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# Leather exports up 15%, to touch \$5.75 bn this fiscal

T E Narasimhan, Business Standard

Chennai, 29 September 2013: Leather exports from India is expected to touch \$5.75 during the current fiscal, though it is an increase of around 15% it is the original target which set by the industry. Exporters from this industry, which is among the top 10 foreign exchange earners, said they are now looking at new markets including Africa and South America as part of de-risking strategy.

M Rafeeqe Ahmed, president, All India Skin and Hide Tanners and Merchants Association said that export of leather and leather products exports are expected to touch around \$5.75 billion during the current fiscal, although the target is \$6 billion.

Earlier, in his presidential address at the 96th Annual General Body Meeting of Association, Ahmed said that leather exports in 2012-13 rose by around 3% to touch around \$5 billion, while originally it was expected to touch by \$5.4 billion.

“Though I am not happy at the shortfall, I feel despite the turbulence in the global finance, we have done reasonably well on the export front,” he said.

Exports to the traditional markets like Germany, Italy, Spain and Russia have recorded more than 10% decline. However USA and Denmark have reported an increase of around 20% with UK coming next with 10%.

Ahmed said, the industry would look at East and African and South American countries for a huge push in exports as those countries have great potential. He added, domestic market is also encouraging and entrepreneurs are paying more attention the domestic market.

Speaking about the Rupee depreciation, during June to August 2013, the currency depreciated from a value of Rs 50 plus to an extent of Rs 68 against the US Dollar and Rs 100 against the British Pound. These are the industry's main markets. The depreciation may have benefited a few exporters for a short period but it is an ominous sign.

He further said, raw material shortage is a nagging problem facing the industry as large quantities of semi-finished leather are being exported to China and Italy. The recent decision of the Government of India accepting the views for Leather Exports (CLE), making certification by Central Leather Research Institute (CLRI) mandatory for leather exports so as to conform to the regulatory policies of the Government will prevent clandestine exports and Ahmed hoped that as a result make more raw hides and skins available for tanneries.

While stressing about revisit strategies with countries where Free Trade Agreement (FTA)/ Comprehensive Economic Partnership (CEPA) have been signed, Ahmed said, the idea of FTA is to boost exports by taking advantage of tariff concessions. Exports to countries with which India has trade pacts have naturally declined as seen from the India Exports to Association of Southeast Asian Nations which went down to \$14.66 billion in the first six months of 2012-13, compared with \$36.74 billion in the same period in 2011-12.

He suggested that such countries in the region should be put under the Focus Market Scheme to dovetail exports, conscious attempts should also be made by exporters to avail of the tax concession benefits and step up exports substantially.

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# Leather exports up 17.5% in April-Jan

Business Line (The Hindu)

Chennai, 30 March 2014: Leather exports from the country have increased by 17.5 per cent during the April-January period of this fiscal against the comparable period of the 2012-13 financial year, according to data from the Directorate General of Commercial Intelligence & Statistics.

Shipments increased to \$4,861.29 million (Rs. 29,301.6 crore) against \$4,138.13 million (Rs.22, 542.74 crore), bolstered chiefly by leather footwear exports which contributed an increase of \$244.53 million.

Germany kept its position as the top importer, buying 13.09 per cent of the goods exported, while the US and the UK bought close to 11.5 per cent each.

Rafeeqe Ahmed, President, Federation of Indian Export Organisations, said efforts are on to find buyers in China. “China is now a buyer of top branded products manufactured in India. Now, the effort is to popularise other finished goods manufactured and designed in India.”

China, contributed to only 2.6 per cent of the total exports during the April-January period. He also said India will meet its target of \$6 billion in exports during fiscal 2013-14. “During February-March, exports usually rush to meet deadlines, which lead to a spurt in shipments,” he explained.

Another industry person requesting anonymity said the Tamil Nadu Pollution Control Board’s move to close down tanneries in Tamil Nadu over environmental violations last year has cut back output by close to 20 per cent. He said the industry is recouping, and may scale up production once proper Zero Liquid Discharge Systems are in place.

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# India's leather exports to take a hiding

Bhaskar Balakrishnan, Business Line (The Hindu)

4 May 2014: The recent EU ban on imports of Indian Alphonso mangoes after pests were reportedly found in consignments has generated considerable concern. Now the EC has notified the WTO of its plan to introduce new restrictions on leather goods imported into the EU. These new rules target hexavalent chromium, or Cr(6), in leather products and could take effect in early 2015.

This could seriously hit the global leather goods trade. Almost 60 per cent of India's leather exports, worth \$5 billion in 2012-13, go to the EU. India along with other affected exporting countries such as China, Vietnam and Turkey, needs to take proactive action to meet this threat.

Chromium tanning, used in 80 per cent of leather production globally, results in higher strength and resistance to temperature. The chemical used is chromium sulphate, which is trivalent chromium, and not harmful.

However, exposure to sunlight and air can oxidise the trivalent Chromium to Cr (6). In cars, for instance, the leather can be subject to high temperatures and sunlight in summer. Cr (6) can cause lung cancer if inhaled, especially by workers in chromium mining, electroplating, welding and tanneries.

In January 2012, Danish authorities submitted a dossier to the EC on reported cases of contact dermatitis and allergies caused by Cr(6) in leather articles such as shoes, handbags and gloves. A study of over 16,000 patients with eczema in Denmark concluded that the majority of cases were caused by leather products — particularly footwear.

## *Wide-ranging impact*

The dossier requested action on an EU-wide basis to safeguard human health. According to the dossier, the mechanisms of and conditions under which Cr (6) is formed are known and “most tanneries in the European Union have already developed and widely implemented measures to control and minimise its formation”.

This last assertion means tanneries and leather manufacturers in the EU will get a huge competitive advantage if the restrictions are applied. Consumers would end up paying higher prices for the products. The EU has in the past lobbied hard to get export restrictions and duties on semi-finished leather lifted. Meanwhile, Germany banned the presence of Cr (6) under the German Ordinance on Commodities (BGVO) since August 2010, which explicitly mentions clothing, furniture and bags. Producers or retailers of leather goods are obligated to ensure that Cr (6) is not present.

On November 2012, the Risk Assessment Committee endorsed and widened the recommendation by Denmark, to cover “leather articles and articles containing leather parts that, under normal or reasonably foreseeable conditions of use, come into contact with the skin. The limit set for such articles is less than 3 mg/kg of Cr (6) in total dry weight of leather, which could reduce by 80 per cent the risk of contact. The proposed restrictions would go into effect in the first quarter of 2015. Existing stocks of leather goods and second-hand leather articles already within the EU would not be covered.

Examples of products that will come under the restrictions are: footwear, gloves, articles of clothing, accessories such as hats, belts and braces, watch straps, purses and wallets, bags, horse-riding gear, dog-

leashes, auto seats, covers for car steering wheels, and furniture. Suppliers have time until the new curbs apply in 2015 to take care of their existing stock that does not comply with the new requirement.

### *Disruptive*

The EU move to ban leather articles that contain more than 3 mg Cr (6)/kg is out of proportion to the problem of chrome allergies caused by leathers. It will cause severe disruption in the global leather industry.

Only about 0.2 per cent of the European population is said to be sensitive to chromium but chrome-tanned leather has been worn for over 100 years and this sensitivity has been known but managed. People allergic to Cr(6) can wear socks to reduce contact and can wear synthetics if necessary. Before any restriction is considered there should be substantial further investigation into issues such as managing allergies to leather items; control of Cr(6) formation in finished leather; viable substitute for chrome in shoe leathers; consequences of the restriction throughout the world; and whether the restriction will actually solve the problem of chrome allergies.

Obviously the proposed restriction will have a drastic and adverse impact on Indian leather exports to the EU. Other countries such as China, Vietnam, Turkey, etc., with substantial leather goods exports to the EU, will also be affected.

While techniques to reduce Cr (6) levels have been adopted by EU tanneries (such as chrome6-free process), and there are technologies that totally eliminate chromium (glutaraldehyde process), time and technical support are required for tanneries to make the adjustments.

India's leather industry needs to take early action. This should include submitting a well argued counter to the WTO questioning the basis for the ban, supported by other affected countries. Technology upgrades are required too, to cut Cr(6) levels to the minimum. This will require improved tanning and processing techniques such as Chrome6free and others developed and used by EU tanneries.

*The writer is a former Ambassador of India with special interest in EU affairs*

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