

## Buyer Seller Meet (BSM)

organized by the CLE at Johannesburg, South Africa on 11th & 12th March, 2013

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### South African leather industry profile

▶ South Africa's clothing, textiles, footwear and leather industries have not registered the targeted growth over the last few years as compared to some of their international competitors. This is due to a range of factors including: rand strength and volatility; under invoicing and illegal imports; competitiveness challenges; skills deficits; and limited economies of scale in parts of textiles. In 2009, the clothing sector contributed 2.3% to South Africa's overall manufacturing production output and 0.4% to the overall GDP. Local manufacturing does however seem to have benefitted from the current unpredictability in international imports – in particular, from the increase in price of goods from China (a major supplier). According to the South African Footwear and Leather Association, footwear imports decreased in 2012 - during the same period local manufacturing increased by 1%. These gains are likely to continue in 2013 as the Department of Trade and Industry (DTI), Republic of South Africa announced a significant scale up of incentives and other procurement policy measures in support of domestic manufacturing.

The issue of local versus international procurement is highly charged and politicized in South Africa. The trade unions argue that the local retailers need to procure 75% or more of their clothing requirements from local sources. Although it is not enforceable, the Government maintains a key policy principle that all clothing, textiles and footwear procured by provincial and local government and government institutions should be manufactured locally and that retailers should be encouraged to buy locally. At present domestic producers of leather clothing and accessories are unable to meet demand. The sector is relatively small, with about 50 factories employing roughly 1,300 people, with no signs of dramatic growth in the near future.

The quality of South African hides are rated as superior to other sub-Saharan African and most Asian hides, but inferior to most hides from Australia, Argentina, the US and Europe. Over 60% of South African hides are regarded as suitable for automotive leather.

In South Africa, skins and hides are given the following status types when they leave the abattoir:

#### a. Gold status.

This is the skin or hide that had been sourced from an approved registered abattoir where ante- and post-mortem examinations are routinely performed. These skins and hides must not originate from OIE recognized foot and mouth disease controlled areas of the Limpopo, Mpumalanga, Kwazulu – Natal or the Kruger National Park.

#### b. Silver status.

This is the skin or hide that had been sourced from an approved registered abattoir anywhere in South Africa where ante- and post-mortem examinations are routinely performed.

#### c. Bronze status.

This is the skin or hide that had been sourced from an unapproved or unregistered abattoir without veterinary health certificate and/or original status has been compromised and/or exposed to contagion.

Skins and hides are derived mainly from livestock and to a lesser extent from wild animals and reptiles. The following are the main categories of skins or hides according to species.

#### Bovine (cattle) hide

Bovine hides dominate the supply of leather in South Africa. They are mainly by-product of meat production supplied by feedlots.

#### Sheep skin

It is produced with or without wool mainly for export market.

#### Pig skin

South Africa does not have significant supply of pig skin as this tends to be part of the meat.

#### Goat and kid skin leather

The supply of goat and kid skins is low as the majority of goats are slaughtered outside the abattoirs.

#### Ostrich skins

Unlike bovine, ostrich is bred primarily for its skin; and ostrich meat becomes a by-product. Ostrich leather is unique with its feather quill pattern. This gives it extra strength and durability which is 7 times stronger than bovine (cattle) hide. Ostrich leather is used to produce handbags, wallets, shoes, clothing etc.

#### Skins of wild animals

Many wild animals including elephants and buffalo are main sources of leather.

#### Skin of reptiles

Crocodiles and snakes are bred for their skins.

The price of South African leather is relatively high, which affects the cost of production of leather garments, footwear and accessories, resulting in an increase in demand for synthetic alternatives in recent years. Synthetic alternatives allow chains to maintain their margins by selling cheaper products. This trend is evident in the footwear sector. Companies selling school shoes - which is a core item in the sector - generally stay profitable by cutting costs. Retail prices for school shoes do not follow normal annual inflation increases but remain between 3% and 5%. School shoes are therefore not as profitable as fashion accessories.

The retailers are the primary drivers in the South African clothing industry. Six major retail groups dominate the clothing retail sector: Edcon, Woolworths, Foschini, Truworths, Mr Price and Pepkor. The retailers employ a mixed pattern of buying. They buy part of their requirements direct from suppliers abroad. They also deal with agents of foreign suppliers who are based either in South Africa or in the supplying countries themselves. Imports will also be driven by the overall growth in the clothing market, the latter being spurred by the continuing emergence of a viable middle class with access to greater disposable incomes.

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. Brazil and India are the next most important suppliers, accounting for 12% and 9% respectively of the volume of imports in 2009. The South African market absorbs around 50 million pairs of leather footwear yearly; 52% of the market requirements are met through imports.

Indian clothing imports do not directly compete with locally manufactured goods because of the high-end, hand crafted nature of the garments. India currently has about 7% of the garment share in South Africa, which is a decline from levels in the 1990s. Indian value-added garment sector can witness good exporting opportunities in South African market. The rising labour problems and high fabric costs in South Africa has been affecting the value-added garment industry of South Africa and making it difficult for their domestic industry to manufacture high value garments. Indian value-added garment manufacturers can thus look forward to South African market for exports.

Bilateral trade between South Africa and India has increased - In the financial year 2011-12, bilateral trade crossed \$14bn and is close to achieving the target of \$15bn which was set up for 2014. In 2013, the two Countries will have opportunities to discuss and revise their future bilateral trade targets, first at the Brics Summit in March, and later at the Ibsa, Summit.

A Statement showing South Africa's Import of Leather & Leather Products and India's share during the period 2006-2010 is given below:

(Value in Mn US\$)

DETAILS	2006	2007	2008	2009	2010
<b>Leather</b>					
Import	90.80	115.22	94.09	64.86	112.36
India's Export	16.63	13.27	9.29	8.52	13.46
<b>% Share of India</b>	<b>18.31%</b>	<b>11.52%</b>	<b>9.87%</b>	<b>13.14%</b>	<b>11.98%</b>
<b>Leather Footwear</b>					
Import	221.40	237.15	209.40	182.03	204.06
India's Export	9.03	6.93	6.53	8.53	9.51
<b>% Share of India</b>	<b>4.08%</b>	<b>2.92%</b>	<b>3.12%</b>	<b>4.69%</b>	<b>4.66%</b>
<b>Footwear Components</b>					
Import	12.89	13.19	12.68	14.72	15.89
India's Export	2.57	0.83	1.59	0.97	1.36
<b>% Share of India</b>	<b>19.94%</b>	<b>6.29%</b>	<b>12.54%</b>	<b>6.59%</b>	<b>8.56%</b>
<b>Leather Garments</b>					
Import	25.28	16.35	9.38	6.27	8.87
India's Export	0.82	0.82	0.44	1.04	1.01
<b>% Share of India</b>	<b>3.24%</b>	<b>5.02%</b>	<b>4.69%</b>	<b>16.59%</b>	<b>11.39%</b>

## South Africa – Market Potential:

### Import Potential:

South Africa's import of leather & leather products has increased from US\$ 717.90 mn in 2006 to US\$ 879.20 mn in 2010, growing at a CAGR of 5.19%.

Out of the global leather import trade of US\$ 137969.06 mn in 2010, imports by South Africa alone accounted for a share of 0.63%.

**Out of South Africa's total leather import trade, the import share of various leather product categories are as under:**

Finished Leather	12.78%
Footwear (leather & non-leather and components)	80.99%
Leather Garments	1.01%
Leather Goods & Accessories	4.76%
Saddlery & Harness	0.46%

**Hence, South African market is a potential market for exports of footwear, leather goods & accessories and finished leather.**

### India – South Africa Leather Trade

India's export of leather & leather products to South Africa increased from US\$ 35.23 mn in 2006-07 to US\$ 41.18 mn in 2011-12, growing at a CAGR of 3.17%.

**Out of India's total export of leather & leather products to South Africa, the share of various leather product categories are as under:**

Finished Leather	39.83%
Footwear (leather & non-leather and compts)	35.82%
Leather Garments	6.24%
Leather Goods & Accessories	15.47%
Saddlery & Harness	2.65%

<b>Leather Goods</b>					
Import	29.60	34.45	41.82	34.77	41.83
India's Export	5.08	4.63	3.65	4.61	5.52
<b>% Share of India</b>	<b>17.16%</b>	<b>13.44%</b>	<b>8.73%</b>	<b>13.26%</b>	<b>13.20%</b>
<b>Saddlery &amp; Harness</b>					
Import	2.86	3.21	4.04	3.10	4.06
India's Export	0.59	0.67	0.58	0.55	0.81
<b>% Share of India</b>	<b>20.63%</b>	<b>20.87%</b>	<b>14.36%</b>	<b>17.74%</b>	<b>19.95%</b>
<b>Non Leather Footwear</b>					
Import	335.07	385.48	354.52	369.00	492.13
India's Export	0.51	0.76	0.37	0.37	0.46
<b>% Share of India</b>	<b>0.15%</b>	<b>0.20%</b>	<b>0.10%</b>	<b>0.10%</b>	<b>0.09%</b>
<b>Total</b>					
Import	717.90	805.05	725.93	674.75	879.20
India's Export	35.23	27.91	22.45	24.59	32.13
<b>% Share of India</b>	<b>4.91%</b>	<b>3.47%</b>	<b>3.09%</b>	<b>3.64%</b>	<b>3.65%</b>

Source: South Africa's Import - ITC Geneva / India's export DGCI&S

India also imports Raw Hides & Skins and Leather from South Africa. A statement showing India's import of raw hides & skins and leather from South Africa is given below:

(Value in Mn \$)

Product	2006	2007	2008	2009	2010	2011
Raw Hides & Skins	0.10	0.35	0.39	0.77	0.72	0.56
Leather	0.37	0.26	0.29	0.56	0.89	1.13
Total	0.47	0.61	0.68	1.33	1.61	1.69

Source: DGCI&S

## Two-Day BSM organized by the CLE in Johannesburg, South Africa

Considering the scope for further enhancing India's export of leather and leather products to South Africa, the Council in coordination with the High Commission of India, Pretoria and Consulate General of India, Johannesburg, has organized a Two-day Buyer Seller Meet (BSM) at Accolades Conference Centre, Midrand, South Africa on 11th & 12th March, 2013. This BSM was organized under the Marketing Development Assistance (MDA) Scheme, funded by the Ministry of Commerce & Industry, Government of India. As recommended by the Consulate General of India, Johannesburg, the Council has availed the services of M/s Zurcom International as the Marketing & Event Management Agency for organizing the BSM. Thirteen (13) member-exporters of the Council have confirmed their participation in the BSM, however, due to personal problems, two of them (M/s Mark & Orion Ventures Pvt. Ltd., Cochin & M/s Universal Footwear, Mumbai) could not turned-up at the last moment. Accordingly, the following 11 companies displayed their latest collections of Leather Garments, Accessories (leather goods) and Footwear in the two-day programme.

S.No.	Name of the Participant	Products displayed
01.	M/s Aero Club, New Delhi	Footwear
02.	M/s Amit Leatherwear, New Delhi	Leather Garment, Footwear, Bags
03.	M/s Capsons Co. (Regd.), Noida	Leather Garments, Footwear
04.	M/s D'Lords Exports (India), Mumbai	Footwear
05.	M/s G.P. Exports, Kolkata	Leather Accessories (Goods)
06.	M/s Great Shoe Exports, Agra	Footwear
07.	M/s Inspire Exim Pvt. Ltd., New Delhi	Leather Garments
08.	M/s Regency Impex, New Delhi	Footwear
09.	M/s Rus Exim Pvt. Ltd., Noida	Footwear
10.	M/s Siddharth Footwear Exports Pvt. Ltd., Noida	Footwear
11.	M/s Vinain Enterprises, Kolkata	Leather Accessories (Goods)

The Marketing Agency, M/s Zurcom International, engaged by the Council has undertaken a lot of publicity efforts for ensuring participation of maximum number of buyers/business visitors in the two-day event. The efforts include, regular e-mail blasts, telephonic follow-up and also personal visits to the offices of buyers, located in and around Johannesburg. Apart from this, the Consulate General of India, Johannesburg has also sent invitations to the Leather Industry Associations and major brands/departmental stores, requesting for their participation in the BSM.

As scheduled, Shri Virendra Gupta, Hon'ble High Commissioner, High Commission of India, Pretoria arrived at the BSM venue at 10.00 am on 11th March, 2013. He was received by the Northern Regional Chairman, CLE (Shri Subash Kapoor), Shri Nandan Singh Bhaisora, Acting Consul General, CGI, Johannesburg along with the Council's representative Shri Vijaya Kumar. C, Export Promotion Officer, CLE, Delhi and the participants. Around 10.45 am, the Hon'ble Ambassador officially inaugurated the two-day BSM by cutting the ribbon in the presence of representatives of Indian participating companies and a few South African buyers/ business visitors. Thereafter, the Northern Regional Chairman, CLE formally welcomed the Hon'ble Ambassador & Acting CG and presented flower bouquets. In his address, the Northern Regional Chairman, CLE placed on record the efforts made by the High Commission of India, Pretoria and CGI, Johannesburg to organize Council's first ever marketing attempt in South Africa. He informed that as a part of the Council's marketing strategy to explore business possibilities in the non-traditional markets, Council is organizing the BSM in South Africa and opined that the steps taken by the CLE will definitely yield the desired results in the years to come.



*Shri Virendra Gupta, High Commissioner of India, Pretoria cutting the ribbon as a mark of inauguration of the BSM in the presence of Shri Subash Kapoor, Regional Chairman-North, CLE & other dignitaries.*



*Shri Subash Kapoor, Regional Chairman-North, CLE (right) presenting flower bouquet to the Hon'ble Indian Ambassador.*



*Shri Virendra Gupta, High Commissioner of India, Pretoria, Shri Nandan S. Bhaisora, Actg. Consul General, CGI, Johannesburg and other business visitors at the BSM venue.*

Shri Virendra Gupta, High Commissioner of India, in his address appreciated the Council for the step taken towards organizing the Programme in South Africa. The Hon'ble High Commissioner informed that as a part of the Govt. of India's strategy to tap business opportunities in the untapped and un-explored markets in the Latin American and African Countries, many product segments of Indian Industries and coming to South Africa to organize buyer's outreach programmes. He further informed that presently, like a number of other markets, China is dominating in the South African market also, which is having a lot of potentials. While targeting the South African buyers, Indian exporters should give utmost attention to the quality of products and price competitiveness, the Hon'ble High Commissioner opined. He wished all success to the Council as well as the participants in their endeavors. Thereafter, the Hon'ble Ambassador was guided to the booths of all the Indian participating companies and the Ambassador interacted with the participants on their product profile and the interest of the South African buyers.



*Shri Virendra Gupta, High Commissioner of India, Pretoria visiting the booths of Indian participants.*



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*Shri Virendra Gupta, High Commissioner of India, Pretoria visiting the booths of Indian participants.*



*Shri Virendra Gupta, High Commissioner of India, Pretoria visiting the booths of Indian participants. Business visitors are also seen in the booth of one of the participant.*

## Booths of Indian participants





Before leaving the venue, the Indian Ambassador formally invited the Northern Regional Chairman, CLE & representatives of the participants to attend a dinner at his residence at Pretoria in the evening. Accordingly, all the participants attended the dinner hosted at the residence of the Indian Ambassador. At his residence, the Ambassador offered a hearty welcome to the Participants and interacted on various issues relating to trade between India and South Africa and the response of the BSM on the first day.

### Business turnout during the two-day BSM

The turnout of buyers on the first day of the BSM was not so encouraging, as expected. Till the end of the day, 15 representatives from 12 South African companies of leather and leather products visited the BSM. Out of the 12 companies, half of them were serious buyers. The remaining persons came just to visit the programme and left the venue after having preliminary discussions with the Indian participants.

Though the Marketing Agency has assured that atleast 30 companies will visit the Programme on the 2nd day, till the evening, 22 persons from 18 companies visited the Show. However, as compared to the first day, the number serious buyers were higher on the second day. As per feedback given by the Indian participants, a number of buyers visited on the second day were serious in business negotiations. Overall, the participants were satisfied on the second day than first day. As per feedback given by the member-participants, many of them has got encouraging response from the Buyers who visited the BSM and opined that the negotiations will definitely turn into business in the coming days. Officials from the Department of Trade & Industry, Republic of South Africa, Branch Officials from State Bank of India and Bank of India also visited the BSM and provided

their feedback about South African market and the taste of South African buyers.



*CLE Information Booth at the BSM (from L to R) Shri Vijaya Kumar. C, EPO, CLE, Delhi, Shri Subash Kapoor, Regional Chairman-NR, CLE, the Hon'ble Indian Ambassador, Pretoria, Shri Virendra Gupta and the Actg. Consul General, Shri Nandan S. Bhaisora, CGI, Johannesburg.*

**Conclusion:-** The Two-day BSM organized by the CLE in Johannesburg has got satisfactory response from the South African Buyers and business visitors. The feedback received from the visiting buyers will definitely help the Council to prepare suitable future marketing strategy in South Africa. The participants has got a clear idea about the interest of the South African buyers and the kind of products they are looking for. The assistance provided by the High Commission of India, Pretoria and Consulate General of India, Johannesburg has helped the Council immensely to organize the BSM in Johannesburg successfully.

