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EXPLORING THE GLOBAL DIMENSION OF THE MARKETING OUTLETS FOR LEATHER IN NIGERIA: THE CASE OF TANNING INDUSTRY IN KANO, 1940S 2000

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Abstract.

Kano has been a famous centre of trade in leather and leather products since the period of trans-Saharan trade. Kano's local leather was one of the mayor items of trade that made Kano to prosper in the 19th Century as her products were exported far and wide to north African, forest kingdoms and empires and other states in the western Sudan. During the colonial period, the leather inductees were relived leading to the establishment of modern tanning industries in Nigerian including Kano in 1940s. With independence in 1960, more tanning industries were established by local entrepreneurs. Tanning industry boomed in the late 1970s and mid 1980s leading to the marketing of the products within the country and export to countries such as UK, Italy, Spain, China and India. It is against this background that this paper examines the global dimension of the Kano's marketing out lets of leather. It also looks at the role of Igbo leather dealers who dominated local dealers of Kano in the country. This paper argues

that tanning industries in Kano have been a major source of revenue to the federal, state and local governments and one of the major non-oil foreign exchange earners in form of the increased marketing of the leather in the world market.

Introduction

This analysis focuses on the capacity for export marketing without of course neglecting complete the domestic market. There are problems connected with export marketing of leather which should be noted. The demand for Nigerian leather is in Europe, and not really much in Asian and American countries. This is because Asian counties have many tanneries though not enough to meet their demands. The same is applicable to Latin America whose biggest customer is the U.S. India has well over two thousand tanning industries. China, considering her land mass and resources, has close to that too. The United States, for example, imports more leather from China than it does from any other leather producing country in the world.

The Brazilian tanning industry consists of approximately 400 tanneries of which 80% can be considered small enterprises. This sector generates about U.S $24 billion each year. About 85% of the total exports of leather from Brazil are wet blue, with the remaining 15%, divided between crust and finished leather. The long-term strategy of the tanning industry in Brazil is to increase the level of value added products which are produced domestically[1]. Just like in Nigeria, the position of the Tanners Association and others is to reduce the number of raw and wet blue hides leaving the country and replace them with more finished leather.

One reason why wet blue has become an important export commodity from Brazil is that European Union Countries source hides and skins in wet blue from Brazil and other developed countries to reduce their effluent load. More still, the EU countries hardly buy the finished leather from developing counties this is because they hold the view that, the quality of the product cannot meet their standard or taste hence they prefer handing the finishing aspect themselves. Besides, it is much cheaper to buy leather in Wet Blue Crust (WBC) form than at the finished stage. This is why the European Union imposed a 6.5% duty on crust and finished leather imported from Brazil. This duty does not exist with wet blue hides and skins thus encourage the Brazilians to process more chrome tanned hides and skins. This was to discourage importation of finished leather to Europe. The Europeans prefer leather in WBC form so that they will be able to finish it to their taste. Brazil is one of the largest manufacturers of foot wear in Latin America and one of the biggest suppliers of raw wet blue, crust and finished leather in the world[2].

Tanning Industries in the Developing Countries

In the early 1970s, the world leather industry underwent some major changes like the rapid growth in tanning capacity in the developing countries. Many tanners and leather product manufacturers in the developed countries were forced to look for new markets and many more simply went out of business. In fact, one of the features of 1975/6 was that the demand for leather continued throughout the years with a consequent rising in raw skin prices. Long established importers such as Italy and Spain increased hides, sheep and goat skin imports to sustain their footwear exports for re-exports to supply Korea's garment industries. France and other developed countries imported more sheep skins for garments[3].

In the late 1970s, a draft report from a worldwide study suggested that the enormous growth in tanning capacities throughout the developing world had probable outstripped available world raw supplies resulting in a world tanning over-capacity of about 25% of raw material supply[4]. The number of buyers for the same quality of raw material had also increased both in-transit stock and in-work requirement at new tanneries often remote from both hides sources and their leathers' market that is less sensitive to changes in demand for leather products. Actually, the manufactured goods have higher resistance than the primary products to variations in the world market

trade. This is because the manufactured goods have increased value. The government backing given to these ventures often shields them from the true effects of a buyer's market in leather products. But while governments, banks and international development agencies support these exporting industries for the sake of foreign exchange earnings and employment creation, the demand for raw materials by these counties will continue and probably increase.

In the middle 1980s, patterns of world trade changed dramatically, with diminished trade in raw hides and skins and increased trade in semi-finished leathers. However, the changes in the industry worldwide took place at a time when the global supply of raw stock was increasing steadily, and world demand for leather products was also strong and growing. Of course, the leather industry is not alone in facing such a changing environment. Many other traditional industries have adjusted to new consumer demand and severe competition from producers in the developing world.

There are several notable leather producing countries whose tanning capacities exceed indigenous raw material supplies. Pakistan, for instance has excess capacity for both hides and skins, Iran for hides, Brazil for skins and then there is the classic case of the far East countries of Japan, Korea, Taiwan, Hong Kong, Singapore and Philippines that have little or no raw material and yet have growing leather and leather products industries almost totally reliant on imports[5]. Today most developing countries are deriving means for improving their own livestock farms. The flaying of their animals, the quality of cure and efficiency of collection and commercialization also require immediate attention. However, it will be many years before much improvement in the efficiency of livestock agriculture is seen in most of the developing countries. So the demand for good quality raw material for their tanneries is likely to continue.

The Marketing Outlets

The Nigerian leather industry is inextricably linked to world market development. The Nigeria tanners have had a fairly rough time of it over the past fifteen years and although they are in a weaker position than they were, they are still encouraged to remain in the world market. On the other hand, Nigerian skins and wet blue skins are major raw stock suppliers for tanning industries elsewhere in the world. The Nigerian prices have changed with reasons connected to domestic developments. Currency exchange rates can have a dramatic effect on the international trade in leather and foot wears. In Nigeria the cost of importing chemicals and machines is very high due to the high rate of foreign currency exchange with the domestic currency. Hence, Nigerian leather manufacturers end up having high production costs which makes it difficult for them to complete comfortably with others in the international market. Shoe manufacturers, who are important customers of tanneries, face server competition from manufacturers elsewhere in the world and as such the Nigerian leather industries badly need to understand what is happening to the leather industry elsewhere in the world.[6] This is because synthetic rubber is replacing leather. Items such a belts, shoes, handbags are now manufactured with synthetic rubber, and as such the leather industry is facing some intense competition.

Nigerian leathers fall into two broad categories (i) Semi-processed (wet-blue) and crust, and (ii) Finished. In the 1980s and up to the middle 1990s, category (i) was destined for export markets and category (ii) for the domestic market. Nigerian semi-processed leathers were in high demand in foreign markets for reasons already mentioned. The industries concentrated on expanding their capacities to satisfy the demand for these types of leather, in most instances to the tune of 65%-80% of the total leather out-put[7]. It should be note that before the 1999 ban on the export of WB, the top-grade leather was usually reserved for processing into wet blue crust stages, while the relatively inferior leathers were processed to the finished stage for sale in the domestic market.

There have been problems connected with the export market as earlier mentioned. An exporter must obtain orders as well as satisfy the importer that he can deliver the right product at the right time and at the right price. Nigeria and other less developed

countries (LDCs), that are the leather exporters, are known to experience lots of problems in these respects. Few have the required linkages to maintain close touch with importers usually located in the industrial counties. And there is a lack of correct market information, distance makes it difficult to meet orders on time, and using air-freight, except in top-grade leather, can be exceptionally uneconomical. Besides, the small size of Nigerian tanneries generally undermines economics of scale. Apart from the fact that they cannot produce top quality leathers in sufficient bulk owning to their size and low level mechanization, so they lack sufficient finance.

According to Ezenwe, during a survey on the main strategy which exporters have used to maintain market shares-55% mentioned producing high quality leathers, 11% mentioned high level of out-put. Under "Constant Contact" personal contact and telephone were found to be dominant. More means of communication, namely Fax and E-mails seem to be absent among communication facilities available to firms[8]. Ezenwe also claims that majority of tanneries (85%) especially the indigenous owned ones do not possess the capacity to respond quickly to foreign market demand changes but only to "changes in the demand in the Nigerian market"[9]. The types of market change that the firms seem capable of responding quickly to are those which do not require changes in technology. Changes requiring new lines of production, that are highly demanded in the international market are completely outside the competence of Nigerian owned tanneries and only a few of the foreign owned ones. This is because, most tanneries have obsolete machineries.

Regarding distribution and output, sales to overseas markets are done mostly upon receipt of orders from customers as earlier mentioned. All exports are made "Free on Board" (FOB) direct to customers, who must have placed orders well in advance with cash deposits. Irrespective of the prevailing economic conditions in the country, the Nigerian market demand for leather has out-stripped supply.

It is observed that the focus of the few viable tanneries is on export and foreign exchange earnings and not the domestic market.

As earlier said, most tanneries export 80-99% of their finished leather while the tanneries have excess supplies of raw hides and skins, the local demand would still not be met since export is the ultimate and it is only the very low grade that would be provided for the Nigerian market. During the research, it was discovered that the "Eastern Boys" (i.e. Igbo leather merchants kept parading the industrial estates form Bompai, Sharada to Challawa in search of finished leather to buy. The little leather that is available is rationed. The "Eastern Boys" complained bitterly because they are aware of the fact that Lebanese tanneries do not place them on a priority list. By the middle 1990s, a lot of them had been frustrated out of business. In fact, Umezorike had this to say:-

> Even when you make a cash deposit of four to five hundred thousand naira, your money may be tied-down for months before goods could be supplied. It is only some of the less mechanized Cottage tanneries that rushed to our rescue at times[10].

Like most other manufactured goods markets in Nigeria, the tanning industries operate in a typical oligopolistic market structure, few tanneries supplying and expending demand. The market for finished leather is located in the southern cities of Aba, Onitsha, Lagos and Ibadan. This is where artisan industries produce assorted leather goods for the Nigerian and sub-regional markets[11].

Domestic Trading Outlets

The Igbo Merchants ("Eastern Boys") and the Leather Trade

Modern tanning in Nigeria started as far back as 1949 with the establishment of John Holt Tannery as earlier mentioned. Information is not, however, available on when the Igbo traders actually went into the business of buying and selling leather from Kano, but according to Chief Ezezim, by the early 1960s when more modern factories were being established in the Northern part of

Nigeria especially Kano City, the Njikoka people from Anaocha Local Government Area of Anambra State became the pioneers in the leather trade to the eastern part of Nigeria[12]. Due to the high demand for leather by the leather works factories in Onitsha, Aba and Lagos, the Anaocha people began to explore other shoe manufacturers and cobblers were getting imported leather from Lagos. From 1949 to the 1960 when the tanneries like John Holt and Great Northern Tanning Company began to produce finished leather in Kano, the Njikaka people did not find it difficult to locate an alternative source of finished leather for the ever-growing shoe industries in Onitsha and Aba. The Pioneers in this trade were owners of shoe industries namely: Godfrey Eze Uku (born and bred in Kano), followed by Eze Ugbana and sons, Eze Chikwelu and sons, Ernest and Mike trading company, Joseph Ezezim, Gabriel Eze Ife and Timothy Chibozor[13].

The flow of business was disrupted during the civil war (1967-70). The relationship between the Igbos and Hausa was strained because of the war and as such immediately after the war many Igbos felt it was unsafe for them to travel to Kano to continue the business. The Yorubas from the Western part of Nigeria precisely Ibadan took advantage of this situation and took over the trade in leather. After the war, shoe materials were in high demand and this was profitable to the dealers so the Igbos had to go to Ibadan to purchase the leather from the Yoruba. According to Chibozor, the price of leather from Ibadan was very high and was unfavourable to them and it narrowed the profit margin. Due to this development, they had to find a way of getting back of Kano where they could buy directly from the tanneries. But on arriving in Kano, they discovered that tanneries were not ready to sell leather to them any longer. Their frustration heightened. In order to break this barrier placed by the Northern tanneries, they resorted to using Hausa names in order to enable them to penetrate the tanneries and purchase the leather products from the tanneries. For example, Ernest and Mike's Company used "Musa Audu"l Joseph Ojukwu Ezeim used "Abubakar". While Godson and Simon Trading Company used "J. S.

Umoru". However, this experience lasted for only a short while. By 1975 Great Northern Tanning appointed just one Igbo man by name Onaka as a distributor. This single act created as second chance for the Igbo traders who started penetrating the tanneries gradually till they got a full grip of the industries and the products all over again. By 1978 the situation had returned to normal and they went back to using their real names.[14]

In the late 1970s, to the middle 1980s there was a boom in the leather trade. It became a very lucrative business for the Njikoka people who numbered in hundreds. They had a monopoly of the trade, thus it became very difficult for any one from another ethnic group to successfully participate in the same trade. Once, a Port-Harcourt based shoe industry manned by an Italian tried to get the leather from G.N.T directly, but their goods were marked and got lost route to Port-Harcourt. With this, they were forced to buy the leather from the Njikoka traders in Onitsha. It became a question of the survival of fittest trade. This "organized trade" could be likened to the control of sale vehicle spare parts by the Nnewi people or domination of supermarket business by the Igbo in many parts of Nigeria. The Eastern leather traders organized themselves into the "formidable cartel". Leather shops could only be located at a specific designation known as Amobi Street in Onitsha main town. Presently, however, the leather market has been relocated in Ochanjia, still in Onitsha town, where all manner of shoe making materials are sold.[15]

During the boom period, customers trooped in from Lagos, Aba, Ibadan, Jos, Makurdi and Port Harcourt on Onitsha to buy leather goods, Customers also come in from other West African countries such as Ghana, Cameroun, Mali and Gabon (those are unofficial exports). But the Ghanaians have ceased to patronize the Nigerian market since they now import processed hides and skins from Europe. During this boom period, some tanneries such as G.N.T. were importing hides, crusts and metallic finished leather from U.K to meet up with the domestic demand. Then the Nigerian economy was buoyant so it was reasonable to have embarked on such a venture. According to Chief Arinze, most tanneries then were

manned by expatriates, the quality of leather was good and it was cheap to import chemicals and spare parts and even the machines. The prices of finished hides were quite affordable, for example the price per piece of hides was N13.50 and goat/sheep skins were N5 or N6 each but now they go for N1,250 and N1000 respectively[16].

The hand of the clock turned from the later 1980s and the business took a wrong turn. This was the period when the effects of the Structural Adjustment Programme (SAP) introduced in 1986 were manifested in the economy of Nigeria. With the depreciation of domestic currency, the prices of items especially imported goods went-up. This had an adverse effect on the tanneries which import nearly all their chemicals used for tanning. The prices of leather also went-up. The standard of living of Nigerians went down and the purchasing power went down. Nigerian taste for pure leather products was killed as the prices went up hence people found solace on synthetic rubber products, such as shoes, sandals, belts and handbags. Presently, Indonesian shoes (especially men's shoes), belts, wallets made of little leather and more rubber flood Nigerian markets. The Brazilian products-especially "Kiito Sandals and Silipas" substitute for pure leather sandals for school children. Second hand shoes imported from Europe (popularly known as "*tokumbo* shoes") also flood the Nigerian market and are highly patronized by Nigerian working class ladies and gentlemen since the prices are affordable. But the fact remains that synthetic rubber products can hardly stand the taste of time and are not durable.

Due to this economic predicament in the country, many of the Igbo leather readers have packed up in the business. As Osita Enemchukwu put it, "it appears synthetic rubber products have come to stay in Nigeria"[17] and besides, tanneries do not even produce quality leather for domestic consumption. What the tanneries offer to the few traders that are still in the business are what they called "Rejected grades". The good grades are exported to the U.K., Italy and Spain since it is more profitable for the tanners. With this situation, many leather works industries including Bata shoe industries in Aba and Onitsha have collapsed.

Conclusion

This paper has examined the marketing out-lets for Kano's leather. Leather was a major tanning item in Kano's pre-colonial trade. The production process was crude, their scope small and their markets restricted in geographical terms. The advent of modern tanneries open up its market for local consumption and export to other countries in Europe and Asia. The boom in leather business in the late 1970s and mid 1980s exposed export of the product made it a major non-oil revenue earner to the Kano State and Federal Government. The production and marketing of leather had helped in enhancing Kano's State as the production and industrial hub of Northern Nigeria. The Nigerian Civil War had tremendous negative effect on the Igbo leather merchants while the Yoruba temporarily seized the opportunity to dominate the trade.

Endnotes

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