

Leather Value Chain: Trends; and Policies Affecting Production and Trade

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Importance of Hides and Skins to the work of FAO

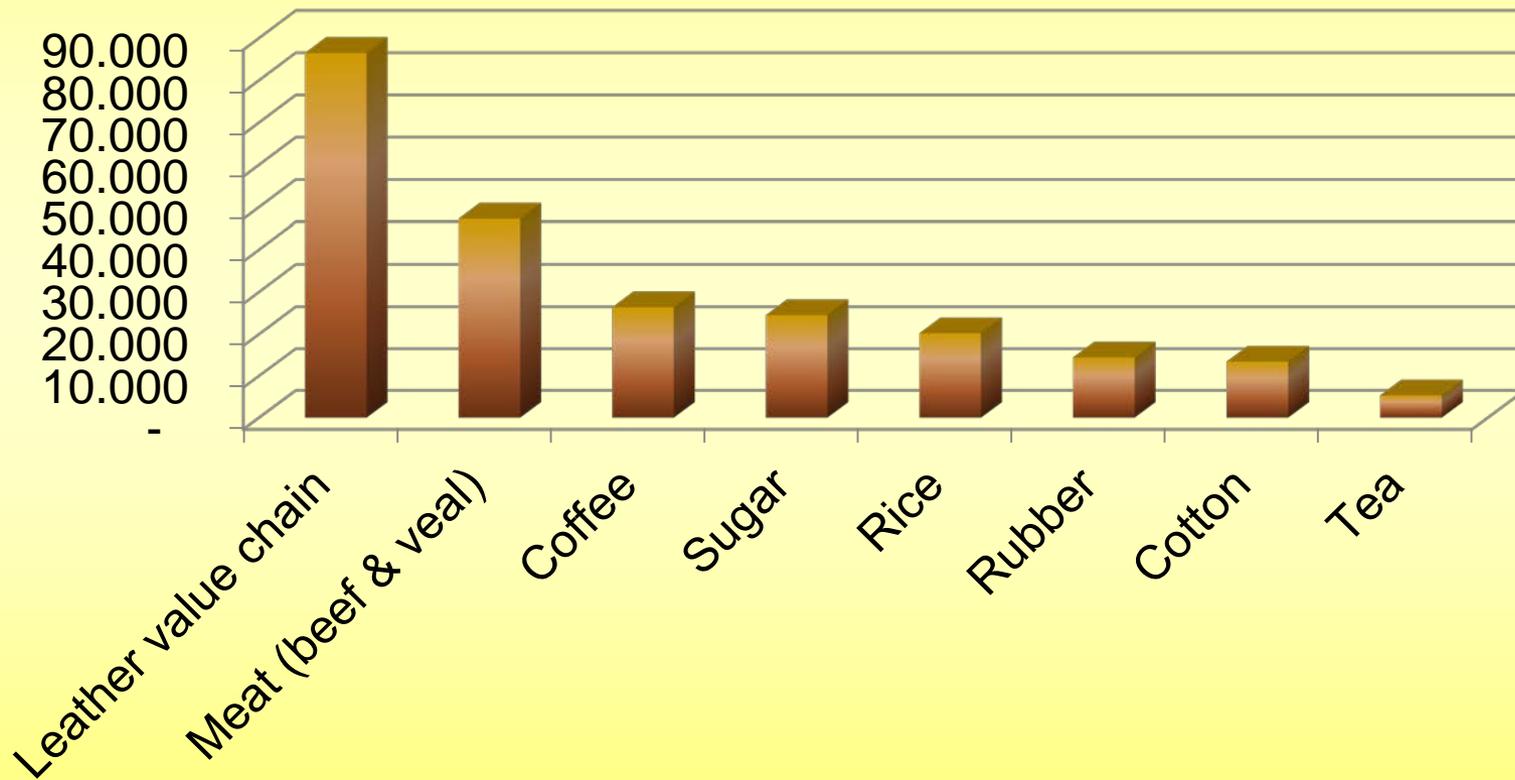
- **Important in international trade and essential raw material;**
- **Provide food security to producing countries, through export earnings estimated at USD 45 billion; and**
- **Employment and job creation to artisans**



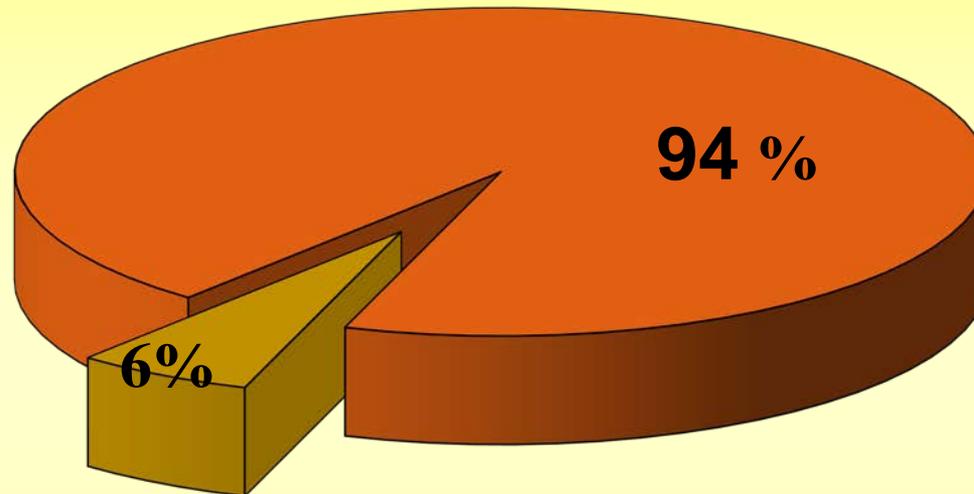
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World Leather vs Other Value Chains

Million USD



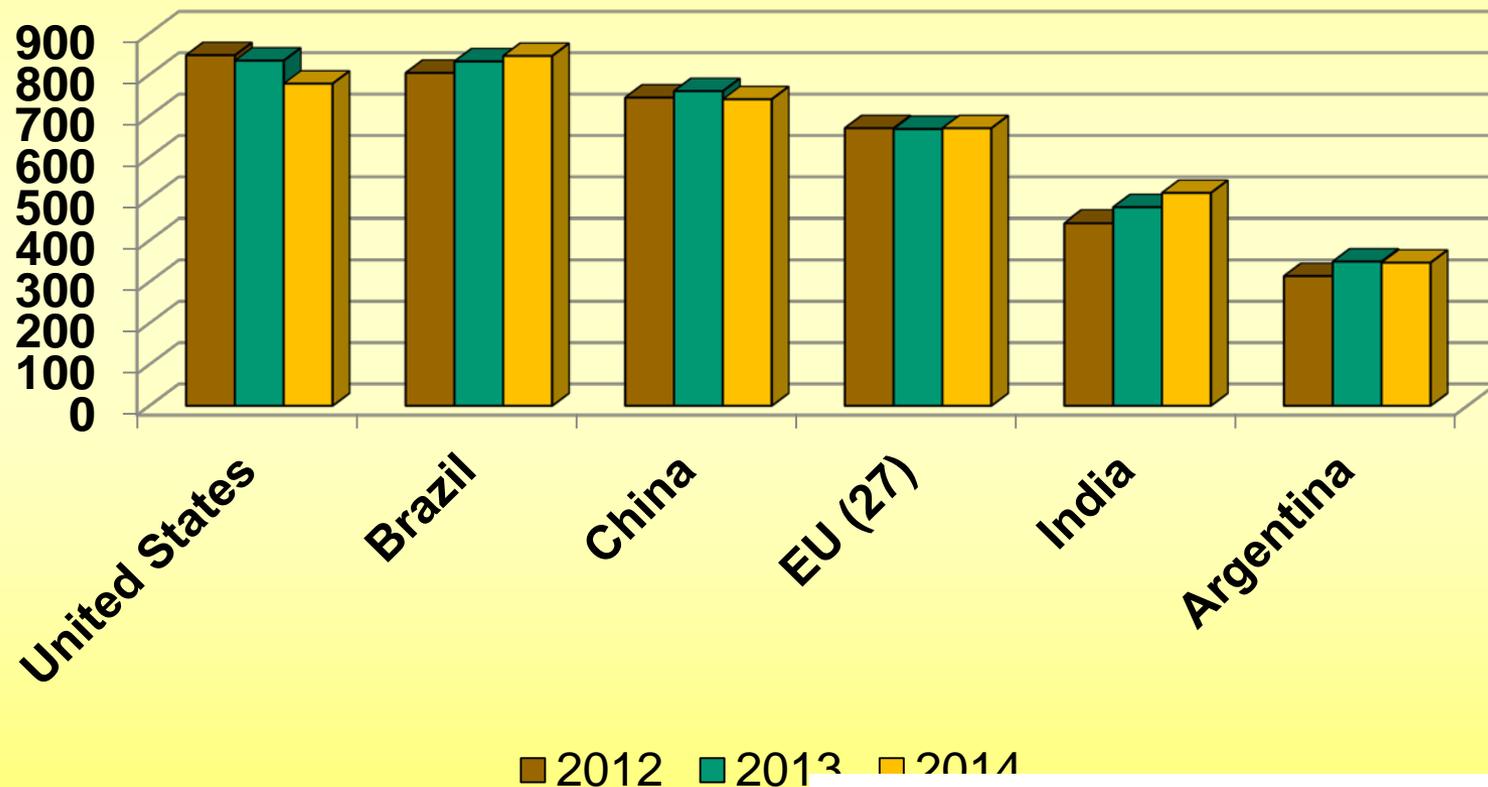
World Raw Hides and Skins Production (7 billion tonnes – 2014)



■ Bovine ■ Sheep and Goats

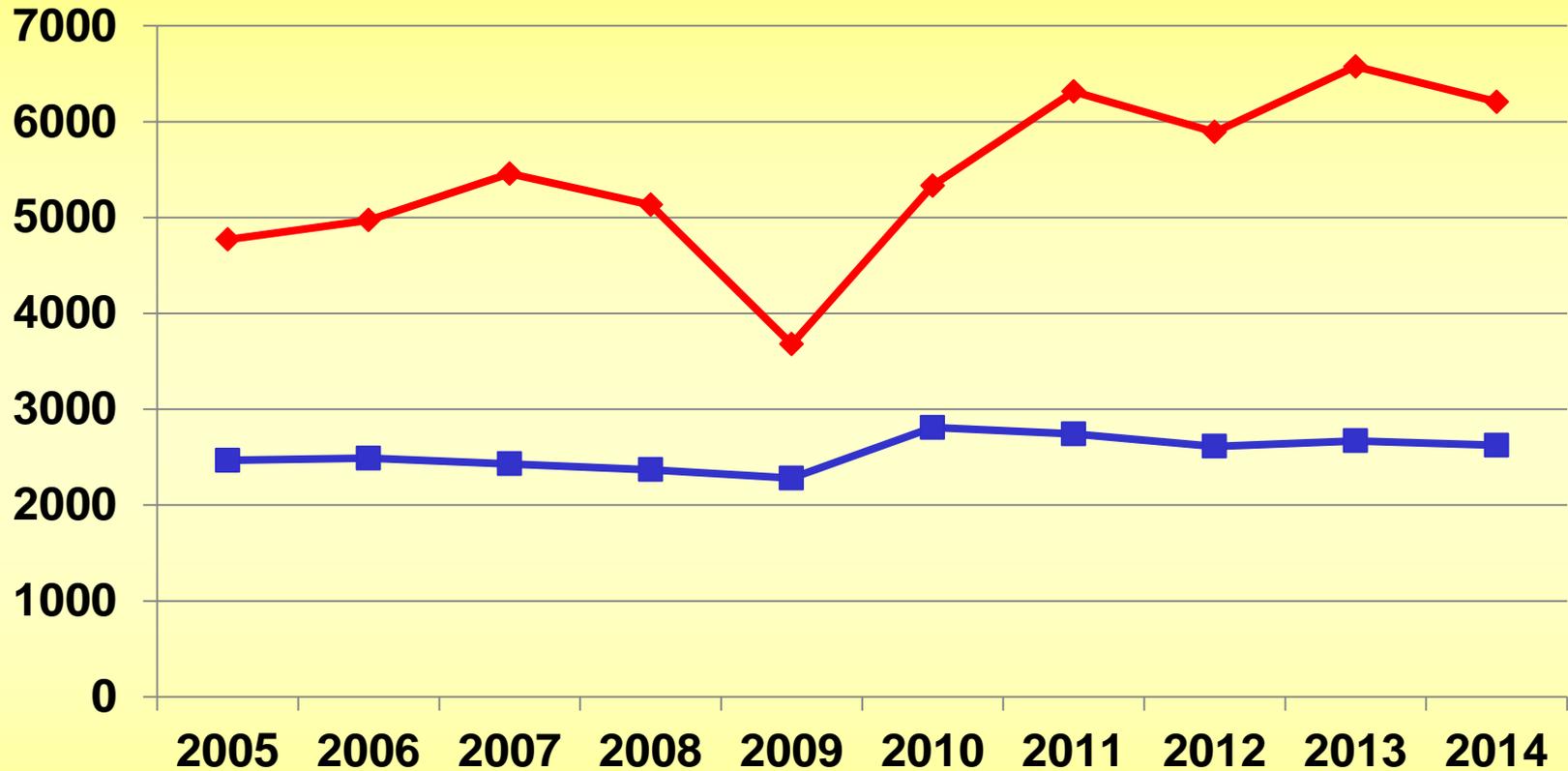
Production of Bovine Hides and Skins in selected countries

thousand tonnes



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Global Trade in Hides and Skins



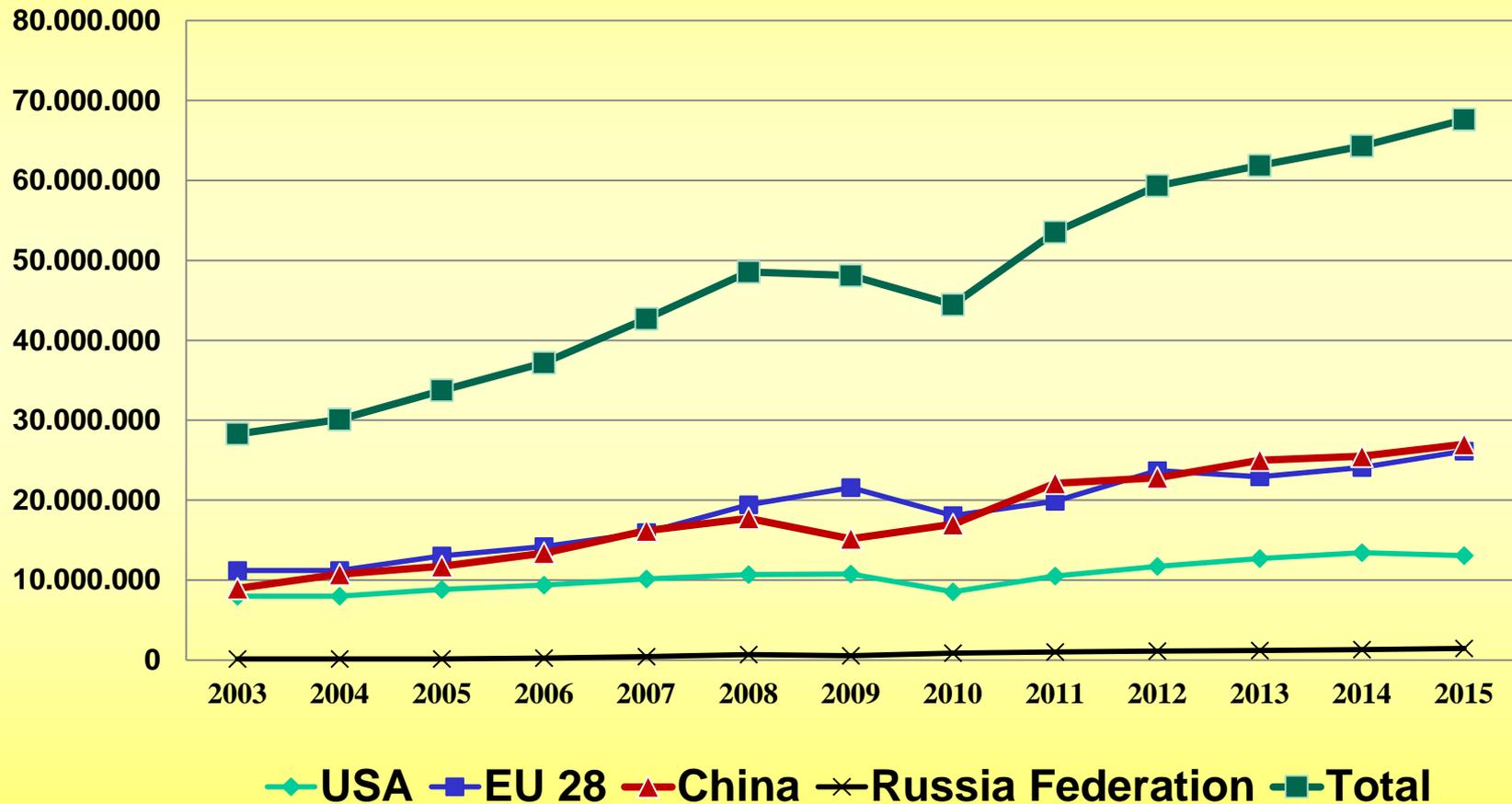
◆ Value - million USD

■ Quantity - thousand tonnes



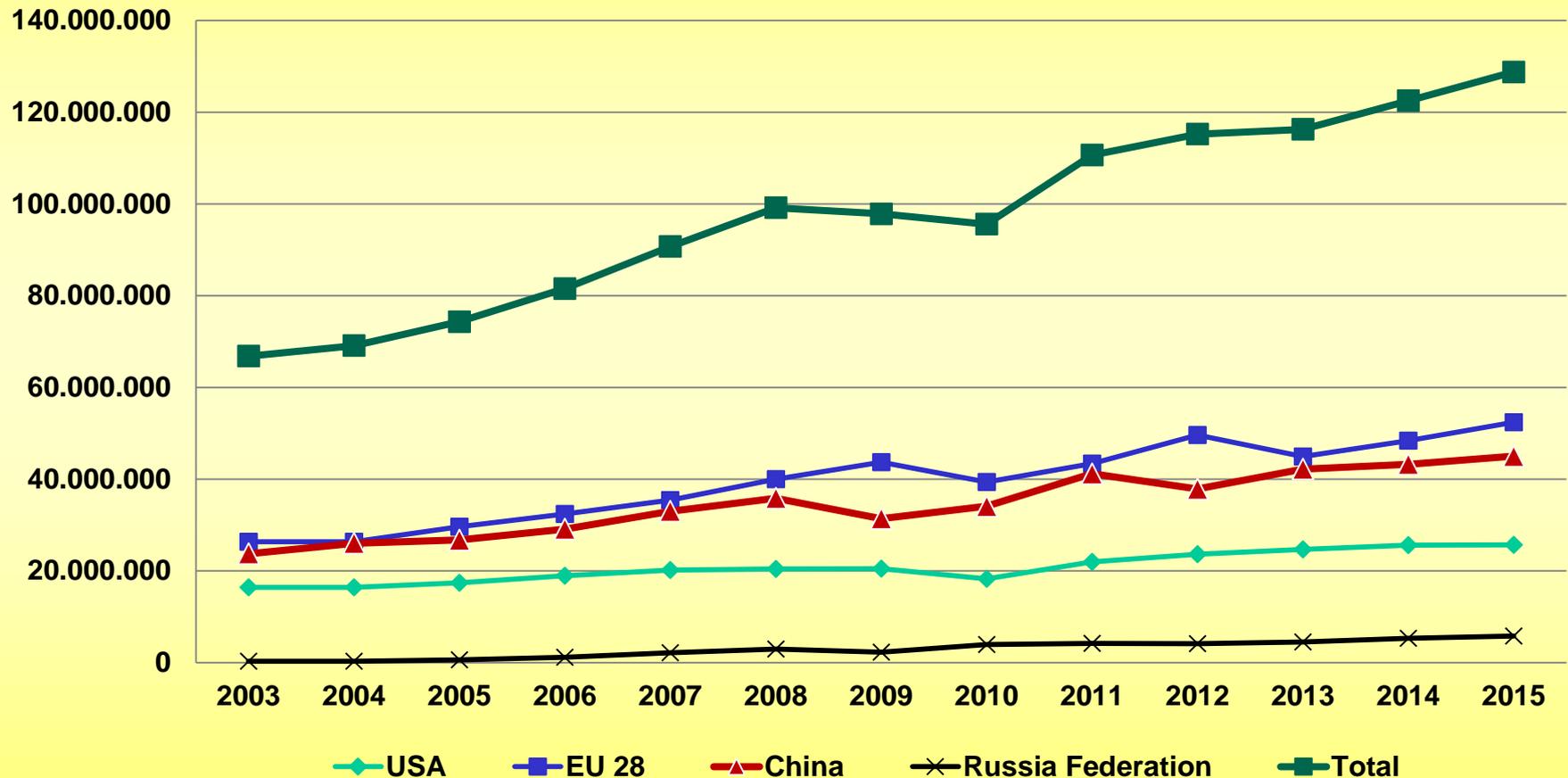
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Trade in Leather Articles: HS Chapter 42 (USD million)

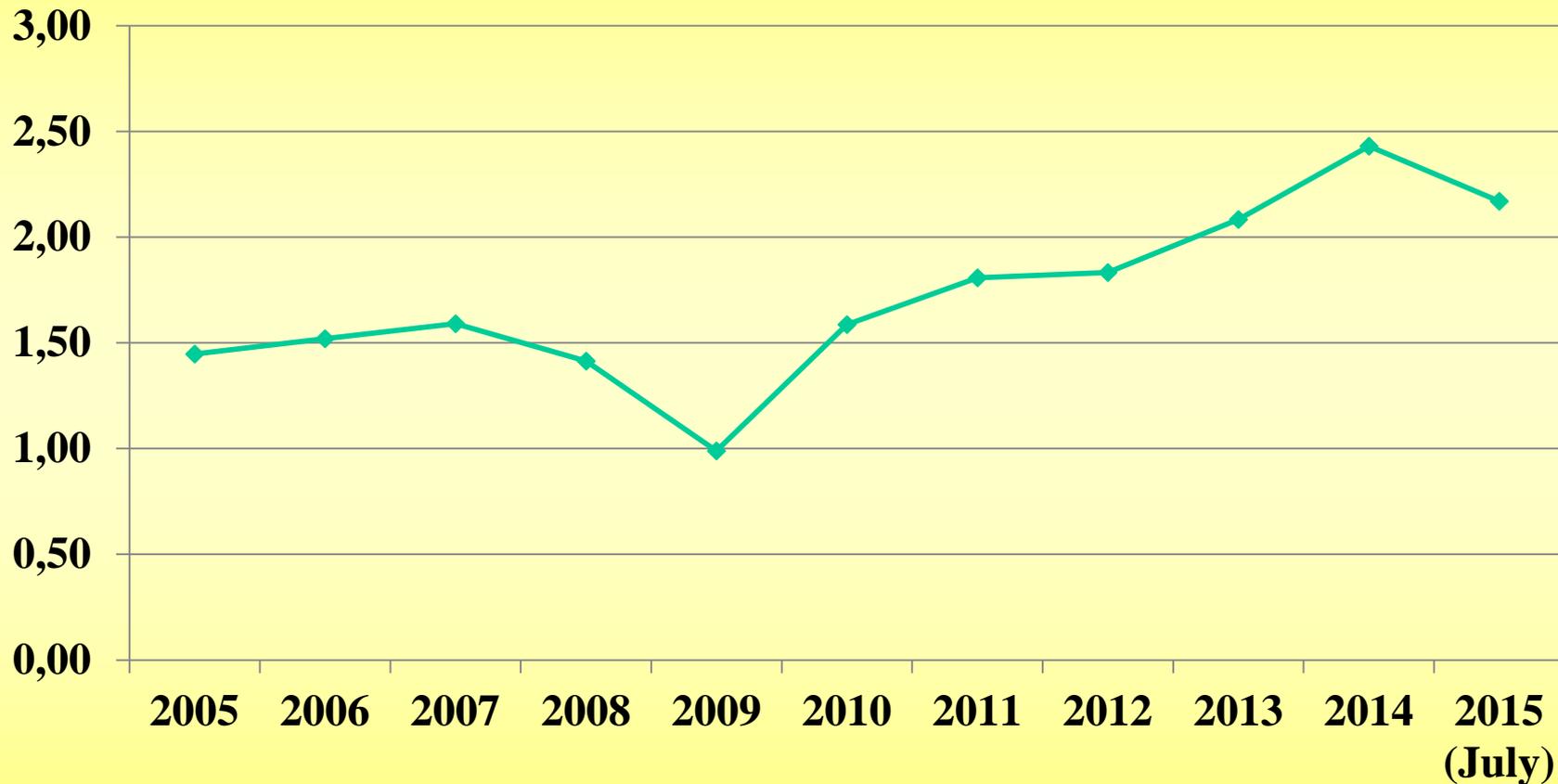


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Trade in Leather Articles : HS Chapter 64 (USD Million)



Hide Prices : Chicago Quotations (USD /kg)



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Challenges Faced by the Sector in Developing Countries

- **Pre-slaughter defects**
- **No incentives to improve quality because of the fifth quarter pricing model**
- **skewed margins along the value chain**

Challenges in International Trade of Hides and Skins

Non-Tariff Barriers (NTBs)

- export restrictions, Technical Barriers to Trade (TBT), sanitary and phyto-sanitary (SPS) measures

Environmental standards

- disposal of waste
- water treatment

Policy Responses

- **Institutional and financial support necessary to develop the sector has been lacking.**
- **Policies need to be put in place to address challenges in quality and skewed margins in the value chain.**
- **Export restrictions imposed by African countries could impact the global hides, skins and leather value chain.**



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Policy Responses - 2

- **Export restriction policy varies from ad valorem export tax, specific export tax and outright ban.**
- **These policies were implemented since 2000 in Ethiopia then followed by Tanzania, Kenya, Uganda, Rwanda, Burundi and Sudan.**
- **FAO is working with COMESA to evaluate the impact of these policies.**



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Environmental Policy Responses

- **Governments pressured to balance demands from consumers/activists and industry;**
- **Environmental regulations affect cost of production, trade and investment;**
- **Government policies can offset transitory impact on competitiveness;**
- **Effects of environmental regulations internationally are negligible compared to market conditions and health quality of local workers;**
- **Improved health and environmental quality often outweigh the costs of compliance.**



Concluding Remarks

- **Leather value chain remains one of the most important agro-based value chain.**
- **The future of the industry depends on how it will deal with human safety, environment and climate change issues.**
- **Limited capacities of developing countries to meet environmental standards may impact negatively on their performance in leather value chain.**
- **Pollution-intensive industries have moved to industrializing countries, due to increased demand and natural resource endowment.**



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Thank You

