

## **Leather Cost Update, Trends and Issues You Should Know**

Leather is a durable and flexible material created by tanning animal rawhides, mostly cattle hide. It can be produced at manufacturing scales ranging from cottage industry to heavy industry. Sheep, goat, pig and other leathers are also used in footwear. Much of the leather used in footwear today is made in China, India, Vietnam, Korea and Italy. Leather is used to make various goods, including footwear, automobile seats, handbags and belts, balls (baseballs, basketballs, footballs) clothing and in furniture. It is also used in bookbinding and for saddles and gun holsters.

Leather used in footwear has had very little change over the years. Waterproof leathers were created 40 years ago. Soft leathers with pebble look were created 40 years ago. Leather companies are looking for new ways to present their leathers. Current trends in leather are stories of recycled and eco-friendly.

The earliest record of leather artifacts date back to at least 2200 BC.

Cattle hides come from beef procuring countries and have different characteristics depending on how they are raised and the climates in which they live. Cattle take approximately 18 months to grow to maturity in US and 3 years in south America and other countries.

	US Hides prices							
	2011	2012	2013	2014	2015	2016	2017	2018
Jan	\$ 79.63	\$ 72.75	\$ 94.75	\$ 104.80	\$ 102.80	\$ 70.63	\$ 74.23	\$ 62.95
Feb	\$ 82.75	\$ 76.88	\$ 95.25	\$ 108.94	\$ 102.88	\$ 67.94	\$ 75.75	\$ 61.38
Mar	\$ 87.20	\$ 83.50	\$ 97.25	\$ 111.38	\$ 103.63	\$ 72.50	\$ 75.31	\$ 59.13
Apr	\$ 84.00	\$ 84.00	\$ 101.50	\$ 111.88	\$ 95.80	\$ 72.30	\$ 70.25	\$ 55.25
May	\$ 84.00	\$ 84.75	\$ 100.50	\$ 106.60	\$ 92.50	\$ 71.25	\$ 65.75	\$ 51.25
Jun	\$ 85.40	\$ 82.88	\$ 100.50	\$ 106.63	\$ 83.38	\$ 74.13	\$ 65.45	\$ 47.94
Jul	\$ 85.00	\$ 84.38	\$ 98.90	\$ 107.00	\$ 70.40	\$ 73.25	\$ 61.75	\$ 43.50
Aug	\$ 83.88	\$ 85.00	\$ 94.75	\$ 110.75	\$ 73.50	\$ 71.00	\$ 56.81	\$ 44.88
Sep	\$ 81.00	\$ 85.00	\$ 93.75	\$ 114.40	\$ 73.25	\$ 72.25	\$ 55.80	\$ 44.58
Oct	\$ 76.75	\$ 86.87	\$ 97.63	\$ 113.63	\$ 70.75	\$ 74.75	\$ 56.25	
Nov	\$ 73.50	\$ 88.33	\$ 103.50	\$ 110.88	\$ 67.00	\$ 74.95	\$ 59.31	
Dec	\$ 70.00	\$ 93.00	\$ 102.50	\$ 103.50	\$ 69.38	\$ 73.75	\$ 61.88	
Average	\$81.09	\$83.94	\$98.03	\$109.20	\$83.92	\$72.43	\$64.88	\$52.32

	2011	2012	2013	2014	2015	2016	2017	2018
Cattle Inventory	92,682,000	90,769,000	89,300,000	87,700,000	89,143,000	91,988,000	93,700,000	94,400,000
Slaughter (USDA)	34,223,000	33,072,000	31,947,000	29,588,000	28,963,000	30,559,000	32,209,186	33,387,000

	Brazilian hide prices					
	2013	2014	2015	2016	2017	2018
Jan	1.49	\$ 1.78	\$ 1.78	\$ 1.24	\$ 1.28	\$ 0.98
Feb	1.53	\$ 1.84	\$ 1.73	\$ 1.22	\$ 1.32	\$ 0.96
Mar	1.57	\$ 1.96	\$ 1.73	\$ 1.26	\$ 1.30	\$ 0.89
Apr	1.63	\$ 2.05	\$ 1.65	\$ 1.28	\$ 1.28	\$ 0.87
May	1.62	\$ 2.03	\$ 1.59	\$ 1.28	\$ 1.24	\$ 0.78
Jun	1.58	\$ 1.98	\$ 1.47	\$ 1.23	\$ 1.17	\$ 0.73
Jul	1.56	\$ 1.97	\$ 1.29	\$ 1.20	\$ 1.17	\$ 0.70
Aug	1.59	\$ 2.03	\$ 1.25	\$ 1.20	\$ 1.09	\$ 0.70
Sep	1.63	\$ 2.09	\$ 1.17	\$ 1.24	\$ 1.01	\$ 0.73
Oct	1.66	\$ 2.03	\$ 1.07	\$ 1.25	\$ 0.93	
Nov	1.73	\$ 1.97	\$ 1.21	\$ 1.25	\$ 0.91	
Dec	1.73	\$ 1.84	\$ 1.25	\$ 1.25	\$ 0.95	
Average	\$1.61	\$1.96	\$1.43	\$1.24	\$1.14	\$0.81

## **Consumers Want to Eat Beef, Not Wear It, Sending Leather Prices Plummeting**

More American shoppers want to cover their feet in animal-free footwear. People are wearing other materials even if they aren't vegetarians or vegans. That's bad news for the leather industry because footwear makers are by far the biggest buyers, accounting for 55 percent of demand. The world's appetite for American beef is sending near-record numbers of cattle to the slaughterhouse, leaving a glut of hides as demand slows. Once a status symbol leather shoes are falling on hard times. Not only has the casual-dress trend fueled the rise of sneakers for all occasions, but more shoppers are avoiding products made with animal parts. While the shift partly reflects an abundance of choices in materials, consumers cite growing discomfort with the slaughter of cattle and concern over the environmental impact of raising them by the millions.

## **Cheaper Alternatives**

Back in 2014, the number of available hides plunged after a drought forced U.S. ranchers to shrink their cattle herd to its smallest size in six decades. As a result, prices shot up. Brands were forced to figure out ways of using less leather in their product. Years later, demand still hasn't bounced back.

## **Plastic Shoes**

For example, Allbirds, a San Francisco-based shoe startup, makes athletic shoes out of wool. Adidas has made a million shoes out of up-cycled plastics. The trend is to look for materials that are better for the environment.

## ***Leather gets caught in trade crossfire***

*Bloomberg*

Count leather as the latest victim of the escalating U.S.-China trade war.



Tariffs against American cattle hides were included in Tuesday's \$60 billion hit list as China struck back against the Trump administration. The duties come at a time when prices for hides, a proxy for finished leather, had already been tumbling thanks to a supply glut.

A bulging U.S. cattle herd along with record demand for beef means that more cows are making their way to slaughter, leaving behind a glut of hides, said Don ***Ohsman, editor-in-chief of Hidenet***, which reports on leather markets. The byproduct of beef production can sometimes to be used to bolster profits for farmers and

meatpackers.

As supply grows, demand has been declining from China, the world's largest hide importer. In the Asian country, the leather industry is facing stiffer competition from synthetic materials, rising labor costs, tighter environmental regulations and industry consolidation, a unit of the U.S. Department of Agriculture said in a report posted to its website this week.

The trade war is "depressing an already weak market," Ohsman said.

China, as expected, announced it will retaliate on \$60 billion in U.S. imports, using the same target lists it previously published in August. Most U.S. hides and wet blue products are included on China's 5% tariff list, though smaller skins, such as calf skins, are included on the 25% tariff list. The tariffs are also effective September 24, 2018.

### **China's tariff retaliation to hit U.S. hides and wet-blue exports**

The tariffs on the raw material could range from 5% to 25% if the U.S. goes ahead with its plans of levying tariffs on US\$200 billion worth of Chinese imports. Brands are looking for ways to mitigate potential increases.



## The eco leather story

In the strict verbal sense of the definition, the term "eco leather" has no formal meaning. However, there is significant interest in leathers that imply improved environmental performance. So how do we interpret the current situation and understand the issues surrounding the interest in "eco leathers"? The manufacture of leather does have an environmental impact, in as much as in the manufacturing process not all the inputs end up in the leather. Also when leather is disposed of the product becomes a waste material. **What seems to have happened is that the gauge of a leather's "eco-ness" is measured by the absence of restricted chemicals or the method of tannage rather than any consideration of the real environmental impact.** This push originated from the automotive sector but more recently by environmental pressure groups, eco labels, high street retailers or those seeking to gain competitive advantage through product positioning.

Be careful with selection of leather alternatives. Most vegan alternatives, synthetic leathers, are made with plastics that do not bio-degrade. Synthetic leather is not without drawbacks and is not green.

## **Traceability**

Understanding where the material that makes our footwear or other leather products has come from is now a concern for many consumers. This became an important issue for the LWG when the connection between cattle ranching and deforestation was identified by NGOs as a major problem. Global brands have been challenged to review their supply chain policies in relation to deforestation and LWG. LWG has included a section within the audit protocol to assess a supplier's ability to be able to trace their raw material back to the slaughterhouse. This will ultimately ensure the leather manufacturers within the LWG program have a clear understanding of where their raw material is originating from. With this information and in co-operation with NGOs, the LWG aims to reduce the impact cattle ranching has on deforestation around the world. Currently, a leather manufacturer's ability to trace their material is scored depending on the percentage traceable and the method of traceability.

For decades, one's ability to utter the phrase "It has leather seats" was a defining factor in whether or not other people thought your car was nice. The smell, the feel...even the animal from whence it came. All these factors contributed to the allure and mystique of leather seats.

### **Tesla dumps leather seating option as company goes cruelty-free.**

All of Tesla's premium interior options will be completely leather-free. Tesla now only sells its premium seating option, a non-animal seating material designed specifically for the company.



## **Animal Welfare**

Exotic leathers are either made from relatively rare animal species or from skin parts of animals that are rarely processed into leather. Due to overwhelming global concerns regarding associated animal welfare and ethics brands have chosen to prohibit the use of exotic leathers in any products.