TECHNICAL PAPER

SOUTH AFRICA

MARKET OPPORTUNITIES FOR LEATHER AND LEATHER PRODUCTS FROM AFRICA




International Trade Centre

EXPORT IMPACT FOR GOOD

SOUTH AFRICA

MARKET OPPORTUNITIES FOR LEATHER AND LEATHER PRODUCTS FROM AFRICA

Abstract for trade information services

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Guide on how to export leather and leather products to the South African market − provides an overview of the domestic market; examines tariff structures; outlines non-tariff barriers including, special import regulations, freight forwarding and transport requirements, packaging, marketing and labelling requirements and domestic business practices; highlights key market players, procurement practicces and conumer preferences; looks at possible niche markets and makes recommendations to African exporters; includes case studies and a list of useful contacts.

Descriptors: **Leather, Leather products, Leather goods, South Africa, Export marketing**

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English

The International Trade Centre (ITC) is the joint agency of the World Trade Organization and the United Nations.

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Foreword

This technical paper has been prepared to guide exporters in developing countries—mainly in Africa—on how to access the newly emerging market for leather and leather products in South Africa.

Because of the recent global financial crisis, exporters in developing countries have faced shrinking or marginal export growth in many of their developed country markets. Although these markets continue to account for 80% of world imports, imports into large emerging markets like Brazil, the Russian Federation, India, China and South Africa—the BRICS countries—are growing faster and offer significant potential for exporters in the developing world.

The International Trade Centre (ITC) implements a comprehensive approach to assisting exporters in least developed countries (LDCs) in market development and market diversification for key products in certain priority sectors. The approach includes improving market networks, increasing knowledge of new market opportunities in emerging markets and promoting South-South trade along the value chain, among other activities.

This paper is one of a series of sectoral and market studies in BRICS countries commissioned by ITC. Specifically, it responds to the need for greater knowledge of how to export leather and leather products to the South African market.

All studies were funded by limited internal resources from the ITC regular budget. Owing to costs constraints, they will be issued as technical papers in a small number of hard copies. Dissemination to LDC exporters will be done electronically and through the ITC website.

The sector for leather and leather products plays an important role in many of the poorest countries in Africa, and leather manufacturing can be a significant employment generator in a number of these countries. While leather imports into South Africa declined over five years to only US$ 109 million in 2009, the market remains attractive to exporters in nearby countries.

The research for this paper revealed some market niche opportunities for African exporters of hides and skins. However, potential exporters must first improve the perception of the quality level of their products among South African importers, particularly in the industrial sector. This change in perception is essential to influencing the current patterns of sourcing in South Africa.

The study also uncovered a growing import potential for leather articles such as clothing, handbags and accessories. This paper will endeavour to show how this potential can be taken advantage of.

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Companies, institutions and organizations in South Africa

African Gameskin

African Hide and Trading (Pty) Ltd

Association of South African Manufacturers of Luggage, Handbags and General Goods

Department of Agriculture

Department of Trade & Industry

Edcon Group

House of Busby

Incanda Leather Furniture

International Trade Administration Commission

Michelle Footwear

Mossops Western Leathers

Skin, Hide and Leather Council

South African Feedlot Association

South African Footwear and Leather Industrles Association

Contents

Note

All references to "tons" are to metric tons. The following abbreviations are used:

APDP	Automotive Production Development Programme
EFTA	European Free Trade Association
EU	European Union
FOB	free on board
HS	Harmonized Commodity Coding and Description System
ITAC	International Trade Administration Commission
ITC	International Trade Centre
LDC(s)	least developed country (ies)
MIDP	Motor Industry Development Programme
n.e.s.	not elsewhere specified
R	South African Rand
SACU	Southern African Customs Union
SADC	Southern African Development Community
SAFLIA	South African Footwear and Leather Industries Association
SAMIC	South African Meat Industry Company
SHALC	Skin, Hide and Leather Council

Measures

kg	kilogram
m^2	square metre
sq ft	square foot

Executive summary

South Africa's leather industry focuses primarily on the automotive sector, which has a large demand for quality hides for automotive seat covers. The sector is the primary driver of the South African leather industry. The country has a small leather footwear sector, which has faced significant challenges over the last decade from lower - priced imports from China. It also has a small leather goods industry producing handbags, wallets, furniture and office accessories.

In 2009, South Africa imported 15,990 tons of leather and leather articles valued at US$109.9 million. Although the overall volume of imports of leather and leather articles fell by 24% over the five-year period 2005 to 2009, a closer look reveals that while imports of leather dropped sharply by 50%, imports of articles of leather rose by 20% over the same period. This suggests that there is an expanding market for articles of leather that is not satisfied by the domestic industry. This rise in demand can be attributed to the growth of the middle class in South Africa with access to increasing disposable incomes, a trend that is likely to continue as the structure of South African society continues to develop.

While the South African market is closed to hides and leather from Africa for the premier automotive industry….

The market for hides or leather from Africa for the automotive sector is virtually non-existent. This sector demands hides of the quality that can be obtained only from feedlot animals that have been protected from scratches, excessive branding and ticks. Hide traders report that hides sourced from Africa tend to be of low quality and are too thin and carry too many blemishes.

...it has an opening for hides and leathers for the footwear sector.

By contrast, the sector for footwear and leather goods can accept some supplies of mid-range to high-end hides and leathers from Africa. Exporters wishing to supply wet blues to this sector need to focus on two critical factors: price and quality. South African tanneries report that despite the presence of good tanning facilities in certain African countries, the quality of the hides provided is not up to standards as they come from raw material of low standard. Poor animal husbandry techniques result in hides that have tick marks, scratches and excessive branding. If national or regional attention could be placed on improving animal husbandry techniques, the result would be a much improved product acceptable to the South African market.

Footwear manufacturers import some of their leather requirements direct from foreign suppliers. Quality, price and colour ranges are key considerations for these buyers. Prospective African suppliers must therefore be able to provide products of consistent colour and quality and obtained from quality raw materials.

The biggest opportunity lies in the supply of leather articles; to tap it, African exporters will first have to make themselves and their products known to South Africa's importers…

Perhaps the greatest market opportunity in South Africa for African least developed countries (LDCs) lies in the supply of leather articles. As has been mentioned, imports of leather goods showed solid growth over the five-year period to 2009, and this situation is expected to continue as the domestic industry stagnates. Key imports include clothing (primarily coats and jackets), belts, clothing accessories and handbags (although handbags tend carry well-known brands).

At present, South Africa imports minimal quantities of these goods from Africa. In 2009, the continent accounted for 1% of the value and 4% of the volume of imports of leather and leather articles into South Africa. These low levels were the result of a sharp decline over the five years to 2009, due largely to a rapid fall in supplies from Zimbabwe. This country, together with Egypt and Zambia, are the only sources of any consequence for South Africa.

Whilst the negative perception of the quality of African hides poses a challenge to exporters of finished products, the size and growth of the domestic market for leather articles do, it seems, offer an exploitable opportunity. The large buyers contacted during the research for this paper expressed interest in purchasing

from African sources although they observed that they had absolutely no idea what was available from these sources. The initial task is therefore to make buyers aware of what products are on offer. It would be important for buyers to see firsthand the factories and design capabilities of suppliers; the organization of a group visit of South African buyers to specific countries with the requisite capacities would be well advised.

Furthermore, suppliers are advised not just to consider selling their own product ranges, but to look at contract manufacturing for the large retailers and importers in South Africa under the latter's house brands. Price is a key consideration here and the market is currently dominated by China. However, the volumes involved are large and economies of scale can be achieved. The other factors that enter into buying decisions are reliability, quality and fashionability

1. The domestic market: an overall view

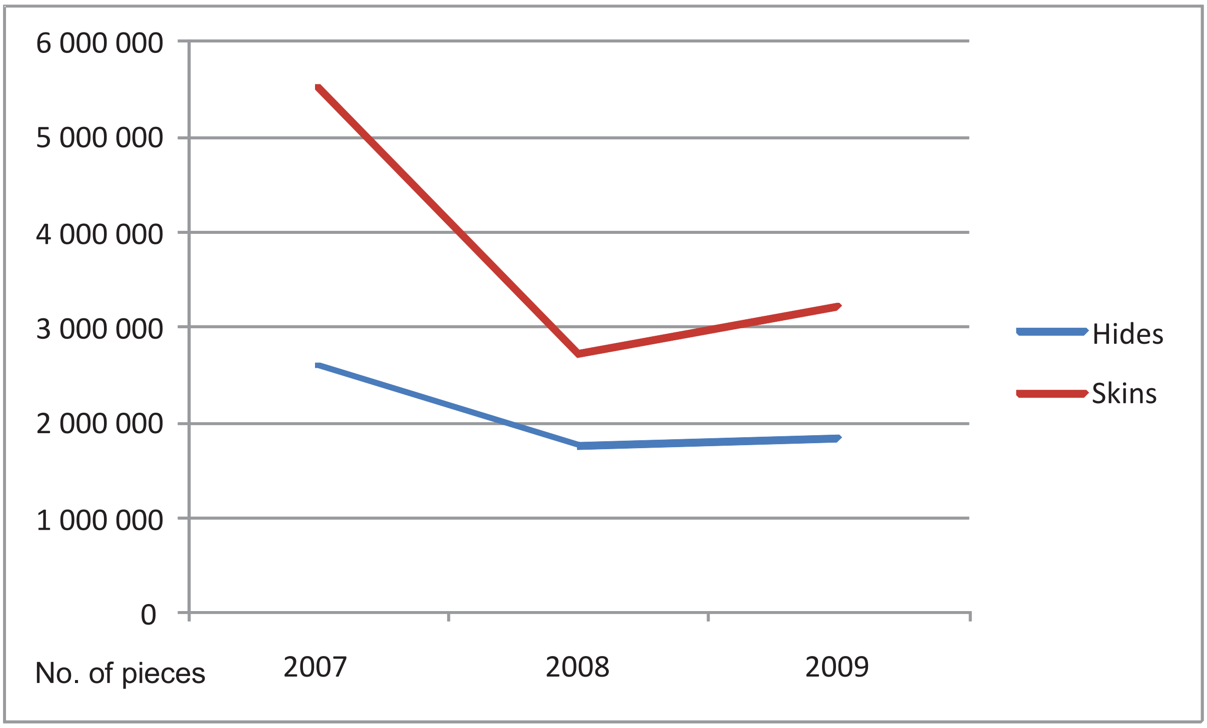
1.1. Domestic production

Accurate statistics on hide and skin production in South Africa are generally not available. The industry used to be highly regulated. There were only 12 major abattoirs and a levy was extracted on each slaughtering, making the gathering of statistical data easy. With the demise of the agricultural marketing boards in the late 1990s and the deregulation of the industry, hundreds of small abattoirs opened and it became increasingly difficult to collect the levy. The levy was withdrawn in late 1996 and, with it, the data gathering mechanism for the industry disappeared.

The Skin, Hide and Leather Council (SHALC) is a voluntary organization recognized by the Government as the official mouthpiece of the South African leather industry. SHALC is financed by membership fees and the statutory levy on hides and skins imposed through the Red Meat Industry Forum. SHALC is able to provide estimates of hide and skin production on the basis of the levy, but it is important to remember that the figures exclude the smaller operators and the informal sector.

According to SHALC, South Africa produced 1.8 million bovine hides and 3.2 million sheep skins in 2009. As shown in figure 1, hide and skin production fell quite sharply over the 2007-2009 period. It is likely that this decline is a direct result of the contraction of the automotive industry caused by the international financial crisis.

Figure 1. Estimates of South Africa's hide and skin production, 2007-2009



Source: SHALC estimates.

Table 1. South Africa: bovine hide production, 2009

MONTH	HIDES				BOVINE UNITS	BOVINE UNITS
	Tanneries	Exports	Total: tanneries + exports	Cumulative	Estimate @ 27 kg	
	Kg	kg	kg	kg	Tanneries + exports	Slaughter
January	3 954 759	119 050	4 073 809	4 073 809	150 882	201 387
February	1 627 096	628 861	2 255 957	6 329 766	83 554	147 354
March	4 155 914	172 861	4 328 775	10 658 541	160 325	177 402
April	2 986 241	471 339	3 457 580	14 116 121	128 059	157 808
May	4 379 571	1 018 543	5 398 114	19 514 235	199 930	187 975
June	2 908 911	432 217	3 341 128	22 855 363	123 745	158 934
July	4 004 272	1 285 235	5 289 507	28 144 870	195 908	220 452
August	4 354 788	435 679	4 790 467	32 935 337	177 425	167 379
September	4 123 657	483 012	4 606 669	37 542 006	170 617	182 939
October	3 613 505	264 397	3 877 902	41 419 908	143 626	187 301
November	3 093 245	839 584	3 932 829	45 352 737	145 660	203 257
December	3 530 159	303 905	3 834 064	49 186 801	142 002	217 102
Total	**42 732 118**	**6 454 683**	**49 186 801**		**1 821 733**	**2 209 290**
Average hides/month	131 889	19 922	151 811		151 811	184 108
Estimated hides/year	1 582 671	239 062	1 821 733		1 821 733	2 209 290

Source: SHALC.

Table 2. South Africa: sheep skin production, 2009

MONTH	SKINS				SHEEP UNITS	SHEEP UNITS
	Tanneries	Exports	Total	Cumulative	Estimate @ 3 kg	
	Kg	kg	kg	kg	Tanneries + exports	Slaughter
January	479 812	57 569	537 381	537 381	179 127	398 666
February	319 126	132 000	451 126	988 507	150 375	337 886
March	295 749	1 044 484	1 340 233	2 328 740	446 744	369 765
April	444 202	303 068	747 270	3 076 010	249 090	384 917
May	672 197	270 075	942 272	4 018 282	314 091	419 881
June	265 517	314 274	579 791	4 598 073	193 264	314 881
July	526 821	253 433	780 254	5 378 327	260 085	482 377

MONTH	SKINS				SHEEP UNITS	SHEEP UNITS
	Tanneries	Exports	Total	Cumulative	Estimate @ 3 kg	
	Kg	kg	kg	kg	Tanneries + exports	Slaughter
August	1 067 821	337 318	1 405 139	6 783 466	468 380	333 193
September	217 952	607 985	825 937	7 609 403	275 312	455 210
October	368 992	656 762	1 025 754	8 635 157	341 918	477 970
November	366 044	173 908	539 952	9 175 109	179 984	473 250
December	299 520	148 692	448 212	9 623 321	149 404	601 389
	5 323 753	**4 299 568**	**9 623 321**		**3 207 774**	**5 049 385**
Average sheep/month	147 882	119 432	267 314		267 314	420 782
Estimated sheep /year	1 774 584	1 433 189	3 207 774		3 207 774	5 049 385

Source: SHALC.

In addition to bovine and sheep skins, an estimated 600,000 goat/kid skins are produced per annum. South Africa is also the world's largest producer of ostrich leather. The country has 558 ostrich farms registered for export, producing around 300,000 slaughter birds annually. There are 15 registered ostrich tanneries.

The quality of South African bovine hides has been positively influenced by the rise in the number of feedlots operating in the meat industry, with animals thus spending less time in the open field. The quality of the country's hides is rated to be superior to that of hides from other subSaharan African countries and most of Asia, but inferior to most hides from Argentina, Australia, Europe and the United States of America. Their small size in comparison with the size of hides from Europe and the United States (3.5 m^2 to 4 m^2) renders them just marginally suited for upholstery and automotive leather. Only about 60% of South African hides are regarded as suitable for automotive leather.

The prices of bovine hides are higher and rising faster in South Africa than in other countries. Since 1997 hide prices have increased by 56% in South Africa as against 26% in Germany and 31% in the United States.1 The reason for this growth is the Motor Industry Development Programme (MIDP), which operates on a system of credits for domestic content. The system has dramatically raised demand for local leather, bringing about a massive rise in the price of local hides.

Much of the raw material for leather for the footwear and leather goods industries is imported…

An unexpected consequence of MIDP has been to deprive the footwear sector of access to good quality South African leather at an affordable price. From seven footwear tanneries in the early 1990s, South Africa now has only two footwear tanneries, one of which is a fairly small concern. Available hides from South African sources are generally too expensive for the requirements of the domestic footwear manufacturers and, as a result, some 75% of all locally produced grain leather and over 40% of all finished splits are made from imported raw material (mostly from elsewhere in Africa, Australia and Brazil). The domestic tanning industry supplies around 60% of the leather required by footwear manufacturers. The balance is sourced by the manufacturers primarily from Brazil and India. The footwear tanneries also supply the leather goods segment with some of their bovine leather needs (10% of the tanneries' output); the rest of the segment's requirements is imported.

[1] Source: South African Meat Industry Company (SAMIC).

1.1.1. Primary users of leather

Automotive leather sector

The automotive sector is the key driver for the local leather industry, absorbing between 70% and 80% of the leather produced in South Africa. The South African Meat Industry Company (SAMIC) estimates South Africa's annual total hide production[2] to be between 2.2 and 2.4 million, of which 80% (1.9 million) is suitable for the automotive industry. The automotive leather industry requires approximately 3 million hides annually and imports are therefore necessary to make up for the shortfall.

The South African automotive industry operates within the framework of the earlier-mentioned Motor Industry Development Programme. The related legislation is part of the Customs and Excise Act, and was promulgated in September 1995 to integrate the domestic motor industry into the global market over a reasonable period of time. In January 2013, MIDP will be replaced by the Automotive Production and Development Programme (APDP).

MIDP works on a system of Import Rebate Credit Certificates (IRCCs) and local content is factored into the final rebate calculations. This has resulted in increased demand for local hides suitable for use in the automotive industry. Under APDP, a similar situation will occur with the introduction of a production incentive designed to encourage local component production.

There are only four producers of automotive leather in South Africa. They are listed below.

Company	Activities	Website
Feltex Automotive Leathers	One of the largest automotive tanneries in South Africa. The company produces leather for seating, door panels, gear boot covers and gear lever covers. In addition, it markets leather products for the furniture and aviation industries. The major shareholder is Daun et Cie AG, a German company. The factory at Ladysmith can tan 4 000 hides daily. Feltex has an integrated supply chain. It has access to feedlots and the country's largest hide trade, African Hide Trading, which is also owned by Daun et Cie.	www.feltex.co.za
Bader South Africa	Based in Ga-Rankuwa outside of Pretoria, Bader South Africa is a wholly owned subsidiary of the Bader Group in Germany. The company produces automotive leather from the wetblue/wetwhite stages to finished leather.	www.bader-leather.de
Mario Levi	The Eastern Cape factory is a joint venture between Mario Levi and Ambra Leather, two of Italy's top automotive leather companies. The South African plant produces leather primarily for export to Alfa Romeo. The plant is capable of processing up to 1 500 hides a day.	www.mariolevi.com
Seton	Based in Nigel outside Johannesburg, the Seton automotive tannery is the largest in the country. The factory produces full-grain and corrected grain leathers which are wither chrome tanned or chrome free.	www.setonco.com

Sources: Company websites.

Footwear sector

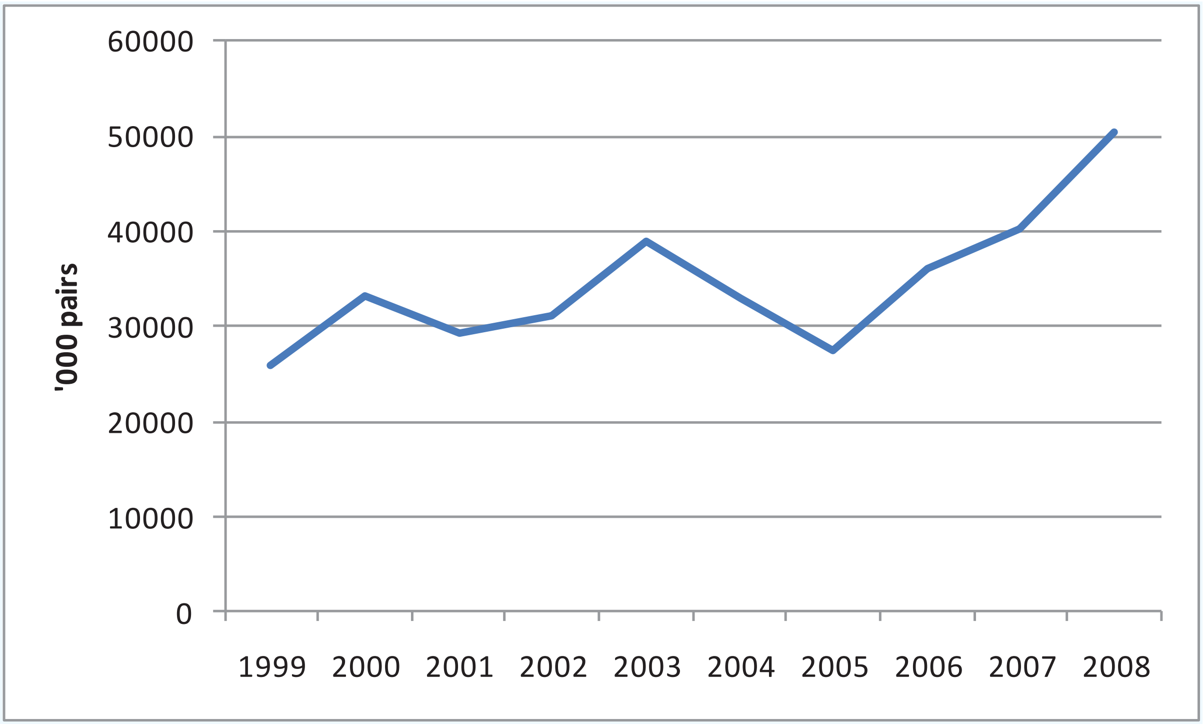
The footwear and leather goods sectors are highly concentrated in particular regions of the country. There are large employment concentrations in KwaZulu-Natal, the Western Cape, Eastern Cape, and to a lesser extent, Gauteng. Many footwear firms are located in industrial towns such as Newcastle and Pinetown.

[2] This includes hides from non-SHALC member companies.

The prospects for growth of the domestic footwear industry are good and so are those for imports of the requisite raw materials…

The industry consists of 225 manufacturers under the umbrella of the South African Footwear and Leather Industries' Association (SAFLIA). According to SAFLIA, South African footwear production totalled 50.4 million pairs in 2008, the highest level of production since 1991. The industry has been through a difficult period owing to the flood of lower-cost footwear from China. However, the current level of production bodes well for future growth in the sector.

Figure 2. South Africa's footwear production, 1999−2008



Source: SAFLIA, *Footstats 2008.*

As shown in table 3, there are 225 footwear manufactures in South Africa. Some 135 of these would be classified as small manufacturers producing fewer than 100,000 pairs per annum. There are 31 factories that would be classified as large, making over 500,000 pairs yearly and accounting for 54% of total output.

Table 3. South Africa: classification of footwear factories

Year	Small (output less than 100 000 pairs yearly			Medium sized (100 000 499 999 pairs yearly)			Large (+500,000 pairs yearly)		
	No of factories	Output ('000)	% of total output	No of factories	Output ('000)	% of total output	No of factories	Output ('000)	% of total output
2004	29	1 534	3.1	41	5 676	32.2	22	11 403	64.7
2005	79	1 518	3.4	18	4 390	28.6	11	10 420	68.0
2006	166	4 853	30.6	53	11 063	13.4	14	20 226	56.0
2007	150	4 188	10.4	54	11 115	27.7	29	24 868	61.9
2008	135	7 608	15.1	59	15 124	30.0	31	27 694	54.9

Source: SAFLIA, Footstats *2008.*

Table 4 shows that 49% of the footwear manufactured in South Africa, or 23.6 million pairs, consists of leather footwear. This would equate to the overall potential market for leather from African producers.

Table 4. South Africa: production of leather footwear, number of pairs, 2008

Type of footwear	Leather uppers, rubber or plastic outer soles	Leather uppers, leather outer soles	Total, all footwear	Leather footwear as a percentage of total
Tender work	843 996	328	1 143 521	74
Men and boys	13 410 788	805 115	26 397 504	54
Women and girls	5 561 032	475 434	15 246 642	40
Child and infants	3 853 582	1 956	7 639 511	50
Total	23 669 398	1 282 833	50 427 178	49

Source: SAFLIA, *Footstats 2008.*

Leather goods sector

Domestic producers of leather clothing and accessories are unable to meet demand…

There are 48 factories in South Africa manufacturing leather goods and leather garments. According to the Association of South African Manufacturers of Luggage, Handbags and General Goods, no relevant statistics are captured for this sector. The Association did comment that the sector is extremely small, employing a total of 1,300 people and that there are no signs of dramatic growth in the near future.

The domestic manufacturing industry produces some leather garments, primarily jackets, handbags, wallets, folders and desk accessories. From the import data it is apparent that the biggest import demand is for leather apparel and articles of apparel, with these two categories accounting for 56% of the volume and 26% of the value of all imports in 2009. This suggests that the domestic industry does not have sufficient capacity to meet demand for leather clothing and accessories. Whilst the industry has the capacity to produce handbags and wallets, branded items are imported. Popular brands include Guess, Nine West, Pierre Cardin and Polo.

1.2. International trade

1.2.1. Imports

1.2.1.1. Volume and value

South Africa's imports of premium class hides for the automotive industry shrank by 50% in 2005-2009…

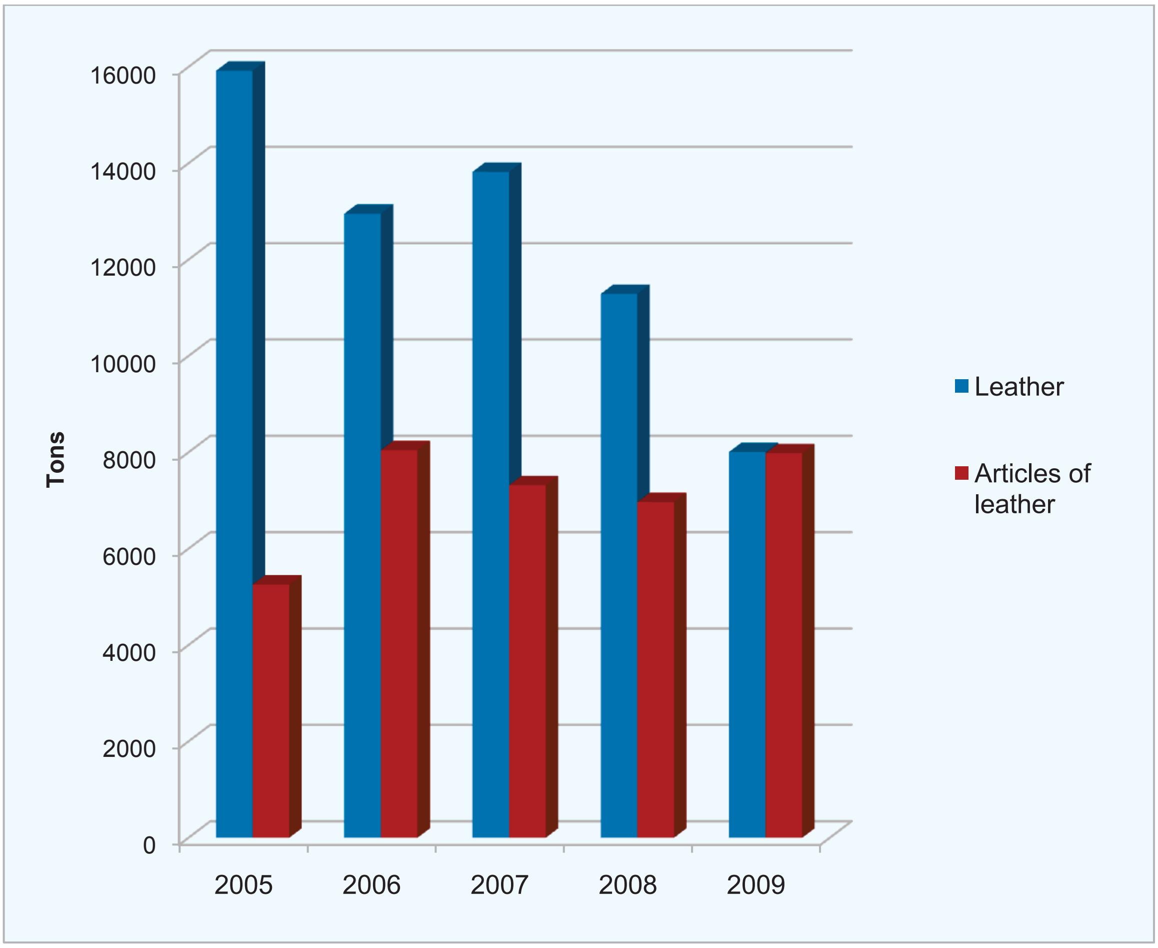
In 2009, South Africa imported 15,990 tons of leather and leather articles valued at US$ 109.9 million. As indicated in figure 3, the overall volume of imports of leather and leather articles fell by 24% over the five-year period 2005 to 2009. This was partly due to a sharp drop of 50% in imports of leather. The fall was greatest for tanned/crust hides and skins of bovine/equine animals, without hair on, in the wet state, full grains, unsplit, and grain splits but not further prepared.

The overall decline in the world automotive industry and the resulting fall in demand for automotive seats of leather brought about the drop in imports. So did the faltering of South Africa's exports of automotive seats of leather in recent years.

But imports of leather articles rose by 20%, suggesting an opening in the market for these goods…

However, imports of articles of leather increased by 20% over the 2005-2009 period, suggesting a growing market for articles of leather that is not satisfied by domestic manufacture. The rise in demand can be attributed to the general growth of the middle class in South Africa with access to increasing disposable incomes.

Figure 3. Trends in the volume of South Africa's imports of leather and articles of leather, 2005–2009



Source: Based on ITC TradeMap data.

1.2.1.2. Composition of imports

Leather

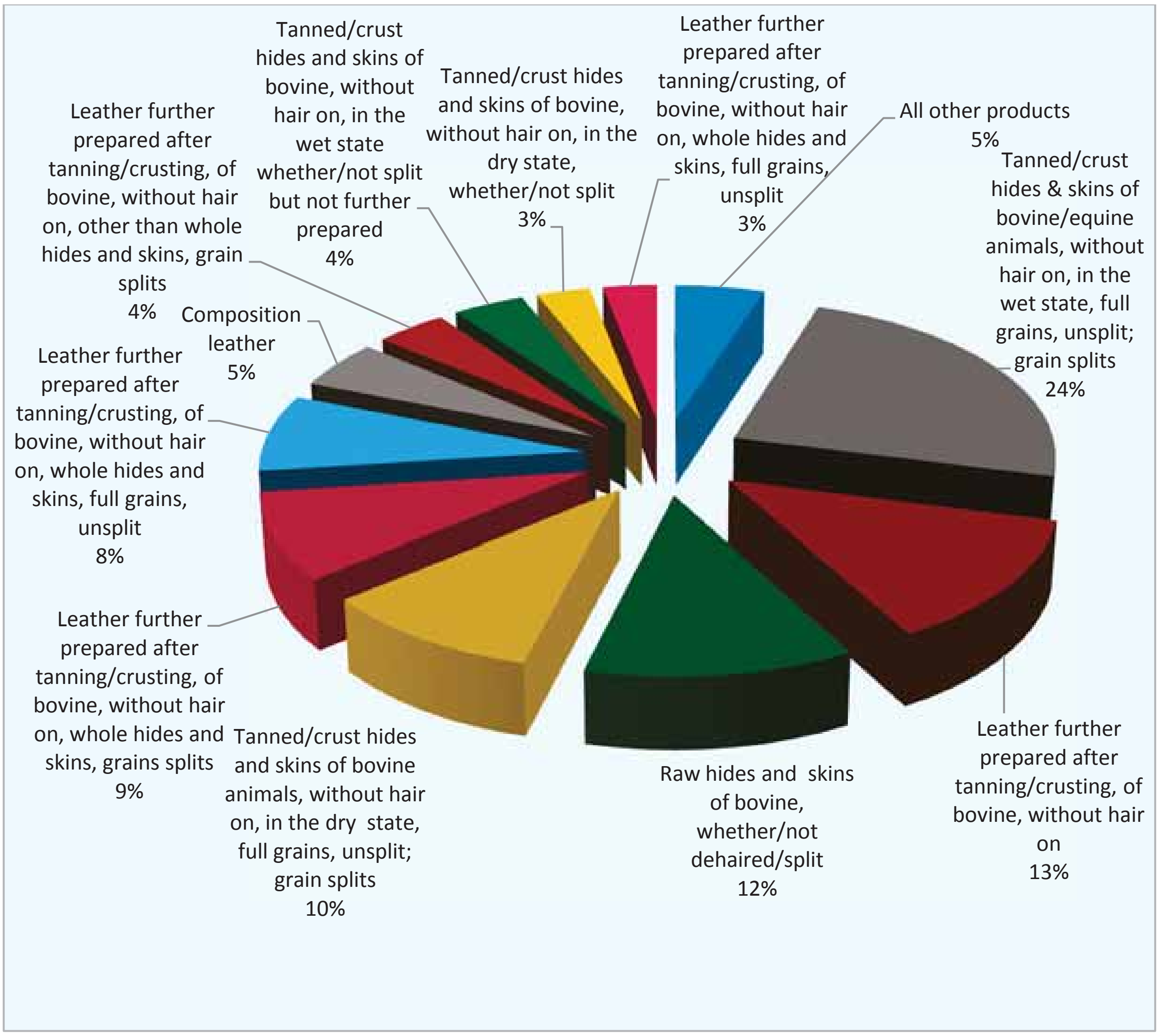
In 2009, 92% of South Africa's imports of hides, skins and leather was of bovine origin. The remaining 8% was goat/kid skin, reptile skin, and composition and patent leather.

The composition of the bovine imports was 14% raw or salted hides, 44% tanned and crusted hides and 41% leather. Of the tanned and crusted hides, 60% consisted of hides without hair on, in the wet state, full grains, unsplit, and grain splits, suggesting that this is where the major demand lies.

Leather imports were more evenly spread. About 35% of bovine leather imports was made up of leather further prepared after tanning/crusting without hair on; 25% leather further prepared after tanning/crusting without hair on, whole hides and skins, grain splits; and 21% leather further prepared after tanning/crusting without hair on, whole hides and skins, full grains, unsplit. The grade requirements are for top-grade hides and skins for the automotive industry, and middle- to upper-end products for the footwear industry.

As regards hides, skins and leather from non-bovine sources, 34% of imports in 2009 consisted of tanned/crusted hides of goat/kid, 20% of leather of goat/kid, and 20% of leather of swine.

Figure 4. Composition of South Africa's leather imports, 2009

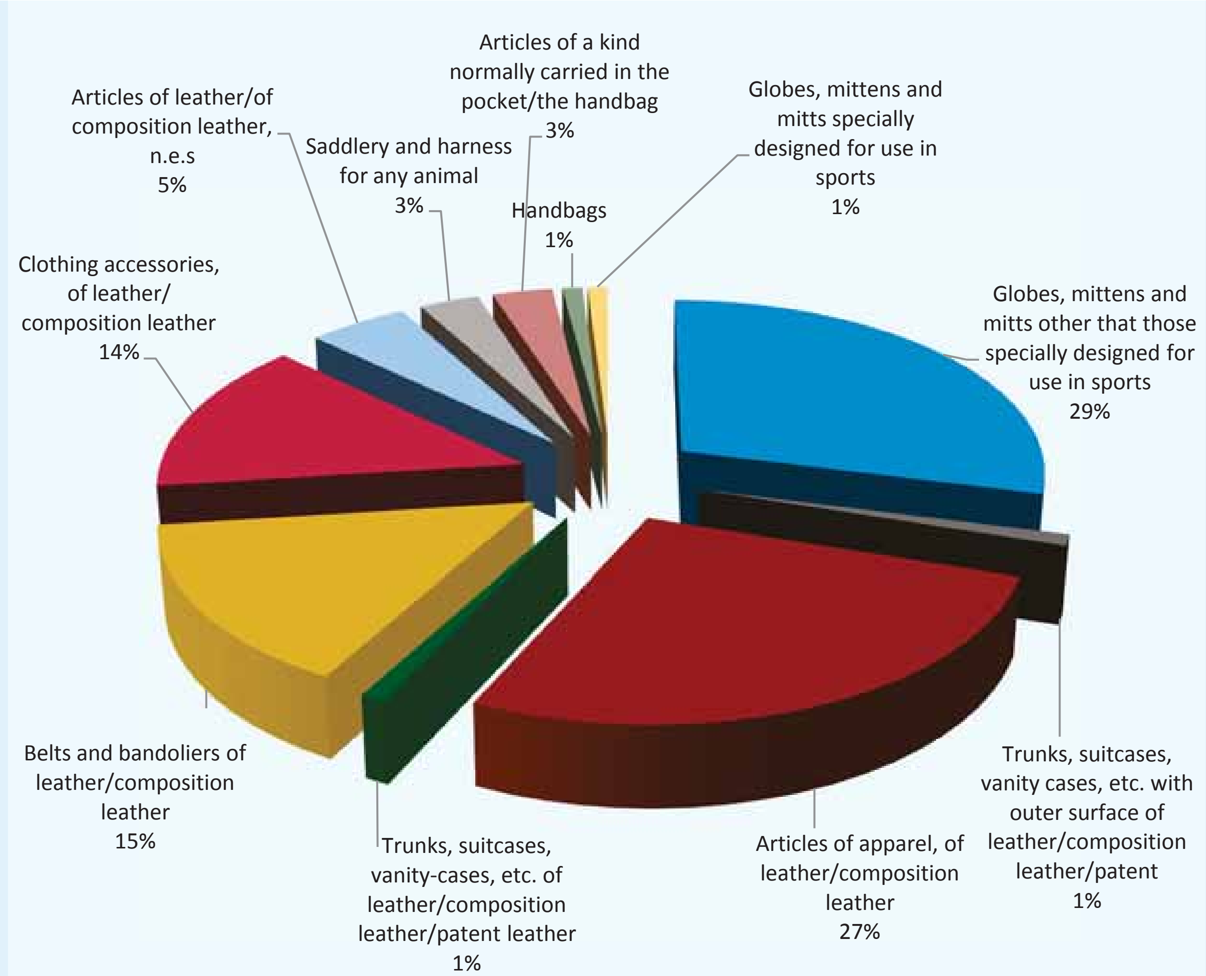


Source: Based on ITC TradeMap data.

Leather articles

In 2009, 30% of the volume of overall imports of leather articles consisted of gloves and mittens of leather. They included industrial safety gloves sourced primarily from China and Pakistan. A further 27% was made up of articles of apparel. This would predominantly be leather jackets obtained from China (96%) and Pakistan (3%). As shown in figure 5, belts and clothing accessories are also significant categories of imports. Whilst handbags accounted for a very small percentage of the volume of imports in 2009, they contributed 14% to the total value, suggesting high-cost imports.

Figure 5. Composition of South Africa's imports of leather articles, by volume, 2009



Source: Based on ITC TradeMap data.

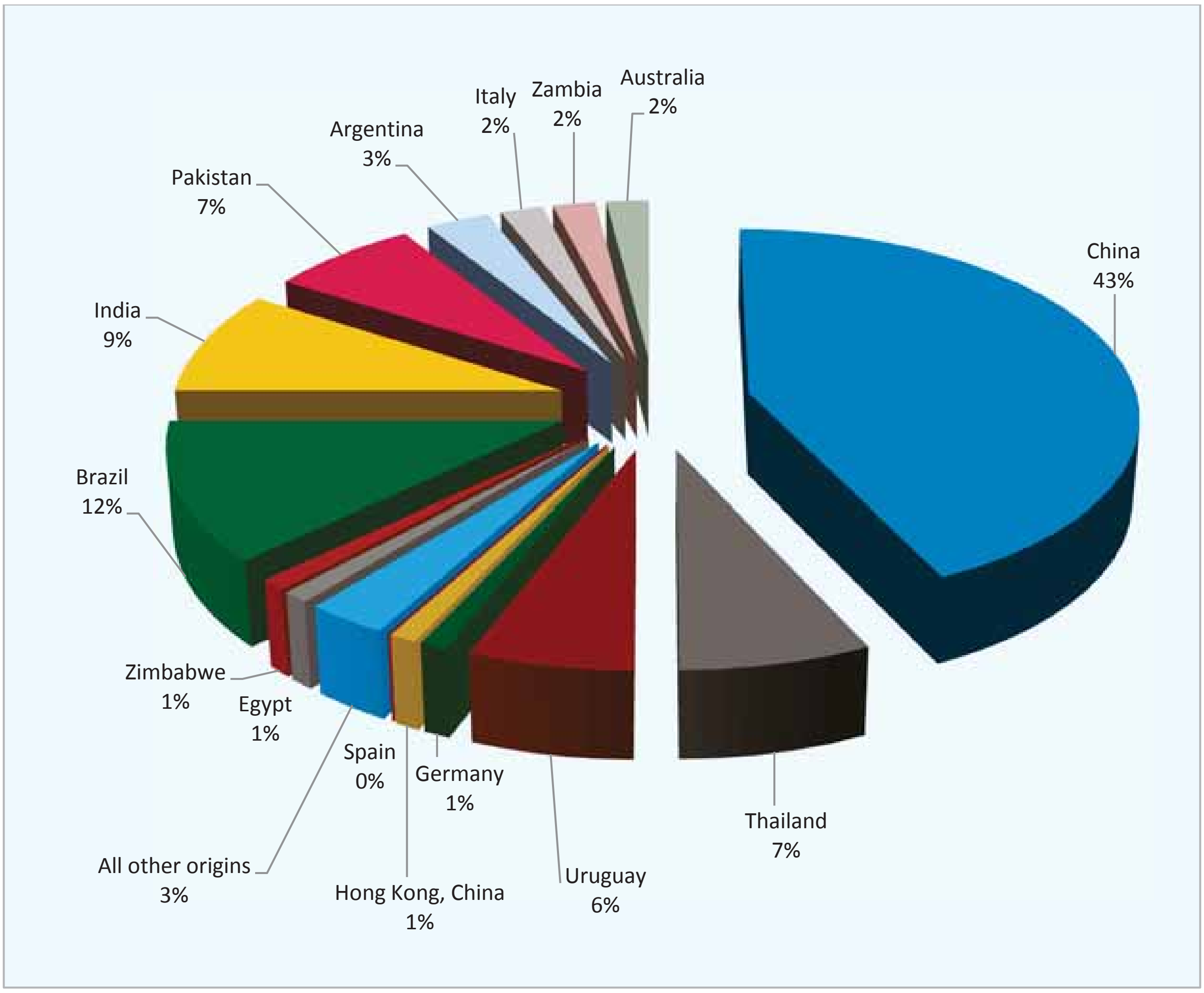
1.2.1.3. Import origins

Five countries accounted for 78% of the total volume of imports in 2009. China is the largest supplier of leather articles to South Africa. Specifically, it is a major supplier of leather bags, wallets, suitcases, belts, gloves and clothing, with imports in these categories accounting for 93% of all imports of leather and articles from China.

Brazil and India are the next most important suppliers, accounting for 12% and 9% respectively of the volume of imports in 2009. Brazil and India are largely suppliers of leather for the footwear industry. In 2009, 87% of the volume of imports from Brazil was made up of tanned crusted hides and leather, further prepared after tanning/crusting. Similarly, 71% of the imports from India consisted of leather, further prepared after tanning/crusting.

Thailand and Pakistan are also significant suppliers, each accounting for a further 7% of the volume of imports in 2009. Some 88% of the imports from Thailand in 2009 consisted of raw hides and skins of bovine/equine animals. Imports from Pakistan are more diverse and include gloves and mittens of leather, articles of apparel, and leather further prepared after tanning and crusting.

Figure 6. Origins of South Africa's imports of leather and leather articles, percentage shares by volume, 2009



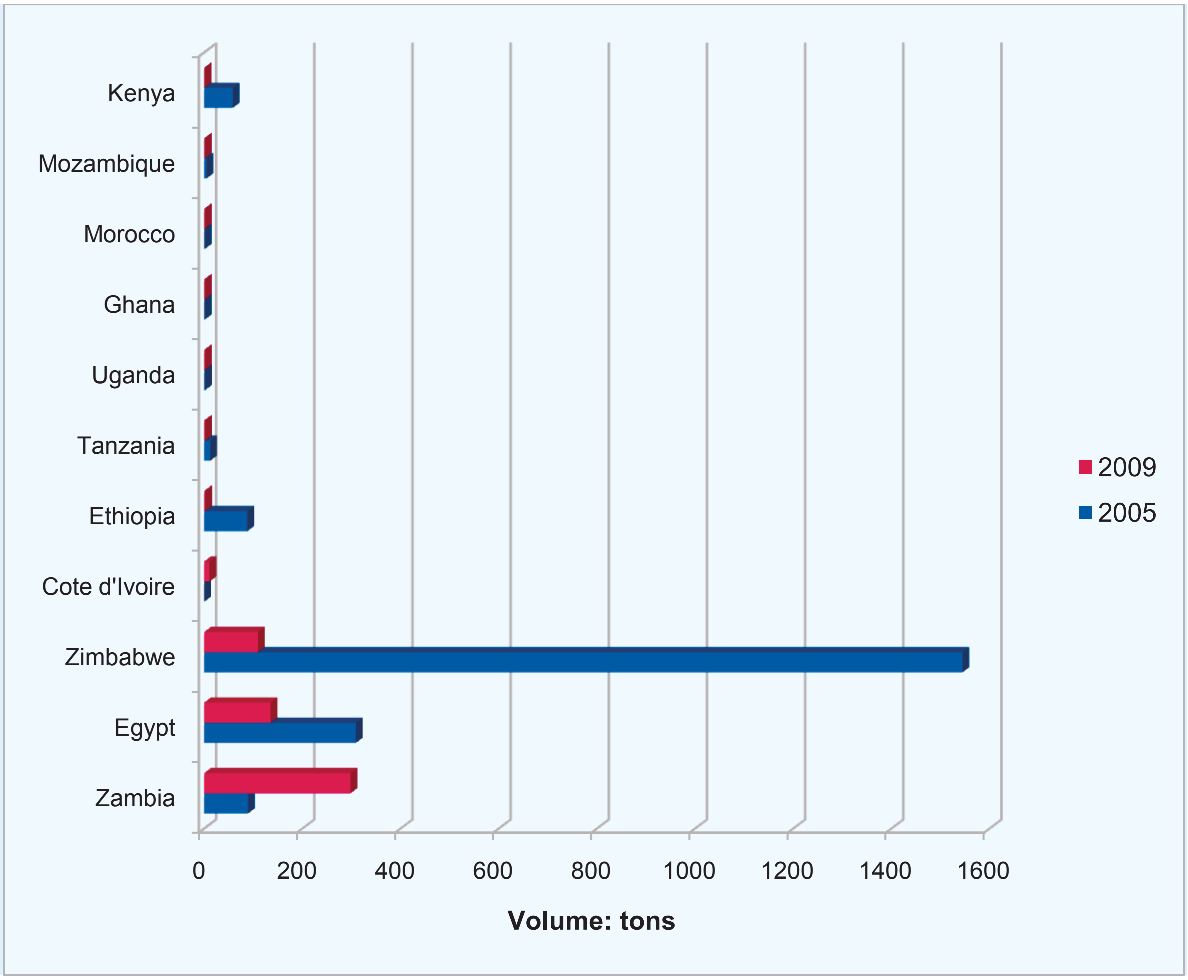
Source: Based on ITC TradeMap data.

Imports from Africa

Africa, with a 1% share by value, is a very small supplier of leather and leather articles to South Africa…

Currently, very small quantities of leather and leather articles are sourced from countries in Africa. In 2009, Africa accounted for 1% of the value and 4% of the volume of imports of leather and leather articles into South Africa. Imports from Africa declined sharply during the period 2005 to 2009, registering a 73% drop in both the value and volume of imports. This was largely due to the rapid decline in supply from Zimbabwe. As shown in figure 7, the African sources of any consequence are Egypt, Zambia and Zimbabwe.

Figure 7. South Africa's imports of leather and leather articles from Africa, by volume, 2005 and 2009

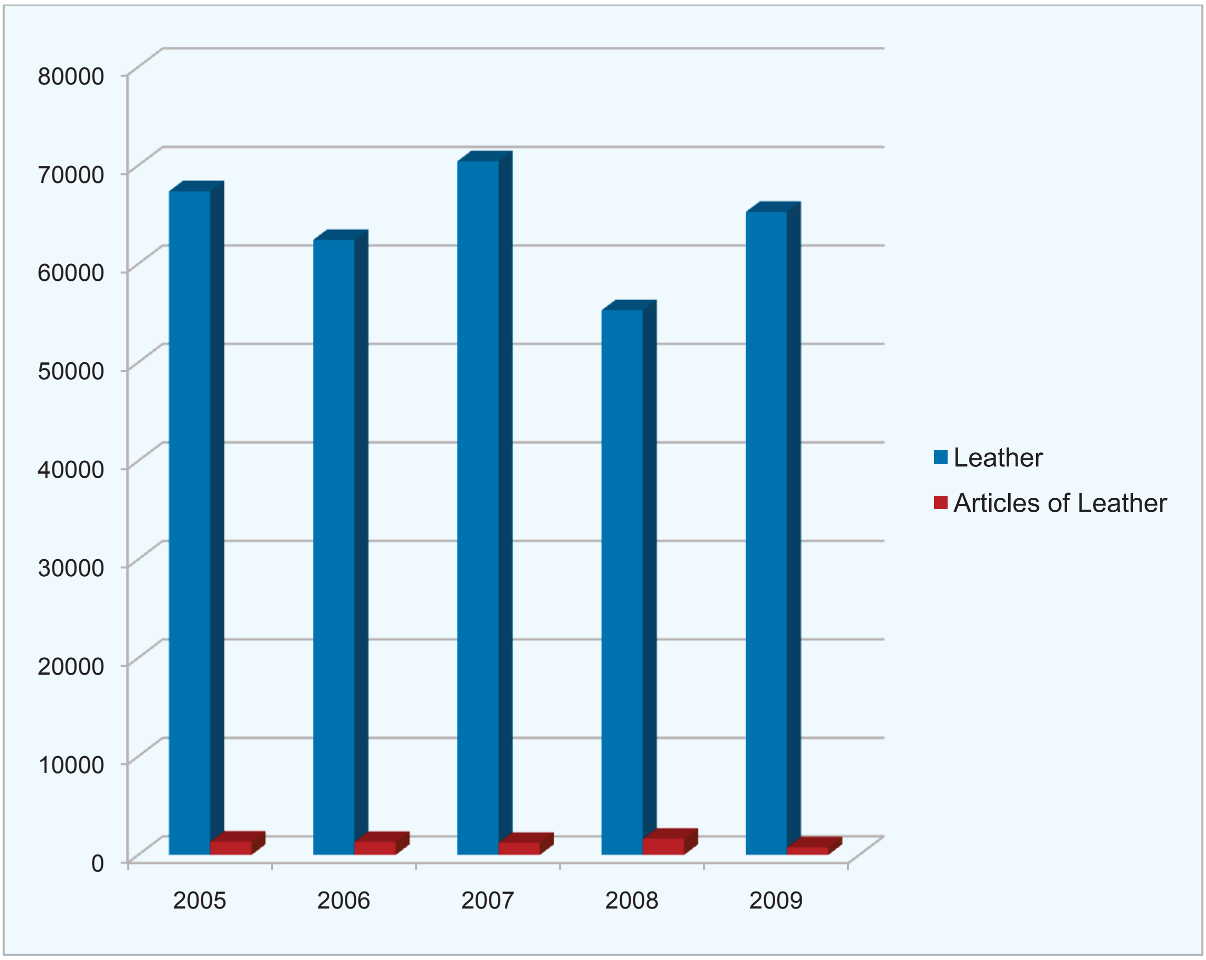


Source: Based on ITC TradeMap data.

1.2.2. Exports

South Africa is a net exporter of leather and a net importer of leather articles. In 2009, it exported 66 040 tons of leather and articles of leather valued at US$ 146.9 million. As shown in figure 8, imports by volume declined by 4% between 2005 and 2009.

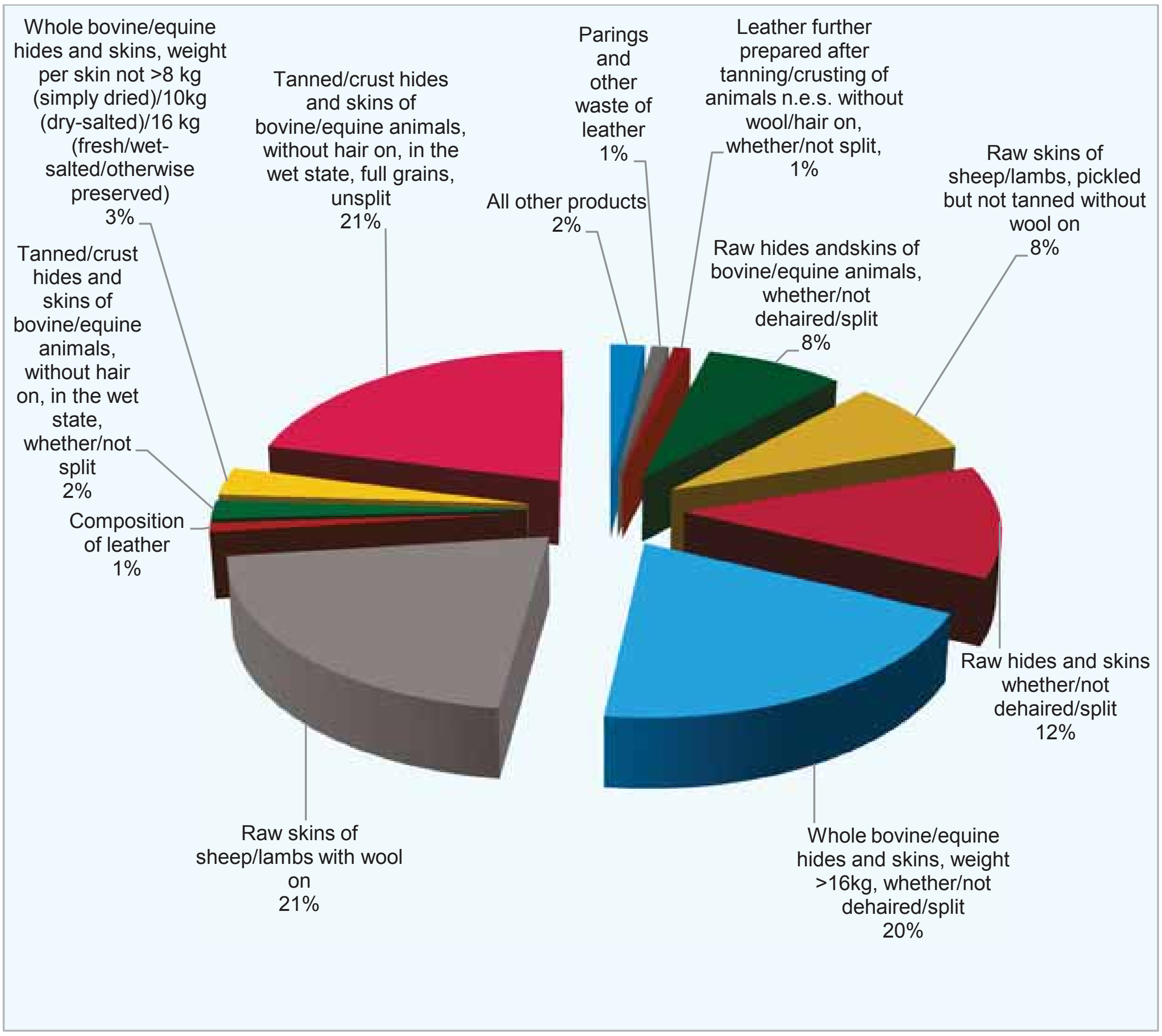
Figure 8. South Africa's exports of leather and leather articles, 2005−2009



Source: Based on ITC TradeMap data.

As figure 8 also indicates, South Africa's exports consist primarily of leather. Over 60% of exports fall into three categories: tanned/crust hides of bovine/equine animals, raw skins of sheep or lambs with wool on and whole bovine/equine hides & skins, weight >16 kg, whether/not dehaired/split.

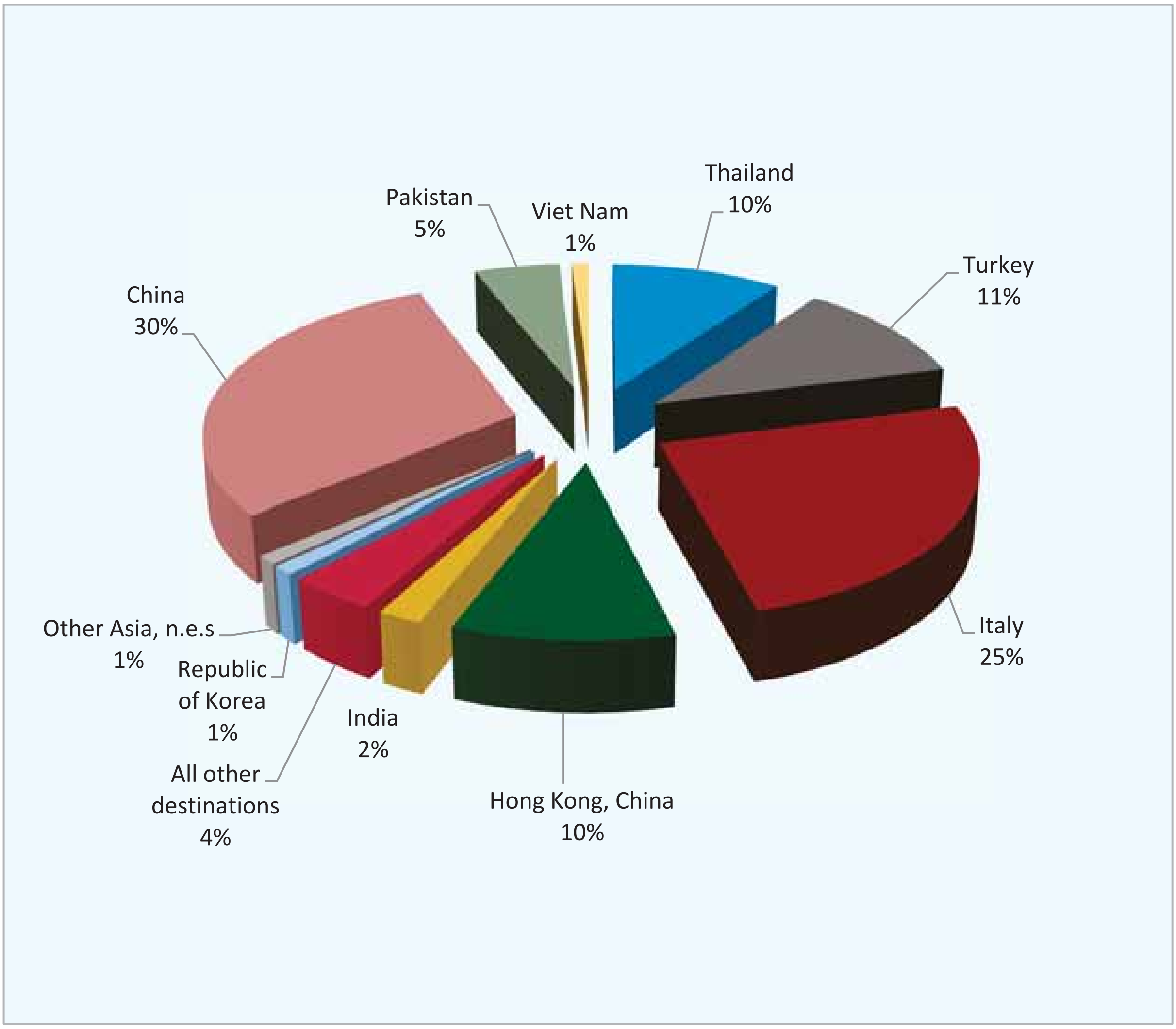
Figure 9. Composition of South Africa's exports, by volume, 2009



Source: Based on ITC TradeMap data.

China is the most important destination for South Africa's leather exports, accounting for 30% of the volume in 2009. Other important markets are Italy (25%), Turkey (11%) and Thailand (10%).

Figure 10. Destinations of South Africa's exports, percentage shares, by volume, 2009



Source: Based on ITC TradeMap data.

1.3. Market size

The absence of relevant statistical data makes it very difficult to provide details on the size of the South African market.

The automotive sector consumes between 70% and 80% of the leather produced in South Africa. SAMIC estimates South Africa's annual total hide production[3] to be between 2.2 and 2.4 million, of which 80% or 1.9 million hides are suitable for the automotive industry. Given that the sector requires approximately 3 million hides annually, some 37% of requirements are met through imports. The local automotive tanneries produce around 8.3 million m^2 of automotive leather annually.

The leather industry does not produce enough leather at the right price to satisfy the footwear industry. Therefore 75% of all locally made grain leather and over 40% of all finished splits are produced from raw material imported mostly from elsewhere in Africa, Brazil and Australia.

According to the trade statistics, South Africa imported wet blues of bovine origin weighing 3,244 tons and valued at US$ 17.2 million in 2009. If one uses the estimate of 27 kg per hide, this would amount to total imports of 120,168 hides in wet blue form. Some 40% of these hides came from Brazil.

[3] This includes hides from non-SHALC member companies.

The two local footwear tanneries produce about 1.2 million m^2 of leather annually. Around 10% of this output (120,000 m^2) is destined for the leather goods sector. The rest is utilized by footwear manufacturers and amounts to around 60% of the requirements of the domestic footwear industry. This means that the total leather requirement of the footwear industry is in the region of 1.8 million m^2.

The South African market absorbs around 50 million pairs of leather footwear yearly; 52% of market requirements is met through imports. As table 5 shows, China has a near monopoly of supplies and provided 80% of all imports of leather footwear in 2009.

Table 5. South Africa: consumption of leather footwear, 2009

	No. of pairs	Comments
Domestic production	24 952 231	
Imports	26 368 039	80% sourced from China, 6% from Viet Nam, 5% from Indonesia, 3% from India
Exports	764 691	Destined for Mozambique (21%), Zimbabwe (18%), the United Kingdom (12%), Zambia (10%)
Total consumption of leather footwear	**50 555 579**	

Source: United Nations COMTRADE database.

Despite an absence of industry statistics, a report compiled for the National Economic Development and Labour Council (NEDLAC) in 2006 does provide some indication of market size for leather goods. It states that domestic demand in 2005 amounted to R 4.2 billion (US$ 650 million), of which 20.8% was met through imports.

2. Tariff structures

2.1 Import tariffs and preferential trade regimes

The framework of the external tariff is the two-column Harmonized Commodity Coding and Description System (HS). Import duties are levied ad valorem on the FOB (free on board) values of the goods.

South Africa is a member of the Southern African Customs Union (SACU) along with Botswana, Lesotho, Namibia and Swaziland. Goods are traded within the Customs Union free of duty.

The country is also a member of the Southern African Development Community (SADC)[4]. Under the SADC Trade Protocol implemented in September 2000, South Africa agreed to reduce tariffs on goods originating in SADC Member States to zero over a period of eight years. The tariffs from goods originating in SADC are therefore currently zero.

The EU/SA Free Trade Agreement came into effect in January 2000. Under the Agreement, the European Union (EU) reduced its import tariffs to zero over a period of seven years. South Africa undertook to reduce its duties to 50% of the most-favoured nation (MFN) tariff level over an eight-year period.

The SACU agreement with European Free Trade Association (EFTA)[5] member countries went into operation on 1 January 2007. The Agreement covers trade in industrial goods, including fish and other marine products, and processed agricultural products. Trade in basic agricultural products is covered by individual bilateral agreements with the SACU States. On implementation, EFTA countries abolished all duties on goods originating in SACU and SACU has agreed to a progressive reduction of all tariffs.

[4] Other members are Angola, Botswana, Democratic Republic of the Congo, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, Swaziland, United Republic of Tanzania, Zambia and Zimbabwe.

[5] Iceland, Lichtenstein, Norway and Switzerland.

Table 6 summarizes South Africa's tariffs on leather and articles of leather and shows the current rates of duty on goods originating from EU, EFTA and SADC countries.

Table 6. South Africa: import tariffs on leather and articles of leather

HS code	Description	General	EU	EFTA	SADC
41.01	Raw hides and skins of bovine (including buffalo) or equine animals (fresh, or salted, dried, limed, pickled or otherwise preserved, but not tanned, parchment-dressed or further prepared), whether or not dehaired or split:				
4101.20 -	Whole hides and skins, of a mass per skin not exceeding 8 kg when simply dried,10 kg when dry-salted, or 16 kg when fresh, wet-salted or otherwise preserved:				
4101.20.10	Of bovine animals of a unit surface area exceeding 2.15 m² which have undergone a tanning process (including a pre-tanning process) which is reversible	10%	Free	5%	Free
4101.20.90	Other	Free	Free	Free	Free
4101.50	Whole hides and skins, of a mass exceeding 16 kg:				
4101.50.10	Which have undergone a tanning process (including a pretanning process) which is reversible	10%	Free	5%	Free
4101.50.90	Other	Free	Free	Free	Free
4101.90	Other, including butts, bends and bellies:				
4101.90.10	Which have undergone a tanning process (including a pretanning process) which is reversible	10%	Free	5%	Free
4101.90.90	Other	Free	Free	Free	Free
41.02	Raw skins of sheep or lambs (fresh, or salted, dried, limed, pickled or otherwise preserved, but not tanned, parchment-dressed or further prepared), whether or not with wool on or split				
4102.10	With wool on	Free	Free	Free	Free
4102.2	Without wool on				
4102.21	Pickled:				
4102.21.10	Which have undergone a tanning process (including a pretanning process) which is reversible	10%	Free	5%	Free
4102.21.90	Other	Free	Free	Free	Free
4102.29	Other:				
4102.29.10	Which have undergone a tanning process (including a pretanning process) which is reversible	10%	Free	5%	Free
4102.29.90	Other	Free	Free	Free	Free
41.03	Other raw hides and skins (fresh, or salted, dried, limed, pickled or otherwise preserved, but not tanned, parchment-dressed or further prepared), whether or not dehaired or split				
4103.20	Of reptiles	Free	Free	Free	Free
4103.30	Of swine	Free	Free	Free	Free
4103.90	Other:				

HS code	Description	General	EU	EFTA	SADC
4103.90.10	Of ostriches	Free	Free	Free	Free
4103.90.90	Other	Free	Free	Free	Free
41.04	Tanned or crust hides and skins of bovine (including buffalo) or equine animals, without hair on, whether or not split, but not further prepared:				
4104.1	In the wet state (including wet blue):				
4104.11	Full grains, unsplit; grain splits:				
4104.11.10	Full grain, of bovine animals, unsplit, of a unit surface area of less than 2.15 m²	Free	Free	Free	Free
4104.11.90	Other	10%	1%	Free	Free
4104.19	Other:				
4104.19.10	Whole bovine hides and skins of a unit surface area of less than 2.15 m² (excluding flesh splits)	Free	Free	Free	Free
4104.19.90	Other	10%	1%	Free	Free
4104.4	In the dry state (crust):				
4104.41	Full grains, unsplit; grain splits:				
4104.41.10	Whole bovine hides and skins of a unit surface area of less than 2.15 m²	Free	Free	Free	Free
4104.41.90	Other	10%	1%	5%	Free
4104.49	Other:				
4104.49.10	Whole bovine hides and skins of a unit surface area of less than 2.15 m² (excluding flesh splits)	Free	Free	Free	Free
4104.49.90	Other	10%	1%	5%	Free
41.05	Tanned or crust skins of sheep or lambs, without wool on, whether or not split, but not further prepared:				
4105.10 8	In the wet state (including wet blue)	10%	1%	5%	Free
4105.30	In the dry state (crust)	10%	1%	5%	Free
41.06	Tanned or crust hides and skins of other animals, without wool or hair on, whether or not split, but not further prepared:				
4106.2	Of goats or kids:				
4106.21 2	In the wet state (including wet blue)	Free	Free	Free	Free
4106.22 9	In the dry state (crust)	Free	Free	Free	Free
4106.3	Of swine:				
4106.31	In the wet state (including wet blue)	Free	Free	Free	Free
4106.32	In the dry state (crust)	Free	Free	Free	Free
4106.40	Of reptiles	Free	Free	Free	Free
4106.9	Other:				

HS code	Description	General	EU	EFTA	SADC
4106.91	In the wet state (including wet blue):				
4106.91.10	Of ostriches	Free	Free	Free	Free
4106.91.90	Other	Free	Free	Free	Free
4106.92	In the dry state (crust):				
4106.92.10	Of ostriches	Free	Free	Free	Free
4106.92.90	Other	Free	Free	Free	Free
41.07	Leather further prepared after tanning or crusting, including parchment-dressed leather, of bovine (including buffalo) or equine animals, without hair on, whether or not split (excluding leather of heading 41.14):				
4107.1	Whole hides and skins:				
4107.11	Full grains, unsplit:				
4107.11.10	Of bovine animals, of a unit surface area of less than 2.15 m²	Free	Free	Free	Free
4107.11.90	Other	10%	1%	Free	Free
4107.12	Grain splits:				
4107.12.10	Of bovine animals, of a unit surface area of less than 2,15 m²	Free	Free	Free	Free
4107.12.90	Other	10%	1%	Free	Free
4107.19	Other:				
4107.19.10	Of bovine animals, of a unit surface area of less than 2.15 m² (excluding flesh splits)	Free	Free	Free	Free
4107.19.90	Other	10%	1%	Free	Free
4107.9	Other, including sides:				
4107.91	Full grains, unsplit	10%	1%	Free	Free
4107.92	Grain splits	10%	1%	Free	Free
4107.99	Other	10%	1%	Free	Free
41.12	Leather further prepared after tanning or crusting, including parchment-dressed leather, of sheep or lamb, without wool on, whether or not split (excluding leather of heading 41.14)	10%	1%	Free	Free
41.13	Leather further prepared after tanning or crusting, including parchment-dressed leather, of other animals, without wool or hair on, whether or not split (excluding leather of heading 41.14):				
4113.10	Of goats or kids	Free	Free	Free	Free
4113.20	Of swine	Free	Free	Free	Free
4113.30	Of reptiles	Free	Free	Free	Free

HS code	Description	General	EU	EFTA	SADC
4113.90	Other:				
4113.90.10	Of ostriches	Free	Free	Free	Free
4113.90.90	Other	Free	Free	Free	Free
41.14	Chamois (including combination chamois) leather; patent leather and laminated leather; metallized leather:				
4114.10	Chamois (including combination chamois) leather	Free	Free	Free	Free
4114.20 1	Patent leather and patent laminated leather; metallized leather	Free	Free	Free	Free
41.15	Composition leather with a basis of leather or leather fibre, in slabs, sheets or strip, whether or not in rolls; parings and other waste of leather or of composition leather, not suitable for the manufacture of leather articles; leather dust, powder and flour				
4115.10	Composition leather with a basis of leather or leather fibre, in slabs, sheets or strip, whether or not in rolls	Free	Free	Free	Free
4115.20	Parings and other waste of leather or of composition leather, not suitable for the manufacture of leather articles; leather dust, powder and flour	Free	Free	Free	Free
4201.00	Saddlery and harness for any animal (including traces, leads, knee pads, muzzles, saddle cloths, saddle bags, dog coats and the like), of any material	30%	20%	22%	Free
42.02	Trunks, suitcases, vanity cases, executive cases, briefcases, school satchels, spectacle cases, binocular cases, camera cases, musical instrument cases, gun cases, holsters and similar containers; travelling bags, insulated food or beverage bags, toilet bags, rucksacks, handbags, shopping bags, wallets, purses, map cases, cigarette cases, tobacco pouches, tool bags, sports bags, bottle cases, jewellery boxes, powder boxes, cutlery cases and similar containers, of leather or of composition leather, of sheeting of plastics, of textile materials, of vulcanized fibre or of paperboard, or wholly or mainly covered with such materials or with paper:				
4202.1	Trunks, suitcases, vanity cases, executive cases, briefcases, school satchels and similar containers:				
4202.11	With outer surface of leather, of composition leather or of patent leather	30%	20%	22%	Free
4202.12	With outer surface of plastics or of textile materials	30%	20%	22%	Free
4202.19	Other	30%	20%	22%	Free
4202.2	Handbags, whether or not with shoulder strap, including those without handle:				
4202.21	- With outer surface of leather, of composition leather or of patent leather:				
4202.21.10	Of ostrich leather	30%	20%	22%	Free
4202.21.90	Other	30%	20%	22%	Free
4202.22	With outer surface of plastic sheeting or of textile materials	30%	20%	22%	Free

HS code	Description	General	EU	EFTA	SADC
4202.29	Other	30%	20%	22%	Free
4202.3	Articles of a kind normally carried in the pocket or in the handbag:				
4202.31	With outer surface of leather, of composition leather or of patent leather:				
4202.31.10	Of ostrich leather	30%	20%	22%	Free
4202.31.90	Other	30%	20%	22%	Free
4202.32	With outer surface of plastic sheeting or of textile materials	30%	20%	22%	Free
4202.39	Other	30%	20%	22%	Free
4202.9	Other:				
4202.91	With outer surface of leather, of composition leather or of patent leather	30%	20%	22%	Free
4202.92	With outer surface of plastic sheeting or of textile materials	30%	20%	22%	Free
4202.99	Other	30%	20%	22%	Free
42.03	Articles of apparel and clothing accessories, of leather or of composition leather:				
4203.10	Articles of apparel:				
4203.10.10	Of ostrich leather	30%	20%	22%	Free
4203.10.90	Other	30%	20%	22%	Free
4203.2	Gloves, mittens and mitts:				
4203.21	Specially designed for use in sports	10%	1%	5%	Free
4203.29	Other	20%	20%	20%	Free
4203.30	Belts and bandoliers:				
4203.30.10	Of ostrich leather	30%	20%	22%	Free
4203.30.90	Other	30%	20%	22%	Free
4203.40	Other clothing accessories	30%	20%	22%	Free
4205.00	Other articles of leather or of composition leather:				
4205.00.10	Articles of a kind used in machinery or mechanical appliances or for other technical uses	Free	Free	Free	Free
4205.00.90	Other	15%	15%	11%	Free

Source: South African Revenue Service, Customs and Excise, Schedule No. 1 Part 1.

2.2 Additional taxes

A value-added tax (VAT) of 14% is payable on all imports. VAT is levied on the value for customs duty, which is the FOB value plus 10% of the FOB value plus any additional duties paid.

On goods imported from within the SACU region, no customs duties are applicable and the 10% upliftment in value is not applied provided the goods have their origin in a SACU member country. However, VAT is still payable at 14% of the value for customs purposes.

3. Non-tariff barriers

3.1 Special import regulations

The International Trade Administration Act (Act 71 of 2003) controls, through a permit system, the import and export of goods specified by regulation. The primary function of the International Trade Administration Commission (ITAC) is to implement the provisions of the Act (Section 6) on issuing import and export permits as well as its provisions (Part E) on investigations and enforcement. About 208 tariff subheadings covering new goods are subject to import control measures.

> ***Leather and leather products do not need an ITAC import permit but are subject to various other import restrictions…***

None of the products covered by this report require an ITAC import permit. However, the importation of a wide variety of goods is either totally prohibited or subject to inspection by other authorities and/or the procurement of special permits or licences from these authorities. Some goods may be imported only by certain government bodies. Table 7 outlines these other import requirements for the products covered by this paper.

Table 7. South Africa: import restrictions on leather and articles of leather

Heading	Designation of goods	Prohibition and restriction	Authority	Actions required
41.01 4101.20 4101.20.10 4101.20.90 4101.50 4101.50.10 4101.50.90 4101.90 4101.90.10 4101.90.90 41.02 4102.10 4102.2 4102.21 4102.21.10 4102.21.90 4102.29 4102.29.10 4102.29.90	Raw hides and skins of bovine (including buffalo) or equine animals (fresh, or salted, dried, limed, pickled or otherwise preserved, but not tanned, parchment-dressed or further prepared), whether or not dehaired. Raw skins of sheep or lambs (fresh, or salted, dried, limed, pickled or otherwise preserved, but not tanned, parchment-dressed or further prepared), whether or not with wool on or split.	Importation is subject to a permit issued by the Director, Animal Health, Pretoria, or a person designated by him (excluding hides and skins from Lesotho). If the product is listed by the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), a permit is required from the Provincial Conservation Authority.	Animal Diseases Act No. 35/1984	Detain for State Veterinarian. Endorse permit. Detain for Customs.
41.03 4103.20 4103.30 4103.90 4103.90.10 4103.90.90	Other raw hides and skins (fresh, or salted, dried, limed, pickled or otherwise preserved, but not tanned, parchment-dressed or further prepared), whether or not dehaired or split.	As for heading 41.01: 1. Prohibited from importation into Gauteng except under written permit from the Provincial Conservation Authority if listed on appendix I and II of CITES. 2. Prohibited from importation into the Free State except under written permit from the Provincial Conservation Authority. 3. Prohibited from importation into Natal except under written permit from the Natal Parks, Game and Fish Preservation Board.	Ord. 12/1983 Ord. 8/1969 Ord. 11/1955	Endorse permit. Detain for Customs.

Heading	Designation of goods	Prohibition and restriction	Authority	Actions required
41.04 4104.1 4104.11 4104.11.10 4104.11.90 4104.19	Tanned or crust hides and skins of bovine (including buffalo) or equine animals, without hair on, whether or not split, but not further prepared: In the wet state (including wet blue)	If CITES listed, needs CITES permit from Provincial Conservation Authority. Check for CITES permit and endorse.		Detain for State Veterinarian.
41.07 4107.1 4107.11	Leather further prepared after tanning or crusting, including parchment-dressed leather, of bovine (including buffalo) or equine animals, without hair on, whether or not split (excluding leather of heading 41.14):		Adulterated Leather Act 32/1923	
42.02 4202.1 4202.11 4202.12 4202.19 4202.2 4202.21 4202.21.10 4202.21.90 4202.22 4202.29 4202.3 4202.31 4202.31.10 4202.31.90 4202.32 4202.39 4202.9 4202.91 4202.92 4202.99	Trunks, suitcases, vanity cases, executive cases, briefcases, school satchels, spectacle cases, binocular cases, camera cases, musical instrument cases, gun cases, holsters and similar containers; travelling bags, insulated food or beverage bags, toilet bags, rucksacks, handbags, shopping bags, wallets, purses, map cases, cigarette cases, tobacco pouches, tool bags, sports bags, bottle cases, jewellery boxes, powder boxes, cutlery cases and similar containers	Importation subject to a permit from the Provincial Conservation Authority if listed on Appendices I, II and III of CITES.	Ord. 12/1983	Endorse permit. Detain for Customs.

Heading	Designation of goods	Prohibition and restriction	Authority	Actions required
42.03 4203.10 4203.10.10 4203.10.90 4203.2 4203.21 4203.29 4203.30 4203.30.10 4203.30.90 4203.40	Articles of apparel and clothing accessories, of leather or of composition leather			Detain for Customs.
42.05 4205.00.10 4205.00.90	Other articles of leather or of composition leather: articles of a kind used in machinery or mechanical appliances or for other technical uses			Detain for Customs.

Source: South African Revenue Service, *Consolidated List of Prohibited and Restricted Imports.*

3.2 Customs procedures

All imports of animal and animal products require a veterinary import permit issued by the Director, Veterinary Services at the National Department of Agriculture.

A veterinary health certificate is also required. This needs to be completed, in English, by a veterinarian authorized by the veterinary administration of the exporting country, within 10 days of departure.

The following must be presented to the South African Veterinary Import Control Officer at the port of entry:

- Original veterinary import permit;
- Original veterinary health certificate;
- Any other documentation specified, e.g., indemnity declaration, rabies vaccination certificate.

3.3 Freight forwarding and transport requirements

Hides and skins from neighbouring countries enter South Africa either by sea or by road. Products falling into HS codes 4101, 4102 and 4103, i.e. raw hides and skins, may be imported only through the following ports, airports and border posts:

- Cape Town (harbour and airport)
- Port Elizabeth
- Durban (harbour and airport)
- OR Tambo International Airport, Johannesburg
- Golela
- Oshoek
- Komatipoort
- Messina (Beit Bridge)
- Ramatlabama
- Nakop
- Vioolsdrift

Imports for the automotive sector or the large hide merchants need to be cleared at Port Elizabeth. Imports for the footwear sector are cleared at the ports of Durban and Cape Town. Products destined for the province of Gauteng should be brought in through the port of Durban, the closest port to Johannesburg, or by road or rail from neighbouring countries.

Imports from southern Africa entering the country by road or rail may be at a disadvantage. The cost of both internal and regional road transport is very high and often has the effect of making prices uncompetitive.

3.4 Packaging, marketing and labelling requirements

Under the Merchandise Marks Act No. 17 of 1941 and General Notice 1831 of 2006 as published on 14 December 2006, all products listed in the Notice, whether imported or locally produced, which are sold in the South African market must be labelled and properly identified by their source (country of origin) and must carry care labelling, fibre-content labelling and, if reconditioned, must indicate whether they are rebuilt or remade. The reasoning behind this is to enable the public to make an informed choice when buying any of the listed products.

The goods covered by this report that are subject to specific labelling regulations are detailed in table 8.

Table 8. South Africa: articles of leather subject to specific labelling regulations

HS chapter	Description	Application	Tariff heading	Description
42	Articles of leather; saddlery and harness; travel goods, handbags and similar containers; articles of animal gut (other than silkworm gut)	Leather goods	42.01	Saddlery and harness for any animal (including traces, leads, knee pads, muzzles, saddle cloths, saddle bags, dog coats and the like), of any material
			42.02	Trunks, suitcases, vanity cases, executive cases, briefcases, school satchels, spectacle cases, binocular cases, camera cases, musical instrument cases, gun cases, holsters and similar containers; travelling bags, insulated food or beverage bags, toilet bags, rucksacks, handbags, shopping bags, wallets, purses, map cases, cigarette cases, tobacco pouches, tool bags, sports bags, bottle cases, jewellery boxes, powder boxes, cutlery cases and similar containers, of leather or of composition leather, of sheeting of plastics, of textile materials, of vulcanized fibre or of paperboard, or wholly or mainly covered with such materials or with paper
			42.03	Articles of apparel and clothing accessories, of leather or of composition leather
			42.05	Other articles of leather or of composition leather

Source: South African Revenue Service.

3.5 Domestic business practices

Most players in the South African hide, skin and leather industry have long-standing relationships with international suppliers, making it difficult for new suppliers to enter the market...

The South African hide, skin and leather industry is a relatively closed industry with a limited number of well-established players. Most have long-standing relationships with international suppliers, making it difficult for new suppliers to enter the market.

The hide and skin trading industry is historically centred in the Port Elizabeth area in the Eastern Cape. Most of the large hide merchants are based in Port Elizabeth where they have easy access to the automotive industry and the port.

The automotive tanning industry is scattered around the country, with tanners operating in the Gauteng region close to the automotive factories, the Port Elizabeth area and KwaZulu-Natal. The footwear industry is centralized in KwaZulu-Natal (which accounts for 78% of overall production) and the Western Cape (14%). Key customers are therefore spread around the country, meaning that foreign exporters need to ensure they have a national presence in South Africa.

There does not appear to be a defined buying season for hides and skins. Orders are placed as and when there is a shortfall in local supply. Generally, December and January are quiet months as companies close for the Christmas vacation. Hide merchants are the exception as they tend to have a busy December period. This is due to the large volumes of hides that become available from the abattoirs on the back of Christmas slaughterings. There are very few imports at this time as the tanneries close for the period. Traditionally April also tends to be a slow month with school holidays and a number of public holidays opening the way for a second holiday season.

The buying seasons for leather articles are determined by the large retailers. South Africa has two distinct seasons—summer runs from September to March-April and winter from May to August. Demand for garments of leather is low during summer and peaks during the winter months. Demand for accessories of leather is constant with peaks around the Christmas period.

The large retailers place orders frequently, usually four to six months ahead of the date of delivery. A July order from China will be delivered in December/January. Generally, when an order is made, a sample needs to be provided before the order can be confirmed. Manufacture can go ahead only on confirmation of the order.

Demand for leather in the South African market is firstly for automotive leather and secondly for semi-processed leathers. The requirement for raw materials is thus for high-quality hides that can be processed for automotive leather and for wet salted or dry salted hides which are then processed in the local tanneries. Ideally the automotive sector requires feedlot animals that have been protected from bites and scratches and have been kept clean. The preference of the automotive sector is for locally produced hides as the MIDP incentive scheme is based on the use of local raw materials. Imports into this sector are therefore considered only when the domestic supply has been exhausted.

Currently, the footwear tanneries are demanding middle-range to upper-end hides, a trend that is set to continue.

The most important requirement for a foreign supplier of hides and leather is reliability…

Perhaps the most important requirement for a foreign supplier is reliability. The hide and leather industry in South Africa is concentrated in the hands of a few players. The hide merchants have long-standing relationships with their clients and cannot afford to let them down with an order. If an importer believes for any reason that a prospective supplier is likely to be unreliable, the chances are that he will look elsewhere.

South Africa does not trade in products obtained from endangered species…

South Africa is a member of the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) and will not trade in products obtained from endangered species.

4. Expected market developments

The leather industry in South Africa is well established and dates back to the early 1800s. The industry is driven by two downstream sectors: the automotive and footwear industries. There are too few manufacturers of other leather goods for this subsector to have an effect on consumption and growth.

The global automotive industry has been through a slump as a result of the declining consumer demand brought about by the global financial crisis. The South African automotive sector has not remained unaffected and domestic production of motor vehicles along with retail sales fell sharply in 2009. However, figures released by the National Association of Automobile Manufacturers of South Africa (NAAMSA) for the first quarter of 2010 show that vehicle sales during the quarter were remarkably higher than they were in the same period in 2009. Export sales have also registered strong growth.

The outlook for the South African automotive industry in 2010 is considerably brighter than it was in 2009…

According to NAAMSA, “The outlook for domestic sales for 2010 remained relatively positive and could gain momentum as economic activity levels improved further. The domestic market should receive support from further improvement in business confidence and consumer sentiment as well as lower inflation and the benefits of interest rate reductions. Export sales were expected to show further improvement over the balance of the year. The automotive market in South Africa was at an early stage of what probably represented a sustainable recovery and industry sales projections had recently been revised upwards to reflect growth in aggregate sales for calendar 2010 of around 14%."[6]

The recovery of the domestic manufacturing sector will have a positive impact on demand for automotive leather and thus on demand for wet blues suitable for the automotive industry. There are already signs in the market that increasing demand from the automotive leather industry is starting to drive up the price of raw materials.

It is believed that growth in the automotive leather sector will be sustainable in view of the recent announcement that MIDP, which ends in 2012, will be replaced by the Automotive Production and Development Programme (APDP). The APD Programme will also offer a production incentive to encourage domestic component production. Early indicators suggest that under the new scheme, vehicle manufacturers will be able to redeem 20% of their automotive investment if they achieve certain production milestones. However, manufacturers could push this up to 30% if they attain specified levels of local content.

The South African footwear sector had been in terminal decline for over a decade. However, in recent years it has managed something of a recovery, with production reaching volumes last seen in the early 1990s. This recovery has been led by the growth of the South African middle class with an appetite for good footwear and increased demand in export markets, particularly markets in Africa. Whether or not this growth is sustainable remains to be seen but the fact remains that there is insufficient footwear leather of the right quality and price produced in South Africa to satisfy demand.

> ***While the domestic output of footwear is insufficient to meet demand, the industry has problems that have to be dealt with before it can begin to show sustained growth…***

The footwear and leather goods industry has problems that could prevent manufacturers from achieving the goals set for them[7]. These need to be addressed at both the sectoral level and within individual companies before the industry can show sustained growth. The challenges include:

- Ageing plant and equipment;
- Low export orientation;
- Lack of innovative designs;
- Declining investment in research and development;
- General lack of continuous training and skills development;
- Inability of the industry to attract investment;
- Impact of HIV/AIDS and downsizing of the industry, which have led to loss of skilled labour;
- The short-term outlook adapted by the industry because of limited market size;
- Inability of the sector to empower all segments of the black population;
- Unfair competition from imported undervalued and falsely declared goods;
- Loss of quality jobs through casualization and informalization.

5. The domestic market: a micro view

5.1 Key market players

5.1.1. Leather

As shown in figure 11, the leather supply chain in South Africa is fairly direct. Various products are imported at several stages along the chain.

About 59% of imports consists of raw and crusted hides; these are obtained by the tanneries. The remaining 41% of imports is made up of leather. Imports are handled by indent agents and by manufacturers of footwear, accessories, garments, luggage and furniture.

From the perspective of a foreign supplier, the most important players would be the hide traders, followed by the footwear and other leather good manufacturers, and then by indent agents who import finished leather.

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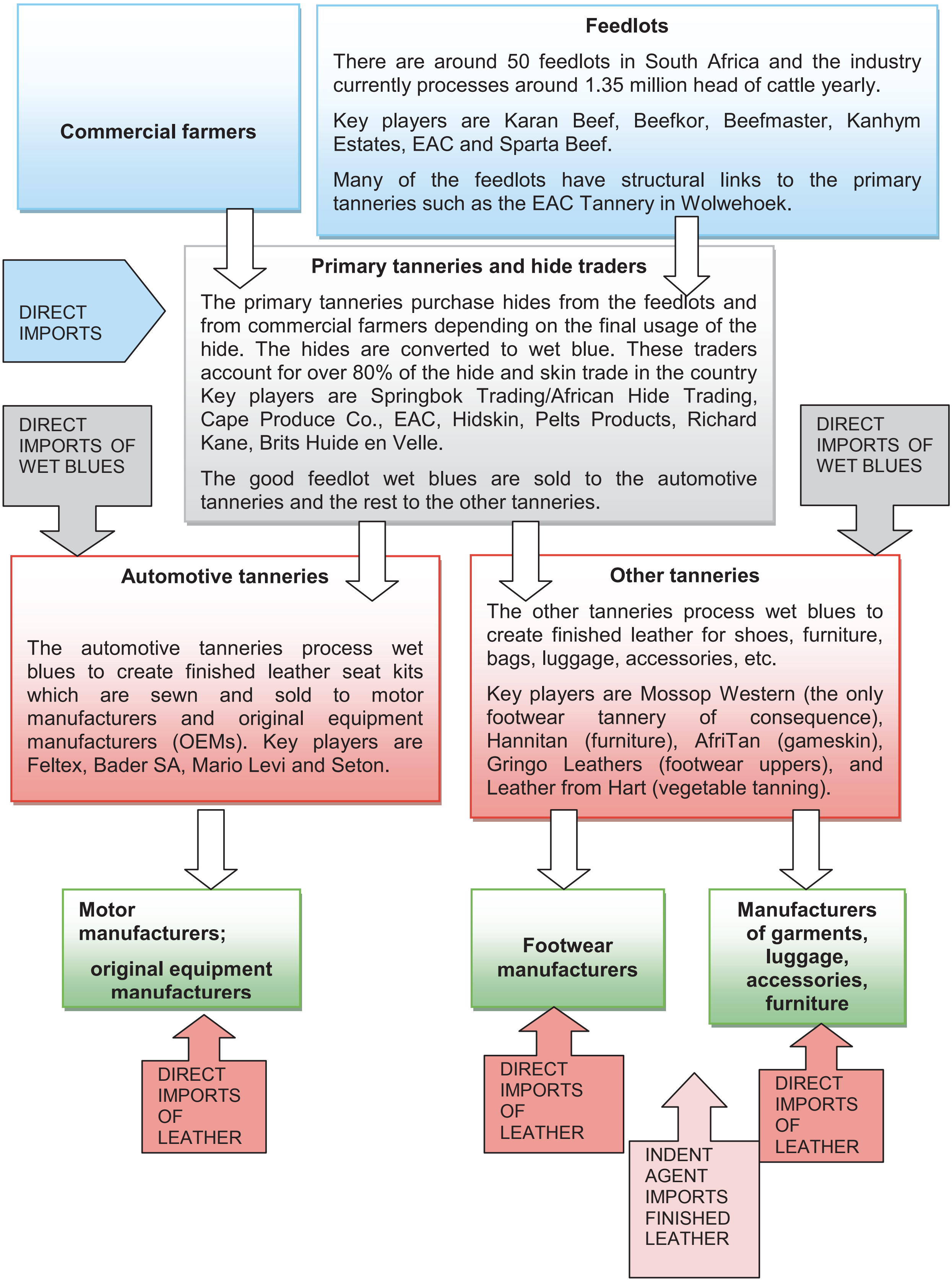
[6] NAAMSA, *Media Release: Comment on the April 2010 New Vehicle Sales Statistics*, 4 May 2010.

[7] Department of Trade and Industry, *Footwear and Leather Goods, Sector Development Strategy,* 2007.

Figure 11. South Africa's leather supply chain



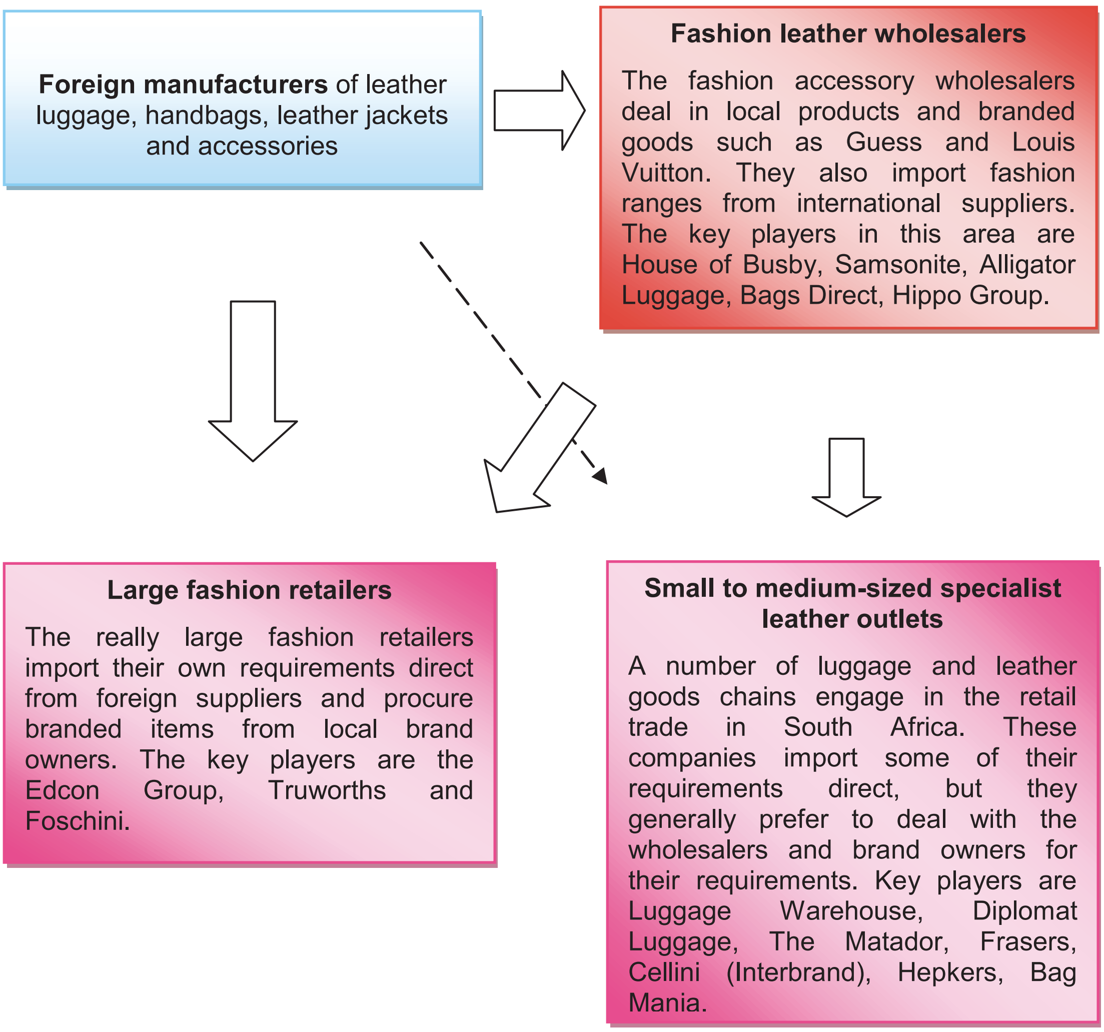
5.1.2. Leather articles

The small domestic sector for the manufacture of leather articles is reeling from the impact of low-cost imports…

The domestic manufacturing sector for leather articles is small and has contracted in recent years with the influx of low-cost imports from Brazil, China and India.

The distribution channel for leather goods such as luggage, leather jackets and handbags is straightforward, with the major retailers importing direct from international suppliers for distribution through their outlets in South Africa. The large retailers also procure some of their import requirements through local brand owners. The smaller retailers obtain their supplies through specialist luggage and leather fashion wholesalers such as the House of Busby.

Figure 12. South Africa's distribution channels for leather goods



5.2. Procurement practices

Wet blues are usually procured on the basis of an optimum combination of two factors: price and grade. Generally the industry uses machine-flayed hides. Hides are graded from grade 1-7; grades 1-4 are suitable for the automotive industry.

Hides are classified by weight as lights (15/16 kg), mediums (19/20 kg) and heavies (23/25 kg).

For footwear leather, quality and price are basic considerations along with colour ranges and the supplier's ability to meet specifications. Consistency in colour is extremely important and there can be no deviation in colour between orders.

South African traders identify new suppliers through trade shows and the website www.leatherline.org...

New suppliers are identified through a number of avenues. The most important are international trade shows and the website www.leatherline.org.

Potential suppliers are required to send samples. Orders are placed only if the samples meet expectations.

Retailers of leather articles and accessories look for fashion items that are of reasonable quality and have a good finish. As with clothing, leather fashions in South Africa tend to follow those of Europe and North America.

The large retailers frequently provide designs or samples or photographs of the types of articles they are looking for. The smaller retailers generally ask foreign suppliers to suggest designs as they do not handle volumes large enough to make it worthwhile for the suppliers to produce specially designed items.

South Africa has two distinct seasons—summer extends from September to March-April and winter from May to August. As has been mentioned earlier, the large retailers place frequent orders, usually four to six months ahead of delivery dates. After an order is made, a sample has to be provided before the order can be confirmed. Manufacture can go ahead only on confirmation of order.

Orders for the South African market are generally small. Although the country has a fairly large population, spending power is concentrated in a small percentage of the population who demand a wide range of low-volume products.

The large retailers use e-commerce procurement systems…

Only the large retail chains, such as Edcon and Truworths, use sophisticated e-commerce systems for procurement in the leather sector. In July 2007, Edcon implemented the Eqos Global Sourcing and Supplier Management solution to target divisions and categories to support the company's Sourcing Excellence initiative. The Eqos technology platform helps Edcon optimize its sourcing processes by embedding best practices and proactively managing critical path activities from initial product design, through the sourcing process to product delivery.

5.3. Consumer preferences

The retail market for leather goods and accessories in South Africa can be segmented as follows:

- Haute couture (with brands like Louis Vuitton, Lorenzi, Jimmy Choo, Prada)
- High-street brands (Guess, Fossil, Zoom and others)
- Upper middle market (supplied by the big chain stores such as Edgars and Woolworths)
- Discount buyers (served by chain stores such as Mr Price, Pep, and Ackermans)
- Independent stores

Although no figures are available, the bulk of sales will be in the upper middle market and the discount chains.

The South African market for leather goods and accessories is driven by international fashion trends. These items are generally bought in accordance with the fashion of each season; new trends take over at the beginning of the succeeding season. This buying pattern is particularly true of the higher income groups. However, it is also true of the discount retailers as these companies generally buy cheaper items that are made to last only a season. The market, particularly at the middle end, wants fashionable articles at a reasonable price that can be discarded after one or two seasons.

The South African market is distinctive in that consumers demand a wide selection of products that is generally not supported by large volumes. The reason is the composition of the population. South Africa, with a Gini coefficient of 0.67, has one of the most skewed income distribution patterns in the world. The Bureau of Market released figures which show that 3.8% of the adult population earns 39.4% of total personal income. About 20.8% of adults (the emerging middle class) are in the R 50,000 - R 300,000 income groups, leaving about 75.4% of adults earning less than R 50,000 per annum[8]. This means that the market for high-value imported goods is small and fairly concentrated despite the country's large population.

6. Case studies

Footwear leather tannery: Mossop-Western Leathers

Mossop-Western Leathers is the largest tannery in South Africa. It can manufacture around 500,000 sq ft of grain leather and 900,000 sq ft of laminated split leather monthly. Established in 1846, it has a staff of 230. As the major source of leather for footwear manufacturers, the company supplies a full range of bovine leathers including full grain semi-aniline, corrected grain, full grain and corrected grain printed, finished and pigmented split, suede and polyurethane-laminated split leathers. The company is the leading manufacturer of school shoe leather in South Africa which is marketed under the Tek-Tan brand.

Egypt and Zambia supply Mossop-Western with wet blues for the footwear industry…

Mossop-Western regularly imports wet blue hides in large quantities. The hides are imported on an ongoing basis and order volumes are dictated by the company's order book from footwear and leather goods companies. Wet blues are currently sourced from Bangladesh, Brazil, Egypt, India, Spain, Zambia and Eastern Europe. Procurement decisions are based on a combination of price and grade and a supplier's ability to supply at least one container per month.

Mossop-Western has a relationship with Apeco (Pty) Ltd, a KwaZulu-Natal company which sources wet blues and splits for certain speciality PU (polyurethane) foils.

Botswana and Namibia have excellent wet blues but they prefer to deal with the higher-priced European market…

In Africa, Egypt and Zambia are the company's only suppliers. The wet blues sourced from Zambia are satisfactory and the quality of product has improved over the years. The company is happy with supplies from Egypt. Although Botswana and Namibia are capable of supplying the correct product, exports from these two countries tend to go to Europe where the hides fetch higher prices than they would in the South African market. The company has sourced from Uganda and the United Republic of Tanzania and Uganda, but the suppliers did not meet quality expectations.

African exporters wanting to supply wet blues to the footwear sector in South Africa need to focus on two critical factors: price and quality.

[8] Bureau of Market Research, *Personal Income Patterns and Profiles for South Africa 2009*, March 2010.

Manufacturer of leather footwear: Michelle Footwear

Michelle Footwear was started 25 years ago by entrepreneur Mike Gedye in his garage with only six employees and an initial capital of R 1,200. Today his company has an annual turnover of R 90 million (US$ 12 million) and employs 455 people.

Michelle Footwear manufactures contemporary women's genuine leather footwear with an emphasis on comfort, style and quality. The company's largest local customer is Woolworths, which has a specially designed line carrying its own name. In addition, the company has a large customer base of small independent retailers.

Michelle Footwear also exports to Australia and the United Kingdom. In the United Kingdom, it sells shoes under its own brand (Froggie) as well as footwear for such market leaders as Hush Puppies and Rombah Wallace.

> ***For this manufacturer, poor raw materials and a lack of consistency in footwear leather have forestalled imports from Africa…***

The company regularly imports footwear leather from Brazil and Pakistan. Patent leather and suede are sourced from Brazil. Michelle Footwear has chosen suppliers in these countries on the basis of quality and price. Colour ranges and specifications also play an important role as the company manufactures fashion footwear for the retail sector.

Michelle Footwear has looked at sourcing from Kenya. However, although the tanning processes were of a good standard, the raw materials from this source were problematic, having numerous scratches, tick bites and branding marks. The company placed an order with a company in Ethiopia and was very positive about the bulk sample sent; however colour variations and a lack of consistency in the main order curtailed further business deals.

African exporters wanting to export footwear leather to manufacturers in South Africa have to be able to provide a consistent, quality product made from quality raw materials.

Wholesaler of leather goods and accessories: House of Busby

> ***This wholesaler is willing to consider product ranges from Africa provided these meet requirements for quality, fashionability and consistency.***

The House of Busby is a leading fashion wholesale and retail company in South Africa employing 1,550 people. It distributes an extensive range of luggage, handbags, accessories and footwear bearing international brand names, house brand names and private labels. The company operates a range of speciality retail formats and focuses on the luxury end of the market.

The company has relationships with some leading international brands including Guess, Nine West, Aldo and Esprit and runs these brands' stores in South Africa. The company also owns the Frasers, Luggage Inn and Hepkers luggage retail brands and the bag specialist, Bag Mania. There are 16 Frasers stores, 4 Hepkers stores, 5 Bag Mania stores and 1 Luggage Inn store.

The company regularly imports a full range of leather goods including luggage, clothing, footwear, wallets and bags. There are no distinct buying seasons and the company imports throughout the year. Its current sources are China, India, Pakistan, Viet Nam and Europe, where it has long-standing relationships with suppliers.

As regards branded goods such as Guess, the company simply takes the ranges that are provided. Busby has its own design team that works with manufacturers to develop ranges for the Busby leather goods range. Ideas are gleaned from international trends and the company travels regularly to fashion hubs and trade fairs. Busby would also consider product ranges that are pitched to it by international manufactures as long as the range meets quality and fashion expectations.

Although Busby has an established base of loyal suppliers, the company will look at interesting product ranges and manufacturing capability in African countries provided that the companies concerned are able to meet quality and fashion requirements and can offer consistency in supplies.

Wallets in the Busby product range

Large fashion retailer: Edcon Group

Edcon is the leading multi-brand clothing, footwear and accessories retailing group in southern Africa. It trades through a range of retail formats. Currently, it has a 31.4% share in South Africa's market for formal clothing, footwear and accessories. The company has grown from its first store in 1929 to over 900 stores selling 10 retail brands in South Africa, Botswana, Lesotho, Namibia and Swaziland. These brands can be split into two segments: Edgars, CNA, Boardmans, Prato, Red Square and Temptations, serving the middle- and upper-income markets; and the Discount Division including Jet, Jet Mart, Jet Shoes, Legit and Blacksnow, catering for the middle- to lower-income markets.

The Edcon Group sells both own-label products and multi-brands. The multi-brands are sourced from local brand agents and are not imported. Edcon will always try to support the domestic industry before turning to international suppliers. This is very difficult to do for leather goods and accessories as the local manufacturers have a limited range of products available. When Edcon decides to import, the company puts out an "opportunity to quote" to a variety of sourcing houses. This specifies delivery dates, quantities, technical specifications and a target price.

Edcon buys separately for summer and winter. The summer trade makes up approximately 60% of the year's business and the winter trade 40%. The lead time on orders is 90-120 days. The company buys in, say, September for shipment in December or January.

Price is a major driver for Edcon, followed by the right product (in terms of fashion and fashion trends), and then quality. Edcon demands fairly quick turnaround times and the onus is on the supplier to deliver on time or pay a penalty. Generally an order is placed for an initial delivery and subsequent monthly "drops". A turnaround of 60 days is required on repeat orders.

> ***There appears to be an opportunity for African suppliers to manufacture house brands for Edcon…***

There could be an interesting opportunity for suppliers in Africa to manufacture house brands for Edcon. The supplier would have to be in a position to supply the required volumes and to offer reliability, quality, conformity with ongoing fashions, and a reasonable price.

Some handbags in the Edcon product range

7. Possible niche markets and product groups to be targeted

Exotic gameskins for the furniture industry

South Africa has a number of manufacturers of up-market leather furniture. Leather furniture is growing in popularity and has become a fashion statement in homes across the country. There is also a rising interest in a more varied range of products, and this has led to increased demand for exotic leathers such as kudu and oryx.

The company African Gameskin specializes in the trade in exotic hides and skins. This company currently imports from companies based in SADC countries and reports having a very positive relationship with its suppliers.

Hides for the footwear industry

As indicated previously, demand for raw hides from the automotive sector has forced up the price of hides locally. This, in turn, has rendered locally produced hides too expensive for footwear leather. Provided they can supply the right quality at the right price, there is an export opportunity here for suppliers in other African countries.

Leather for footwear

South Africa has only one footwear tannery and requires imports to supplement what is available from the tannery. Most of the footwear manufacturers import leather to expand the range of colours that they offer to their domestic clients. Companies that are able to offer a consistent product of quality will find a market in South Africa.

Articles of leather

South Africa produces small quantities of leather articles and there is a growing market for imports of these products. The range of products imported is broad and includes industrial leather safety gloves, handbags, wallets, leather jackets and other leather garments. The key to success in this segment is fashionability and quality. The large buyers are always open to new products and new suppliers who can give them an edge in a competitive market.

8. National support schemes

There are no specific support schemes for the local leather sector. In 2007, the Department of Trade and Industry did launch a Sector Development Strategy for the footwear and leather goods sector. The strategy revolves around three key action programmes (KAPs): competitiveness, domestic market development and empowerment. One recommendation was the establishment of a Shared Resource Centre which was envisaged to be a “productively driven, globally competitive, and outcomes driven service provider that delivers business assistance, technical support, quality control, research and development, world-class technical and design skills and technology transfer on a cost effective basis.” [9] This has, however, still to come to fruition.

There is a Clothing, Textile, Footwear and Leather Sector Education and Training Authority (SETA), which contributes to raising the skills of the employed or those wanting to be employed in the sector. It helps to implement the National Skills Development Strategy and ensures that people learn skills that are needed by their employers and communities.

9. Integration of African exporters into the overall value chain

As has been noted in this paper, imports of leather occur all the way along the value chain from the hide traders who import wet blues, the footwear manufacturers who import finished leather, to the wholesalers and retailers of leather goods who obtain their finished goods from international suppliers.

Exporters in LDCs in Africa need to target all levels along the value chain from the hide traders through to the final retailers.

10. Recommendations for African exporters

The market for African suppliers lies in exotic gameskins for furniture, hides for the footwear tanneries, leather for the footwear industry and finished leather articles and accessories…

The market for suppliers from LDCs in Africa lies in exotic gameskins for furniture, hides for the footwear tanneries, leather for the footwear industry, and leather articles and accessories for the retail trade.

A great deal of attention to animal husbandry techniques would have to be made at the national level if Africa wishes to tap the large South African market for wet blues or raw hides for the automotive sector…

There is virtually no market for wet blues or raw hides from Africa for the automotive sector. A number of South African buyers of wet blues and leather have indicated that despite good tanning facilities in other countries, specifically in East Africa, the quality of the raw materials is not up to standard. Poor animal husbandry in the area produces hides that have tick marks, scratches and excessive branding marks. If animal husbandry techniques could be addressed, it would result in a much improved product from the region. It is therefore suggested that if this is a market that exporters in LDC countries would like to tap into, a great deal of attention at the national level would have to be paid to the improvement of animal husbandry techniques.

Importers of leather for the footwear industry are willing to look at supplies from Africa provided these have proven consistency in quality and colour. The development of colours that are difficult to find would also provide an opportunity for a trading relationship…

Companies wanting to supply finished leather to the footwear industry have to pay a great deal of attention to the quality/price relationship, as the market is looking for products of good quality at realistic prices. Strict control of the consistency of colours would also be required.

Companies spoken to during the research for this study have indicated their willingness to consider dealing with suppliers of finished leather in African LDCs provided they are in a position to offer consistency in quality and colour ranges. The colours on the products delivered must match the colours on the samples. It would also be worthwhile for LDC exporters to work with South African footwear manufacturers to develop colours that are either difficult to find or not available as this would give the South African manufacturer a competitive edge.

[9] Department of Trade and Industry, *Sector Development Strategy for the Footwear and Leather Goods Sector*, July 2007.

African producers of leather articles must mount a publicity and promotional campaign to make themselves and their products known in South Africa…

African exporters of leather articles face a marketing challenge in South Africa. Not one of the people interviewed for this report was aware of any manufacturer of leather goods in Africa. All interviewees indicated that they would be happy to look at products and ranges if they knew where to find them.

Buyers' trips to exporting countries could be organized…

There are a few promotional activities that could be undertaken at an industry level to address this. One would be the organization of a buying visit to a country such as Ethiopia for five to six South African buyers so that they can experience firsthand the country's ability to provide supplies. Another effective method is to promote country capability in targeted media such as the journal *Shoes & Views*, which is widely read by the leather goods industry.

International and South African fairs for leather and leather articles would be a good place to establish contacts with South African importers…

Generally, it would be important to keep up with both international and South African fashion trends so that products offered are in line with local market needs. South African buyers and manufacturers in this sector attend all of the international leather and leather article trade fairs and this would be a good place at which to network with these companies.

A presence on web portals like Leatherline would make African suppliers visible to the South African trade…

Given that a number of importers suggested that they look for new suppliers on industry web portals such as Leatherline, it would be important for exporters to register on these portals and to keep their information up to date.

Ultimately, the best way to do business is to meet potential buyers face to face…

Ultimately, a face-to-face meeting with potential buyers is the best way to do business in South Africa. Exporters who are serious about accessing the South African market need to go to South Africa to meet potential customers. A slick company presentation along with good samples, an accurate price list and detailed information on delivery and capacities are essential marketing tools at these meetings.

11. Useful contacts

Company	Website	Telephone	Fax	Contact	Email	Activity
Government						
Department of Trade & Industry	www.dti.gov.za					
Department of Agriculture	www.daff.gov.za					
International Trade Administration Commission (ITAC)	www.itac.org.za					
Industry bodies						
Skin, Hide & Leather Council (SHALC)		+27 82 4915157		Colin Gerrans, Chairman	gerrans@iafrica.com	
Feedlot Association	www.safeedlot.co.za	+27 12 667 1189:	+27 12 667 1246	Dave Ford	dave@safeedlot.co.za	
South African Footwear and Leather Industries Association (SAFLIA)		+27 31 7014111	+27 31 7 014 215	Ina Venter	ina@saflia.co.za	
Companies						
African Gameskins	www.africangameskin.co.za	+27 21 9464874	+27 21 945 3471	Denzil Spolander	jackie@africangameskin.co.za	Exotic leather trader
African Hide/Springbok Trading	www.springboktrading.co.za	+27 41 4057000	-	Steve Broughton, Marketing Director	steveb@aht.co.za	Largest hide trader in South Africa
AfriTan	www.ngunihides.com	+27 72 186 1795	+27 34 212 3648	Craig Van Heerden	craig@ngunihides.com	Game skin tannery
Alligator Luggage	www.alligator.co.za	+27 21 592 2799	+27 21 592 5299	Anthony Marks, Managing Director	anthony@alligator.co.za	Importer and distributor of luggage and handbags
Bader South Africa	www.bader-leather.de	+27 12 797 7100	+27 12 797 7150			Wholly owned subsidiary of the Bader Group in Germany. The company produces automotive leather

Company	Website	Telephone	Fax	Contact	Email	Activity
Bags Direct	www.bagsdirect.co.za	+27 21 551 9040	+27 21 551 9044	Heather, import buyer	import@bagsdirect.co.za	Importer and distributor of luggage and handbags
Cape Produce Co.	www.capeproduce.co.za	+27 41 484 4591	+27 41 484 6575		cpcgroup@capeproduce.co.za	Hide trader
Crown Footwear		+27 31 700 1601	+27 31 700 1600	Clive Wood, CEO	crown@natalsa.co.za	Footwear manufacturer
Diplomat Luggage		+27 11 616 3313	+27 11 883 2058	GiGi, Buyer	(no e-mail)	Luggage retailer
EAC	www.eac.co.za	+27 16 972 8000	+27 16 972-1404	Tharina Terblanche, Tannery Manager	admin@eac.co.za	Hide trader
Edcon Group	www.edcon.co.za	+27 11 495 6000	+27 11495 6857	Cindy Dirker, luggage buyer	cdirker@edcon.co.za	Luggage and handbag retailer
Eddels Shoes		+27 33 342 8111	+27 33 394 0907	Richard Starmer, Sales and Marketing Director	Email: richard@eddels.co.za	Footwear manufacturer
Feltex Automotive Leathers	www.feltex.co.za					One of the largest automotive tanneries in South Africa.
Gringo Leathers		+27 39 685 5345	+27 39 685 5343	Pierre Van Niekerk, Operations	gringo@venturenet.co.za	Footwear uppers
Hannitan	www.hannitanleather.com	+27 11 817 2150	+27 11 817 5259	Rudolf Hanni	info@hannitanleather.com	Furniture tannery
Hidskin	www.hidskin.com	+27 11 613 6271	+27 11 613-6708	Drinie Luttig, Administration	hidskin@hidskin.co.za	Hide trader
Hippo Group	www.hippogroup.co.za	+27 21 949 1920	+27 21 608 3594	Tracy, buyer	tracy@hippogroup.co.za	Importer and distributor of luggage and handbags
House of Busby	www.busbyhouse.com	+27 21 555 2300	+27 21 262 2719	Dennis O'Connor, Wholesale Director	dennis@busbyhouse.com	Leather goods importer and distributor
Incanda Unique	www.incanda.co.za	+27 21 863 1965	+27 21 8630 165	Gerhard van Deventer, Owner	sales@incanda.co.za	Leather furniture
Interbrand		+27 11 494 3680	+27 11 494 2912	Losha, import buyer	loshap@interbrand.co.za	Importer and distributor of luggage and handbags
Jordan Shoes	www.jordan.co.za	+27 21 590 7000	+27 21-591 0920	Stewart Francks	s.francks@jordan.co.za	Footwear manufacturer
Leather from Hart	www.leatherfromhart.co.za	+27 33 398 5700	+27 33 398 1272	W Hart		Vegetable tanning
Luggage Warehouse	www.luggagewarehouse.co.za	+27 21 683 6833	+27 21 683 5393	Chris, buyer	chris@luggagewarehouse.co.za	Distributors of luggage and bags

Company	Website	Telephone	Fax	Contact	Email	Activity
Mario Levi	www.mariolevi.com	+27 41 992 1160	+27 41 992 1163			Joint venture between Mario Levi and Ambra Leather, two of Italy's top automotive leather companies.
Michelle Footwear		(031) 450-0200	031 465 3252	Byron Ludlow, Production Manager	MikeG@michelle.co.za; byronl@michele.co.za	Footwear manufacturer
Mossop Western Leather	www.mossops.co.za	+27 21 864 9300	+27 21 864 1272	Steve Smith, Production Manager	steves@mossops.co.za	Footwear tannery
Pelts Products		+27 41 461 1515	+27 41 461 1203			Hide trader
Richard Kane	www.richardkane.com	+27 21 535 1122	+27 21 535 2244			Hide trader
Samsonite		+27 31 266 0620		Thomas O Flaherty, Managing Director	thomas.oflaherty@za.samsonite.com	Importer and distributor of luggage and handbags
Seton	www.setonco.com	+27 11 360 7500	+27 11 814 6005			Seton automotive tannery is the largest in the country.
The Matador		+27 11 788 8614		Mitch, Buyer	mitch@matadorluggage.co.za	Luggage and handbag retailer

Appendix South Africa: imports of Leather and articles of leather, 2005–2009

HS code	Description	2005		2006		2007		2008		2009		% growth 2005–2009	
		Value US$ '000	Volume tons	Value US$ '000	Volume tons	Value US$ '000	Volume tons	Value US$ '000	Volume tons	Value US$ '000	Volume tons	Value	Volume
410120	Whole bovine (including buffalo)/equine hides & skins, weight per skin not >8kg (simply dried)/10kg (dry-salted)/16kg (fresh/wet-salted/otherwise preserved)	244.0	11.8	170.3	6.2	302.1	202.9	336.0	272.5	45.2	107.3	-81	806
410150	Whole bovine (including buffalo)/equine hides & skins, weight >16kg (fresh/ salted/dried/limed/pickled/otherwise preserved), whether/not dehaired/split	7 809.7	2 833.1	1 390.0	318.5	60.3	33.1	148.3	39.0	11.9	3.3	-100	-100
410190	Raw hides & skins of bovine (including buffalo)/equine animals (fresh/salted/ dried/limed/ pickled/othwerwise preserved), whether/not dehaired/split	465.0	964.5	285.7	739.1	665.3	1 622.0	645.9	1 470.8	419.5	929.9	-10	-4
410210	Raw skins of sheep/lambs (fresh/salted/dried/limed/pickled/ otherwise preserved but not tanned/parchment-dressed/further prepared), with wool on	46.1	28.1	131.5	132.9	263.8	142.3	70.2	41.1	22.9	19.7	-50	-30
410221	Raw skins of sheep/lambs, pickled but not tanned/parchment-dressed/further prepared, without wool on	147.5	81.7	1.4	0.1	1.2	0.0	0.3	0.0	12.5	0.4	-92	-99
410229	Raw skins of sheep/lambs (fresh/salted/dried/limed/pickled/ otherwise preserved), split	37.6	20.5	0.7	0.0	0.7	0.8	14.0	0.4	5.8	0.2	-85	-99
410320	Raw hides & skins of reptiles (fresh/ salted/dried/limed/pickled/otherwise preserved), whether/not dehaired/split	102.9	12.2	62.9	2.5	56.4	2.3	831.3	16.0	207.8	3.1	102	-75
410330	Raw hides & skins of swine (fresh/salted/dried/limed/pickled/ otherwise preserved), whether/not dehaired/split	0.2	0.0	0.0	0.1	-	-	0.2	0.0	0.6	0.0	145	-40
410390	Raw hides & skins (fresh/salted/dried, limed/pickled/otherwise preserved), whether/not dehaired/split	2 549.0	228.1	1 739.3	219.1	3 618.7	381.3	2 599.4	417.8	204.7	15.7	-92	-93

HS code	Description	2005		2006		2007		2008		2009		% growth 2005–2009	
		Value US$ '000	Volume tons	Value US$ '000	Volume tons	Value US$ '000	Volume tons	Value US$ '000	Volume tons	Value US$ '000	Volume tons	Value	Volume
410411	Tanned/crust hides & skins of bovine (including buffalo)/equine animals, without hair on, in the wet state (including wet blue), full grains, unsplit; grain splits but not further prepared	24 326.1	6 889.7	23 957.5	5 949.5	24 408.5	4 863.6	17 751.0	3 397.7	5 387.1	1 919.2	-78	-72
410419	Tanned/crust hides & skins of bovine (including buffalo)/equine animals, without hair on, in the wet state (including wet blue), whether/not split but not further prepared	385.3	320.9	623.7	407.1	696.1	408.0	1 394.0	284.7	471.5	312.8	22	-3
410441	Tanned/crust hides & skins of bovine (including buffalo)/equine animals, without hair on, in the dry state (crust), full grains, unsplit; grain splits but not further prepared	3 009.5	228.7	11 034.0	624.3	31 854.3	1 741.4	28 163.1	1 593.0	10 151.7	791.8	237	246
410449	Tanned/crust hides & skins of bovine (including buffalo)/equine animals, without hair on, in the dry state (crust), whether/not split but not further prepared	2 366.3	514.0	1 064.4	202.7	1 509.8	236.7	1 640.0	229.2	1 193.8	220.8	-50	-57
410530	Tanned/crust skins of sheep/lambs, without wool on, in the dry state (crust), whether/not split but not further prepared	0.7	0.0	59.0	1.2	7.4	0.7	4.1	0.1	2.9	0.1	303	379
410622	Tanned/crust hides & skins of goats/kids, without wool/hair on, in the dry state (crust) whether/not split but not further prepared	87.8	5.4	31.7	16.8	79.3	61.9	34.2	26.5	100.7	48.3	15	803
410632	Tanned/crust hides & skins of swine, without wool/hair on, in the dry state (crust) whether/not split but not further prepared	0.6	0.2	9.5	0.8	36.1	1.9	22.5	1.1	2.1	0.0	217	-95
410640	Tanned/crust hides & skins of reptiles, whether/not split but not further prepared	12.5	0.0	24.9	1.2	85.7	0.8	34.7	0.0	10.8	0.0	-13	28
410691	Tanned/crust hides & skins, n.e.s., without wool/hair on, in the wet state (including wet blue) whether/not split but not further prepared	0.0	0.0	6.5	0.9	6.9	0.1	27.2	44.6	0.1	0.0	239	-40

HS code	Description	2005		2006		2007		2008		2009		% growth 2005–2009	
		Value US$ '000	Volume tons	Value US$ '000	Volume tons	Value US$ '000	Volume tons	Value US$ '000	Volume tons	Value US$ '000	Volume tons	Value	Volume
410692	Tanned/crust hides & skins, n.e.s., without wool/hair on, in the dry state (crust) whether/not split but not further prepared	355.1	4.5	808.6	81.6	225.8	4.1	44.9	1.8	58.1	1.8	-84	-61
410711	Leather further prepared after tanning/crusting, including parchment-dressed leather, of bovine (including buffalo)/equine animals, without hair on, whole hides & skins, full grains, unsplit	14 110.9	1 062.7	16 198.5	1 118.6	16 118.3	1 010.9	10 426.8	606.0	10 024.7	627.9	-29	-41
410712	Leather further prepared after tanning/crusting, including parchment-dressed leather, of bovine (including buffalo)/equine animals, without hair on, whole hides & skins, grain splits	6 685.3	366.6	6 850.7	384.2	6 687.2	393.6	4 165.9	234.3	14 519.5	751.6	117	105
410719	Leather further prepared after tanning/crusting, including parchment-dressed leather, of bovine (including buffalo)/equine animals, without hair on, whole hides & skins, n.e.s. in 41.07	3 334.2	336.2	3 778.6	297.8	5 622.2	395.6	2 772.6	217.6	2 049.8	207.8	-39	-38
410791	Leather further prepared after tanning/crusting, including parchment-dressed leather, of bovine (including buffalo)/equine animals, without hair on, other than whole hides & skins, full grains, unsplit	717.4	104.6	595.8	82.8	632.2	83.3	1 128.8	139.1	374.6	30.5	-48	-71
410792	Leather further prepared after tanning/crusting, including parchment-dressed leather, of bovine (including buffalo)/equine animals, without hair on, other than whole hides & skins, grain splits	5 255.0	547.7	5 409.4	536.0	4 749.4	474.3	5 311.3	510.1	4 513.6	359.5	-14	-34
410799	Leather further prepared after tanning/crusting, including parchment-dressed leather, of bovine (including buffalo)/equine animals, without hair on, n.e.s. in 41.07, including sides	8 719.1	824.5	12 857.4	1 212.0	12 873.0	1 094.2	11 351.7	1 031.3	9 182.0	1 062.7	5	29
411200	Leather further prepared after tanning/crusting, including parchment-dressed leather, of sheep/lamb, without wool on, whether/not split, other than leather of 41.14	286.1	13.7	290.9	13.6	366.8	10.5	259.8	6.2	197.4	4.6	-31	-67

HS code	Description	2005		2006		2007		2008		2009		% growth 2005–2009	
		Value US$ '000	Volume tons	Value US$ '000	Volume tons	Value US$ '000	Volume tons	Value US$ '000	Volume tons	Value US$ '000	Volume tons	Value	Volume
411310	Leather further prepared after tanning/crusting, including parchment-dressed leather, of goats/kids, without wool/hair on, whether/not split, other than leather of 41.14	1 766.6	54.1	1 607.4	49.6	1 516.5	45.5	1 365.9	40.5	1 051.4	28.7	-40	-47
411320	Leather further prepared after tanning/crusting, including parchment-dressed leather, of swine, without wool/hair on, whether/not split, other than leather of 41.14	211.6	14.2	284.1	22.3	1 382.8	29.7	2 152.7	31.6	1 120.1	28.2	429	98
411330	Leather further prepared after tanning/crusting, including parchment-dressed leather, of reptiles, without wool/hair on, whether/not split, other than leather of 41.14	1 216.8	1.7	1 183.2	2.5	1 511.8	1.4	1 406.1	1.8	166.7	0.6	-86	-64
411390	Leather further prepared after tanning/crusting, including parchment-dressed leather, of animals n.e.s. in 41.13, without wool/hair on, whether/not split, other than leather of 41.14	1 098.8	29.2	1 120.7	34.1	1 375.9	59.6	634.9	22.5	425.1	7.4	-61	-75
411410	Chamois (including combination chamois) leather	130.3	15.8	244.9	28.1	592.2	84.9	771.6	97.8	710.2	84.6	445	434
411420	Patent leather & patent laminated leather; metallized leather	540.2	27.4	856.5	48.1	1 149.6	64.5	1 013.1	35.7	1 017.6	55.7	88	103
411510	Composition leather with a basis of leather/leather fibre, in slabs/sheets/strip, whether/not in rolls	1 851.1	378.7	1 922.3	419.4	1 778.1	369.9	2 270.2	435.8	2 137.1	383.3	15	1
411520	Parings & other waste of leather/composition leather, not suitable for the manufacture of leather articles; leather dust, powder & flour	0.2	0.0	15.9	0.1	8.2	0.5	37.5	42.0	4.2	0.1	2506	96
	Subtotal: Leather	***87 870***	***15 921***	***94 618***	***12 954***	***120 243***	***13 822***	***98 830***	***11 289***	***65 804***	***8 007***	***-25***	***-50***
420100	Saddlery & harness for any animal (including traces, leads, knee pads, muzzles, saddle cloths, saddle bags, dog coats & the like), of any material	2 810	229	2 865	234	3 210	245	4 040	294	3 105	228	11	-1

HS code	Description	2005		2006		2007		2008		2009		% growth 2005−2009	
		Value US$ '000	Volume tons	Value US$ '000	Volume tons	Value US$ '000	Volume tons	Value US$ '000	Volume tons	Value US$ '000	Volume tons	Value	Volume
420211	Trunks, suitcases, vanity cases, executive cases, brief cases, school satchels & similar containers, with outer surface of leather/composition leather/patent leather	1 739	63	2 181	79	2 284	93	2 182	71	1 972	59	13	-6
420221	Handbags, whether/not with shoulder strap, including those without handle, with outer surface of leather/composition leather/patent leather	2 434	50	3 857	80	5 506	-	6 422	82	6 119	-	151	-100
420231	Articles of a kind normally carried in the pocket/the handbag, with outer surface of leather/composition leather/patent leather	2 277	44	2 805	1 230	4 149	216	5 663	243	4 735	271	108	515
420291	Trunks, suitcases, vanity cases, etc. of leather/composition leather/patent leather	1 170	39	1 523	544	2 010	215	2 154	172	1 336	100	14	156
420310	Articles of apparel, of leather/composition leather	19 995	1 251	22 259	1 769	15 296	2 074	8 286	1 067	5 226	2 182	-74	74
420321	Gloves, mittens & mitts, of leather/composition leather, specially designed for use in sports	2 303	111	3 363	145	2 869	126	2 870	112	2 565	110	11	-1
420329	Gloves, mittens & mitts, of leather/composition leather other than those specially designed for use in sports	8 263	2 163	8 488	2 252	10 290	2 713	16 331	3 283	11 591	2 361	40	9
420330	Belts & bandoliers, of leather/composition leather	3 092	925	3 668	1 058	3 884	1 080	3 628	1 140	3 857	1 186	25	28
420340	Clothing accessories (excluding those of 4203.21-4203.30), of leather/composition leather	1 432	161	3 027	297	1 059	167	1 101	128	1 048	1 131	-27	602
420500	Articles of leather/of composition leather, n.e.s. in Chapter 42	3 451	218	3 501	357	3 467	388	2 577	376	2 595	354	-25	62
	Subtotal: Articles of Leather	***48 965***	***5 255***	***57 538***	***8 045***	***54 025***	***7 317***	***55 255***	***6 968***	***44 150***	***7 982***	**-10**	**52**
Grand total		**136 835**	**21 176**	**152 156**	**20 999**	**174 267**	**21 140**	**154 085**	**18 257**	**109 953**	**15 990**	**-20**	**-24**

Source: Based on ITC TradeMap data.

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