

**The KENYA INSTITUTE for PUBLIC  
POLICY RESEARCH and ANALYSIS**

# Towards Revitalizing Kenya's Skins, Hides and Leather Products Industry

Christopher Onyango, Phillip Musyoka, Adan Shibia and Nancy  
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Nancy Laibuni*

Kenya Institute for Public Policy  
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## **Abstract**

*The leather industry is among the strategic industries that offer opportunity for Kenya's economic transformation and sustainable development. The industry contributes about 1.9 and 4.0 per cent to GDP and Agricultural GDP, respectively, and is estimated to employ 14,000 persons, with 10,000 being in the informal leather sector. Projections by 2030 indicate that the sector can employ over 35,000 people if the industry potential is exploited. Globally, there is a growing demand for leather products, estimated to increase by US\$ 100 billion annually. The sector's long value chain provides potential for job creation, income generation and poverty alleviation. However, Kenya may not reap any benefits from the positive global market indications if the limited value addition in the sector persists. This study reviews the policy, legal and institutional frameworks governing skins, hides and leather sector, evaluate the issues that bedevil the sector, and evaluate the possible opportunities for investment.*

*The leather products industry is among the priority sub-sectors in the "Big Four" agenda of the Government of Kenya, which is expected to spur the contribution of manufacturing to GDP and employment. The potential of the skins hides and leather products value chain requires increased public and private investments across the value chain. At the lower level of the value chain, which entails production, specific opportunities relate to investment towards increasing livestock production and marketing to increase off-takes and increase supply of hides and skins as the basic raw material into the value chains, and investments to revamp skins, and hides extensions services to grow better quality skins. Moreover, investment in infrastructure will open interior markets and facilitate aggregation. At the tanning level, adoption of advanced value adding technology will increase the economies of scale and render investments on tanning viable. Splitting technology, for example, enables tanneries to multiply their products almost fourfold. At the product development level, competitive edge of the value chain is based on product innovativeness. As such, skill and capacity building of staff to enhance product quality and trigger innovation will be important.*

*The aggregation, tanning and product development levels require private sector engagement. Whereas these levels are profitable, low private sector engagement and low prices stifle competition. Favourable public policy that facilitates bulk and affordable imports of tanning chemicals, and access to better technology for leather development will be important. The National Industrialization Policy framework, if fully implemented, offers a window for reviving the sector.*

*Despite the legal and institutional frameworks, the skins, hides and leather value chain faces several challenges: declining productivity of skins and hides and low prices that disincentivizes selling, collection and aggregation and hence reduced supply of skins to the tanneries; dwindling public investment on extension services; poor flaying skills and techniques and lack of grading; prohibitive fixed investment costs for the tanning segment; controlled and segmented markets; lack of advanced technology for value addition and inadequate innovative skills to competitively drive the value chain against cheap, innovative imported leather products.*

## **Abbreviations and Acronyms**

AgGDP	Agricultural Gross Domestic Product
AHITI	Animal Health and Training Institute
ASALs	Arid and Semi-Arid Lands
DFZs	Disease Free Zones
EPZA	Export Processing Zone Authority
ERS	Economic Recovery Strategy
FAO	Food and Agriculture Organization
GDP	Gross Domestic Product
GoK	Government of Kenya
KAM	Kenya Association of Manufacturers
KIRDI	Kenya Industrial Research and Development Institute
KITI:	Kenya Industrial Training Institute
KLDC	Kenya Leather Development Council
KLMC	Kenya Livestock Marketing Council
KNBS	Kenya National Bureau of Statistics
LAEA	Leather Articles Entrepreneurs Association
LIP	Leather Industrial Park
MTEF	Medium Term Expenditure Framework
MTP	Medium Term Plan
NES	National Export Strategy
NIE	New Institutional Economics
RTI	Research, Technology and Innovation
TPCSI	Training and Production Centre for Shoe Industry
UNIDO	United Nations Industrial Development Organization
USD	United States Dollars

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# 1. Introduction

## 1.1 Background of the Study

The leather and leather products sub-sector offers an immense opportunity for African economies in generating incomes and employment. According to World Bank (2015), while Africa owns a fifth of the global livestock population, it accounts for only 4.0 per cent of world leather production and 3.3 per cent of value addition in leather. The annual global trade in leather is estimated at more than US\$ 100 billion and the demand for leather and leather products is projected to grow faster than supply (World Bank, 2015). Like many other countries in Africa, Kenya despite its potential in skins, hides and leather risks missing out on the opportunities presented by the surging global demand. About 90 per cent of Kenya's US\$ 94 million leather exports are unfinished wet blue leather (World Bank, 2015).

Agriculture contributes an estimated 34.2 per cent of Gross Domestic Product (GDP) in Kenya as of 2018, of which the livestock sub-sector contributes 11.9 per cent of Agricultural GDP, with the rest coming from crops (81.3%), forestry (3.8%), fisheries (1.4%) and support activities to agriculture (1.5%) (KNBS, 2019). Despite its seemingly lower GDP contribution when compared to the crops sub-sector, the livestock sub-sector's contribution in arid and semi-arid lands (ASALs) is immense, accounting for about 90 per cent of employment opportunities and 95 per cent of family incomes (Ministry of Agriculture, Livestock and Fisheries, 2015). Although the focus of livestock production has been on meat and dairy production, hides and skins have increasingly become important by-products. Hides and skins are by-products of the livestock sector with high potential for employment and wealth creation if the potential is well harnessed through value addition. In 2015, 112,000 tons of leather were produced in Kenya, comprising of 2.62 and 20.33 million pieces of hides and skins, respectively (Export Processing Zones Authority, 2016). The contribution of leather and leather products to the manufacturing GDP averaged 1.2 per cent during the Second MTP of the Kenya Vision 2030 (2013-2017) while its contribution to agricultural GDP averaged 0.38 per cent over the same period. The performance is, however, marginally declining. For instance, the contribution to manufacturing GDP declined from 1.41 per cent in 2013 to 1.0 per cent in 2017 while the contribution to agricultural GDP declined from 0.57 per cent to 0.23 per cent over the same period (KNBS, 2018).

Apparently, Kenya is the third largest holder of livestock in Africa (after Ethiopia and Botswana). According to Kenya Housing and Population Census 2009, the livestock population in the country was 17,467,774 cattle, 17,129,606 sheep, 27,740,153 goats, 2,971,111 camels, 1,832,519 donkeys, 334,689 pigs, 25,756,487

poultry and 6,071,042 rabbits. Despite the large livestock population in the country, the potential for value addition and diversification of leather sub-sector remains under-utilized. A key policy issue relates to how Kenya can grow its leather industry, increase its competitiveness in leather and leather products, and boost exports and job creation. Only 6.3 per cent of Kenya's leather exports are finished leather or leather products, with a massive 93.7 per cent being exported either as raw hides and skins or wet blue leather (World Bank, 2015). This is in spite of an 80 per cent export duty levied by the government to discourage export of hides and skins in their raw forms.

Previous studies attribute poor performance and lack of competitiveness of the sector to high cost of domestic leather and leather inputs, partly resulting from import duty on imported inputs, and electricity and labour costs; weak modernization of machineries leading to poor quality products; and competition from cheap and secondhand imports of leather products (World Bank, 2015). The tanning industry also faces challenges relating to lack of quality effluent facilities, which increases the environmental and health costs associated with processing finished leather products. In addition, the footwares and handbags face high cost and low availability of quality hides, and scarce design and process skills.

The revitalization of the leather sub-sector offers Kenya the opportunity to spur jobs, income growth and diversification of the industrial base. Together with the textiles sub-sector, it is among the priority sub-sectors earmarked to drive Kenya's manufacturing agenda under the "Big Four" initiatives that have been mainstreamed into the Third Medium Term Plan (MTP) of the Kenya Vision 2030. It is expected that enhanced value addition in leather and leather goods will create an additional 35,000 jobs and US\$ 150 to 250 million in GDP, and contribute to substituting a portion of US\$ 86 million in shoe imports annually (Government of Kenya, 2015).

Although there have been studies on the hides and skins industry (World Bank, 2015; Kenya Markets Trust, 2019), detailed information regarding the impacts of policy, institutional and legal frameworks on the hides and skins sector is limited. Besides, the adoption of the devolved system of government in Kenya has brought in new dynamics in the development of the livestock sector, with the national government responsible for overall policies while the county governments are responsible for the management and control of production and development of the sector. This study seeks to delve on the sector on a more comprehensive approach in order to bring out realistic and tenable recommendations towards sustainable revitalization of the sector.

## **1.2 Statement of the Problem**

The Kenyan government has under the “Big Four” initiative and the Third Medium-Term Plan (MTP) prioritized the development of the leather sub-sector as part of efforts to generate more employment opportunities and grow incomes through industrial development. The focus on development of the leather sub-sector is hinged on hides and skins resource base of the country and labour intensive nature of value addition activities within the sub-sector. Key policy reforms to support development of the leather sub-sector include establishment of the Kenya Leather Development Council, imposition of high export taxes on exports of raw hides and skins, and increased budgetary allocations to the sector. Despite these initiatives, the contribution of the leather sub-sector to GDP has been marginally declining. The coordination framework is complex and constitutes several agencies and players with competing interests. The sub-sector does not seem to attract new investments despite the prospects for value addition along its long value chain. In addition, uncompetitive practices dominate the upstream segments of the value chain, particularly the livestock markets, aggregation and marketing of raw hides and skins in international markets. Besides, the influx of secondhand, synthetics, counterfeit and new quality leather products imports pose additional challenges to sustainable revamping of the sub-sector. The existing situation motivates a comprehensive analysis to provide greater insights into the policy, economic and political factors shaping operations and performance of the entire leather value chain.

## **1.3 Objectives of the Study**

The general objective of the study is to provide insights on ways to revitalize and promote sustainable development of the leather and leather products sub-sector for employment generation and poverty reduction. The specific objectives are to:

- (i) Assess the institutional and regulatory framework of the hides and leather industry in Kenya;
- (ii) Describe the leather value chain and value-adding activities from input to the market;
- (iii) Identify investment opportunities along the leather value chain;
- (iv) Identify major constraints and challenges across the leather value chain;

#### **1.4 Justification of the Study**

Employment growth and income generation through development of the leather sub-sector is one of the priorities under the third MTP of the Kenya Vision 2030 (and the “Big Four” agenda which has been mainstreamed into the third MTP with regard to the manufacturing sector. In this regard, the government has under the third MTP prioritized to develop Hides and Skin, Leather and Leather Products Development Strategy; and undertake review of the Hides, Skins and Leather Trade Act (Cap 359). There is, however, a deficiency of current and comprehensive studies to guide the policy development. The findings from this study are expected to guide this policy development. The study will be useful to diverse actors and players ranging from farmers, traders, MDAs (the National Treasury and Planning; Ministry of Industrialization, Trade and Enterprise Development; Kenya Leather Development Council; Kenya Investment Authority; Export Processing Zones Authority; Special Economic Zones Authority; County Governments); private sector - Kenya Association of Manufacturers, Kenya National Chamber of Commerce and Industry; development partners, and other stakeholders.

The rest of the report is organized as follows: Section 2 reviews and chronicles the evolution of the policy, institutional and legal frameworks that govern the leather and leather products sub-sector. In Section 3, a description of the methodology is given. This involves the elements of value chain and complements the value chain approach, with vertical market integration analysis and an approach to value chain competitiveness analysis. The existing value chain of skins, hides and leather industry are described in Section 4. In Section 5, the key constraints and challenges affecting the leather sub-sector are presented. Section 6 identifies the investment opportunities along the value chain. Section 7 presents the conclusion and recommendations.

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## **2. Review of Policy, Institutional and Regulatory Frameworks**

The government uses several pieces of legislation to manage and regulate the skins, hides and leather industry. These pieces of legislation, institutions and policies are listed in Annex 1 and are elaborated in the subsequent sub-sections.

### **2.1 Evolution of Policy, Legal and Regulatory Frameworks**

#### **2.1.1 Export compensation and liberalization policy**

The skins, hides and leather sector has evolved from the time of import substitution (1980s), through the liberalization era (1990s) to the time of economic recovery in 2003 to catch up with various institutional and economic reforms that have taken place since. For long, skins and hides were regarded as by-products of meat and the full potential was unrealized. Investments on livestock and livestock product development did not focus on development of skins and hides up to around 1980 when the government imposed an export ban on raw hides and skins. Until then, leather industries predominantly exported raw hides and skins (wet salted and dried). For example, between 1979 and 1980, exports of raw hides represented 75 per cent of the total weight of hides exported. Semi-processed and finished leather constituted 20 per cent and 5 per cent, respectively (USAID, 1987). The export of raw hides and skins was driven by price differentials between the domestic leather processors and the export market. Despite the reversals of the export ban and translation to graduating export taxes, the ban stimulated the tanning industry to some extent, leading to mushrooming of a number of tanning factories and some strides by the leather products sector, spearheaded by Bata Shoe Company (GoK, 2015).

The growth in the leather sector that ensued after 1980 was driven by an export compensation scheme (22%) that sought to make local manufacturers competitive at international markets. However, even with export compensation, the growth of the skins, hides and leather sub-sector was slow and the potential remained unexploited. The advent of market liberalization in early 1990s saw the abolition of export compensation schemes, rendering the local manufacturers uncompetitive and exposing them to external forces of cheap products. The leather sector slumped and tanneries and local leather product manufacturers reduced while tanneries faced significantly reduced capacity to absorb skins and hides and further process leather. By 2004/2005, the effects of abolishing export compensation schemes reduced the number of operating tanneries to 10 (ten) operating at an average of 30 per cent capacity utilization (Mwinyihija, 2014a).

### **2.1.2 Economic Recovery Strategy (ERS)-2003-2007**

The Economic Recovery Strategy for Wealth and Employment Creation (ERS-WEC) implemented between 2003 and 2007 led to recovery of the economy during that period. Reforms in the manufacturing sector were coded within the Investment Promotions Act 2004, Kenya Investment Authority Act 2006, and the National Export Strategy (NES) that sought to improve the competitiveness of the manufacturing sector. Leather manufacturing was considered as one of the important sub-sectors with potential for exploitation. In order to engage the private sector in the manufacturing agenda, the Private Sector Development Strategy (PSDS) was formulated in 2006 to promote the participation of the private sector. Over the same period, the government collaborated with the United Nations Industrial Development Organization (UNIDO) to implement Phase 1 (one) of the Kenya Integrated Programme (KIP) whose objective was to help increase productivity, develop productive capacities in the leather, apiculture and fish processing with high export potential. Although promoting leather industry competitiveness and exploiting the enormous potential was in line with the ERS-WEC, inadequate finances towards enhancement of productivity and competitiveness limited the progress of developing the skins, hides and leather industry (UNIDO, 2006).

### **2.1.3 The Vision 2030 and the “Big Four” agenda**

The investments made over the ERS period through the National Export Strategy continued to drive the growth of the leather sector. According to the Economic Survey (KNBS, 2012), leather manufacturing grew by 1.8 per cent during 2008/09 review period, at a time when the Vision 2030 was launched. The overarching development framework presented in the Kenya Vision 2030 envisioned a double-digit growth, resulting in socio-economic transformation of the country into an upper middle-income status. The Vision 2030 is anchored on three pillars: economic, social and political. Under the economic pillar, the sectors of agriculture, manufacturing, tourism, wholesale and retail trade, manufacturing, business process outsourcing and financial services and oil, gas and mineral resources were to drive the double digit GDP growth through 2030. Agricultural and livestock development is espoused in the economic pillar and development envisaged through value addition.

The Vision 2030 has been implemented through Medium Term Expenditure Frameworks (MTEFs); MTEF I 2008-2012, MTEF II 2012-2017 and MTEF III 2018-2022. However, the omission of the leather development flagship in MTEF I slowed down the development of the leather industry. In the second MTEF

2013-2017, the Vision 2030 flagship projects sought to increase productivity in agriculture; it sought to enhance livestock production through planning and establishment of 4-5 disease free zones (DFZs) in Kwale, Mombasa, Kilifi, Tana River, Lamu and parts of Taita Taveta counties, Uasin Gishu and Laikipia-Isiolo Complex. In addition, the Vision sought to establish livestock processing facilities to enable Kenyan meat, skins and hides meet international standards and enable domestic and regional supply. Among other benefits, establishment of DFZs was expected to supply more than 160,000 high quality hides and skins to the leather sub-sector. In the pilot stages, establishment of DFZs focused on rehabilitation of previous livestock holding grounds, upgrading of abattoirs, and separation of wildlife from livestock (Otieno, et al., 2010). However, establishment of the DFZs did not progress beyond the pilot stages. The role of leather in driving the economy is recognized in the National Export Strategy (NES) 2017-2022 that identifies, among others, hides and skins as a priority to drive Kenya's exports and economic growth through 2022. Other sub-sectors from livestock include beef, poultry and dairy products. The scope of interventions under NES span from enterprise development, policy, marketing, institutional and performance management and continual growth.

The aspirations of developing the skins, hides and leather industry have been carried over into the "Big Four" agenda. The agenda aspires to drive the economy through a four front approach: affordable and decent housing, affordable healthcare, food and nutritional security, and employment creation through manufacturing. In line with the Vision 2030, the "Big Four" agenda on its fourth priority, employment creation and manufacturing, envisions a manufacturing sector that harbours the potential to spur economic growth and thrust the country into socio-economic transformation through reduced import wage bills, diversification of exports and creation of employment (KIPPRA, 2018). Alongside other manufacturing sectors, the development of the hides, skins and leather industry complements the efforts of industrial and manufacturing development through establishment of tanning and leather product development within the country. Through the "Big Four" agenda, the leather sector has seen the initial steps of establishment of a Leather Industrial Park (LIP). Increased domestic value addition ensures that the imports wage bill on leather products is reduced, while at the same time increasing employment opportunities in the country. Moreover, the benefits accrued from higher value addition on leather helps in reducing poverty because they trickle down to the low-income livestock keepers.

## **2.2 Laws and Regulations**

### **(a) Hides, Skins and Leather Act (Cap 359, Laws of Kenya)-1988**

The leather sub-sector is regulated through the Hides, Skins and Leather Act (Cap 359, Laws of Kenya)-1988. The evolution of the Hides and Skins Act Cap 359 through various amendments is elaborated in (Table 1).

**Table 1: The evolution of policy and legal frameworks directly**

<b>Regulation</b>	<b>Focus</b>
Import Substitution to 1992	<ul style="list-style-type: none"> <li>• Restricted imports of leather products, export of raw hides and skins</li> <li>• Export compensation schemes giving local leather manufacturers a competitive advantage</li> </ul>
Hides, Skins and Leather Act (Cap 359, Laws of Kenya) 1988	<ul style="list-style-type: none"> <li>• Skins and hides trading be subjected to annual licensing</li> <li>• Regionalization which may promote monopolistic behaviour</li> <li>• Establishment of policy advisory organization</li> <li>• Price regulation instead of market driven prices</li> <li>• Licensing of export and import trading</li> <li>• Export tax- raw hides 2%, wet-blue leather 1%, and crust and finished leather 0.5%</li> </ul>
Hides and Leather Trade Rules 1990	<ul style="list-style-type: none"> <li>• Prohibited the sale of green hides or skin unless one is the original owner</li> </ul>
Market Liberalization 1993	<ul style="list-style-type: none"> <li>• Market opening, import of cheap leather imports, abolishment of export compensation schemes</li> </ul>
Hide Skin and Leather Trade (Amendment) Rules, 1995	<ul style="list-style-type: none"> <li>• Provided for varying cess to be imposed on hides and skins processed to different extents</li> </ul>
Hides, Skin and Leather Trade (Leather Development Council) Rules, 2010	<ul style="list-style-type: none"> <li>• Established the Kenya Leather Development Council (KLDC) with a principal function being to oversee and advice the Minister generally on matters relating to the processing and trade in hides, leather and leather products</li> </ul>
Hide, Skin and Leather Trade (Cess) Rules, 2014	<ul style="list-style-type: none"> <li>• Imposed cess on leather trade</li> </ul>

	Suspension dried hides, wet-salted hides, raw cattle hides, calfskins, sheepskins, wool sheepskins and goat skins	2%
	Hides and skins processed to wet—blue (chrome tanned) state	1%
	Hides and skins processed to pickle form	2%
	Hides and skins processed to vegetable crust form	1%.
	Hides and skins processed to chrome crust or any other mineral	1%
	Hides and skins processed to finished leather	0.5%
Kenya Gazette Supplement Number 221, Act number 57 of Finance Act 2012	Subsequent Export Tax regulation on raw hides and skins increased from 40 to 80% of FOB	80% of FOB
Hide, Skin and Leather Trade (Cess) Rules, 2017	Suspension dried hides, wet-salted hides, raw cattle hides, calfskins, sheepskins, wool sheepskins, goatskins, donkey skins, crocodile skins and camel hides	1%
	Hides and skins processed to wet blue state	0.75%
	Hides and skins processed to pickle form	1%
	Hides and skins processed to crust form	0.5%
	Hides and skins processed to finished leather	0.5%

The Act stipulates the roles of various players in the leather sector. As per the Act, the role of the government remains to facilitate, regulate and promote industrial development while facilitating private sector players to do business in skins, hides and leather. Apart from the rates of cess or taxes, there has not been much change in the Act from its initial pronouncements. At its inception, the Act required that all trade in hides, skins and leather is subject to annual licensing and that all traders operate in specific geographic areas, which could promote monopolistic behaviour by buyers.

The taxes stipulated initially favoured the exportation of raw hides and skins. The Act, in 1988, imposed 2 per cent export taxes on raw hides, 1 per cent on wet-blue leather, and 0.5 per cent on crust and finished leather. The low export taxes prompted exports of raw hides, and skins against value added leather, denying local leather manufacturers raw material for processing and forcing them to import leather products.

The liberalization of markets in 1993 saw the deregulation of commodity prices and opening up of markets, which saw the government relax its grip on prices. Henceforth, skins, hides and leather prices were market driven and the operational environment had to change. Although the Act advocated for establishment of a policy advisory organization, this delayed until 2010 when the Kenya Leather Development Council (KLDC) was established to provide the government with advisory on leather matters. The establishment of the KLDC was around the same time as the launch of the Vision 2030 and the MTEF 1, which envisioned leather development. However, not much of leather development was achieved at the time due to under-funding of the sector.

Recent changes have seen a shift of regulation through amendments towards a prohibitive export tax rate that seeks to retain most of the material with the country in order to provide materials for the tanning industry and leather production. These changes have also seen the easing of licensing challenges for dealers and removal of operation barriers that restricted operations to a particular locality, thus limiting scale of collection and operation. The formation of the Kenya Livestock Marketing Council (KLMC) among other civil organizations purposed to play oversight roles in the sector to reduce the effect of the government as the sole custodian of the Act.

Other regulatory pieces that indirectly influence the industry include the EPZA Act Cap 517 and the EMCA, 1999.

### **(b) The Export Processing Zones (EPZ) Act Cap 517**

The EPZA Act provides the legal foundation for the establishment of the export processing zones under the Export Processing Zone Authority. It also paved way for the establishment of the Leather Industrial Park (LIP). The EPZA Act establishes the Export Processing Zones Authority as a corporate body with perpetual succession and a common seal for purposes of:

- The development of all aspects of the export processing zones with particular emphasis on provision of advice on the removal of impediments to, and creation of incentives for, export-oriented production in areas designated as export processing zones;

- The regulation and administration of approved activities within the export processing zones, through implementation system in which the export processing zone enterprises are self-regulatory to the maximum extent; and
- The protection of government revenues and foreign currency earnings. Under Cap 517, EPZA enjoys a wide mandate necessary for the development of exports towards generating foreign exchange for the country.

It is this mandate that will be brought to bear in operationalizing the Master Plan for the Kenya Leather Park (Machakos). The LIP is a leather value addition and sits at the apex of the hides, skins value chain, and thus important to create an alternative to the private sector led leather value addition.

### **(c) Environmental Management and Coordination Act (EMCA) 1999**

The chemicals used in tanning have a high impact on the environment if not well handled at the effluent disposal stage. Moreover, final markets, such as the EU require stringent production and environmental adherence standards. Investments on effluent treatment are highly capital intensive, with quite expensive technology. Despite the amendments on the Hides, Skins and Leather Act Cap 359, the Act is silent on environmental controls especially those related to pollution controls and effluent treatment. Available evidence indicates that due to unabated discharge of effluent with contaminants above the developed world's regulatory standards, the leather sector is considerably hazardous to the environment, and this is permitted by the inadequacies in regulatory frameworks (Mwinyihija and Killham, 2006). Regulation of environment in relation to hides, skins and leather industry is spelt out in the EMCA Act of 1999, which provides for strategic environmental assessment of all proposals for public policy, plans and programmes to determine which ones are the more environmentally-friendly and cost effective when implemented. For all public or private investments of industrial nature, the regulation requires that the assessment carried out under this regulation shall consider the effect of implementation of alternative policy actions taking into consideration:

- (a) the use of natural resources;
- (b) the protection and conservation of biodiversity;
- (c) human settlement and cultural issues;
- (d) socio- economic factors; and

- (e) the protection, conservation of natural physical surroundings of scenic beauty and protection and conservation of built environment of historic or cultural significance.

Although there has been compliance to environmental regulations, the cost is prohibitive and dependent on the technology used to treat the effluent from the skins and hides tanning. Meeting the environmental regulation in some cases has attracted almost the same initial costs of setting the tanning factory.

**(d) Constitution of Kenya 2010**

The Constitution of Kenya 2010 heralded a new era of two-tier government with delineated roles of national and county governments. It gave a new lease of life to development planning, while giving the government power to regulate use of land, or any right of any use of land. Since the promulgation of the Constitution, several laws including the County Governments Act 2012, and Cities and Urban Areas Act 2011 have been enacted. Provision of various services has largely been devolved to county governments, with national government maintaining the function of policy development. In the agricultural sector, the national government is responsible for overall policies, whereas county governments are responsible for advisory services, breeding, marketing yards and control and management of livestock diseases. The county governments have also developed mechanisms of engaging the livestock stakeholders on issues such as certification, standards and safety compliance, setting of taxes and movement permits especially related to hides and skins and or leather.

**(e) Sessional Paper No. 9 of 2012 on National industrialization policy framework for Kenya 2012-2030**

The National Industrialization Policy aims at enabling the industrial sector to attain and sustain annual sector growth of 15 per cent and make Kenya the most competitive and preferred location for industrial investment in Africa. The industrial sector growth is expected to lead to high employment and wealth creation. Investment will be on high value processing of agricultural products, among others, hides and skins. The importance of skins, hides and leather products value chain stems from its forward and backward linkages that provide opportunities for employment through value addition. These stages, categorized in four sectors include the raw material base (hides and skins), tanneries, footwear, and manufacturing of leather goods.

**(f) Kenya Industrial Transformation Programme (2015)**

This programme recognizes the under-exploited leather industry and that almost 90 per cent of leather exports are unfinished wet blue leather. Through the industrialization framework, the government aims to support the skins, hides and leather products value chains by strengthening the Leather Development Council; reviving and mainstreaming the Training and Production Centre for the Shoe Industry (TPCSI) to promote technical capacity in processing of leather products; strengthening the leather training and incubation programmes in Kenya Industrial Research and Development Institute (KIRDI) and Kenya Industrial Training Institute (KITI); and banning importation of used leather products and exportation of raw hides and skins.

**(g) County Government Act 2012**

The Act stipulates that the County Integrated Development Plans (CIDPs) will be central to county's administration and planning, and prohibits any public spending outside of the plan. The Act clarifies that CIDPs be broken down into economic plan, physical plan, social environmental plan, and spatial plan.

Although county governments have had a leeway to spearhead their development paths, many have not identified hides and skins as key to localized development. Indeed, the skins and hides sector has been crippled, with extension services for skins and hides grossly underfunded. The agenda for skins, hides and leather development takes a secondary approach. In all counties, strategies to drive skins, hides production, marketing and value addition are crafted to support livestock production.

A review of the 2018-2022 County Integrated Development Plans (CIDPs) across counties that have skins, hides and leather development strategies focus on quality improvement of the hides and skins through continuous inspection, value addition through establishment of tanneries and leather cottage industries (Table 2). In all the strategic approaches devised by the counties, there is little or no focus on hides, skins extension services, yet most of the defects that reduce the quality and quantity of value added hides, and skins, emerge from the livestock production level. Available reports from counties of Narok, Makueni, Isiolo, and Kitui point to lack of funds to run the extension and veterinary services, which are prerequisites to production of good skins and hides, which are the major inputs in leather processing.

**Table 2: Skins, hides and leather development strategies in the County Integrated Development Plans (CIDPs)**

County	Estimated Livestock population (2015)				Strategy
	Pop. Cattle	Hides (No.)	Pop. Shoats	Skins (No.)	
Kitui	503,888	79,465	986,457	362,963	• Value Addition (establish tanneries)
Garissa	210,656	190,300	1,946,880	270,000	• None
Isiolo	419,587	75,655	809,080	42,660	• Increased production and quality of hides • Value addition (tannery, training, quality assurance)
Kilifi	1,126,081		326,651		• Quality assurance and value addition (tannery)
Laikipia	367,496	18,335	726,570	137,860	• Value addition. Leather cottage industries
Makueni	269,342	46,763	790,456	202,634	• Value addition
Narok	48,792	1,485,464	1,741,041		• Value addition in skins and hides
Taita Taveta	500,832	85,160	232,888	14,060	• Quality • Value addition in skins and hides
Tana River	632,369		1,067,294		• Production of quality hide and skins • Tannery • Trade
Wajir	718,940		2,681,484		• Value addition
West Pokot	504,400		1,039,800		• None

### **2.3 Institutional framework**

An array of institutions, both public and private, play direct or indirect roles in organizing the skins, hides and leather value chain (Table 3). Among the public institutions, include the Ministry of Agriculture, Livestock, Fisheries and Cooperatives; Ministry of Industrialization, Trade and Enterprise Development; Kenya Leather Development Council (KLDC); Kenya Industrial Research and Development Institute (KIRDI); Animal Health and Training Institute (AHITI); and the Economic Processing Zone Authority. The Animal Health and Training Institute (AHITI), Kenya Industrial Training Institute (KITI) and Training and Production Center for the Shoe Industry (TPSCI) are all public government institutions that, by definition, provide training, support, and technology transfer services to the leather sector. Many institutes and associations exist to support the industry—most of which are government-owned or controlled—but few play a significant role due to lack of coordination, funding, and authority, leaving a

vast room for improvement. Private sector organizations include the Kenya Association of Manufacturers, Kenya Livestock Marketing Council (KLMC) and non-governmental organizations that support various livestock production and marketing initiatives.

**Table 3: Skins, hides and leather development institutions**

Function(s)	Institution(s)
Policy Development	Ministry of Agriculture and Livestock Development Ministry of Industry, Investment and Trade
Advocacy, Advisory and Trade	Kenya Association of Manufacturers (KAM) Kenya Livestock Marketing Council (KLMC) Kenya Leather Development Council (KLDC) Export Processing Zones Authority (EPZA) Leather Articles Entrepreneurs Association (LAEA)
Research and Technology Development	Kenya Industrial Research and Development Institute (KIRDI),
Education Institutions	Universities and other higher institutions of learning Dedan Kimathi University of Technology; Technical University of Kenya-formerly Kenya Polytechnic
Training Institutions	Animal Health and Training Institute (AHITI) Kenya Industrial Training Institute (KITI) Training and Production Center for the Shoe Industry (TPSCI)

**(a) Ministry of Industrialization, Trade and Enterprise Development**

The Ministry is the over-arching body under which the Leather Industrial Park (LIP) is being developed. The success of the LIP will transform the skins, hides and leather value chain through creation of market for the raw materials, creation of employment and income generation. The effects, if well harnessed and distributed along the skins, hides and leather value chain will trickle down to influence economic rents in the livestock sector. Although the ministry is expected to provide overall strategic and policy direction to leather development, the sector still lacks adequate policy and resources to address the challenges in leather development.

**(b) Ministry of Agriculture, Livestock, Fisheries and Cooperatives**

The Ministry of Livestock Development is the lead ministry at the lower end of the skins, hides and leather value chain. The key sources of skins and hides are cattle, goats, sheep and camel. Whereas trade and investment functions lie with the Ministry of Industry, Investment and Trade, the principle function of overseeing livestock production is under the Ministry of Agriculture, Livestock, Fisheries and Cooperatives. The volume of skins and hides depends on the off-takes of livestock, which are estimated to be low in the country. The quality of skins and hides depends on, partly, the livestock husbandry practices, including feeding, diseases and pest control and flaying techniques, all of which are under the control of departments of the Ministry. The Ministry of Livestock retains the overall policy and regulatory functions of the sector, with most of the functions devolved to the county governments. However, coordination between the national and country governments to deliver quality livestock products has been a challenge.

**(c) Kenya Leather Development Council**

The Kenya Leather Development Council (KLDC) is a state agency under the Ministry of Agriculture, Livestock, Fisheries and Cooperatives filling the policy advisory gap on leather matters and draws its mandate from the Hides, Skin and Leather Act, Cap 359. The KLDC represents the interests of the leather sub-sector, and draws representation from the value chain, including the Kenya Livestock Marketing Council, slaughterhouses associations, hides and skins traders, tanners, leather product manufacturers, environment and academia. The representation also draws from the Ministries of Industrialization, Trade and Enterprise Development, and the National Treasury and Planning. The KLDC was established under Legal Notice Number 114 under Cap 446 (State Corporations Act) through Kenya Gazette Supplement No. 113 (Legislative Supplement No. 113) dated 9<sup>th</sup> September 2011. The KLDC was established principally to oversee and advise the Government on matters relating to the processing of and trade in hides, skins, leather and leather goods. Its functions include to promote, direct, coordinate and harmonize all activities in the leather sub-sector; oversee the licensing of the leather sub-sector; guide the implementation of the Council's policies and strategies; advice the Cabinet Secretary on national strategies and policy in respect of the leather sub-sector; undertake research and development activities; organize and supervise capacity building in the leather sub-sector; set standards and enforce compliance in collaboration with other relevant institutions; collect, store, analyze and disseminate data on the leather sub-sector;

and mobilize technical and financial support for the leather sub-sector.

The functions of the KLDC have far-reaching effects on the operations of the skins, hides and leather sub-sector. Holding the key to licensing new entrants, KLDC can effectively regulate the number of market players. The direction of the skins, hides and leather sector is determined by the KLDC in that it advises on the strategic direction, and enforces quality standards.

**(d) Kenya Industrial Research and Development Institute (KIRDI)**

Established in 1979, KIRDI is a multidisciplinary research institute, which falls under the Ministry of Industrialization, Trade and Enterprise Development. Leather is one of the key divisions in Research, Technology and Innovation (RTI). The main objective of the Institute is to undertake research into, and development and dissemination of the latest technology in tanning, equipment, quality control, etc. The leather division also advocates for establishing mini tanneries in high livestock potential areas of Kenya to add value and boost local employment. However, there is a concern in the industry that the topics KIRDI chooses to research on are impractical and fail to address the contemporary challenges that industry players face. Further, some stakeholders assert that KIRDI has not made significant research contributions to the industry in recent years. Instead, KIRDI seems more focused on revenue generating activities such as consulting and business incubation, which possibly overlap with its role and mandate.

**(e) Educational institutions**

Several educational institutes have elements of leather development. The Dedan Kimathi University of Technology, and the Technical University of Kenya, formerly the Kenya Polytechnic, respectively, offer degree and diploma courses in leather science. However, most students of such programmes are not considered experienced enough to make significant contributions to the industry immediately upon graduation, and most of the graduates require additional training once employed to produce leather goods. Moreover, the equipment and curriculum in these educational institutes require an overhaul to respond to the emerging demands and required innovativeness in leather products. In this case, there needs to be improved communication between Kenyan educational institutions and industry stakeholders to better prepare students joining the labourforce.

**(f) Export Processing Zones Authority (EPZA)**

The Export Processing Zones Authority (EPZA), a corporate body, was established under the Export Processing Zones Act (Cap 517) of the Laws of Kenya to promote export-oriented investments and trade. The EPZA is in charge of the development of the Leather Industrial Park (LIP) at Kinanie, Machakos. In its Strategic Plan 2019-2023, the EPZA seeks to make a significant contribution to national economic and social objectives through industrial growth and job creation. As aforementioned, the development of LIP at Kinanie will have far-reaching transformative effects on the skins, hides and leather sub-sector.

**(g) Training institutes**

Three training institutes offer leather product development-related courses. These include Training and Production Center for Shoe Industry (TPCSI), Animal Health and Training Institute (AHITI) and Kenya Industrial Training Institute (KITI).

- TPCSI was established in Thika in 1994 under UNIDO's initiative to support the Kenyan leather industry. The institution has a critical role in boosting the industry's competitiveness. Its objective is to provide intensive training on multiple aspects of leather goods production, ranging from designing to costing. It is equipped with relatively modern machinery. Almost all machines are currently functional but some, such as those used in graphic design, require repair and upgrading. Since inception in 1994, the Institute has only trained 400 trainees from Kenya and 250 from other countries. Currently, the facility is more of a production outsourcing workshop rather than a training institute. Group training occurs only when there is external funding. The number of trainees has dwindled over time.
- AHITI was established in 1965 by the Food and Agriculture Organization (FAO) to provide training on leather manufacture and leather craft. AHITI offers two-year certificate courses in leather manufacture and leather craft.
- The purpose of KITI is to provide practical and technical skills, and entrepreneurial skills to trainees. The leather department under KITI specifically promotes leather production skills.

**(h) Leather industry associations**

Associations that provide various platforms especially in trade along the skins, hides and leather value chain include: Leather Articles Entrepreneurs Association

- LAEA, Kenya Association of Manufacturers (KAM), Kenya Livestock Marketing Council (KLMC).

- **Leather Articles Entrepreneurs Association (LAEA):** LAEA provides a representation of many small and medium enterprises involved in leather goods production and provides a platform for channelling concerns and challenges along the value chain on behalf of members. It has a mission to mobilize the leather articles sub-sector, capacity building, and incubation, and promote global competitiveness of Kenyan made leather articles. The association has over 100 members from all over Kenya, and is open to any player that has a role in the leather industry, regardless of their size or location. Their association gained momentum as many producers began aggregating around international trade fairs and exhibitions to promote their respective leather products.
- **Kenya Association of Manufacturers (KAM):** Established in 1959 as a private entity, KAM is a representative organization for all types of value-adding manufacturers in Kenya. Its objective is to support the local manufacturing industry to become more competitive and promote trade. To this end, KAM plays a vital intermediary role between manufacturers and the Ministry of Industrialization in addressing concerns of its 800 members. KAM also provides technical advice on trade tariffs, taxation, and business information to facilitate its members' operations.
- **Kenya Livestock Marketing Council (KLMC):** The Kenya Livestock Marketing Council is an umbrella organization of livestock producers and traders working in 18 counties in arid and semi-arid regions of Kenya. The objectives of the Council include bargaining for the rights of traders, promoting livestock and livestock products, and identifying market gaps regionally and internationally. The Council also disseminates market information to producers and traders with push, and supports the export of live animals. KLMC supports value addition on livestock products including skins and hides, market access and linkages, lobbying and advocacy for better prices for livestock and livestock products and co-management of livestock resources. The value addition support on livestock products has a bearing on the skins and hides, and impacts on quality and increased share of economic rents at the lower levels of the value chain.

### **3. Methodology**

#### **3.1 Introduction**

This study draws strands of value chain analysis and market integration to meet its objectives. The value chain analysis finds its anchorage in New Institutional Economics (NIE), which purposes to explain the determinants of institutions and their evolution over time, and to evaluate their impact on economic performance, efficiency, and distribution (Nabli and Nugent, 1989). NIE considers that the cost of transacting, determined by institutions and their arrangements, determines the economic efficiency and performance (Coase, 2000) and, by extension, the competitiveness of sectors. Further, NIE operates on two levels: macro and micro levels. At macro level, NIE focuses on institutional environment, which defines the political, social and legal rules that shape the behaviour and performance of economic agents in which organizational forms and transaction costs are embedded.

The performance of the leather value chain was tested using the value chains and market integration tools. This methodological application offers advantage in understanding the actors and product side of commercialization. Value chain analysis offers the opportunity to understand the actors' performance and behaviour, the legal and regulatory requirements of the market, the institutional frameworks, and the availability of support services such as financial services, maintenance and information flow.

On the other hand, the application of market integration approach allows the assessment of market segmentation and integration between the lower and upper levels of the value chain. The vertical integration of a value chain has implications on the performance of the actors, and has implications on the distribution of gains along the value chain. The prices of the raw skins and hides received by the poor producers of skins and hides link them to the value chain, and the responsiveness of prices at the producer level is important in determining their participation in the value chain. A price transmission analysis is adopted to evaluate the vertical market integration of the leather value chain. Market integration offers an opportunity to understand price formation, price signalling in the short and long run, product movement and movement of technical information. Both the value chain and market integration allow for interventions that can improve performance of the actors, product performance and distribution across the value chain.

### **3.2 Framework for Value Chain Analysis**

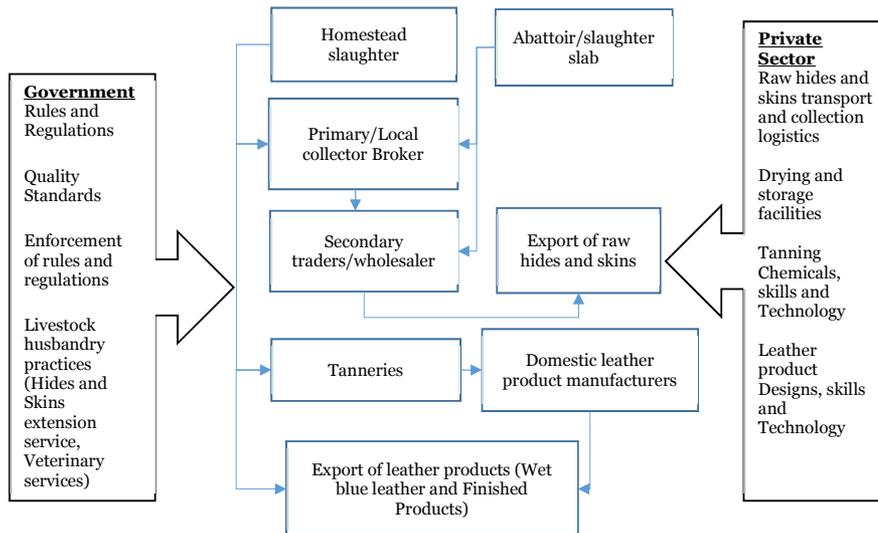
A value chain describes the full range of activities from product or service conception to the delivery to the consumer and final disposal after use (Kaplinsky and Morris, 2001). The final disposal point could be local, national or at global level. These activities include design, sourcing of raw materials and all other inputs, production and distribution. The core stakeholders of skins, hides and leather value chain are livestock farmers, slaughterhouse owners/butchers, traders, tanners, and footwear and leather goods strata. Several marketing channels connect livestock farmers and the highest level of the value chain consisting of footwear and leather goods manufacturers. The market channels include primary producers (butchers, abattoirs and individual households who slaughter animals at home or backyards for household consumption), collectors (agents, brokers) aggregators, wholesalers and tanners. An illustration of the skins and hides value chain is depicted in Figure 1. The hides and skins marketing stakeholders include:

- The livestock farmers (mainly pastoralists and smallholders who produce the animals);
- Collectors and aggregators (producing quality hides and skins);
- The tanneries (which produce leather in wet-blue, crust or finished form);
- Leather goods manufacturers (which produce footwear and other leather products);
- Exporters of processed leather products; and
- The government that regulates the value chain.

The analysis builds from the understanding that the skins, hides and leather industry is part of a greater value chain involved in production and distribution of skins and hides from raw to finished leather products and permits the identification of linkage to other industries within and outside the country. The analysis also identifies the regulatory environment and support services offered by the government and functions that are performed by the private sector. It enables identification of economic growth opportunities for the sector. Moreover, a value chain is the conduit of information, cash and credit facilities, products and ownership of production resources. At every stage value chain permit:

- (i) Identification of value chain players from the production of skins and hides to the leather product manufactures at the upper level of the value chain.
- (ii) Identification of value activities in the chain. Costs and benefits are then assigned to each of the activities, highlighting for strengthening those that are key determinants of the chain's competitive position.

**Figure 1: Hides and skins marketing channels**



Source: Authors' construct

- (iii) The evaluation of interconnected economic activities spanning from production to marketing of skins, hides and leather and therefore potent important recommendations to enhance joint-up policies to minimize policy dissonance between different arms of governance.
- (iv) A focus on institutional determinants of rent dynamism within value chain analysis enables policy formulation to focus on influencing the behaviour of actors along the supply chain, hence shaping the distribution of returns from production and exchange and thus sustaining growth in the sector.

### 3.3 Value Chain Market Integration

One of the critical factors of policy changes related to the leather value chain is whether it inducts an appreciable trickle down effect to the producers of skins and hides or other actors along the value chain. The trickle down effects along the leather value chain depend on the extent of value chain integration. Applying the Law of One Price (LOP), value chain is integrated if prices along the nodes of the value chain move together. In this case, prices are transmitted from one level to the other along the value chain, resulting in equal impacts indicating absence of efficient arbitrage. As such, the welfare of actors along the skins, hides and leather value chain cannot be evaluated in absence of price transmission.

Price transmission is an important concept in empirical trade models, and is used to assess the impact on price, output, consumption and welfare of producers or consumers (Kilima, 2006). Price transmission is the effect of prices at one end of a market on prices at other ends of the market (Minot, 2010), and is measured as an elasticity defined as the percentage change in the price in one market or market level to another market or market level. It can be evaluated in spatial or vertical approach, where the latter is applied in assessment of price transmission along a commodity supply chain and involves magnitude, speed and nature of price adjustments through the supply chain to market shocks that arise at different levels of the marketing process (Vavra and Goodwin, 2005). It describes the speed and impacts of a shock in prices at one level on the prices upwards or downwards. A number of studies have focused on vertical price transmission, including Brorsen et al. (1985), Wohlgenant (1999), Shroeter and Azzam (1991), Prakash (1998), and von Cramon-Taubadel (1999).

Usually, price transmission can be symmetrical or asymmetrical. Asymmetrical price transmission occurs when prices in the lower market level change differently to prices in the upper level market, depending on the characteristics of those prices (Meyer and Cramon-Taubadel, 2004). Price transmission, whether vertical or horizontal, is evaluated within the framework of LOP formulated as follows:

$$P_{it} = \alpha_o + \beta_i P_{rt} + \varepsilon_t \quad (1)$$

Where  $\alpha_o$  represents transport costs, processing costs, marketing costs or generally market transfer costs while  $\beta_i$  is the cointegration coefficient/vector, at times interpreted as “elasticity of price transmission” under a double logarithmic model.  $\varepsilon_t$  is the equilibrium error that has zero mean and a finite variance in the long run. For  $P_{it}$  (price of leather products exports) and  $P_{rt}$  (price of undressed skins and hides) to be cointegrated,  $\varepsilon_t$  should be stationary, that is,  $I(0)$ . Cointegration was tested using Engel and Granger causality and Error Correction Modelling (ECM) to analyse long run equilibrium of the error term.

A basic model that captures price formation mechanisms is formulated using prices at the upper level of the value chain, say prices of the final processed leather (export prices of leather reflect the processing level prices) and prices of exported pairs of shoes, reflecting the prices at leather product development level. Market price ( $p_i$ ) is related to prices of undressed skins and hides at the lower levels or value chain.  $X_i$  represents market exogenous variables, which in this case includes dummy variables representing changes in policies. A dynamic structure of vertical market integration can be specified as:

$$p_{it} = \sum_{(j=1)} \beta_{ij} p_{(i,t-j)} + \sum_{(j=0)} \delta_{ij} p_{(r,t-j)} + \gamma_i X_{it} + \varepsilon_{it}, i=1\dots m; j=1\dots n \quad (2)$$

This will enable evaluation of whether prices of undressed skins and hides at the

lower level of the skins and hides value chain are influenced by prices at the upper level of the value chain, and other exogenous policies. Using F-test, the regression structure allows for the tests of market segmentation as follows:

- Segmentation along the supply chain: i.e., present and past leather export and shoe prices do not influence undressed skins and hides prices:

- if  $\delta_{ij}=0; j=1...n$  (3)

- Short run supply chain integration: i.e. an increase in leather products export price at upper levels of the value chain is immediately passed to the undressed skins and hides prices at the lower levels of the value chain without lagged effects; if  $\delta_{io}=1, \beta_{ij}=\delta_{ij}=0: j=1...n$  (4)

- Long run market integration; i.e. a permanent change in leather products export prices is passed fully to the undressed skins and hides prices but over time.

if  $\sum \beta_{ij} + \sum \delta_{ij} = 1$  (5)

### 3.4 Data Sources

The study used both qualitative and quantitative data. Primary and secondary data were collected from several sources. Secondary data was collected from the Kenya National Bureau of Statistics (KNBS) Economic Surveys, and international databases - FAOSTAT and UNCOMTRADE. The secondary data related to trends in skins and hides supply, prices per unit of skins and hides, prices of leather and exports of raw hides, skins and leather. Qualitative secondary information was collected through literature review of published and unpublished papers and reports. Literature review related to historical trends in production, prices, exports, and import quantities and value of hides and skins and related policy trends. A field survey was conducted in 14 counties targeting:

- **Producers:** These are livestock keepers who also sell their livestock for income. The producers were targeted to provide information on livestock production issues, market issues such as price determination and challenges encountered in hides and skins production and trade.
- **Traders (hides and skins aggregators)** to obtain information on livestock trade, market issues, market information and business in skins and hides.
- **Tanneries** to enlist their constraints, technology, policy limitations and views on prospects.
- **Leather manufactures;** to enlist their constraints and policy limitations.

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## **4. Study Findings**

### **4.1 Introduction**

In this section, the findings of the investigations carried out in the study are discussed. This includes the results from the value chain analysis, and the likely impacts of various policy changes.

### **4.2 Hides, Skins and Leather Value Chain**

In the context of skins, hides and leather sub-sector, a value chain starts from the livestock production sector and involves all activities that are important in livestock production, including livestock extension services, breeds, husbandry practices, veterinary services, feeds, among others. Livestock is then either sold for slaughter or slaughtered within the homesteads, and skins and hides extracted. The marketing of livestock depends on several factors, and this determines the supply of hides and skins too. Within the slaughtering process, the quality of raw skins and hides flayed depends on the skills of flaying and the equipment such as flaying knives. Collectors aggregate the raw hides and skins from the slaughterhouses and/or homesteads and take them for air or sun drying on “*mbandas*” (temporary or informal structures). The collectors then sell the dried raw hides and skins to tanneries for tanning into different levels of leather; wet blue, crust or finished leather. The level of finishing depends on the returns, and a tannery would process to the levels where they deem returns are high. The tanned leather then goes to the leather manufacturer and, depending on where it is sold, finds its way to the final consumer in form of a shoe, leather jacket, handbags or other accessories.

The skins, hides and leather value chain is characterized by intra-linkages with constraints at every level affecting forward and backward linkages. For instance, constraints at the lower levels of the value chain, such as livestock production, affect the scale of skins and hides supply and thereby affects the final scale of processing. Similarly, challenges at marketing level constrain the supply volumes of hides and skins. Four clear stages are evident in skins, hides and leather value chain: skins and hides production; collection and aggregation; tanneries; and manufacturing.

The study mapped the skins, hides and leather value chain taking into consideration economic rent dynamism, governance and systemic efficiency. It looked at the flow of information up and down the value chain, cash and credit flow, product movement and ownership of the raw skins and hides and/or final processed product. The lower levels of the value chain, mainly the producers, and majority of aggregators, concentrate on domestic trade while the upper levels of the value

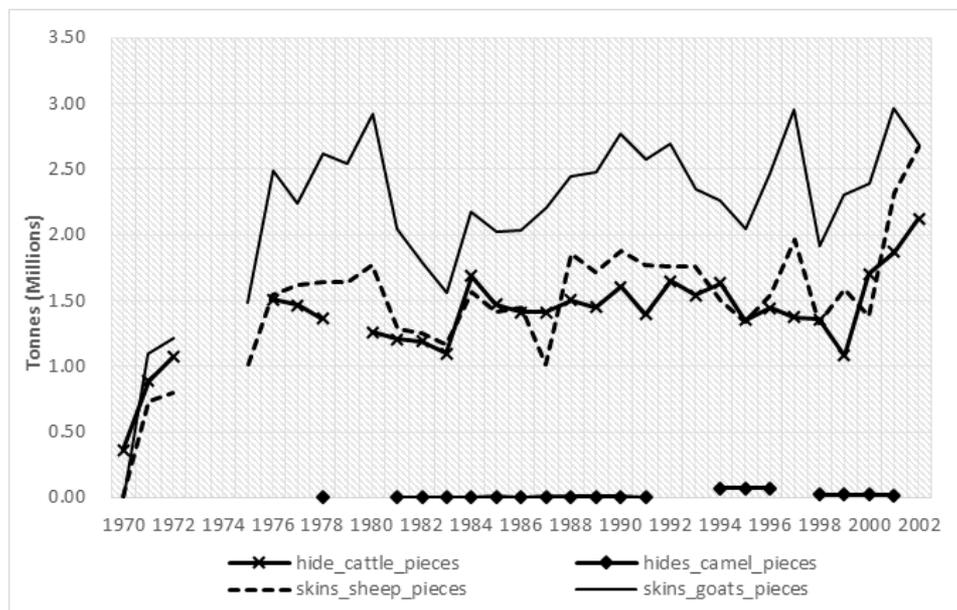
chain, that is the tanners and domestic leather product producers concentrate on both exports and domestic market. Evidence from the field survey reflects that there was only one predominant channel of collection: producer, collector/agent, wholesaler, tannery/export and domestic leather manufacturers.

#### **4.2.1 Stage 1: Skin and hides producers (livestock keepers)**

Kenya's hides and skins are sourced mainly from cattle, goats, sheep, and camel. The focus of majority of producers is mainly selling of livestock, with less consideration on the skin or hide. Skins and hides are harvested when slaughtering takes place at the homestead. Slaughtering at homestead is done using ordinary knives, which makes the skin and hides prone to flaying marks. After slaughtering, most of the skins are preserved through salt or air-drying, and are then collected for aggregation. Of the slaughters, 70 per cent of the skins and hides are sold to skins and hides collectors.

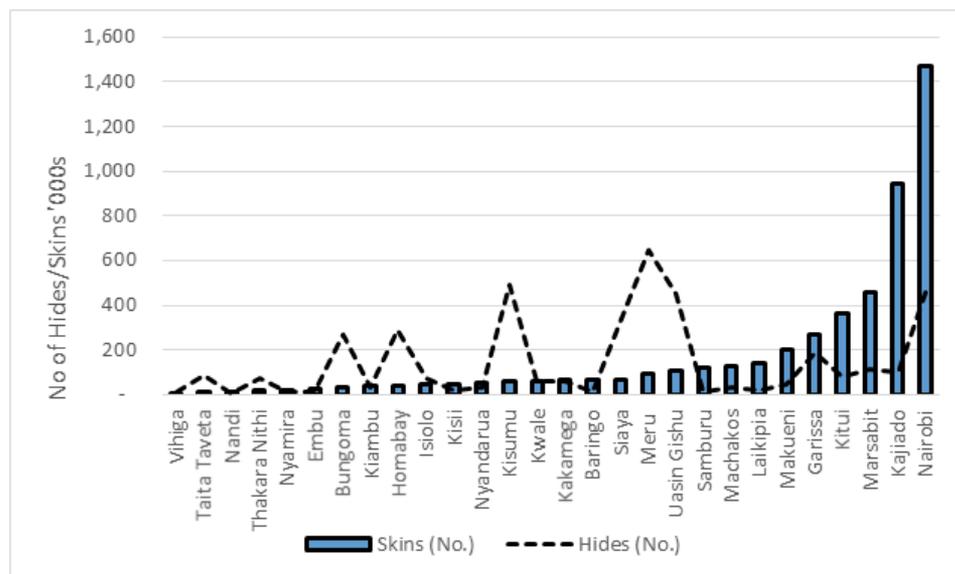
The annual average supply of skins and hides in Kenya is estimated at 1.3 tonnes for cattle, 1.5 tonnes for sheep and 2.2 tonnes for goats (Figure 2). Off-take rates (cattle-8.2 percentage, sheep-28 percentage, goats 41%), market prices and population of livestock often drive supply.

**Figure 2: Trend of hides and skins supply**



Production of hides and skins across the country varies from one county to another. Goat and sheep skin are the widely produced, especially in the ASAL counties including Garissa, Kitui, Marsabit and Kajiado (Figure 3). Kajiado County produces almost one (1) million pieces of goat skins in a year. The supply of skins from Nairobi County, unlike the other counties, is not driven by the population of goats and sheep but mainly because of the slaughterhouses within the City County.

**Figure 3: Number of hides and skins pieces by county**



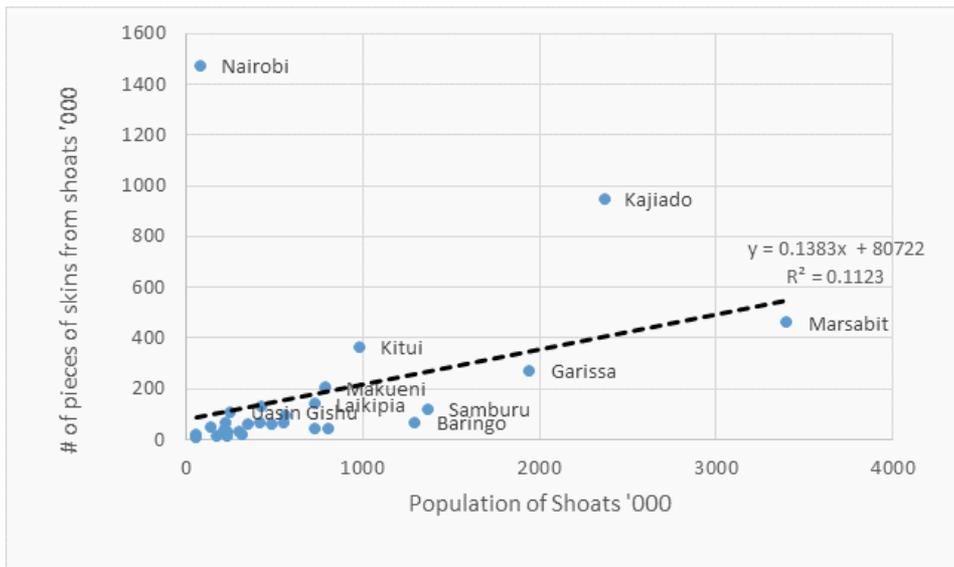
Source Data: Ministry of Agriculture and Livestock (2015)

There is a high correlation between the population of livestock and the volume of supply of hides and skins even across the counties, except for the major urban counties of Nairobi and Mombasa (Figure 4).

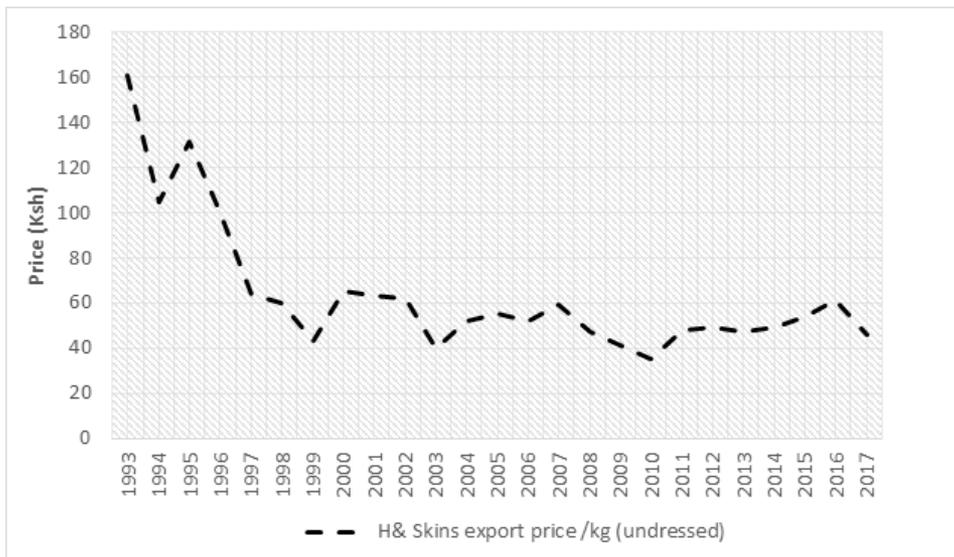
The supply of hides and skins is driven by prices, among other factors. Between 1993 and 2017, export prices of raw skins and hides declined. The decline in export prices reflected a decline in prices offered to the producers. Most of the livestock producers have failed to consider skins and hides as an important livestock product in the presence of declining prices, which reached as low as Ksh 40 per kg in 2017 (Figure 5).

The price trend of hides and skins are driven by quality. Although export tax on raw hides and skins was meant to increase domestic supply of hides and skins, it did not result in increase in local prices for the raw hides and skins because of

**Figure 4: Correlation of shoats population and skins production selected counties**



**Figure 5: Trend of Hides and Skins Prices (1993-2017)**



poor quality. The effect of sudden glut led to reduced uptake and consequently continued the trend of price decline.

There is little or no governance of quality and grades at this level. Majority of producers of livestock have no idea in grading of skins and hides, and any policy, regulation and institutions that deal with skins and hides. The low knowledge of grade and on policies and institutions is manifested in the quality produced, and in part, the low prices which they attract. There are little or no incentives to support production of better quality skins and hides. Many livestock producers are not reached by extension services officers, leading to poor skills and lack of market incentives. These inadequacies are propped by the low government support towards livestock production, and especially after devolution, and amplified by the low access to financial services. Most producers lack information on where to access financial support, but also fear their inability to pay back loans. Accumulation of rent is very low at the level of producers. The share of income accounted for by the sale of hides and skins is negligible, and this does not auger well with distribution of rent along the value chain especially in the limelight of poverty alleviation and income generation for the livestock keepers. Scale of operation here defines the degree of distribution of returns accrued from any changes in the value chain.

#### **4.2.2 Stage 2: Aggregators/collectors**

These collect and aggregate skins and hides from slaughterhouses, slaughter slabs, homestead slaughters and sell them to tanneries. Skins and hides account for an average 60 per cent of the incomes of the aggregators/collectors. This stage of value chain is predominantly male-controlled, who account for more than 85 per cent and have average experience of more than 10 years. A large portion of the skins and/or hides is sourced from the municipal slaughter (39%) and the private slaughterhouses (32%). The aggregators/collectors only manage an estimated 70 per cent of the skins and hides produced because of diseconomies of scale. Aggregators organize the collection in several ways: First, the livestock keepers deliver the hides and skins to collection points. Two, they organize themselves or their agents to move round collecting, and or contract public or private slaughterhouses as the aggregating agents. Once collection is done, skins and hides are preserved through wet salting. The purchasing is based on weight or pieces. More than 70 per cent of the harvested skins and hides are collected raw, with only a few being salted and dried. The economics of aggregation and collection of skins and hides encompass transportation, preservation and storage cost, with economies of scale balanced between the spatial scope and quantities collected as well as quality. At this level, pricing of the skins and hides is based

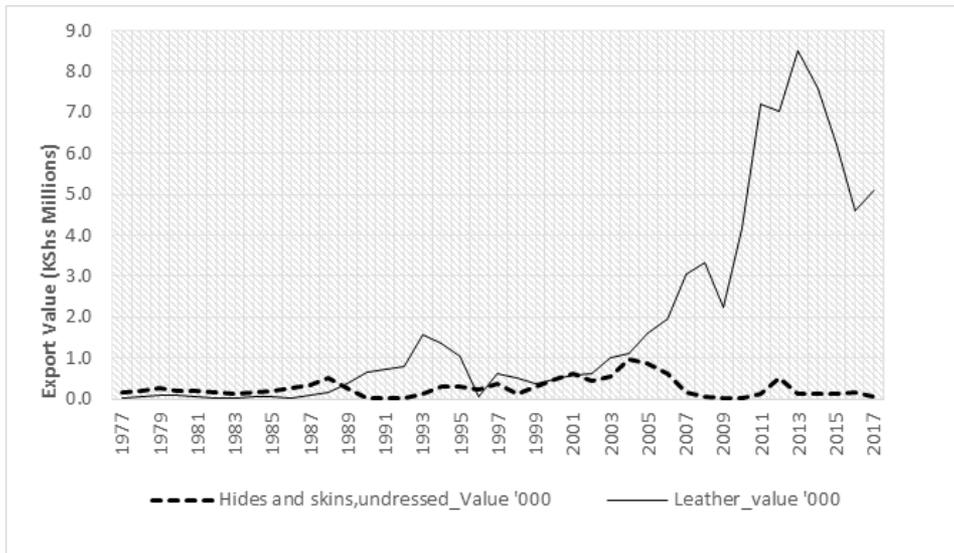
on the number of pieces and weight, respectively. The main outlet for the wet salted/salt dried (preserved) skins and hides are tanneries around Nairobi. A few aggregators sell to other bulk aggregators with only about 3 per cent of the total respondents indicating that they do export.

#### **4.2.3 Stage 3: Tanneries**

The tanning sector in Kenya has evolved over the various policy regimes. There were nineteen (19) tanneries in the country in early 1990. In 2000, six tanneries had closed down and about ten tanneries were closed down in 2004. The few remaining tanneries operate at 20-30 per cent of their installed capacity, and often at a financial loss partly due to high input costs and warehousing operations. Taxes on exports of raw hides and skins has promoted the growth of the tanning sector. By end of 2015, there were 15 tanneries of diverse capacities in Kenya, 13 of which were operational (Annex 2). The tanning industry obtains its supplies from the aggregators and collectors, who are located in areas with relatively high livestock production.

The tanneries contract the aggregators and collectors to collect hides and skins and supply them. In several cases, skins and hides are imported from neighbouring countries including Rwanda, Tanzania and Uganda. The levels of imports are not dictated by domestic supply but by quality. Evidence revealed that imported skins from neighbouring countries are of higher quality compared to those sourced within the country. This raised the concern of livestock husbandry and skins and hides knowledge within the local livestock producers and related extension services.

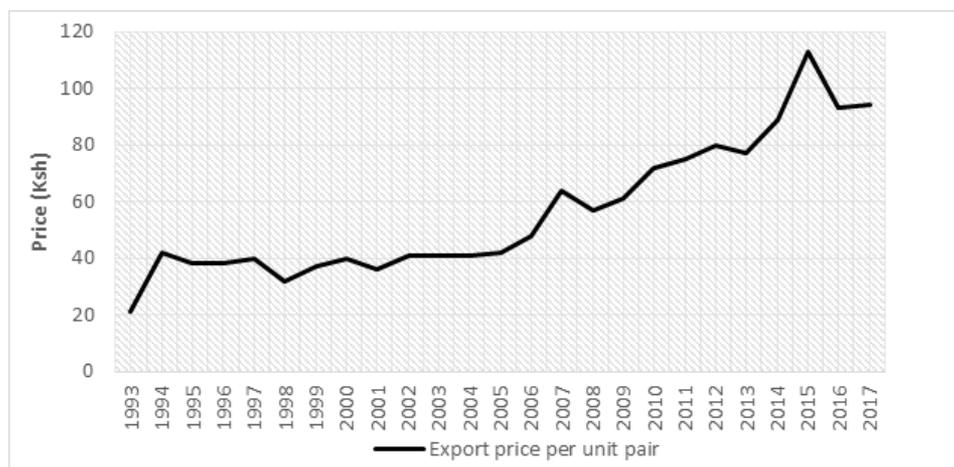
Although there are a number of tanneries in the country, the tanning business is dominated by a few leather-tanning factories who export to China, Italy, India and Pakistan mainly. Rent accruals at the tannery level are determined by the level of technology that deepens value addition, scale of hides and skins collection and changes in export tax policy. Most of the tanners control the technology and offer the logistic support to collection and aggregation. Export taxes that restrict exports of raw hides and skins lead to accrual of rents at the tanning level, while crowding out raw hides and skins exporters. The result of export taxes on raw hides and skins resulted in an increase in quantity and value of exports of leather while the value and quantity of raw hides and skins declined (Figure 6).

**Figure 6: Trends in export value of hides and skins and leather**

#### 4.2.4 Stage 4: Leather products manufacturers

Leather product manufacturers purchase processed leather from tanneries and use it to manufacture leather products. There are a number of leather products manufacturers (Annex 3). A few companies including Bata Shoe Company, Umoja Rubber, United Footwear, Sandstorm, and Leather Masters, dominate the leather product level. Many formal and informal producers are engaged in the production of school shoes, sandals, military/security boots, and men's shoes for two reasons; driven by demand from the ever-increasing population, and the need for lesser-sophisticated designs as these products are considered easy to manufacture. In addition to the increasing population, demand for leather products is driven by the domestic and export prices. As shown in Figure 7, export prices increased steadily since 1993, and have been a major driver of the development of products from leather at the end of the value chain.

**Figure 7: Trend in export value of footwear**



### **4.3 Impacts of Policy Changes on Hides, Skins and Leather Sub-Sector**

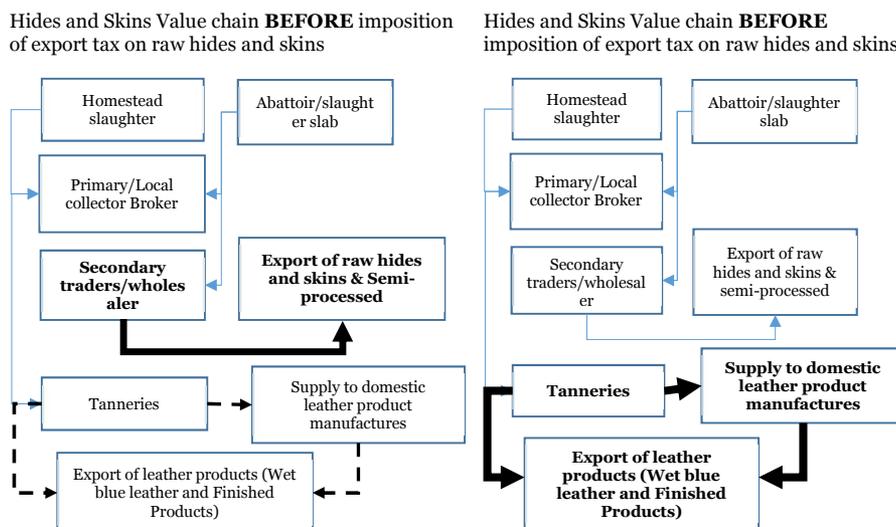
This sub-section focuses on assessing whether the changes on export tax policies and institutional arrangements in relation to skins and hides created any changes on the value chains of skins, hides and leather products, exports and imports and integration.

#### **4.3.1 Impact on hides, skins and leather value chain**

The changes in policy and institutions that govern and regulate the hides, skins and leather industry resulted in realignment of the actors along the value chain. Whereas before these gradual changes the value chain was oriented towards export of raw hides and skins (Figure 8), of late the changes in policy and institutional management have oriented the value chain towards an export orientation focusing on value addition and increased manufacturing of finished leather products. The current value chain has put emphasis on strengthening the processing (tanning) of raw hides and skins and exporting them as semi-processed (wet-blue) or selling directly to the bulging domestic leather product manufacturing.

Recent changes in policies that facilitate increased domestic value addition have imposed some critical success factors at the farmer level, quality, consistency in supply, price and conformation to health and environmental standards. This

**Figure 8: Hides and skins value chain before and after changes in export tax on hides and skins**



poses new challenges especially to producers of livestock who are not used to quality standards in skins and hides.

#### 4.3.2 Impacts on imports and exports of hides, skins and leather products

The effect of the export tax on hides, skins and processed leather and leather products has partly led to a decline in exports of raw hides and skins, with increase in quantity and value of leather exports. The low taxation before 2002 (2% of value for raw hides and skins; 1 per cent for wet blue and 0.5 per cent for crusted leather) did not impede exports of raw hides and skins. The export tax on hides and skins increased over the years from 2 per cent since pre-liberalization to 80 per cent in 2012. Since 2002, when a 15 per cent export tax on raw hides and skins was imposed, exports of leather products grew in value from Ksh 0.6 billion to Ksh 3.3 billion in 2008. Most of Kenya's leather exports are semi-processed, with skins forming the bulk of wet-blue exports, mainly to Pakistan, Italy, India and China. Some of the products (mainly pickled and wet blue) are exported semi-finished.

In its 2006 Budget Speech, the government raised the tax on the export of raw hides and skins to 20 per cent, and the following June doubled it to 40 per cent with the aim of encouraging the leather processing industry. Following

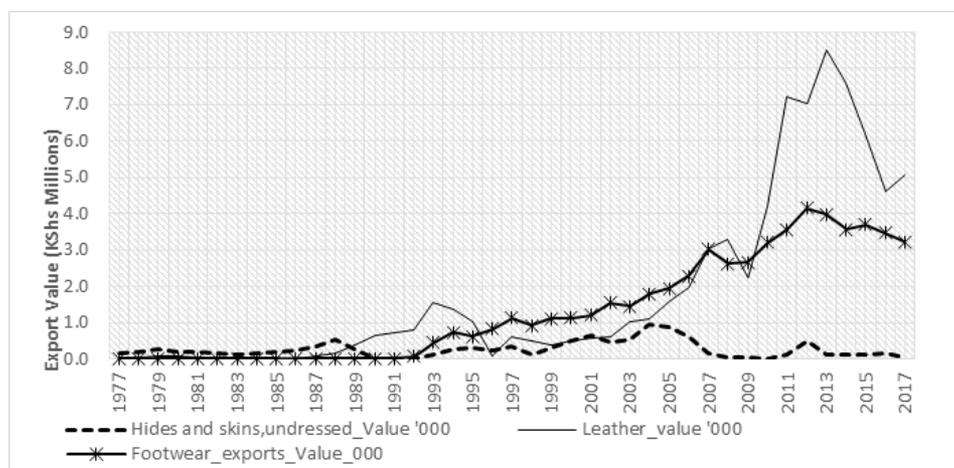
introduction of the 40 per cent duty, Kenya's leather exports rose 54 per cent. Presently, nearly 98 per cent of skins produced in the country (and 96% of hides) are semi-processed to wet blue or finished leather compared to 56 per cent in 2004. Production of raw hides and skins declined by a factor of six from 2003 to 2007 while finished leather production increased more than four-fold. In 2007, Kenya produced 20,000 metric tonnes of leather compared to around 5,000 in 2003 and 10,000 in 2005.

In 2012, an export tariff of 80 per cent on the value of raw hides and skins exported was imposed to reduce the export of raw hides and skins to build supply for the domestic value adding industry. Official statistics show that following imposition of 80 per cent export tariff, raw hides and skins dropped while the quantity and value of leather exports increased substantially (Figure 9).

Coupled with low export tax on finished leather and products, the increase on export tax created a direct pull factor on raw hides and skins from the domestic and external sources, especially the neighbouring countries in East Africa. However, there are indications that increase in imports of raw hides is driven by quality issues rather than the need to bridge raw material deficit that drive skins.

The effects of export tax changes, and creation of the Kenya Leather Development Council were evaluated and the results are represented in Table 4. Exports and imports of hides, skins and leather mirror the chronology of policy and institutional changes. In 2010, the establishment of KLDC to develop and regulate the hides, skins and leather industry actualized the institutional changes envisioned in earlier policy and regulatory changes. In part, the establishment of KLDC led to the sharp increase in quantity of raw hides and skins exported between 2010 and 2013, even

**Figure 9: Trend of export value of hides, skins, leather and footwear**



though in the subsequent years, exports of raw hides and skins gradually declined. The opposite was true for imports of raw hides and skins. The general tendency of imports of raw hides and skins to increase after the establishment of KLDC reflect the move by the tanning industry to increase supply of quality raw materials. Through Kenya Gazette Supplement Number 221, Act Number 57 of Finance Act 2012, the duties on exports of hides and skins was increased from 40 per cent to 80 per cent ostensibly to encourage more value addition in the industry.

The implementation of export taxes over time created positive effects on increasing the value of leather exports, and increasing the price of leather. However, it has negatively affected the prices of undressed hides and skins due to accumulation and oversupply in domestic markets. Discussion with stakeholders indicated that prices of undressed skins and hides declined because of accumulation of supply and partly due to poor quality.

**Table 4: Effect of export tax changes and establishment of Leather Development Council**

	Value of Leather exports	Price of undressed skins and hides	Export price of leather	Export price of shoes	Export of Hides and skins (Tonnes)	Export of Pairs of Footwear (ooo pairs)	Export of Leather (Tonnes)
tax_15% 2002	e+*	e-*	e+*	e-*	e+*	e+	e+
tax_80% 2012	e+	e-	e+*	e+	e+	e-	e-
KLDC	e+*	e-*	e-	e+*	e-*	e-	e+*
Year	e-	e+*	e+*	e-*	e-*	e-*	e+

e+\* (positive and significant effect), e-\* (negative and significant effect)

### 4.3.3 Vertical integration of the hides, skins and leather value chain

The market interconnectedness along the skins, hides and leather value chain was evaluated following the Equation 2. The unit roots tests (Dickey Fuller) test are reported in Table 5. Unit root tests for prices for export leather products and undressed skins and hides prices conclude the presence of unit roots and hence are not stationary at level. However, they are stationary at first difference.

**Table 5: Dickey Fuller Unit Root Tests for leather and undressed skins and hides prices**

Variable	Level Series		Differenced Series		Order of Integration
	DF Statistics	MacKinnon p-value	DF Statistics	MacKinnon p-value	
Ln_ Undressed Skins and hides price	-2.072	0.2558	-7.75	0.000	I(o)
Ln_Leather export prices	-1.953	0.3075	-6.889	0.000	I(o)
Ln-Shoe export prices	-3.095	0.0269	-10.145	1.000	I(o)

The estimation results of the vertical model of price integration covering the relationship between the processing level of the value chain and the lower level prices of undressed skins and hides, and the product development level and the lower level of the value chain are represented in Table 6.

The idea was to evaluate whether prices of undressed skins and hides at the lower level of the skins and hides value chain are influenced by prices at the upper level of the value chain, and other exogenous policies. Results show that the dynamic variables of price are positive and significant. The export tax of 80 per cent imposed in 2012 has positive and insignificant impact on the prices of undressed hides and skins. Previous policy changes with regard to export tax may not have had any significant effects on the prices of skins and hides.

**Table 6: Regression results of integration model**

Variable	Processing Level	Product Development level
Ln_Skins and Hides Price (Dependent variable)		
Ln_Skins and Hides Price (Lag 1)	0.3844**	0.4019**
Ln_Export_leather price	0.1574	
Ln_Export_leather price (Lag 1)	-0.1374	-0.0885
Ln_Export Price of shoes (Lag 1)	-0.0942	-0.0744
Ln_Export Price of shoes		-0.0544
Establishment of KLDC	0.0135	0.0818
Tax 2002	-0.048	-0.0189
Tax 2012	0.2287	0.2218
Year	-0.0169	-0.0146
Constant	36.636	32.532
N	24	24
R-Sqrd	66%	66%

The tests of market segmentation, long and short run market integration are reported in Table 7. F-test was used to test the hypothesis of vertical value chain interconnectedness through equations 3-5. From the regression estimations, all corresponding  $\delta_{ij}$  coefficients are insignificant and imply that skins and hides prices are not influenced by leather prices or prices of shoes. Similarly, the test for segmentation is significant to confirm vertical market segmentation in the skins, hides and leather supply chain.

**Table 7: Test for market segmentation, short and long run supply chain integration**

		F-Statistics	Prob>F
Processing	Supply Chain Segmentation	11.57**	0.0039
Product	Supply Chain Market Segmentation	49.9***	0.0000
Processing	Short run supply chain integration	1.98	0.1728
	Long run supply chain integration	1.61	0.2233
Product	Short run supply chain integration	1.81	0.1974
	Long run supply chain integration	5.02**	0.0406

The F-tests conducted to confirm existence of short and long run supply chain integration confirm otherwise, except for the long-run relationship between the prices of shoes and prices of undressed skins and hides. From the results generated in this study, LOP does not apply in the skins, hides and leather chain because of the presence of price asymmetry, and confirms the presence of imperfect competition, externalities and high transaction costs. This implies that incomes from skins and hides at the household level have dwindled and confirms the challenge of poor prices of hides and skins that disincentivizes the producers or the livestock keepers.

## **5. Challenges Afflicting the Leather Sub-Sector**

Literature review and field assessments revealed several challenges that impede the development of the skins, hides and leather value chain. These challenges are spread along the value chain and characterize the sector in other countries. Literature review revealed that poor value addition initiatives, inadequate quality assurance strategies, inappropriate policy, and the legal framework compounded the challenges in developing and benefitting from the leather sector (Mwinyihija and Quiesenberry, 2013). From literature review and field survey, this study identified challenges across the several supply chain steps including at the: (i) farm-level; (ii) local marketing; (iii) abattoirs; (iv) traders; (v) tanneries; and (vi) manufacturing stages.

### **5.1 Farm Level Issues**

At the farm level, the main challenges relate to production of livestock to produce quality skins or hides, hides and skins prices, and the long distance to the markets, which create dis-economies of scale. Specific challenges include:

- Declining productivity of skins and hides: In Kenya, the average size of skins and hides has fallen from 28 sq. ft. in 1985 to 23 sq. ft. in 1999, to 16 sq ft in 2018 (discussion with stakeholders) and this has reduced the scale of economies at leather value addition level. The decline in size implies that the final output of processed leather has declined considerably against the likely increase in cost of processing.
- Low prices and distant markets: The small size also implies that the price received by producers also declined, disincentivizing any form of production. In addition, even if prices were good, the distance to markets in most of the arid areas are prohibitively long for delivery of one piece of hide or skin.
- Limited knowledge on hides and skins husbandry practices: Livestock keepers are often not concerned with quality of skins and hides because of limited incentives on high quality skin compared to meat.
- Low public investments in livestock production and by extension the skins and leather sector: Even before devolution and devolvement of agriculture and livestock production, extension services for skins and hides were underfunded, a trend that has worsened during the devolved system. In all the counties visited, skins and hides personnel hardly get budget allocations to execute their activities. Moreover, none of the counties recognized skins and hides as a driver of economic growth. There is very limited access to service

provision especially in relation to veterinary services and skills in handling hides and skins yet, grading and standards are affected from this level.

- Poor skins and hides flaying techniques: With poor extension services, livestock keepers fail to get adequate skills on how to handle skins and hides, especially the flaying techniques. At household level, flaying is mostly applied in skinning of carcasses. This leads to flaying cuts, gorges on skins, and hides reducing quality.

## 5.2 Marketing and Trading Obstacles

At the marketing level, the hides and skins value chain suffers from market barriers that are related to information access, dominance of markets by organized agents, among others.

- Low and poor timing of livestock sales: Livestock is considered a store of wealth in many of the arid and semi-arid areas (Scoones, 1992; Runge, 1981) and sales take place mainly during times of distress. Off-takes are often low to warrant scale economies. A considerable proportion of skins and hides does not reach the market. It is estimated that, of the total off-takes 14 per cent of hides, 34 per cent of sheepskins and 29 per cent of goatskins do not reach the market.
- Limited information on differential prices with respect to quality: Although there are stipulated grades and standards, there is little adherence to these. Skins and hides are thus sold in pieces and weight, respectively, and this fails to reflect the quality of the hides or skin. A high quality piece would fetch, in economic sense, higher prices. However, due to limited information and other transaction costs, farmers are not able to produce better quality hides and skins, particularly among pastoralists (Omiti, 2004). Average market prices for hides and skins have drastically declined from Ksh 150-160 per kg in 1993 to a low of Ksh 40-50 per kg in 2017.
- Cartel-like buying of hides and skins: Skins and hides are purchased in what appears like a controlled entry market, such that only one buyer per region controls the market. As such, livestock keepers have no option rather than being price takers.
- Poor storage facilities: At low levels, skins and hides are dried in “*mbandas*” which are dilapidated or poorly constructed (e.g. with leaking roofs, infestation with pests) that expose hides and skins to damage.
- Lack of effective grading system: From the lowest level of the value chain, grading of skins and hides that will incentivize production of quality is missing.

The level of capacity of understanding the grading and quality requirements is low even though majority of aggregators and collectors are aware and strive to adhere to standards.

- Barriers to international trade: Low scale of production limits scale gains at international markets. Escalation of taxes on finished leather makes exported leather products uncompetitive. Most of exported leather is wet blue, which is considerably semi-processed rather than final

### **5.3 Abattoirs, Slaughterhouses and Slabs Issues**

Abattoirs and slaughterhouses supply most of the raw skins and hides to tanneries. Contracted collectors undertake the supply. Skills and techniques, and equipment of flaying are important at this level.

- Improper skinning of carcasses: Between 30 and 50 per cent of the skins and hides defects are caused in abattoirs and slaughterhouses. Usually, flaying is mostly applied in skinning of carcasses in the slaughterhouses, which supply more than 90 per cent of the skins and hides. This leads to flaying cuts, gorges on skins, and hides reducing quality.
- Inadequate veterinary coverage: Interviews with veterinary staff pointed out that most of the slaughtering process takes place in the evening, making it difficult for veterinary inspectors to execute their responsibilities. The veterinary services are also grossly under-facilitated by county governments.
- High fixed and variable costs: A prohibiting factor in the skins and hides development is the high cost of investment in abattoirs and slaughterhouses. Even when the costs are affordable, challenges related to management prohibit profitable running of abattoirs and slaughterhouses, especially public ones.

### **5.4 Tannery Level Issues**

- Low supply of raw hides and skins: Poor collection of skins and hides and high logistics cost of collection lead to low supply in tanneries. Supply-driven by off-take rates are cattle - 8.2 per cent, sheep - 28 per cent, goats - 41 per cent compared to world's off-take of cattle - 20 per cent, sheep - 43 per cent and goats - 43.8 per cent. In some African countries (Libya, Egypt, Tunisia, Algeria), of-take rates are 20 per cent cattle, 27 per cent sheep and 60-70 per cent goats.
- High fixed and variable costs: Like with the abattoirs and slaughterhouses, investment at tannery level are prohibitively high. The highest fixed cost

(74%) emanates with costs of technology and land, while the highest variable costs (30-50%) emanates from chemicals. Other high investment costs relate to treatment of effluents to meet environmental requirements, which have increasingly become stringent.

- Capacity under-utilization: Due to low supply of skins and hides, tanneries have utilization capacities lying idle. On average, data collected from tanneries revealed that about 25 per cent of their capacity remains idle year round.
- Outdated leather processing technology: Most of the tanneries process skins and hides up to wet blue and then export. Output enhancing technologies such as splitting technology is not common in most of the tanneries. Splitting technology would increase the scale of output and amplify returns almost four-fold, although this is dependent on the quality of hides and skins. Technology for processing leather to finished stage is quite expensive, requires more skilled labour and is inaccessible to most tanneries.

### **5.5 Manufacturing Level Challenges**

At the highest level of the leather value chain, actors are challenged by lack of skills, competition from imports of cheap leather products, and lack of incentives to trigger innovation.

- High cost of production: High production costs prevail throughout the manufacturing industry, especially for transport, finance and energy and are a major impediment to increasing productivity or efficiency. Trade infrastructure does not support efficient distribution and delivery of goods and services. Sources of costs include installation of technology, labour, energy, cost of inputs (processed leather), and value added tax.
- Competition from imports: Liberalization of markets as early as from 1992 flooded the domestic market with imports that are cheap and compete with domestic products. Domestic products also compete with synthetic products and secondhand leather products. With cheaper imports, domestic leather product manufacturers loose part of the market share to these imports.
- Lack of incentives to local leather product manufacturers (informal and formal): Local traders lack incentives to support their leather ventures. Whereas many expect access to affordable credit facilities, majority reported to have no access especially for the informal sector players. The poor access is driven by high interest rates (price of the loans) and the uncertainty of their businesses to sustain repayments.

- Low level of skills: There are very few skilled people on leather-related aspects in existing institutions. In addition, there is little innovation from the few leather production graduates.

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## 6. Investment Opportunities Along Leather Value Chain

The skins, hides and leather sector presents some investment opportunities for public and private sectors along the value chain. Private investments are usually driven by profits and, therefore, investments at collection, aggregation, tanning, and product development, which offer opportunities for private sector engagement, are by profits. These investment opportunities are likely driven by policy changes, which have impacts on supply and demand forces of the market. Existing evidence confirms that the pathway towards value addition strongly inclines towards finishing of leather during processing, development of leather goods and footwear enterprises, with value shares in international trade (Table 8) increasing from raw hides and skins to leather products (Mwinyihija, 2014).

**Table 8: Percentage share of value of international leather sector trade**

Skins, hides and leather products	%
Raw hides and skins	8
Wet blue	6
Crust and finished leather	21
Leather shoes	46
Leather products	19

*Source: Mwinyihija (2003)*

Despite the challenges faced by the skins, hides and leather products sector, several points of investment are important for the success of the leather industry. These investments largely resolve the challenges bedeviling the sector, thus setting it on a growth trajectory.

### 6.1 Investment in Livestock Production, Marketing and Extension and Veterinary Services

Funding of extension and veterinary services related to skins and hides has declined over time and has almost been cut in many counties where skins and hides are not identified as an important value chain to drive economic growth and development. The poor extension and veterinary services have been a major cause of poor quality of skins and hides. Pastoralists would benefit from investment in growing quality skins and hides, which will increase their incomes.

- **Livestock production and marketing:** There exists a huge potential for livestock production to increase supply of skins and hides. The vast swaths of land in ASALs present an opportunity for increased livestock production that would increase the supply of skins and hides. There is need to develop the livestock production infrastructure, including market facilitation structures as a way of increasing off-take rates.
- **Skins and hides extension services:** Many livestock keepers are not aware of the importance of high value of hides and skins, and care little about flaying techniques especially at homestead slaughter, which results to defective skins and hides. To grow quality skins and hides, and incentivize the livestock farmers to sell the skins and hides, increased investment in skins and hides extension services and provision of financial services is required. Livestock producers often fail to access the services from skins and hides extension service agents on how to grow quality skins, and hides.

## **6.2 Investment on Infrastructure Development**

To exploit the potential of the skins, hides and leather sector, there is increasing need for public investments by national and county governments in several fronts of infrastructure including:

- Infrastructure on roads to access interior markets and facilitate aggregation, where slaughtering takes place and the skins are not thought of as important;
- Investment in drying and storage facilities (“*Mbandas*”) that have been left to dilapidate in the past, to facilitate aggregation;
- Investment in electricity distribution to support local micro tanneries; and
- Investment to facilitate bulk procurement of tanning chemicals, which consume a significant proportion of tanning costs.

## **6.3 Investment and Profitability in Collection and Aggregation of Skins and Hides**

More than 30 per cent of the produced skins and hides go into waste because they are not collected. Many are times when the economies of scale are low, and information regarding location of skins is missing. Moreover, even after collecting, the collectors and aggregators face logistics and storage challenges. High costs of collection are prohibitive, while lack of storage facilities leads to loses of skins due to defects and rot. There is need to invest, besides the infrastructure, on the logistics of collection to increase the supply of raw hides and skins to the tanning.

Using data from collectors and aggregators, a simple accounting for skins and hides collectors is presented in Table 9. Transportation is the major cost element in aggregation and collection. Other costs include labour, storage and preservation, which are relatively low. Goats and sheepskins are evidently more profitable for aggregators compared to hides from cattle. Aggregators realize estimated Ksh 113,758 from goat skins trade compared to Ksh 19,997 from collection, aggregation and sale of hides. The profitability of the collection and aggregation shows that there is possibility of investment along the value chain, especially on collection and aggregation. The scale of collection, drying and storage technology and innovative collection logistics will drive profitable investments at this level. Opportunities for investment are further supported by availability of more than 30 per cent of skins and hides that go into waste, especially if slaughtering takes place within the homestead. Investments that are more profitable are realized if one invests on collection of skins from goats and sheep. The profit follows from scale of operation, since off-takes are higher in shoats compared to cattle.

**Table 9: Accounting for skins and hides collectors and aggregators**

		Skins	Hides
Qty purchased (average Kg)	Cattle hides (Kg) annual		15,000
	Skins (shoats) annual pieces	12,000	
	Monthly Converted (Kgs)	8,000	1,250
	Purchase price (Ksh) per piece	60	100
	Purchase price (Ksh) per Kg	7.5	6
	Value of purchases	60,000	6,944
Transport costs from source areas	Pick-ups	4,250	4,250
Other costs	Labour cost	534	851
	Storage	151	151
	Preservation	307	307
Transport to market outlet		5,000	5,000
<b>Total Cost</b>		<b>70,242</b>	<b>17,503</b>
Selling price (Ksh)/Kg	Hides (Kgs) 30-34 Ksh		
Skins (per piece=8 Kgs) 23-25 Kshs/Kg	23	30	
Gross value		184,000	37,500
Estimated profits (Ksh) per month		113,758	19,997

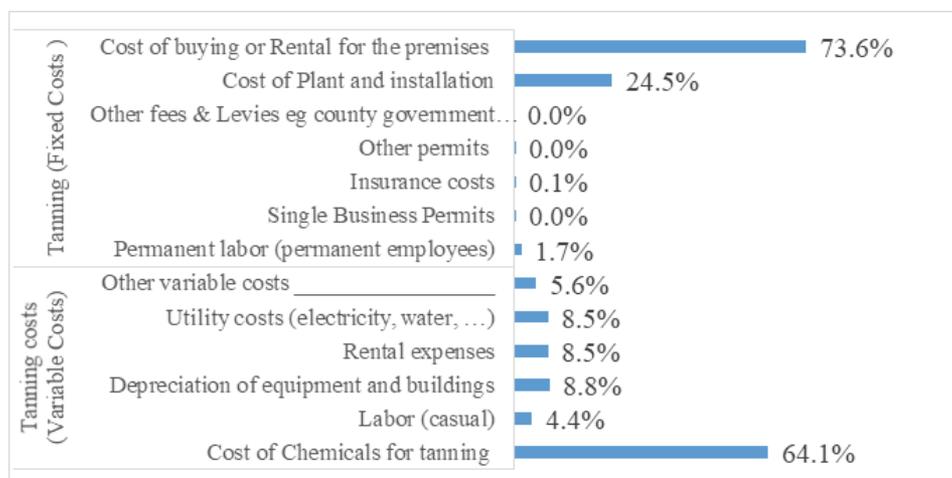
## 6.4 Investments and Profitability at Tannery and Product Development

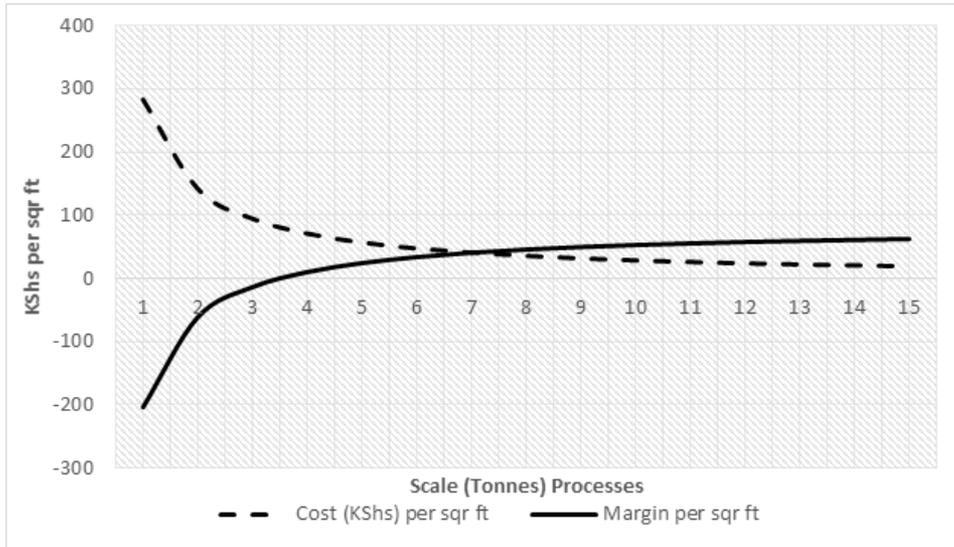
Despite the high fixed costs, private and public sector investment can profit from investments in tanning as long as they operate on the economic scale. An evaluation of the costs of tanning from survey data reveal that there are considerable fixed and variable investment costs. Fixed costs comprise the initial costs of rental or buying of land, which take up the largest share (74%) while the cost of plant installation is estimated to take up to 25 per cent of total fixed costs. The total fixed costs average Ksh 950 million (inclusive of land or renting of premises approximately Ksh 700 million) for a 4 tonnes hides and skins processing a day (Figure 10).

Evidence from literature reveals that the estimated investment portfolio in the tanning industry was projected as medium sized semi-processing unit at Ksh 25 million per unit on average stands at Ksh 323 million (excluding land), Mwinyihija (2014). Of the variable costs to run a 4 tonnes skins and hides processing per day, the highest share of cost goes to chemicals used in the tanning. The estimated delivery (purchase of skins and hides) and processing costs on monthly basis are estimated at Ksh 20 million, which is slightly below the variable cost of Ksh 30 million estimated by Mwinyihija (2014).

Most of the tanneries in Kenya operate on an average of four tonnes/day, translating to about 120 tonnes of skins and hides per month. Estimates indicate that margins per square foot of wet blue will be above the variable cost per square foot if the operations are above 7 tonnes per day (Figure 11).

**Figure 10: Tannery cost structure in Kenya**

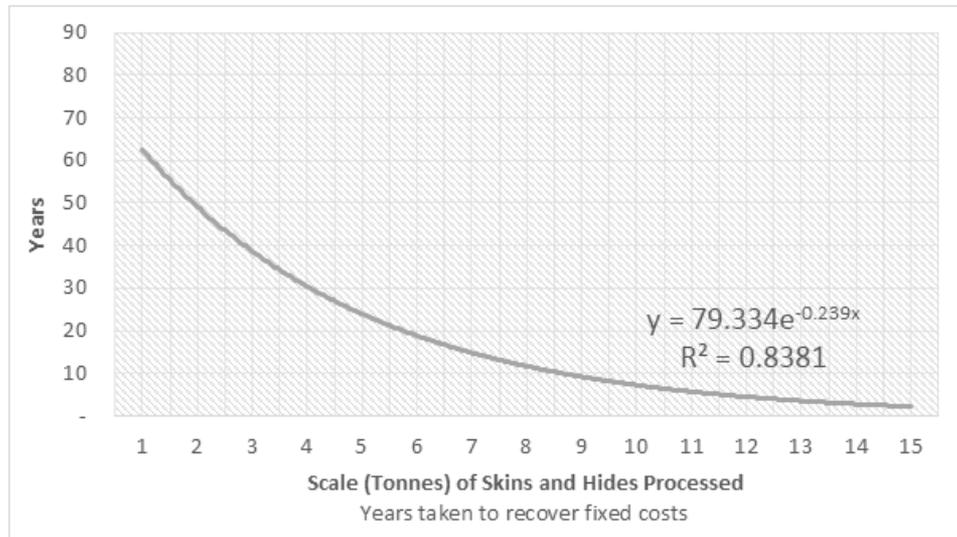


**Figure 11: Cost and margins per sq. foot for wet blue processing**

The time taken to recover investment and scale of operation exhibits a usual inverse relationship, with the time of recovery on investments declining with increase in scale of operation. At very low levels of operational scale, the time taken to reap on investment is exceptionally long but declines to about 10 years at operation of 7 tonnes per day and gradually declines to 4 years and then 3 (Figure 12). At tanning level, gaps in technological advancement that would increase output of tanned leather presents a profitable investment opportunity. The splitting technology has not yet been adopted by many of the tanning factories in the country despite it being a high multiplier in terms of returns. However, the level of technological investment is dictated by the quality of skins and hides, the scale of operation, access to land and investment on effluent treatment.

The product development level benefits from economies of scale. The economies of scale at the product development levels of the value chain are affected by several factors, among them the quality of the skins and hides, size of the skins and hide, and the level of technology. Over time, the size of skins and hides has been on a decline due to poor husbandry practices, and this affects the size, quality and application of splitting technology that can guarantee a multiplier effect. Good quality leather allows for splitting to about four (4) times, giving a multiplier of 4 to the original skin and hides.

**Figure 12: Years of recovery on investment in tannery**



From the field assessment, the size and weight of a goatskin was estimated to 8 kgs while a cow's hide is estimated at 18 kgs. Goatskins are sold as pieces going at an average Ksh 200 while cowhides are sold in kilogrammes at an average of Ksh 33 per kg. Further, a cowhide and goatskin translates to 16 and 8 sq. feet of processed wet blue leather or finished leather. The estimated price is Ksh 100 per sq. foot of finished leather. One square foot of leather can be used to manufacture a pair of shoes, which costs about Ksh 350 on market price. Simple extrapolations show that a piece of goatskin costing Ksh 200 from a trader translates to 8 pairs of shoes going for Ksh 350 each, translating to Ksh 2,800 worth of shoes. On the same note, a piece of cowhide would translate to Ksh 5,600. The value of product, say shoes, would be four (4) times higher if splitting technology is applied and if skins and hides are of good quality to allow for splitting (Table 10).

Opportunities for investment at product development exist. Profitability, among other factors, is driven by design and innovativeness. There is growing demand for leather products, especially shoes, which present a market that is not fully, exploited.

- Although the cost of investment is high at the tanning level, the scale of investment and pricing of the final products is high to enable investors recoup their investments.

**Table 10: Translation of raw hides and skin pieces to leather products (shoes)**

	Est. weight	Price	Processed Sq. ft.	Price of leather (Ksh/sq foot)	Price of skins/ Hides finalized leather	# of shoes	Unit Pprice (Ksh)	Value of piece of Skin/Hide translated to shoes
Cattle (sold per Kg)	18	33	16	80	1,280	16	350	5,600
Goat (Sold per piece)	8	203	8	80	640	8	350	2,800
With splitting technology								
Cattle (sold per Kg)			64	80	5,120	64	350	22,400
Goat (Sold per piece)			32	80	2,560	32	350	11,200

- Adoption of better value adding technologies: The current value addition technologies in many of the companies is outdated, against a dynamic changing environment. Splitting technology has not been adopted by many tanneries. Splitting technology enables tanneries to multiply their products almost fourfold.
- Favourable public policy: A conducive public policy is important in driving the competitiveness of any sector, and leather is not an exception. High taxes on imported chemicals that take up a huge share of variable costs of leather processing are prohibitive to the development of the manufacturing component. In addition, taxes on imported technology, especially the splitting technology, erodes the competitiveness of the leather industry. The National Industrialization Policy framework, if fully implemented, offers a window for reviving the sector.

## 6.5 Investment on Skills and Capacity Building

The competitiveness of the skins, hides and leather sector depends on the innovativeness of the skins and hides tanners and leather product development. There are few innovative product manufacturers. Highly innovatively designed products attract consumers. Whereas there are learning institutions offering courses related to leather development, there is need to train on practices and innovativeness.

- Skills and capacity building: In order to improve the quality of leather products and create more innovative products, there is need for capacity building and skill development. Closely related is creation of awareness with regard to how livestock keepers should grow good skins and hides.

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## 7. Conclusions and Recommendations

### 7.1 Summary of Findings and Conclusion

The objective of this study was to provide insights towards revitalizing and promoting sustainable development of the leather and leather products industry for employment generation and poverty reduction. Specifically, the study sought to identify the skins and hides value chain actors, identify value adding activities, major constraints and challenges to development of the value chain, identify gaps in policy, institutional and regulatory frameworks that govern the sector, identify investment opportunities and impacts of various policy interventions on welfare of the actors.

Results from the study indicate that the skins, hides and leather value chain is comprised of producers, collectors/aggregators (intermediaries), tanners and leather products' manufacturers. Driven by changes in policy, the skins, hides and leather value chain has evolved from a focus on exports of raw hides and skins to focus on domestic hides and skins value addition and exports.

#### (a) Value chain actors and linkage

**Producers:** Producers of skins and hides are the livestock farmers mainly in the pastoral and agro-pastoral zones of Kenya. Skins and hides producers at farm level exhibit less interest on skins and hides and far much less interest or knowledge of quality standards, policies, regulatory and institutional instruments. They are less concerned about the production of hides and or skins as they focus on beef or milk production. As such, the quality of skins or hides produced is very poor. At the level of the producer, the production of hides and skins is neglected and has increasingly been underfunded, especially following devolution. With very few counties that have draft policies on skins and hides, funding has been minimal and focus on development of tanneries are more of ad-hoc events and not well thought out. No incentives are available for profitable investment, since prices of skins and hides are very low.

Aggregators/collectors are the intermediaries and have strategic connections that guarantee them favourable scale of operation. They are responsible for collecting about 70 per cent of skins and hides from household level and slaughterhouses and deliver them to tanneries. The operation economies of aggregators revolve around the costs of transport, the storage and preservation costs, and the costs of transport to the destination markets. The main outlets for the aggregators are Nairobi-based tanneries. Grading and standards are effective from the aggregation and collection level of value chain. Even though aggregators and collectors are

aware of and adhere to the quality standards, their awareness and adherence is limited by the low capacity and stringent market requirements. Similarly, the extension services expected to enhance the skills of these skins and hides handlers are thin and poorly spread.

**Tanneries:** Most of the tanneries are located in Nairobi and value add hides and skins to wet blue. The supply of raw skins and hides are organized innovatively to beat dis-economies of scale and logistical challenges of dispersed sources, especially the slaughterhouses. The tanneries contract the aggregators and collectors to collect hides and skins and supply them. In several cases, skins and hides are imported from neighbouring countries including Rwanda, Tanzania and Uganda. The levels of imports are not largely dictated by domestic supply but by quality.

### **(b) Policy, institutional and legal frameworks**

The policies, legal and institutional frameworks that regulate the sector are spread across different pieces of legislation. Even though they are scattered pieces, there is no national policy on skins, hides and leather amidst very low levels of awareness. The lack of concerted efforts and focus on the sector portends the poor quality and dominance in the market by some of the industry players, and has almost resulted in monopolistic tendencies.

The main regulatory instrument is the Hides, Skins and Leather Act (Cap 359) 1988 that has undergone several iterations of amendments. Despite the repeals and amendments on the Hides, Skins and Leather Act Cap 359, the Act is silent on environmental controls, especially those related to pollution controls and effluent treatment. Without stringent regulatory requirement, tanning firms may shy away from heavy capital investments required for effluent treatment to the detriment of the sector competitiveness and against the stringent requirements imposed by countries that import leather from Kenya, especially the European countries. Generally, there also lacks a policy on development of the sector at national level.

### **(c) Investment opportunities**

The skins, hides and leather industry presents an opportunity to expand the manufacturing component of the “Big Four” agenda. More than 30 per cent of skins and hides are not collected, and thus there is room to improve the volume of skins and hides. With room for multiplier technology, and with the increasing population and per capita incomes, the sector presents a high value opportunity for manufacturing. Apparently, the pathway towards value addition strongly

inclines towards finishing of leather during processing, development of leather goods and footwear enterprises as fundamental in the optimization of accruals from the sector. Profitable investments along the skins, hides and leather sector exist, and are increasingly becoming more enticing as they tend towards the upper level of the value chain at processing and leather product development.

At the collection and aggregation level of the value chain, investments are driven by scale of operations, and transport costs. Transport costs depend on the quality of infrastructure and scope of coverage while collecting skins and hides. Evidently, many tannery agents exist and are strategically placed to maximize on collection to achieve profitable scale.

At the tanning level, capital investment takes up most of the cost at initial stages. Profitable investments are determined by scale, quality of hides and skins, and variable costs that emanate from the use of tanning chemicals. Many tanneries have technologies that would guarantee profits; however, few have up to date technologies that would add an output multiplier. However, even if technology existed to split skins and hides, and hence an output multiplier, it is reported that the quality of hides and skins is very poor to allow splitting.

At the product development level, profitable investments compete against imported cheap leather products. Investment stakeholders at this level dread the cheap and yet poor quality imports that take up the large market share. Moreover, low and inconsistent supply of processed leather from the domestic tanning and leather processing industries prompts them to import leather.

#### **(d) Impacts of policy, legal and institutional changes**

The establishment of the Kenya Leather Development Council (KLDC) was to spearhead the activities of developing the skins, hides and leather sector and led to sharp increase in quantity of raw hides and skins exported between 2010 and 2013, even though in the subsequent years exports of raw hides and skins gradually declined. Even though there are perceptions that KLDC is not adequately supporting the sub-sector, in general, this institutional establishment led to increase in exports of leather products and decline in exports of raw hides and skins as expected.

There has been notable changes in the organization of the skins, hides and leather value chain. Before these gradual changes, the value chain was oriented towards export of raw hides and skins, but of late, the changes in policy and institutional management has oriented the value chain towards an export orientation focusing on value addition and increased manufacturing of finished leather products. The current value chain has emphasis on strengthening the processing (tanning) of

raw hides and skins and exporting them as semi-processed (wet-blue) or selling directly to the bulging domestic leather product manufacturing.

Although implementation of export taxes had a negative effect on prices of raw hides and skins, there has been a resultant increase in export prices and value of leather. More of poor quality and accumulation of stocks within the domestic tanneries as export tax took effect drove the decline in prices of raw hides and skins.

**(e) Vertical integration of the skins, hides and leather value chain**

The objective of developing the skins, hides and leather sector remains to create employment, increase household incomes especially for livestock keepers who are usually marginalized, and move the beneficiaries up the poverty ladder. Yet, these perceived beneficiaries are weakly linked to the value chain. The study found that the skins, hides and leather chain was vertically segmented and that changes in prices of skins and hides and prices of leather and leather products (shoes) at the lower and upper level of the value chain, respectively, fail to converge in the short and long run. The effect is that producers of the skins and hides may not enjoy in the near future the benefits of investments or policy changes in the sector.

Due to poor value chain vertical integration, investment benefits from efforts to revamp the sector and the establishment of the Leather Industrial Park (LIP) or any other policy changes may not reach the poor, and therefore may not impact on poverty levels. Quality skins and hides of good grade are not a livelihood for the poor. The poor and majority who live in livestock production zones do not participate in skins and hides markets and can only benefit from skins when they slaughter at homestead. Moreover, the market context in which the skins, hides and leather value chain operates is fraught with challenges relating to poor infrastructure, poor quality, sub-optimal technology, absence of incentives towards production and processing, low scale of operation, failure of market information, and non-competitive behaviour. This implies that no matter the changes in policy and efforts to revamp the leather sector, the benefits will not trickle down to the targeted beneficiaries and thus status quo in incomes and poverty will remain.

## **7.2 Recommendations**

### **(a) Livestock production**

- 1) The impact of the establishment of the Leather Industrial Park (LIP) and any other policy changes that impact on the skins, hides and leather value chain will have limited or no impact on livestock producers unless the following are addressed to reduce market transfer costs:
  - Development of infrastructure relating to transport and market information communication.
  - Livestock keepers are sensitized on the importance of “growing” quality skins and hides without defects through enhanced extension services.
  - Uncompetitive behaviour is eliminated in the aggregation and collection of skins and hides.
  - Off-takes are increased in order to link producers to the value chain.
- 2) To improve livestock off-takes and consequently production of hides and skins, regulatory and institutional changes that facilitate livestock market access are important. Increased market up-take is viewed as the driver towards increased livestock production and off-takes. Usually, production of livestock is responsive to market up-take.

### **(b) Institutional and legal frameworks**

- 3) In the absence of a national policy framework to guide on development of the skins, hides and leather sub-sector, the study recommends concerted effort to draw a national policy to focus on the challenges that span across the vertical continuum of the value chain. These include issues related to awareness of production of quality skins and hides from the producers, grading and compliance, incentives to revamp the related extension services and price incentive mechanisms. Besides, there is need to strengthen coordination among various agencies at national and county levels.

### **(c) Skins and hides Tanning**

- 4) The tanning stage, which is one of the key investment levels, reels from heavy costs of chemicals used in tanning leather, hides and skins. This has the effect of reducing the competitiveness of the tanning level. To enhance

the tanning level, there is need to look into mechanisms that could reduce expenditure on chemicals. Such could include bulk procurement and tax holidays on the chemicals or their constituents.

- 5) In addition, the tanning level has not fully adopted and embraced advanced leather tanning technologies, and this misses the opportunity to maximize on output. Failure to adopt advanced technologies of tanning also makes the level of chain not competitive. Higher economies of scale can be realized if tanneries adopted better technologies, especially splitting technology, which creates a multiplier at the tanning level. However, adoption of splitting technologies, for instance, is conditional on the quality of skins and hides. To enhance the competitiveness at tanning level, there is need to look into mechanisms that entice investment including up to date technology.

**(d) Leather product development and markets**

- 6) The imports of cheap leather products takes good share of the domestic market, yet local leather product developers, with their quality products seek to export their products. The need to put stop-gap measures on imports to grow the domestic leather sector is imperative.
- 7) There is lack of adequate and innovative skills to develop new leather products. The need to develop curriculums and training focusing on leather products will enable a build-up of skills necessary for employment and livelihood generation.

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## **Annexes**

### **Annex 1: List of institutions, policies and legislation pieces that regulate the leather and leather products sector**

<b>Institutional frameworks</b>	<b>Policy frameworks</b>	<b>Legal Frameworks</b>
Ministry of Industrialization, Trade and Enterprise Development  Export Processing Zones Authority  Kenya Leather Development Council  Kenya Livestock Marketing Council	<ul style="list-style-type: none"> <li>• Sessional Paper Number 10 of 2012 on Kenya Vision 2030</li> <li>• Third Medium Term Plan (MTP) 2018-2022</li> <li>• National Industrialization Strategy</li> <li>• Agricultural Sector Transformation and Growth Strategy 2019-2029</li> <li>• Sessional Paper No. 1 of 1996 on Environment and Development</li> <li>• Sessional Paper No. 3 of 2009 on National Land Policy</li> <li>• National Industrialization Policy</li> <li>• County Integrated Development Plans</li> </ul>	<ul style="list-style-type: none"> <li>• Hides, Skins and Leather Act Cap 359</li> <li>• Constitution of Kenya (2010)</li> <li>• Export Processing Zones Act Cap 517</li> <li>• Special Economic Zones Act, 2015</li> <li>• Legal Notice 65, Hide, Skin &amp; Leather Trade Act (Cap 359) - Kenya Gazette Supplement No. 19 of 7th May 2010</li> <li>• Physical Planning Act Cap 268</li> <li>• County Government Act 2012</li> <li>• Urban Areas and Cities Act 2011</li> <li>• Environmental Management and Coordination Act (EMCA) 1999</li> </ul>

## Annex 2: Tanneries in Kenya

Company	Contact		LEVEL OF PROCESSING			Products
			Wet blue	Crust	Final Grade	
Bata Shoe Limited (Limuru Town)	bata.marketing@bata.com; customer.service.kenya@bata.com	PO Box 23-00217 Limuru				Shoes
Alpharama Ltd (Off Namanga Road, Athi River)	info@alpharam.co.ke	PO Box 167 Athi River	X	X	X	Slippers
Leather Industries of Kenya(Off Garissa Road, Thika)	likkenya@yahoo.co.uk	PO Box 79 Thika	X	X	X	
New Market Leather Factory (Nanyuki Road – Nairobi)	ngombenmls@gmail.com	P O Box 14579 Nairobi				
Aziz Tanneries Ltd (Off Kangundo Road, Njiru Market)	aziztanneries@yahoo.com	P O Box 1363 Nairobi	X		X	Boots
Sagana Tanneries Ltd (Sagana Town)	Yassin.awale@gmail.com	P O Box 94 Sagana	X	X	X	
East Africa Tanneries Ltd (Off Kangundo Road, Njiru Market)	ea_leather@yahoo.com	P O Box 46227 Nairobi	X	X	X	Boots
Faaso Import and Export(Lunga Lunga Road – NAIROBI)		P O Box 78010 00507 Nairobi	X	X	X	
Athi River Tanneries (Off Mombasa Road – Athi River)	md@athirivertanneries.co.ke	P O Box 503-00204 Athi River	X			
Abdulwadood tanners Ltd	awt@kenyaweb.com awttanners@gmail.com	Po Box 41695 Nairobi				
MAS Trading Company	Po Box 71460-00622 Nairobi	X				
Nakuru Tanneries Ltd (Shabab Estate – Nakuru Town)	ntwetblue@africanline.co.ke	P O Box 225 Nakuru	X			
Dogbones Ltd (Dandora Market, Nairobi)	ashwin@dogs.b.com	P O Box 78010 – 00507 Viwandani-Nairobi	X			
Zingo Tanneries (Nairobi)		Nairobi	X	X	X	Shoes
Ondiri Tannery		Kikuyu, Kiambu	X	X	X	
Nairobi Tanneries Ltd (Nanyuki Road, Nairobi)	P O Box 689 – Sarit Centre	Chitti9aug@yahoo.com	X	X	X	Boots

### Annex 3: List of leather product manufacturers

Company	Contact	Address	Products
Umoya Rubber	(+254) 41 22 46 30 (+254) 41 31 32 35 Info@Umoyarubber.com	P O Box 87388 Mombasa	Assorted shoes
Acumen	(+254) 20 33 94 18 (+254) 20 21 18 17	P O Box 67550 Nairobi	Assorted shoes
Afrolite Industries	(+254) 20 54 06 38 (+254) 20 54 3698; Afrolite@Kenyaweb.com	P O Box 44037 Nairobi	Assorted shoes
Bata Shoe Company	(+254) 27 16 20 (+254) 27 10 47 Bata@Net2000ke.com	P O Box 23 Limuru	Assorted shoes
C & P Shoe Industries	(+254) 20 54 07 22 (+254) 20 55 24 84 CPshoes@Cpshoes.Ccm	P O Box 46979 Nairobi	Safety shoes, school shoes, PVC footwear for both adults and teens etc. Accessories include: Soles, Shoe Laces, School Bags, Micro Sheets, Zippers, Rexins And PVC coated, Fabrics, Zinc Oxide
Easy Shoes	(+254) 20 86 18 57 (+254) 20 80 35 44	P O Box 63488 Nairobi	Assorted shoes
Macquin Shoes	(+254) 41 43 25 55 (+254) 41 43 25 53 Macquin@Africaonline.Co.Ke	P O Box 82512 Mombasa	Assorted shoes
Shoe Wind Industries	(+254) 20 35 04 64 (+254) 20 54 57 47 Shoewind@FormNet.com	P O Box 70365 Nairobi	Assorted shoes
Tex Palace	(+254) 20 22 29 49 (+254) 20 22 25 41	P O Box 75609 Nairobi	Assorted shoes
Pierre Shoes			Men and back to school shoes
Ashieng Footwear Ltd			Children's shoes - Men's shoes; Military; Sandals; Shoes components; Women's shoes
Crown Industries Ltd			Boots; Men's shoes; Shoes components
Khan Limited			Large leather goods; Men's shoes; Other; Sandals; Women's shoes
Santa Teresa Shoes Ltd			Men's shoes
United Footwear Ltd			Boots; Military; Safety
Adelphi –The Leather Shop	Tel:- +254 (20) 236 9694 Email: info@adelphileather.biz www. adelphileather.biz	Outlets: – Yaya and Sarit Centre, Nairobi	Diverse range of quality leather items including bags, hand bags, folders, wallets, briefcases, accessories as well as corporate gift items
Sanabora Design House Limited	Tel: +254 20 232 1853, Mobile: +254 715 774 579 Email: info@sanabora. com or products@sanabora.com Website: www.sanabora.com	Murang'a Road, Opposite KIE, Aqua Plaza, 3rd Floor, Nairobi	Quality and contemporary leather items with an African touch including clutch bags, cross body bags, hand bags, wallets, purses, travel bags, gifts/corporate items

Habib Leather Industry	Cell Phone: 0725 103 705; Email: habibleatherindafrika@yahoo.com Cell Phone: 0725 760 681		Producers of high quality leather products including corporate gift items, sports items and items for the catering and hotel industry
Gonzala Leathers	Email: anzalaof@gmail.com		Producers of a wide array of quality leather products
Rift Valley Leather	Tembo Road, Karen – Nairobi. Contact:- +254 (0) 721 922 Email: enquiries@riftvalleyleather.com Website: www.riftvalleyleather.co.ke		Range of production including travel bags and holdalls (briefcases), satchels, wallets and purses, belts and handbags and bespoke items in exotic leather
Zeeban Designs	Outlet: Yaya Centre, Nairobi. Cell Phone: +254 734 446 316/ +254 723 425 098 E-mail: zeebaan@gmail.com www.zeebaandesign.com		Producers of quality leather accessories including: Hand bags, wallets and purses
Annabelle Thom	The junction shopping Mall, Dagoretti Corner, Nairobi Tel: +254 (020) 3864 665 Email: sales@annabellethom.com www.annabellethom.com		Assorted leather goods
African Lily	Ngong Road P O Box 26015 – 00100, Nairobi Cell: +254 710 492147/ +254 725 106542 Email: africanlilyenterprises@gmail.com www.african-lily.com		Leather accessories
Adel de jak	Cloud 9 Collection, Mushroom Road off Kiambu Road, Nairobi, Cell: +254 (0)734 399 800 www.adeledejak.com		Assorted leather goods
Escon Leather Company	Contact: essaymumo@gmail.com ; http://www.escon		Producer of high quality vegetable tanned leather accessories and interior decor including wallets, pouches, purses, clutch bags, handbags, ladies sandals, doormats and poofs
Anchor Footwear	Contact: artur.mwaura@gmail.com Outlet:- Kenya Industrial Estates.		Producers of men's office, shoes in a diverse range of tastes and preferences
Kraw Leathers	Industrial Area, Cell: +254 722 938 387 Email: Karuga.nganga@gmail.com, www.krawleathers.kbo.co.ke	P O Box 7637-00300, Nairobi	Producer of leather bags, sandals, purses, footwear among other leather accessories
Leather Masters Ltd	Likoni Rd, 10293-00400 Tom Mboya St, Nairobi- Kenya; Phone: +254-20555393 http://www.businesslist.co.ke	Nairobi	Leather bags, wallets, folders, travel ware, corporate gift items only on order
Sandstorm	Karen Road, off Ngong Road, Nairobi, Tel: +254 (0)721 208 463; Email: customercare@sandstormkenya.com		Leather bags, canvas bags, travel ware , briefcases wallets and car seats
Brasbuckle Ltd	Contact Name: Bedan Kimeria Muraya-Managing Director. Address: Ongata Rongai. P O Box: 12390, Zip: 00400 Phone: +254 722391 902, Email: brasbuckle@yahoo.com		Belts - large leather goods, small leather goods
Crown Industries Ltd	Address: Enterprise Road, opp Railway Yard P O Box 40119 Enterprise Rd, Nairobi, Kenya, Phone:+254 20 650720		Boots - Men's shoes -Shoes components

Khan Limited	Contact Name: Farooq Khan, Director: Address: 1st Floor, Mauladad Building/Kigali Street, PO Box: 49027 -00100, Pho ne:254-20-248058254-722-527816		Large leather goods - Men's shoes - Other - Sandals -Women's shoes
Leathertech	Contact Name: James Maina Kihato- Director: Address: Jogoo House, Thika; P O Box: 6096 01000; Thika; Phone: 254-720-767 959		Belts - Furniture – Large leather goods - Other - Small leather goods

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