POSSIBILITIES AND CHALLENGES IN BANGLADESH LEATHER SECTOR

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

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

GLOBAL LEATHER MARKET

- 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

WHERE BANGLADESH STANDS NOW

- 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.

GLOBAL LEATHER SUPPLY

- 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

WHERE BANGLADESH STANDS NOW (cont’d)

- Foreign investment: USD 210 million
- Local employment due to foreign investment: 30,342
- Employment due to local investment (LFMEAB members): 40,253

Resource potentials

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The advantage of high value addition

- Huge potential to attract local and foreign investment

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- Export Target 2013-14: 221.4 sq. ft
- Export Target 2014-15: 278.3 sq. ft
- Finished Leather 30-35%
- Leather goods: 200-250%
- Leather Footwear: 60%
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 enterprise level cooperation
• Political instability
• Repeated incident and disturbance give bad signal to the investor
• Occupational Health and Safety (OHS) issues
• Steps towards capacity building

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!