The sheepskin industry in South West England: retrospect and prospect

A market survey undertaken by Meat South West
for the
South West Regional Development Agency

6 March 2007

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The report draws heavily on two other recent reports, *Situation Analysis of the Sheepskin Industry in the South West of England* (Miles MacPherson) and *The Great Sheep Industry and its Juicy Fifth Quarter* (Peter Robinson); and the research, analysis and information contained in those reports has been augmented by a focussed literature review, a telephone survey of key stakeholders, a small desk study and a Workshop for stakeholders. The editors' role has been to bring together these disparate sources to provide an overview of the current state of the industry which is accessible to the non-specialist.

The editors would like to thank also Helen Ashcroft (Meat South West) for her support and help throughout. Finally, particular thanks are due to those who gave up their time to contribute directly to the research: those who took part in the survey, those who attended the Workshop held on 16 February 2007 and, especially, the three Discussion Group leaders at the Workshop – Dr Phil Hadley (who also chaired the Workshop), Peter Baber and Mike Johns. Their evident contributions to this report provides clear recognition of the significance of their help.

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Glossary

Please note that in this report ‘sheepskin’ will always mean the original wool-on-leather ‘coat’ (woolskin) of the animal or products made from it.

ABPR	Animal By-Product Regulations
AIMS	Association of Independent Meat Suppliers
BSE	Bovine Spongiform Encephalopathy
BWMP	British Wool Marketing Board
CAP	Common Agricultural Policy
Defra	Department for Environment, Food and Rural Affairs
Dti	Department of Trade and Industry
Eblex	English Beef and Lamb Executive
EHS	Exeter Hides and Skins
FARMA	Farmers’ Retail and Markets Association
FBS	Farm Business Survey
FMD	Foot and Mouth Disease
FSA	Food Standards Agency
LASSA	Licensed Slaughterers’ and Salvage Association
LFA	Less Favoured Area
MSW	Meat South West
NFI	Net Farm Income
NSA	National Sheep Association
RMIF	Red Meat Industry Forum
RSA	Real Sheepskin Association
SDA	Severely Disadvantaged Area
SVS	State Veterinary Service
SWEET	Social, Technological, Economic, Ethical, Political
SWOT	Strengths, Weaknesses, Opportunities, Threats
SWRDA	South West Regional Development Agency
UI	Union International

Executive Summary

Background and purpose of the study

E1 This report was produced by Meat South West (MSW) for the South West Regional Development Agency. The aims of the report are:

- To provide a situation and market analysis of the sheepskin industry in the South West.
- To identify opportunities for improving the profitability and sustainability of the Industry.
- To provide guidelines for the future direction of individual businesses involved in the Sheepskin Industry with particular reference to the Tanning sector.

E2 The study on which this report is based covered the following research topics:

- Situational analysis of sheepskin industry in the South West
- Analysis of the factors that have brought the industry to its current situation.
- The relationship of the sheepskin industry with other sectors of the livestock industry.
- The impact of the sheepskin industry on the region's economy and related industry sectors (e.g. sheep producers, processors, retailers, etc.)
- Mapping of the current market for sheepskins and sheepskin products
- An analysis of options for the future structure of the industry in order to improve returns
- An analysis of market opportunities (e.g. expanding existing markets, identification of new markets, options for adding value etc.)
- The impact of any changes to the structure of the industry and of market development opportunities on the region's economy and related industry sectors (e.g. sheep producers, processors, retailers etc.)
- Evaluation of options

Scope and structure of the report

E3 The first chapter of the report provides an introduction and background to the study. The second chapter gives an overview of the UK sheep production industry with particular reference to the South West of England. Chapter 3 follows with an overview of the impact of decline on the UK sheepskin industry. Chapter 4 includes a discussion of 'allied trades' – the wool industry, the work of fell-mongers, abattoirs, butchers and supermarkets, then farm markets and other sales outlets.

E4 In Chapter 5 the report discusses the current situation of the sheepskin industry and identifies the main options it faces at the present time. These include:

- Maintaining the status quo
- Change of business structures
- Changes in industry structure

- Process improvements
- Research
- Training
- Expansion of the product range and markets
- Diversification into new products and markets
- Improved marketing.

E5 The information base on which the report has relied includes earlier draft reports by MSW (McPherson, 2006) and the Real Sheepskin Association (Robinson, 2006), further desk research, discussion with key players in the sheepskin industry and, notably, the outcomes of a stakeholder Workshop. Appendices 4 and 5 include, respectively, SWOT and STEEP analyses of the industry, as identified during the Workshop. Insights and information obtained from those members of the industry who responded to a focussed survey conducted by e-mail and telephone are given in Appendix 2. A summary of the main outcomes of the Workshop will be found in Appendix 14.

Key findings of the study

E6 The UK sheepskin industry, broadly defined as including the tanning and manufacturing sectors, has experienced very substantial decline over the past thirty years or so, to the position today where only 0.45 per cent of UK sheepskins are tanned in the UK. Most UK sheepskins are exported for tanning, with a substantial contra-trade in tanned skins and manufactured sheepskin products. There is a very wide range of factors involved in this decline, important among which is the need for large modern abattoirs to maintain yard hygiene and overall plant efficiency.

E7 Despite this rather sombre background, the industry has had its successes. The Real Sheepskin Association (RSA) was formed in the late 1980s to attempt to reverse the decline, and has been responsible for a number of effective marketing initiatives linked to the development of UK sheepskin as a niche product.

E8 The Workshop facilitated a wide-ranging discussion of the problems the industry faces and the possible ways forward. With regard to the identified options for change the key findings are:

- Maintaining the status quo is *not* an option.
- There is scope to learn from other countries and explore the possibility of greater integration of the stages of production through better collaboration, even without full business amalgamation.
- There is scope for process improvements, and the industry needs to be more pro-active in developing niche products based on distinctive UK breeds.
- Although the UK's leather science research is world class, the sheepskin industry has perhaps not made as much use of it as it should have done, and some specific research issues need attention.
- There is a serious 'training gap' and the industry is vulnerable to loss of essential skills through retirement – this must be addressed.
- There are numerous product possibilities based on identifying and exploiting market niches, and this represents the best way forward.

- Despite the success of initiatives by the RSA in the recent past, there is a continuing need for a new emphasis on the market development of UK sheepskin, which should involve all sectors of the sheepskin industry.

E9 In the Workshop there was an extensive discussion of the marketing situation facing the sheepskin industry and a long list of marketing-related issues and possible actions was produced. Points of particular note include:

- the need for better communication *across the industry* with the potential *users* of sheepskin (furniture and fashion designers, manufacturers, etc.) in order to effectively identify and exploit its incredible variety and versatility in colonising new niches within the global marketplace;
- the urgent priority to establish a clear quality specification for UK sheepskins must include all sectors of the industry, from sheep producers (because of the implications for breed selection and sheep husbandry matters) through abattoirs (implications for process and practice matters) to tanners (implications for skin selection, tanning and finishing techniques); while manufacturers and designers must be involved in encouraging a market-focussed approach.
- explore the opportunities to develop new markets (e.g. eco-friendly, organic, rare breeds, novel uses, etc.) through market research and supported by better cross-industry communication; there is a particular need for improved market differentiation.

E10 There are a considerable number of issues and recommendations identified by the Workshop for serious consideration by the sheepskin industry, and these are set out on Chapter 6. These recommendations encompass the following areas:

- Funding
- Product
- Communications
- Economic issues
- Processing
- Education
- Marketing
- Supply issues
- The relationship with abattoirs
- The quality of skins
- Information currently needed by the industry

Principal recommendations

E11 There are five principal recommendations for urgent future action which emerge from this study, although it is expected that the industry itself will begin to formulate its own priorities as a result of the research. If adopted, they will encompass the breadth of the industry discussions emerging from this research and should provide a clearer view of the best way forward. In addition, many detailed issues relating to the future development of the sheepskin industry have been raised, involving a range of stakeholders, and these are presented in Chapter 6 of this report.

R1 The principal outcomes of this study should be disseminated as quickly, as widely and as effectively as possible to all relevant stakeholders.
These should include all sheepskin industry stakeholders, broadly defined, together with public bodies and policy makers across the SW region; and a cross-industry group should be formed to provide in-depth support to service requests for information.

R2 Steps should be taken to ensure the continuation of the threatened skills base, perhaps in conjunction with Business Link and the British School of Leather Technology at the University of Northampton.
The small and aged cohort of sheepskin tanners represents a resource critical for the continuation of the industry, and the issue of training another generation must be tackled urgently.

R3 A co-ordinated approach should be made through AIMS to one or more smaller abattoirs to try and identify a common interest in a secure outlet for sheepskins for UK tanners.
The study identified large abattoirs as being a significant problem in the sheepskin supply chain, and this was endorsed by the Workshop.

R4 A cross-industry group should be formed to access public funds for facilitation, knowledge transfer and training support.
Support is available for groups of SW businesses tackling common problems, through the Rural Enterprise Gateway (contact Helen Ashcroft, MSW, for advice on this).

R4 A cross-industry group should be formed with the aim of identifying and subsequently developing new products for niche markets.
The group should encompass all stakeholders, from sheep producer to fashion designer, with the principal aim of establishing a range of future product possibilities, particularly where these have the potential to be UK-specific.

1 Background and introduction

Sheep have been farmed in Britain for over 5,000 years. A history of the sheepskin industry to the year 2000, prepared by the Real Sheepskin Association (RSA) is given in Appendix 6 (Robinson, 2006). Even before the Romans conquered these islands in 43 AD, sheep and wool production was famed and widely traded. During medieval times the wool staple was the main source of the King's revenue, even shaping much of the nation's foreign policy.

The 18th century Industrial Revolution in the UK was as much driven by the demand for wool textiles, as the spinning and weaving industries were driven by the flood of new technologies. Gradually over the 19th and 20th centuries, with the growth and spread of an urbanised population, meat production overtook wool production as the basic function of the sheep industry. It is of interest that in 1901 the UK population was 38.3million, with only 14% living in towns and cities; but by 2001 the population was 59 million, with over 90% living in urban centres.

Throughout the 20th century, the sheepskin industry in the South of England had a leading position in the tanning, wholesaling, manufacture and retailing of sheepskins and sheepskin products. However, the sheepskin industry in the South West of England is currently facing a number of challenges. Though an integral part of the livestock industry, this sector has traditionally operated largely in isolation but has recently felt the impact of policy changes in the agricultural and processing sectors. Such policy changes include EC legislation arising from the various food and farming crises over the last decade (for example, the experiences of Bovine Spongiform Encephalopathy (BSE) in the mid-nineteen nineties and the Foot and Mouth Disease (FMD) epidemic in 2001.

Furthermore, and ultimately more fundamentally, changing consumer tastes have led to significant fluctuations in the market for sheepskin products. Consequently, falling margins are forcing industry players to look closely at their options.

The majority of sheepskins processed in the region are currently exported prior to the finishing process, depriving the region's tanning businesses of the benefits of the value added at the finishing stage. An analysis of market opportunities is required to identify a means of increasing revenue for the tannery and processing industry in the South West.

The sheep industry supply chain

Relationships between the various elements of the sheep industry supply chain, including woolskin tanners, have always been tenuous. Only the Vestey Group, trading as Union International (U.I.) during the 1960's, 70's and 80's attempted true vertical integration. Their policy of profit centres at each stage achieved a much needed business discipline.

A system - encompassing farmer, abattoir, hide market, fell-monger, tanner – all concentrating on their own sectoral profitability has produced an atmosphere of mistrust and self interest. This resulted in value-adding opportunities for all parts of the Industry being lost.. In today's necessarily large scale meat processing plants - with a throughput of between 10,000 and 25,000 sheep per week all of standard weights, serving around four customers, and driven by site hygiene and clean yards - sorting of raw material is at best impractical and at worse a nuisance. The relationship between the sheepskin sector and other sectors of the livestock industry can also play a vital role in its future.

It is against this background that the South West of England Regional Development Agency, commissioned Meat South West to carry out this study into the sheepskin industry in the region.

The aims of the study

- To provide a situation and market analysis of the Sheepskin Industry in the South- west.
- To identify opportunities for improving the profitability and sustainability of the Industry.
- To provide guidelines for the future direction of individual businesses involved in the Sheepskin Industry with particular reference to the Tanning sector.

This report covers the following areas:

1 Situational analysis of sheepskin industry in the South West.
2 Analysis of the factors that have brought the industry to its current situation.
3 The relationship of the sheepskin industry with other sectors of the livestock industry.
4 The impact of the sheepskin industry on the region's economy and related industry sectors (e.g. sheep producers, processors, retailers, etc.).
5 Mapping of the current market for sheepskins and sheepskin products
6 An analysis of options for the future structure of the industry in order to improve returns.
7 An analysis of market opportunities (e.g. expanding existing markets, identification of new markets, options for adding value etc.).
8 The impact of any changes to the structure of the industry and of market development opportunities on the region's economy and related industry sectors (e.g. sheep producers, processors, retailers etc.).
9 Evaluation of the options facing the industry.

2 An overview of the UK sheep industry

Sheep and sheep farmers

There is evidence that sheep were domesticated in Iraq 11,000 years ago. In the British Isles, sheep have been farmed for more than 5000 years. The slender Soay Sheep, developed in St. Kilda, are the nearest we get to the sheep of that time. Today there are around 75,000 sheep producers in the UK.

There are more than 1000 sheep breeds worldwide. Many in Africa for instance, like the Wiltshire Horn in the UK, are hair sheep not wool sheep. In the UK the national sheep flock is approximately 35million sheep. This rises to 43 million at the peak of the summer, and 21million of these are breeding ewes. There are some 70 pure-breds and 12 recognised crosses, which have adapted to climate and topography and are grouped into 3 main types - short-wool and down, longwool and lustre, and mountain and hill.

These breeds constitute a genetic library of innumerable cross-breeding over centuries of farming, to arrive at ideals of fitness for purpose, for example, prolificacy, carcase, conformation, fleece length/weight/Bradford count, milkyness, growth rate, birth weight/vitality, hardiness, mothering instinct, temperament, or disease resistance. Such development of breeds was turned into a science by the mid-18th century pioneering work of Robert Bakewell with the Dishley Leicester - the ‘Dolly the Sheep’ of its day. Many of these sheep breeds were exported and cross bred in developing the sheep economies of Australasia and South America, notably the Lincoln Longwool.

Upland hardy or hill breeds account for approximately 50% of the national flock. Hill farming produces the crossbred ewe breed, which enhances the prime lamb production of the more fertile lowland farms. Appendix 9 shows a diagram of the stratification of the British sheep farming sector.

Over recent years there has been an upsurge in smallholders (sometimes disparagingly called ‘hobby farmers’), and Breed Societies. Amongst the most active of these is the British Coloured Wool Sheep Breeders Society. The members, with an increasing number of commercial farmers looking for new ways of adding value to their flock, are retrieving the sheep’s skin from abattoir or butcher, to get it tanned for their own use. It is estimated that this currently happens to 4,000 skins per year. Recent legislation regarding the disposal of animal waste has caused difficulties to smallholders in obtaining the skins from the abattoir. This situation has now been clarified and guidance can be found on the DEFRA website.

Increasing public interest in food and good eating has led to a growth in lamb sales and milk bi-products to the catering sector and through the increasing number of farmers’ markets the UK. The phasing out of the old sheep headage payments-based subsidy system from 2007, and the introduction of the de-coupled Single Payment Scheme, underlines national policy regarding the environmental aspects of sheep farming and puts urgency into diversifying farm enterprises.

Table 1 Potential impacts of CAP reform on the livestock populations and abattoir throughput in the South West

	2002	2006	Change in number of Finished Animals available
Dairy Cows	526,937	500,590	-18,500 (before sale out of the region)
Beef Cows	173,620	164,939	-8,800 (before sale out of the region)
Breeding Ewes	1,608,963	1,528,515	-96,000
Cull ewes			-40,000

Source: Cooper Simms, ADAS and Centre for Rural Research. 2004

Table 2 Changes in he numbers of registered livestock producers in the Southwest

Year	No. Dairy Holdings	No. Beef Holdings	No.Sheep Holdings	No. Pig Holdings
1990	9,680	14,451	11,840	1,919
1995	8,359	13,875	10,886	1,495
2002	5,882	11,733	10,586	1,118
Change 1995-2002 (%)	-39	-19	-11	-42

Source: Cooper Simms, ADAS and Centre for Rural Research. 2004

Figure 1 The supply of sheepskin

KEY FACTS AND FIGURES 1996-2005

The annual UK sheep kill, including ewes and rams has averaged 16.5 million per year over the ten-year period 1996 - 2005, with a peak in 1999 at 19.1million and a low in 2001 of 12.96 million.

The UK sheep meat kill in 2005 consisted of 14.1million lambs (+ 2.2million ewes and rams) Of these, 9,734,489 lambs (69%) were slaughtered in England.

The South West of England lamb-kill was 2,648,695, which represented 18.8% of the UK kill and 27.2% of the kill in England. These figures were undertaken from 11,500 holdings.

In 2005 the finished lamb dead weight (dw) value for UK finished lamb was approximately £775million.

Sources: English Beef and Lamb Executive, (EBLEX); Meat & Livestock Commission (MLC); Department of Environment Food and Rural Affairs (DEFRA) Slaughter/Farm stats

The UK yearly average total kill, which represents more than 16million woolskins, is potentially a huge, sustainable national asset in terms of the scope for adding value through to the retail product.

However, only 60,000 UK skins per year are processed by the UK tanning sector, and this is less than 0.45% of the total UK kill. This should be contrasted with the position in the late 1970's and early 1980's, when between 1.5 million to 2.0 million sheepskins were tanned each year in the UK. What has happened to such a once-significant business sector?

By way of comparison, the UK/Irish annual Bovine kill is 4.2 million hides, of which 2.9 million hides, (69%), are processed by the six remaining leather tanners in the UK. It should be noted that a cow hide is roughly five times bigger than a sheepskin and then is split into two or more layers. The trends in livestock populations in each of the counties of the South West are shown in Appendix 1.

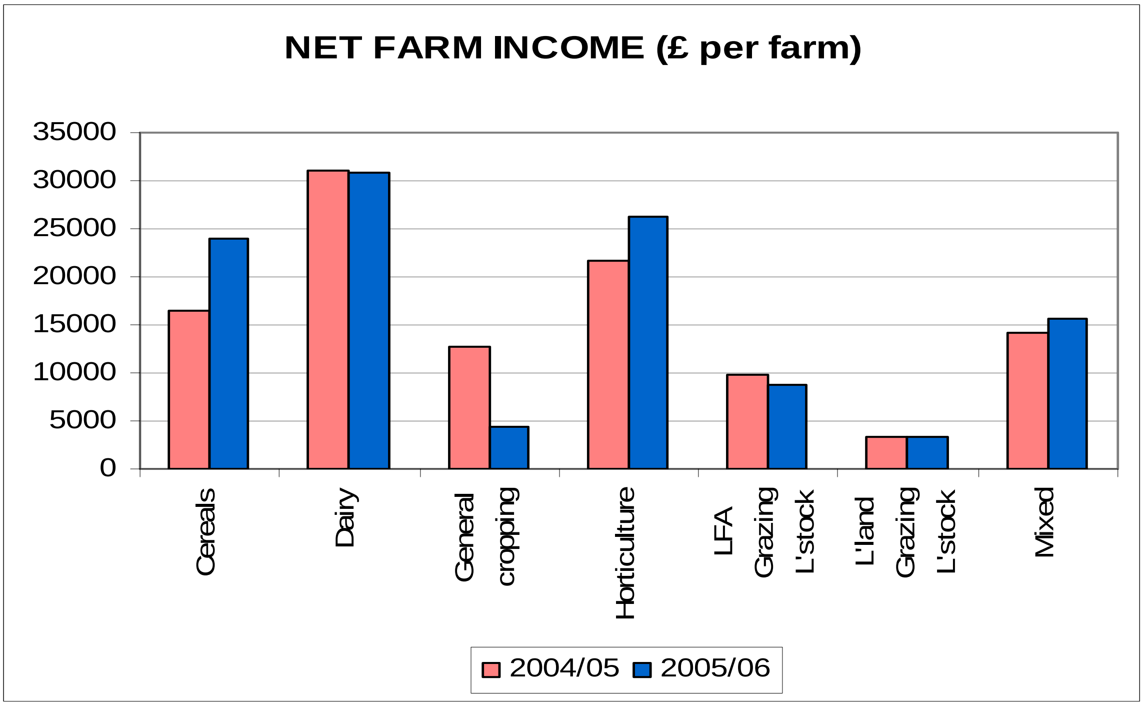
The economics of sheep production in the Southwest

Sheep production has traditionally been carried out on poorer land, often as a subsidiary enterprise on a mixed farm, for two very good reasons. First, the economics of producing sheep have fairly consistently positioned the enterprise as one of the poorer livestock systems in terms of relative profitability. Secondly, and given this dominant economic reality, sheep have to potential to utilise poorer grassland and to make some use of even the roughest hill moorland, thus often making an important contribution to the viability of livestock farming systems. This is as true in the Southwest as it is elsewhere in the UK.

The current relative profitability of livestock systems based on sheep production can be illustrated by reference to the most recent results of the annual Farm Business Survey (FBS) published by the University of Exeter (Figure 2). Average incomes, as measured by Net Farm Income (NFI), on Less Favoured Area (LFA) Grazing farms (essentially upland and hill farms on Dartmoor, Exmoor and Bodmin Moor) over the past two years or so have been below £10,000 per annum, while on Lowland Grazing systems the equivalent figure has been well below £5,000! While Cash Income on many of these farms is higher, typically at between £15,000 and £25,000 per farm per annum, these results point to the economic fragility of many farm businesses based on sheep production.

It is against this economic background for sheep producers that the current malaise of the sheepskin sector has to be seen. The production economics of sheep production in the Southwest region is set out in Table 3, which presents the detailed enterprise gross margins for LFA (both Disadvantaged Areas (DAs) and Severely Disadvantaged Areas (SDAs)) and lowland sheep production systems. These figures exclude the 'decoupled' farm payments under the Common Agricultural Policy (CAP) and show average gross margins of between £15 and £35 per ewe, depending on system.

Figure 2 Net farm income in the Southwest, 2004/05 and 2005/06, by farm type



Source: Farm Business Survey, University of Exeter (at www.farmbusinesssurvey.co.uk)

Table 3 Sheep production economics; gross margins 2005/06

	Lowland	Upland (DA)	Hill (SDA)
Ewes per flock	357	259	541
Lambing %	130	138	104
Average lamb sale price - £/lamb	47.3	46.3	38.3
Stocking rate – ewes per hectare	9.7	9.4	8.9
Output – lamb sales	61.8	63.9	41.6
- wool	1.7	1.7	1.5
- depreciation	-8.5	-7.8	-8.7
ENTERPRISE OUTPUT (excl. BLSA)	**55.0**	**57.8**	**34.6**
Concentrates	8.7	6.1	5.7
Veterinary and medicines	3.9	3.9	3.2
Other livestock costs	6.5	6.4	5.0
Forage	6.7	5.5	5.5
TOTAL VARIABLE COSTS	**25.8**	**21.9**	**19.4**
GROSS MARGIN per ewe (excl. BLSA)	**29.2**	**35.9**	**15.2**
GROSS MARGIN per LU (excl. BLSA)	200.3	288.3	176.4
GROSS MARGIN per hectare (excl. BLSA)	**275.8**	**344.3**	**168.5**

Source: Farm Business Survey, University of Exeter

Reflected within these figures is the value obtained from the sheepskin for lambs sold, of course, and it's instructive to examine the approximate impact of this element at farm level. Assuming an average lambing % of 1.17 lambs per ewe (lowland and hill), of which the skins of only 70% are useful for sheepskin tanning[1], this suggests the value of the skins from lambs represented about £1 per ewe in 2005/06[2], down from nearly £3 per ewe the previous year. Over recent years the value at farm level has fluctuated between about £0.70 and £7, and the impact on the gross margins from sheep production can be gauged from the data in Table 3.

However, there is little that can be done about this, because prices are set on the world market. Even if niche markets can be developed, and even if these generate a price premium (a fairly remote possibility), the impact on the average margins from sheep production would be negligible (although clearly it could be more significant at the level of an individual farm with, say, a contract for such premium price sheepskin). Ideally, tanners would like a stable price and a stable supply, although the world market does not always deliver this. At farm level, the main external price impacts on margins are driven not by sheepskin prices but by volatility in *sheepmeat* prices.

The sheep industry supply chain

It is important to have a broad appreciation of the structure and inter-relationships of the UK's sheep industry supply chain, and Appendix 8 presents a diagram of this structure. It is a matter of historical fact that relationships between the various elements of the sheep industry supply chain, including woolskin tanners, have always been tenuous. Only the Vestey Group, trading as Union International (U.I.) during the 1960's, 70's and 80's, attempted true vertical integration. Their policy of profit centres at each stage achieved a much needed business discipline.

The current system, in which the farmer, abattoir, hide market, fell-monger, and tanner all concentrate on their own sectoral profitability, has unfortunately produced an atmosphere of mistrust driven by self-interest. Consequently this has resulted in the loss of value-adding opportunities for all parts of the Industry. Today's necessarily large scale meat processing plants - with a throughput of 10 to 25,000 sheep per week, all of standard weights – typically serve approximately just four customers, and is driven by the requirements for site hygiene and the need for clean yards. In this environment the sorting of raw material such as sheepskins is seen as at best impractical and at worst a nuisance.

The rapid decline of the sheepskin tanning sector over the past two to three decades, not just in the South West but throughout the UK, has been associated with the trend towards exporting sheepskins for overseas processing; the symptoms of this aspect of the sector are examined in the next chapter.

[1] For technical reasons associated with characteristics of the skins, sheepskin tanners can only make use of the skins of lambs between about 4/5 months and 12 months of age.
[2] See sheepskin price data in Table 4, page 23.

3 Impact of decline on the sheepskin industry

The declining sheepskin industry

Hides and skins are removed from animals at slaughter, trimmed, salted and sold direct to merchants for onward sale. Appendix 7 illustrates the main components of this process in a flowchart of the UK sheepskin industry.

During the 1960's, 1970's and the first part of the 1980's the UK sheepskin industry employed around five thousand people, and over fifty per cent of these were based in South West England. The six biggest companies (tanneries and manufacturers) employed 2,140 people, and had at one time a combined annual turnover of about £30 million.

Some well known brand names in the South West were woolskin Tanners like Morlands at Glastonbury, Bailys, Devonia at Buckfastleigh, Tanns and Nichols. Outside the region, tanneries like Spalding Sheepskin, Webbs of Stowmarket, Union Leather at Nuneaton, Gomshall Tanneries in Surrey and Antartex in Scotland were all significant and well known. More than fourteen specialist sheepskin tanners producing finished sheepskins for clothing, slippers and footwear linings, hearth rugs, yet more slippers, infant care, car seat covers and many other products retailed in every major high street throughout the UK, and exported to more than 26 countries. By the beginning of the 1990's, however, only two commercial tanneries remained and employment in the industry was down to less than 350 people.

Cooper Simms, ADAS and Centre for Rural Research (2004) stated that, at that time, the South West had a good reputation within the UK for the quality of hides and skins produced, especially from lambs during April - November. At that time there were seven hides and skins merchants in the South West who sold products to Turkey (80% of SW sheepskins), Italy, China, The Far East and Korea. Few skins were processed in the UK whereas some hides were still processed in the UK.

By 2006 the employment figure in the sheepskin industry in the South West was down to less than 250 people, with a combined total annual turnover of approximately £10million. Moreover, there are now only a few specialist retailers remaining.

Although it is an integral part of the livestock industry, the sheepskin sector has always tended to operate in isolation from the rest of the sheep sector. Recent developments, however, have caused this situation to change in the following ways.

Firstly, as mentioned above, the industry has been affected by the recent EC legislation arising from the various food and farming crises over the last decade (for example, the experiences of BSE in the mid-1990s and FMD in 2001. In addition, Scrapie elimination, and the Animal By-Product Regulations (ABPR), have impacted heavily on the Tanning sector, which works in close proximity to the farming and food industries (details of these regulations will be found in Defra, 2007). These incidents caused sheepskin tanners to take a vigorous role in representing wider sheep industry interests, as well as their own concerns, in their discussions with Government departments such as the Defra, the State Veterinary Service (SVS) and the Department of Trade and Industry (Dti).

Secondly, rapid changes in consumer taste and lifestyle have led to sharp fluctuations in the demand for sheepskin products. Consumer tastes may have been affected by the fact that in the year 2000, one in eighteen of the population had ethnic origins outside the UK; by 2005 this ratio had increased to one in fourteen. The sheepskin industry dealt with these changes by taking a formative part in the design process from the 1990's to the present. Table 4 sets out indicative changes in sheepskin prices during 2004 and 2005

Table 4 Average sheepskin prices during 2004 and 2005

2004			**2005**			
	Jan	£3.70		Jan	£1.95	
	Feb	£3.35		Feb	£1.20	
	Mar	£3.35		Mar	£1.60	
	April	£3.35		April	£1.30	
	May	£5.10		May	£1.15	
	June	£5.00		June	£1.30	
	July	£4.15		July	£1.30	
	Aug	£4.90		Aug	£1.25	
	Sept	£4.45		Sept	£1.30	
	Oct	£2.40		Oct	£1.00	
	Nov	£2.05		Nov	£1.00	
	Dec	£1.95		Dec	£1.00	
	Annual average	£3.65		Annual average	£1.28	

Source: P Hadley - Skin Prices. Prices from May onwards each year revert to New Season lamb price and then move to hoggets as season progresses.

Thirdly, globalisation was signalled by the growth of China, India and the so-called Tiger economies as major exporting processors and manufacturers. This process was assisted by the Internet revolution of the late 1990's. These factors changed trading patterns extensively in all sectors, and the sheepskin businesses are currently trying to adapt to them.

It is interesting to note that, unlike China, Japan, which is a major Far Eastern purchaser of finished sheepskin and sheepskin products, never developed an onshore sheepskin tanning capacity during its phenomenal growth period over the last 3 decades. Further more, the US appears to be a relatively untapped market and with growth potential. Figure 3 sets out the typical production sequence in woolskin tannery.

Figure 3 A typical woolskin tannery production sequence

PROCESS
Raw skin input
Tanning
Drying
Crusting
Dyeing
Drying
Finishing
Output and Measuring
Manufacturing

Source: Adapted from a discussion document produced by the Real Sheepskin Association 2005

The market for sheepskin products

UK sheepskin products have a strong export record. The main export markets have been historically Japan, Europe and Russia.

The domestic and localised requirement for sheepskin received a dramatic boost in demand with the arrival of the motor car and, even more so, the formation of the Flying Corps in the early part of the 20th Century. At that time sheepskin clothing was pretty well the only way of not freezing to death.

During the Second World War, Morlands made around a million pairs of flying boots, and in this process created the tradition for Nappa sheepskin, which involves 'doping' the leather side of the skin to give a leather-like finish. This process remains the basis of an iconic product range. For example, the film 'Memphis Belle' depicts how Americans won the war, while wearing sheepskin jackets, hats, boots and gloves!

From its earliest days the car manufacturer Rolls Royce has always offered sheepskin car floor rugs, (so-called 'lambswool' rugs), first as an optional, and then as a standard accessory. The Bentley car manufacturer, acquired by Rolls Royce in 1931, continued this tradition, which had a long history going back to the time of horse drawn transport without any heating. The inclusion of products such as 'lambswool' rugs, sheepskin car over-rugs and seat covers is still seen as a strong selling point in the automobile market.

In the flight industry, De Havilland and other early airline operators issued their passengers with sheepskin lap rugs and foot-muffs to keep them warm and comfortable. Today, airlines fly their crews and some first class passengers on sheepskin upholstered seats.

Many traditional uses of tanned sheepskin are still popular today. In the equestrian world, from the time of Jenghis Khan to the Blues and Royals today, sheepskin has provided numnah (a protective pad worn underneath the saddle), girth (a strap passing underneath the animal to hold saddle in place), bridle and saddle covers seen at all equestrian events, and traditional saddlery crafts.

Figure 4 illustrates the range of markets that currently exist for sheepskin.

Figure 4 Examples of markets for sheepskin products

The main product areas for tanned sheepskin are:

1. Fashion, clothing, footwear, gloves, hats, accessories (eg. bags, belts, muffs, scarves).

2. Trim and linings trade e.g. Fox Lamb collars, cuffs, shoe/boot linings.

3. Home furnishings e.g. floor rugs (both natural and designed), throws, drapes, cushions, bedspreads, under-blankets, beanbags, and increasingly chair/seating upholstery.

4. Automotive e.g. car seat covers, luxury car floor over-rugs, offered by such prestige car makers as Rolls Royce, Bentley, Maybach, Mercedes-Benz, Aston Martin, Jaguar, Range Rover. Accessories like polish and wash mitts and engineering head buffs.

5. Aviation - in civil airline crew seats, sometimes passenger seats, executive and light aircraft seats and some military aircraft. It is reported that about 80% of all crew seats going into Boeing and MacDonald built aircraft are upholstered with sheepskin.

6. Child care applications in cots, prams, child car seats and boosters.

7. Equestrian and adventure travel - used as anti-pressure cushioning and protection. (e.g. Household Cavalry's traditional use of sheepskin as a saddle blanket).

8. Examples of sheepskin used in adventure travel are atlantic rowing; cycle, car and motorbike safaris.

9. Paint rollers, special paint applicators e.g. railings and under-water painting.

10. Medical supplies (see for example Jolley *et.al*, 2004).

Source: Real Sheepskin Association

However, despite the continuing popularity of traditional products, the sheepskin industry will need to maintain its ability to reinvent itself through design and the application of new technology.

Sheepskin exports

The UK Sheepskin export market has tended to be successful. In areas like Fashion, Clothing, Designer Furnishings and Car accessories, many businesses report that exports account for over 40% of their sales. Japan, US, Russia, South Korea and Europe have all been strong markets. Saudi Arabia, the United Arab Emirates, Kuwait, Qatar, Brunei, Hong Kong and Singapore also remain good markets for sheepskin products. Examples of some successful UK export markets are shown in Figure 5.

Figure 5 Examples of successful UK sheepskin export markets

1. Owen Barry Ltd, in Walton, near Street in Somerset export to clients in more than 20 countries.

2. The London fashion house, 'Karl Donoghue', who are sheepskin design specialists, won the award for Ladies Wear Exporter of the in 2003. Karl Donoghue attends most International Fashion and Leather Shows – in London, Milan, Paris, Hong Kong and Barcelona.

3. The Newquay-based Celtic Sheepskin Mail Order Company have seen their export catalogue and internet business grow by 10% of total sales each year since 2000.

4. London carpet and rug designers, 'loop house', have built strong up-market outlets in New York and San Francisco.

5. Based in Street, Morlands have been first tier suppliers of luxury 'lambswool' floor cover rugs to the car manufacturers Rolls and Bentley and other prestige manufacturers over many decades. Most of this business is indirect exports to overseas car dealers and owners, many based in the USA.

6. Sheepskin automotive specialists, Easirider Company, founded in 1971 and based in Northampton, supply over-rugs and seat covers for world-wide individual orders.

7. In March 2006 EBLEX (2006) announced that 'Sheepskins were on the road to Morocco' following a new agreement with the Moroccan Government. Morocco has been a completely untapped market, so there is thought to be a great potential and possibilities for the UK Industry.

Source: Real Sheepskin Association

Market prices

Price information relating to sheepskins is regularly published by Eblex (see, for example, Eblex, 2006) which provides a valuable service to sheep producers as well as being informative for the sheepskin trade itself.

In 2005 raw lambskin wool-on exports realised £2.6m per million skins (x 9.74m). And £4.9m per million for raw wool-on sheepskins (x 2.54m) (Official Journal of EC).

In January 2006 Eblex reported that the leather fairs in Beijing and Istanbul contributed little to the value or demand for UK skins. Many exhibitors were not present and the industry appears to be struggling to find new markets and cheaper materials.

The following March (2006) Eblex reported a reduction in skin prices, with resistance to the expensive hogget (the ovine that is one to two years old) skins, in anticipation of the new season lambs before buying in volume. Prices were expected to come under great pressure unless somehow trade held up, but trade was a breakeven point at best anyway. In March 2006 hogget skin prices were at between 70p to £1.80 depending on quality and quantity. Ewe skins were still judged to be under-valued at 50p to £1. As at the end of May 2006 pelts were worth 30p and average sheepskins were fetching between 60p and 70p.

Sheepskin tanning in the UK

By 2006, just three commercial woolskin tanneries remained of the fourteen or fifteen that were operating 20 years before. They were:

1. Fenland Sheepskin of Bridgwater, Somerset, a spin-off development from the time of the breakup of the old Morlands of Glastonbury company.
2. Devonia Products of Buckfastleigh, Devon, which is now a subsidiary of Axminster Carpets.
3. Eastern Counties of Sawston, Cambridgeshire, which is an offshoot of Hide Market Jasper Byrne, in Launceston.

The stated combined throughput of these three commercial tanneries over the period 2004 - 2005 was around 133,000 tanned skins. Of these, 60,000 - 70,000 raw skins (i.e. approximately half) were sourced mainly in South West England; this figure may be compared with the total UK sheep kill of some 16 million per year.

In addition to the three businesses listed above, there are two micro tanneries in the UK:

1. Nicki Port Tannery of Hereford specialises in organic tanning, using mostly Rare Breed and Coloured Wool rug skins.
2. ‘Skye Skyns’ on the Isle of Skye employs the only female UK tanner, who was trained by the Northampton Leather College, now part of the University of Northampton.

There is also an unknown number of 'DIY' tanners processing sheep and other skins by hand.

In the last 30 years the sheepskin industry has been small but vigorous. The industry is aware that it needs to adapt to niche markets and be able to actually exploit these opportunities. However, the overall reduction in UK tanning capacity has meant that nascent and established companies alike have experienced, and are still experiencing, supply problems.

Moreover, there is in effect only one UK tannery able to use a wide variety of processes – for double face skins, highly ironed finishes, 'fox lamb' skins, a unique water resistant sheepskin technology, two- tone dyeing, enzyme technology, novel chrome-free tanning, lustrous colour palette etc. This must be seen as pointing to a potentially serious structural weakness in the sector.

This overview of the woolskin tanning sector would not be complete without mention of one other area of traditional 'wool-on' production, namely Slink Skin Tanning. Slink skins are primarily obtained from lambs that die at birth and in the UK this is about 2% of all births. These skins are used to produce particularly soft fashion clothing and gloves, which command premium prices.

The sole remaining specialist in this 'wool-on' trade is Nichols of Yeovil who processed 175,000 slink skins in 2005, but it should be noted that all of these were wholly imported from their subsidiary in New Zealand. Nichols stated that they subsequently exported 86% of these slink skins. There is a need to establish whether the 250,000 or so mottled UK lamb stillbirths could be converted into profitable slink designs. This may be attractive to some designers.

A brief global overview of sheepskin tanning

The European Commission (2001) has published a reference document which gives a global overview of the industry and good practices. The countries with traditionally strong woolskin tanning operations are identified as follows.

1. **New Zealand,** (40million sheep population) where Bowron is the major tannery. However over recent years it has been forced to cut back on its homeland employment and operations, and is thought to be shifting them to Vietnam in order to remain competitive. There is some concern the survival of the business.

2. **Australia** (102.7 million sheep population) has traditionally kept its Merino sheep for their wool, unlike, New Zealand which primarily 'grows' meat. Droughts and range fires, together with low wool prices, have led to major marketing reappraisal in relation to activities like tanning and sheepskin manufacture, again under competitive pressure from China. Recently Australian wool production is increasingly re-orienting to meat production.

3. **China:** the Australian sheep kill is, we understand, more or less bought 'on the hoof ' by skin trading companies like the Chinese-owned Dynasty Australia International PTY. Ltd., which is a subsidiary of China's biggest

woolskin tannery complex Henan and Prosper Skins and Leather Enterprise Co. Ltd. This business is located one and a half hours from Zhengzhou Airport, in Henan Province. It was reported in 2006 that they pay over £7 per skin.

This on-site skin trading secures Henan Prosper's tannery requirement for over 15,000 woolskins per day, around five million tanned sheepskins each year. This is used by its workshops, making their own range of home care, infants and children care products, cushions, pillows, bed underlays, carpets, children's toys, pet toys, car seat covers, wash mitts, steering wheel covers, floor applicators, paint rollers, neck rests, back supports, safety belt covers and wool dusters. It is said that the operatives get fulfilment from their careers and believe they are all contributing to the success and prosperity of Henan Prosper.

Although the largest user of Australian lambskins, the company also collects skins from USA, New Zealand, U.K. and other areas to assure its huge production demand. A minimum inventory of 200,000 skins is kept to ensure any sudden production demands. The company is said to accept its responsibilities to protect the environment and mankind at all times. It has invested very heavily in a state of the art effluent treatment plant, which has the capacity to dispose of 10,000 tonnes of effluent per day from 30,000 pieces of lamb and sheepskins per day. Henan Prosper's 2006 brochure states that they are the world's largest and leading wool-on-lambskin and sheepskin tannery and that all their operations are ISO9001 certified.

Market analysis is needed to establish how far the Chinese sheepskin industry has advanced into clothing and footwear manufacture. Apart from Henan and Prosper there at least three other major Chinese sheepskin tanneries.

4. **Italy**: in contrast the Italian tannery tradition is for concentrations of small (micro) tanneries which specialise in certain products. They usually use local skins, are family run and are very possessive of their in-house skills. For example, Toscana lambskin is prized for its 'fox wool fur' appearance of its products, for which a substantial premium is asked and paid.

5. **Spain** is the home of famous, fine-woolled Merino sheep. Spanish sheepskin is held in high regard in clothing manufacture for its soft, ultra lightweight handle, which also commands a premium over the heavier weight UK domestic skins. Spanish leather and sheepskin tanners have a long tradition for great expertise and experience and offer good Leather-making courses at degree level. Even so, over recent years they are finding the competitive pressures from the Far East and environmental restrictions hard to deal with. A number of well established companies have closed. The annual Barcelona Lineapelle has been an important Leather Trade Fair.

6. **Northern Europe**: Icelandic sheepskins are rated much like Spanish sheepskins for their handling qualities. As this is a permafrost region

sheepskin is seen as a natural choice for clothing and footwear material. It also has an affluent, middle class population and should therefore be an excellent export target for UK producers. Only one tannery is thought to be operating and this is in Sweden. It primarily tans skins from its own rare breeds, together with those from deer, reindeer and elk. In this region there is a strong tradition for using sheepskin in furniture upholstery.

7. **Russia:** the Russo-Turkish market collapsed in 1997, which caused severe repercussions throughout the world trade area. Russia is reported now to be building its own tanning and manufacturing infrastructure, having not previously had a sheepskin industry. It is said that the dependence on warm sheepskin coats has been displaced by materials considered to be more fashionable by the young. This seems to be a repeat of what happened in the UK market in 1990.

The current need for renewal of staff and equipment

The last ten tanners in the UK will hopefully be able to pass down their traditional experience and knowledge to the next generation. The current problems with this are as follows:

(a) In the age profile of the last ten tanners, since eight of them are in their mid-sixties and two are about to retire.
(b) The non-existence of a younger generation prepared to come into the Industry, perhaps because it is (correctly) perceived as an industry in decline.
(c) Machinery and work systems are old and need to be modernised and renewed as soon as possible.

4 Other stakeholders: allied trades

The UK wool industry

UK wool clip is currently administered by a farmer-run organisation, the the British Wool Marketing Board (BWMB). This Board was established in 1950 to operate a centrally run marketing system for UK fleece wool, with the aim of achieving the best possible net return for producers. It is the only organisation in the world that collects, grades, sells and promotes fleece wool, and the only remaining agricultural commodity board in the UK. The organisation receives no financial support, and, although operating commercially, it is non-profit making, returning to producers the market price for their wool, less its own operating costs. The BWMB has regional representatives in nine regions, with six members covering Somerset, Devon, Dorset and Cornwall.

The objectives of the BWMB are to:

- Provide a secure market outlook for producers (about 90,000)
- Stimulate demand by technical research, product development and promotion
- Improve the quality of the wool clip
- Provide an efficient marketing service from collection to auction.

Wool has always been a global commodity which has been and freely traded, and subject to the vagaries of international supply and demand. Its traditional pre-eminence was seriously challenged by cotton production in the nineteenth century and wool now represents less than 3% of world fibre production. Raw wool production includes both fleece and skin wool from sheep, handled through the abattoirs.

In 2004 Australia produced 523,000 tonnes, China 341,000 tonnes, New Zealand 217,708 tonnes and the UK 48,970 tonnes. The total world raw wool production was 2,108,128 tonnes. The economic importance of sheep in the US has declined as it has become non-viable to 'ranch' sheep for wool. Texas has by far the most sheep of any State at around 1 million in 2005, but this compares with some 11 million sheep 'ranched' in the 1940's.

The BMWB only handles fleece wool, but their statistics for the export of greasy and scoured wool includes skin wool. Figures show that in 2003 Belgium and Luxembourg took 15.63 million tonnes (for carpet making), followed by the next 40 countries which took 7.92million tonnes of the total UK production between them. Total UK production was more than 48 million tonnes in 2003 and 39 million tonnes in 2005.

The BWMB aims to sell the clip within the year of production. Sales figures are held at the Bradford Headquarters and there is a current trial of electronic selling. Twenty-four auctions are held over a twelve-month period with between 1.5 and 2 million kilograms being offered at each. There have been approximately 30 buyers present, most whom are trading internationally and supplying end users.

A good proportion of the clip is sold forward, that is, while it is still on the sheep's backs. Once sold, the buyer has four weeks to settle the account. Of the thirty buyers only Buckfast Spinning is based in the South-west. Most are based in Yorkshire. The BWMB have major international licencees throughout the European Commission, Australia, China, Korea, Turkey and United Arab Emirates (in over 50 countries in all) who take sixty per cent of the 'wool clip'. Table 5 sets out the sort of within-year variation in the sale price of wool to the sheep farmer.

Table 5 Annual variations in the sale price of wool

Pence per kg.	Date
68	20.9.06
78	21.9.05
84	29.9.04
85	24.9.03
68	25.9.02

These figures gave the UK wool clip an approximate trading value of £27 million in 2005.

The UK hide market

The hide markets are effectively middlemen between producers (the meat market) and customers (the leather and sheepskin tanners). The traditional role of the hide market has been to collect hides and skins - ovine, bovine, equine, caprine little, equine and porcine very little, etc. - from the meat market (abattoirs, slaughter houses, meat packers and butchers). Appendix 11 shows the location of hide markets in the UK in 1988.

The activities of hide markets were overseen by the National Federation of Hide and Skin Markets, until this organisation was dissolved in 1996. The dissolution was due chiefly to the actual and anticipated effects of the BSE crisis. The Skin, Hide and Leather Trade Association (SHALTA), which had around 20 Members, was dissolved in 2003, chiefly as a result of the 2001 FMD epidemic. During this period the hide markets accounted for approximately seven to eight million raw woolskins.

The industry is now represented by the British Leather Federation, which is based in Northampton. In the South West of England the main hide markets remaining are:

- Jasper Byrne, Launceston (Paddy Byrne)
- Skins International, in Willand, Tiverton (Steve Mays)
- Exeter Hides and Skins (EHS) (Paul Ross).

On a national scale there is also Marshall Farmers who operate out of Mardon, Kent. Other hide markets in the UK are Eastern Counties, West Yorkshire Fellmongers (part of EHS), and Bradford Hide & Skin. Northern

Butchers have recently ceased business. Senior hide market managers reported in 2006 that the sector still handled around eighty-five per cent of the UK's annual sheep kill, which exceeded sixteen million. This was carried out directly through their own depots, or they were contracted to work on the premises of larger abattoirs, or through agents working with abattoirs.

In 2005 the principal markets for these firms were, approximately by volume:

- 30% Turkey
- 20% Pakistan
- 20% Tunisia
- 20% China
- 10% Other (including the UK!)

The UK fell-monger

During much of the 20th century, the fell-monger collected raw sheepskins from the meat markets (abattoirs and butchers), and de-wooled and preserved them ready for conversion by the Nappa Leather specialist Tanneries. These were sometimes in the UK but were more usually overseas in countries like Pakistan and India, Spain and Turkey. In the1980's it is estimated that fell-mongers typically processed fifteen million skins each year, of which eight million were exported as 'wet blue' (in the intermediate stage of leather processing), and at least half were tanned and finished in the UK by such specialist tanners as the Pittard Garner Group. The locations of fell-mongers in the UK in 1988 are shown in Appendix 12.

As already discussed, in the 1980's and 1990s the UK lost much of its sheepskin industry infrastructure. Tanneries closed first, followed by most of the eighteen fell-mongers who had been unsettled by the merger bids between Strong and Fisher, and Hillsdown Holdings for Pittard Garner. This culminated in the intervention of the Monopolies and Mergers Commission in 1989.

The difficulties were compounded by the Asian price crash of 1998. Nappa skin is a soft, full grain leather made from an unsplit sheepskin, lambskin, or kidskin, usually tanned with alum and chromium salts and dyed throughout. Around the turn of the 21st century demand for UK Nappa Skins virtually ceased for the following reasons:

1. The world market for nappa (which is clothing quality sheepskin leather) was very competitive, with production from Korea, India, Pakistan and China developing fast.

2. The end of compulsory sheep dipping plus problems with 'butchers strain'(damage to the skins in the slaughterhouse) led to a lowering of quality standards where the UK had previously enjoyed a competitive advantage.

3. Demand from Russia, via Turkey and Poland, led to high priced woolskins being exported salted from the UK and this made nappa production relatively uneconomic.

4. New and much cheaper sources of supply, primarily from African Hair (as opposed to Wool) sheep, plus processing increases resulting from environmental, employment, and legislation costs in UK/Europe, made production uneconomic.

By 2006 only 3 Fellmongers remained - Nettleton and Porter, Retford, a subsidiary of Colomer in Spain, and Radford Hides and Skins.

The meat market - abattoir and butcher

Abattoirs are also known as ‘slaughter houses’, ‘meat packers’ and in New Zealand, ‘freezing works’ (since most of their production is exported). They traditionally handle the slaughtering, processing and distribution of meat primarily for human consumption. However, the sector also yields a variety of by-products, including hides and skins, dried blood and, through the process of rendering, fat such as tallow and protein meals.

Table 6 Distribution of abattoirs in the Southwest, by county

County	Full throughput abattoirs	Low throughput abattoirs
Cornwall	6	5
Devon	3	6
Somerset	7	4
Dorset	3	1
Wiltshire	2	1
Gloucestershire	3	1
Avon	4	1

Source -FSA January 2004

Thirty years ago there were more than 2,500 ‘town’ abattoirs operating in the UK but this number has fallen to fewer than 300 now. Of these, some 50 firms slaughter most of the meat found on supermarket shelves. The remaining small and medium-sized plants provide a valuable local service. Many closures have resulted from the expansion of towns and the pressure to release land for housing, giving the possibility of realising windfall returns, which business would never be able to attain through trading.

Speed of throughput in slaughterhouses.

In slaughterhouses the speed of throughput is a major consideration for the safe, hygienic and profitable operation of a hide market. Their services of selection, storage and/or processing of skins and hides has not been seen, for the most part, as important. The transaction of paying more for the added value does not appear to have developed between tanner and hide market.

Some senior figures in the hide market confirm they are quite prepared to select sheepskins against specification and store short-term providing they can charge a suitable premium for their extra work.

The hide markets have more recently been seen as an unnecessary cost layer by some meat industry figures who believe that they can find ‘container–load’ customers for themselves in export markets like China. These are markets where there is strong demand for all sorts of raw materials (oil, metals, plastics, people) due to industrial growth. Defra (2004) describes how additional costs have been caused by legislation in recent years, for example the need for Hazard Analysis, and the control of animal by-products

The problem is that this level of business activity may be only short term, lasting only as long as export demand holds up. There was a previous example, during the Asian Collapse in 1998, when UK hide market exports for Turkish ‘double face sheepskin coat’ production totally ceased, following the turmoil that closed down the Russian economy.

Another cause of difficulties with the chain of supply may be the nature of the relationships between the different parties in the sheep industry, which can be competitive and secretive. This has been helped by the publication of market information on the internet by Eblex.

Cooper Simms, ADAS and Centre for Rural Research (2004) stated that the South West appeared to be adequately supplied with both large and small abattoirs but more demand was expected for organic slaughtering and perhaps for cull ewe slaughtering.

Many producers would like to have the option to retain the hides and skins from their animals, particularly if they are native breeds or unusually coloured e.g. Highland cattle or Herdwick sheep, as these may have higher value than the norm. Following a decision by Defra under the Animal By-Products Regulations 2005, it is now permissible for farms to receive and salt the hides and skins of the animals derived from that holding following slaughter in a licensed premise and being passed fit for human consumption. This allows the option of then having the hides and skins processed at an approved tannery prior to sale.

Table 7 Livestock throughput in abattoirs in the Southwest

Species throughput ('000 head)	1997/98	1998/99	1999/00	2000/01
Cattle	286.3	292.3	282	279
Sheep	2,144	2,195	2,390	2,450
Pigs	1,475	1,408	1,374	1,215

Source: Cooper Simms, ADAS and Centre for Rural Research 2004

The structure of the meat industry

In the meat industry there continues to be a gradual merging of companies. This is undertaken to gain economies of scale, to pay for the introduction of more mechanisation and for the management of quality control standards arising from the BSE crisis of the mid-90s, and the raft of new legislative requirements that followed. These include those from the Over Thirty Month Scheme, the Meat Hygiene Service, the Food Standards Agency, and the results of the Foot and Mouth outbreak in 2003.

The UK production of red meat has remained reasonably stable despite the health scares of the 1990s. The red meat sector employs just over 100,000 people, and is represented by LASSA (Licensed Slaughterers and Salvage Association), RMIF (Red Meat Industrial Forum), and AIMS (Association of Independent Meat Suppliers). Sheep meat exports from the UK resumed after the Foot and Mouth embargo and showed an eighteen per cent increase in the first quarter of 2006, with approximately 75% of these exports going to France. Of the ninety-nine licensed Cutting Plants (Abattoirs), twenty-one are based in the South West Region of England, largely in Somerset, Devon and Cornwall.

Butchers

There are about 7,500 retail butchers and 600 specialist-catering butchers in Britain today. The number of retail Butchers has dropped dramatically over the last 30 years as supermarkets have come to dominate meat sales. However, the independent butchers have enjoyed increased sales in the last two years. This is due to the increase in shoppers' awareness of health issues and their requirement for assurance over the traceability and the quality of meat. Consumers in the UK eat on average 5.8kg of lamb per year, and the UK is the biggest exporter of lamb in the EU. The UK is also the biggest producer (325,000 tonnes per year). More than 70% of the 110,000 tonnes of lamb imported into the UK comes from New Zealand, which is the world's biggest exporter, producing 360,000 tonnes per year. (Robinson, 2006).

Supermarkets

Supermarkets are the chief retail outlet for lamb and sheep meat products. The sector is dominated by Tesco, which had a market share exceeding 30% in 2005 and 2006. This is nearly double the market share of the second-placed ASDA, followed by Morrisons and Sainsbury's. Robinson (2006) explains that there are no regional retail chains left in the UK that operate superstores. The 'Big 4' supermarkets had a combined share of 74.3% of the UK grocery market by the end of 2005. There are in fact a total of twenty-four British supermarket chains (including the 'Big 4') including second order players such as Waitrose, SPAR, Co-op, Lidl, Aldi, and Budgens. In 2004 Sainsbury's employed over 145,000 people. In 2006, Morrison's employed 130,000 and had 360 stores. Worldwide in 2006, Tesco employed 360,000, with 1,897 stores in the UK alone[3].

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[3] It is interesting to note that in 1939 Tesco had 100 branches.

5 Opportunities for the sheepskin industry

This chapter discusses the options for the future structure and operations of the sheepskin industry in order to improve its financial returns. It is widely thought that high wage economies in the West cannot compete with the absolute cost base advantage of say China, India or indeed Poland. However, it is also believed, that in a few years these economies will become more affluent and there is a possibility that they will then become net consumers of Western goods and services. It is therefore necessary to consider the strategy necessary for the remaining nineteen sheepskin businesses based in the South West, and the remaining forty- eight listed nationally in 2006, to retain and improve their competitive position if this is financially viable.

The principal options for discussion

Several options are suggested below and briefly examined in advance of further discussion at the Workshop:

1. Maintaining the status quo
2. Change of business structures
3. Changes in industry structure
4. Process improvements
5. Research
6. Training
7. Expansion of the product range and markets
8. Diversification into new products and markets
9. Improved marketing.

1 Maintaining the status quo

The option of maintaining the status quo is not considered to be a viable option, either for individual businesses or for the industry as a whole, and change is seen as inevitable. The principal reasons for this include:

- Business decisions will be forced in any case when leases and contracts are due to terminate and need renewal.
- Ageing staff, retirement issues and the threat of a significant loss of traditional skills demands urgent attention.
- New staff, as and when recruited, will need high quality training; while current staff will need updating of skills.
- Equipment regularly needs renewal or repair, in the context of a lack of development or innovation.
- Product development is a constant management task, as are the customer and supplier databases.
- Effective marketing to open up and exploit new opportunities is a major challenge for most players.

2 Change of business structures

Appendix 10 illustrates the range and complexity of the operations involved in the sheepskin industry. In any consideration of the structure of businesses there are options to Integrate, Merge, Amalgamate, or Down-size. If there is not enough business (in a declining industry) for two or more businesses to compete profitably, it may make better sense to close down sets of overheads and operate out of one site, for example. However, this option needs to be a result of close cost management in order to achieve the possible economies of scale.

3 Changes in industry structure

Increasing the percentage of UK skins processed by the UK sheepskin industry requires closer working relationships with abattoirs and AIMS to pre-select skins at source for size and colour, and there appears to be potential here for UK product to replace current US and Australian imported material. The sheep and skins are there in the region at the ideal weights and sizes. However, there needs to be an incentive for the abattoirs, especially the large plants, to pre-select skins; as well as an attraction for the whole chain to develop this route, together with a better understanding of the issues by all those involved in the chain. The sheepskin market, if it was to be lost, would actually have a large impact on the chain, including abattoirs and particularly farmers, with the skins ending up as a waste product and therefore cost, whereas they could hold a greater value and be a crucial part of production.

The amalgamation or sharing of existing resources

The amalgamation of existing resources, skills and marketing operations into a single business unit or the sharing these resources among several businesses would benefit from the economies of scale. The RSA know that they cannot compete with labour-intensive manufacturing in China, Poland, India etc. However, if in the case of the sheep industry the South West region is able to organise more effectively the chain of supply, there is a tremendous business opportunity to develop the employment and wealth creation sector upstream of the farmer.

Currently much of the industry's infra-structure (the buildings, machinery etc.) is obsolete, or worn out, or unsuited to modern requirements and this needs renewal if the industry is going to survive and prosper. Such improvement may be as basic as changing to moving stocks by fork-lift truck or other mechanised handling equipment.

There are in fact useful UK models for industry revitalisation. For example, developing the Wool and Sheepskin Industry in Powys is a co-operative project and there are two 'Leader +' groups - the Fells and Dells Leader + in Cumbria, and the North Antrim Leader + in Northern Ireland. The primary aim of these projects is to aid the development of the respective wool and sheepskin industries. These projects contain elements that are common to all three groups (e.g. work on joint actions) as well as elements distinctive to their respective areas. The joint actions include regular cross-industry meetings to share best practice and ideas between groups, the establishment of an archive of sheepskins from each area, the running of a number of seminars to raise awareness of new possibilities, and the development of a best practice preservation protocol for wool on sheepskins.

Industry integration

MacPherson (2006) concluded that the integration of the farming and food industries with the leather and wool and skin (tanning) industries, and the maximisation of the value of all products from the sheep carcase, offers a stronger financial basis too underpin the future of the industry.

He identified as some of the advantages of industries and businesses in the same industry working together as follows:

- The food and leather industries need a similar underground and environmental infrastructure, and have similar processing chemistry and equipment requirements.
- Greater economy of effort and involvement.
- Commonality of business interests and markets.
- The potential benefits of unexplored synergies.
- The benefits of critical mass, enterprise and business incubation.
- Greater confidence for long-term business investment if working within a benign planning regime.
- The concentration of trade/public visitor amenities.
- Greater, more readily developed, inter-trading opportunities.

Potential for expansion

In 2002 the Real Sheepskin Association calculated that the UK tannery sector needed to increase its throughput three fold to meet RSA Members' order books. This requirement takes no account of non-member companies, whose requirements are not known at this time.

4 Process improvements

While MacPherson (2006) did not specifically identify process improvements, it seems appropriate that this possibility is open for debate and discussion at the workshop meeting.

5 Research

MacPherson (2006) concluded that it is necessary to commission scientific research into improved raw skin preservation and protocols and, of course, to ensure widespread dissemination of the resulting information. This process has been started and the first part is posted on www.realsheepskin.org.uk. Beyond this, no specific areas for industry-led research have been identified, but this topic should be further discussed at the Workshop.

6 Training

As identified above, the industry currently faces great problems because of ageing staff, retirement issues and the threat of the permanent loss of traditional skills, and so workforce development is an issue which needs urgent attention. Ross (2006), for example, has examined how the sheepskin industry has updated its products, and how tanneries plan to pass on the skills. New staff will need training and current staff will need a significant updating of skills. An example of a system of education devised for the leather industry is seen in Australia (Technologie Conciarie, 2005).

As part of a campaign to add value to the sales of tanned UK woolskins, the industry, working in conjunction with Defra and the four UK Leader + projects, has developed a 'Making the Most of Your Sheepskins' Workshop for farmers, smallholders, hobby farmers, representatives of sheep Breed Societies, the meat industry and Hides and Fell-mongers. It covers the selection, preservation, transport and tanning stages through to product manufacture and marketing. This is a key resource that deserves widespread dissemination.

The assistance of the Association of Independent Meat Suppliers (AIMS), the National Sheep Association (NSA), and the national Farmers' Retail & Markets Association (FARMA) should be sought to expand this and other areas of business development and raw material sourcing.

Collation and dissemination of information

As noted above, it is necessary to commission scientific research into improved raw skin preservation and protocols, and then to ensure widespread dissemination of the resulting information. This process has been started and the first part is posted on www.realsheepskin.org.uk.

There is an opportunity to work with the NSA at Malvern and also sheep breed societies to build a national archive of the characteristics of all 100 plus breed sheepskins. Details of the archive can be found on the NSA website. This resource is clearly of value throughout the chain.

7 Expansion of the product range and markets

Designer products

The decision of the RSA's founding committee in the 1990's to 'get design into Sheepskin' proved to have remarkable foresight and was instrumental in changing public perception of sheepskin, which had been previously seen as a rather unfashionable material.

This positive change in public perception was partly engendered by Morland's marketing personnel in the 1970's. However, it was achieved through a large Public Relations marketing budget of a reported £1m in 1981.

In the year 2000, the RSA, with members' support, decided to make an investment in young design by inaugurating a Sheepskin Furniture and Furnishings Award at New Designers, a final year student event covering a variety of arts industries.

A number of Sheepskin businesses began employing young designers or offering them projects on a regular basis, and gradually adopted their ideas into new products or in re-styling existing products. Please see, for example, the designs shown in Appendix 13.

The UK sheepskin industry's 'Outreach' Programme, acting through the RSA, is considered to be one of the most progressive of any sector in the sheep and leather industries and involves:

1. Sponsoring advanced sheepskin and leather design workshops in conjunction with Textile Forum South West and Professor Basil Kardarsis of the Royal College of Art.
2. Sponsorship of graduate design awards.
3. Promotion of a marketing campaign with the banner 'not all sheep are white and fluffy', aimed at encouraging the whole sheep industry to not waste the added value which can be realised from selecting non-standard sheepskins - coloured, rare, primitive, etc. In line with many other areas (e.g. the food sector) there is currently a great public interest in regional specialities and environmental issues.

Niche markets

Ultra niche products, such as those from newer companies like MADE, which was established in 2000, have penetrated the UK and US markets. With assistance from AIMS they are creative, innovative and dynamic individuals. These new dynamic companies, as well as designers, are penetrating new markets with great success and have potential for further growth into new markets as well as growing existing markets.

In the UK many farmers, such as Jacob breeders, are buying back their skins and having them cured and selling them in Farmers' Markets, craft fairs, etc. These farmers are using small tanneries and are given help and support form breed societies. This is a growing area with more farmers looking to add value to their product and utilise resources. The growing success of farmers' markets, craft fairs and a growing trend by the public to buy local products adds impetus to this market. The procedure of buying back skins from abattoirs has be made difficult by legislation regarding animal by-products, and this situation needs to be clarified.

Currently approximately 4,000 skins per annum are processed on a private basis for the home kill/meat sale sector. The tanning facility limitations are exemplified here with products from as far afield as Scotland, regularly being sent for processing to the South- West. This sector is an area of great potential and home sales and slaughter continue to grow for the farm shop and farmers' market sectors. A cleaning and refurbishment service is also in operation, which could be expanded and maximised.

Niche market development

Home or private slaughter and marketing of skins by the farmer to the public such as through farmers' markets, farm shops and craft fairs is an area that is expanding dramatically and has great potential with many more farmers looking to add value to their product and diversify. Private meat sales and therefore home kills are growing, and consumer interest in buying local and supporting local farmers is giving impetus to this growth. The farmer is aware of the importance of utilising the whole animal and has the skins tanned locally in the region and sells the skins in markets and fairs. Again the consumer enjoys buying direct from the farmer and believes they are buying a better quality at a better value. This is an area of tremendous growth and potential, especially for the South West as a region.

Figure 6 Recent product developments for sheepskin

1. Sheepskin fashion design; sheepskin footwear (Ugg style); sheepskin upholstered chair design.

2. Waterproof sheepskin, such as AquaLamb from the Fenland Sheepskin Company.

3. The ‘Primitive’ Woolskin Marketing Campaign, relying on the creation of a joined up supply chain from the sheep farmer, through the abattoir and hide markets to UK Tanners and then to the UK sheepskin industry, which has to mount an ‘awareness’ campaign aimed at the design community and the general public.

4. The establishment of science-based UK Raw Skin Preservation Standards and Protocols to radically lower losses through putrefaction.

5. Sheepskin fashion house Karl Donoghue was awarded Women’s Fashion Exporter of the Year 2003.

6. Furnishing designers Loop House were selected by design guru Max Fraser in his list of top designers for the London Arts Festival 2005.

7. Currently the EU, Japan and Scandinavia are the main markets. Other possibilities for exporting need to be explored. International figures for sheep and lamb populations for the period 2004 to 2005 are shown below.

Finally, it is considered that there is a need to develop a greater usage of indigenous sheep breeds or categories (e.g. small hill lambs compared to larger animals; specific breeds and rare breeds compared to a generic product) and to attempt profitable market differentiation through the quality of the skins, the size or the colouring (MacPherson, 2006).

8 Diversification into new products and markets

MacPherson (2006) concluded that the development of totally new trading areas outside sheepskin is a high-risk decision which is best done only if there are reserves to draw on over the build-up period.

Diversification could involve the development of the sheepskin processing operations in parallel with other related products, skills or service activities, a route which has long been supported by government policy for the UK farm sector. Other potential areas of diversification-led growth could include the processing of deer hides, for example, since large quantities are currently culled and put into landfill at great cost. It has been claimed that this is a resource that is much in demand by interior design houses which, if true, points to an urgent need for market development. Goatskins form another potential product group, since large herds are now kept for milk production and the hides could prove a valuable commercial by-product to the benefit of goat producers and the sheepskin tanning industry.

9 Marketing improvements

It has been observed that any success at exporting happens despite the fact that no company within the industry today employs a full-time sales or marketing specialist! The RSA only represents members' businesses as part of its promotion of the sheepskin industry at Sheep Trade Events in the UK, never overseas. The sheepskin industry should consider the following weaknesses in their marketing operations:

- The lack of any dedicated sales/marketing professionals at any level.
- The need for an industry presence at major International Leather and Specialist Trade Exhibitions, to re-enforce existing reactive with proactive export performance for UK made sheepskin products.
- The need to promote the Real Sheepskin brand and protect it against synthetic imitations.
- The need to get more science, technology and investment (both money and qualified people) into the UK tanning sector, to plan a new sheepskin tannery for the 21st century.
- Poor communications prevail between all sectors of the sheep industry, from Trade Association level right the way through to ground level. This was one of the principal reasons for holding the sheepskin sector Workshop on 16 February 2007 (held at the University of Exeter).
- A failure and/or unwillingness of the industry over many years to grasp chances to respond to market opportunities and to optimise value added initiatives across the whole UK sheep industry, an outlook which is sometimes characterised by fierce suspicion between sectors of the industry.
- There should be a campaign to create a new and wider audience, aware of the sheep industry's unique heritage and the wonderful array of products, for use in homes and offices, that can be made from it. An invitation to help in building this showcase, has been extended to the UK leather and wool textiles industries.

Moreover, sheepskin use in design could be promoted further. With funding, designer galleries could be opened to promote the use of sheepskin. MADE is a relatively new company that is innovative with designs (details of the MADE website are given in the references at the end of the report). Products include rugs, which are made to order, such as Union Jack flag rugs etc. MADE has started to export to the US, a previously relatively untapped market with tremendous opportunity. Some companies do not have the knowledge to be able to infiltrate the US market, but with co-ordination and pooling of resources further exports to the US could be made, resulting in additional economic value for the UK.

Possible financial implications of further business closures in the sector

It is anticipated that the failure of the existing sheepskin businesses through financial pressures, retirement of the business principals or for other reasons would impact dramatically on the downstream manufacturing capacity within the South West region.

McPherson (2006) found that the majority of companies surveyed expected to remain in business but unanimously agreed that virtually all manufacturing would cease and be replaced with direct imports of finished goods, predominately from China.

Regionally, it has been estimated that this would represent substantial economic and job losses in the region (Table 8).

Table 8 Estimated value of the sheepskin sector in the Southwest

	£ Million	**Jobs**
Total loss of	**5.75**	**128**

Source: MacPherson (2006)

It should be noted that this does not include the loss of the added value factor of the UK export markets on finished goods. Much of the sheepskin product is exported directly and indirectly, e.g. as footmats in Bentley cars. With a new dynamic industry in the South West the region's export sales would greatly increase and thus benefit the economy and status of the region. McPherson (2006) quoted figures from The Real Sheepskin Association showing the following production and exports figures:

Table 9 Export performance of four SW sheepskin companies

Production 2005-06 p.a.	**% exported 2005-06**
Company A - 45,000	0%
Company B - 68,000	14% (plus considerably more exported indirectly by their customers)
Company C - 175,000	86%
Company D - 20,000	0%

Source: MacPherson (2006)
Please note that of the 45,000 skins produced from one of the companies, 43,500 are sourced mainly from the South West region.

This data in this table points to the apparent potential within the industry and also opportunities for further export with a closer-linked industry. There are believed to be tremendous marketing opportunities to export to countries such as Japan, Scandinavia, Europe and the US. Furthermore, the US, a very affluent country, is reported to be very keen to experience the innovations of UK designers.

Concluding discussion

Potential benefits of sectoral development

McPherson (2006) suggests that at a notional retail sales price of £50 per skin, the revenue from UK tanned sheepskins could realise £3 million per year (60,000 x £50). On this basis, tanned UK sheepskins could gross up to £50 million each year. If 69% of the UK sheep kill (around 16m) was tanned in the UK it would notionally gross £552 million p.a. (i.e. 11.04 million skins x £50/skin).

It is further suggested that there is also a need to establish whether the 250,000 or so 'mottled' UK lamb stillbirths could be converted into profitable slink designs. This may be attractive to some designers.

The sheep industry supply chain – options for change

Relationships between the various elements of the sheep industry supply chain, including woolskin tanners, have always been tenuous and sensitive. Only the Vestey Group, trading as Union International (U.I.) during the 1960's, 70's and 80's attempted true vertical integration. Their policy of identified 'profit centres' at each stage of the chain achieved a much needed business discipline. However, that is now in the past.

As discussed above, the current system where all the different elements of the industry work separately and, often without co-ordination has probably resulted in the loss of actual and potential value-adding opportunities for all parts of the Industry. In today's necessarily large scale meat processing plants - with a typical throughput of between 10,000 and 25,000 sheep per week all of standard weights, serving around four customers, and driven by site hygiene and clean yards – the sorting of raw material is at best impractical and at worse a nuisance.

For the present small UK Woolskin Tanning sector, McPherson (2006) suggests that the best hope of getting a selected and regular share of the national sheep kill lies with the following:

1. The smaller throughput abattoirs, which actually process over 50% of the nation's meat supply, need to meet traditional, ethnic and other specialist market requirements. The Association of Independent Meat Suppliers (AIMS), a new association of small and medium sized abattoirs in England and Wales, is probably the best avenue of approach for tanners with a clear skin specification, to create a price structure and stable business relationship with a major source of raw material.

2. There is a need for amenable hide markets, able to provide a selection and short-term storage service at reasonable costs. This could perhaps

be on a contractual basis similar to that operated by some of the big abattoirs.

In both cases the implications for sheepskin processing will lead to necessary changes in the management of skin purchasing, specification, logistics and forward planning procedures. However, the secret of the Sheepskin Industry's continual renewal will lie in its ability to reinvent itself through Design, and by the application of new Technology and Science for each new generation.

The way forward for UK sheepskin tanning sector – some specific suggestions

McPherson (2006) suggests the following issues are the key items for consideration in any review of the options for future development of the sheepskin tanning industry:

1. Ways of providing a reliable supply of dressing selections from the UK sheep kill with a reasonable return going to all parties in the chain, should be openly and urgently explored and implemented maybe in discussion with AIMS and certain Hide Markets.

2. In phase one, the aim should be to create a contractual instrument which would reliably deliver 500,000 domestic raw skins p.a. against a clear specification drawn up and presented in advance, after due consultation with sheepskin businesses who would be therefore encouraged to plan their own seasonal requirements in good time.

3. Tanners should consider appointing a designated Agent or Hide Market or even a specific employee for this task, who would work with members of AIMS and those companies within the Hide and Skins Markets sector which are prepared to do business.

4. It is suggested the woolskin tanning sector gives urgent consideration to improving Its marketing/sales capability to better exploit strong export markets particularly in Europe and the US, perhaps achieving these sales by at the same time coaching and coaxing creative UK enterprises with the assistance of some agency from within the SW region or/and in conjunction with appropriate Dti/Defra schemes.

5. Tanners should look at some form of business integration. Currently the buildings, machinery etc. are worn out and unsuited to modern requirements - even improvements as basic as moving stocks by fork lift or other handling equipment could make a difference. Therefore, at some stage in the fairly near future, all three remaining tanners in the South West are likely to have to 'move out and move on' or perish.

6. It has been further suggested that the creation of a *SW Food and Leather Technology Business Park* should be considered, providing an ecologically advanced site (as regards water/power/effluent/recovery systems etc.) into which the leather industries could plug themselves (MacPherson, 2006). It could provide a unique business model to

benefit the economy of the South West generally by drawing on the embedded skills, knowledge and expertise as well as the raw materials which are naturally and sustainably found in the region. In addition it was though likely that such an agglomeration of businesses would be more likely to attract investors looking to develop the new science and technology based food and leather industries being created throughout Europe.

6 Conclusions and recommendations

Introduction

As discussed in the preceding chapters, it seems clear that maintaining the status quo will not be viable option at this time for the sheepskin industry, and therefore the alternative options for the future set out in chapter 6 must be assessed. At this time the long-term continuation of the industry, much of which remains in the South West of England, must be in doubt other than as an increasingly marginalized remnant of its former role. It is important to explore in particular those options which may lead to developments supportive of the revitalisation of the industry, so that it is passed to the next, properly trained and equipped generation of woolskin technicians, scientists, designers and professional management.

One thing is clear: if the relatively rapid decline of the sector over the past two decades or so is the inevitable consequence of an irreversible deterioration in its ‘terms of trade’ – in other words, if lower wage economies abroad now have an unassailable market advantage – the best that can be hoped for is the development of one or more commercially viable market niches which the remaining sheepskin producers in the region are well equipped to supply. If the market does not find the industry an attractive investment area, it is extremely unlikely that public funding, even if it were available, would provide anything other than a temporary cushion against market realities. That is the challenge facing the industry, stakeholders and policy makers at the present time.

The views of key stakeholders

At the Workshop held on 16 February at the University of Exeter, some of the UK sheepskin industry’s major stakeholders met for a facilitated discussion of the state of the industry in the Southwest (see detailed outcomes in Appendices 4, 5 and 14). Although in general all of the major sub-sectors of the sheepskin industry were represented at the Workshop, some delegates remarked on the fact that only the abattoir sector was not represented. Although this had a symbolic significance, in fact one abattoir was planning to be represented but was unfortunately unable to attend due to a business emergency on the day. The role of abattoirs will be discussed later in this chapter.

One of the main tasks was for stakeholders themselves to evaluate the identified options set out in Chapter 5 above. Their deliberations are set out in the following pages.

Q1 Are there any other options for change which have not been identified?

It was agreed that all of the suggested options discussed were relevant, and no new or alternative options were identified. With regard to the first option, there was a strong view that if nothing is done the industry will fail by default.

Q2 Taking each option in turn, what are the key issues that industry should focus on?

As noted above, the nine options for the future of the industry already suggested formed the focus for part of the Workshop discussion; and the relevant comments arising from the discussion groups have been collated below under each of these identified options.

1 Maintaining the status quo

- Maintaining the status quo is not an option. If the industry doesn't do something, other countries will.

2 Change of business structures

- In other countries the industry has been centralised with treatment plants. For example, businesses have moved out of Istanbul with input from their Government. This has happened in China, India and Italy. Governments have backed the initial experience.

3 Changes in industry structure

- There should be an integration of the stages of production, the abattoir and wet side. Salting could be eliminated and this would have an economic impact on waste processing and rendering.
- Amalgamation and the share of machinery would be practical but financial amalgamation is not likely.

4 Process improvements

- Currently used processes are dated and traditional. (China leads the way on this). Process change encourages funding
- Different breeds e.g. fine Shetland, taken out at abattoir level. The time is right to examine the UK industries own processing.
- With the wide product range required there is a need to buy a variety of skins in from abroad. It is easier to move processed skins around world
- The processed imported skins are cheaper but suitable types are not always available for customer requirements.
- Turkey can process in bulk with lest cost, due to less Legislation compliance costs, etc.

5 Research

- There is a need for research in the following areas:
  - Preservation
  - Processing technology
  - Draw on world expertise
  - UV – radiation
- The Industry currently has the best research in the world for leather science and the three processes of production. We have the information already. There are bigger problems that should be given priority.

6 *Training*

- There are a number of product processors in the South West and a great potential for products in the design world. However, current production skills cannot meet demand. Training and Education is therefore necessary to meet consumer requirements. This will be a continuing difficulty and new skills and labour will be needed if the industry is to expand its export capability. Market driven training needed.
- Training is required regarding in the following areas:
  - Tanning
  - Dye chemist
  - Sewing
  - Teacher training
- In order to solve the Training gap – the lack of young employees joining the industry, - it is suggested that the leather and sheepskin industries join forces to provide promotion and training.
- It is thought that there are some specific obstacles to choosing the sheepskin industry for a career. Society sees the industry as 'messy'. It is necessary to establish how people can be encouraged to join the industry and be happy in it.
- The South- west has industry prioritisation. Incentives to employ (e.g. apprentices), and subsidies to other industries is higher.

7 *Expansion of the product range and markets*

- There is usually a decision to be made as to whether to concentrate on a mass or a niche market. The industry is currently forced into a niche market as the mass market is dominated by the Chinese and by cloth.
- The expansion of products could range from fashion to interiors. There is no end to the potential. Home furnishing and design is a growing market where there is potential for the industry.
- The product lasts and is hard wearing and this could produce marketing opportunities, as a strong selling point.
- There is a barrier that needs to be overcome. Some potential customers see the product shape as a single piece of sheepskin. They do not know that it can be made into lengths of fabric.

8 *Diversification into new products and markets*

- There is a market for processing Cattle Hides, wet/blue.
- There is also the use of hair on Cattle, Deer, Goats, and Sheep.

9 *Improved marketing*

- Processing of raw skin
- Making into clothing etc. (processing/marketing)
- New products – design, promotion, unique properties.

Q3 What are the main implications of your discussions, if any, for (a) the industry and (b) public institutions?

The comments by discussion group members in response to this question are incorporated into the responses to Question 4 below; see also the list of information identified by the stakeholder delegates at the Workshop as needed by the industry as it goes forward, later in this chapter.

Q4 What recommendations emerge from your discussions?

Funding

- There are poor export initiatives funding (e.g. DTI). UK PLC is funding some industries.
- There is a need for profitability and re-investment for the Industry.
- It is necessary to measure cost effectiveness and what merits re-investment.
- It should be considered whether the industry should invest in farming and processing.
- There is a need for support for infrastructure

Product

- The UK supply into UK market should be increased.
- The range of raw materials is wider than realised.
- Nobody is producing leather, hair off, e.g. deer, cows and sheep. This may offer opportunities.
- There should be product differentiation based on breed - the promotion of breed specifications.
- It may be possible for manufacturers to import but the quality is not as good in feel/weight/durability, due to the tanning process.
- Tanneries may buy at farm level, on hoof.

Communications

- There needs to be an effective system of communications throughout the whole market/supply chain. This should include an awareness of market needs.
- Co-operation and Communication is a key issue.
- Links with EBLEX should be strengthened.
- There must be follow-up action on engaging with AIMS
- The Sheepskin Industry needs to work closer with leather industries
- The industry is fragmented and needs co-ordination.

Economic issues

- Australia has the same issues. They are world issues. China dominates through a 'dynasty'.
- The drain of exporting should be stopped, as there is not a level playing field.
- It is not known whether Turkey will operate as a level playing field when it joins the EU. There is not equality in the EU.
- The Government has priority sectors, for example, legislation. In Turkey and China the Governments have assisted the industry.

- Taking a ten to fifteen year view – if Turkey is in the EC, China's and India's legislation makes it cheaper for them to take over the market.

Processing

- Research is needed for export/import or home production.
- The cost of disposal should be established.

Education

- The extent of the carbon footprint should be considered. This could be used as a marketing selling point.
- There is a need to educate the political movers and shakers
- The questions of vegetarian requirements and eco-issues need to be addressed within the marketing research.

Marketing

- There is currently an interest in sheepskin using imported skins and imported products
- Sheepskin should be marketed so that it is seen as a 'must have' product.
- This should be done through education and promotion. The bottom line in promotion is price.
- <u>Potential marketing selling points:</u>
  - British product from start to finish
  - Sustainable product (carbon footprint issue)
  - Lighter weight, not heavier, UK skins needed in some markets, since there is currently a switch to lighter weights
  - Quality issues (these are currently not marketed)
  - UK breeds – very wide range of breeds, skins should be marketed for quality, diversity and exclusivity
  - The specific properties of UK skins.

Supply issues

- UK quality is best BUT there is a shortfall quantity – skin needs to be sourced all year round.
- Small holders – their small scale and specialist work is time consuming and there is an education issue.
- Home tanning – very small and occasional, but it has a good margin.
- There is a growing number of non-commercial small holders – many lack knowledge and skills training is an issue.
- Future – small holders. Local abattoir, local tannery (micro-tanneries) – UNLIKELY
- There is an issue of breed and seasonality to fulfil demand.
- UK sheepskin products are high quality, but in providing products 'made' in UK, the skins could be imported.

The relationship with abattoirs

- There is a need for the engagement with slaughter!
- Abattoir numbers are down and the larger abattoirs sell and export skins.
- Now evident that the primary problem lies in the industry's relationship with the abattoir sector.

The quality of skins

- Large abattoirs take no care of skins. They treat them as a by-product. There have been efforts to educate them but this has not been possible with the numbers. Small abattoirs are better. There are quality issues, for example, some are not salting properly. This is a *big issue* to prevent putrefaction and wool slip.
- Currently there are problems with the skin condition, Sheep Scab. The NSA is addressing this nation-wide. One problem is that the treatment with 'pour-ons' marks skins.

Information currently needed by the industry

<u>Financial</u>

1. It should be established whether the tanning sector is viable for investment and whether the South-west wants it and/or needs it.
2. Skins *are* being used but the benefit is not in the UK. Could/should the benefit be returned to the UK?
3. What is the cost of getting rid of the product versus the cost of synthetic production?
4. How does the cost of processing compare to the cost of landfill?
5. Funding is a key issue. What sources of funding are available? For example, what are the Leader+ groups, and how were they funded?

<u>The product and processing</u>

6. There is a market somewhere for skins. It is necessary to establish whether a tanning operation is necessary in the South West. Does it matter if industry went and the UK imported skins? (There is an environmental cost -skin miles!)
7. Legislation and environmental issues are problematic. Should there be a feasibility study to establish whether the industry should be returned to the UK? Merino is a good example.
8. How many jobs and roles are there currently in the industry in the South West?
9. What industries are using sheepskin? – these are not known. Exploit the opportunities, e.g. baby, elderly, medical products.
10. Wool/skin is a small market, and meat producing is a large market – are they incompatible?
11. What are the effects of the carbon footprint of the Industry. Should there be a feasibility study?
12. How many skins imported are processed in the UK?
13. Should the business be exporting skins?
14. Is there a capacity to handle more skins?
15. How many exported skins come back as sheepskin?

16. Would technological changes assist the industry?

Marketing

17. Individual businesses cannot afford to attend international shows etc. Is it viable for a group to represent the industry?
18. The market requirements for skin thickness are different for different purposes. What are the current market requirements and how can they be fulfilled?
19. Does the UK currently produce the skins required by the market?
20. Can supermarket contracts be used to drive the market for skin products?
21. What are the obstacles to the successful marketing of sheepskin?

The need for improved marketing

It was evident throughout the Workshop that there exists a broad consensus across the sheepskin industry to achieve the necessary changes to ensure a continuation, if at all possible, of the sheepskin tanning part of the industry in the Southwest. This was seen to have important and beneficial consequences for retaining flexibility in the UK manufacturing, design and fashion-related sectors, a flexibility which is in danger of being lost. Despite some very significant and, indeed, apparently successful marketing initiatives by the RSA since its formation nearly twenty years ago, and some examples of very successful SME businesses in the manufacturing/retailing area, there is a perception across the industry that marketing can and must be improved. The Workshop recorded the following views which are of relevance in any consideration of the industry's future engagement with marketing:

- Other industries see no value on wool on the skins and this needs to be addressed.
- A sustainable eco-friendly market, needs to be developed through education
- Overseas marketing is necessary. There is a demand for the product.
- Marketing development is needed, by breed groups and regional producers, etc.
- There should be regional marketing initiatives.
- There is a need to target retailers
- There is a need to link the design world with the producers.
- The Internet should be used extensively for research of the market and other aspects of the industry.
- The industry does not know which other industries are using sheepskin. This needs to be researched and the opportunities need to be exploited. e.g. baby, elderly, medical products.
- Marketing is most important, to create an interest in the products. One barrier is thought to be the sheepskin shape.
- There should be a co-ordinated drive from the industry.
- Markets are demanding. Differentiation could be achieved through:
    - Green, Environmental issues
    - Tanning processes,
    - Small niche, e.g. Rare Breeds, etc.

- Quality (inclusion of Q.A. symbols). Consistent quality in quantity is expensive. Quality needs to be defined for the market.
- Organic products. There are 9 bodies concerned with organic production. The market wants organic products, but this causes pollution somewhere, (travel etc) The organic process is vague – there is no standard accepted definition**.**
- Standards (ACOS)
- Brands
- Specialist products

General overview

First, some general observations which reflect delegates' views on the structure, current state and possible future role of the sheepskin industry in South West England. The industry should be seen as comprising three distinctive but inter-linking and, to an extent, inter-dependent parts – the sheepskin tanning sector itself; the processing and manufacturing sector, both fully independent and in a few cases vertically integrated with the tanning sector; and the retailing sector which undertakes most of the marketing and promotional activities, as well as leading in the development of new products.

There is a perception that, in respect of both environmental and labour costs, the 'playing field' is not level to the detriment of the SW tanning sector in particular. Some delegates felt there remains scope to build on and develop further the strengths of the industry need to be built on and developed and the point was made that at no stage should skins be viewed as a waste product, since thy will have a value abroad. It was seen as important that the skins should be used since it sends the signal and helps to assure the future availability of the raw product (i.e. the uncured sheepskin). As already noted, there was a general view that the sheepskin's industry's marketing needed improvement, at least. Finally, and reflecting perhaps a perception of the currently tight margins in at least some parts of the industry, there were calls for (public) funding to hep set the industry on a new course.

More fundamentally, perhaps, some general concerns were expressed about structural aspects of the industry and its mode of operation. Although these are noted here the issues were generally explored in greater depth in the discussion groups, the outcomes of which are included in various parts of this report (see Appendices 4, 5 and 14 in particular). Key issues of concern for delegates were:

- The tanning process – its nature, impacts and future
- An apparent need to secure an amalgamation of resources in the industry – but no obvious way of achieving this outcome
- The possibility of working on a contract basis - can supermarket contracts really be used to drive the production of skin products?
- The supply chain, deficiencies in which are probably detrimental to the industry's future
- Links and communications across the industry are of crucial importance to its survival.

It is notable that the Workshop itself appears to have represented a significant step towards better cross-industry communication, and one delegate from the manufacturing/retailing sector remarked that it was now clear to her that the supply problems she had experienced were the result of problems at the abattoir end of the chain rather than the tanneries as she had believed. In some cases it was the first time a delegate had actually been part of an industry-wide discussion, and the results of the Workshop provide evidence of a fertile interchange of views.

It is very much to be hoped that the present study, and the associated Workshop which formed part of it, will act as a catalyst in bringing together the different sectors involved in the broad sheepskin industry and mark the beginning of effective collaborative action. In one discussion group it emerged that the design/fashion sector would welcome the identification of sources of supply for sheepskins from distinctive British, or even rare, breeds that could be used for the more high-end products or garments – the key was identified as 'exclusivity'. This chimed with the prevailing view that the future for the industry lies in niche markets rather than the commodity markets; on labour costs alone the UK is unable to compete with low-wage economies around the world.

Recommendations

The study has provided important evidence of a traditional industry approaching perhaps terminal decline unless effective collaborative action is taken in the near future to re-focus and re-invent the primary sector which has formerly underpinned the industry as a whole. Already, some successful manufacturers and designers are being forced by the lack of UK supply to source abroad. Yet the Workshop demonstrated a continuing interest in, and commitment to, the continuance of a UK sheepskin tanning sector, almost certainly to be located in the Southwest. The Workshop generated extremely valuable and largely consensual insight into the state of the industry and its possible future development, and the group's deliberations are the most valuable part of this report.

There are five principal recommendations for urgent future action which emerge from this study, although it is expected that the industry itself will begin to formulate its own priorities as a result of the research. If adopted, they will encompass the breadth of the industry discussions emerging from this research and should provide a clearer view of the best way forward. In addition, many detailed issues relating to the future development of the sheepskin industry have been raised, involving a range of stakeholders, and these have been presented in Chapter 6 of this report.

R1 The principal outcomes of this study should be disseminated as quickly, as widely and as effectively as possible to all relevant stakeholders.

These should include all sheepskin industry stakeholders, broadly defined, together with public bodies and policy makers across the SW region; and a cross-industry group should be formed to provide in-depth support to service requests for information.

R2 Steps should be taken to ensure the continuation of the threatened skills base, perhaps in conjunction with Business Link and the British School of Leather Technology at the University of Northampton.

The small and aged cohort of sheepskin tanners represents a resource critical for the continuation of the industry, and the issue of training another generation must be tackled urgently.

R3 A co-ordinated approach should be made through AIMS to one or more smaller abattoirs to try and identify a common interest in a secure outlet for sheepskins for UK tanners.

The study identified large abattoirs as being a significant problem in the sheepskin supply chain, and this was endorsed by the Workshop.

R4 A cross-industry group should be formed to access public funds for facilitation, knowledge transfer and training support.

Support is available for groups of SW businesses tackling common problems, through the Rural Enterprise Gateway (contact Helen Ashcroft, MSW, for advice on this).

R4 A cross-industry group should be formed with the aim of identifying and subsequently developing new products for niche markets.

The group should encompass all stakeholders, from sheep producer to fashion designer, with the principal aim of establishing a range of future product possibilities, particularly where these have the potential to be UK-specific.

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Appendices

1 Trends in livestock populations in the South West

2 Summary of responses to the focussed telephone survey

3 SWOT analysis of the Sheepskin Sector in 2004

4 Current SWOT analysis of the sheepskin sector (for completion from discussions at the Workshop)

5 Current STEEP analysis of the Sheepskin Sector (for completion from discussions at the Workshop)

6 History of the UK sheepskin industry to the year 2000

7 The overall structure of the UK sheepskin industry

8 The overall structure of the UK sheep industry

9 Flowchart illustrating the stratification of UK sheep farming

10 Structure of the post farm-gate sheep industry

11 Hide markets in the UK 1988

12 Fellmongers in the UK 1988

13 Sheepskin fashion to 2006 (pictures)

14 A summary of the Workshop outcomes

Appendix 1 Trends in livestock populations in the South West

	1990	1995	2000	2001	2002	Change 2002 compared to 1990	
Dairy Cows							*% change*
North And North East Somerset, South Gloucestershire	41,495	35,220	30,375	31,136	29,684	-11,811	-28
Gloucestershire	49,481	45,461	38,406	34,912	35,264	-14,217	-29
Wiltshire	81,523	73,012	59,214	59,120	55,397	-26,126	-32
Dorset	101,964	94,403	78,187	80,097	73,476	-28,488	-28
Somerset	140,541	128,332	109,498	111,379	106,419	-34,122	-17
Cornwall And Isles Of Scilly	103,115	96,547	85,534	87,513	82,549	-20,566	-20
Devon	185,526	175,505	155,229	138,789	144,148	-41,378	-22
South West total	703,645	648,480	556,443	542,946	526,937	176,708	-25
Total beef cattle							
Gloucestershire	53,964	47,595	43,244	42,670	37,938	-16,026	-30
Swindon	82,343	75,371	67,513	61,071	58,805	-23,538	-29
Wiltshire	91,498	83,911	75,756	77,860	69,993	-21,505	-21
Dorset	87,702	77,806	68,765	70,753	61,407	-26,295	-30
Somerset	151,758	136,243	133,074	136,398	121,150	-30,608	-14
Cornwall and Isle of Scilly	212,702	199,144	181,056	183,394	162,811	-49,891	-23
Devon	327,956	313,871	298,126	264,205	262,490	-65,466	-21
South West total	1,007,923	933,941	867,534	836,351	774,594	-233,329	-23
Breeding Ewes							
North and North East Somerset, South Gloucestershire	48,638	48,953	46,946	45,164	40,554	-8,084	-17
Gloucestershire	200,865	193,577	198,082	158,771	157,667	-43,198	-22
Wiltshire	123,524	106,410	95,753	94,121	83,447	-40,077	-32
Dorset	118,735	103,505	105,249	98,292	86,351	-32,384	-27
Somerset	306,690	291,147	292,319	276,357	247,619	-59,071	-19
Cornwall and Isles of Scilly	333,559	320,324	307,308	291,881	266,467	-67,092	-20
Devon	953,497	938,345	900,997	732,870	726,858	-226,639	-23
South West total	**2,085,508**	**2,002,261**	**1,946,654**	**1,697,456**	**1,608,963**	**476,545**	**-23**

Appendix 2 Responses to the focussed telephone survey

1. What is the current market for sheepskin like?

- Businesses have survived the changes in the market by being flexible. The current market for finished sheepskins has contracted and is now concentrated on a few key customers:
- Catalogue & e-commerce – expanding >10% per annum
- Sheepskins for luxury car upholstery some under threat
- Automotive & Aviation products - expanding
- Some strong with new customers taking our quality product
- Wholesale rugs – declining in face of cheap imports
- Numerous smaller customers with Contract Tanning for smallholders & rare breeds expanding
- The organic market is big in general

- The UK market for sheepskin rugs appears as strong as ever. Most chain stores now stock rugs. They are readily available. The demand for industrial type sheepskins has declined, as there has been a trend for a move from manufacturers to use cheaper synthetic materials. Also those manufactures still using sheepskin are often located in low labour cost countries.

Products

- Wide range of sheepskins, finished and manufactured for retailers and other manufacturers, see Celtic Sheepskin website for examples
- Everything organic
- Organic baby products
- There are a lot of enquiries for rugs with unusual markings. They are sold at Farmers' markets

UK

- Extensive customer base (above) but we lost a large chain (8,000 skins per annum) to Far East competition in 2005/6 - Retail price cut from £50 to £30 – how do they do it?
Includes small designer based companies at the leading edge in Fashion & Furniture

Other countries

- The price for raw skins is historically quite low, because the great majority of skins are exported from UK salted (i.e. with the minimum amount of processing); therefore the price is at the mercy of the international market, which is currently quite weak

- There is a very competitive market for pickled pelts, and there is very little fellmongering left in the UK. There are no buyers of pickled pelts in the UK, except for the chamois leather manufacturers who require large sheep skins for splitting

- The market for chamois is reasonable; but the market for pickled grains – the co-product of chamois production is very weak, reflecting the low price of skins generally

- I believe that the niche markets for tanned wool-on skins at present are reasonably strong; but the industrial markets appear to be quite competitive, with pressure on margins from some very low prices from overseas

- In a word – steady to gently growing.

Products

- Clothing, Footwear, Accessories, Nursing, Childcare, Automotive, Aviation, Gift/toy
- Industrial ie paint roller, drill head buffs
- For details please see www.realsheepskin .org.uk and Members' product hyperlinks

- There is a shortage of unusually marked skins

UK

- Clothing is more life style/fashion than cold weather controlled. Footwear recently had a major boost worldwide from the UGG Boot phenomen. Most airlines, executive jets fly their pilots on sheepskin crew seating. Luxury car markets remain buoyant for over rugs. Sheepskin car seat covers is a growing market. There is a wide appreciation for comforts/practicality of sheepskin in the Adventure/Travel markets

Other countries

- One company sells its car seat covers and luxury over rugs worldwide particularly US and Far East. Design led sheepskin products (clothing, furniture/furnishings) are selling into export markets
- Scandinavia - expanding
- Canada – regular
- There is a big market for organic products in the United States

2. Are there any products allied to the industry that are strong/weak in the market at present?

- Raw skins and pickled pelts are very weak
- Tanned wool-on skins appear to be quite strong in the specialist niche markets, but competitive in the industrial markets
- Look-a-like synthetic micro fibre "sheepskin" clothing – strong.
- UK wool textiles manufacture from being paramount is now facing

extinction – weak.
- Likewise UK light leather production – weak.
- Fake sheepskin is very strong, traditional garments are declining – few retailers
- Furnishings – moving from single rugs to complex designer led sheepskin carpets & furniture

- Pharmaceuticals

- There is an increasing demand for naturally coloured sheepskin rugs. However there needs to be some form of industry wide marketing policy to achieve the realistic added value from this generally British product

3. The current industry structure in the South-west

- Retains links to its craft/manufacturing/retailing past, but is diminishing rapidly. The biggest worry is the age-profile of those who remain. For example, there are perhaps only 8 people with enough expertise, knowledge, skills to pass on the UK's 2000 year old Woolskin Tanning Industry to the next generation. We have maybe a year or so to go before even this will be lost
- Just 2 sheepskin tanneries left. Baby NZ Lambskin Tanner

<u>Are there any recent or expected changes?</u>

- The support of SWRDA could transform the situation by acting as a catalyst in the needed rationalization of the remaining woolskin tanneries and light leather production businesses
- One business is unlikely to survive for more than a couple of years
- One is in an unusual, uncomfortable position now, being part of the Axminster Carpet Group
- Hide Markets are likely to continue to decline as big abattoirs export raw skins direct
- Defra recommend there should be a return to small abattoirs serving the local community – should this happen there will be more opportunities for micro-tanneries and niche markets
- The 2003 Animal Waste Act which stated that no animal skins were returnable to agricultural holdings caused difficulties in the industry. This has now been reversed in September 2005. A license is now needed.

<u>Entries and Exits?</u>

***<u>- Entries</u>* will require a new perspective on local traditional industry finance – see Defra Red Meat Survey 2002**

<u>- Exits</u> *– all three Tanneries shortly*

- Supply chain – One local abattoir has recently closed their lamb line. The

slack has probably been taken up by abattoirs in other parts of the UK.

Reasons?

- There are 2 tanneries in the South West processing domestic skins, and 3 processing imported skins (mainly for technical reasons – in most cases the required skins are not available in UK) They all operate in an intensely competitive world market. There are no immediate changes expected, but you would need to talk to the individual companies

- The 1980's saw most change with the closure of all except 2 of the UK's 15 tanneries, most of which had been based in the SW. Since then the battle plan has been to stabilize the patient and then gently through the 1990's and early years of the 21st Century transform the product base to a design led Industry and in the process, grow the UK market for real sheepskin

- Three major reasons:

A. ***No coordinated, professional Marketing/Sales activity has been undertaken by individual Companies in the Sheepskin Industry for 25 years. For instance none of the 30 Members of the Real Sheepskin Association employs a dedicated Sales person between them.***
B. ***The Tanning sector in particular has not been profitable enough to build up investment reserves to go into major capital projects (new machinery, buildings, training) . This sector is in desperate need of " more science, technology and investment (money and people) to achieve its aim of building a sheepskin tannery for the 21st Century"***
C. ***The internecine warfare of the Hide Markets and Sheepskin Tanners which has been going on for decades***

- Entries *through new finance linked to changes in global transport pressures on animal, skins and finished by-product movements – the purpose of the Conference*
Exits *– the tanneries are no longer viable in present locations and structure.*

- New organic businesses are starting

- Skins are tanned in Poland, sent back and sold for £20

4. **The Training Situation – any opportunities for the industry?**

- No – the tanners rely on a declining pool of traditional skilled labour from the days of 5,000 in the industry (now less than 80). One business has 30 employees, all over 50, with 8 working on into retirement

Management

- Management recruitment, selection, training is vital and urgent

- Only if a new future can be projected – skills may have to come from overseas as there is no UK sheepskin tannery Management training. There is no point in training unless a need can be identified

- For the industry to more forward it is essential that new dynamic managers are recruited or trained. It is not an attractive industry to new graduates.

<u>Processing</u>

- There are training establishments available (eg BLC Leather Technology Centre Ltd/ British School of Leather Technology – but the training is provided on a commercial basis – so someone needs to pay for it.

- See above. It is vital that a new, young cadre of woolskin technicians is recruited, selected and trained. In particular colour chemist/masterdyers

- Yes, the remaining industry does innovate in what is perceived as a craft industry. Fenland has a number of initiatives awaiting investment and marketing to introduce in the UK. The Chinese will soon be leading the way if we do not develop the potential at home – a recurring theme

- There are a few production courses run through RSA, for example at RWAS

- Improved processing techniques would be a benefit especially if special performance sheepskins could be produced – a potential marketing plus

<u>Other</u>

- There is a great need for sewing machinists

- Labour supply will become dependent on immigration - Hide Markets are already staffed significantly by Polish workers that are prepared to do the work in the by-product sector

5. **Any funding opportunities available to the industry at present or expected?**

General UK and EU funding schemes; limited training funding from British Leather Industry Development Trust

- If thorough business plans are put up, produced by a KPMG-type calibre firm, based on a BAT (best available technology) analysis of the UK Woolskin Tanning sector, the chance of finding private equity/ funding should be perfectly achievable. There is a lot of money that could be made out of Sheepskin ,which is a sustainable low cost raw material (16m raw skins annually) with a growing environmentally aware global public

- One business obtained £500,000 from the City after Morlands collapsed in

1982. This was on the back of market and technical opportunities awaiting exploitation. I have recently met with Venture Capitalists - with the right prospectus for a sheepskin tannery for the 21st century they believe there are interested parties that would be interested

- Advantage West Midlands recovery fund

6. **Any Government changes in 2006 or 2007which have affected the industry?**

Financial, Tax, Grants, Fines, Licences etc.

- Defra/EC ABPRs caused serious difficulties for the 2 remaining SW Sheepskin Tanners. A famous meeting in August 2005, in effect at the very last moment, called off the Government Veterinarian Service then in the process of withholding tannery licences on grounds of lack of bio-security

- Licences required by the implementation of ABPR 2003 have still to be sorted out. Although the tanners successfully lobbied Defra to relax the rules there are still problems with communication with abattoirs regionally preventing smallholders from retrieving their own sheepskins for our Contract Tanning services

- Grants are not available for a 25 year old run-down business with a negative net worth – we cannot even Lease equipment. A new, 'clean sheet' is required

- Business Rates when applied to a business running at half design capacity have to be proportionate ***– we will take direct action this year if our claims are not met***

- Health & Safety requirements to maintain Employers Insurance Liability are increasingly impossible to meet in an old industry ***– we are in danger of being uninsurable***

- A huge impact

- The confusion over the legislation regarding the abattoirs returning the skins
- Not directly

Legal – any problems or advantages with new legislation?

- The continuing problem of ever-increasing environmental legislation; restrictions on sheep dip chemicals; possible rules on solvent emissions (degreasing of skins during processing)
- *Not at the moment*
- There is no legal definition for organic
- Health and Safety and DEFRA rules are changing all the time
- Problems with Buildings Legislation

7. **Are there any groups or organisations involved in activities to help the industry? (obtaining grants, training, management etc.)**

- It is very much DIY in the industry

<u>South West</u>

- SWRDA? Hugh Fearnley- Whittingstall. Textile Forum South West. Stuart Peach's River Cottage TV series

- Defra – finance for seminars & workshops for smallholders adding value to flocks
SWRDA – this conference and, hopefully, the next step into a business model
Textile Forum South West (TFSW) – promoting sheepskin as a 'fabric' through seminars & workshops.
- RSA

- Not for tanneries

- Nationally?

- Real Sheepskin Association, UK Leather Federation, British Leather Industry development Trust, BLC Leather Technology Centre Ltd, EBLEX Internationally? COTANCE, International Council of Tanners

- HRH the Prince of Wales. Leader Plus. British Leather Technology Centre, Northampton

- DEFRA and DTI senior civil servants

- For others see list of supportive agencies sent to Martin Turner

- Defra – as above – this year Wales, Antrim & Lake District

- British Leather Confederation

<u>Internationally?</u>

- MEPs with especial interests in EU Agricultural matters

- There has been previous work with EC schemes on novel technology funded from Brussels – the finance mainly goes to UK research establishments eg BLC or Northampton College with the SME's being the potential beneficiaries being the 'owners' of the results. Examples can be given

8. **Are there any good practices that have recently come to light and would help the industry?**

- There is a leather sector BREF (Best Available Techniques Reference Document) and the sector approach to on-farm salting of skins

- Not aware of any.

<u>How did they come to light?</u>

- In response to legislation and lobbying from the sector

- Joint attendance at major Leather Industry International Trade Shows
- Bad practices have been highlighted – the preservation of sheepskins is poor in the UK – Defra grant for research by British Leather Confederation. Best practice has been established but not effectively communicated

- Research before action

- Organic production methods

- How to treat skins

- RSA Members' successes from attending Overseas Trade Shows

- Sheepskin Tanners have ongoing problems with UK rawstock supply side (sheepskins with wool-slip) compared to the high quality received from overseas

- Help between large and small businesses in the industry

9. **To what extent have you noticed that people in the industry are using the Internet for their business?**

- Please look at the Real Sheepskin Association's website. 28 out of 30 have websites and trade actively via the internet

- Most companies handling or processing sheepskins use the internet

- We have not invested in Internet promotion – we do not wish to compete with our retail & wholesale distributors. You will notice that our web links (on theRSA site) are now dormant

<u>Who uses the internet?</u>

- Most companies handling or processing sheepskins use the internet

- Our customers have developed significant Internet websites – Celtic, JLP, Easirider, etc. (see RSA links)

- The small businesses are using it to sell

<u>What are they using the internet for?</u>

- E-mail communications, websites, some e-business

- Just look at Celtic's website.

- One business has moved significant volume of imported sheepskin rugs from store to website promotion. Rugs are hard to display and take up volume in store – on the web they can be displayed with NO tactile, quality, size comparisons!!

- Sales, exporting through the internet
- Small businesses tend to use the internet for enquiries and sell through Farmers' markets

- For marketing, advertising and selling products.

10. Is there anyone you think we should speak to about our research?

- UK Leather Federation and BLC Leather Technology Centre

- If not already done, talk with Sheep Farmers, Meat and Hide Markets to check on the "imperfect" supply chain that prevails in the SHEEP INDUSTRY

- Talk with Jeff Banks and other major designer "Brand" celebrities to check on public appetite for Sheepskin products

- Talk with Chris Southgate, Manager Livestock Strategy, Defra

- Talk with Hilary Alexander, Fashion Director of the Daily Telegraph and other lifestyle journalists

- Lawrence Alderson, Rare Breeds Trust

- John Thorley, NSA

- Abattoirs - You have to pay £2 to £10 to buy back a skin. The link is the abattoir to the tannery. This controls the industry

11. Are there any other issues that you think should be raised in our report and/or at the workshop?

- We are hoping the Workshop will help forge a proper Supply Chain throughout the SHEEP INDUSTRY and agrees to fund a thorough and professional BAT analysis of the UK Woolskin Processing sector which draws up an in-depth business plan that can be "taken to the City" <u>QUICKLY</u>

- No-one has yet seemed to be interested in the financial state of the Tanners – Accounts, Net Worth, Sales trends etc – is anyone looking?

- Funding a way forward. There is a large number of sheep in the South West. Breeds are regional and the industry is losing the DG Longwool –it is crossed now for faster fat lambs. A way forward is to produce regional breed types for the South West to compete through quality – it cannot compete in the overall market with China etc. The best diversity would be specialisation in out best quality products

- The average age of farmers is around 56. They are reducing the size of flocks due to the intensive hard work. With DEFRA legislation and the way the industry is going it will lose a third of British sheep. The value of skins won't rise.

- A simple way to obtain skins back from the abattoirs

- The tanners need to know from the sheepskin users if there is a benefit to them buying wholly British (or British tanned) sheepskins. Some customers may require properties in their sheepskins that can only be achieved from foreign sheepskins (e.g. Australian or North American) but would they rather deal with a tanner in Britain. Do they market them in any specific way to highlight this?

- Can the tanners change to offer what the users require?

12. Additional questions for sheepskin users

Do you use UK sheepskins?

Yes

- Please be aware; there are 1000 sheep breeds worldwide each with unique woolskin possibilities. There 100 UK sheep breeds. The Sheepskin Industry has always had to draw on both supply streams for quality/wool type and seasonal reasons. In this sense it has always been a Global Industry.

Are you aware whether your 'UK' sheepskin is sourced from the UK farms?

- Our specialist requirements for the most part come from overseas imported skins which are both UK tanned (mostly) and also Overseas tanned.

Appendix 3 SWOT analysis of the sheepskin sector in 2004

Strengths	**Weaknesses**
• High quality of sheep skins produced by the SW (April - November) • High quality "clean" cattle hides from the SW • Machine flayed hides are of better quality (SW produces many such hides from the larger abattoirs) •	• Poor quality sheep skins (December -March) • High cost of processing compared to other countries (e.g. £5/hide in India compared to £12 in the UK) • Handling of hides needs to be improved to ensure rapid cooling to prevent putrefaction
Opportunities	**Threats**
• UK does process hides to some extent • Development of further trade with China and Spain (where there is a developing tanning business) • Development of a premium product sheepskin for the Turkish market • Reduce the cost of transport by shearing fleeces before transport • Co-operative development on the part of a number of smaller abattoirs to market sheepskins. Abattoirs have some competitive advantage compared to Hides and Skins merchants since they already deal with significant regulation; therefore the license being introduced will be less onerous for them. • Hides and Skins buyers are trying to get closer to their source i.e. farmers and abattoirs	• License now required from Defra to operate a Hides and Skins facility • Hides and Skins merchants focus on throughput currently rather than quality, with too low a price differential for quality • Lack of advice and training to small abattoir operators on best practice for hides and skins selection and treatment prior to sale

Source: RSA

Appendix 4 Current SWOT analysis of the SW sheepskin sector (completed at the Workshop)

STRENGTHS

We have the raw product – but is it the right product?

The Southwest has the highest amount – needs exploiting – for quantity, quality, variety and sustainability

The south-west is naturally the prime area for sheep

Huge resource of know-how, strong international design, willingness to do something, quality of raw material

Quality raw product

Active sheep industry. Volume domestic supply

Variety – niche products and diversity

Communication improving

Industry will increase – the skins are being used somewhere!

If the skins are being used – the future of the raw product is assured

The Industry currently has the best research in the world for leather science and the three processes of production

The product lasts and is hard wearing and this could produce marketing opportunities, as a strong selling point

There is a market for processing Cattle Hides, wet/blue

There is also the use of hair on Cattle, Deer, Goats, and Sheep

There are opportunities for product differentiation

WEAKNESSES

Poor communications prevail between all sectors of the Sheep Industry at Trade Association level right the way through to ground level

A failure and/or unwillingness over many years to grasp chances to make the cake bigger or to optimise Value Added initiatives across the whole UK Sheep Industry, sometimes characterised by inter-sectoral suspicion

It has been observed however that the record of relative export success happens despite the fact that no Company within the Industry today employs a full-time sales or marketing specialist in the international market

The Real Sheepskin Association (RSA) only represents Members' businesses as part of its promotion of the Sheepskin Industry at Sheep Trade Events in the UK, never overseas

Need to add more value in the UK

The way in which the market handles skins

The international market – there is not potential to market raw materials

Costs of transport

Not exploited

Poor communications in the industry

Few farmers will understand the potential value of skins

No sales and marketing, expertise in industry

Variety of types

The majority of skins are exported. Any Added value income goes to China!

The Effluent problem is difficult and expensive for small businesses

Currently used processes are dated and traditional (China leads the way on this)

The processed imported skins are cheaper but suitable types are not always available for customer requirements

There are a number of product processors in the South West and a great potential for products in the design world. However, current production skills cannot meet demand

It is thought that there are some specific obstacles to choosing the sheepskin industry for a career. Society sees the industry as 'messy'

The industry is fragmented and needs co-ordination

There are barriers that need to be overcome. Some potential customers see the product shape as a single piece of sheepskin. They do not know that it can be made into lengths of fabric. Others are concerned it comes from a dead animal.

Large abattoirs take no care of skins.

There is a current problem with Sheep Scab

OPPORTUNITIES

Ultra niche products, such as from newer companies like Made, established in 2000, have penetrated the UK and US markets. With assistance from AIMS they are creative, innovative and dynamic individuals. These new dynamic companies, as well as designers, are penetrating new markets with great success and have potential for further growth into new markets as well as growing existing markets **but finance has to come from external sources**

Sheepskin is used in design and this could be promoted further. Designer galleries with funding could be opened to promote the use of sheepskin. MADE is a relatively new company that is innovative with designs. Products include rugs, which are made to order, such as Union Jack flag rugs etc. MADE has started to export to the US, a previously relatively untapped market with tremendous opportunity. Other companies have not the knowledge of how to infiltrate the US, but with co-ordination and pooling of resources further exports to the US could be made resulting in tremendous economic value to the UK

In the UK a small number of farmers, such as Jacob breeders and Rare Breed producers, are buying back their skins and having them cured and selling them in Farmers' Markets, craft fairs, etc. These farmers are using small tanneries and are given help and support from breed societies. This is a growing area with more farmers looking to add value to their product and utilise resources. The growing success of farmers' markets, craft fairs and a growing trend by the public to buy local products adds impetus to this market.

Currently approximately 4000 skins per annum are processed on a private basis for the home kill/meat sale sector. The tanning facility limitations are exemplified here with products from as far afield as Scotland, regularly being sent for processing to the South-West. This sector is an area of great potential as home sales and slaughter continue to grow for the farm shop and farmers' market sectors.

A cleaning and refurbishment service is also in operation, which could be expanded and maximised.

The assistance of AIMS, NSA and FARMA should be sought to expend this and other areas of business development and raw material sourcing.

Other potential areas of growth could include the processing of deer hides; large quantities are currently culled and put into landfill at great cost. This is a resource that is much in demand by interior design houses. Small scale. Better to look at the sheepskin first – the hides can be used.

Goats are another product group. Large herds are now kept for milk production and the hide could prove a valuable commercial by-product.
Totally different skins – small scale.

Slink skins are used to produce particularly soft fashion clothing and gloves, which command premium prices. There is a need to establish whether the 250, 000 or so mottled UK lamb stillbirths could be converted into profitable slink designs. This may be attractive to some designers. A popular product. Worth it in NZ – not in UK due to the cost of collection etc. Legislation is a problem.

Environmental threat – local production may be seen as desirable.

Process change encourages funding

THREATS

This level of business activity will only last as long as export demand holds up. There was the Asian Collapse in 1998, when UK Hide Market exports for Turkish ‘double face sheepskin coat’ production totally ceased, following the turmoil that closed down the Russian economy, which has now bounced back

China is now processing UK skins – a threat and an opportunity. It would replace Turkey if Turkey joints the EU. Developing countries my take all the raw materials out of the UK

Also cited as a cause of breakdown in the chain of supply is the suspicion between all the different parties in the Sheep Industry

Environmental legislation, increasing and more rapidly in UK. Major issue in smaller tanneries. Environmental costs

Staff replacement is needed

The Tanners’ position is worsening

There is an International/European ***un-level*** playing field regarding the environmental and labour costs

Maintaining the status quo is not an option. If the industry doesn’t do something, other countries will

Turkey can process in bulk with lest cost, due to less Legislation compliance costs, etc

There are poor export initiatives funding (e.g. DTI). UK PLC is funding some industries

Appendix 5 Current STEEP analysis of the SW sheepskin sector (completed at the Workshop)

SOCIAL Employees/jobs in sector and region Ethnicity There is a difficulty in recruiting employees into the industry. New skills and labour will be needed if the industry is to expand its export capability. Market driven training is needed. Training is required regarding in the following areas: • Tanning • Dye chemist • Sewing • Teacher training In order to solve the Training gap – the lack of young employees joining the industry, - it is suggested that the leather and sheepskin industries join forces to provide promotion and training It is thought that there are some specific obstacles to choosing the sheepskin industry for a career. Society sees the industry as 'messy'. It is necessary to establish how people can be encouraged to join the industry and be happy in it The Southwest has industry prioritisation. Incentives to employ (e.g. apprentices), and subsidies to other industries is higher
TECHNOLOGICAL Little scope for research – no funding Dye system issue – no research departments or UK supply Northampton (BSLT) (BLC) , exporting expertise, tanning expertise Would technological changes assist the industry?

ECONOMIC

Does the Government and the Region want the Industry?

The abattoirs should be included in the decision processes for future sheepskin Industry

The prices of skins

Set prices – economics – China is the main buyer - set prices

Promote to abattoirs that skins moved quickly

Buy by flock. Farmer knows value

But not sell flock at time. Sold according to meat

It should be established whether the tanning sector is viable for investment and whether the South-west wants it and/or needs it

Skins ***are*** being used but the benefit is not in the UK. Could/should the benefit be returned to the UK?

What is the cost of getting rid of the product versus the cost of synthetic production?

How does the cost of processing compare to the cost of landfill?

Funding is a key issue. What sources of funding are available? For example, what are the Leader+ groups, and how were they funded?

Source of investment, market potential, research funding

Australia has the same issues. They are world issues. China dominates through a 'dynasty'

The drain of exporting should be stopped, as there is not a level playing field

It is not known whether Turkey will operate as a level playing field when it joins the EU. There is not equality in the EU

The Government has priority sectors, for example, legislation. In Turkey and China the Governments have assisted the industry

Taking a ten to fifteen year view – if Turkey is in the EC, China's and India's legislation makes it cheaper for them to take over the market

ETHICAL Sustainable resource 60 m.p.a. – carbon footprint What are the effects of the carbon footprint of the Industry. Should there be a feasibility study? Organic products. There are 9 bodies concerned with organic production. The market wants organic products, but this causes pollution somewhere (travel etc) The organic process is vague – there is no standard accepted definition
POLITICAL Sir Don Curry, HRH Prince of Wales, Regulation, DTI, DEFRA The Government has priority sectors, for example, legislation. In Turkey and China the Governments have assisted the industry Taking a ten to fifteen year view – if Turkey is in the EC, China's and India's legislation makes it cheaper for them to take over the market

Appendix 6 History of the UK sheepskin industry to the year 2000

[Reproduced from Robinson (2006)]

ORIGINS IN THE SOUTH WEST OF ENGLAND 1200 – 1900

Sheep have historically been integral to the economy of the SouthWest. The great Abbey of Glastonbury, one of the most powerful landholders in the country, as a natural adjunct to their farming activities, operated a tannery by a mill stream at the Beckery, then meadowlands between Glastonbury and Street. This practice can be seen repeated throughout the SW, as for example by the 12th Century Abbey at Old Cleeve, near Minehead, where a sheepskin tannery operated into the 1980's. Wealth generated by the wool trade paid for the many elegant churches and great houses throughout the region and provided much of the employment over 5 centuries. Bridgwater Docks served to ship woven cloths.

When in the later 18th century, wool weaving in the SW was largely lost to the new factories in the North of England, the tens of thousands of sheep continued grazing the region's lush pastures and supplied tanneries like the one founded by Arthur Clothier in 1810 at Middleigh, close to the Beckery. He took on an apprentice Cyrus Clark of a Quaker farming family in the nearby village of Greinton. In 1825 Cyrus set up his own sheepskin rug business and was joined by his brother James, who introduced the production of woollen slippers called 'Brown Petersburgs' and later boots and shoes. In the early years, work was given out weekly to outworkers and their houses with workshops at the rear, still testify to this tradition which continued long after the first Clark factory was built in 1829 and down to the present day. Under William Clark, son of James, a period of expansion followed. Much of the business' profits were given to the development and welfare of Street. Profits made from supplying sheepskin clothing for troops in the Crimean War paid for the Board School in High Street.

Towards the end of 19th century the Clarks formed a joint business with fellow Quaker, John Morland which later led to a separation of shoe making from sheepskin tanning and manufacture. In 1870 John Morland bought the tannery in Glastonbury and his company quickly became known for the excellence of its warm, serviceable sheepskin gloves, coats, footwear and hearth rugs.

THE UK SHEEPSKIN INDUSTRY 1970 - 1989.

During the 1970s and early 1980s, the Sheepskin Industry was characterized by a number of features:

1 More than 14 specialist Sheepskin Tanners notabably Strong and Fisher and Morlands (established in 1870), Bailys of Glastonbury and Union International (part of the Vestey Group), Devonia at Buckfastleigh (then part of Hillsdown Holdings), Webbs of Stowmarket, Tanns, Spalding Sheepskin, Antartex, Burns Coalston (part of Pittard Garner). All of whom also operated in the other areas of sheepskin production listed below.

2 Merchants, like S.Tersakian Ltd, many trading in the City of London. Coat wholesalers like Pattersons of Northampton.

3 Manufacturers like Nurseys of Bungay (established 1790) specialists in clothing; Brays and Drapers of Glastonbury footwear specialists. The SW and other regions abounded in sheepskin out - workers producing coats, gloves, slippers, hats mostly working from home or in small workshops throughout the region. Automotive and Aviation specialists like the Easirider Company of Northampton (established in 1971).

4 Sheepskin and Leather shops on High Streets in every town over the UK.

It is reported in 1983 the combined UK woolskin tanning capacity amounted to around 2 million raw sheepskins, mostly of UK origin - the plump, well cared for domestic skins were the material of choice for coat manufacture of that time - but also drawing on other sources of supply, particularly ex - Australasia. The Sheepskin Market, mainly for double face coats (wool in/suede out) and footwear was at this period, perceived as serving a mass market. (compare with today's realization that Sheepskin is a mass of niche market places).

To give some sense of perspective, 2 million sheepskins could make 300,000 coats depending on style or the better part of 7 million pairs of slippers.

During these decades, textile manufacturers making pile fabrics, seeing the success of sheepskin, began to replicate the sheepskin look. Companies like Borg Fabrics reproduced sueded sheepskin coat styles persuading a confused public that 'synthetic' pile fabric coats at less than a quarter of the price of sheepskin, were the real thing. Mock sheepskin textiles became prevalent in many other product areas aswell, notably footwear and the car seat covers, which reportedly in Germany alone had sold for a short time about 1 million real sheepskin car seat covers p.a. until the market was taken over by pile fabrics and then wooden beads!

The Sheepskin Industry did little to protect its unique 'brand' and it was only late in the decade that Trades Description legislation gave the Industry a stick to beat purveyors of fake sheepskin and impose proper standards of labelling. The Industry still needs to be vigilant in the view of many in the Industry today.

THE MERGER AND MONOPOLY YEARS

In the UK Sheep Leather Industry of the late 70's early 80's, a battle royal had developed between Hide and Skin Markets and Fellmongeries for control of the:

1 Purchase of raw sheep and lamb skins.
2 Salting of raw skins.
3 Removal of wool and preservation of pelts by pickling (by far the major requirement).
4 Tanning of wool-off clothing leather.

Many of these companies, like Strong and Fisher which controlled 18 Hide and Skin Markets, and Pittard Garner which controlled 4 more, operated in all four activities. Wool-on production was a small part of their total turnover. Attempts by Morlands of Glastonbury and other smaller Sheepskin Tanners to 'break' into the Hide and Skin Market was seen as an hostile act by, notably, Strong and Fisher which had the dominant position and actually needed to increase its share of UK raw woolskin supply to keep up with increasing export orders.

Morlands was mortally wounded in the price battle that ensued. It did not have the financial reserves needed to outbid Strong and Fisher and the rest of the Hide and Skins Markets and the Fellmongeries for supplies to meet its own increasing UK and Export sales commitments. The Company called the receivers at the end of 1982. Baily's subsequently acquired both the Morlands trading name and their 31 acre Glastonbury site but later exited woolskin tanning activities in 1985 retaining the iconic Morland brand name for some coat and footwear manufacture and the Rolls Royce contract for 'lambswool' over - rugs.

Most remaining Sheepskin Tanneries followed through the course of the 1980's, although in evidence to the Monopolies and Mergers Commission, Hillsdown Holdings noted that "they owned one wool-on tannery at Buckfastleigh which produced 100,000 sheepskin rugs p.a. with a value of £1.4 m" in 1987 and which "they thought represented 5.5% of the wool-on market" (producing a total therefore if correct, of 1.818 m skins and value of £25.5 m).

SHEEPSKIN IN THE VIVIENNE WESTWOOD YEARS, 1980 – 2000

In 1988 a small group of Sheepskin business leaders, based for the most part in Somerset met under the chairmanship of the local Rural Development Authority's representative.

It was agreed that the devastating decline in Sheepskin sales and infrastructure required an Industry wide promotional initiative. The Real Sheepskin Association was formed (RSA) in that year to coordinate the programme. The aims of the RSA were to:
1 Promote sales of UK Sheepskin products and services.

2 Encourage high standards of sheepskin production, design and manufacture.
3 Protect the Sheepskin Brand by invoking Trade Description Legislation.
4 Act as a focus for all parts of the Sheepskin Industry - tanner, merchant, manufacturer, retailers and aftercarer (Dry Cleaning specialists).

In those early committee meetings at the Bear Hotel, Street it was agreed that Sheepskin design was out of date and seen by the public as old fashioned. A small PR firm based in Burnham - on- Sea called Wordsworth undertook a successful low budget local and national press campaign, portraying Sheepskin in a new light as soft and sexy, rather than practical and hardwearing. The Clothes Show began an immensely influential BBC TV run on winter Sunday afternoons, regularly attracting audiences of 6 - 10 million across the nation and internationally.

The Vivienne Westwood London Collection of 1992 opened the floodgates for sheepskin fashion when beautiful models wearing skimpy sheepskin pants and very little more and perched on high heels shoes, hit the TV News screens of the British public.

A fortuitous connection with the original organizers of Graduate Fashion Week in London (who had just lost their major sponsor, Smirnoff), then held at the Business Design Centre, Islington (now at the Battersea Arena) in June each year, enabled the RSA to sponsor a £1000 Sheepskin Fashion Design Award and College Trophy which, plus the organizers' charge of £2000, seemed a reasonable amount to invest in talented graduate student designers wanting to incorporate sheepskin into their final year collection to be shown on a Gala Night Catwalk in front of representatives of the world's major Fashion Housesand Media.

The RSA's first Sheepskin Fashion Award winner in 1992, Stephen Lisseman from Ravenbourne College, produced a sensational collection which was in contention for overall winner of the Best Menswear Fashion collection of the year.

From 1992 on until 2004 the RSA Sheepskin Fashion Design Award became a highly prized trophy, attracting in some years 50 students with 4 and more pieces in their individual collections. Members of the RSA helped with mentoring students and where applicable assisted in the production of special and novel sheepskin finishes and manufacture of garments at greatly discounted charges.

Television coverage - the TV presenter, Jeff Banks proved a great champion for the Sheepskin Industry - over the 90's exposed young, soft, sexy Sheepskin fashion to a new public which liked what it saw and went out and bought it. It would be fair to say these Graduate Designers over the decade re-invented the Sheepskin Coat and connected with a new generation of the British public.

Although the Sheepskin Industry of the 1990's would never see a return to the 'glory' days of the 70's and early 80's, it nevertheless managed to find profitable niches on the High Street and so stabilized the devastating decline in employment which accompanied the closure of so many established sheepskin businesses during the last years of the previous decade.

Many design graduates who learned about Sheepskin to put in their Collections are now holding down senior position within their Companies worldwide. A few set up their own Design Labels and have achieved some celebrity (Karl Donoghue, Ann Louise Roswald). It is from this cadre of Sheepskin Designer/Maker that the RSA has most noticeably benefited in recent years leading to the formation of a new tier in its Industry Structure (see Sheepskin Industry Structure Diagram/Pyramid).

GLOBAL SHEEPSKIN OVERVIEW, 1990 – 2000

In Europe Leather and Sheepskin producers shared a similar trajectory to that experienced in the UK - intense overseas competition from in particular the Pacific basin, Pakistan, S. Korea and Turkey together with intransigent local authority and environmental antipathy drove many Sheepskin Tanneries to close (e.g. Fauna in Belgium), or move production to lower cost and more welcoming European countries like Poland (e.g. Mattes in Germany. Ironically Mattes report that they were able to return water to the local river in a cleaner state than when they received it).

The major development of the decade however was the exponential growth of the Leather and Sheepskin Industry in Turkey. Backed by a strong leather tanning tradition, Government diktat and generous subsidy, more than 2,000 integrated tanneries and manufacturers, serving mainly the clothing sector, set up all over the country to supply the arising Russian market - a perma-frost region with quickly increasing living standards, and a shared border.

UK salted woolskin selections were a prime source of supply for the Turkish Leather Industries. Many RSA Members reported receiving phone calls every week from intense Turkish raw skin buyers hoping to purchase container loads of sheepskins from them. The manager of a sheepskin shop is in no position to help!

New trade groupings and raw skin selections were developed for Turkey. UK abattoirs, hide markets and fellmongeries joined forces with existing skin traders to supply 8 m skins to Turkey (and to a lesser extent Poland), rising at the end of the decade to 11m woolskins. New techniques were used such as band-knifed shearing of wool to minimize transportation volumes and drum salting to mechanize the process of woolskin preservation.

UK sheep farmers were ‘invited’ to improve skin quality by more careful injection, dipping and sheep scab prevention regimes - however no increase in skin value was offered by the abattoirs and hide markets which resisted moves to publish skin values.
Australia joined in the bonanza and with these new techniques were able to improve unreliable pelts from merino stock to gain a market of 10 m skins p.a. into Turkey.

THE CRASH

In Turkey, dressing skin values (i.e. wool skins for use in garments) increasingly exploded throughout the 1990's, as Tanners tried to get their tanning capacity up to meet Russian orders.

In the UK the differential between fellmongered skin (@ £3) and dressing skin selections (@ £11) reached an all time high of £8 per skin. In train with the frenzied Russo-Turkish market that was developing for dressing skins, demand for 'fox fur' effect and other special longwool sheepskin finishes also reached a peak round this time. This was particularly important and profitable business for Fenland Sheepskin based in Bridgwater, who remain one of the most skilful tanners of quality sheepskin for this market. 'Fox fur' sheepskins require skin by skin sorting at specification and crust stages, as well as during the tanning process. Rejected skins having to find their way into other uses.

Although UK domestic sources were more reliable for quality and consistency, Australian sources were also needed to keep up with demand. At this point Australian suppliers decided to improve skin selection and keep the extra premium for this selection, for themselves. They would start bidding for skins pre-slaughter at the abattoir where 'ribbiness' in the wool can be more easily seen and rejected at origin. (One of the results of setting up this direct selection system, was that Australian farmers for the first time, saw for themselves the true value of their 'fifth quarter'). The Russo-Turkish bonanza continued until August 1998. World raw sheepskin prices were at unprecedented levels.

Then with contracts signed, raw material bought and en route to Turkey the unthinkable happened - Russian buyers did not arrive. Coincidently round the time when the IMF was inspecting Russian Government 's books and the Asian economy, over-heated by high oil prices, stalled. Stocks piled up in Turkey. Turkish tanners tried re-negotiating prices. Caught between Sheepskin Hide Markets sticking to contracts made and the total absence of customers and now facing ruin, Turkish tanneries closed en masse.

In the UK the Hide Markets and Fellmongers also faced ruin - raw materials prices from all time high dropped to all time low while vulpine customers held back - as the laws of capitalism say they will - from buying in a falling market.

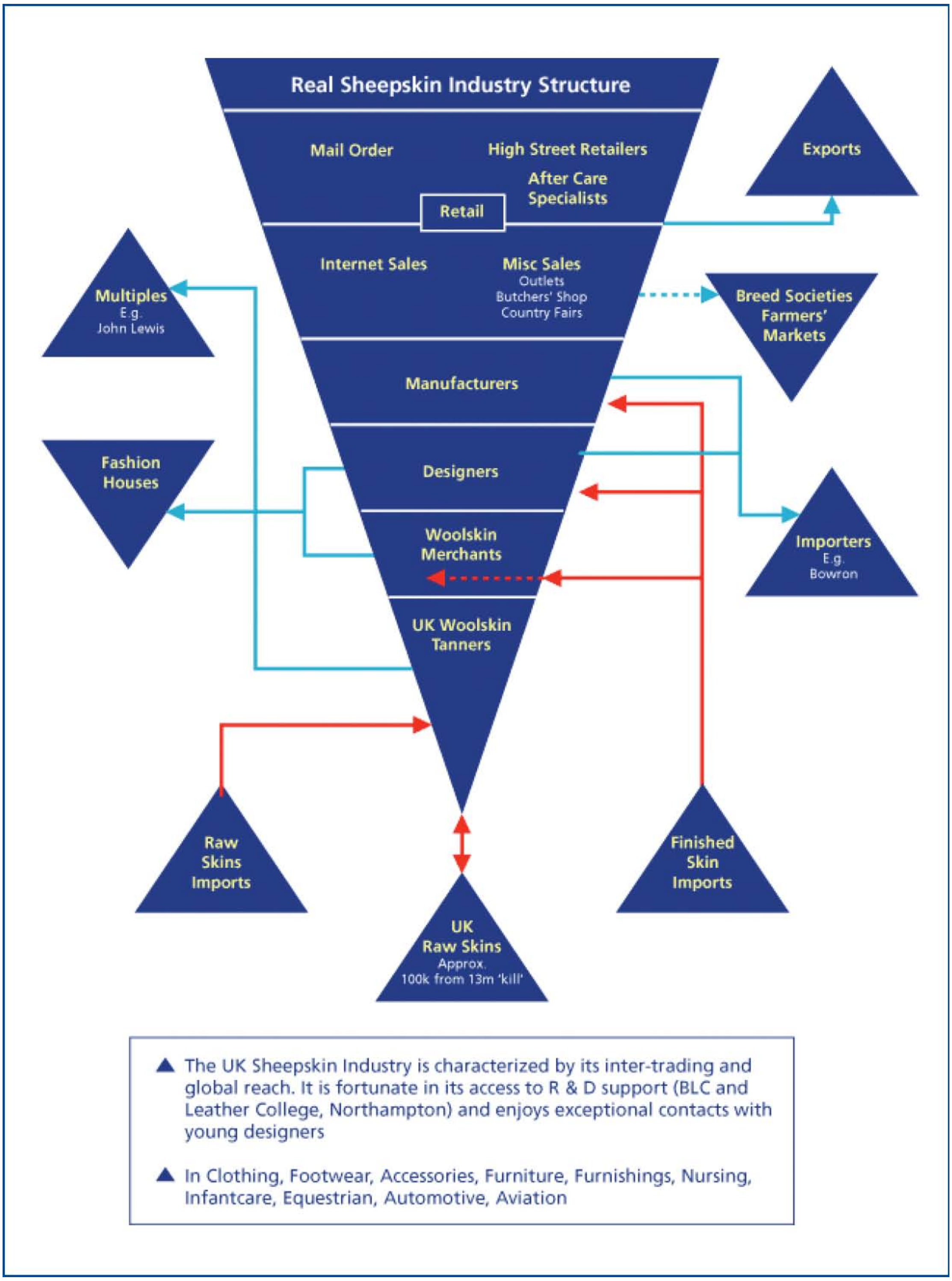
The sudden exit of Russian coat buyers also meant the luxury Fox Lamb business so important to the sole English tannery's production programme, also disappeared, with disastrous results.

The following four years were an agricultural Dark Age for the whole Sheep Industry. The Meat Market just coming out from the shadow of the BSE Enquiry, now joined Farmers in concerns of the Over Thirty Month Scheme, a new Food Standards Agency now had to face up to an outbreak of Foot and Mouth, officially announced on 9th August 2002.

For the UK Sheepskin Industry Foot and Mouth caused tannery disruption to incoming raw stocks whether of UK origin or imported, and manufacturers and retailers alike found their business affected both in home and overseas markets, in particular from US and even Indian clients.

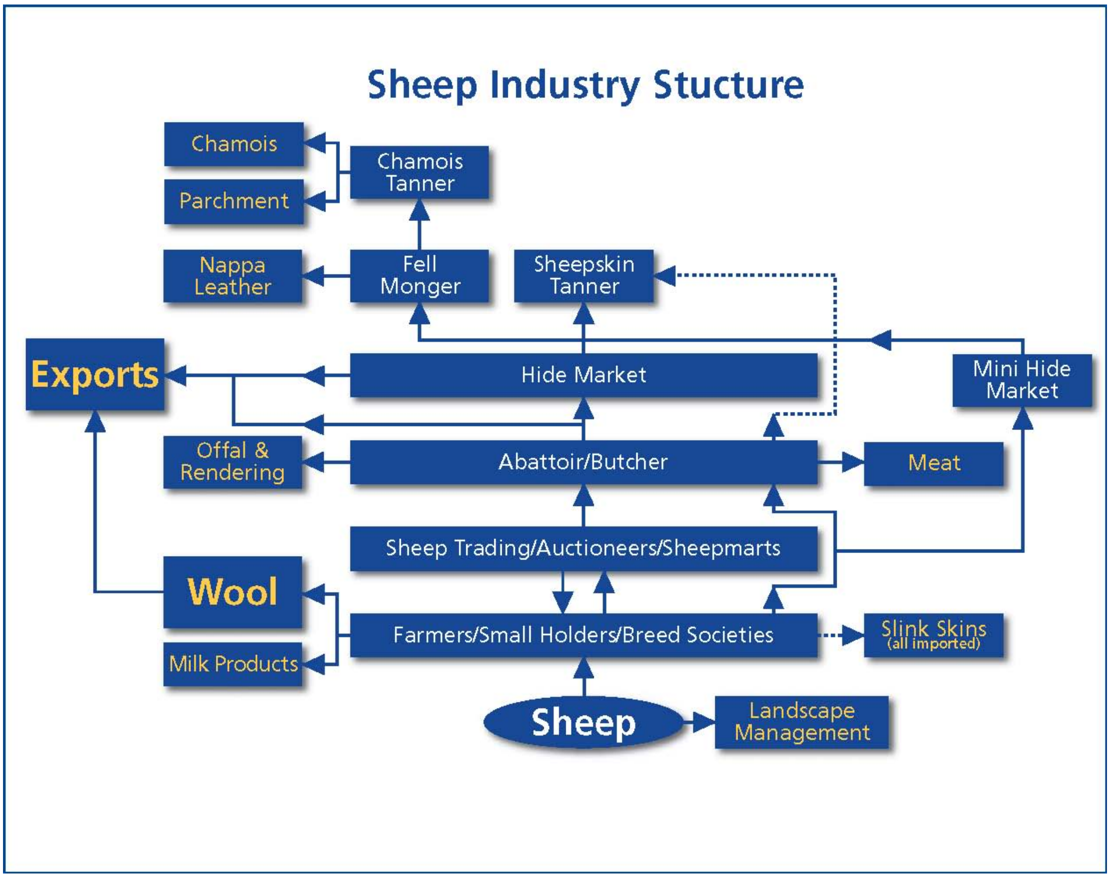
By dint of intensive care the UK Sheepskin Industry came through the period - just, with employment and turnover diminished yet again - in the tanning sector by approximately 50%.

Appendix 7 Flowchart of the UK sheepskin sector



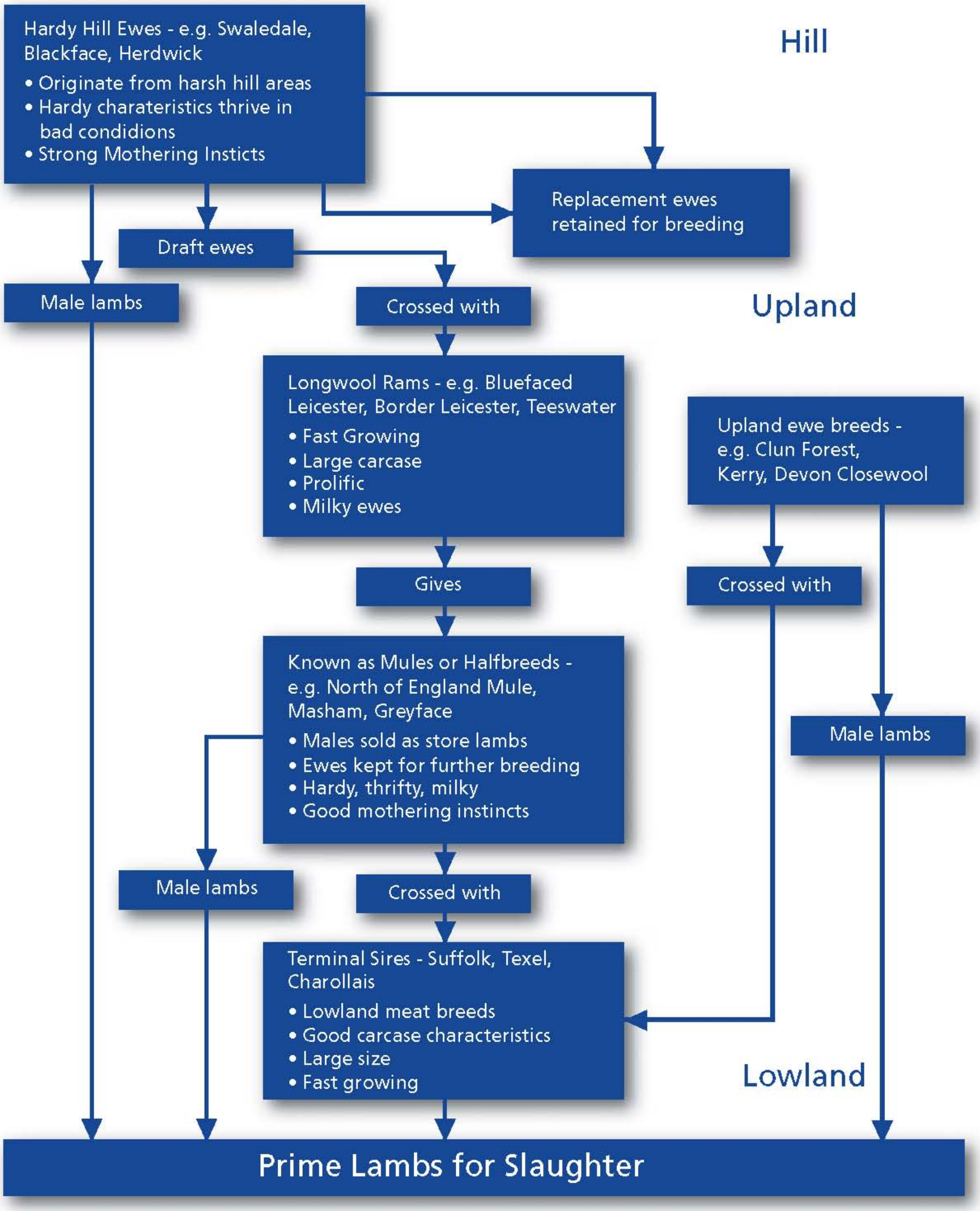
Source: Discussion document, RSA

Appendix 8 The overall structure of the UK sheep industry



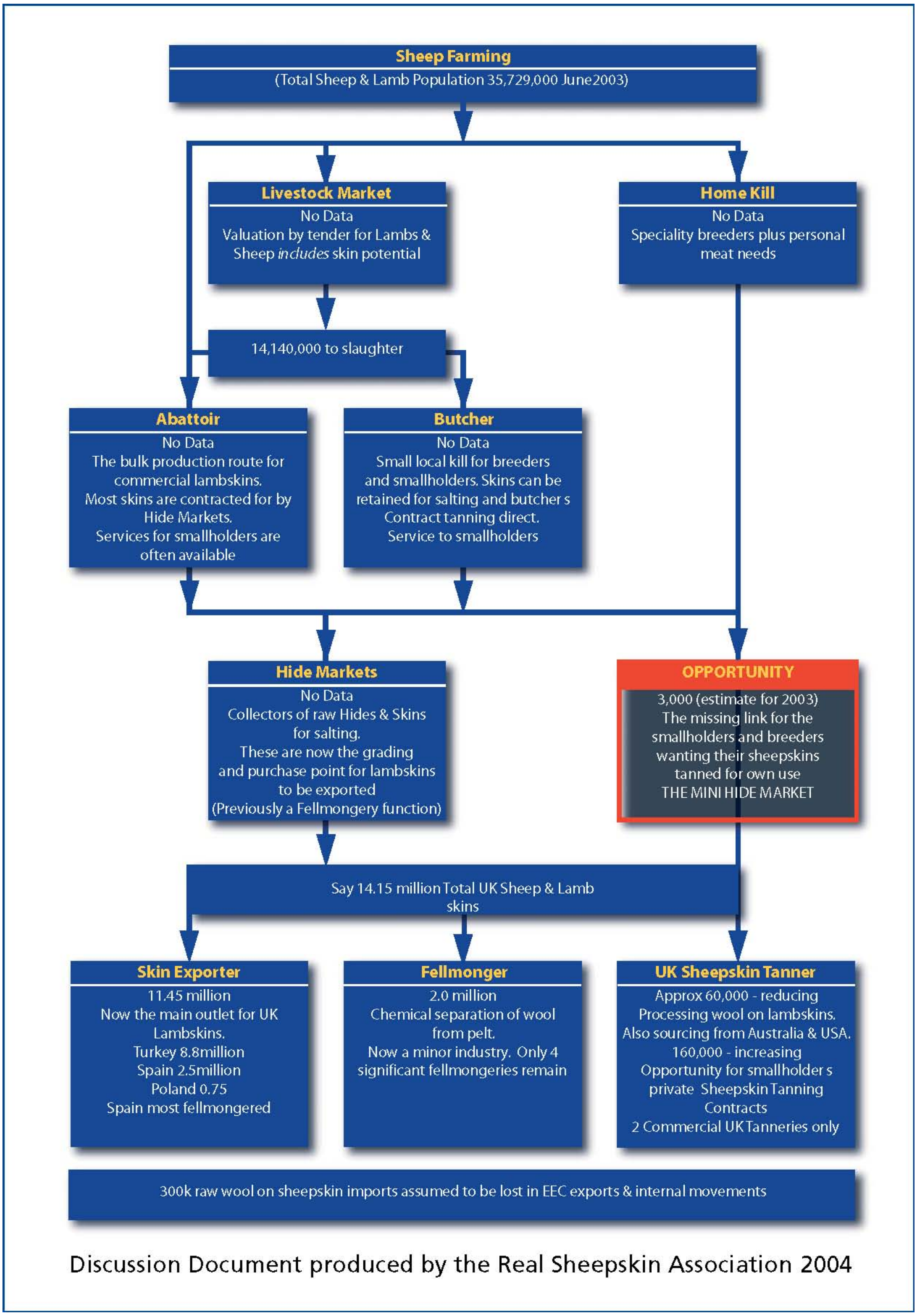
Source: Discussion document, RSA

Appendix 9 Flowchart illustrating the stratification of UK sheep farming



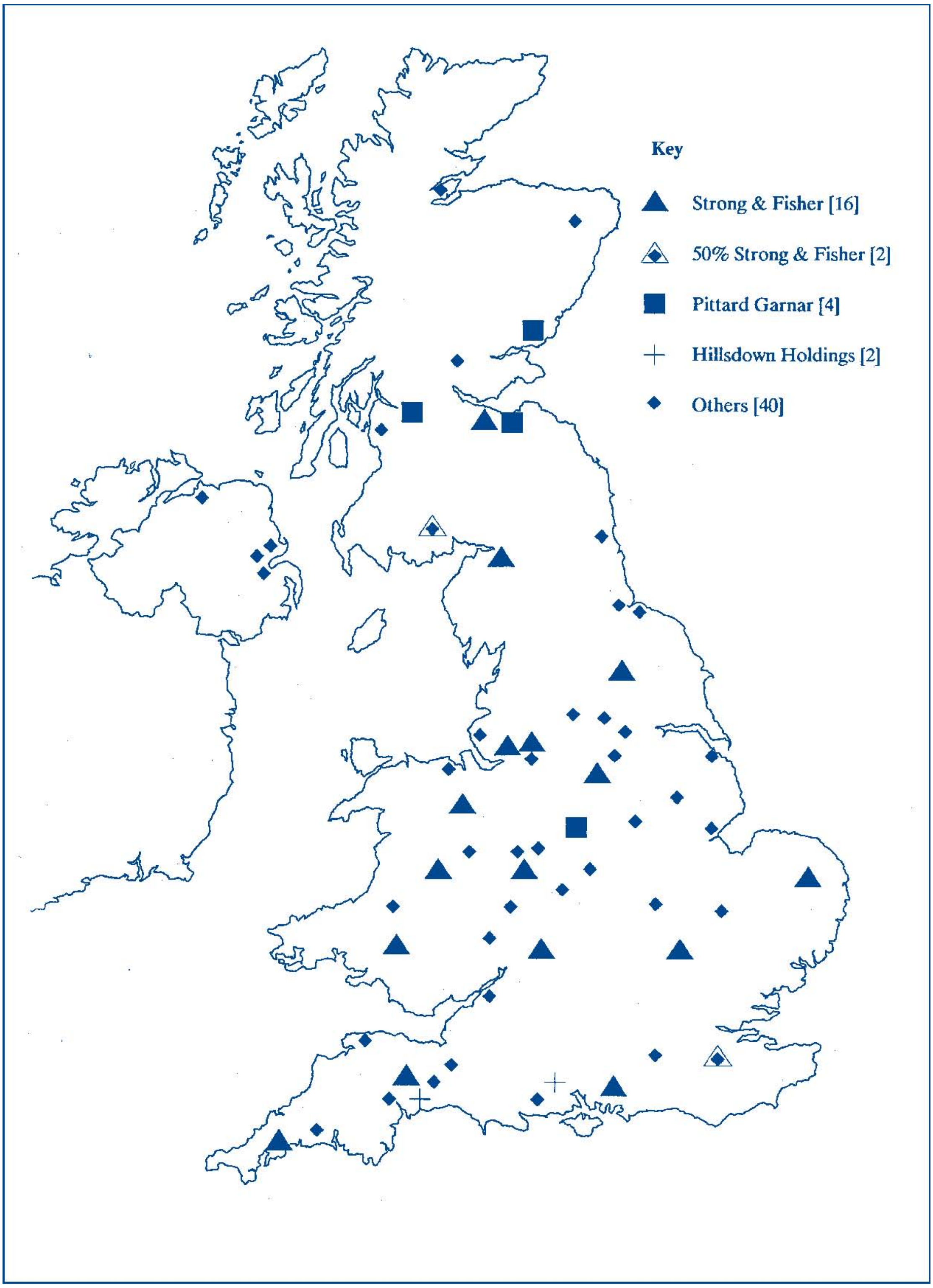
Source: Discussion document, RSA

Appendix 10 Structure of the post farm-gate sheep industry



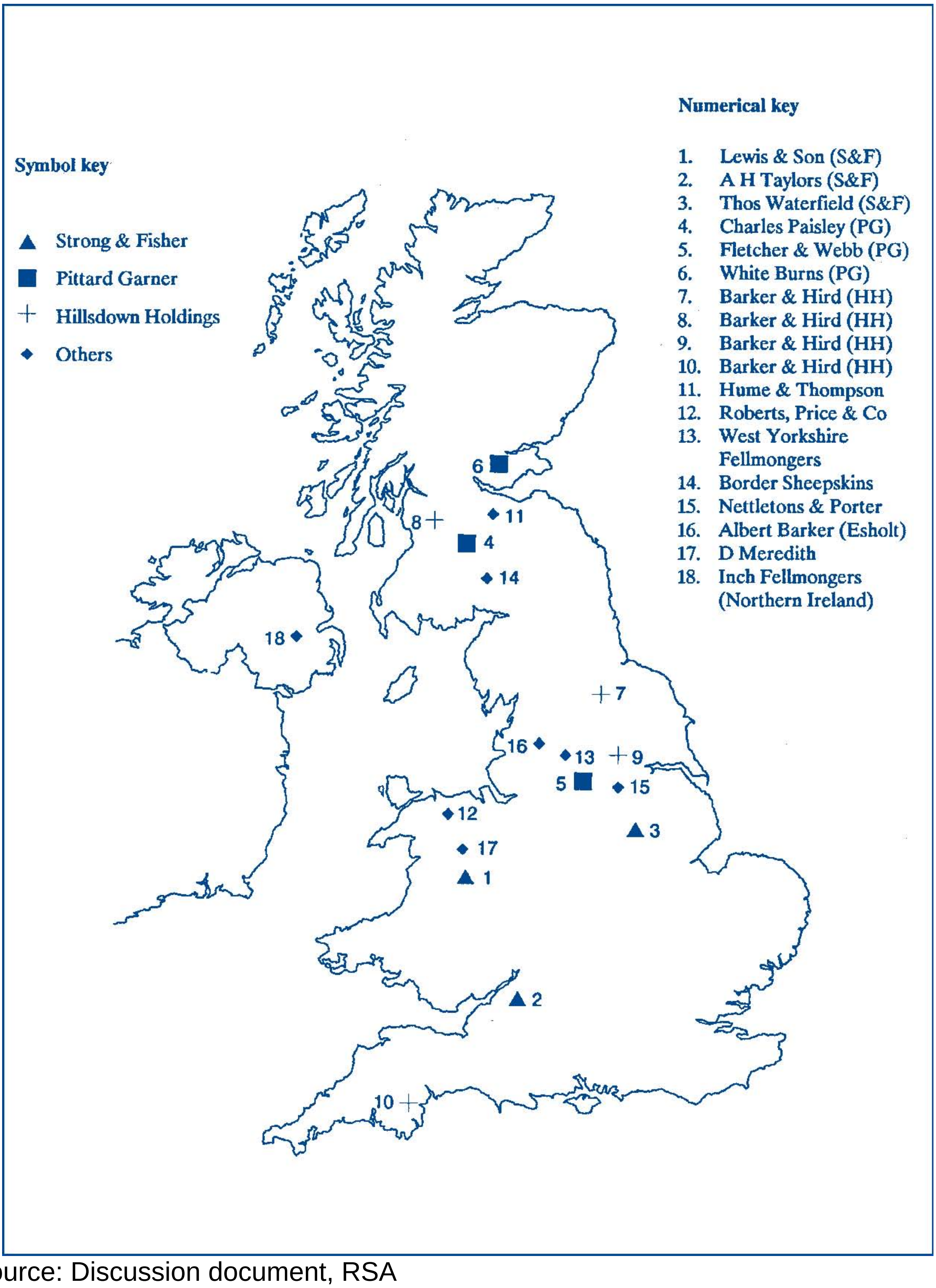
Source: Discussion document, RSA

Appendix 11 Hide markets in the UK 1988



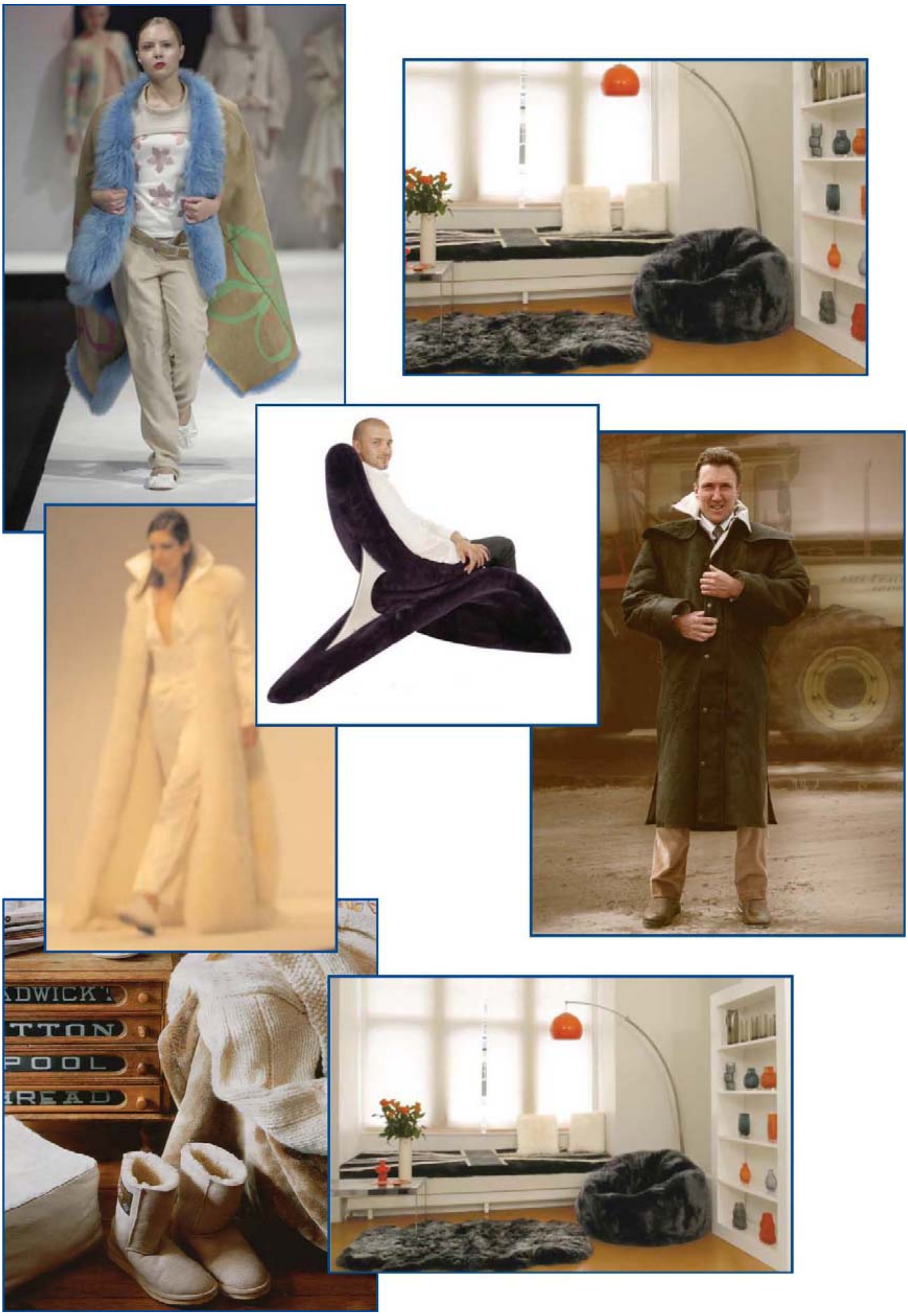
Source: Discussion document, RSA

Appendix 12 Fellmongers in the UK 1988



Source: Discussion document, RSA

Appendix 13 Sheepskin fashion to 2006



Appendix 14 A summary of the Workshop outcomes

As part of this study of the state of the sheepskin industry in the Southwest, and the options for its future development, a Workshop was held at the University of Exeter on 16 February 2007 to which a number of industry stakeholders were invited, representing a reasonable cross-section of those with business interests within, or closely allied to, the sheepskin sector. This provided an opportunity for a wide range of stakeholders, from sheep producers through all sectors of the sheepskin industry to manufacturers, designers and retailers, to discuss the options for its future development at a common forum. This summary of the Workshop comprises:

- a listing of stakeholder delegates;
- a summary of some of the key points identified by the Workshop;
- a discussion on aspects of industry marketing activities; and
- discussion group responses to the four discussion questions.

It should be noted that the Workshop delegates also produced up-to-date SWOT and STEEP analyses of the industry, reproduced in Appendices 4 and 5 respectively.

1 Stakeholder delegates attending the Workshop

There was a total of thirty eight participants at the Workshop and their principal industry affiliations are as set out below. Note that this listing excludes spouses and staff from Meat South West, SWRDA and the University of Exeter.

Summary of stakeholder delegates' industry affiliations

Small sheep producers	3
Large sheep producers	4
Large slaughter facilities	nil
Small slaughter facilities	nil
Skin processors	3
Sheepskin tanners	3
Hide and skin markets	1
Value added, mainly manufacturing	9
Design	1
Education	1

2 Summary of some of the key points identified by the Workshop

First, some general observations which reflect delegates' views on the structure, current state and possible future role of the sheepskin industry in South West England:

- The industry can be seen as comprising four main parts – raw material production, tanning, processing/manufacturing, and retailing; marketing, promotion and the development of new products falls mainly to retailers
- There is an international/European ***un-level*** playing field regarding the environmental and labour costs
- The strengths of the industry need to be built on and developed
- The skins should not be a waste product - there will be value abroad
- The skins being used – the future of the raw product is assured
- An effective marketing system is needed
- Funding should be sought for industry development.

Furthermore, some general concerns were expressed about aspects of the industry, its structure and its mode of operation; these are noted here but were generally explored in greater depth in the discussion groups, the outcomes of which are included in various parts of this report:

- The tanning process – its nature, impacts and future
- An apparent need to secure an amalgamation of resources in the industry – but no obvious way of achieving this outcome
- The possibility of working on a contract basis - can supermarket contracts really be used to drive the production of skin products?
- The supply chain, deficiencies in which are probably detrimental to the industry's future
- Links and communications across the industry are of crucial importance to its survival.

3 Discussion on marketing activities

The need for a greatly improved approach to marketing was recognised by delegates, and the Workshop recorded the following views which are of relevance in any consideration of the industry's future engagement with marketing:

- Other industries see no value on wool on the skins and this needs to be addressed.
- A sustainable eco-friendly market, needs to be developed through education
- Overseas marketing is necessary. There is a demand for the product.
- Marketing development is needed, by breed groups and regional producers, etc.
- There should be regional marketing initiatives.
- There is a need to target retailers
- There is a need to link the design world with the producers.

- The Internet should be used extensively for research of the market and other aspects of the industry.
- The industry does not know which other industries are using sheepskin. This needs to be researched and the opportunities need to be exploited. e.g. baby, elderly, medical products.
- Marketing is most important, to create an interest in the products. One barrier is thought to be the sheepskin shape.
- There should be a co-ordinated drive from the industry.
- Markets are demanding. Differentiation could be achieved through:
  - Green, Environmental issues
  - Tanning processes,
  - Small niche, e.g. Rare Breeds, etc.
  - Quality (inclusion of Q.A. symbols) Consistent quality in quantity is expensive. Quality needs to be defined for the market.
  - Organic products. There are 9 bodies concerned with organic production. The market wants organic products, but this causes pollution somewhere, (travel etc) The organic process is vague – there is no standard accepted definition**.**
  - Standards (ACOS)
  - Brands
  - Specialist products

4 Discussion group responses to the four discussion questions

Q1 Are there any other options for change which have not been identified?

All of the suggestions discussed were covered by the options listed under Question 2 following, no new/alternative options being identified.

Q2 Taking each option in turn, what are the key issues that industry should focus on?

Nine options for the future of the industry had already been suggested in the draft report and formed the focus for part of the Workshop discussions; and the relevant comments arising from the discussion groups have been collated below under each of these identified options.

1 Maintaining the status quo

- Maintaining the status quo is not an option. If the industry doesn't do something, other countries will.

2 Change of business structures

- In other countries the industry has been centralised with treatment plants. For example, businesses have moved out of Istanbul with input from their Government. This has happened in China, India and Italy. Governments have backed the initial experience.

3 Changes in industry structure

- There should be an integration of the stages of production, the abattoir and wet side. Salting could be eliminated and this would have an economic impact on waste processing and rendering.
- Amalgamation and the share of machinery would be practical but financial amalgamation is not likely.

4 *Process improvements*

- Currently used processes are dated and traditional. (China leads the way on this). Process change encourages funding
- Different breeds e.g. fine Shetland, taken out at abattoir level. The time is right to examine the UK industries own processing.
- With the wide product range required there is a need to buy a variety of skins in from abroad. It is easier to move processed skins around world
- The processed imported skins are cheaper but suitable types are not always available for customer requirements.
- Turkey can process in bulk with lest cost, due to less Legislation compliance costs, etc.

5 *Research*

- There is a need for research in the following areas:
  - Preservation
  - Processing technology
  - Draw on world expertise
  - UV – radiation
- The Industry currently has the best research in the world for leather science and the three processes of production. We have the information already. There are bigger problems that should be given priority.

6 *Training*

- There are a number of product processors in the South West and a great potential for products in the design world. However, current production skills cannot meet demand. Training and Education is therefore necessary to meet consumer requirements. This will be a continuing difficulty and new skills and labour will be needed if the industry is to expand its export capability. Market driven training needed.
- Training is required regarding in the following areas:
  - Tanning
  - Dye chemist
  - Sewing
  - Teacher training
- In order to solve the Training gap – the lack of young employees joining the industry, - it is suggested that the leather and sheepskin industries join forces to provide promotion and training.
- It is thought that there are some specific obstacles to choosing the sheepskin industry for a career. Society sees the industry as ‘messy’.

It is necessary to establish how people can be encouraged to join the industry and be happy in it.

- The South- west has industry prioritisation. Incentives to employ (e.g. apprentices), and subsidies to other industries is higher.

7 Expansion of the product range and markets

- There is usually a decision to be made as to whether to concentrate on a mass or a niche market. The industry is currently forced into a niche market as the mass market is dominated by the Chinese and by cloth.
- The expansion of products could range from fashion to interiors. There is no end to the potential. Home furnishing and design is a growing market where there is potential for the industry.
- The product lasts and is hard wearing and this could produce marketing opportunities, as a strong selling point.
- There is a barrier that needs to be overcome. Some potential customers see the product shape as a single piece of sheepskin. They do not know that it can be made into lengths of fabric.

8 Diversification into new products and markets

- There is a market for processing Cattle Hides, wet/blue.
- There is also the use of hair on Cattle, Deer, Goats, and Sheep.

9 Improved marketing

- Processing of raw skin
- Making into clothing etc. (processing/marketing)
- New products – design, promotion, unique properties.

Q3 What are the main implications of your discussions, if any, for (a) the industry and (b) public institutions?

The comments by discussion group members in response to this question are incorporated into the responses to Question 4 below and the list of information needed by the industry.

Q4 What recommendations emerge from your discussions?

Funding

- There are poor export initiatives funding (e.g. DTI). UK PLC is funding some industries.
- There is a need for profitability and re-investment for the Industry.
- It is necessary to measure cost effectiveness and what merits re-investment.
- It should be considered whether the industry should invest in farming and processing.
- There is a need for support for infrastructure

Product

- The UK supply into UK market should be increased.

- The range of raw materials is wider than realised.
- No-one in the SW is producing leather, hair off, e.g. deer, cows and sheep. This may offer opportunities.
- There should be product differentiation based on breed - the promotion of breed specifications.
- It may be possible for manufacturers to import but the quality is not as good in feel/weight/durability, due to the tanning process.
- Tanneries may buy at farm level, on hoof.

Communications

- There needs to be an effective system of communications throughout the whole market/supply chain. This should include an awareness of market needs.
- Co-operation and Communication is a key issue.
- Links with EBLEX should be strengthened.
- There must be follow-up action on engaging with AIMS
- The Sheepskin Industry needs to work closer with leather industries
- The industry is fragmented and needs co-ordination
- There would appear to be potential synergies with the BWMB.

Economic issues

- Australia has the same issues. They are world issues. China dominates through a 'dynasty'.
- The drain of exporting should be stopped, as there is not a level playing field.
- It is not known whether Turkey will operate as a level playing field when it joins the EU. There is not equality in the EU.
- The Government has priority sectors, for example, legislation. In Turkey and China the Governments have assisted the industry.
- Taking a ten to fifteen year view – if Turkey is in the EC, China's and India's legislation makes it cheaper for them to take over the market.

Processing

- Research is needed for export/import or home production.
- The cost of disposal should be established.

Education

- The extent of the carbon footprint should be considered. This could be used as a marketing selling point.
- There is a need to educate the political movers and shakers
- The questions of vegetarian requirements and eco-issues need to be addressed within the marketing research.

Marketing

- There is currently an interest in sheepskin using imported skins and imported products

- Sheepskin should be marketed so that it is seen as a ‘must have’ product.
- This should be done through education and promotion. The bottom line in promotion is price.
- <u>Potential marketing selling points:</u>
  - British product from start to finish
  - Sustainable product (carbon footprint issue)
  - Lighter weight, not heavier, UK skins needed in some markets, since there is currently a switch to lighter weights
  - Quality issues (these are currently not marketed)
  - UK breeds – very wide range of breeds, skins should be marketed for quality, diversity and exclusivity
  - The specific properties of UK skins.

Supply issues

- UK quality is best BUT there is a shortfall quantity – skin needs to be sourced all year round.
- Small holders – their small scale and specialist work is time consuming and there is an education issue, but they may have good cross-industry experience.
- Home tanning – very small and occasional, but it has a good margin.
- There is a growing number of non-commercial small holders – many lack knowledge and skills training is an issue.
- Future – small holders. Local abattoir, local tannery (micro-tanneries) – UNLIKELY (note – there were dissenting views on this point)
- There is an issue of breed and seasonality to fulfil demand.
- UK sheepskin products are high quality, but in providing products ‘made’ in UK, the skins could be imported.

The relationship with abattoirs

- There is a need for the engagement with slaughter!
- Abattoir numbers are down, with smaller abattoirs under pressure while the larger abattoirs prefer sell and export skins.
- Now evident that the primary problem lies in the industry’s relationship with the abattoir sector.

The quality of skins

- Large abattoirs take no care of skins. They treat them as a by-product. There have been efforts to educate them but this has not been possible with the numbers. Small abattoirs are better. There are quality issues, for example, some are not salting properly. This is a *big issue* to prevent putrefaction and wool slip.
- Currently there are problems with the skin condition, Sheep Scab. The NSA is addressing this nation-wide. One problem is that the treatment with ‘pour-ons’ marks skins.

Information currently needed by the industry

Financial

22. It should be established whether the tanning sector is viable for investment and whether the South-west wants it and/or needs it.
23. Skins ***are*** being used but the benefit is not in the UK. Could/should the benefit be returned to the UK?
24. What is the cost of getting rid of the product versus the cost of synthetic production?
25. How does the cost of processing compare to the cost of landfill?
26. Funding is a key issue. What sources of funding are available? For example, what are the Leader+ groups, and how were they funded?

The product and processing

27. There is a market somewhere for skins. It is necessary to establish whether a tanning operation is necessary in the South West. Does it matter if industry went and the UK imported skins? (There is an environmental cost -skin miles!)
28. Legislation and environmental issues are problematic. Should there be a feasibility study to establish whether the industry should be returned to the UK? Merino is a good example.
29. How many jobs and roles are there currently in the industry in the South West?
30. What industries are using sheepskin? – these are not known. Exploit the opportunities, e.g. baby, elderly, medical products.
31. Wool/skin is a small market, and meat producing is a large market – are they incompatible?
32. What are the effects of the carbon footprint of the Industry. Should there be a feasibility study?
33. How many skins imported are processed in the UK?
34. Should the business be exporting skins?
35. Is there a capacity to handle more skins?
36. How many exported skins come back as sheepskin?
37. Would technological changes assist the industry?

Marketing

38. Individual businesses cannot afford to attend international shows etc. Is it viable for a group to represent the industry?
39. The market requirements for skin thickness are different for different purposes. What are the current market requirements and how can they be fulfilled?
40. Does the UK currently produce the skins required by the market?
41. Can supermarket contracts be used to drive the market for skin products?
42. What are the obstacles to the successful marketing of sheepskin?

Appendix 15 Post-Workshop communications

A The Real Sheepskin Association

<u>REPORT ON SHEEP INDUSTRY WORKSHOP, EXETER UNIVERSITY, 16th March 07</u>

The Workshop was attended by 38 Sheep Industry Stakeholders to discuss the UK Sheepskin Industry and in particular the future of Sheepskin Tanning.

The organizers were SWRDA (South West of England Regional Development Authority) and the Board of Meat South West who commissioned Martin Turner and his team from Exeter University's Centre for Rural Policy Research to run the Workshop, under the Chairmanship of Dr Phil Hadley, EBLEX (English Beef and Lamb Executive)

In his introduction, Martin outlined the chequered history of the UK Sheepskin Industry, its importance to the SW, present difficulties and possible future scenarios. He stressed the disjointed nature of the UK raw woolskin supply chain, the terminal threats hanging over the Tanneries, the urgent need for investment (modern technology, buildings, plant, systems, people, training). He gave examples of added value opportunities for all the Sheep Industry's Stakeholders which have been repeatedly squandered.

The attendees were then divided into three "break out groups" to analyse the situation using 2 algorithms, SWOT and STEEP * which were recorded on to flip charts by 3 appointed Group Leaders.

Summaries of these discussions have been collected into a 16 page memorandum which has been circulated to all who attended, for comment by 28th February.

A final report will then be published and sent notably to David Milliband, Minister for Agriculture, Sir Don Curry (Agricultural Advisor to the Prime Minister), various senior Civil Servants at Defra in particular Chris Southgate i/c UK Livestock Strategy and HRH The Prince of Wales who has asked to be kept informed; as well as more generally to major Sheep Industry Stakeholders including the National Sheep Association, AIMS (Association of Independent Meat Suppliers - the smaller abattoirs) and the Hide Markets.
<u>* Read attached Report for explanation of these terms</u>.

1 SWOT ANALYSIS OF SHEEPSKIN SECTOR

STRENGTHS among main strengths identified:
huge natural, sustainable resource particularly in the SW. which makes into a wide range of exclusive, highly desirable, and very practical products prized by customers in UK and round the world.
We have some of the most knowledgeable Tanners, world class Research, Development, Education and Designers.
Media fascination with the Industry's lifestyle "Story".

WEAKNESSES Ruptured chains of communication and raw skin supply.
Only 8 key people with unique tannery expertise.
Worrying age profile!!!
Young people do not want to work in Tanneries.
A dearth of Sewing machinists, dyemasters, etc.
Little professional Raw Material Buying.
Absence of professional Marketing and Sales direction.
Low Industry representation in overseas trade missions.
Small, fragmented businesses, negligible financial reserves.

OPPORTUNITIES 16 million UK raw skins every year.
Set up Supply Chain Contractual Instruments which benefit
All Sheep Industry Stakeholders.
Contract tanning of coloured and breed native sheepskins.
Export opportunities.
Employ sales/marketing professional(s).
A pipeline of Imminent product developments eg. water resistant sheepskin pioneered in UK, chrome free tannages, improved stability dyestuffs.
Adoption of process advances leading to reduction of water and power consumption; elimination of waste and pollution; greater mechanization/automation.
A pipeline of designs and designers.
Develop new markets eg furniture, furnishings, footwear.
Make more use of RSA.
Work with AIMS, SWRDA, Defra, EBLEX, Dti, EU.
Work with other leather processing businesses?
eg. Pittards, Nichols.
Explore possibilities for hair on cattle, goat, deer tanning.
Explore advantages of a Leather Technology Business Park, SW.
Explore tannery web based sales/purchasing opportunities.
Find long term investor(s).

THREATS Lack of UK Industry self-belief and ambition.

Absence of succession planning.
Collapse of knowledge/skills bank.
No finance war chest.
Over reliance on imports (there always will be and has been, a place for imports).
Low labour cost economies eg Turkey, China, India, Poland (sheepskin finishing is people intensive).
"Un-level" playing field. Eg no Dti interest in Leather Industry.
Global warming? (Viz. Australian Sheep Industry)
Another UK farm animal crisis eg BSE, F&M.
Defra Farm legislation/ policies, veterinary licence strictures.

2 STEEP ANALYSIS OF THE SHEEPSKIN SECTOR

[Social, technological, economic, ethical, political]

SOCIAL

Sheepkin Industry is significant employer in SW.
Old established Industry, family based history.
Strong loyalties. Great pool of expertise.
However there are difficulties in recruiting new employees.
Need for market driven training for example in:
- Tanning,
- Dye Master
- Sewing
- Sheepskin trained educationalists.

Need to change public perception Industry as "messy".
Need to train new cadre of Woolskin Technicians.

TECHNOLOGICAL

Lack of profits/reserves hampers R&D.
Little or no dye stuffs manufacture in UK now.
However Institute of Colour Chemists is based in Rugby.
Sparse connection/communication with BSLT/BLC based in Northampton.
Tanneries working with 30 year old + machinery and buildings never designed for Woolskin processing.
Tremendous opportunities arising from new Green Sheepskin processing. Viz Bridge of Weir Leather.

ECONOMIC

Does Government, Region want the Industry?
Meat processors (Abattoir) control raw skin supply now.
Need to establish new UK market supply and pricing system to avoid extremes of feast or famine prices.
Need for sheepskin tanners to move selected skins off Abattoir quickly, consistently.
Sheepskin Industry should not expect Tanners to bankroll their businesses.

	Need for in-depth Best Available Technology Business Plan to establish if Sheepskin Tanning is/can be made a viable long term business able to attract long term finance and high grade management - who will fund critical nextstep.
ETHICAL	Sheepskin is the Sheep Industry's "Fifth Quarter". It is a sustainable resource for as long we are meat eaters and depend on UK Farming for a majority of our supplies. UK tanned UK raw supply has relatively low carbon footprint, unlike New Zealand/ Chinese etc imports. There is room and need for Veg/Organic Tanning options.
POLITICAL	The sheepskin has formed a powerful lobby including HRH the Prince of Wales, David Milliband Minister of Agriculture, Sir Don Curry Agriculture Advisor to Downing Street, top civil servants in Defra. Ideally we would like greater Dti awareness/ support for "old" Industries and in particular Leather. We would like to apply for matched funding public schemes which would enable Industry to for example enable BSLT to develop 21st Century Woolskin Technician course or Exter University to mentor talented Business Studies graduate(s) able to research sales/ marketing strategies for the Tanning Industry.

B Avery Leather Consulting Ltd

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Further comments from notes of the Sheepskin Industry Workshop meeting, held 16/02/07 at Exeter University.

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1.0

The meeting provided a very useful platform to introduce the attendees both to each other and concept & complexity of what should happen in the future. Conspicuous by their absence were the abattoirs. The rest of the industry will be powerless to act unless they are engaged and brought to the table. This will not happen unless the abattoirs can identify material advantage in changing the way they work at the moment. Re-direction of the South-West's raw material resource will be fundamental to any plan to add value to the product by processing within the region.

2.0

Currently the skins, a by-product of the meat process, are dealt with using as little fuss and input from the abattoirs as possible. They do not assign significant value to this product, so are unwilling to invest time and effort in making it available to the local tanners, who have specific needs as to quality. The skins are salted and sent en-masse to foreign tanners (who ultimately may export them back to UK for sale).

This has been made possible because of the prevailing commercial conditions in the Far East, especially China. Cheap labour and a lack of apparent responsibility towards the effluent produced by the fellmongering or tanning process will never be an infinite opportunity. As tanners in the provinces closest to the ports are now finding, regulations on effluent discharge inevitably tighten and this can mean that the Municipality concerned would not entertain establishment of a fellmongery or beamhouse operation as a new factory proposal. The Authorities in China have closed many tanneries in recent years because of environmental issues. In such provinces, hides or skins to be further processed are being taken in large numbers in the wet blue condition, rather than raw. This avoids the necessity to deal with the high volumes of highly loaded liquid effluent produced by the early stages of preparation for tanning. This practice will inevitably become more widespread as the Government at local level moves to avoid the waste rather than having to treat it.

3.0

Should a way be found to persuade the abattoirs that there is a workable alternative to mass export of the skins, adding value (and therefore profit potential) by tanning them in advance, this allows a different scenario to evolve….

Taking the existing raw material available, it should be possible to sort and select the skins by grade and size, send them for either fellmongering (if below the required standard for wool-on processing for rugskins or double-face product) or tanning. The best way to do this is with minimum delay after removal from the carcass.

[Delay = bacterial proliferation = degraded skins = poor quality product and increased waste –THEREFORE, REDUCED PROFIT]

British process technology and treatment schemes are among the best in the world, but it would take a brand-new state-of-the-art facility to be established in order to maximise the potentials and provide a sustainable future without producing any significant problems. It is thought unlikely that an existing position could be improved sufficiently to make all of the gains possible. Clearly, significant investment will be necessary if this way is chosen.

4.0

Processing significant volumes of skins is the only way to make viable the low-margin exercise, although it would allow, once tanned, for the premium grade material to be selected-out of the general run and retained by the UK processors, with the aim of maximising it's profit potential, in the way they currently have to do with imported skins. Using their own, locally sourced materials, they will be able to make somewhat bolder claims in promotion of the product, on a "British is Best" platform. There is no reason why the skins from the South-West should not be the best in the world and command high market prices if marketed properly. The remaining, sub-standard skins tanned from each batch could still be sold effectively to the Far East with the added value element, protecting the customer from the largest environmental issue, due to fellmongery or beamhouse.

5.0

For this vision to become a reality, there is clearly a deep gulf by nature of the lack of understanding to traverse between the meat producers and the tanners. It will be imperative to get them working together on this plan. A focused business park is probably the best way to facilitate the vision. There should therefore be a feasibility study undertaken that would encompass all of the problems, balancing them with the opportunities and attempt to point the way for the industry to move forward.

27/02/07 J Avery FSLTC