

# **CURRENT PROBLEMS OF THE LEATHER INDUSTRY**

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## **Introduction**

The leather industry sector is one of the fast growing economic sectors in Ethiopia. Currently there are 19 functioning leather tanneries with 20 new leather industry facilities in the planning stages. Hides and skins are the basic raw materials for the leather industry and Ethiopia is capable of supplying 16 to 18 million hides and skins per annum. The leather industry processes raw hides and skins and produces semi-processed and finished leather for both export and local consumption. The industries are also sources of employment. This is why the sector needs great attention by the government and all concerned stakeholders.

The export of processed and semi-processed skins constitutes Ethiopia's second largest export commodity. However, over the last 10 years there are indications that the quality of raw material has deteriorated with an increasing number of reject grades and the appearance of a skin disease called "Ekek" that is mainly due to lice, keds and mange infestation. Hides and skins are downgraded as a result of various ante-mortem and post-mortem factors, including poor animal husbandry, disease and parasites, bad slaughtering and flaying techniques, and bad practices in curing, collection, transportation, storage and general handling. Estimates from tanneries have put the percentage of reject skins at certain times of the year as high as 50 to 60%.

## **Problems and Constraints for Development of the Leather Industry**

Some of the major constraints to the proper development of the leather sector are:

- Poor livestock management
- Poor quality raw material supply as a result of ante-mortem and post-mortem handling of hides and skins
- Low off-take and recovery rates
- Lack of skills, technology, intermediate inputs and processing equipment
- Stiff competition among the existing tanners
- Low utilization of industry capacity
- Lack of or poor policies for the specific development of the sector
- Poor linkages among different organizations involved with hides and skins

Due to these problems the leather industry is unable to produce high quality hides and skins which the export market demands. Table 1 shows the decline of hides and skins exported during the past years (Ministry of Trade and Industry).

Table 1. Quantity and value of hides and skins

Period	Quantity In Tons '000	Value USD '000
1992	4,215	32,612
1993	7,579	30,991
1994	8,002	48,065
1995	8,271	56,322
1996	6,908	56,161
1997	8,765	55,346
1998	6,642	23,241
1999		30,776

### **Low quality supply impact on leather Industries**

Of all the specified constraints (problems) hindering development of the leather sector, the low quality of basic raw materials is the pressing issue in need of an immediate solution. Quality of these raw materials has implications on production costs and sales prices, which determine producer competitiveness in the world market. Poor quality materials are expensive to process and result in a high percentage of low grade products including rejects. This can lead to serious losses in earnings.

#### **Low quality supply**

- higher cost of production
- low quality leather
- low selling price
- higher rejection rate, unsellable products
- no economic growth

#### **High quality supply**

- lower cost of production processing
- high quality leather
- high selling price
- development of the industries and growth of the national economy

According to tanners' reports during the period of 1970 to 1980, the share of grade I to III pickled sheep and(or) wet blue goat skins was between 60 to 70% of total skins supplied to the world market. Between 1987/88 to 1991/92 the share of grade I to III skins dropped to 40 to 50% of

total skins supplied. In 1996/97 the share dropped to 20 to 30% and in 1997/98 only 10 to 20% of skins were grade I to III. This illustrates the decline in the quality of skins processed during this time. Reasons for the decline include the increasing prevalence of the natural defect "Ekek" and man-made defects in the skins. The above data shows that poor quality raw material has adverse effects on both processing and commodity value in the world market. Thus, an immediate solution should be sought for by all concerned parties of the leather industry.

### **Problems Contributing to the Downgrading of Skins and Hides**

Ethiopian skins and hides, specifically sheep skin, are well known in the world to produce high quality leather due to their fine grain and compact structure. These qualities are the reasons why a great number of leather producing companies in the world are attracted to Ethiopian skins and hides.

Skins, hides and leather products are the second leading export item of Ethiopia next to coffee. As seen in Table 2, the export share of the leather industry according to 1986/87 to 1995/96 National Bank reports was between 12 and 21%. From the table it is clear that the export share of hides and skins is declining and recent figures estimate a share of only 9 to 10%.

Table 2. The value of exports for two major commodity groups, in million Ethiopian birr

Period	Coffee	%	Hides and skins	%
1986/87	524.3	65.9	108.3	13.6
1987/88	439.2	56.8	133	17.2
1988/89	626.4	69.4	123.5	13.8
1989/90	405.1	55.0	134.1	18.2
1990/91	268.5	45.5	92.2	17.0
1991/92	168.5	60.3	58.6	21.0
1992/93	537	67.1	134.5	16.8
1993/94	718	58.0	203.6	16.4
1994/95	1,799	65.9	373.6	13.7
1995/96	1,724	67.9	309.7	12.2

Though Ethiopia has very good potential for supplying skins and hides to the world market, the quality of skins and hides supplied to the world market has deteriorated. The main problems contributing to downgrading of skin and hides can be generally categorized as natural defects (scratches, disease, ecto-parasitic defect (Ekek) and man-made defects (brand marks, ripping and flaying problems, preservation, transportation, storage and bad handling).

Table 3. Defect assessment and percent rejection of semi-processed samples from one tannery

Defect	%
Defect of ecto-parasite (Ekek/Disease)	>50%
Putrefaction	20%
Flay cuts	15%
Other defects	15%
Natural defects (% of total)	50%
Man- made defects (% of total)	50%

In some regions natural defects are more prevalent whereas man-made defects prevail in other regions.

### **Grade and Defect Assessment in the Southern Region (SNNPS) a Target Region of CFC**

To begin a pricing by grade system, it is necessary to fully assess the existing quality grade and defects in the selected project sites as an initial benchmark. Tables 4 and 5 illustrate the grades and prevailing defects of hides and skins assessed in the SNNPS.

### **Recommendations and Conclusions**

In general, there is much to be done in improving the quality of raw hides and skins supplied to the leather industry and in improving the quality of the processed leather. This requires the collaboration of all stakeholders. Specific recommendations made to cover four important fields in leather sector development follow.

#### ***1. Livestock management and slaughter***

Farmers should participate in relevant training programs and be provided with information leaflets on methods of increasing animal productivity. Veterinary and agriculture extension personnel should assist farmers in adopting modern livestock management techniques, including the use of manufactured animal feeds.

Wherever possible, central slaughterhouses should be established. In the current Ethiopian context there will always be slaughter at homes, farms and in isolated villages. Training in proper flaying, curing and storage techniques and wide distribution of tools and literature in local languages are essential.

#### ***2. Hides and skins***

In order to improve collection, curing and handling of hides and skins, price incentives based on a quality grading system must be enforced by tanners.

Operatives who handle hides and skins need to be provided with manuals for proper curing, preservation and storage methods appropriate to their environment and market requirements.

The health inspectors, veterinary and agricultural extension officers should play an important role in the implementation of this recommendation.

#### ***3. Leather processing***

The existing capacities should be fully utilized through rehabilitation and technology upgrades to proceed progressively up to finished leather.

There is a need to increase investment in waste management systems in the leather processing industry to mitigate the problems of pollution. Establishment of waste utilization/treatment industries is recommended.

#### ***4. Leather goods industry***

Modernizing and increasing the capacities of the shoe and leather goods industries is recommended.

## References

Pittards/Ethiopian Partnership	Review Meeting	No	11/2000
BLC - (British Leather Confederation)	Research contract for	UNIDO	March 1996
CFC - (Common Fund for Commodities)		June	1,1998
Morarity	-		24/4/96
Problems of Ethiopian Leather Industries	by	Alem Asfaw.	

Table 4. Average grade in percent of wet salted sheep skins, wet salted goat skins, air-dried goat skins and air-dried hides in the Southern Region.

Products	Grade result in percent				
	I	II	III	IV	V/Reject
Wet salted sheep skins	32.5	26.8	25.7	10.0	5.0
Wet salted goat skins	22.0	39.4	22.1	8.5	8.0
Air-dried goat skins	15.0	30.0	22.0	24.0	9.0
Air-dried hides	34.3	32.1	20.3	10.3	3.0

Table 5. Defect assessment in percent of wet salted sheep skins, wet salted goat skins, air-dried goat skins and air-dried hides in the Southern Region.

Defect types	Defect result in percent			
	N. Omo, Gedo, K.A.T., Sidama, Gurage and Hadiya			
	Wet salted sheep skins	Wet salted goat skins	Air-dried goat skins	Air-dried hides
Branding	-	-	-	13.0
Disease	-	-	9.5	0.9
Putrefaction	17.2	20.0	2.3	9.3
Poor pattern	19.0	16.0	15.5	4.5
Flay cuts/Holes	21.0	26.0	33.0	47.4
Heavyfat/Flesh deposit	17.8	11.6	10.0	-
Dirt/Dung/Blood	24.0	25.0	2.4	2.9
Red heat	1.0	0.5	-	-
Other <sup>1</sup>	-	0.9	27.3	22.0

<sup>1</sup>Other defect types include: Poor substance, cracks, scratches, wounds and damage due to smoke, beetles, pegs, resoaking, etc.

Citation:

Abadi, Y. 2000. Current problems of the leather industry. In: R.C. Merkel, G. Abebe and A.L. Goetsch (eds.). The Opportunities and Challenges of Enhancing Goat Production in East Africa. Proceedings of a conference held at Debu University, Awassa, Ethiopia from November 10 to 12, 2000. E (Kika) de la Garza Institute for Goat Research, Langston University, Langston, OK pp. 139-143.