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LEATHER
TIME TO STEP UP EXPORTS

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Leather industry in India assumes special significance in terms of employment and export potential. The sector is known for its consistency in high export earnings and is among the top ten foreign exchange earners for the country. In the sphere of exports, the thrust is on footwear.

India is well-placed in terms of livestock, skilled labour, increasing industry compliance to international environmental standards and demand for leather goods. The industry is bestowed with an affluence of raw materials as India has 21 per cent of world's cattle and buffalo, and 11 per cent of world's goat and sheep population. Yet the industry's progress is far from satisfactory.

India's tanning sector is making progress. Tanning is the process by which raw hides are converted into leather. The organised tanning sector in India is concentrated in Tamil Nadu, West Bengal and Uttar Pradesh. It uses modern technology and mobilise the raw hides from the entire country. The three states account for 88.5 per cent of the total tanneries in the country. The industry has grown in clusters. About 45 per cent of the tanneries are located in Tamil Nadu. Table I shows the number of tanneries spread across India.

India's leather industry employs about 2.5 million workers. Women account for 30 per cent of this workforce. The recent economic downturn has led to loss of jobs in this sector. The industry is banking on a few favourable factors like rising global trade in leather and leather goods, coupled with the rise in domestic demand, thanks to the burgeoning middle-class.

In spite of recession, the developed world has to depend on developing countries for their requirement of leather and leather products. In the domestic market, there is an

Table I

Number of Tanneries in India

State	Number of tanneries	Per cent share in total number
Tamil Nadu	934	44.6
West Bengal	538	25.7
Punjab	79	3.8
Uttar Pradesh	373	18
Andhra Pradesh	24	1.15
Maharashtra	33	1.6
Karnataka	16	0.8
Bihar	17	0.8
Haryana	18	0.8
Other states	54	2.75
Total	**2091**	**100**

Source: Central Pollution Control Board

element of optimism. There is continual reduction in import duties on various consumer products, thanks to World Trade Organisation (WTO) provisions. Traders might find it quite competitive to import various leather products, mainly footwear, from countries such as China, Vietnam and Indonesia.

Exports

On the export front, the industry is able to make satisfactory progress. It has been able to handle global developments with confidence. The support extended by the government has proved to be valuable.

Of the $3400.98 million worth of leather and leather products exported in 2009-10, 18.4 per cent accounted for finished leather products. Export of leather and leather products from India is shown in Table II. The exports increased from $2421.59 million in 2004-05 to $3502.49 million in 2007-08 and to $3555.11 million in 2008-09. But, it fell to $3400.98 million in 2009-10.

Among the products exported, footwear accounted for the most impressive growth in the period from 2005-06 to 2009-10, with its exports having increased from $1.04 billion to $1.5 billion. The global meltdown resulted in a fall in export in 2009-10. During this period, leather garment exports increased from $333.30 million to $428.52 million—an increase of 29 per cent.

Footwear happens to be the largest among the leather products imported globally and is continuing to maintain a rising trend. More than 65 per cent of the global production of footwear (estimated at about 14 billion pairs a year) takes place in China, and about 14 per cent in India. Other notable producers are Vietnam, Indonesia and Brazil.

In terms of export destinations, the European Union (EU) region has been dominant, with its share going up from 58.97 per cent in 2005-06 to 67.89 per cent in 2009-10. The dominant importers from the EU region are Germany, Italy, the UK, France, Spain, Portugal, Belgium, Netherlands and Denmark.

Some problems

India faces the challenge of raw material and requires substantial additional capacities. Although India accounts for 10 per cent of global raw material availability, the country has to import about 28 million square metre (300 million square feet) of leather to meet the current estimated annual turnover of the industry of about $6 billion. The target of $13.2 billion for 2011-12 will call for an additional 280 million square metre of leather. The country has to expand domestic capacities.

The present capacity for tanning is estimated at around 232 million square metre a year. Most of this is available in poorly-equipped micro and small-scale tanneries. Indian leather units are facing severe competition from many countries. China, Vietnam, Indonesia, and the smaller Southeast Asian countries are presenting tough competition for products at the popular price levels. Italy, Spain and Brazil are also posing a serious threat to the medium to high-price levels.

China has resorted to price cuts by almost 15 per cent. Indian exporters are unable to match this price. India holds just a minuscule share of the $116-billion global market. Even with a 5 per cent share in the global pie, the sector requires a 100 per cent increase in existing exports.

Leather tanning is almost wholly a wet process. A variety of chemicals are used at different stages and a large volume of liquid waste is discharged. Pollution of water has become a big problem. Soil fertility is adversely affected when the tannery-waste gains access to cultivable lands. Discharge of untreated waste water into the open land renders the water unsuitable for irrigation or consumption by cattle. Most of the tanneries are facing difficulty in getting chloride-free water for sustenance of tanning industries.

There is also the problem of availability of developed industrial plots at affordable prices. There have been talks about developing exclusive leather industrial parks, but it is yet to materialise.

The eleventh five-year plan aimed at increasing the industry's turnover from $6 billion in 2008-09 to $13.2 billion by 2011-12, with exports climbing up from about $3 billion to $7 billion annually.

Measures needed

The Indian government has ambitious targets with respect to the leather industry. The eleventh five-year plan aimed at increasing the industry's turnover from $6 billion in 2008-09 to $13.2 billion by 2011-12, with exports climbing up from about $3 billion to $7 billion annually.

It would make sense for India to go ahead with its plans for creating additional capacities in various segments of the industry. Also, India should actively promote foreign direct investment (FDI) and joint ventures in different segments. Additional investments by the domestic players may not be adequate to meet the ambitious targets.

Till 2009, the government offered financial benefits of 2.5 per cent of the export order for penetrating non-traditional markets like Commonwealth of Independent States (CIS) countries. Instead, traditional markets like Europe and the US should be treated as focus markets and benefits should be expanded for exports to these countries. Despite the shrinking demand for Indian products in these markets, both remain the largest buyers of Indian leather goods. Europe accounts for 65 per cent of the leather exports while the US contributes 25 per cent.

Table II

Export of Leather and Leather Products from India

($ million)

Product	2004-05	2006-07	2008-09	2009-10
Finished leather	607.73	724.00	673.37	625.54
Footwear	657.78	974.33	1243.78	1557.51*
Footwear components	179.21	219.84	246.35	–
Leather garments	329.44	309.91	426.15	428.52
Leather goods including gloves	585.72	706.28	873.30	756.02
Saddlery and harness	61.71	82.33	92.15	83.39
Total	**2421.59**	**3016.39**	**3555.11**	**3400.98**

**includes footwear components*

Eco-friendly technology is now available. But there is uncertainty regarding the emergence of new tanneries. The concerned states should issue clear-cut policy guidelines. This will encourage both domestic and foreign investors to implement large-scale projects. Those who closed their big tanneries in the West are also interested in investing in countries like India. India should take advantage of this. More attention towards brand-creation and promotion along with appropriate distribution strategies in terminal markets might yield better revenue.

There is also the need for vocational training on a large scale to promote continual supply of labour at competitive wage levels.

One welcome development is that in some states—like Tamil Nadu—all operational tanneries have either their own effluent treatment facility or connection to a common treatment plant. Tamil Nadu is thus doing well in terms of pollution control. The Tamil Nadu Pollution Control Board has mandated that no tanning cluster shall discharge any liquid waste.

The effluent treatment plants (ETPs) and common effluent treatment plants (CETPs) in the leather industry mostly go in for expensive reverse osmosis (RO) treatment process of treated waste water, to be followed by mechanical evaporation of the reject. Completion of the zero liquid discharge (ZLD) projects in Tamil Nadu has improved the situation dramatically. More than 95 per cent of process water can be recovered and reused. This has reduced the demand for groundwater for tanning purposes. It will also result in seizing contamination of soil and ground water by dissolved solids, regenerating the fertility of the soil. ■

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