

Leathergoods & Footwear Manufacturers & Exporters Association of Bangladesh

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## 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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**Sources:**

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## THANK YOU!

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