Ethiopian Leather Sector - Current status and future prospects
Introduction

• The country has about **57.83 million cattle; 28.04 million sheep** and **28.61 million heads of goat** livestock population.

• About **8 million of cattle hide, 12 million of sheep skin** and **8 million of goat skin** are available annually.

• Ethiopia’s hides & skins are highly known for their natural qualities of clarity, flexibility, strength, thickness & compact texture.
**Profile of Tanning Sector**

- There are **34 tanneries** in Ethiopia and two of them are under establishment.
- All of them are owned by private sector.
- Tanneries are owned by both local and FDI.
- Till present they contribute major share of export.
- More than **6000 workers** are involved in these sector.
- In average per year **20 million skins** and **2 million hides** are consumed
- They supply also finished leather to the leather product manufacturers.
Finished Leather Export

- 2012/13: $98,584,004.82
- 2013/14: $97,692,350.40
- 2014/15: $92,102,619.47
- 2015/16: $73,103,898.54
- 2016/17: $68,983,588.07
Finished Leather Export Destination

- China: 50%
- Hong Kong: 17%
- United Kingdom: 7%
- Italy: 7%
- Thailand: 5%
- India: 4%
- Viet Nam: 3%
- Indonesia: 2%
- Others: 5%
Finished Leather Export Share-by Investment Type

- FDI: 67%
- LDI: 33%
Finished Leather Export Share-by Input Type

- Sheep: 50%
- Goat: 41%
- Cow: 7%
- Others: 2%
Finished Leather Export Share-by Product Type

- Goat Suede: 34%
- Sheep Upper: 22%
- Sheep Glove: 21%
- Sheep Lining: 4%
- Sheep Veg: 3%
- Others: 3%
- Goat Suede Lining: 3%
- Goat Lining: 3%
- Cow Lining: 3%
- Cow Upper: 2%
- Others: 5%
Ethiopian Shoe Industry

– All are owned by private sector
– It is a growing sector both in production and export
– About 24 million pairs are produced both for the local and export market from leather and non leather materials and most of them are plastic shoe.
– Only 3.54 million pairs are exported to the international market, 95% is from leather.
– 91% of the export is done by FDI and we are working to bring local manufacturers to the export market.
– More than 10,000 workers are involved excluding micro and small enterprises.
Glove Factories

– Even though the Ethiopian High Land skin suitable for dressing glove the glove factories were coming recently after the policy change towards value addition.

– There are about 4 glove factories; 1 local and 3 FDI’s

– Export is in a growing trend from 0 to 6 million USD for the last 6 years.

– More than 2000 work forces involved
Leather Goods and Garment

• This industry is growing
• The participation of FDI is there in small amount but majority is local entrepreneurs.
• The contribution of this sector was very small, but now it is growing fast
• Mostly it is operated in small scale
• The export contribution reached nearly to 3 million USD.
• But if they get more manufacturing premises, they will boost in a very short time.
Present status of the shoe industry

- There are 8 shoe factories under construction and are expected to produce 115,300 pairs of shoes /leather and non-leather per day.
- The export performance for the last 6 years

<table>
<thead>
<tr>
<th>Performance</th>
<th>Year of Export</th>
</tr>
</thead>
<tbody>
<tr>
<td>Export /Million pairs/</td>
<td></td>
</tr>
<tr>
<td></td>
<td>0.82</td>
</tr>
<tr>
<td>Export /million USD/</td>
<td>10.16</td>
</tr>
</tbody>
</table>
Leather and Leather Product is the Leading Export Item

The sector has experienced more than 150% growth in export earnings in the first 5 years (from $56 million to $133 million)

Leather is the top manufacturing export product

- Leather, 30%
- Meat and milk, 26%
- Textile, 21%
- Food and Beverage, 11%
- Chemical and construction, 5%
- Others, 6%

Leather, 30%
Meat and milk, 26%
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Others, 6%
The Export Performance of footwear sector for the Last 6 Years

![Graph showing export performance over the last 6 years. The export in million USD increased significantly from 2010/11 to 2014/15, while the export in million pairs remained relatively stable.](image-url)
Present status of the industry

- The major export destinations of footwear manufactured in Ethiopia are: (Value in mill. USD)

<table>
<thead>
<tr>
<th>Destination Country</th>
<th>2011/12</th>
<th>2012/13</th>
<th>2013/14</th>
<th>2014/15</th>
<th>2015/16</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>3.49</td>
<td>12.99</td>
<td>19.06</td>
<td>17.14</td>
<td>18.71</td>
</tr>
<tr>
<td>China</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>5.88</td>
<td>7.86</td>
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<tr>
<td>Kenya</td>
<td>-</td>
<td>-</td>
<td>5.53</td>
<td>6.39</td>
<td>5.21</td>
</tr>
<tr>
<td>Canada</td>
<td>-</td>
<td>-</td>
<td>0.89</td>
<td>1.21</td>
<td>1.38</td>
</tr>
<tr>
<td>Sudan</td>
<td>0.55</td>
<td>0.79</td>
<td>0.78</td>
<td>0.83</td>
<td>0.41</td>
</tr>
<tr>
<td>Djibouti</td>
<td>-</td>
<td>0.90</td>
<td>0.69</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Italy</td>
<td>1.13</td>
<td>0.76</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Germany</td>
<td>2.50</td>
<td>0.69</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>
Factors to invest in Ethiopian

Raw material

• Endowed with abundant live stock resources, Ethiopia produces large quantity of leather which is the major raw material for shoe manufacturing.

• Ethiopia allows duty free import of all materials (including leather) for export manufacturing of footwear.

• Easily trainable and large young force.

• Low Utility costs.
Ethiopian Leather Challenges

– The quality and quantity supply of raw hide and skin
– The technology to overcome the surface defect of hide and skin
– Weak value chain linkage among stakeholders
– Infant development stage of product industries to absorb finished leather
– Lack of supporting industries like Chemical manufacturing companies, accessory and component manufacturers, etc and almost all supporting inputs are imported.
– Pollution problem of Tannery wastes and their high treatment costs.
– Poor market linkage with customers, high involvement of middle men, not getting good prices.
Future Prospects of Tanning Sector

- There is a big Project for establishment of MLC-CETP
- Availability of skilled manpower
- Inflow of support market (chemical companies through bonded warehouse)
- Inflow of slaughter house investments
Thank you!