

Leathergoods & Footwear Manufacturers & Exporters Association of Bangladesh

24th January, 2015

POSSIBILITIES AND CHALLENGES IN BANGLADESH LEATHER SECTOR

Leathergoods and Footwear Manufacturers and Exporters Association Of Bangladesh (LFMEAB)

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OVERVIEW OF BANGLADESH LEATHER SECTOR

- Bangladesh's first tannery was set up at Narayanganj in 1940s
- Mass production started from 1970s
- Average growth of **15%** was achieved from 1990s
- Today there are **3,500** Micro, Small and Medium Enterprises & **110** Large firms
- In 2014 it has become **1.29** billion dollars sector

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GLOBAL LEATHER MARKET

- Volume of global leather and leather related products market: **USD 230 billion**
- China used to occupy **75%** of the total supply
- Now it has come down to **65%**
- Countries like Vietnam, Ethiopia are competing with Bangladesh to capture this market share

GLOBAL LEATHER SUPPLY

Global Annual Leather Production (Billion sqft)

Region	Production (Billion sqft)
EU	4.3
Asia	12.1
Total	18.4

(e.g. Italy, France, United Kingdom etc): **6.3 billion sqft**
 (e.g. China, India, Vietnam, Korea, Japan etc): **12.1 billion sqft**

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WHERE BANGLADESH STANDS NOW

- Produces **2% - 3%** of world's leather market
- About **95%** of leather and leather products are marketed abroad
- Leather and leather related products constitutes: **4.29%** of total Bangladesh export and **0.56%** of global leather and related products market of USD **230 billion**
- Value addition in this exports averages **85%**
- Total foreign companies in Bangladesh footwear and leathergoods: **50**
- Foreign investment: USD **210 million**
- Local employment due to foreign investment: **30,342**
- Employment due to local investment (LFMEAB members): **40,253**

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WHERE BANGLADESH STANDS NOW (cont'd)

Resource potentials

- Total Tanneries: **207**
- Annual supply of hides and skins: **300 million sq. ft**
- Tanning capacity: **400 million sq. ft**
- Utilization in export oriented footwear and leather products sector **50.14 million sq. ft**
- Local market consumption **42.86 million sq. ft**
- Bangladesh exports: **50%** of its crust and finished leather, i.e., **202.2 million sq. ft** approx.

Export target

EPB data

Category	Export Target 2013-14	Proposed Target for 2014-2015
Leather	459.68	625.00
Leather Product	210.11	325.00
Footwear	378.54	447.27

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The advantage of high value addition

Huge potential to attract local and foreign investment

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CHALLENGES

- Potential Buyers stringent due to **compliance and delay in CETP** and hence deteriorating **market condition in Europe**
- Interrupted power supply & poor infrastructure
- Capacity modernization & expansion
- Technological up-gradation
- Insufficient R&D initiatives and facilities
- High rate of interest on term loans and working capital, limited access to finance
- Inadequate training facilities and product development expertise
- Vulnerable SMEs, poor enterprising level cooperation
- Political Instability
- Repeated incident and disturbance give bad signal to the investor
- Occupational Health and Safety (OHS) issues
- Steps towards capacity building

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WHAT NEEDS TO BE DONE

- Policy for value addition
- International promotion of Bangladesh Leather Sector
- Importing latest technologies and machineries
- Policy involvement in Compliance Practices
- Financial assistance to mid-level factories regarding compliance issues
- Facilitation in raw hide movement
- Arrange some special funding and leather preservation facilities during Eid-ul-Azha
- Protect leather smuggling to India

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THANK YOU!

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