

Leather Industry

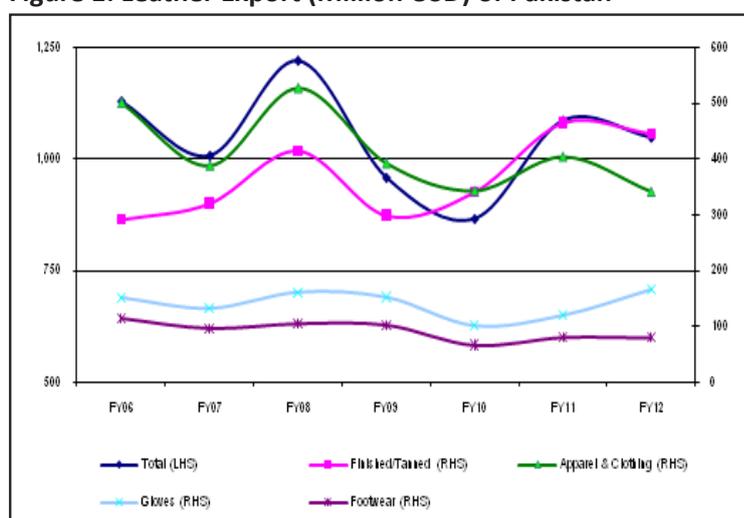
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The leather industry is one of the most important export-oriented industries in Pakistan, having the third largest export volumes in the manufacturing sector after textiles and chemicals & pharma. The share of leather industry in Pakistan’s total exports has remained at 4.4% in fiscal year FY12.

In absolute terms, total exports of the industry were lower by \$37.9m and amounted to \$1.0b in FY12. Of this, 43% pertained to tanned/finished leather while leather based value added products accounted for the remaining. Value added products exported by Pakistan mainly include Apparel & Clothing (33%), gloves (16%) and footwear (8%).

Figure 1: Leather Export (Million USD) of Pakistan



Source: Trade Development Authority of Pakistan

Demand for value added products have mainly come from high-income, developed countries, with Germany, United States of America, France, Spain, Netherlands, United Kingdom and Belgium accounting for around three-fourths of exports of leather based apparel & clothing products.

Countries, mainly from emerging markets, having established leather industries, purchase tanned/finished leather from Pakistan for further processing and for making value added products. Five largest export destinations account for two-thirds of Pakistan’s tanned/finished leather exports. These include Hong Kong, China, Italy, Korea and Turkey.

In absolute terms, total export value of tanned/finished leather was slightly lower at \$445.8m in FY12, as against exports of \$465.0m in the preceding year. Exports in volumetric terms have declined at a higher rate to 25.0m sqft (FY11: 28.7m sqft) in FY12. Of the total export volume of tanned/finished leather, around half of it comprised leather from bovine animals (buffalos/cows), while around one-third was sourced from goat. Remaining exports were generated from sales of leather made from sheep skin.

Skin of bovine animals is the thickest of the three, followed by goat skin; leather sourced from skins of bovine animals and goat are mostly suitable for manufacturing men and women shoes, respectively.

Given that the skin of sheep is thin, it is primarily used in making apparels & clothing. With the advancement of technology, leather made from the skins of bovine animals and goat can also be processed further for use in other value added products.

Conversion of raw skin into leather is divided into three sub-processes: preparatory stages (preservation, soaking, etc.), tanning and lastly crusting. Tanning is the process of converting raw hide into a stable material which will not putrefy. The principal difference between raw hides and tanned hides is that raw hides dry out to form a hard inflexible material that can putrefy when re-wetted, while tanned material dries out to a flexible form that does not become putrid when wetted back. The most commonly used tanning material is chromium. Crusting is the process under which the hide/skin is thinned, re-tanned and lubricated. Often a coloring operation is included in the crusting sub-process. Sometimes, surface coating is also applied for further finishing. Total wastage in conversion of raw skin to finished leather is estimated at about 15% due to shrinkage and trimming in Pakistan. Wastage may vary from one skin form to another.

The production process of leather has huge impact on environment due to heavy use of polluting chemicals during tanning. Environmental laws in most developed countries are very strict, and compliance with these regulations substantially increases the cost of production. Hence, production facilities have primarily shifted to countries like Pakistan, India and China where regulatory requirements are less stringent. However, the relaxed environmental regulations itself pose a threat to the industry if buyer preferences shift away from low-cost to more socially responsible business policies. Cheap labor available in these countries also lowers production cost. Globally, the industry structure is fragmented with a large number of players.

The leather industry in Pakistan has been facing supply related issues with regards to availability of raw skin, given increased smuggling of livestock, mainly bovine animals to Afghanistan and Iran. Supply of goat skin has also been acute as inflationary pressures in the economy have affected the purchasing power of consumers, resulting in lower consumption of meat, mainly mutton. Prices of raw-skin have also trended upwards. Tanners in Pakistan have been exploring the option of importing raw-skin from other countries. Imports may also help in keeping the prices in the local market within manageable level, as local prices are mainly driven by the overall demand from the tanners.

Power shortages, poor law & order situation and lack of active support at the state level have also affected Pakistan's leather industry. Moreover, with leather being a luxury product, global economic slow-down has also put pressure on sales volumes.

| Tanned/Finished (T/F) | | Apparel & Clothing (A&C) | |
|-----------------------|---------------|--------------------------|---------------|
| Country | % of T/F | Country | % of A&C |
| Hong Kong | 28% | Germany | 23% |
| China | 13% | USA | 13% |
| Italy | 12% | France | 9% |
| Korea | 9% | Spain | 8% |
| Turkey | 5% | Netherlands | 7% |
| Total (in \$) | 445.8m | Total (in \$) | 341.0m |

Jahangir Kothari Parade (Lady Lloyd Pier)

Inspired by Her Excellency, The Honorable Lady Lloyd, this promenade pier and pavillion was constructed at a cost of 3 Lakhs and donated to the public of Karachi by Jahangir Kothari to whose genrosity and public spirit the gift is due. Foundation stone laid on January 5, 1920. Opened by Her Excellency, The Honorable Lady Lloyd on March 21, 1921.

Dome: A roof or vault, usually hemispherical in form. Until the 19th century, domes were constructed of masonry, of wood, or of combinations of the two, frequently reinforced with iron chains around the base to counteract the outward thrust of the structure.

Origins: The dome seems to have developed as roofing for circular mud-brick huts in ancient Mesopotamia about 6000 years ago. In the 14th century B.C. the Mycenaean Greeks built tombs roofed with steep corbeled domes in the shape of pointed beehives (tholos tombs).

Otherwise, the dome was not important in ancient Greek architecture. The Romans developed the masonry dome in its purest form, culminating in a temple built by the emperor Hadrian. Set on a massive circular drum the coffered dome forms a perfect hemisphere on the interior, with a large oculus (eye) in its center to admit light.



Jahangir Kothari
Parade

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