

April 2006



منظمة الأغذية
والزراعة
للأمم المتحدة

联合国
粮食及
农业组织

Food
and
Agriculture
Organization
of
the
United
Nations

Organisation
des
Nations
Unies
pour
l'alimentation
et
l'agriculture

Organización
de las
Naciones
Unidas
para la
Agricultura
y la
Alimentación

E

COMMITTEE ON COMMODITY PROBLEMS

Sixty-sixth Session

Rome, 23–25 April 2007

INTERGOVERNMENTAL GROUP ON MEAT AND DAIRY PRODUCTS

REPORT OF THE NINTH SESSION OF THE SUB-GROUP ON HIDES AND SKINS Arusha, United Republic of Tanzania, 2-3 February 2006

Table of Contents

	Paragraphs
I. INTRODUCTION	1-4
II. ECONOMIC, INTERGOVERNMENTAL AND POLICY ISSUES	5-26
A. REPORT OF THE CONSULTATION ON HIDES AND SKINS	5-7
B. HIDES AND SKINS AND LEATHER - STRATEGY FOR DEVELOPMENT	8-13
C. COMMODITY DEVELOPMENT ACTIVITIES	14-21
D. INFORMATION REQUIREMENTS ON HIDES AND SKINS	22-26

For reasons of economy, this document is produced in a limited number of copies. Delegates and observers are kindly requested to bring it to the meetings and to refrain from asking for additional copies, unless strictly indispensable.
Most FAO meeting documents are available on Internet at www.fao.org

III. OTHER MATTERS	27
--------------------	----

A. DATE AND PLACE OF THE TENTH SESSION	27
--	----

APPENDIX	Page
A List of Documents	5

I. INTRODUCTION

1. The Ninth Session of the Sub-Group on Hides and Skins was held in Arusha, United Republic of Tanzania from 2 to 3 February 2006. It was attended by delegates from the following countries: Angola, Botswana, Burkina Faso, Egypt, Kenya, Mali, Niger, Senegal, Uganda, United Kingdom and United Republic of Tanzania. Observers attended from the International Trade Centre UNCTAD/WTO, the United Nations Industrial Development Organization (UNIDO), the Common Fund for Commodities (CFC), the Common Market for Eastern and Southern Africa (COMESA), the African Leather Association (AFLAI), the Confederation of National Associations of Tanners and Dressers of the European Community (COTANCE), the Economic Community of West African States (ECOWAS), the Eastern and Southern Africa Leather Industries Association (ESALIA) and the International Council of Tanners (ICT).
2. Mr Charles Mlingwa, Deputy Minister for Livestock Development, United Republic of Tanzania, welcomed delegates to the Session on behalf of Dr Shukuru Jumanne Kawambwa, Minister for Livestock Development. Mr Brian Moir, Senior Commodity Specialist of the Commodities and Trade Division, welcomed participants on behalf of Mr Jacques Diouf, the Director-General.
3. The Session was opened by Mr Paul Pearson (United Kingdom), Vice-Chairperson of the Eighth Session. Ms Anunciata Njombe (United Republic of Tanzania) was elected as Chairperson. Mr Doudou Mane (Senegal) and Mr Paul Pearson (United Kingdom) were elected First and Second Vice-Chairpersons, respectively.
4. Following the practice successfully adopted at its Seventh Session, the Sub-Group requested the Secretariat to prepare the Report of the Session and send it to the Chairperson and the two Vice-Chairpersons who might advise of any serious omission or error. Following final clearance by the Chairperson, the Report would be considered adopted. The Sub-Group requested that the Report be dispatched to delegates within two months of the Session.

II. ECONOMIC, INTERGOVERNMENTAL AND POLICY ISSUES

A. REPORT OF THE CONSULTATION ON HIDES AND SKINS

5. The Sub-Group noted that a Consultation on Hides and Skins held on 1 February 2006 had been chaired by Mr Paul Pearson. The Consultation had reviewed the current situation, as well as the medium term outlook for hides and skins. A presentation was made on pre-slaughter defects of hides and skins within the context of a supply chain perspective, focusing on the transmission of price signals from upstream to the primary producers of the raw material. It was concluded that a lot of work still needed to be done to minimize pre-slaughter defects. There was a consensus that some progress had been made, whilst it was also concluded that there is need for government guidance and facilitation. Participants of the Consultation had noted that SHAPE, a complete support package for trade strategy and implementation is available from the ITC, and that *Leatherline* www.intracen.org/leatherline, a website dedicated to the leather industry, had been set up.
6. The Consultation had also considered arguments for and against the removal of export restrictions. It was highlighted that whilst protection may be warranted in some countries, particularly in least-developed countries, this should not be used to provide continuing support to industries. It was also noted that export restrictions may hinder improvement in the quality of hides and skins and that some form of benchmarking may be used to measure empirically the impact which the imposition of export restrictions has on hides and skins quality.
7. The Sub-Group noted that the level of participation in the Consultation had been high and participants found the issues interesting and the discussion useful.

B. HIDES AND SKINS AND LEATHER - STRATEGY FOR DEVELOPMENT

8. This item was reviewed on the basis of document CCP: ME/HS 06/2. The existing strategy was found to be still relevant to the issues of the sector. The Sub-Group noted the progress made towards many of the strategy elements.

9. In considering element A of the strategy, *Wastage of hides and skins: non-collection and damage*, the Sub-Group emphasized the potential importance of traceability, as the ability to trace a hide or skin at the tannery to its original owner could help the process of quality improvement. It was however pointed out that traceability requirements would vary between the different regions of the world. The importance of streamlining of marketing channels along the hides and skins supply chain in a way that permits the provision of economic incentives to the primary producers to improve quality and increase collection was highlighted.

10. With regard to element B, *Statistical intelligence*, the Sub-Group reiterated the importance of collection, analysis and dissemination of the sector statistics and acknowledged that the shortage of good data continues to be a problem, particularly for developing countries. It encouraged the formation of national and regional statistical committees to help address the underlying constraints.

11. On element C, *Restrictive trade policies*, the Sub-Group urged that, to the extent possible with resources available, analytical work on trade policy should continue, including studies of the impact of export restrictions in particular regions, such as Latin America and Asia, and of non-tariff barriers to trade and issues related to phyto-sanitary restrictions.

12. On element D of the strategy, *Environmental constraints*, the Sub-Group reiterated the need to continue encouraging technology transfer between developed and developing countries to effectively reduce the environmental damage from tanneries.

13. The Sub-Group suggested that element F of the strategy, *Market competition from synthetics*, should be widened to include competition from second-hand shoes. It was noted that imports of such products negatively affect the infant industries of importing countries.

C. COMMODITY DEVELOPMENT ACTIVITIES

14. In its role as International Commodity Body under the rules of the Common Fund for Commodities (CFC), the Sub-Group assessed the progress which has been made on its active projects and reviewed the efforts made to secure assistance for additional commodity development activities from the CFC. It did so on the basis of document CCP: ME/HS 06/3.

15. The Sub-Group reviewed the outcome of one completed fast track project entitled *Workshop on pre-slaughter defects of hides and skins and intervention options in East Africa: harnessing the leather industry to benefit the poor (Burundi, Djibouti, Ethiopia, Kenya, Rwanda, Sudan and Uganda)* on the basis of information provided by the Secretariat and a presentation by the Project Executing Agency (PEA). Although the report is yet to be published, the Sub-Group noted that the workshop highlighted key issues that have to be addressed if hides and skins quality is to be improved in a sustainable manner. The Sub-Group urged the Secretariat to work with the PEA to ensure that the report is published and disseminated widely. Delegates from a number of countries expressed a wish for more such workshops to be held in other regions where pre-slaughter defects continue to be a major problem.

16. The Sub-Group considered the progress of three ongoing projects based on information provided by the Secretariat and presentations by the respective PEAs.

17. The Sub-Group noted that implementation of the project *Commercialization of hides and skins by improving collection and quality in small-holder farming systems* was progressing well. It requested that the project be extended by six months, from 1 July 2006, in order for activities to

be completed satisfactorily. Since activities in the United Republic of Tanzania started late, a different time schedule must be allowed for project activities in that country. The Sub-Group noted and commended the different strategies that have been put in place to ensure continuation of activities after the project ends.

18. The Sub-Group noted that although implementation of the project *Hides and skins improvement scheme in West Africa* had been delayed at the initial stages, considerable progress had been made and some impact is being seen in participating countries. It applauded the steps being taken by the participating countries to assume ownership of project activities as a means of ensuring sustainability.

19. The Sub-Group was informed that the CFC had suspended activities on the project *Adding value to African leather through improvement of quality of leather and leather products* from 1 February 2006. The suspension was due to the delay experienced in reaching an agreement on the modality of the provision of International Technical Assistance for the second phase of the project. The Sub-Group was further informed that the Supervisory Body, according to the Project Agreement, is required to convene a meeting not later than sixty days after the suspension in order to discuss the possible remedies.

20. The Sub-Group expressed concern at the problems which had arisen with this project. It requested that the Secretariat, on its behalf, meet with representatives of the PEA and the CFC as soon as possible in order to identify measures by which project activities could be resumed with as little delay as possible and to ensure that the original project objectives are not compromised.

21. The Sub-Group thoroughly reviewed and endorsed in principle the following two new project concept notes for subsequent development and submission to the CFC for its consideration for funding:

1. *Promotion of wet salting as an improved curing method of hides and skins in high altitude areas of Eastern Africa.*
Delegates expressed their support for this proposal which they considered opportune and timely. Considering the prevailing weather conditions of the target areas, wet salting was considered to be preferable to sun-drying. However, delegates suggested that possible negative environmental impacts of wet salting should be investigated and guarded against where necessary. The Sub-Group also highlighted the need to benchmark the prevailing conditions in the target areas before project implementation so as to facilitate monitoring of the impact of the project during and after implementation.
2. *Quality improvement measures for raw hides and skins and the strengthening of the value-added chain of leather manufacturing industries in selected Latin American countries.*
In approving this concept, the Sub-Group noted that the proposal was very ambitious and might be better implemented in stages, possibly by separating the quality improvement component from that of value addition.

Some delegates expressed concern at the long approval process that proposals go through once submitted to the CFC. The observer from the CFC pointed out that the length of time of the process depends on the quality of the proposal submitted. He also advised proponents of proposals to ensure that the objectives are consistent with the Development Strategy for the Sub-Group. In general, CFC does not support projects focused on pure research but some applied research work may qualify for assistance. Noting that the resources of the CFC were limited and that its guidelines do not allow it to support some activities, the Sub-Group suggested that additional sources of funding be identified for commodity development activities.

D. INFORMATION REQUIREMENTS ON HIDES AND SKINS

22. This item was reviewed on the basis of document CCP: ME/HS 06/4.

23. The Sub-Group acknowledged the difficulties involved in the collection and dissemination of information on the sector and it commended the Secretariat for its continued efforts to provide member states with as much information as possible. It recommended that questionnaires on production and trade be presented to member states in a simple and short format so as to maximise the number and quality of responses. The Sub-Group also urged the Secretariat to endeavour to provide trade data at a more disaggregated level once the new Harmonised System of classification becomes fully effective.

24. The Sub-Group pointed out that conversion factors need to be reviewed periodically to ensure that statistics are as accurate as possible and relevant to the needs of the sector. It urged the Secretariat to review the existing conversion factors as soon as possible.

25. The Sub-Group noted that the Secretariat is currently not able to provide global price information. It agreed that such information, which had been available in the past, was valuable in enabling stakeholders to understand developing trends in the industry. It attributed the difficulty in accessing the price information to the trading practices in the industry which are opaque and make the collection of this information cumbersome. The long marketing chains in many African countries were also cited as a barrier to the collection of price information. The Sub-Group urged the Secretariat to take whatever steps it can to develop a globally-representative price series, including working with focal points or statistical committees in various countries and regions which would provide information from public and private sources. Member countries were urged to facilitate the establishment of such public-private partnerships.

26. The Sub-Group, while appreciating the possibility of using secondary sources of information, noted the potential danger that data from some of those sources, such as trade magazines, may have an inbuilt bias. Members of the Sub-Group were urged to continue working in collaboration with the Secretariat to ensure production of good quality statistics.

III. OTHER MATTERS

A. DATE AND PLACE OF NEXT MEETING

27. Noting that the current Session had been active and informative, the Sub-Group stressed the value of holding its Sessions in producing countries. It encouraged delegates to endeavour to host the Sessions in their respective countries as this would enable more stakeholders to be actively involved in seeking solutions to problems in the sector. It requested the Director-General to keep this in mind when he determines the date and place of the next Session, in consultation with the Chairperson.

APPENDIX A
LIST OF DOCUMENTS

CCP: ME/HS 06/1	Provisional Agenda
CCP: ME/HS 06/2	Hides and skins and leather – strategy for development
CCP: ME/HS 06/3	Developments regarding Common Fund for Commodities' projects on hides and skins
CCP: ME/HS 06/4	Information requirements on hides and skins
CCP: ME/HS 06/4 (Supplement)	Global compendium on conversion factors for raw hides and skins and leather
CCP: ME 06/8 (CCP: ME/HS 06/5)	Report of the Ninth Session of the Sub-Group on Hides and Skins
Information Series	
CCP: ME/HS 06/Inf.1	Information note on arrangements
CCP: ME/HS 06/Inf.2	List of Delegates
Conference Room Series	
CCP: ME/HS 06/CRS 1	Project Concept: Promotion of wet salting as an improved curing method of hides and skins in high altitude areas of Eastern Africa
CCP: ME/HS 06/CRS 2	Project Concept Note: Quality improvement measures for raw hides and skins and the strengthening of the value-added chain of leather manufacturing industries in selected Latin American countries