

Opportunities in the Leather sectors of Ethiopia

19 March 2015
Ancona



The Ethiopian Leather Sector



The Future Hub For Africa

Some of Ethiopian leather products




MAJOR DIVISIONS OF THE LEATHER SECTOR

1. Tanneries

- Total no of tanneries are **33**, of which 2 of are under investment. **23** of them are owned by local investors and **10** of them are owned by foreigner investors from **Italy**, China, UK, India, Sudan, Turkey.
- Around 6000 workers are employed.
- They have a capacity of 50 million pieces of skin and 5 million hides per year
- They are located in Addis Ababa and other four regions.

2. Finished Leather

- More than 100 million square feet of finished leather produced annually. Of which 72 million is from sheep and goat skin and 30 million is from cow hide.
 - More than 60 million square feet from sheep and goat and 10 million from cow is exported annually .
 - There is a possibility of producing up to 500 million square feet at present capacity of tanneries..
 - Quality finished leather manufacturers like Farida and United Vasan of India are producing in Ethiopia.
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- Italy is still by far the largest buyer of Ethiopian finished leather. Even though China's total imports from Ethiopia rose 120% over the course of 6 years from US\$12.5 million in 2005 to US\$27.5 million in 2011—Italy's rose by 82 percent in the same period from US\$21.7 million in 2005 to US\$39.4 million in 2011.
- The United Kingdom and India ranked third and fourth, respectively, as destinations for Ethiopian finished leather

- The PHISS Company of China, an international leather trading and production giant, invested US\$8.3 million in Ethiopia in its Friendship Tannery project. The Friendship Tannery is primarily a 40,000 square meter regional processing center 83km from Addis Ababa that processes leather.
- Hong Kong's New Wing Group has also invested in this sector

3. Footwear industries

- **Many believe that the art of shoe making was introduced to Ethiopia by the Italians in the mid-1920s.**
- **Currently there are 22 medium and large scale footwear manufacturers which have a capacity of 12 million pairs/year.**
- **More than 90 micro and small footwear manufacturers which contribute for 90% of local market.**
- **It is planned to reach 35 million pairs of production by the end of this year and out of which 21 million pairs is for export.**
- **More than 8000 workers are employed in this sector**
- **Almost 95% of the factories are located in and around the capital city**



Foreign companies participation in the footwear sector

Some examples:-

- the sector is attracting investors from across the world including bigwigs/ big brands/ such as Huajian of China and George Shoe of Taiwan , Brown of the US that are producing huge quantities in Ethiopia and Geox of Italy is studying and has planned to build a shoe and components production industrial zone in Ethiopia

4)Leather Goods and Garment

- There are 5 glove producing factories , 2 of them are under investment, the British Pitards is producing high quality gloves in Ethiopia for export
- 50 micro, small and medium leather goods and garment producers are working in the country
- 2000 workers are employed in the sector
- Creation of a Brand “Taytu-Made in Ethiopia” grouping 12 local companies paved the way to “niche markets “in Europe, USA and Japan
- However it is the weakest link of the leather sector in Ethiopia
- Huge potential area for both local and Foreign Investors



5) SUPPORT INDUSTRIES FOR THE LEATHER SECTOR

5.1) Tannery Chemicals

- Few Chemicals are produced in Ethiopia. Such as salt, lime, soaking, liming and bating enzymes, sulphuric acid, and some blending of fat liquors also done.
- Most of the chemicals are imported.
- Some chemical suppliers has a bonded warehouse facility like Stahl, BASF, C and E limited, Repico.

5.2) Accessory and Components

- Shoe boxes, soles (PU, PVC, TPR and TR) ,Lasts, Molds, cutting die are produced but not in enough quantities and it covers only 30% of the need .
- Adhesives are also produced and it only covers 50% of the need.
- Suppliers have taken bonded ware house permission to supply for the foot wear as well as for other leather product industries.
- There are few italian companies like Dami & Degam srl that are producing shoe soles in Ethiopia but there is still huge demand

- most shoe making and leather products' components and accessories such as soles, synthetic sewing thread, plastic linen, shoelaces, zippers, buckles and the like **are being imported**, so for companies that are interested to produce these items in Ethiopia there is very huge market

COMPARATIVE AND COMPETITIVE ADVANTAGES OF ETHIOPIA FOR THE SECTOR

1. Raw Material Availability

- Good Raw material base from all African countries.
- Quality sheep skins for glove, shoe upper, garment and other leather goods
- Very good type of goat skins
- Hides with high tensile strength
- given that the country has the highest number of livestock in Africa — approximately 53 million cattle, 39 million sheep and goats, 8.6 million equine and one million camels — and is ranked first in Africa and seventh in the world, the leather industry has a huge potential.

ETHIOPIAN CATTLE

- ◆ There are 53 million heads of cattle.
- ◆ 1st in Africa and 7th in the world in terms of cattle population
- ◆ 5 million tones of hides are produced annually
- ◆ Fine grain and dense
- ◆ Good for shoe upper both for ladies and gents

ETHIOPIAN SHEEP SKINS

- ◆ Fine grain
- ◆ 70% is from red hair group
- ◆ Highly utilized in gulf glove
- ◆ It can be shaved until 0.3 mm thickness with out loosing its strength.
- ◆ Glove producers are wel come to Ethiopia

ETHIOPIAN GOAT SKIN

- ◆ Found in large amount
- ◆ 3rd in Africa next to Nigeria and Sudan
- ◆ 7.5 million tones of got skins are collected annually
- ◆ High tensile strength
- ◆ Very good for any suede product

- Every year, the country produces 5 million tonnes of hides, 8.1 million tonnes of sheepskins and 7.5 million tonnes of goat skins. The government plans to fully utilise these resources through value addition and thereby create more jobs and boost exports.
- finished leather which the country is producing has the potential to be converted into other value added products such as shoes, bags, gloves or garments.

2) Cheap Labor Force and cheap electricity

- 60% of the population is young labor force
- Abundant, , trained and trainable labor force
- Cheap labor force with minimum wage of 40USD/month, 10 times less than that of China and half of India which stands at about \$400
- highly disciplined work force
- Cost of electricity is very cheap (0.05/kw)

Comparison of Average monthly salary (USD/month)

- **Turkey** 600
- **China** 400
- **India** 125
- **Pakistan** 80
- **Ethiopia** 40

Comparison of Country Power tariff (USD per KWH)

- India 0.10
- Pakistan 0.08
- Turkey 0.10
- **Ethiopia 0.05**

3. Land and capacity building

- Land at minimum lease rate easily available for manufacturing industries/Easy access to land on a low lease rate for a period of 60-80 years
- Availability of shade in the infrastructure and service furnished (specialized) industrial zones, of Kombolcha, Dire Dawa , Hawassa, Gondar , Mekele , Jimma and Addis Ababa Industrial Zone
- Training facilities by the Ethiopian Leather Development Institute other TVET centers For example, LIDI has been supporting in technology and knowledge transfer with the aim of upgrading production, quality leather products and marketing required for international exposure. The institute has also been offering Bachelor of Science degree courses aimed at ensuring that those who work in and manage the industry are qualified professionals

4) Access to wide market

- Domestic market with a population of more than 90 million population
- COMESA market(19 member countries and over 400 million population)
- AGOA(African Growth Opportunity Act)Quota and duty free market access to the US
- EBA (everything but arms) agreement with the European union duty and quota free privilege
- Very near to the middle East and Asian market

4) The incentives provided

- Duty free importation of capital goods(machineries,15% of spare parts & all construction materials)
- Tax holiday(2 to 8 years)
- Exemption from export tax
- Loan facilities
- sector-focused institutes to support the development of the manufacturing sector.

Priority for the Government

- Currently, the manufacturing industry contributes about 19% of Ethiopia's GDP. In its vision of transforming the country to a middle income nation by 2025, the government of Ethiopia plans to increase the share of its manufacturing sector to 27%
- The government sees the leather industry sub-sector as **one of its strategic investment priority areas**, requiring little initial capital as it uses the rich agricultural products (livestock) as its input.
- The government supports investments by foreign, local or joint ventures in this sector mainly because they are in line with the country's plan of adding value to its agricultural products, creating more jobs, substituting imports and generating hard currency for the country

Priority for the Government

- the government has a vision of generating \$500 million from the export of leather products by the end of 2015. Out of this target, the shoes sector is expected to generate around \$360 million from exports
- The key destinations of Ethiopian leather products included **Italy**, US, England, China, Germany, Kenya, Uganda and Tanzania
- But while exports have been growing, they remain below government's targets, and many locally-made products or those made using raw material sourced from the country are selling under foreign brands. This means that **Ethiopia's share in world trade of leather and leather products is small** compared with foreign brands. So huge potential for investors.

ETHIOPIAN AIR LINES



- ◆ A member of star Alliance, possess dream liners
- ◆ Ethiopian Airlines flies to more than 56 passenger destinations including to Africa ,Middle East , Asia,Europe and to Americas,
- ◆ Daily flights to Rome and Milan
- ◆ The airline also operates cargo network for more than 22 destinations

ETHIOPIAN SHIPPING

- ◆ Although Ethiopia is a land locked country, It operate with its own shipping line at the port of Djibouti
- ◆ The port of Djibouti is 800 KM from Addis.
- ◆ Ethiopia has 11 vessels and another 8 are ordered
- ◆ There are 4 dry ports

ETHIOPIAN RAILWAY



- ◆ It was Established in 1904
- ◆ It was only from Djibouti to Addis Ababa.
- ◆ Now it is under reconstruction and the Addis-Djibouti railway will be finalized by next year.



Please come let us work and
grow together??

Thank you!!!