AFRICA’S RENAISSANCE AND POTENTIAL IN THE LEATHER SECTOR WITH REFLECTION TO THE GLOBAL PERFORMANCE

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Abstract

Africa’s renaissance is inevitable and rapidly emerging as a reality in tandem with the continent’s continued exploration of its natural resources in a more sustained way than previously done. Currently, the clarion call is to value add, avoid plundering and involve its population through the SME’s to adapt modern methods of entrepreneurship. During the study, critical aspects that are envisaged to trigger the growth and development of Africa, included the entry of major countries of the continent into the global emerging markets such as MINT (Mexico, Indonesia, Nigeria and Turkey) and BRICS (Brazil, Russia, India, China and South Africa). For the leather sector, certain socioeconomic indicators such as the youthful participation in the value chain, ownership status, literacy levels and acquired experiences are all contributing to a vibrant sector. It was observed that these indicators if well aligned with individual member states of African Union Commission and structured than productivity and competitiveness of leather products will be attained. As such, ease of either foreign direct investment, local recapitalization and development of the SME’s could become feasible. Indeed, with the emergence of over 300 million youth at middle level income level is construed to start building on the impact of the continents purchasing power. Therefore, Africa needs to respond by address on development of ICT, develop affordable financial support to provide stimulus packages to SME’s (Small and Medium Enterprises) to transform, improve on inter and intra trade to optimize on unexplored synergies and enhance mobility of persons with in Africa as preamble to Africa’s renaissance.

Keywords: Leather sector, Value chain, Small and Medium Enterprise (SME).
INTRODUCTION

The global statistics indicate that the livestock population stands at approximately 3.5 billion heads of cattle, goats and sheep depicting a ratio of about 0.5:1.0 to that of human population estimated at 7 billion. Different sources place the cattle population at 1.3 billion. Whilst, Food and Agricultural Organisation (FAO) depict 1.59 billion cattle in the world (FAO, 2011). The overall global leather production in the world is 23 billion Sqft annually of which 65% is used for the footwear industry (Mwinyihija, 2011; FAO, 2011). This represents 14.9 billion Sqft of leather directly used in this market segment with the difference of about 8.1 billion Sqft (35% of the production) applied to other types of leather products development. For example, the same source estimates that the global production of other leather use include garments (10%), auto industry (10.2%), Furniture (14%) and other leather products (8.0%).

Regional wise, FAO data indicates that in millions: South America had 450; North America 191.94; Oceania 47.19; Europe (including former USSR) 353.6; and Asia 1,554.22. Currently, there are more sheep than goats worldwide. However, in Africa, generally it is the goat population that is higher compared to sheep (Mwinyihija, 2011).

Africa’s productivity when compared with the total global livestock population, stood at 21% of the world population. Further stratification global wise, show that Africa has approximately 16% of bovine, 29% of caprines and 24% of ovines. Current livestock data in use in most African countries are based on projected estimates as censors on livestock has not been undertaken for as long as two to three decades. Interestingly, for countries that have carried out livestock censors in recent time (e.g. Kenya, Uganda and an aerial survey in Sudan), it was found that the actual numbers were grossly underestimated with newly retrieved data depicting more than fifty percent increase compared to projected estimates used in the past. Thus, the prospects for undervaluing livestock population in Africa is possible, so are the related accruable benefits along the agro-based commodity value chain such as the leather sector.

The leather value chain in Africa exhibit much lower production level qualitatively, quantitatively and value-wise. For example, the production levels of hides and skins stands at 14.05% when compared to the rest of the world production that is estimated at 1,303.3 million pcs of hides and skins whilst Asia dominates with 54.01% with the lowest being North America with 4.4% (FAO, 2011; Mwinyihija, 2011). Yet, these data are depicted in the background of Africa’s 26.32% share in the global livestock population.
Irrespective of the presented data indicating the poor position of the continent's productivity there is a great potential that has remained unexplored. As such, this scenario provides the importance of the leather production chain starting from the raw hides and skins to leather, leather goods, and footwear. Thus, forms the axis and opportunities related to the renaissance of Africa’s economic prowess through some of the unexploited agro-based commodities such as leather. Indeed, the importance of the emerging growth and development of the leather sector will go a long way in addressing poverty, unemployment, rural development, and gender parity. This ideological inclination is becoming feasible as the world trends indicate a shift of leather production from the west towards Asia and depicting strong signaling of investment and improvement favoring Africa’s leather sector (Mwinyihija, 2014b).

Therefore, with such a background stated, the paper attempts to review various sources of leather production at the global level and comprehend the shifting rends that potential may cause the renaissance of Africa leather sector. Finally, existing data will also be reviewed to ascertain if potentially such trends are significant and tangible to cause an impact to Africa through identified socio-economic indicators such as productivity, employment, income, etc.

METHODOLOGY

This paper was adapted from a designed desk study which entailed an extensive review and analysis of the existing reports and literature. Some primary data was also used from research carried out by Mwinyihija (2014a) to supplement secondary information whose availability and quality was sometimes limited. Data was analysed by descriptive statistics. A situation analysis of selected African countries was also undertaken to provide indicators of the leather sector productivity dynamics within the value chain as indicated in Figure 1.0.

DISCUSSION

The global scenario intimate Asia as a global giant in the production of leather products including footwear with 82.8% of the total production estimated at 12.03 billion pairs (Mwinyihija, 2014b). Table 1 depicts statistics covering the global footwear production categorized continental wise. The tabulations indicate that Africa has only 1.3% of the global production, yet has a huge demand to satisfy within the continent from its population currently estimated at 1.1 billion. With a shoe per capita/person/year of 0.80 the continent requires more than 800 million pairs per annum (see Figure 2). The unexplored opportunities have created ambience for an emerging market in the continent. As such, Africa is envisaged to benefit from the emerging markets within the leather sector by accrual of high earnings due to ever improving demand as demonstrated in Figure 2.

The projection of Africa’s demand till 2030 is promising in attracting investments towards enhanced footwear productions, if only interventions towards such a venture are addressed. As observed current and projected shoe productions are insignificantly increasing and not meeting the progressively increase in potential demand of shoes. This scenario obligates
Africa to resort in filling the gaps through importing footwear from outside the continent. Figure 3, strongly indicates the huge imports flowing to Africa from elsewhere as exemplified in COMESA region depicting the period covering 2000-2010.

![Generic Leather Value Chain Depicting Primary, Secondary and Tertiary Classification](Image)

Source: Author

Figure 1. **Generic Leather Value Chain Depicting Primary, Secondary and Tertiary Classification**
Table 1. Continental footwear production (including synthetics) totaling 12.03 (Billion pairs) (Mwinyihija, 2014b)

<table>
<thead>
<tr>
<th>Continent</th>
<th>No of Pairs (Billions)</th>
<th>% Representation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia</td>
<td>9.98</td>
<td>82.8</td>
</tr>
<tr>
<td>South America</td>
<td>0.83</td>
<td>6.9</td>
</tr>
<tr>
<td>Europe</td>
<td>0.63</td>
<td>5.3</td>
</tr>
<tr>
<td>North America</td>
<td>0.30</td>
<td>2.5</td>
</tr>
<tr>
<td>Africa</td>
<td>0.15</td>
<td>1.3</td>
</tr>
<tr>
<td>Oceania</td>
<td>0.14</td>
<td>1.2</td>
</tr>
</tbody>
</table>

Source: Mwinyihija, 2013

Figure 2. Africa’s shoe production (Mn pairs) related to expected potential demand (1950 – 2030).
Africa’s Renaissance

Africa has a huge natural resource base which at most remains unexplored as export of raw material remains the norm. However, this observation reflects on the vast opportunities available for Africa and encouragingly, many member states of African Union Commission (AUC) through the regional economic communities have embarked in developing appropriate policies that encompass industrialization, trade and migration (Klavert, 2011). These factors are important in steering towards the realization of regional integration. As such, all is not lost in the continent as positive aspects that indicate the awakening of the continent are starting to emerge. According to World Bank (Press release, 2014), Africa is expected to have a GDP of 2.39 trillion and a growth average of 5% in 2014 and anticipated growth increase of 5.2 % during 2015-16 period.

Preview of emerging economic markets

Important economic blocks such as BRICS (Brazil, Russia, India, China and South Africa) and MINT (Mexico, Indonesia, Nigeria and Turkey) are envisaged to play a pivotal role in Africa’s renaissance by creating a potential for the development of its socio-economic indicators. Especially, when members of these blocks, such as Nigeria and South Africa represent the largest economies in Africa and also actively involved in intra and inter trade in the continent as well and become determinants of foreign direct investments in the strongest economies globally (Akpan, Isihak & Asongu, 2014).

Statistics indicate that BRICS assets under management had its funds fell to €9 billion at the end of 2013 from €21 billion. Irrespective of this performance, BRICS encompassed 3 billion people with a GDP of over $16 trillion compared to the United States of America (USA) $16.8 trillion and European Union (EU) $17.3 trillion. It is estimated that BRICS has a combined foreign reserves totaling $4 million dollars.

In comparison, MINT which is already projected to be the next economic powerhouse is characterized to have a more youthful populations, useful geographical placement and being a commodity producer except for Turkey (Durotoye, 2014). However, Turkey’s strength is on its technological advancement and ability to value add products to global compliance to standards and quality assurance (e.g. leather, textiles etc.). Furthermore, MINT demographics stand at 0.6 billion people and GDP of over $3.1 trillion. The combined foreign reserve for the economic block is still undermined.

With Africa entering the preparatory phase of its renaissance, it is important to draw learnt
lessons from another successful economic block like the Association of South East Asian Nations (ASEAN). This community is considered as the fastest growing economies in Asia. The ASEAN community include countries like Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam. In this economic community which is considered the most progressive financial center, are engaged with advancement in the manufacturing of information technology (Kawai & Wignaraja, 2011). The ASEAN stats indicate that it has 0.6billion people with a GDP in US$ of over 2.3trillion. As such, unlike for BRICS and MINT where Africa’s presence was conspicuous, the ASEAN community avails important aspects that could assist Africa explore and add value to its natural resources.

Relevance of Africa to the economic emerging markets
In Africa, more countries are redefining their economic status (through review of their national GDP’s) from low to middle and high performing economies. According to Cilliers, Schünemann and Moyer (2015) the indicated that only six countries in Africa had economies with GDP larger than US$ 100billion measured in real market exchange rates which are: Nigeria (536Billion), Republic of South Africa (454) and Egypt (263 Billion), Algeria (233Billion), Angola (126Billion) and Morocco (116Billion). Others such as Kenya (2015/16), Uganda (2015/16), Tanzania and Ethiopia (2018) etc. are prospecting on reviewing or have already initiated the process of re-evaluating their GDPs towards middle income levels. With such reviews in place, all indications are displaying signs of increased wealth and affluence in most parts of the Africa. For example, according to World Bank Nigeria is envisaged to continue displaying strong positive growth between 2012 where it occupied 39th global position to a projected position 13th in 2025 as indicated in Figure 4a&b. Of fundamental importance some of Africa’s giant have become influential members of emerging economic blocks such BRICS and MINT.

Nigeria is a member of such an economic block known as MINT (Mexico, Indonesia, Nigeria and Turkey) whose other members are also foreseen to improve their economic status strongly both as individual countries and/or as an economic block. South Africa is another African country belonging to an important emerging economic block known as BRICS (Brazil, Russia, India, China and South Africa). Therefore, membership of some of the leading African economies in such economic blocks becomes fundamental in Africa’s renaissance radiating positive signals towards its realization which could happen sooner rather than later.
The continent draws its strength from a strong agro-based commodity sector which as indicated earlier requires a well strategized value addition initiative. However, appropriate
measures are required for successful value addition initiatives to be attained in Africa (Assey Mbang, 2013). Some of these include addressing the overriding policies in the continent which remain high. Thus, there is need to harmonize and refocus the policies for specific sectorial development, such as, the leather sector due to its high ‘trickling down’ effect. Furthermore, this effort could be complimented by enhancing value creation along the leather value chain to improve on its productivity.

The productivity of Africa’s leather and leather goods market is low whilst the demand for shoe footwear continues to increase annually and projected to respond positively towards 2015 as indicated in Figure 2. The lack of servicing this demand is equally demonstrated in the COMESA region currently requires over 350million pairs per annum with a production of 85million pairs from within its member states (Mwinyihija & Quiesenberry, 2013). The balance of what is not produced is therefore sourced from outside the region as illustrated in Figure 5.

![COMESA Footwear Imports](image)

Source: COMESA-LLPI

*Figure 5. Depiction of imports trend from COMESA to meet footwear deficits 2002-2012.*

**Africa's opportunity and potential towards its renaissance**  
Level II heading

The emerging socio indicators in Africa depict a strong human activity inclined towards sustainable development and growth. For example, studies by Mwinyihija (2013; 2014c) indicated that the prospects of Africa’s processing of leather and manufacture of leather goods lies in its strongly engaging youthful entrepreneurs aged between 30 – 39 years old. In contrast, producers who are mostly livestock owners or buyers, butchers (or slaughterhouse owners) and traders (who form the majority of the middleman in the supply chain) are between 49 – 59 years old (Figure 6). Importantly, prowess to entrepreneurship based on age is also dependent to appropriate educational levels and linked potential of acquiring of appropriate skills.
The stability of youth entrepreneurship in leather processing, in tandem to age and skills, also encompasses the educational background of individuals. The literacy levels of the leather sector sampled indicated that most of the value stratum players have a minimum of 12 years of education (Figure 7). Indeed, specific and conspicuous results showed that the tanners (100%), leather goods (83.3%) and footwear (85.7%) manufacturers had 12 years or more of education.

The aspect of looking closely to age, skills and educational levels in the leather value chain is an important factor in demonstrating the prospects of Africa’s potential to growth and...
development. For instance, good literacy levels shown, creates an opportunity for: developing highly skilled manpower due to improved perceptive levels; a platform for technology transfer and capacity building; potential to innovation and product development. Moreover, majority of the core stakeholders within the leather value chain have acquired experience varying between 5 -30 years which further solidifies their strength in the sectors and prepares them for enhanced value addition initiatives (Figure 8).

Figure 8. A depiction of the leather strata in relation to acquired experience (2014b)

Thusly, when considering age, skills, educational background as mentioned earlier, it is the acquired experience which solidifies knowledgeability and resourcefulness and becomes pertinent in exploring the opportunities in the value chain. However, at the global arena ownership is also a critical factor in foreseeing the prospects and sustainability of the leather sector in Africa. Figure 9 indicates that Slaughter houses, leather goods and footwear are individually owned unlike Tanneries which are family owned and also employs more as a unit. The basis of this observation is that tanneries are older in establishment than the other enterprises as such tanners tend to be at 2nd and 3rd generation stages at most in Africa whilst in India some are at 4th and beyond.
The type of ownership at the global stage has been an aspect of current debate. According to The Economist (of April 18th-24th, 2015), it is reported that family business continue to dominate global business with an estimated 90% or more either controlled or managed by families. The same report attributes that family businesses which at most are small to medium enterprises (SME’s), have higher sense of ownership, minimize on weaknesses and capitalize on their operational strengths, focus on short term results and agency problems (potential conflict of interest between owners and managers). This is characteristic of most of the European and Asiatic enterprises that have remained successful irrespective of several economic turbulence in the past. Furthermore, this is reminiscent also of Africa’s business set up where most enterprises are between small to medium level and run as individual or family administered units. As such, the focus on Africa’s development of the leather sector is geared towards the SME’s. According to studies carried out there are indications that 63million SME’s are estimated to be operational in Africa. It is envisaged that within the SME’s (mostly operating in the informal market) underlying potential and unexplored opportunities, the renaissance of Africa lies. It is estimated that there are 63million SME’s in Africa mostly operating in the informal sector. These units can be facilitated and incentivized to meet some of the sectorial demands demonstrated earlier and produce competitively for the vast and unexploited market in Africa.

The other cycle of events at the global level was the shift of production from Europe to outside Europe particularly in the leather and textile sectors (e.g. Asia). This was especially conspicuous when European Union implemented strict environmental compliance under REACH (Registration, Evaluation, Authorization and Restriction of Chemicals) which entered into force on 1 June 2007 although most experts deemed the projected impacts to be short termed (Scruggs, Ortolano, Wilson and Schwarzman, 2014). REACH is a regulation of the European Union, adopted to improve the protection of human health and the environment.
from the risks that can be posed by chemicals, while enhancing the competitiveness of the EU chemicals industry. Thus, with the requirements for European manufacturing firms to comply to REACH has resulted to the relocation of most the enterprises to Asia particularly in China where the conditions were not as strict and their labour costs were also much lower (Figure 10). Immediately after 2007 China took over production and trade exports of manufactured goods by leap folds particularly to Africa. However, currently, China is becoming stricter with compliance towards environmental conservancy taking central stage (Faure, 2012). Labour cost are also increasing and China is starting to look more towards Africa to meet their domestic and international demand (Figure 11). This also applies to India where 65% of their imported material for leather processing is sourced from outside India with Africa supplying most of their requirements especially when the Leather sector in India has set a target a turnover of USD 27billion by 2020 from the current USD 12Billion in 2012/13 period.

Source: COMESA-LLPI

Figure 10. Impact of REACH towards Trends on China Versus European Union (EU) Trade focusing to Africa Markets.
When these trends in labour costs are related to the leather sector’s minimum wage at artisanal levels and compared to other randomly selected countries globally including Africa, the opportunity towards the continent’s renaissance becomes even clearer (Figure 12). It is observed that China current labour costs at US$ 1.90 is way above most of the countries depicted in Figure 12 translating it to become less competitive. However, mechanization of its footwear industry has assisted in maintaining itself as the prime producer of shoes globally.

Source: Various

Figure 12. Average labour cost per hour (all inclusive) at artisanal levels in selected countries for 2013.
Most of the African countries except for South Africa which is higher than India as shown in Figure 12, exhibits lower labour costs to attract investments and remaining competitive. To complement the labour cost, considering productivity per person per day is equally an important function of competitiveness. Therefore, Africa has to refocus on transforming the SME’s into productive units to take advantage of its low labour costs as well as improving on their average production of 2-3 pairs per person per day (Figure 13).

Figure 13. A depiction of the leather strata productivity levels of SME’s and relation to its breakeven points and optimization (Mwinyihija, 2014c).

India and China are currently producing at SME level at more than 20 pairs per person per day whilst under mechanized production China moves its production even higher per person per day to 40 pairs. With such a scenario, as further indicated in Figure 13, Africa requires to move to 12-15pairs per person per day to break even and start becoming competitive. Thusly, through capacitation of the SME’s, adaption to clusters as an operational approach, Africa could easily be prepared to be the next spot for the development of the leather sector due to the dynamics mentioned in this paper.

Conclusion

The attainment of Africa’s renaissance will require mainstreaming its financial infrastructure (e.g. Banks and other related institutions), agro-based commodity sectors, vibrant stock markets, inter/intra trade policies and pursuance of borderless links for its people’s free movement. This is a critical observation in the continent’s renaissance as the last 10 to 15 years has witnessed increased investor interest, employment, literacy levels, degree of ownership and overall growth as deeply discussed in this paper. This interest has encompassed both Foreign Direct Investments (FDI) and local recapitalization efforts from the indigenous population of the continent. In an effort to sustain developmental momentum, Africa Union Commission (AUC) through its recently launched Strategic Plan (1915-2063) and
other related regional economic bodies (e.g. COMESA (Common Market for Eastern and Southern Africa), SADC (Southern African Development Community), ECOWAS (Economic Community of Western African States) etc.) have pursued developmental agenda that are intended to transform Africa. These organizations are all striving to reducing risks in their respective regions and Africa at large by addressing aspects such as political instability, regional infrastructural problems, currency volatility and limited equity opportunities. Current momentum to ensure such an endeavor is sustained has emerged and is thereof contained in the ongoing tripartite discussions. This engagement is at an advanced stage between the regional economic communities such as EAC (East African Community), SADC and COMESA to create a common market through harmonized tariffs, free movement of persons and increased intra-inter trade in the region. The leather sector is poised to immensely benefit from such a maneuver as raw material could flow to countries within the region that have appropriate leather processing facilities. Ultimately, with collaborative initiatives of all leather value chain players is the aspiration of attaining renaissance through SME’s that can match style, design and price of their products attained though high quality finished leathers.

References


