Sanimax, a major North American rendering company based in Montreal, QB, Canada, and Green Bay, WI, has been in the leather business for decades. Like most rendering services, the collection of hides and skins from large slaughterhouses, lockers, and packers provides a key link between the meat packing industry and leather producers via fleshing, curing, and value-added processing local cattle hides and deer skins before selling them for further processing.

For Sanimax, the leather business has been a growth opportunity that allows for broader and more complete services to be offered, as well as allowing asset maximization of facilities and fleet. With a significant fleet and collection routes already established in carefully selected areas in the northern, upper Midwest, and southern regions of the United States (US) and eastern regions of Canada, it is easy to understand why the leather business would come to be considered a natural extension of rendering.

Today, Sanimax reclaims over one million cattle hides from across North America and processes them in various facilities, including Green Bay, WI, Durant, OK, and Ste-Rosalie, QB, Canada. It is also the only North American hide company that has local warehouse facilities in Leon, Mexico, for servicing this considerable market for leather, allowing manufacturers to run just-in-time operations.

**History**

Historically a rendering company, Sanimax entered the leather business in Canada in the early 1960s with the construction of a new and larger processing plant in Charny. However, the major growth of the company’s leather business came through the acquisition of the Anamex Group in 2005, which had been processing wet-salted hides for many years and benefited from a well-established international sales network.

Overall, leather is a perfect fit with Sanimax’s “3R” philosophy: reclaim, renew, and return.

**Reclaim**

Hides are collected from small butchers, large packing plants, and third-party collectors in North America. Existing collection routes are optimized so that hides can be brought to the processing facilities in due time to begin the transformation process. Time is of the essence to preserve hide quality to ultimately make superior leathers.
When it comes to its leather business, Sanimax focuses on collecting hides in conjunction with rendering services, but also as a standalone service outside its rendering footprint.

**Renew**

Though the leather industry can be complex and requires specific expertise, Sanimax opted to capitalize on its leather business growth opportunity. It began by building an internal leather team with tanning experience to speak the language of the customer (tanners) and have the expertise to move hides into value-added processes.

Today, hides are carefully managed at each step in the process to prepare them to be made into leather. Hides are cured, trimmed, and sorted into more than three dozen selections of premium cattle hides at various wet-salted facilities, with a focus on how the tanner will assess and use them. Tanners have the option of purchasing wet-blue or wet-white hides to their exact specifications. Wet-blue and wet-white products are more cost-effective to ship and face less export restrictions. In the event of disease, wet-blue and wet-white products would still be accepted by foreign countries and allowed to be exported. Sanimax has built relationships with third parties that allow it to manage these processes directly to assure the product will meet customers’ needs.

Another factor in pursuing value-added processes is that today, brands and consumers are well-educated in the products they buy. They demand environmental process controls, animal welfare, and ethically-sourced raw materials (i.e., avoiding deforestation). Sanimax uses tanneries to renew its products into semi-finished leather that meet all these standards. These tanneries are audited by the leading world monitoring authority, the Leather Working Group.

**Hide Definitions**

*Conventional hide*: unfleshed, untrimmed hide cured by applying salt on both the flesh and hair side.

*Wet-salted hide*: cured, trimmed hide fleshed and preserved utilizing a device, vessel, or bath that allows the hide to be immersed for a specified period of time to achieve adequate preservation.

The above hides are sold to tanneries that then begin the process of creating leather. The salt serves only to preserve the hide until it arrives at the tanneries.

*Wet-blue hide*: hide that has been chrome-tanned using chromium sulfate and other salts of chromium. It is known as wet-blue for its light blue color derived from the chromium. The resulting hide is more supple and pliable than other forms of processing and a broad array of leather colors are possible using chrome tanning.

*Wet-white hide*: Aliphatic polyaldehyde-tanned leather processed using glutaraldehyde or oxazolidine compounds. It is referred to as wet-white due to its pale cream or white color. Wet-white tanned leathers are free of chrome and recyclable, and are the main type of “chrome-free” leather often seen in automobiles and shoes for infants. This fairly new method of tanning has been gaining popularity, partially due to increased concern for the environment.

The wet-blue and wet-white hides are then further processed to eventually become finished leather.

**Return**

Returning the wet-salted hides and processed leather to the market is truly a global effort. Sanimax’s products are exported by a team that effectively navigates several languages and cultures, and manages various trade regulations in over 15 countries, including China, Thailand, South Korea, India, Vietnam, Russia, Turkey, Germany, Italy, the Netherlands, France, Tunisia, Mexico, Canada, and the United States.

Sanimax supports its Asian customer base with a full-time sales team based in Beijing, China, that each year spends an incredible amount of time meeting face-to-face with buyers in Asia, the renderer’s largest consumer market. In addition, the company has dedicated full-time resources in Mexico and a team that visits Europe several times a year to maintain strong relationships in this important region and be proactive regarding market shifts and impacts.

**Global Shifts**

The hides and leather industry faces global changes, such as increasing logistics costs, more stringent environmental regulations, and increased processing costs in China. This year, the Chinese government has begun enforcing stricter wastewater regulations causing some tanneries to temporarily halt production or even shut down. As part of these changes, the tanning industry is shifting some production to new sectors, including Vietnam, Thailand, Bangladesh, India, and Ethiopia.

As world economies continue to recover and China gradually opens its economy in an effort to serve a growing middle class, the demand for leather is strong and expected to stay firm. China’s Ministry of Commerce reports that the country’s consumption of leather has reached 0.2 square meters per person, or 260 million square meters of leather per year in total, a figure that the ministry says is growing by 10 percent each year. This demand, combined with reduced slaughter levels in the United States, has resulted in prices for cattle hides being pushed to record levels in 2014 (chart 1).

In the face of these shifts, opportunities can be found. The year-to-date number of wet-salted hides exported to China from the United States is down 800,000 hides, while the number of wet-blue cattle hides is up 400,000. This indicates China’s anti-pollution policies are compelling more tanners to buy wet-blue hides to meet their production needs.

*Continued on page 12*

**Chart 1. Heavy native steer hide prices, 2010-2014**

![Chart 1](chart1.png)

*Source: hidenet.com*
Leather Continued from page 11

Along with this, there is some cause to believe there could be a resurgence in the manufacture of leather goods in North America. With consumers more and more focused on environmentally-friendly products, and with the US tanning industry’s long history of meeting the highest environmental standards, the United States looks promising. Earlier this year, it was announced that German tannery ISA TanTec is launching a new production center in Mississippi in response to the growing demand from American shoe manufacturers for high-quality leather that is made in the United States. The plant is expected to begin operations in January 2015.

Conclusion

Based on these global conditions, renderers are or should be looking at hides and skins in a new light. Strong worldwide demand for leather, combined with reduced slaughter levels, is making this product a viable business segment along with traditional rendering industry outputs.

As these global changes continue to evolve, renderers also should realize they face not only opportunities but challenges as well. Higher prices may result in more competition for hide collection and new competitors entering the market. Although current market prices are attractive, they also carry risk. With inventory at record high values, renderers and processors must focus on managing the supply chain in the event of a change in market conditions. International product sales require expertise to keep product moving and manage this risk. Finally, the decision to proceed into value-added processes requires specific expertise and specialized facilities that take time to develop and establish.

Sanimax aims to maximize the value of hides and skins by not just reclaiming, but also through value-added processing and sales. As an active member of the United States Hide, Skin, and Leather Association (USHSLA), an extension of the American Meat Institute, Sanimax continues to be the voice of the rendering industry and of independent renderers. Time is spent representing the industry at trade shows, keeping global markets open with the association as a leader, and adding value in the leather supply chain.

“Renderers are important members of USHSLA, and Sanimax is a leader working to represent rendering industry priorities and interests,” said Steve Sothmann, USHSLA president.

“Moving our leather division up the value chain and away from a straight commodity market has been a challenging road, but a very rewarding one,” stated Sanimax owner and Chief Executive Officer Martin Couture.

All of this is why shoe, garment, automotive, and upholstery manufacturers around the world rely on North American hides and skins for the raw materials they need to create outstanding leather footwear, furniture, and automobile interiors. Louis Vuitton, ECCO, Coach, Wilson, Rawlings, Lexus, BMW, Mercedes-Benz, Audi, Aldo, and Timberland are all world-class brands that share a common ingredient in the making of their finest quality leather products: North American hides and skins. Like all great labels, these companies depend on a carefully selected supply that goes into their finished products to preserve the integrity of their brand name.

Overall US Hide, Skin, and Leather Export Values Increase

Export values of United States (US) hide, skin, and leather products this year are on a record-setting pace from 2013, marking one of the most successful periods the industry has seen to date. Through June 2014, the industry exported more than $1.43 billion worth of US cattle hides, pig skins, and semi-processed wet-blue leather products (hides that have undergone the first stages of leather tanning). This represents a 6.7 percent increase over the $1.34 billion exported during the same period in 2013.

US hides and skins companies – including producers, processors, brokers, and dealers – regularly export more than 90 percent of total US production and are one of the top raw material suppliers to the global leather manufacturing industry.

According to US Department of Agriculture (USDA) statistics, exports of wet-salted cattle hides (hides that have been preserved using brine solutions) increased four percent in value to more than $955 million. China was the largest buyer of these products, with imports valued at $619 million, a seven percent increase over the same period in 2013. Taiwan has likewise seen a seven percent increase over 2013 levels to $68 million. Most major leather tanning markets saw US export values increase, including Mexico, the European Union (EU), Thailand, and Vietnam. The exception was South Korea, the second largest importer of US wet-salted cattle hides, which decreased 11 percent in value to $142 million.

Wet-blue cattle hides also continued to increase in value. Through June, total exports of US wet-blue products were just over $451 million in value, a 13 percent increase over 2013. Several US firms have increasingly shifted focus from exporting raw materials to semi-processing wet-blue products in an effort to increase value and maximize gains. China, again, is the largest importer of these products, taking in $168 million worth (a four percent increase over 2013), while the EU, Vietnam, Taiwan, Thailand, Mexico, and the Dominican Republic account for the remainder.

Despite increasing export values, the US hides and skins industry faces a shortage of available supplies as cattle slaughter rates have decreased approximately seven percent below 2013 levels. This continues a multi-year trend of reduced slaughter rates and cattle hide availability.

US pig and sow skins, used largely to make leather for shoe lining, dropped eight percent in value to $27 million through June. Mexico is the largest importer of the product, taking in $13 million. The US industry faces market access restrictions for pig and sow skins in China, the largest leather producing country in the world.

Complete industry export statistics are available on the US Hide, Skin, and Leather Association website at www.ushsla.org. The association disputes the number of pieces reported as exported in USDA statistics and advises they only be used as a reference.