

13	Potential and Development of Leather Industry in NER	CLRI, Chennai	2001
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EXECUTIVE SUMMARY

North East is rich in resources. The need for generation of economic activities is well recognised and supported. Social base is transforming for growth. Initiatives for development should appropriately match resources, polices and social structure. Taking this as cardinal principle, an assessment of current status and economic opportunities has been made. The results of the study in brief are presented in two parts. Part I provides statewise analysis in terms of basic structure, strength of livestock, consumption pattern of meat, recovery and marketing of hides/skins, assessment of tanning and leather product industries. Part -II deals with developmental prospects from the angles of resources, market opportunities, infrastructure, social realities and export prospects.

PART-I

1.0 ASSAM

Among the seven sisters of North East, Assam is one of the biggest states. It is also known as the gateway to all other six states. With the geographical area of 78,532 sq.km. it has divided into district regions, namely Brahmaputra river valley, Karbi Anlong, and Cachar hills in central and the barrack river valley in the south. The estimated human population of the state for the year 2000 is 2.70 crores. The rural population is 88% and only 12% live in urban area. Majority of the population practice Hinduism (67%) followed by Muslims (28%).

The state has rich forest cover encompassing nearly a quarter of its land. Forest based household handicraft industries are scattered throughout the state. Till 1990 the state witnessed slow progress in industrial growth, however of late due to various concessional schemes to the investors, the industrial activities are slowly picking up. Leather and leather based industry is one area where many advantages are existed.

Though Assam possesses sizable livestock wealth, its products are unutilised. With the total bovine population of 92.23 lakhs and 30.91 lakh ovine animals, it plays a very significant role for supply of meat animals to other neighbouring North East States. The meat consumption pattern in the state is different from others in the region. In Assam pork and goat meat is preferred by Hindus and Muslim and Christian population consume beef. Hence beef consumption is less in the state. Based on the field study, annually 1.57 lakh bovine and 23.57 lakh ovine animals are slaughtered in the state. Apart from this, pork, chicken and duck meat also consumed extensively.

While both fallen and slaughtered category hides and skins are taken into account, Assam is producing annually 4.38 lakh pieces of bovine hides and 24.10 lakh pieces of ovine skins. Of the total availability of raw hides and skins, about 30% find way to Tamil Nadu 70% to West Bengal and Nepal. From West Bengal, again about 40% of raw material move to Bangladesh.

Only one tanning unit at present processing upto wetblue leathers at Silchar is utilising small quantity of available raw materials. There is no major leather product cluster in the state. All most all the leather products demand is met from outside source. Around 400 lakh pairs of footwear is consumed in the state annually. In this, 20% constitute leather footwear, 30% part leather footwear, and rest is non leather footwear. With the students population of 70 lakh, the state has good potential to encourage the small entrepreneurs to setup footwear units to produce children shoes. Apart from this, there exist a sizable market for ladies footwear, ladies shoulder bags, purses, and waist belts. Infact these goods including footwear are sourced from Kolkata, Agra, Kanpur, Delhi. Potential exists for manufacture of armed shoes for the paramilitary forces stationed in Assam and other North Eastern States.

2.0 MEGHALAYA

The State of Meghalaya derives its name from the clouds as the entire state is spread over the hills touching the clouds. There are three distinct tribal regions in the state namely, Khasi, Jaintia and Garo. With the geographical area of 0.22 lakh sq.km the human population is 24.63 lakh (2000). About 19% of the people live in urban area and the state is dominated by tribal population. Agriculture is the main occupation but potential for agriculture is limited due to difficult terrain.

The estimated livestock population for the state is 7.16 lakh cattle, 0.30 lakh buffaloes and 2.87 lakh ovine animals and these animals are reared for meat purpose. Eating of beef and pork is high in the state. Based on the field information annually 3.35 lakh bovine and 2.66 lakh ovine animals are slaughtered. The net availability of raw material is 2.39 lakhs pieces of bovine hides and 1.86 lakh pieces ovine skins excluding illegal movement of 1 lakh hides and around 0.80 lakh pieces of skins to Bangladesh. A systematic net work is prevailed in collection of raw hides and skins in the state.

A tanning unit was established in the state 10 years ago to process the leather. Due to various reasons it had become sick and closed. Since Meghalaya falls in hilly region, wearing of leather jackets is particularly preferred by the youngsters and truck operators. The annual demand for footwear works out to 65 lakh pairs, 0.30 lakh pieces of garments and around 0.50 lakh pieces of leather goods. In the absence of local production of the leather products, they are sourced from Kolkata, Delhi, Agra and Kanpur with the exception of little footwear activity in shillong.

3.0 TRIPURA

The estimated human population for Tripura (2000) is 31.91 lakh and 40% of the population belongs to Tribals. Nearly 15% of the people live in urban area. Tripura is a backward state in the country after Arunachal Pradesh. Around 84% of its common border lies with Bangladesh. The state has sizable livestock population with 13.82 lakh bovine and 7.87 lakh ovine animals.

The tribals living in the hill districts are predominant beef eaters, whereas others residing at Agartala and plain area are meat eaters. For meat purpose, annually 1.58 lakh bovine and 3.95 lakh ovine animals are slaughtered in the state. Due to illegal movement of large quantum of hides and skins to Bangladesh, the net availability for Tripura is 0.60 lakh bovine hides and 1.92 lakhs ovine skins. The “local Tripuraswari Tannery” is utilising 1.20 lakh goat skins from raw to wetblue. The wetblue leathers from the tannery finds market in Kolkata and Chennai. The demand for footwear in the state is to the extent of 65 lakh pairs, of which leather footwear is 20 lakh pairs and rest non leather footwear.

4.0 MIZORAM

Mizoram is typical state in the North Eastern Region. It is a store house of natural beauty with its endless variety of landscape, flora and fauna. With the human population of 9.32 lakhs, it achieved 95% of literacy level which is highest in the Indian States. This state is tribal inhabited and 95% of the people belong to tribal communities. Nearly 46% of the people live in urban area. Agriculture is main occupation and shifting cultivations (Jumming) is practiced. There is no major industry in the state, however it has been steadily progressing in tourism field. Though the state is offering various incentives to the investors, the investment flow is not significant. This is true in case of leather also. The estimated livestock population in the state (2000) is 0.43 lakhs bovine and 0.21 lakhs ovine stock. Due to more demand, the meat animals are sourced from outside the state including Myanmar. The prevailing price of Rs.100 per kg of beef reflects the scarcity of animals in the state. Annually 0.74 lakh bovine and 0.35 lakh ovine animals are slaughtered in the state and the recovery of hides and skins is 55% and 57% respectively.

Leather products like footwear, leather goods and garments are in good demand particularly in urban area. Annual consumption of footwear stand at 23 lakh pairs and in this leather footwear constitute 9 lakh pairs. These products are sourced partly from Indian market and also from Myanmar, Bangladesh.

5.0 MANIPUR

Manipur is a remote state in the far flung North Eastern border of India and has a population of 22.96 lakh (2000). The tribal population is 34% and live mostly in hilly region. Nearly 66% of the state population is concentrated in four plain districts viz Senapati, Thoubal, Imphal West and Imphal East. Around 6.20 lakh population in Manipur are urbanities. Though Manipur is connected by national high way roads and air, it has to

depend on outside source for many consumer goods. Agriculture is main profession in the state. Despite the state is endowed with minerals and forest resources, industry has not developed.

The state with 7.13 lakh bovine and 0.50 lakh ovine animals has not progressed in dairy development. The stock mostly is used for meat purposes. The meat eating habits vary among the groups. Tribals prefer beef and pork.

Annually 0.93 lakh bovine and 1.02 lakh ovine animals are slaughtered in the state for meat purposes. Due to inaccessibility to hilly regions, the recovery rate of hides and skins is 66% and 88% respectively. Hence net availability is 0.64 lakh pieces of bovine hides and 0.90 lakhs pieces of ovine skins. In the absence of tanning industry in the state all most all the raw hides and skins are moving out of the state. A tanning unit which is likely to start processing the hides and skins up to wetblue leathers by the year end is an encouraging sign for leather industry point of view.

Footwear is widely used in the state and around 45 lakh pairs of footwear valued at Rs.90 crores is sourced from outside. With students population of 2.63 lakh, children footwear is important segment for which local supply is almost nil. Few women entrepreneurs initiated to produce the footwear, especially ladies footwear. However their supply is very minimal.

6.0 NAGALAND

The state has total area of over 16000 sq.km, on the eastern most periphery of the country. The total population as per 2000 is 17 lakhs and the current literacy rate is 83%. There are 16 major tribes and most of them are Christians. Around 88% of the population belongs to tribal communities. Only 17% of the people live in urban area. Dimapur is a commercial place. Agriculture is main occupation, and its production is confined to internal consumption.

The estimated livestock population for the state is 4.20 lakh bovine and 1.63 lakh ovine animals. Nagland has a very high rate of meat consumption. Despite this, sizable stocks for meat consumption is brought from outside the state. To meet the meat consumption requirement, annually 1.60 lakh bovine and 1.40 lakh ovine animals are slaughtered in the state. However the recovery rate of hides & skins is restricted to 70% and 88% respectively. Habit of eating hides along with beef and non accessibility of hilly area are the reasons for non recovery. The net availability of hides and skins in the state is 1.24 lakhs pieces of bovine hides and 1.15 lakh pieces of ovine skins. The entire raw hides and skins are moving out of the state. Footwear consumption in the state is estimated at 35 lakh pairs per annum. Leather footwear comprises 10 lakh pairs and part leather footwear is 15 lakh pairs.

Except two small scale footwear producing units in the state, there is no concerted effort to develop leather industries. Hence most of the leather products including footwear is sourced from other places.

7.0 ARUNACHAL PRADESH

Arunachal Pradesh is thinly populated hilly state on the eastern part of India. The state is the largest in area (0.52 lakh sq. km) among the North Eastern States. The estimated human population of the state is 11.82 lakhs and 64% of the people belongs to tribal communities. Only 13% of the population live in urban area. Though the state is rich in forest and mineral deposits the industrial activities are minimal. Due to lack of infrastructure facilities, it has been struggling for the development. Nearly 78% of the people live below poverty line. The estimated livestock population for the state (2000) is 5.48 lakh bovine and 2.38 lakh ovine animals. Mithun is also reared in the state. The meat of Mithun is a supplementary source during festivals. Annually 1.56 lakh bovine and 1.48 lakh ovine animals are slaughtered for meat. In spite of having good stock of animals in the state, there is an inflow of animals from Assam. Due to poor links and inaccessibility, 1.19 lakh bovine hides and 0.36 lakh ovine skins valued at Rs.3.26 crores are not recovered. Hence net availability in the state is 0.30 lakhs hides and 1.00 lakh skins. Itanagar is the main center for collection of hides and skins and the entire material moving to Assam and from there to Kolkata. There is good demand for leather products in the state particularly in towns. The estimated demand for footwear in the state stand at 22 lakh pairs. In this leather footwear including shoes is 6.6 lakh pairs and part leather footwear is 4.4 lakh pairs, rest is non leather footwear. Consumption of footwear is more in urban area, particularly in Itanagar. The state sources entire footwear from other parts of India, viz Kolkata, Agra, and Kanpur. Whereas local manufacturing is insignificant, except is Itanagar to a little extent.

PART-II

DEVELOPMENT PROGRAMME FOR NORTH EAST

Utilization of resources and generation of economic activities are the broad goals of the programme. Leather sector provides opportunities towards this goal. This sector encompasses a wide range of agro-industrial activities right from livestock to footwear. The distinct benefits are employment generation, market opportunity and export earnings. Current exports of leather sector are of the order of Rs.9000 crs. and ambitious targets have been set to reach a level of 10% of global market. The North East fits into this arena from three angles. They are (i) availability of natural resources (ii) market for leather products and (iii) need for industrial growth.

Cattle and goats are found in the North East and their meat is widely consumed. It is resulting in the availability of hides/skins for tanning industry. On an average 12 lakh hides and 34 lakh goat skins are available per year in the North East. There is a good network of collection centers and markets such as Nagaon, Jorhat, Imphal, Silchar, Shillong are major for hides and skins.

There have been attempts to process hides/skins through local tanneries, but the success has been limited. At present there are two tanneries processing about 10% of the total available material upto semi tanned leathers locally at Silchar and Agartala. There are other two tanneries which came into existence about a decade ago have become sick due to managerial inefficiencies and imperfections.

With regard to product sector, footwear manufacturing takes place in certain pockets and the local supplies are insignificant as compared to market demand. Though there is a market for leather garments and leather goods, hardly any production base exists in this region.

To plan for manufacturing operations of leather and its products in the North East by providing employment to about 5000 persons by 2005 and 20,000 persons by 2010, various programmes and opportunities are analyzed. They are related to resources, market, infrastructure, socio-economics and export.

- I. **Resource based:** Under this area four proposals are made. They are
- II. Breeding and fattening of animals by utilizing the resource of natural pastures: Breeding cattle for milk purpose is proposed due to growing demand for milk in the North East. It is not only for household consumption but also for ice creams, chocolates etc. Male animals could be fattened to serve for meat purpose so as to meet the growing demand for beef in the region.
- III. Raising of vegetable tanning materials such as wattle and herbarium through forest and semi forest areas: In the context of environmental problem, the demand for vegetable tanning material is on the rise world wide. Infact India imports almost Rs.40 crs. worth of wattle extract every year. This proposal envisages decentralized production by involving large number of individual farmers and centralized processing and marketing by corporate business groups. It ensures local participation and income to large population.
- IV. Tanning of hides and skins though local processing: An exclusive tanning complex to accommodate small scale tanneries has been suggested at Silchar. Such complex will have comprehensive facilities interms of infrastructure and effluent treatment facilities.
- V. Development of novel designs for leather sector through ethnic knowledge of handloom and bamboo: North East is a rich depository of ethnic designs and colours, particularly the knowledge base of bamboo and handlooms is superb. The need for novel designs for leather products is felt to gain access to global markets and enhance unit values to the products. A private initiative by professional fashion designers would be most appropriate to document, tap and develop the talent of North East.

VI. Market base: As the market is an important driving force for manufacturing activity, it is considered most appropriate to identify the products having market potential.

- A. North East, being in the high degree of meat eating region, the demand for beef is so large that meat animals are sourced from other parts of the country. An integrated effort of fattening meat animals and production of beef may be taken up as a private commercial venture. The meat may be packed and sold with a brand name. There may be initial resistance for packed meat but in course of time people may accept, as it happened in the case of packed milk consumption.
- B. Footwear consumption is relatively high in the North East, where as local manufacturing is very limited. There are well organized few small scale units which have been established recently and their performance is good. To encourage and sustain such efforts, six complexes in six States have been suggested. These complexes provide well supported work environment and Common Facilities. Training could also be form part of this complex.
- C. A complex for the production of leather goods and leather garments through small scale units is proposed in the selected centers of North East. Apart from ensuring infrastructure, the complex will also be able to provide Common Facility Center to provide machine related services to the manufactures.
- D. Music forms part of social life in the North East and drums are essential components. Manufacture of drums is an appropriate proposition, as there is a good market locally. Units could be planned as micro-enterprises in tiny sector. Initially such ventures may be promoted in a place like Vairangte (Mizoram).

VII. Infrastructure development programmes: The infrastructure relating to leather sector has been presented through three proposals.

- A. HRD programmes are vital and critical to translate the potential into reality. A two category training programmes – one for short term to train floor level skilled workers and the other for 6 - 12 months to train supervisory personal.
- B. The provision of modern market yards for storage of hides and skins is considered important to ensure quality. Market centers such as Shillong, Nagaon, Jorhat, Silchar need to be provided with proper warehousing facilities for transactions.
- C. Tanning of hides and skins being environmentally sensitive, the complex approach is gaining world wide attention for proper organization, control and sustainability. An exclusive Leather Tanning Complex is suggested at Silchar. It not only ensures better infrastructure but also Common Effluent Treatment Systems.

- VIII. Socio-economic oriented programmes are considered pertinent to strike a balance in society. Infact women play an important role in tribal societies:
- A. Development initiatives in the North East should be able to integrate the role of women in the areas of (i) animal rearing /milk production (ii) raising wattle plantation (iii) design development from ethnic heritage and (iv) manufacture of leather products. A case study of Muktha Shoes (Kokching area) in Manipur provides interesting insight that how women can make a mark in the society.
 - B. Opportunities through exports could be derived in the context of growing global imports of leather products from developing countries. Manufacturing and export of leather products (such as footwear, leather garments and leather goods) have been thrust areas interms of employment generation and export earnings. A range of small and tiny units need to be promoted in the North East to meet local market demand as well as explore export opportunities.
 - C. Revival of sick tanneries has been critical issues in the North East. There are two tanneries currently functioning (in Silchar and Agartala) in the North East. They are processing about 10% of the locally available hides/skins. There are two other tanneries which came into existence almost a decade ago but have been languishing with sickness. They are located at Jorabat (North East Tannery) and Shillong (Armstrong Tanning Industry). The reasons for sickness can be largely attributed to the non-familiarity to the vicissitudes of Indian Leather Sector. It may be better for them to produce semi tanned leather initially for few years with tie up from reputed finishing units in India. In the event of difficulty for such a proposal, a stopgap arrangement is to lease them to the techno-crats. In course of time it is prudent to locate them in the proposed complex.