



A Report on Leather and Leather Goods Industry of Bangladesh

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Executive Summary

The Government of Bangladesh has indentified the leather sector as one with considerable growth and investment potential ranked fifth in the export earning sector. Currently Bangladesh produces and exports quality bovine and ovine, caprine (buffalo and cow; sheep and goat) leathers that have a good international reputation for fine textured skins. However, the entire leather sector meets only 0.5% of the world's leather trade worth US\$75 billion. There are about 113 tanneries in Bangladesh that produce 180 million square feet of hides and skins per year. In addition there are about 30 modern shoe manufacturing plants engaged in the production of high-quality footwear, with over 2500 smaller footwear manufacturers also present in the sector. There are around 100 small-to-medium leather goods manufacturers, and a small number of niche larger manufacturers. The sector directly employs approximately 558, 000 people. Most of the tanneries do not have proper effluent plants and generate 20, 000m3 tannery effluent and 232 tones solid waste per day. Tannery liquid and solid wastes are a potential pollutant but also have a potential value. Specific technologies to convert wastes are required. These vary from crude and simple to highly sophisticated and complex.

A proposed new leather park is expected to bring a clear transformation to the leather industry with marked increase in production, product diversification and new product lines with increased sustainability of the sector. Sustainable and cleaner production will be a key issue for the development without placing burdens on the environment.

1. Introduction

Bangladesh is a developing country with a population of about 152.5 million in a total area of 147, 570 sq.km making it one of the most heavily populated countries of the world. The overall economy of Bangladesh has registered a steady improvement with more than 6% average growth during the last five years (BBS, 2013). The industrial sector has been an important contributor to the country's GDP, its share standing at 28.6% in 2011.

Bangladesh has a long established tanning industry which produces around 2-3% of the world's leather from a ready supply of raw materials. The country is therefore an established and attractive location to source and outsource the manufacture of finished leather products. The leather industry is ideally suited to Bangladesh with its abundance of labor and natural resources at internationally competitive rates.

2. History of the Leather Industry of Bangladesh

Leather industry developed in Bangladesh on a large scale basis from the 1970s. The leather industry is now reasonably well established in Bangladesh, with about 200 Government-recognized leather plants processing raw hides and skins into wet-blue, crust or finished leather, and over 2,000 leather footwear and leather-goods units (over 90% employing less than 9) producing various kinds of leather footwear and other leather products such as garments, ladies bags, suitcases, wallets and some fancy items. It is, however, the processing of raw hides and skins into some form of crust, finished or semi-processed (wet-blue) leather which has dominated the industry in Bangladesh, as high as 85 per cent of the total output being exported from this sub-sector.

The manufacture of crust/finished leather and that of wet-blue, both for exports, is the dominant activity of the industry. The value of exports from leather goods is negligible, although this sub-sector is dominant in the domestic market especially in leather footwear, as almost the entire demand in this regard is satisfied through local production. Another Important item of output of the leather sector is vegetable tanned leather, made of buffalo hides. The entire output is locally used for shoe-soles and industrial lead.

3. Location of the Industry

The industry is now heavily concentrated at Hazaribagh in Dhaka, with three-quarters of the total

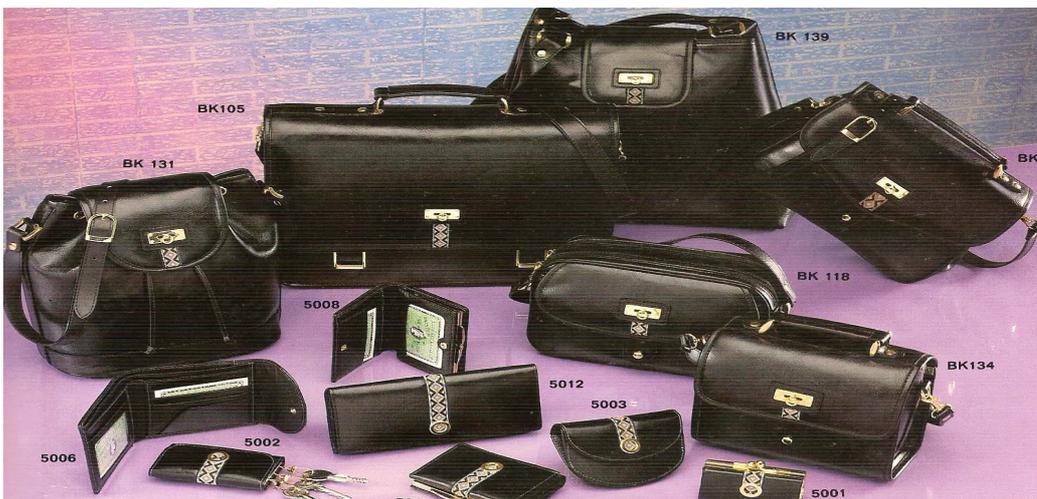
number of registered tanneries located here. Besides, a large number of tanneries at the cottage level, estimated at over 100, are located at Hazaribagh. Such a concentration is likely to offer a number of benefits in the form of sharing knowledge, raw materials, spare parts by the investors, and also helping a rapid development of vertical and horizontal integrations of the industry centering on the locality.

However, Hazaribagh is a wrong place for the concentration of an industry like leather manufacturing. Firstly, the area was originally developed as a residential locality and, consequently, its narrow street and limited sewerage facilities are highly inadequate to meet the needs of a growing Industry like leather manufacturing. Secondly, the unplanned growth of the industry at Hazaribagh and the limited land area available in the locality has not made it possible to make any provision for the much needed effluent treatment.

4. General Classification of Leather Goods

There is wide variety of leather goods produced in the Bangladesh. The main groups are below:

- Small leather goods/Fancy leather goods
- Medium leather goods
- Heavy leather goods



Picture: Some Exclusive Items for Exporting



Picture: Some Exclusive Items for Exporting

Small Leather goods

Small leather goods or sometimes called personal leather goods which are usually carried in pocket or hand bags, includes purses, wallets, key case, passport case, note case, card case, cigarette case and cigar case, match box case and so others. Most of those products are made without any internal stiffening of reinforcement. These leather goods require leather having thickness of about 0.5 mm to 1.00 mm. different types of hides and skins which are usually used in making small leather goods are, cow softy, goat glaze, sheep napa, calf skin etc.

Medium Leather Goods

It includes hand bags, shopping bags, shoulder bags, document cases, attach cases and so on. These bags are made from calf, goat, sheep and exotic skins and hides finished with range of colors which generates a good appearance and look sophistication and modernity. Leather, which has a thickness of 0.8 mm to 1.2 mm, is used in making of medium leather goods. Cow softy, dry milled, cow napa, sheep napa, goat and buff softy leather are widely used in making of medium leather goods.

Heavy Leather Goods

These are made generally from cow and buffalo hides, which are strong and durable. The hides have distinct surface grain patterns and size ranges from 20 to 30 sq. ft is full hide. Cow and buff hides of thickness 1 to 1.5 mm are used for making heavy leather goods. The type to leather goods for making heavy leather goods are, box sides, Katti Leather, Split Leather, Cow Upper, Upholstery, Buff Softy, etc.

5. Leather Industry in Bangladesh

Leather is the basis of one of the oldest industries in Bangladesh and plays a significant role in the

national economy with a good reputation worldwide. This is an agro-based by product industry with locally available indigenous raw materials having a potential for export development and sustained growth over the coming years. Bangladeshi leather is widely known around the world for its high qualities of fine grain, uniform fiber structure, smooth feel and natural texture.

6. Tanning in Bangladesh

There are reportedly around 220 tanneries in Bangladesh but, in fact, only 113 tanneries are in effective operation, out of these 20 units are reported to be fairly large (7 units very large), around 45 units are considered of medium size and around 48 units are considered small groups as detailed in below Table I. In total, 105 of the tanneries are positioned arbitrarily in the Hazaribagh area in Dhaka where 84 per cent of the total supply of hides and skins are processed in a highly congested area of only 29 hectares of land.

Table: 1

Structure of tanneries in Bangladesh				
Number of Tanneries	Typical Annual Production Capacity/ Tannery	Total Installed Capacity/ Annum for all Tanneries	Total Actual Production/ Annum for all Tanneries	Share of Actual Production (%)
7	>5 million sq.ft	40 million sq.ft	30 million sq.ft	17
13	2-5 million sq.ft	60 million sq.ft	52 million sq.ft	29
45	<2 million sq.ft	70 million sq.ft	60 million sq.ft	33
48	<1 million sq.ft	60 million sq.ft	38 million sq.ft	21
Total= 113		230 million sq.ft	180 million sq.ft	100

Source: Bangladesh Bureau of Statistics, 2013.

7. Livestock in Bangladesh

Bangladesh has a fairly large livestock population to support a strong and growing tanning industry. The portion ratio is cow hides account for 56% of the production, goat skins for 30% and buffalo makes up the rest. The current output of leather in Bangladesh is approximately 200 million square ft annually. Apart from bovine hides, buffalo, goat and sheep; a good quantity of kangaroo hides

(pickled condition/wet-blue) are imported from Australia and finished in Bangladesh, shoes are made of this kangaroo leather for export, mostly to Japan. Some ostrich leather is also imported from Australia for production of high quality and high priced bags and wallets for re-export to Australia.

8. Leather and Leather Goods Export of Bangladesh

Over 250 manufacturers are producing various Leather items such as travel goods, suitcases, briefcases and fashion accessories, along with belts, wallets, hand bags, case holders etc. for overseas export. Bangladesh has also entered the field of Leather fashion garments with items of distinction and prestige.

The leather sector accounts for about 4% of total exports earnings of Bangladesh. Nevertheless, it is a major export commodity after ready-made garments and jute products and its development is considered by the Government a priority for export diversification and employment generation. This status was confirmed by the Round Table on the Integrated Framework (IF) for LDCs, held in January 2000, and by the World Bank, which included the leather sector among the priorities of the export diversification programme for Bangladesh.

Year	Total Export (US\$)
2003	219.39
2004	246.89
2005	290.68
2006	252.49

Source: Export Promotion Bureau of Bangladesh, 2007.

The leather goods producing enterprises only a few in number (15-20 units) with product lines relating to travel goods, suitcases, briefcases and fashion accessories, along with belts, wallets, hand bags, case holders etc. for overseas export. Export of leather goods made of Ostrich bird leather, is an unique collection amongst many other exciting products made of goatskins, cow calf, Buff-Calf etc.. Articles made of ostrich bird leather are exported to Australia (ostrich bird leather is imported from South Africa and Australia). Bangladesh has also entered the field of Leather fashion garments with items of distinction. The leather goods manufacturing firms use basically finished leather and lining leather as raw materials and all are collected from local sources.

About 95% of leather and leather products of Bangladesh market is abroad, mostly in the form of crushed leather, finished leather, leather garments, and footwear. Most leather and leather goods go to Germany, Italy, France, Netherlands, Spain, Russia, Brazil, Japan, China, Singapore and Taiwan. Value addition in these exports averages 85% local and 15% foreign. About 100 modern tannery units are now in operation in the industry. These are located mostly in the Hazaribagh area of Dhaka city. In 1998, the sector exported 178 million sq. ft of leather and earned \$160 million. The country's share in the world leather market is 2%. The export of finished products such as shoes, slippers, leather jackets, hand gloves, bags, purses, wallets and belts also earn a sizeable amount of leather products to penetrate new market segments.

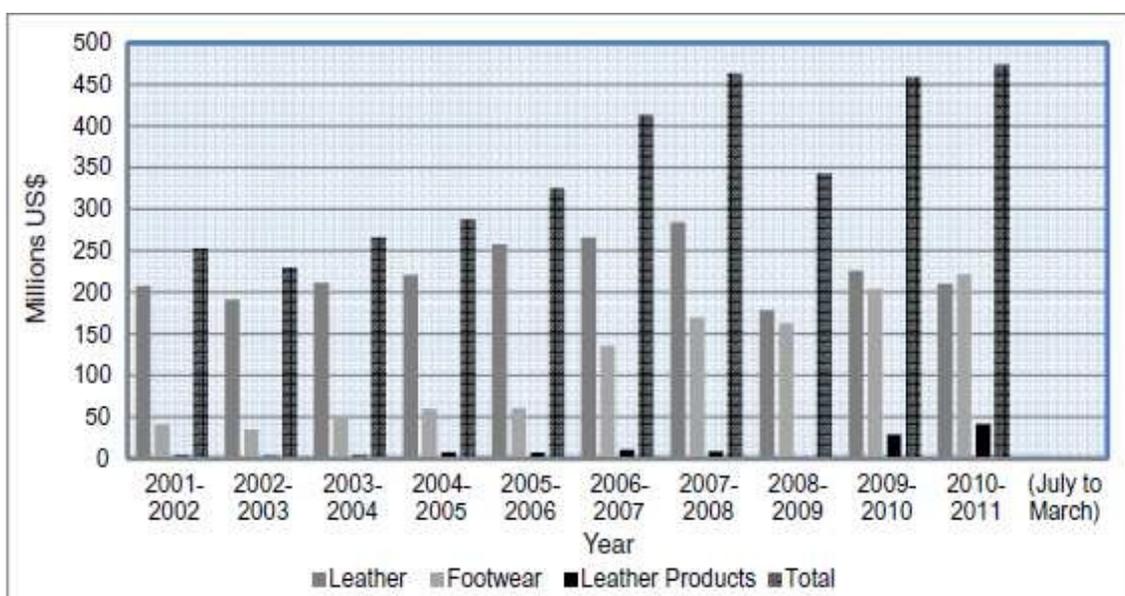


Figure: Bangladesh's export of leather, footwear and leather goods

Source: Bangladesh Export Promotion Bureau, 2013.

Livestock Population for Leather Industry				
No	Category	Annual kill in millions	Average weight/ price in kg	Total annual production in tones
1	Cow/ calf	4	12	48000 (56%)
2	Goat/ sheep	15	1.5-2	26000 (30%)
3	Buffalo	0.50	20-25	11000 (14% ⁹)

Source: Bangladesh Export Promotion Bureau, 2013.

9. Leather and Leather Products

Bangladesh has a large leather industry. These industries make leather based products, such as shoes, belts, bags, and jackets. These products are sold both in the domestic and foreign markets. Leather footwear is the fastest growing segment of the leather industry. Bangladesh meets the demand for about 10% of the world's total leather market. The main benefit of the leather industry of Bangladesh is the ample supply of raw materials.

10. Industry Outlook and Investment Incentives

Bangladesh produces between 2% and 3% of the world's leather. Most of the livestock base for this production is domestic, which is estimated as comprising 1.8 % of the world's cattle stock and 3.7 % of the goat stock. The hides and skins (average annual output is 15m sq.m.) have a good international reputation.

Foreign direct investment in this sector along with the production of tanning chemicals appears to be highly rewarding due to this presence of basic raw materials for leather goods including shoes, a large pool of low cost, trainable labor, and a tariff concession facility to major importing countries under Generalized System of Preferences (GSP) coverage. Thus Bangladesh is an ideal offshore location for leather and leather products manufacturing with low cost but high quality.

The government is in the process of setting up a separate leather zone, relocating the existing industry sites to a well-organized environment. Footwear is more important in terms of value addition. This is the fast growing sector for leather products.

11. Government Support and Policy

The government of Bangladesh provides a support to the leather industry through various steps, including monitoring the export market, evaluating the performance of the sector by a permanent parliamentary committee, and liberal bank credit.

12. Market Player

Bangladesh produces 2 to 3 percent of the world's leather market. The leather industry in Bangladesh is highly competitive. Bata shoes, Apex tannery, Legacy footwear, Samata leather and Apex Adelchi footwear are renowned companies in Bangladesh. These companies are listed in the



stock market as well. But there are numerous other small and big manufacturers of leather products. At present there about 15 exports oriented shoes manufacturing units located mostly in and around Dhaka city. There are more than 2000 shoe making units supplying in the domestic market of Bangladesh.

Some Leading Company Name

1. RMM Leather Industries Limited

Corporate Office:

Level-6, Suite-601, Concord Tower

113 Kazi Nazrul Islam Avenue,

Dhaka-1215. Bangladesh.

Ph: +88 02 9345270, 9345963-4

Fax: +88 02 9345271

Corporate Email: info@rmmleather.com

Website: www.rmmleather.com

2. Apexadelchi Footwear Limited

Corporate Office:

House No. 06, Road No.137

Block. SE (D) Gulshan -1,

Dhaka-1212. Bangladesh.

Ph: +88 02 8820300/8821591/8828258

Fax: +88 02 8813038

Corporate Email: info@apexadelchi.com

Website: www.apexadelchi.com

3. Capital Tannery

Phone: +880 1918 277 300,

+88 01671 081 589

Email : capitaltannery@gmail.com

13. Strength & Growth Prospect of the Leather and Leather Products Industry in Bangladesh

Leather and Leather products occupies fifth place in our export trade as a non -traditional export

items. The export potential of Leather and allied industries to our economy in view of its massive approach towards growth prospects on terms of value addition and scope of employment generation is very high. There has been increasing emphasis on its planned development through choice of technology for preservation of raw hide & skins production technique, optimum utilization of available raw materials and stopping of its pollution as a whole.

The Government of Bangladesh should given special attention to export oriented leather & leather products sector at various levels with a view to boost exports considering its inherent strength and prospective futures. Possible formation of Leather Council and a co-operative attitude towards entrepreneurs of leather industries from the financial Institutions and other co-operation in this regard have to be considered as the major change in the Government policy on leather.

Bangladesh's leather sector is deemed competitive because of its low labor cost differentiation, local availability of hides and a favorable business environment. For this reason, Japanese companies have huge opportunity to do business in Bangladesh.

14. Conclusion

Developed countries are treating Bangladesh's leather sector as a secure for investment. However, the sector has a rather constrained demand structure in the domestic market due to the limited national purchasing power. Nevertheless, industry insiders are expecting a growth in the domestic market in consideration of the fact that approximately 10% of Bangladesh's total population (around 15 million) is estimated to have an income level comparable to that of the developed countries. Hence, there appears to be a large unexplored domestic market for footwear and other leather products for Bangladesh with an estimated demand for 30 million pairs per year. The footwear sub-sector of Bangladesh earned revenues in excess of US\$250 million in 2010-2011. The European Union (EU) is the biggest destination for footwear exports with a 60% share, followed by Japan with 30%, and the rest of the world accounting for 10%. Bangladesh has only a 1% share of the world footwear market.

There are about 49, 300 tones of solid waste generated every year from tanneries in Bangladesh. The government should try to facilitate growth in industries which can use these wastes to make other value added products. A by-product manufacturing unit (chrome and protein recovery) and energy generation could be useful options.

Bangladeshi leather products will have no access to developed countries, including those of



European Union if the government fails to set up the CETP by June 2014. The industry in Bangladesh as a whole faces considerable concerns with regard to end-of-life, recycling and re-use of leather and leather products. To make progress, the Government is keen to relocate tanneries from Hazaribagh to Savar, this gives the unique opportunity to adopt sustainable practice in a suitable environment.