 2017 at Nexus hotel, Addis Ababa, Ethiopia. COMESA/LLPI, in collaboration with the Ministry of Industry of the Government of Ethiopia facilitated the development of the Strategy and also organized the unpacking workshop.

Participants of the workshop were drawn from different public, private institutions and associations.

The objective of the Workshop was to streamline accountability and responsibilities of the different government and private institutions/organizations and stakeholders in the implementation of the Leather Value Chain Strategic Objectives stated in the Strategy Document.

The workshop was officially opened by Mr. Wondu Legesse, Director General of the Ethiopian Leather Industry Development Institute (LIDI). Mr. Wondu, during his opening remarks, highlighted that designing a strategy is one phase, however, implementing the strategy is usually the most difficult part as it involves a number of stakeholders (public, private, academia and partner organizations). Mr. Wondu reiterated, the importance of



the unpacking exercise to make the strategy operational. Mr. Wondu thanked COMESA/LLPI for its unwavering support and expressed LIDI's commitment to knock the doors of each and every stakeholder to realize the Mission, Vision and Objectives of the Leather Strategy.

Prof. Mwinykione Mwinyihija, Executive Director of COMESA/LLPI, in his climate setting speech appreciated the Ethiopian Government and LIDI to have made concerted efforts to develop the leather industry. Prof. Mwinyihija emphasized that the unpacking exercise was practiced in different Member States and positively impacted the implementation of the strategies. Finally, the ED confirmed COMESA/LLPI's devotion to work hand in hand with the Ethiopia Government to implement the Strategy.

With the participatory approach using group activities, the responsibility matrix was prepared. The matrix will be distributed to the respective stakeholders as part of the Strategy implementation mechanism.

It is to be recalled that the Ethiopia Leather Value Chain Strategy was launched on 25th November 2016 by H.E. Tadesse Haile, State Minister, Ministry of Industry of the Federal Democratic Republic of Ethiopia.



Networking During the Unpacking Workshop

ICT Annual Meeting Takes Place in Hong Kong

The International Council of Tanners (ICT) held its annual meeting in Hong Kong on March 28; almost 30 members and invited guests were present.

All members reported difficulties in the market in 2016; this year was seen broadly as stable, but there was general concern about recent increases in raw material prices, which did not appear to ICT members to be justified by supply and demand conditions.

The organisation agreed to circulate and promote new ICT guidelines for the purchase of raw materials, following the lack of agreement so far on the revision of the international contracts.

In the Open Session of the meeting, Roberto Vago, representing Italian tanning machinery manufacturers' association ASSOMAC, gave an overview of electronic measuring machines. This provided background to the ICT's review of the reference method for measuring leather in the case of disputes. Giacomo Zorzi of certification institute ICEC presented the Italian certification system for leather. The discussion that followed focused on the importance of credible industry-based schemes and the need to try to avoid a proliferation of different schemes promoted by customer organisations or commercial organisations.

Source: <http://leatherbiz.com/fullitem.aspx?id=144437>

Leather Pipeline Says APLF Made a Positive Impression

Our fortnightly market intelligence report, the Leather Pipeline, has said the immediate impressions of the 2017 APLF exhibition in Hong Kong were positive.

"All in all, the attendance was quite impressive and most exhibitors were satisfied in terms of visitors and activity at their booths," the report said in its April 4 edition, the first since the event took place at the end of March.

It said automotive is still "the steadiest performer" in the leather industry but that optimism among automotive tanners is higher in some regions than in others.

The report also said that the outlook for demand in the furniture upholstery market is good, although the furniture industry is now moving into a seasonally quieter time.

Footwear struck a more sombre note among APLF exhibitors and visitors, according to Leather Pipeline. It said: "In shoes there is no improvement. Mass shoe production is happy with non-leather articles and there is no reverse trend in sight. The good news is that this has freed up raw material for other sectors. However, lower grades are a problem. In shoes it's easier to absorb lower-quality selections because of the options available for finishing and cutting them."

Source: <http://leatherbiz.com/fullitem.aspx?id=144482>

Export Markets Open up to Brazilian Meat Again

Several meat-importing countries have begun accepting shipments from Brazil again following the industry scandal that blew up there on March 17.

Federal police uncovered alleged corruption involving food safety inspectors and meat packing plants, leading to fears in export markets that the safety of beef, pork and chicken imports from Brazil may be compromised. To date, no instance of contaminated meat has come to light.

South Korea reopened its market to Brazilian beef on March 21, followed by China, Egypt and Chile on March 25, Hong Kong on March 28 and Iran on March 29.

European commissioner responsible for health and food safety, Dr Vytenis Andriukaitis, travelled to Brazil at the end of March. His visit included what he called "a frank

and open discussion" with Brazil's minister for agriculture, Blairo Maggi.

Afterwards, Dr Andriukaitis said he had gleaned more information on the next steps Brazil plans to take to safeguard the quality of its meat and to offer reassurance to consumers at home and overseas. "The suspicion of corruption is unacceptable," he added. "But the dialogue remains open, transparent and based on trust."

Twenty-one meat-packing plants were implicated in the scandal, and only four of those exported meat to the European Union. The EU has placed restrictions on any shipments from those plants, but Brazilian meat from other suppliers has continued to arrive on the European market.

Source: <http://leatherbiz.com/fullitem.aspx?id=144450>

Lectra Invests More in R&D to Help Customers Achieve Industry 4.0 Success

Leather-cutting technology provider Lectra has said it is adopting a new strategy in which it will enrich its product offering to make it easier for user organisations to “step into the Industry 4.0 era”.

On announcing the move, chief executive, Daniel Harari, said: “Our customers can depend on our software and equipment offer, which is already compatible with Industry 4.0 principles. They can also depend on the deep knowledge of the Internet of Things we have built up since 2007, and on our teams’ expertise in specific industries.”

Mr Harari described Lectra as “an Industry 4.0 visionary” and insisted the company can help others plot a prosperous path into the new age of the automation of industrial processes, from design to production.

Industry 4.0 is creating a new factory ecosystem set-up, Lectra said, in which there is increasing room for large-scale customised production. The new environment

is also helping manufacturers and brands provide the quick-to-market, high-quality products expected by “increasingly impatient and demanding customers”.

In facing these changes, the technology provider has said “a digital value chain” is now essential, providing real-time connections between creative teams and product development teams, and allowing factories, suppliers and consumers to operate in smart ways.

To help its customers make the transition to these digital value chains, Lectra will spend 10% of its revenues on research and development between 2017 and 2019; Daniel Harari said this will represent an increase of 50% in the amount of investment the company will plough into the new products and services that he believes will help his customers succeed “in the context of the fourth industrial revolution”.

Source: <http://leatherbiz.com/fullitem.aspx?id=144166>

Shanghai Congress Takes Shape

During the annual meeting of the International Council of Tanners (ICT) in Hong Kong at the end of March, the organisation’s president, Richard Pai, and Su Chaoying, honorary chairman of the China Leather Industry Association (CLIA), provided an update on the third World Leather Congress – of which they will be joint hosts – to take place in Shanghai on August 29, 2017.

COMESA/LLPI will also be attending the event to represent the African Continent.

The core theme of the third congress is ‘The Leather Revolution – How the Industry Will Respond’. Recognising the profound changes that will take place throughout the leather marketing chain over the next 20 years, the congress will offer presentations from high-profile speakers from across the industry, as well as from outside experts, along with panel sessions designed to explore these issues in more detail.

The event will be divided into four main sessions. The first of these will consist of an overview of the industry, a keynote address, and an insight into what is happening specifically in the leather industry in China.

With the help of major brands and international tanners, the other three sessions will explore:

- the key changes in the way that consumers are behaving (again with a special focus on China);

- the direction that leather products manufacturers will take over the next few years and what will make them continue to use leather;

- how modern tanneries will respond to the challenges posed by consumers, brands, environmental demands and pressures on raw materials.

Source: <http://leatherbiz.com/fullitem.aspx?id=144438>

Pakistan Tanners Ask for Government Help as Export Decline Becomes “alarming”

The chairman of the Pakistan Tanners’ Association, Anjum Zafar, has said the sector’s export revenues in the first eight months of the current financial year (July 2016-February 2017) show a decline year on year of more than 6%.

He called on the government to step up its support of the industry in the face of what he called an “alarming” trend. Concrete measures he asked the government to adopt include a 75% subsidy for all testing of leather at international laboratory facilities and the removal of customs duties on imported hides and skins; imported raw material currently attracts duty of 4%.

Source : <http://leatherbiz.com/fullitem.aspx?id=144472>

Kenyan Government Sets Aside Money for Leather Parks

Kenya's economy has created 2.3 million new jobs in the last four years, a government representative said at the end of March.

In making the remarks during a debate about the country's budget for 2017-2018, cabinet secretary, Henry Rotich, said growth in the economy had allowed businesses across the country to create almost 850,000 new jobs in 2015 alone.

"We have laid a very strong foundation for industrialisation over the past four years," he said. "We firmly believe it is the right time for Kenya to solidly move to middle-income economy status."

In moving towards this, Mr Rotich said modern leather

industrial parks will be an important component of the government's strategy for creating more jobs.

The government has designated around \$15 million to such projects for the leather and textile sectors. It says special economic zones will also be rolled out, through which tax and capital incentives will be provided to manufacturing companies to stimulate economic productivity.

There are separate incentive funds for encouraging entrepreneurship among young people.

Source : <http://leatherbiz.com/fullitem.aspx?id=144508>

UK asked to Pay €2 billion Over Chinese Shoe Import Fraud



The European Commission has made public the findings of a customs investigation that has concluded companies in the UK committed "large-scale fraud" by declaring false prices for footwear imports from China.

This investigation concluded in September 2016, but the Commission only released details on March 7 in the context of the ongoing debate about the terms under which the UK will leave the European Union.

Its specialist anti-fraud office, OLAF, said it had uncovered organised criminal networks with high levels of knowledge of logistics and of false invoice systems bringing shoes into the UK from China, undervaluing them at customs and then moving them into other EU markets.

OLAF said it had calculated a loss of almost €2 billion to the EU budget in terms of lost customs duties between 2013 and 2016. It also said that the scam was continuing and that the final bill from this investigation for the UK may be higher.

Government authorities in the UK said they would challenge the findings of the investigation

Source: <http://leatherbiz.com/fullitem.aspx?id=144246>

Slaughterhouse Ban to Hit Leather Goods Industry Hit Exports

Leather goods manufacturers, who have experienced a slump in raw material supply from domestic sources, fear that the Bharatiya Janata Party (BJP)-led Uttar Pradesh government's action against illegal slaughterhouses could hit supplies and raise prices.

They also say a 'blanket ban' on slaughterhouses could defeat the purpose of the Make in India programme for the \$12 billion Indian leather industry, which is among the top five in the world's leather market.

In case of short supply of raw materials from the indigenous market, manufacturers need to look for costly imports of raw materials instead of cheap domestic sourcing which would make Indian leather exports less competitive in the world market.

"The crackdown on illegal slaughterhouses by the Uttar Pradesh government cannot be questioned, but a blanket ban will affect the domestic supply of raw material. Since illegal units were in the supply chain, some amount of short supply is expected," Tapan Nandi, Convenor Chairman for German Investment in India of the Council of Leather Export, told IANS.

According to industry sources, Uttar Pradesh being a large state contributes a majority of raw material supply along with Punjab, Bihar and West Bengal.

"A blanket ban on slaughterhouses would nudge manufacturers to depend more on imported raw materials, which are costly. If the imports go up, that will add to the cost of Indian leather products and we will lose our competitiveness in the world market. Thus, the Make in India programme could be impacted," he said.

According to the Council of Leather Export, India produces about three billion sq ft of raw leather annually. The country's leather industry is bestowed with an

affluence of raw materials as India is endowed with 21 per cent of the world's cattle and buffaloes and 11 per cent of the world's goat and sheep population.

"The domestic raw material supplies have been showing a declining trend mainly because our exports were hurt. About 2,000 tanneries in India have been facing a crunch in supplies. About seven per cent of fallen animals are not being sourced for value addition," Nandi said.

India's export of leather and leather products for the financial year 2015-16 recorded a negative growth of 9.86 per cent, touching \$5.85 billion as against \$6.49 billion in previous year.

"It is too early to say whether the illegal slaughterhouse ban in Uttar Pradesh will impact the supply. But some apprehension prevails if a large-scale ban is executed," Adhar Sahni, Vice President, Indian Leather Products Association, told IANS.

However, imports of finished leather have been increasing at a rate of 15-20 per cent year-on-year.

"Imports are rising according the need of the products. If orders of leather products require imported raw materials, imports will accordingly rise," Sahni said.

Nandi, however, asked, "If the ban on slaughterhouses, mainly cow slaughter houses, is a political decision, the imports of raw materials, particularly cow hide and skin, should be a sensitive matter for the political parties. Isn't it?"

Source : <http://retail.economicstimes.indiatimes.com/news/industry/slaughterhouse-ban-to-hit-leather-goods-industry-hit-exports/57960877>

Global Leather Market Intelligence

The period between Chinese New Year and the APLF exhibition in Hong Kong (March 29-31) is typically slow and uneventful. The only interruption was the Lineapelle exhibition in Milan (February 21-23). Although an important event for fashion and general trends, the timing of this show makes it pretty meaningless from a volume point of view. The focus of APLF is much more on business, with the number of big players meeting at the exhibition and in private much greater. They will be monitoring each other to assess price trends and demand so they can decide what this is going to mean

for their own prices.

Leather goods and furniture continue to perform extremely well, as long as high-quality leather is used. This is being encouraged by low interest rates and wealthy people being willing to spend their money freely. There are so many high-end leather users that demand is currently outpacing the supply of adequate raw material. Many tanneries are also feeling the need to produce leather with greater added value. The growing number of producers trying to get into this thriving segment is increasing the demand for raw material, although this

isn't being shown in the demand for finished products. It is almost impossible in the current financial climate to make any money from producing leather at the finished product prices the big manufacturers and retailers are demanding. This is leading to a two-tier market, as we have seen since last summer.

The automotive leather sector continues at a steadily high level, but automotive manufacturers are unwilling to pay more for finished leather. There is pressure to find new products and solutions to bring down the price of leather for car interiors. There have been new experiments with splits and manufacturers are also examining wider use of artificial materials for rear seats and headrests. This is not an issue in expensive luxury cars and SUVs, but price is still the most important factor when it comes to high-volume models. Automotive leather production has increased its market share and although the price is being discussed, there has not been any significant change in demand.

The shoe sector is the major concern. The big brands and manufacturers are pushing consumers to increase their consumption by frequently releasing new models. This has worked pretty well in recent years, but not to the benefit of leather. Most of the growth has been achieved by non-leather materials and one could go as far as to say that leather has lost out in this sector, with prices meaning the majority of tanneries do not have any profit margin. This has actually had pretty deep consequences. With the focus on high-quality and high prices, the demand for larger yields and more natural leathers has constantly risen and can now be barely met. At the same time, low-quality raw materials have lost their market share and many hides have been left unused in factories around the globe. It is difficult to make a serious valuation of these materials but it appears unrealistic that they can be sold at cost price. They could simply be disposed of.

This sounds unbelievable but it should not be forgotten that we have already seen a similar situation in the market for sheep and lambskins, as well as for a section of the split market. Materials of certain quality retained their value, while a massive surplus of unwanted skins piled up as buyers were not interested in them or were not willing to pay an adequate price. The consequence of this is that a number of skins around the globe are now being destroyed or sent to landfill. Others have stayed in warehouses for a long time. In the case of splits, a lot of cheaper types that were once used for work gloves or insoles are being incinerated and sent to landfill.

There are those who would call this an exaggeration, but it is a fact. The bigger players don't see it that way, but

smaller manufacturers in a variety of countries will agree. The larger companies seem convinced that this problem will never affect them, and this might be the case for a while yet. However, it would be naïve to ignore this issue. But, we remain optimistic; a lower-priced shoe made of leather that is used for its full lifetime is still the most sustainable footwear product you can buy.

There is an interesting trend emerging, which has seen attempts being made to give low-quality leather the appearance of textiles. This reverses the trend of making synthetic materials that look like leather. The rugged, vintage look of textiles is extremely forgiving where natural defects are concerned and the lack of finishing required reduces the cost of production. All it will take is for the consumers to decide they prefer it, or to be told to like it. These materials could also be used for furniture. With even dyeing and interesting buffing, they can be given extremely beautiful surfaces. They can be made to look like textile fibres and with the right colours and two-tone effects, you could get a very nice appearance for a large sofa. Considering the price of these materials and the reasonable production cost, it is easy to see how this could be a success story. It would be nice to see a move away from mass-manufactured products that all have the same artificial appearance. Who is going to have the courage to combine leather's superior qualities with an individual appearance, rather than trying to win the lookalike contest? We saw nothing like this in Milan and this will not change in Hong Kong due to the nature of the show there. It will all depend on whether the designers have the courage to suggest the idea and if the marketing and sales people have the courage to offer it to the public. If it is done well, there is plenty of money to be made.

There is not much news from the split market. Premium splits for suede, heavy vegetable products and other special uses are still performing well. APLF could be a very important event for splits because it is there that the decisions about volume are made. There has been little activity in the skins market, which is disappointing as it was hoped that the winter production of skins in Europe would attract Chinese buyers, who typically buy in the first quarter as this is when they will get the biggest skins with the highest wool return. The market for coarse wools is pretty bad, however, and standard nappa leathers for garments have not made any progress. Calf skin prices are high but sheep and lambskins are struggling. Goat skin prices are a little better and there has been slight improvement on the lows of last summer in many countries.

Source: <http://leatherbiz.com/fullitem.aspx?id=144347>



Leather for Health, Wealth and Luxury!

ABOUT COMESA-LLPI

COMESA – Leather and Leather Products Institute (COMESA/LLPI) was chartered in 1990, with the endorsement of 17 COMESA Heads of State. COMESA/LLPI's main Mandate is to support the development of the leather sector in the COMESA Region. Over the years the Institute has created strong strategic linkages with Public and Private Sector Institutions in member countries. In addition to this, COMESA/LLPI has signed several Memoranda of Understanding (MoUs) with global institutions, in its pursuit to improve competitiveness of the leather sector in Africa in line with global dynamics.

COMESA/LLPI is headquartered in Addis Ababa, Ethiopia; and currently its membership encompasses ten COMESA countries, namely Burundi, Eritrea, Ethiopia, Kenya, Malawi, Rwanda, Uganda, Sudan, Zambia and Zimbabwe. The Institute has short term plans to expand its operations to Swaziland, Egypt, the Democratic Republic of Congo (DRC) and Madagascar.

The location of its office is strategic, as Addis Ababa is the capital city of Africa, where the African Union and other International Development Partners are located. Furthermore, Addis Ababa is the African gateway to any global destination, which makes COMESA/

LLPI highly accessible and convenient for our regional and international partners and clients.

LLPI Vision:

To be Africa's premier leather sector centre of excellence in the global arena.

LLPI Mission:

To facilitate MSs and connect partners, enterprises and institutions for value addition and competitiveness in the leather sector through Sharing of Knowledge, Adaption and Adoption of innovations at various value chain levels.

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