



Strong growth is predicted for automotive leather for use in premium motor vehicles.

CREDIT: BMW

A future perspective

David Peters runs DLP, a specialist consultancy offering an advisory service for the leather industry. He has over 40 years experience including executive and management roles across the entire leather supply chain including GST, one of the largest automotive leather producers in the world. If anyone can forecast the future of the leather supply chain, he is surely well qualified.

At a conference entitled The Future of Automotive Leather, organised by sister magazine *World Leather* and cutting technology provider Lectra in Bordeaux

earlier this year, he suggested that by 2020, up to a billion extra square-feet of finished leather may be required to satisfy the increasing demand for leather upholstery in motor vehicles. Mike Tomkin, sustainability director of leather chemicals manufacturer Stahl, goes along with this and says that a major reason lies in the extra profit margin car manufacturers can make when an additional €200 or €300 manufacturing cost can yield around €2,000 extra on the selling price. Peters went on to say that this would inevitably have a negative affect the footwear industry.

STARTLING PREDICTIONS

He does however admit that this figure of one billion square feet is the maximum projection but, at the same time, points out that even if the true figure ends up being 50% of this, tanners in 2020 are going to have to find hundreds of millions more square-feet of finished leather for their automotive customers than they do today. And, crucially, this will be in the context of declining herd sizes and falling slaughter rates in many parts of the livestock and meat industry. Hence his suggestion that far fewer hides will be available in 2020 for shoe leather and

other applications.

Ronan Noizet, a Paris-based senior analyst at specialist automotive analyst firm IHS expects growth of 18% in the global automotive market between now and 2020, with manufacturers adding more than 15 million units to their collective total annual sales by then. He predicts that sales of premium vehicles, which currently account for 10% of the total market, will grow even more quickly and by as much as 32%. Looking even further ahead, IHS also believes this healthy overall growth will continue until at least 2025 as global incomes continue to rise.

FINITE RESOURCE

Herd sizes in important countries such as the US are at their lowest in decades for, mostly, economic reasons and Peters believes they they will stay there and that hide availability will therefore remain constant between now and 2020 at around 275 million per year. At the same time, animals are becoming bigger with the average live weight of US cattle up from 450kg in 1978 to 570kg in 2013 so hides are bigger, making it possible to produce more square-feet of finished leather per hide. He has statistics showing there are 44 tanning companies in the world currently producing automotive leather from 45 million hides per year giving an output of two billion square-feet of finished leather at an average of around 45 square-feet per hide.

Naturally, should this all come about, beef production will not be affected one iota. Hides are a by-product, the 'wrapper' that the meat comes in. An increase in demand for hides from any tanner or car manufacturer will not put a single extra cow in a field or feedlot anywhere on earth. Only an increase in demand for beef and favourable market conditions can put extra hooves on the land and in these uncertain times, these factors are but two of many.

NUMBER-CRUNCHING

If the IHS predictions prove to be accurate, Peters works out that overall growth and, in particular, even sharper growth in the premium segment, will lead to an increase in leather demand of 47% by 2020. This would mean automotive tanners consuming more than 66 million hides a year. He thinks

this is too much and that it might in fact be more like nine million and that the global automotive industry will consume 54 million hides or 400 million square feet per year. This is still an alarming amount to take out of a resource of raw material that is unlikely to grow by much, if at all. So, if this scenario does come about, where are automotive tanners to find it? Footwear would seem to be the obvious target.

Peters points out that many of the big athletic footwear brands are already replacing leather with synthetic substitutes, which are far more attractive because of the low oil price, or using more canvas or split leather. Plenty of manufacturers in other segments, however, continue to prefer leather as the main material for their shoe uppers. He suggests they consider using alternatives such as goatskin, sheepskin or pigskin which car manufacturers cannot.

NOT PRACTICAL

As any shoe manufacturer knows, this is not really practical for a number of reasons which is why bovine leathers have always been the material of choice over the centuries for the vast majority of footwear.

Goatskins are small in area making them uneconomic for cutting men's shoe uppers and although having a tight fibre structure are also very thin and so are generally only used in ladies shoes where they offer an alternative to calf. Sheepskins are again small and also have a loose fibre structure so that the finished leather has a much lower tear strength. Pigskin is very compact and strong but unfortunately has a unique fibre structure where the bristles go through the skin making it impossible to produce a plain smooth leather.

While these all have their places in footwear manufacture, they cannot replace bovine leather for the vast majority of everyday footwear for these simple reasons. Switching to these suggested alternatives would also create real problems for tanners who are used to processing bovine raw material. These smaller, lighter skins would need substantial investment in new machines to handle them and a retraining of staff to cope with the different techniques they require.

YES OR NO?

If the world economy continues to grow as hoped, then increased disposable incomes across the world could well lead to the sales predicted by IHS. Indeed, car manufacturers are extremely bullish about a long term growth in the premium sector well through the 2020s. Should this all come about, what effect would it actually have on the footwear industry?

Projections are always just that: projections. They are subject to so many uncertainties to be otherwise. Bearing this in mind, the world's total footwear production in 2020 could be around 28 billion pairs with a possible 12 billion of them featuring leather uppers. If we take Nozet's projected 47% increase in demand by the automotive industry, this equates to 21 million extra hides or, at 45 sq. ft per hide, 945 million sq. ft of finished leather. Peters' lower figure of 9% gives us nine million hides and 405 million sq ft respectively. Allowing an average cutting area including wastage of say 2.5 sq ft per pair and these two extremes represent 378 million and 162 million pairs respectively. Set against a global total of 12 billion pairs, even the worst case scenario represents only some 3%.

This is hardly a cause for serious alarm, more of a warning shot across the bows. The footwear industry needs to be aware of this possibility and to also bear in mind that there are other industries also pushing for a greater share of the world's leather supply. The demand for leather furniture will also grow with an increase in global affluence simply because leather is seen as a luxury material and the products made from it something of a status symbol as in the case of the premium car market.

We live in a very uncertain world and quite what will happen over the next five years is anybody's guess. Underlying trends will however continue and the long term outlook for footwear producers is likely to be that more and more shoes will have to be made from synthetics and, where leather continues to be used, prices will inevitably rise. As already noted, it is not yet a cause for alarm, more an indication as to what may well happen in a few years time. It would therefore be wise to keep an open mind as to future strategies. 