

International Trade Centre  
ICTAD/WTO

National training workshop  
Environmental requirements, market access/penetration and export competitiveness in the leather and footwear industry in Bangladesh  
Dhaka, Bangladesh, 19 – 21 August 2003

## Problems and Potential of the Leather & Footwear Sector

Problems and Potential of the Leather & Footwear Sector, 20<sup>th</sup> August 2003 Dhaka

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## Concerns In Global Leather Sector

- Agriculture by-product, needs care
- Specialised technologies
- Pollution and sustainability
- Consumers' buying power
- Unequal (disproportion) globalisation for Design, Production, Marketing
- Use synthetic materials for price situation.

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## World populations – FAO 2001

millions	89/91 age,	2001	% change
Human	5283	6080	+ 15.1
Bovine	1428	1352	- 5.3
Sheep and Goats	1746	1794	+ 2.7
Pigs	854	922 (557 PRC)	+ 8.0

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## Global livestock/ kill 2001

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## Trade values – 2001/ ITC (In US\$)

Raw hide + leather	19 billion
Leather Products	± 26
Leather Footwear	± 26

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## Global leather production 2001 is estimated at 15-18 bn.sq.ft.

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## Global footwear 2000

- 11 billion pairs produced – (30% surplus ?)
- 72% of all footwear is produced in Asia
- 4.2 billion pairs footwear have leather uppers, 73% made in developing countries
- 9 billion square feet of leather
- Leather footwear production is 52% in Asia, 19% in Europe and 14% in Latin America
- 30 – 40% over-capacity as most industries ?

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## Cattle availability – FAO 2001

millions	Animals	Killed	Average kilos each
World	1352	289	18
Developed	326	117	22
Developing	1026	172	15.4
Far East	426	76	12.9

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## Far East Cattle – FAO 2001

millions	Animals	Killed
World	1352	289
Far East	426	76
India	220	23
China	106	37
Bangladesh	24	3
Pakistan	22	2

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## Sheep & lambskins – FAO 2001

millions	Animals	Killed	Average kilos each
World	1056	496	0.75
Developed	381	184	0.99
Developing	675	312	0.61
Far East	241	151	0.53

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## Far East Sheep – FAO 2001

millions	Animals	Killed
World	1056	496
Far East	241	151
China	133	102
India	58	29
Pakistan	24	10
Bangladesh	1.1	0.4

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## Goat and kidskins – FAO 2001

millions	Animals	Killed	Average kilos each
World	738	341	0.72
Developed	30	15	0.71
Developing	708	326	0.72
Far East	408	229	0.75

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### Leather Footwear – FAO 1999

million pairs	Production	Export
World	4212	1859
Developed	1191	604
Europe	813	583
Developing	3016	1255
Far East	2199	1094
Latin America	581	121

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### Productions and export - FAO 1999

millions of square feet/ pairs

	Leather	% exp	Shoes	% exp
Far East	5674	114	2236	49
China	2302	205	1680	54
India	1278	25	160	23
Korea	1042	101	90	19
Thailand	291	19	66	59
Bangladesh	148	49	5	0

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### EPB export statistics

millions US\$	2000-2001
Leather	253
Footwear	33
Leather goods	4
<b>Total</b>	<b>290</b>

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- ### STRENGTH
- Following the progress in Finished Leather production, new entrepreneurs got encouraged to set-up Export-oriented Leather Shoe Industry.
  - Bangladesh started becoming a good source of Leather Footwear for overseas Merchants around the World.
  - Export Customers of Countries where GSPs are acceptable, were coming-up/looking-upon newly emerged Industries late 1980s / early 1990s.
  - Relatively convenient access to get supply of new types of Finished Leather for new shoe line.
  - Lead-time for production of Shoes becomes comparatively less lengthy in view of local supplies of upper Leather.
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- ### STRENGTH
- Bonded ware-house facilities are available (although procedures/modus-operandi need appropriate simplification).
  - Corporate Tax-holiday facilities for 5 or 7 years are still permissible (depending upon location of the Industry) .
  - Import-duty on Capital Machinery for EOI is nil.
  - Containerized shipment is available from the site of the Industry within the proximity of Dhaka city's railway station.
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## WEAKNESS

- Trained or experienced workers to operate key-machinery (lasting, sewing) are quite insufficient.
- Working capital-a long pending issue still remains unresolved.
- High rate of interest on term loan and working capital, is a big negative factor
- Some specialized Financial Institutions (BSB-BSRS) for promotion of Industries, do not extend working capital facilities (!!).

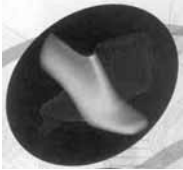
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## WEAKNESS

Footwear accessories (such as tapes, trims, buckles, linings, Shoe-last etc.) are not available locally.



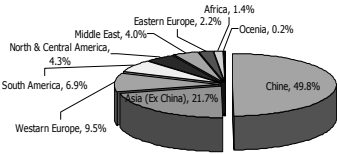
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## OPPORTUNITY

China alone occupies about 50% of Export of shoes to outside world.



Region	Percentage
China	49.8%
Asia (Ex China)	21.7%
Western Europe	9.5%
South America	6.9%
North & Central America	4.3%
Middle East	4.0%
Eastern Europe	2.2%
Africa	1.4%
Oceania	0.2%

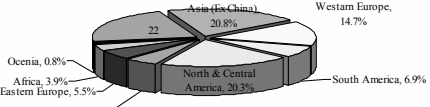
Chart - 01

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## Charts (02-05) showing path-finding information on footwear trade



Region	Percentage
China	49.8%
Asia (Ex China)	21.7%
Western Europe	14.7%
North & Central America	20.3%
South America	6.9%
Middle East	5.1%
Eastern Europe	5.5%
Africa	3.9%
Oceania	0.8%

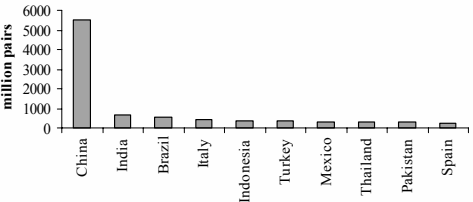
Chart - 02

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## Leading Producers 1998



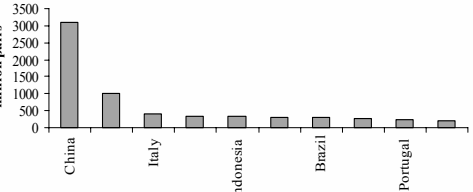
Country	Production (million pairs)
China	~5500
India	~800
Brazil	~600
Italy	~500
Indonesia	~400
Turkey	~300
Mexico	~200
Thailand	~150
Pakistan	~100
Spain	~100

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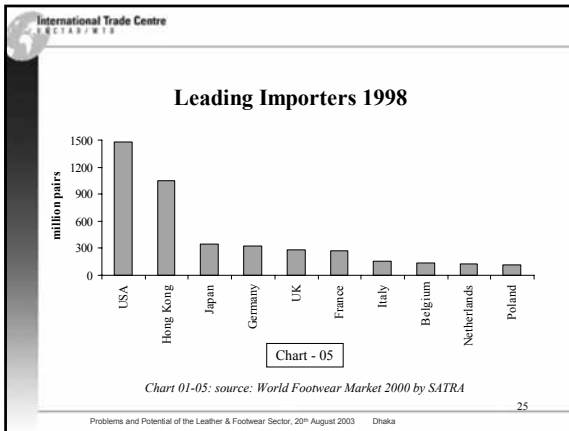
## Leading exporters 1998



Country	Exports (million pairs)
China	~3000
Italy	~1000
Indonesia	~500
Brazil	~400
Portugal	~300

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## THREAT

- Leather Footwear production around the world is reported to be some-what retarding .
- Footwear market in UK grows casual.

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## THREAT

- 'World output of footwear for 2002 is forecast to be 12.06 billion pairs for an estimated world population of 6.23 billion.'
- (Source: World Footwear Market 2000 by SATRA)*
- Almost no output of sole/insole leather developed in tanning industries.
- No organized industrial unit for sole production- Natural Rubber (NR) based, TPR, PU or EVA (Except a few only).
- Leather Footwear consumption is considerably replaced by Casual footwear made of synthetic material.

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## OBSERVATIONS-CONCLUSIONS

- Marketing assistance is the NUMBER ONE priority point for almost all entrepreneurs.
- Adequate exposure to Export Customers-Merchants/Whole seller in Europe and North America.
- Technical assistance to develop new product lines to meet customers' needs.
- Footwear Design & Development Institute (ALA Noida-India)
- Training of designers & technicians (in Italy or Zlin, Czechoslovakia)

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## OBSERVATIONS-CONCLUSIONS

- Assistance is sought for having direct links with customers (shoe merchants/wholesaler)
- Participation in fairs for establishing direct contacts with customers.
  - : HONGKONG FAIR
  - : GDS-GERMANY
  - : BLOGNA-LINAPELLE
  - : DUBAI - SHARJAH – RIYADH – BHRAIN
  - : SOUTH AFRICAN FAIRS
  - : FOOTWEAR COMPONENT FAIR - INDIA
  - : MIPEL/MICAM – FAIR.

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## OBSERVATIONS-CONCLUSIONS

- SATRA Training Course for sewing operators.
- Workshop – Impart knowledge of Shoe line, product –mix, costing, mechanizing to entrepreneurs, executive staff etc.
- Safety-Boot, Combat-Boot with Leather upper (heavy) & NR soles – specially formulated with Nit rile Rubber.

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## OBSERVATIONS-CONCLUSIONS

- Develop product-line of Leather Footwear with casual look & feature.



- This will facilitate market sharing in casual-look Leather Shoes – an increasing trend.