Leather sector and Tannery Industry in Bangladesh

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Introduction

The leather sector has ranked fourth in terms of earning foreign exchange in Bangladeshwith an established industrial base. In consideration of being a value added sector the Government of Bangladesh (GoB) has declared it as a priority sector. The leather products have huge opportunities in generating employment, entrepreneurship and investment by increasing export of higher value added products rather than finished leather and by utilizing locally made raw material. Tannery industries have created the foundation of the encouraging leather sector.

Statistics

In 2014-15, Bangladesh exported leather and leather goods worth $1.13 billion, compared with $1.12 billion in the previous fiscal year. The leather sector includes 220 tanneries, 3,500 SMEs and 110 large firms. The sector generates direct and indirect employment for about 850,000 people, including a significant number of women, particularly in the leather products industries.

Facts

- There are 3 subsectors under the leather sector: i) Leather Tanning, ii) Leather Footwear, iii) Leather Goods;
- 90% of basic raw materials i.e. hide are locally available. About 220m sft. of high grain leather produced locally;
- The sector has good scope of value addition;
- 50% of leather is being exported in the form of semi-finished and finished leather losing the value addition opportunity. Rest 50% is being converted into footwear and leather products for low-end market;
- Bangladesh has a very small share (~0.56%) in the global business. There is opportunity to capture more market share around the world. *[Vietnam imports 70% of raw materials and exports Shoes and footwear products: USD 6.549b, Bags & leather handbags: USD 1.289b];*
- Organized factories like Bata, Apex, Jennys, etc. are controlling 30% market. Domestic market of footwear and goods in Bangladesh is ~146 millions of pairs worth ~ USD 350 million.

Tannery sub-sector

Approximately 187 number of Bangladesh’s 220 tanneries are located in the Hazaribagh area of Dhaka. Tannery sub-sector of Bangladesh requires a great deal of assistance to attain international standards in technical, environmental, safety, and commercial aspects, and to attain the competitiveness. The principal raw materials for this sector are cowhides and goatskins. 112-115 big units have facilities for processing wet blue leather only. The remaining 91-95 small, medium and large units having reasonable facilities produce crust and finished leather. The tanneries located in Hazaribag can reportedly process 94% of the hides and skins available in Bangladesh. The global leather and its product market size are measured to be as US$ 100 billion, where the share of Bangladesh business is 0.56%.This subsector generated direct employment of about 50,000.

Trade bodies

There are several sub-sector associations in leather sector. These are i) Bangladesh Tanners Association- BTA; ii) Bangladesh Finished Leather and Leather Goods and Footwear Exporters Association- BFLLFEA; and iii) the Leather Goods and Footwear Manufacturers and Exporters Association of Bangladesh- LFMEAB. There are a few other associations representing the SME clusters in the leather sector.

Government Initiatives

Government has allocated a dedicated land with Central Effluents Treatment Plant (CETP) and necessary infrastructures in Savar, adjacent to Dhaka city, to address the major issues against environment, and to check pollutions by relocating leather industries from Hazaribagh to Savar. This is mainly aimed at ensuring a decent working condition in the leather industry.But unfortunately the tannery industry owners have not yet shifted their industry from Hazaribag to the new zone despite of several warning from the government. The central ETP is already operational there. Moving the Tanneries to new modern purpose-built Tannery location in Savar from Hazaribagh has become a big challenge and matter of capital investment where government’s patronization is needed.

Challenges

The major present challenges of the sector are as follows:

- Inefficiency in production capacity;
- Lack of access to latest technology and machinery facilities;
- Absence of market information and promotion, inadequate marketing knowledge of local leather entrepreneurs;
- Product quality and overall productivity i.e. the reliability and aesthetics of the finished products are low. The main reasons are i) Lack of formal education of stakeholders, ii) Lack of awareness of stakeholders involved in skin/hide flaying and preservation business, iii) Limited awareness and knowledge of proper butchery and hide

preservation among amateurs flaying during the (sacrificial) festival and iv) Higher prices of imported processing chemicals for hides/skins;

- Lack of awareness about productivity improvements drives the owners in using traditional tanning and manufacturing methods and process;
- The tanneries discharge nearly 22,000 cum of untreated and highly toxic (contains chromium) into the water body every day. It produces 100 tons of solid waste every day in the form of trimmings of finished leathers, shaving hairs, trimmed animal flesh skins/hides to contaminate the soil and the water;
- Lack of Accessories manufacturers as backward linkage;
- Needs more skilled workers and managers;
- Lack of skill development institutes to produce necessary skilled workers for the sector.

Technical Support

The leather products sector consistently received technical assistance on skill development, market linkages, process up-gradation, value chain study and production manual from different donor agencies like USAID-PRICE, ILO-TVET program, SDC and GIZ in small scale.

Training on skill development

Skill development instituteand vocational training center for workers and supervisors are the basic need to improve the productivity and quality of the products in the leather sector. Center of Excellence in Leather (COEL) is imparting training on footwear manufacturing in some extent with the support from development partners. But in the tannery subsector there is no such facility. Institute of leather engineering and technology is producing 150 graduates every year.

Potential of the future growth

Government declared the leather sector as a “Thrust sector” highlighting priority of Footwear & Leather Goods. The growth rate of Bangladesh’s livestock population has been steadily increasing. Unique grain pattern and fiber structure of cattle are advantages of leather sector. Adequate competitive workforces, availability of labor and low labor cost is prevailing in Bangladesh. The sector has favorable conditions for high value addition ~90% when the largest RMG sector has value addition scope of ~40%. Basic raw materials are locally available and overhead cost is also low. Big buyers like Young-one, Blue Ocean, Venturini and Tata invested in Bangladesh signaling many more to follow.International and Local demands for value added leather products are increasing. International Fashion and sourcing houses in Bangladesh for RMGs are showing interest in leather products.

Recommendations

The sector needs business friendly policy by Government to increase the investment. A profound and wide understanding of market trend in terms of quality, fashion, product prices, competitors, importers and consumers’ preferencesneed to be developed in Bangladesh.

Common Facility for training with sharing of machining process, increasing product quality, entrepreneurship development, management and environmental issues, R&D for designing, innovations, process and product technology development may be constructiveapproachesfor the sector.There is need for training, consultancy, technology transfer and supervision in key areas including, design, marketing, quality management, and compliance to international standard and related development issues.