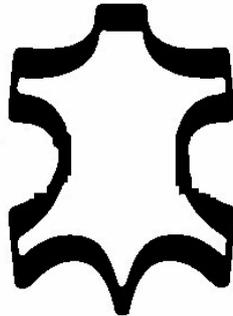


BULFFHI



VS/2011/0145 - Transparency of the origin of hides & skins

National Report from Bulgaria

We ran the consultation from January to March 2012 and obtained two replies, corresponding to about 40% of our national production.

0. IDENTIFICATION OF THE RESPONDENTS (IN PERCENTAGE)

The tanneries that replied to the consultation supply the following downstream sectors:

Footwear	50	Furniture	
Leathergoods		Automotive/aero/other transport	
Clothing/Gloves	50	Wet Blue	50
Other			

1. PERCEPTION OF THE ISSUE

1.1. What type of news regarding the conditions of sourcing of hides and skins has what level of shocking potential for consumers?

Social	average
-Child labour in connection with hides and skins	5
-Unhealthy working conditions in slaughterhouses	2
-Forced or Compulsory work in Farms	2.5
-Other:.....	0
Environmental	
-Rainforest deforestation for getting grazing land for herds in connection to hides and skins	4
-Chemical Risks, including preservation Salt use	4.5
-Other:.....	0
Animal Welfare	
-Animal mistreatment at the farm	5
-Animal mistreatment during transport to slaughter	5
-Non "humane" slaughter methods	4.5
-Other:.....	0

Our tanneries perceive that consumers are sensitive to social, environmental and animal welfare issues in relation to leather. According to them, child labour and animal mistreatment at the level of raw materials supply are the Media news that is likely to have the biggest impact on consumers. Other aspects such as chemical risks, deforestation and slaughter methods follow this type of "Bad News" closely in terms of shocking potential of consumers.

Forced labour or unhealthy working conditions rank much lower, probably because they refer to situations that do not exist in Bulgaria, where most of the raw material supplies are sourced by Bulgarian Tanners.

Bulgarian Tanners identify that the issues that convey highly emotive societal values are child and animal welfare. This denotes that the public sensitivity in Bulgaria relates very closely to the vulnerability of the harmed party; a child, an animal, and, to a lesser extent, the environment. Bulgarian Tanners seem to indicate that forced labour or unhealthy working conditions on farms or in slaughterhouses in Bulgaria would hardly make big headlines, as these situations are unlikely to occur or, if they would possibly be identified, they would not necessarily be put in relation to the leather industry on the one hand, or could be addressed by legal action or through the Social Dialogue.

1.2-4. Perception of how consumers care when the Media bring shocking stories about irresponsible behaviour of economic operators in terms of Social or Environmental aspects in supply chains

Only one company has indicated that they believe that customers care when shocking stories on social or environmental aspects of their supply chain are portrayed in the media. In their opinion, when they care, they do not forget and try to get assurances. However, they do not boycott leather.

1.5-6. Interpretation of customers of such societal concerns and consequent reactions

Percentage of customers who “are concerned”	Total	%
Customers don't translate such concerns into action		65%
Customers contact suppliers and try to sensitise them on their values		20%
Customers translate Societal concerns sooner rather than later into specific requests to suppliers		15%
Other:.....		

According to our sector's operators, the manufacturers of leather articles, the customers of our tanners, mostly don't translate their concerns into action (60%). If they do, they would rather engage in a dialogue with their suppliers.

The customers of Bulgarian tanners are mostly in the Clothing/Gloves and Footwear sectors, both in the domestic market and in the EU. Although the impression of Bulgarian Tanners is that a majority of customers would refrain from any reaction, it is interesting to note that still 35% would not be indifferent to such shocking stories in the media and would at least inquire upstream and possibly achieve, sooner or later, some type of assurance from their suppliers.

1.7. When the media unveils a scandal in the leather sector who gets hurt? (1-5)

the image of the leather industry in general?	5
the image of the entire leather sector in the concerned country?	5
the image of the leather sub-sector concerned independent of location, eg footwear leather/clothing leather?	4
the image of the leather sub-sector in the country concerned?	4
the image of the company/ies concerned?	5

The perception of the tanners in our country regarding the damage caused by media scandals involving leather is that the leather industry in general and the whole entire national sector could suffer from the consequences. The image of the company is equally affected. However the sub-sector, national and globally, also suffers consequences.

This result reveals the perception of the degree of vulnerability of the industry and the perception of its capacity to respond to adverse publicity. Bulgaria's tanners seem to indicate that the industry's reputation is going to be affected whether or not the company, the sub-sector or the country's sector is being criticised. This is possibly due to the size of Bulgarian tanneries (micro and small enterprises) and to the perception of high vulnerability and weak capacity to respond to “public accusations”.

1.8. Consequences mostly feared for business and personnel (1-5)

less orders	4
cancellation of orders	0.5
reduction of volume in orders	4
less candidates for taking a job in the company	2
not getting top people for the company	3
staff getting stressed or depressed from the pressure of public opinion	2.5
losing staff for ethical considerations	1
loss in the value of the company brand name	3
loss of consideration in society as a tanner	4
official controls	2
pressure/attacks from NGOs	2.5
other:.....	0

Economic consequences of scandals rank high in the order of fears of the tanners in Bulgaria, as well as the loss of consideration for tanners. Consequences regarding official controls or access to human resources are perceived as less important.

Pressure from NGOs or motivation of staff seems to be less concerning consequences. This needs to be put in perspective. Activist NGOs are less likely to exert their campaigns in Bulgaria, as the visibility of activist action is likely to be reduced both in terms of publicity and in terms of potential targets. Also, tannery staff are more likely to ignore public pressure regarding an aspect that is not directly controlled by the workplace.

Bulgarian Tanners are particularly concerned with the possibility that as a consequence of “Scandal News” in their supplies, customers would partly shift away from sourcing leather and the general public would lose consideration of tanners as valuable members of the civil society.

2. IDENTIFICATION OF THE ORIGIN OF HIDES & SKINS

2.1. The respondents to our consultation use the following raw materials :

Cattle 50% Calf 50% Sheep 100% Goat 50%.

Bulgarian tanners are active both in the two main branches of the leather industry - the cattle and calf sector as well as the sheep and goat sector.

2.2. **Origin** (percentage on an annual basis):

Domestic	75	EU	12	Other European	3	Extra-EU	10
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The great majority of raw materials is sourced domestically and only a very small fraction (10%) originates outside of Europe.

2.3. **State** (% on an annual basis):

Fresh	0	Salted	50	Wet-Blue	30
Dried	10	Limed/Pickled	0	Crust	10

No Bulgarian tanner is prepared to source hides and skins in the fresh state directly from slaughterhouses. Sourcing of fresh material implies the taking of loads of unselected hides and skins as they are produced. Not all tanners are able to cope with such a supply mechanism as it requires either a very specialised slaughterhouse whose output is in tune with the capacity of the tanner to absorb the loads, or the capacity of the tanner to select, grade and store and sell the raw materials that are not required.

The bulk of hides and skins are traded in the salted state and Bulgaria seems to fully reflect this pattern.

Interestingly, 10% of supplies (probably only skins) are sourced in the dried state. This may reflect the existence of a certain amount of private slaughter in farms or communities, with subsequent preparation of the skins for the trade on a very small scale.

Bulgaria sources a good third of its needs in raw materials in the wet-blue state from other tanners where the link to the raw state becomes more distant. Even more distant is when Bulgarian tanners source crust. Overall, a significant 40% of supplies purchased by the Bulgarian Tanners who produce finished leather are in the form of wet blue or crust rather than raw.

2.4. N° of suppliers reported on average by our national tanners:

5-10: 1 company ; 10-20: 1 company

The number of suppliers is a relevant parameter for tanners as it is one of the indicators of the relative fragmentation of supplies. More suppliers present may indicate smaller batches, more competition but also less homogeneity in terms of quality.

It is more likely that the larger number of suppliers are to be found in the small skin sector (sheep and goats) rather than in the cattle and calf sector, where, due to the size of the animal, it is more likely to originate from organised slaughtering and the more structured hide trade.

2.5. N° of orders (per year) reported on average by our national tanners:

20-50: 2 companies

The number of orders is another indicator of fragmentation of supplies. More orders/purchases denotes also smaller batches. These data reflect the supply situation in our country well.

2.6. Relationship with suppliers as reported by our national tanners: (% per category)

Stable	75	Occasional	25
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Bulgarian tanners used to have a stable relationship with their suppliers, in general, leaving only 25% of their purchases to occasional suppliers. Occasional suppliers are important in order to test new entrants and compare the service with existing suppliers.

2.7. Suppliers are reported to be in general (% per category)

Bigger than tanners	35	Smaller than tanners	65
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The fact that most (65%) of the suppliers to Bulgarian tanners are perceived as being smaller than they are is difficult to interpret. We know, already that they do not buy directly from the slaughterhouses as they do not report buying fresh hides or skins. However, that does not mean that they may not be buying hides or skins from the people who have actually slaughtered the animal. This could be the case in ritual slaughters or community slaughter practices. And these collectors and traders are generally individual or family businesses.

Also, the trade in hides and skins does not need big installations with a large workforce. It requires a warehouse to store the raw materials and people capable to sort and grade the material. The installation itself could be perceived as small although the turnover may be significant.

This result indicates that the raw material trade is generally bigger than the tanning sector since, if tanners have in general from 5 to 20 suppliers, and if 35% of suppliers are bigger than tanners, that there are 2 to 7 big suppliers; which is more than there are tanners.

Capacity of European tanners to identify the precise provenance of the hides or skins

2.8. Our country's tanners can identify the source of the following percentage of raw materials supplies:

between 60-80% and 80-100%

Bulgarian tanners believe that they are able to identify to a very high degree the origin of their raw materials. This needs to be put in perspective:

- the personal relationship with small suppliers is likely to give the tanner sufficient assurances regarding the provenance of the skins;

- if the supplier is a collector from other small suppliers, the exact provenance is likely to become diluted;
- the identification of the provenance is limited to the country of origin and only partly to the group (cohort) of animals (community slaughter?)

2.9. Our national tanners claim to be able to identify:

- the precise country of the hides and skins bought Yes 100%
- the precise slaughterhouse of the hides and skins bought No
- the precise farm/herd of the hides and skins bought No
- the precise cohort of the hides and skins bought Yes 50%

Capacity of European tanners to communicate with the originators of hides and skins e.g. husbandry, abattoir, type of communication personal/paper-based/electronic

2.10. Tanners claim to be able to set up communication channels with:

- slaughterhouses Yes
- animal transport companies No
- farmers Yes

Bulgarian tanners tend to use the institutional channels for communicating with suppliers.

2.11. The preferred route for communications upstream of the tanning sector is:

- Electronic communication (e-mail, blogs, chats...) Yes
- Paper based communications (letters, circulars, Newsletters) No
- Personal contacts (meetings, telephone calls, fairs, auctions) Yes

Paper based communications seem to have little appeal in the Bulgarian tanning industry as a means to establish a dialogue with suppliers.

3. HOW TO ORGANISE A RELIABLE ASSURANCE MECHANISM?

Tanners were requested to rate from 1 to 5 (best option) the various options proposed. The table shows the average values obtained regarding the preferred assurance mechanism.

a standard for a self-declaration of suppliers	5
a contractual clause in the supply contract	5
a company-based public societal commitment	3
a Multi-Stakeholder Code of Conduct	2
Other:.....	0

Our tanners are mostly in favour of a standard for a self-declaration or a contractual clause with the supplier.

Bulgarian tanners seem to prefer assurance mechanisms that imply a personal or contractual commitment of the supplier towards the tanner. These two means give the tanner the option to come back to the supplier with a legal element in case of non-compliance.

The two other mechanisms seem weaker in the eyes of Bulgarian tanners. Indeed, a general company statement or a Code of Conduct give the impression that the concrete elements are, maybe company values, but not necessarily actual obligations in the particular relationship.

4. HOW TO PROVIDE A CREDIBLE ASSURANCE TO THE GENERAL PUBLIC?

4.1. How to provide a credible assurance to the general public?

Tanners were requested to rate the various options proposed from 1 to 5 (best option).. The table shows the average values obtained regarding the most appropriate assurance mechanism.

an identifying tag for identifying the origin of each hide or skin	2.5
a paper-based documentation for lots	2

a self-declaration of herds	2.5
Slaughterhouses	5
Suppliers	5
a certification of herds	3.5
Slaughterhouses	5
Suppliers	4.5
a "black list" of suppliers	4
a list of "good" suppliers	5

For our tanners, the best assurance to the public would be a self-declaration/ a certification of slaughterhouses and suppliers, or a list of good suppliers.

Individual tracing instruments (tags), paper based documentation of lots, self-declaration of herds are less preferred as they may imply that some less structured supplies could not cope with such mechanisms at the level of development of Bulgaria's supply chain.

Bulgarian tanners understand that there is a need to work out systems that involve legal persons, with the capacity to respond to claims; slaughterhouses, hides & skins suppliers.

Farms (herds) are not seen by Bulgarian Tanners as an interlocutor capable or willing to give assurances with regard to social or animal welfare aspects.

4.2. How should compliance be audited?

Tanners were requested to rate the various options proposed from 1 to 5 (best option) . The table showss the average values obtained regarding the most appropriate audit mechanism.

by buyers	4
by an independent party: Veterinary/sanitary services	4
NGOs	1.5
Technical centres	2
Others:.....	2.5
by the Sector institutions and Stakeholders jointly	2

Compliance should be audited either by buyers or by veterinary/sanitary services.

Bulgarian tanners clearly prefer their own controls and those of official authorities rather than third-party audits. This is likely due to the fact that any additional involvement would necessarily require also increased costs.

CONCLUSIONS / COMMENTS

Bulgarian tanners are small producers of quality leather mainly based on the natural resources of their country. They are aware of their vulnerability with regard to "bad publicity" in a quickly evolving society where emotionally relevant criticism of the sector could impact on their business and stature in the economy even if they are not the targets of direct accusations.

Their capacity to react to public criticism is clearly limited due to their size and the circumstances of the local supply chain and conditions with which they have to work.

In such circumstances, they are not in a position to influence individually their supply chain and fear that a more structured approach to "moralising" supplies could have economic implications that would also impact their capacity to compete on the market.

For these reasons, Bulgarian tanners prefer traceability/transparency options that could deliver some sort of assurance at every new purchase empowering them to get back to a "non-conforming" supplier on an individual basis.