U.S. Hides and Leather Industry Briefing

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Overview

- Types and Characteristics of U.S. Hides
- Major Markets and USA Market Share
- Global Leather Demand
- Hide Quality Impacts
- Issues in the industry
USHSLA - What We Do

- Voice in Washington
- International information
- New market opportunities
- Trade policy
- Liaison with allied associations
- Only organization focused on U.S. hides & skins
Characteristics of U.S. Hides

3 Major Factors
- Breed
- Feed
- Location

Feed-Lot
- Controlled environment

Hide Production
- Professional facilities
- Consistent hide removal
- 98% fleshe
Typical* Hide Processing

Hide Removal
- Mechanical pullers
- Reduction in hide temperature

Processing
- Trim and Flesh
- Brine curing – 18 hours
- Palletization and ship
Industry Standards for the Sale of Hides

- Uniform U.S. Industry Standards followed by USHSLA Members
- Available at: www.ushsla.org
Trimming
Steers, Heifers & Cows

- Natives
  - Plump hides not having visible brands
- Brands
  - Weight ranges specific to producer
  - Plump hides having visible brands
  - Weight ranges specific to producer
- Cows
  - Plump (beef)
  - Dairy
  - Feed lot

Brine cured, trimmed and fleshed
Palletized
Uniform quantities by producer

Standards Governing Export of NA Hides

US Hide Types
Packer Hide Selection Types

- Heavy Native Steers, Heifers & Cows
- Butt-Branded & Colorado Steers
- Branded Steers
- Heavy Texas Steers
- Branded Heifers & Cows
- Native & Branded Bulls
- Native Dairy Steers & Cows
Native (Unbranded) Hides
Butt-Branded Hides
Colorado Branded Hides
Heavy Texas Steer Hides: Estimated Selection %

- 30% Native
- 50% Butts
- 20% Colorados
Knife damage can appear anywhere on the hide.
Render Hides

- Cattle Deaths: 1+ million
- Calf Deaths: 2+ million
- Per year

Air removal results in a hide with a mechanically pulled appearance
Avg. Cattle Hide Prices

Avg. price of HNS Per piece
Price Differential on Hide Selections

Daily U.S. Hide Price

www.themaxfieldreport.com

- @- HEAVY TEXAS STEERS 58# to 66# $/pc
- @- HEAVY NATIVE STEERS 58# to 66# $/pc
- @- BUTT BRANDED STEERS 58# to 66# $/pc
- @- COLORADO BRANDED STEERS 58# to 66# $/pc
Trade Standards for USA Hides: Grading

• **No. 1 Hide:** Prime hides without defects which have correct pattern and are sufficiently cured. They are free of holes, cuts, scores or gouges, visible grain defects and broken grain over 1 inch long.

• **No. 2 Hide:** Hides that are off-pattern or contain a hole, cut, deep score or gouge, none of which is longer than 6 inches, visible grain defects or warts in an area of less than one square foot (located above a straight line drawn through the break in the hair of the fore and hind shanks)
Trade Standards for USA Hides: Grading

• **No.3 Hide**: Hides that contain hair slips, five holes and/or scores and gouges, any hole or cut 6 inches or more, insufficient cure, a concentrated area of grub holes, warts or any other defect covering one square foot or more.

• **Latent Defects** include but are not limited to the following: puller, clamp, or mechanical damage which is discovered after hair removal. Buyers have recourse when latent defects are discovered.

• Defects which are inherent in the hides, such as those existing prior to slaughter, are not latent defects.
Wet Blue Plants

2010:
±200k Hides pwk

2015:
±300k Hides pwk
U.S. Wet Salted Hide Trade Flows 2015

83% Exports:
- China (~60%)
- Korea
- Taiwan

95% Exports
- 3 + EU, Mexico, Thailand and Japan.

Total 2014 Value: $1.84 billion
Total 2015 Value: $1.48 million (-20%)

Source: USDA GATS – Census Data
U.S. Wet Blue Trade Flows 2015

72% Exports:
• China (~38%)
• EU (~23%)
• Vietnam (~11%)

95% Exports
• 3 + Taiwan, Mexico, and Korea

Total 2014 Value: $959 million
Total 2015 Value: $752 million (-22%)

Source: USDA GATS – Census Data
USA Market Share Snapshot: China

**WS/BC Hide Imports China**
- United States: 53%
- Australia: 4%
- Canada: 4%
- South Africa: 5%
- Uruguay: 4%
- Netherlands: 4%
- United Kingdom: 3%
- Italy: 3%
- France: 3%
- Ireland: 2%
- ROW: 2%
- Other: 1%

**W/B Imports China**
- Brazil: 34%
- United States: 14%
- Italy: 13%
- Argentina: 5%
- Vietnam: 4%
- Thailand: 4%
- Taiwan: 4%
- Netherlands: 4%
- South Africa: 3%
- Australia: 3%
- Colombia: 3%
- Korea South: 3%
- Uganda: 2%
- Bangladesh: 2%
- Paraguay: 2%
- ROW: 1%

Source: Global Trade Atlas; By Value
Global Leather Market Segmentation
Global Leather Market Segments

- Footwear: 55%
- Auto: 18%
- Furn: 12%
- Other: 10%
- Garment: 5%
More Auto Leather Usage

Global Light Vehicle Production

- 2013
- 2014
- 2015
- 2016
- 2017
- 2018
- 2019
- 2020
- 2021
Auto market share growing to ±25% (2020)

Shoe bovine usage declining
- Alternative substrate options
- Goat, Pig and Sheep

Handbags and leather goods will follow
- Goat, Pig and Sheep
Hide Quality
Factors Affecting Hide Quality

- Uncontrollable Factors
  - Weather Conditions/Drought
  - Animal Genetics and Husbandry
  - Feed and Forage Areas

- Potentially Controllable Factors
  - Hide Removal and Processing
  - Pest Control and Management by Producers/Feedlots (?)
  - Business Practices
Uncontrollable – Genetics and Husbandry

- **Increasing Animal Weights**
  - Over 70 lbs. added to live avg. weights in last decade

- **Shifts in Cattle Genetics**
  - Breeds have differing hide characteristics
Uncontrollable - Feed and Forage Areas

- Land use for forage vs. crop production
  - RFS Policies

[Graphs showing U.S. season-average corn price and corn and soybean planted acreage over time]
Controllable? – Pest Control/Management

- Cow-calf and Feedlot Margins Squeezed by High Feed Costs?

- Operations in turn look to reduce expenses by cutting back on pest control measures?
Controllable - Hide Removal / Processing

- Packers and Hide Processors in Northern areas of US/Canada contend with seasonal variation.

- Hide Quality and ERRC Research
Mexican Cattle – Impact on U.S. Quality?
Ongoing Industry Policy Issues
Decree No. 159 – China’s AQSIQ

- Applies to import and export of all non-edible animal byproducts in China

- Requires a system audits and facility registration system for foreign suppliers
  - U.S. audit sometime in early 2017

- Risk-Based Product and Supplier Assessments
Fumigation Issues – China and Mexico

- U.S. is still listed on AQSIQ’s Fumigation List
  - Now limited to Florida
- New Cases of Screwworm in Florida
  - Mexico Requiring Fumigation
TPP’s Death and Future of Trade Policy

TRANS - PACIFIC PARTNERSHIP

Canada
United States of America
Mexico
Peru
Chile
Japan
Vietnam
Brunei
Singapore
Malaysia
Australia
New Zealand
Thank You.

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