TRANSPARENCY OF THE ORIGIN OF HIDES & SKINS

SOCIAL REPORTING PROJECT VS/2011/0145

SPAIN

INTRODUCTION

In the framework of the project managed by COTANCE regarding the traceability of hides and skins as means of knowing the origin or source of them, the national associations, members of COTANCE are carrying out an initial desk research, consisting in obtaining the opinion, in our case that of the Spanish industry, regarding a series of questions related to the traceability, such as perception and awareness that our industry, the customers and the end-consumers of finished articles have about social, environmental and animal welfare issues. On the other hand, seeking their opinions on source, state, suppliers, identification of the skins and hides and assurance mechanisms, in such a manner that foundation-information is available so that once aggregated with that obtained from other countries, will enable the definition of the best options by which to determine in an effective and credible way the origin of the skins and hides.

The compilation of information has been obtained via a questionnaire, and the information has been broken down into four groups with the following headings:

1.- GENERAL PERCEPTION OF ISSUES IN THE FOLLOWING FIELDS:

SOCIAL

ENVIRONMENTAL

ANIMAL WELFARE

2.- SKINS AND HIDES SOURCE IDENTIFICATION

3.- ORGANISE A RELIABLE ASSURANCE MECHANISM

4.- HOW TO PROVIDE A CREDIBLE ASSURANCE

This questionnaire has been submitted to the opinion of 11 companies, representing approximately 14% of all Spanish companies and 22% of total Spanish leather production.

In order to better audit the results, we have also included aggregated data such as type of skin or hide use, product sub-sector destination as well as the origin of the skins and hides used by the Spanish companies.

The second report shall cover, should we receive it, descriptions of some traceability models which some companies may have used or are aware that some companies may be using.

COLLABORATING COMPANIES

11 companies have collaborated by answering the questionnaire which was drafted by Cotance, and are listed in **Annex 1.**

These 11 companies employ 710 workers and produce over 5.200.000sqm/annum.

Of the 11 companies, 6 process small skins and 5 treat hides.

By end product, overall 36% of the companies produce leather for small leather goods, 30% for garments and 25% for footwear.

Number of companies		Destinations	% First end product
	1	1	100%
	3	2	80%
	6	3	from 33 to 50%
	1	4	70%
TOTAL	11		

Overall, we spoke to companies that focus on one type of end product (small leathergoods, garments, footwear, furniture, automotive and others) from 2% to 100% of their total production.

The average global destination of the collaborating companies is as follows:

Small leathergoods	36%
Garments	30%
Footwear	25%
Furniture	4%
Automotive	3%
Other	1%

RESULTS

Below we have carried out an assessment of the results, highlighting for each group the most significant issues.

Group 1.- GENERAL AUDIT OF THE TRANSPARENCY ISSUE

With regard to the issues covered in the questionnaire, those which are considered to have more impact on the consumer are those related to child labour, “inhumane” slaughter methods, unhealthy working conditions, followed by deforestation and reconversion of woodland into pasturs in order to generate more skins and hides, and lastly abuse of animal welfare in farms and during transport.

91% of the companies believe that the end consumers are affected by media coverage regarding irresponsible behaviour – from social and environmental aspects - of companies related to the skin and hide supply chain.

73% believe that it affects them (the end consumer) and that they retain the concern whilst 18% believe that it affects them but will forget about the issue. Of those that believe that it affects the consumer half (36% of the total), think that the end consumer will try and obtain further information on the matter, whilst the other half would boycott leather products.

73% of the companies interpret that this issue worries their clients, although 67% also believe that the clients do not translate this worry into specific actions. Likewise, 17% translate their concern to society and 15% contact their suppliers to let them know they are worried.

When the media cover a scandal related to leather, the tanners interpret that the most affected party is the leather industry in the country where the scandal happened, followed by the industry in general and the specific company concerned.

Nevertheless, in the cases where the media cover a scandal that does not directly affect one's own company, the tanneries understand that there will be an increase in official controls as well as societal image damage of the tanning company. In second place they believe there will be greater pressure from the NGO's and a loss of prestige for the name and brand of the company, as well as a loss in orders and volumes ordered.

Group 2.- SKINS AND HIDES SOURCE IDENTIFICATION

The collaborating companies that have forwarded information on this survey, relating to the origin of animals, use the following types of skins and hides:

Sheep	54%
Bovine	45%
Goat	36%
Calf	27%
Others	18%

The % makes reference to the number of collaborating companies that use each type of skin, and not to the volume.

With regard to origin, the shares related to the number of companies that are supplied with the following types of origin are as follows:

Domestic	47%
E.U	19%
Extra E.U	17%
Others Europe	16%

As to the status of the skins and hides purchased by the companies, the share can be seen below:

Salted	29%
Wet-blue	27%
Fresh	24%
Pickled	10%
Crust	8%

With regard to the number of suppliers that work with the companies, we have the following information:

Between 5 & 10 suppliers	36% of companies
Between 10 & 20	27%
From 20 to 50	18%
From 1 to 5	18%

By number of orders:

Over 50 a year	64%
Between 20 to 50	27%
Between 10 to 20	9%

The commercial relationship with the suppliers is stable in 83% of the cases, and occasional in 14%

In 56% of the cases, the suppliers are larger companies than the tanneries, whilst in 43%, they are smaller.

Regarding the identification of the origin of the source of the skins and hides, the percentages are as follows:

> 54% of the tanneries can know between 80-100% of the origin of their skins and hides
> 36% are aware of between 60 and 80 % of the origin of their skins
> and 9% only know between 20 and 40%
> 91% of the companies can identify the country and 9% identify the slaughterhouse

Communication with the value chain, from bottom to top, can be quantified as follows:

> 70% of the tanneries can - or could have - means of communication with the slaughterhouse
> 20% with the farm
> 10% with the logistics/transport company

The means of communication are:

> 70% by electronic communication
> 60% by personal contacts
> 30% by paper based communications

Group 3.- ORGANISE A RELIABLE ASSURANCE MECHANISM.

The highest rated assurance mechanism for traceability is that of an agreement clause written into the dealing contract with 3.27 points out of 5, followed by that based on auto-declaration of the supplier, with 2.82 points.

Group 4.- HOW TO PROVIDE A CREDIBLE ASSURANCE.

With regard to assurance systems to assure the general public of the origin of leather, the most highly rated option is that of an identification tag, with 3.64 points out of 5, followed by a supplier's certificate, rated at 3.55 out of 5. A slaughterhouse certificate is rated at 3.48, whilst a paper certificate by cohort is given 3.00 points.

With regard to compliance with the assurance system, the highest rating is for auditing by sector institutions and operators, with 3.27 out of 5. The second is for auditing by technological centres, with 3.09 points.

CONCLUSIONS

Overall, from the results we can observe a considerable distance between how they believe things should be and what they really are, between what one thinks and what is done.

Therefore, as an example, we have the issue of perception and awareness of social environmental and animal welfare issues. Whilst the tanners believe that 91% of the end consumers are affected by irresponsible behaviour and 73% of the clients are concerned about these attitudes, 67% do not translate these concerns into specific actions.

As to those who are most affected by irresponsible behaviour, the main parties are the industry in the country of origin, the industry in general and the specific company.

With regard to information obtained relating to the identification of the leather, we must highlight that although 91% are aware of the country of origin, only 9% are aware of the slaughterhouse. And over half of tanners can identify between 80 and 100% of the origin of their skins. Likewise, we must underscore the stable relationship of tanners with their suppliers, at 83% of the sample. And we must add that over half of the suppliers (56%) are larger companies than the tanneries.

With regard to the most highly rated assurance systems for traceability mechanisms, the tanners opt for an agreement clause written into the dealing contract or to an auto-declaration of by supplier. With regard to assurance systems for the origin of skins and hides, the first choice is for an identification tag or a supplier certificate.

Barcelona, February 2012