

Endangered species? If leather becomes scarce and expensive, some industry observers argue that shoe manufacturers will increasingly be driven to use alternative materials.

CREDIT: MICAM



More or less leather

Pressure in the beef and leather supply chain that began during 2010 has continued into this year, with the inevitable consequences for footwear manufacturers of high demand for increasingly scarce raw materials, and high prices for the leather they are able to buy.

There was a drop of around 1% in global beef production in 2010 compared to the previous year. The figure for last year, which comes from the United Nations Food and Agriculture Organization (FAO), is 65 million tonnes. This is clearly still a large amount, but with demand increasing from developing economies in Asia, the Middle East and eastern Europe, the beef industry might have hoped to hold its production figures steady.

Argentina has put its hand up to take the blame for the decline. From a cattle slaughter average of around 13 million to 14 million head in recent years, the 2010 figure is likely to be well under 12 million.

The country's livestock population also fell during 2010 by 15% compared to 2008, from 60 million head to 50

Fewer cattle going to slaughter means less leather in the footwear supply chain. That's the situation at the start of 2011, and the leather that is available is likely to go up in price. Industry commentators believe this makes it inevitable that shoe brands will build increasing amounts of synthetic material into their forthcoming collections. Our informal research suggests many smaller brands are resisting and will stand by leather.

million, while domestic beef consumption fell from 68 kilos per person per year to 55 kilos. Beef exports for the year were down by around 50%.

According to Argentina's leather technologists and chemists society (AAQTIC), it could take up to four years



Argentina's cattle herd, beef production and hide availability all decreased in 2010.

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to build livestock and slaughter totals up again and the organisation warned that a further decline in 2011, perhaps to under 11 million head, is possible. Unsurprisingly, it said this set of circumstances has had a serious effect on the tanning industry in Argentina because tanners found raw material to be scarce and expensive during 2010.

This problem is far from unique to Argentina; one of the principal issues tanners around the world are experiencing at the moment is that their raw material costs have gone up, and their supply pipeline is even more unpredictable than usual.

Brazil exported 27.3 million cattle hides during 2010, but here too slaughter and hide availability were falling towards the end of the year. In the third quarter of 2010, Brazilian packer firms made 6.4 million hides available to the market (domestic and export). This represented a decline of 6.1% compared to the same quarter in 2009 and of 2.4% compared to the second quarter of 2010. The value of the hides has gone up, but the volume has gone down, making the raw material for bovine leather more scarce and more expensive. Depending on the type of hide, the material is also in great demand among tanners who specialise in automotive upholstery and leathers goods.

Tanners in Argentina looking for affordable alternatives, especially the currently very popular sheepskin, have complained that Chinese tanners have outbid them, taking all available Argentinean sheepskin from under their noses. Tanners have complained of a lack of raw material after what they have called "an explosion in demand" for skins from rivals in China. Chinese tanners are reported to have been paying as much as \$8 per raw skin, while local tanners pay only \$5 and feel it would be impossible for them to pay more.

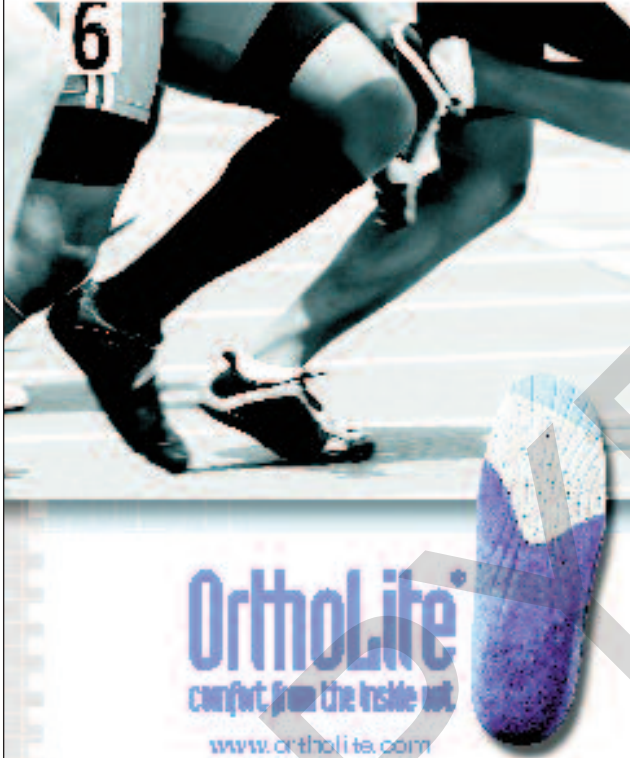
Of course, tanneries in China supply domestic footwear manufacturers who, together, had produced 3.5 billion pairs of shoes with leather uppers during the first ten months of last year. Over the whole of 2010, Chinese footwear producers exported a billion pairs of leather shoes. In the face of these figures, and the current situation in the global leather supply chain, it's no wonder Chinese tanners are scouring the globe to a greater extent than ever before to find raw materials.

From the very start of 2011, we have been hearing about footwear producers working hard to combat their leather dilemma and industry observers have made it clear to us that they believe a reduction in the amount of leather in their material mixes is sure to happen in upcoming collections. This appears inevitable for mass market footwear brands: leather is hard to source at the moment and prices are going up; plastic, rubber and canvas can play more of a role.

Athletic and outdoor brands possibly feel they have the greatest scope to do this successfully. If they get the look, the colours and the viral marketing (using social media and hand-picked celebrity endorsements) right, their target consumers will forgive them for using less leather; a huge proportion of their target consumers is unlikely even to notice.

Athletic and outdoor brands, including Ugg, Merrell, Timberland, Keen, Nike, adidas, Columbia, Skechers, New Balance and Vamps, sold a combined 990 million pairs in the US market alone in 2009, an estimated 45% of all shoe sales there in that economically difficult year. Most of these companies have been reporting strong quarterly performances since then and are growing in key markets around the world and appear unconcerned about the

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In the young fashion space there is appreciation among new designers and brands of the beauty and quality of leather.

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impact a decision to use less leather might have on their success.

Big numbers matter a great deal, but this story would be incomplete without the perspective of other, smaller, footwear brands that *World Footwear* has spoken to in recent weeks. Many of them see things differently. If you are aiming to compete at the higher end of the shoe market, it appears that leather does still matter very much and will continue to do so as the year goes on, in spite of rising costs. "We are working with the same amount of leather in our collections for 2011," says Douglas Chicaroni, of Brazilian brand Albanese, which supplies high-end stores in 37 countries with fashion shoes for men. "We made this choice to keep our quality up and to stick to our strategy." Portuguese brand Jonita is another that says it will be buying the same amount of leather this year.

Renato Cendella, who founded his own-name brand in one of Italy's most iconic shoe locations, Vigevano, in the 1970s, focuses on sandals, moccasins and ballerinas and

is taking a similar approach to the current situation in the raw materials market. "For our new autumn-winter 2011–2012 collection we'll use the same quantity of leather as for previous collections because we sell high-quality shoes, 100% hand-made in Italy and we like leather—especially nappa, calfskin, suede and kidskin—more than any alternative materials," Mr Cendella explains. "Our product is young-classic, and good leathers are the right material for our kind of shoes and for our taste."

Another Italian brand, Remo Shoes, from Pistoia, is taking this even further. The focus here is on men's shoes, with the emphasis on quality rather than quantity. Remo Shoes supplies international brands and a number of high-end boutiques and department stores around the world and will, says sales manager Remo Papini, be buying more rather than less leather this year in response to what he calls "interesting orders" from customers.

Ismet Doganer of Istanbul-based brand Inuovo is of the same mind. "We'll use more leather because our orders are increasing, so our consumption of leather will have to go up. We want to use more leather because if we make shoes from alternative materials (such as polyurethane) we will find ourselves unable to compete on price with rivals from China prices. We'll continue making leather shoes."

And, finally, Charlie Nicole, a young designer who is already supplying two footwear brands in Italy—Dema and Alberto Zago—with shoes and boots aimed at young women, proves that leather still matters in the young fashion footwear segment too. Ms Nicole explains: "We're suppliers to the mid- upper-end footwear market and, as such, find that demand from our main clients is still for top-grade leathers. I think this is due to their position in the marketplace and to justify their margins. For this reason we will be using the same amount of leather as before."



Outdoor and sports brands such as Columbia may be the most inclined to use less leather in their material mixes.

CREDIT: COLUMBIA

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