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Turkey

Livestock and Products

Turkish Hides and Skins Market

2004

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Report Highlights:
Turkey has become one of the leading processors of bovine hides and sheepskins in the world as a result of continued investment by Turkish tanneries and leather goods producers. Prior to the Russian economic crisis in 1998 Turkey represented a $27 million a year market for U.S. hides and skins. During the past four years, U.S. exports have continued to climb as the Turkish economy rebounds, reaching almost $38 million in 2003. Although the United States is considered a reliable supplier of high quality skins, many importers are unfamiliar with U.S. standards. While price is important, quality and reliability of suppliers are valued even more highly.

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Executive Summary

Turkey has become one of the leading processors of bovine hides and sheepskin in the world as a result of continued investment by Turkish tanneries and leather goods producers. Prior to the Russian economic crisis in 1998 Turkey represented a $27 million a year market for U.S. hides and skins. During the past 4 years, U.S. exports have continued to climb as the Turkish economy improves reaching almost $38 million in CY 2003. Although U.S. skins are considered high quality and the United States a reliable supplier, many Turkish importers are unfamiliar with U.S. standards. In addition, while price is important, quality and reliability of supplies are valued more highly.

Turkish Leather Industry

The leather industry is the tenth largest industrial sector in Turkey with a total of 6,500 firms employing approximately half a million people. The industry developed very rapidly during the last fifteen years with annual raw material processing capacity reaching 400,000 MT. Tanneries benefit both from low domestic labor costs and large domestic supplies of hide and sheepskin (pelts).

The great majority of the leather products are exported making the industry one of the biggest foreign currency earners for the local economy accounting for three percent of total registered exports. Russia, Ukraine, Germany, Austria, USA, Canada and England are among the main export markets for Turkish leather goods.

Turkey also benefits from the high volume of tourist trade particularly with the former Soviet Union. Buyers visit Turkey for the primary purpose of purchasing merchandise for cash and returning home with the goods. This type of trade between Turkey and FSU became extremely popular after 1989. In 2001 total Turkish leather goods exports were about $2 million of which $450 million went through traditional channels and the remaining $1.55 million was "tourist trade."

Processing Capabilities

Turkey has the second largest capacity in the world after Italy for processing hides and skins although a good portion of the capacity is unused. There are about 1,500 firms capable of processing 22,000 hides and 280,000 sheepskins daily

Leather garments

About 1,000 Turkish firms are producing leather garments with an annual capacity of 10 million pieces per year. The great majority of Turkish leather garment industry is located in and around of Istanbul with some in Izmir. Turkey exports about 95 percent of its leather garment production. Garments account for 66 percent of the total leather goods exports. Russia has been the leading market for Turkish leather goods exports constituting about fifty percent of the total. Prior to 1998, Turkey focused on the Russian market and as a result of the Russian-economic crisis, many Turkish leather companies had to cease operations and declare bankruptcy. Following the crisis, the industry diversified its markets, with Ukraine and Germany becoming important buyers. Along with Germany other E.U. member countries also become important buyers. Turkish leather garment exports constitute about 20 percent of E.U.'s total leather garment imports.

Personal leather goods (belts, bags etc.)

About twenty percent of all official leather good exports are considered leather good accessories. A total of 3,500 firms are operating in this sector of which about ten percent are large sized firms. The total value of the Turkish domestic market is about $1.5 billion dollars with $100 million in annual exports.

Shoes

Over 300 companies produce shoes in Turkey with an annual capacity of 350 million pieces. Only about half of this capacity is being utilized. Even though small firms are dominating the shoes sector, the number of large firms is increasing and bringing better economies of scale to the industry. This has also increased the industry's ability to compete internationally. The total value of the domestic shoe market is $2 billion. About fifty percent of the shoe production and forty five percent of the shoe exports are leather-faced shoes. While Turkey's large population (70 million) creates a big customer base for the local industry, Turkish shoe exports have increased in recent years as well. Annual shoe exports are around 70 million pieces with a total value of $50 million in 2002. Saudi Arabia is the leading export market for Turkish shoes followed by Russia, Israel, France and Germany. Turkish firms are targeting developed markets to increase exports and diversify export markets.

Following the 2001 domestic economical crisis, the Turkish shoe market shrank by about 50 percent. However, along with the general economic recovery in 2003, the domestic shoe market increased about 30 percent at the same time increasing the demand for imported hides.

Raw Material Supplies and Trade

During the last fifteen years annual raw material processing capacity reached 400,000 MT annually. However, while domestic demand has grown for the hides and skins local supplies declined due to the decrease in Turkish livestock population. Total Turkish bovine inventories decreased to 10 million head from 16 million about twenty years ago and the sheep population decreased to 25 million from 40 million during the same period. The supply gap continues to increase while the leather industry continues to grow. Turkish hides and skins imports continued to increase during the last fifteen years with sharp declines in 1994 and 2001 due to domestic economical problems and in 1998 due to similar problems in Russia, the leading export market for Turkish leathers garment exports. It is estimated that presently Turkey has to import seventy-five percent of its sheepskin and fifty percent of its hides needs.

According to official statistics Turkey imported 49 million pieces of sheepskins during 2003. The United Kingdom, Spain, Australia and the United States were the main sources for wool-on-sheepskin imports. Turkey also imported 3.2 million bovine hides mostly from FSU countries such as Azerbaijan, Kazakhstan, the Kyrgyz Republic and neighboring countries Greece and Bulgaria. Additionally, Turkey imported five million pieces of other hides (goat and other). Kazakhstan and Greece were the leading suppliers. The value of the raw, partially treated and finished hides and pelts import reached $600 million in 2003.

Turkey is the leading buyer of U.S. sheepskins. By value, seventy-five percent off all U.S. sheep pelts exports are shipped to Turkey. Turkish tanneries buy high quality skins for processing and re-export purposes. Turkish tanneries prefer large pelts with dense wool for double-faced pelts, an item the U.S. is well situated to supply.

In recent years, the United States has also become an important supplier of bovine hides to Turkey. Turkish leather goods producers, looking to compete in international markets, are looking for quality raw materials and as such are buying more U.S. hides. In 2003 U.S. hide exports to Turkey increased almost six fold and official figures indicate that 2004 exports will increase about thirty percent over 2003. The U.S. sheepskin and other skins (goat and other) also increased in 2003 about twelve and ninety-two percent respectively. Available statistics indicate that the export trend is continuing for 2004 with increases of forty percent for sheepskin and eight-five percent for other skins expected by the end of the year. In terms of dollar value, U.S. hides and skin exports to Turkey increased about seven fold between 1999 and 2003 with further increases foreseen in 2004.

U.S. HIDES AND SKINS EXPORTS TO TURKEY (1000 PIECES) ($1,000)					
	1999	**2000**	**2001**	**2002**	**2003**
BOVINE	45	50	18	16	178
SHEEP SKIN	1,024	1,450	1,608	2,557	2,854
GOAT & OTHER	0	12	0	42	81
VALUE	5,388	7,785	11,331	21,107	35,610

*Sources: UN and US TRADE

Turkish Hide imports (2003)	**MT**	**1000 pieces**
U.S.A.	1,870	78
Others		
Azerbaijan	13,830	833
Kazakhstan	4,300	235
Lebanon	3,145	533
Greece	3,057	123
Bulgaria	2,941	129
Romania	2,792	147
Moldavia	2,697	126
Macedonia	1,678	158
Tunis	1,190	64
Kyrgyzstan	1,104	74
Total of Others	36,734	2,422
Others not listed	11,709	793
Grand Total	48,443	3,293

Turkish Ship skin imports (2003)	**MT**	**1000 pieces**
U.S.A.	9,840	2,457
Others		
England	35,577	8,995
Australia	21,174	5,182
Spain	10,530	5,278
France	9,130	2,650
Azerbaijan	8,510	2.100
Ireland	5,903	1,435
Lebanon	6,024	1,530
Bulgaria	4,395	1,577
Germany	3,520	788
Kazakhstan	2,964	2,080
Total of Others	107,727	31,615
Others not listed	32,373	14,988
Grand Total	149,940	49,070
Grand Total	149,940	49,070

Turkish other skin imports (2003)	**MT**	**1000 pieces**
U.S.A.	394	173
Others		
Kazakhstan	2,648	1,434
B.A.E.	451	585
Greece	578	467
Bulgaria	547	441
Sudan	296	429
Kyrgyzstan	433	255
Lebanon	384	245
Libya	131	170
Tunis	139	134
Somalia	69	110
Total of Others	5,676	4,313
Others not listed	1,131	832
Grand Total	7,201	5,318

*Source: Turkish State Statistics Institute

Policy

The GOT prohibits exports of raw hides while permitting tax-exempt imports for hides and skins. According to 2004 tariff schedule, tariffs on hides and skins are exempt from import duties.

4101 Bovine hides exempt
4102 Sheep pelts exempt
4103 Goat and other skins exempt

Trade opportunities

As long as industry demand remains high and the availability of domestic skins tight, Turkey will continue to import raw materials for its leather industry. With increasing competition from Asia, the Turkish leather industry is seeking to shift production to higher quality finished products that require better raw materials. U.S. hides and pelts are regarded as the best quality although expensive. The GSM-102 program can facilitate hides and skins trade between the United States and Turkey. The trade would also benefit from a technical exchange on the varieties and properties of U.S. hides and skins to prevent any production problems or misunderstandings. The following leather trade shows may serve as an introduction to the Turkish market:

Leather Shows
1-Istanbul Leather Show, January 13-15, 2005
2-Istanbul Leather Show, May 2005
Organizer: RDF Co. Mr. Tufan Atalayman, GM,
Location: CNR Show Center, Yesilkoy, Istanbul
Phone: 90-212-251 2328
Fax: 90-212-252 9886
e-mail: rdf@rdf.com.tr

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