



Botswana Development Corporation Limited

"Your Investment Partner"

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In 2001, Botswana Export Development and Investment Authority (BEDIA) financed and undertook a feasibility study on the establishment of a leather tanning plant in Botswana. This study confirmed the need for a tannery industry in Botswana, provided there was a partner knowledgeable in the business and with access to the necessary technical skills required for the operation of the tannery.

Following from that study, Botswana Development Corporation (BDC) and CEDA Venture Capital Fund (CVCF) individually sought appropriate partners to co-operate in this industry.

In 2004, Tannery Industries Botswana (Pty) Ltd was identified and both financiers decided to co-finance the venture in order to share the cost and minimise the financial exposure, with CVCF being the account manager.

Tannery Industries Botswana (Pty) Ltd intends to establish, manage and operate a leather processing and finishing factory in Lobatse. The tannery will focus on producing finished leather for upholstery, footwear and leather goods manufacturers.

The project promoter is a company called Desto Trading (Pty) Ltd whose shareholders include two Batswana (The Managing Director and the Commercial Manager) and two Bulgarians (The Deputy Managing Director and the Production Manager).

The tannery will use skins and hides from Botswana. During the feasibility study it was found that cattle breeding is the largest industry in Botswana and it is mostly rural based. There are more than 2.6 million cattle in Botswana and 10 to 12 percent are slaughtered annually, which produces about 300,000 hides per year.

The main beef producer in Botswana is the Botswana Meat Commission and it has the capacity to produce 180,000 hides per year. All the hides produced from BMC have been tanned to wet blue stage and exported to Italy and other European countries, for finished manufacturing.

The other major sources of hides are the small rural butcheries, slabs and council slaughterhouses. These total 150,000 hides per year. Some of these non BMC hides are currently being exported to South Africa in raw and the rest go to waste.

A lot of the small stock skins and game hides from the hunting industry do not find their way into commercial markets. These therefore represent an opportunity for tannery Industries Botswana (Pty) Ltd. Overall there are more than enough hides country wide to sustain the new tannery.

The new P26 million tannery is expected to process at least 22,000 hides a month or 364,000 hides annually. The semi-processed hides will be obtained initially from the BMC tannery as wet blue under contract tanning arrangements. Non-BMC hides will be obtained from council and private abattoirs as well as individuals through a countrywide network of collection agents who would be paid for the service.

This network of collectors already exists in the country, but they export the hides to South Africa under export permits issued by the Government.

Like other countries in the region, the Botswana hides and skins sector faces significant challenges of collection, infrastructure and quality deficiencies. The statistics show that Botswana has a comparatively lower rate of collection of cattle hides. The new tannery will stimulate the collection of these hides by competitive pricing for raw hides and skins.

Education programmes and incentives will be introduced in collaboration with Botswana College of Agriculture to encourage farmers to improve their flaying, curing and processing methods to produce better quality hides

Some of the downstream activities that will emerge from the tannery include linkages with the chemical production industries to supply the necessary chemicals involved in tanning treatment. The agricultural industry will benefit from having a ready market for their cattle and small stock hides and skins. The leather products industry which will produce leather shoes, belts, wallets, bags, furniture and upholstery for the Botswana market will also benefit.

Botswana will save a lot of foreign exchange as leather related industries will no longer have to import finished leather for downstream processing. The majority of the wet blue hides that have been exported to Europe will be processed locally with value addition. Exports of finished leather will also increase.

Skills transfer will occur with the employment of more urban and especially rural Batswana for processing and collection of raw hides.

Workers will be recruited and trained locally, with the emphasis on in-house training under the supervision of technical experts. If necessary, skilled manpower can be seconded to the Aframerino tannery South Africa until the factory's own staff gains a sufficient level of technical competence. The emphasis will be on using the right production technologies and strict quality control systems in order to produce finished products of the right quality. The initial staff compliment of the tannery will be 17 employees to be employed as hides and skins sorters, liming and tanning drums operators, fleshing operators and sorting of wet blue hides after tanning operators.

The tannery will also require the services of other industries for packaging (pallets, plastic, box and paper), transportation of products, construction of factory and affluent treatment plants. The tannery will therefore assist in the diversification of the economy through the engagement of these various sectors.

The main export market for products of the new tannery is identified as Namibia and South Africa. Contacts have already been established and product samples have already been tested and acknowledged by over a dozen leading South African manufacturing companies.

On the basis of the Motor Industry Development Programme (MIDP), South African producers sell the bulk of the quantity of good quality hides to the automotive industry. The concentration by these tanneries on the automotive on the automotive selection leaves a market opportunity in the other leather consuming industries. Therefore the competitive edge successfully in the market will remain consistent product quality and reliability of supply

Tannery Industries Botswana (Pty) Ltd equipment has been awarded ISO certification. Most of the production machinery has arrived awaiting installation, trial runs and commissioning. The project is scheduled to commence production in May 2006.

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