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Potential Nepalese Agri-food Exports

Nepalese Buffalo Leather

Information

Buffalo play a key role in rural small holder farms across Nepal. Buffalo are popular among rural Nepalese farmers because they have a wide variety of uses including milk, meat, draft power, manure and hides (Nepal Agricultural Research Council, 2000). Due to the nature of Nepal's physio-geographic make up, the manner in which buffalo are used and kept varies across the country. Milk buffalo are fed higher quality forage than their counterparts who typically feed on pastures and crop residues. There are three broad classifications of buffalo in Nepal and they are Hill Buffalo, Terai Buffalo and Indian Breeds (Nepal Agricultural Research Council, 2010).

Buffalo in Nepal are a staple for rural production and sustenance (FAO, 2010). Buffalo hides in rural Nepal are treated as waste and rarely collected and processed for sale. Development of a means for rural farmers to harvest and sell their hides will result in income for these rural communities, improvements in infrastructure and benefit the leather industry in Nepal by providing it with much needed supply (ITC and TEPC 2007).

Growth and Processing

Buffalo are born after an average gestation period of 300 days. They reach maturity after 4-5 years, and in rural Nepal are then used for farm work, milk or slaughtered for their meat (FAO, 2013).

History

Buffaloes are favoured over cattle because there is higher nutritional value from dairy. Because of this, buffalo have been an essential source of milk, meat and draft power in Nepal for centuries. The multipurpose nature of buffalo is also a large contributing factor to the popularity of the animal. Due to the sacred nature of the cow in Nepal, cattle are not a major source of hides because a cow must die a natural death in order for the hide to be legally harvested. The leather industry in Nepal is therefore primarily supplied by the buffalo meat industry.

Nepalese people, especially in rural areas, practice eating skin-in-tact buffalo meat. This is meat that is cooked and eaten without having the hide of the buffalo removed. Most rural people fail to see the value in skinning and selling the hides of the buffalo that they slaughter and it is therefore treated as a waste product or consumed (FAO, 2010).

Environmental Sustainability

The leather industry in Nepal has a high risk of negative environmental impact due to a lack of legislation pertaining to environmental protection. Tannery companies found in Birgunj have installed an industrial wastewater treatment facility that is used to ensure that water from the tanning process can be cleaned prior to release. Efforts are being made

to centralize the leather industry in Nepal in order to minimize and share the cost of environmental protection systems such as those in place in Birgunj.

Impact

The development of this branch of the leather industry in Nepal will result in income for these rural communities that will assist in sending children to school and providing food. This will also result in the development of rural transportation infrastructure that will have direct benefits to commerce in these areas (FAO 2010).

Labour and Economic Inputs Required

The direct cost to the farmer will be minimal, as it will simply involve paying the butcher to properly remove the hide from the animal. There will need to be money spent by the government on education programs in order to educate rural butchers on effective ways to harvest hides that will result in the highest quality end product. There is also a need for modernization of tannery equipment if Nepal will hope to produce competitive leather hide products; this may be done through government subsidies or grants (ITC and TEPC 2007).

It is also necessary that improvements be made to rural transportation infrastructure so that hide collectors will be able to access the rural mountainous regions of the country where the untapped supply of buffalo hides exists (ITC and TEPC 2007).

Economic Benefits to Nepal

The economic benefits of the expansion of the leather industry in Nepal will be felt not only by the state as a whole but will benefit poor rural farmers that otherwise would not receive the income generated by the sale of their animal's hide. With proper marketing, investment and education, leather has the potential to become one of Nepal's primary exports (ITC and TEPC 2007). This will fuel economic development and will also benefit the smaller rural communities that are the source of the additional leather supply.

Practical Information for Initiating Market development

To initiate an expansion on the hide market to more rural areas of Nepal there will need to be an approach that includes better education of rural butchers and investment in rural transportation infrastructure and an improvement in rural storage facilities. One of the major problems facing the leather industry in Nepal is a lack of organization. There will need to be structure added to the supply chain in order to ensure that growth happens effectively. (ITC and TEPC 2007)

On the large scale there will need to implement subsidies for supplies like salt that will aid the effectiveness of the storage and transportation process for the hides (FAO, 2010). Another key element for initiating market development will be the elimination of export tariffs for hide export companies and the provision of tax breaks for this growing industry. For Nepal to become a major competitor on the world hide market they are going to need to begin incentivizing the industry as many competitor countries are doing. (FAO 2010)

Evaluation of Export Potential

Transport Logistics

The main reason that rural buffalo skins are not currently being sold to market is, in part, due to a lack of rural transportation infrastructure, which is making it difficult for skin collectors to access the supply (ITC and TEPC 2007). This will need to be addressed as previously stated.

The chain of supply will work like this:

1. Local butcher harvests hides from butchered buffalo
2. Either the farmer pays the butcher then goes and sells the hide or the butcher pay the farmer then proceeds to sell the hide.
3. The hide is then sold to a hide trader who will then transport the hides from the rural community to an urban center.
4. The hides are then processed and prepared to be shipped via shipping container to Canada where the buyer will collect them.

Upon arriving in Canada, the shipment will need to be inspected to ensure that it is not contaminated with blood, dirt or other organic material. If the shipment passes a visual inspection and the proper import documentation is provided, the products are released from CBSA to the importer. Unfortunately, Nepal is not a designated country therefore hides that have not been fully processed may need to be transported to an approved facility to be disinfected prior to being released to the importer (CFIA 2013). See "Storage During Shipment".

Import/Export Documentation Required

It is essential that all hides being exported to Canada be accompanied with the proper import documentation. Importers are required to provide two copies of each of the following :

- Cargo Control Document (CCD) – Document sent from the shipment's carrier to yourself and the Canadian Border Services Agency (CBSA) upon the shipment's arrival.
- Copy of the original purchase invoice
- Canadian Customs Coding Form – All the information relevant to the good being imported including applicable tariff rates and the value of the goods for duty purposes.
- Certificate of Origin - Document provided by the exporter expressing the origin of the shipment.

After release, the importer is required to present the final accounting package to the CBSA no more than 5 days later.

Storage During Shipment

According to the Canadian *Health of Animals Regulations (C.R.C., c. 296)* Section 42:

"A person may import into Canada raw wool, hair or bristles or an untanned hide or skin from a country or a part of a country not referred to in section 41 if

1. *the article is transported under seal of an inspector directly from the place of entry to an approved disinfection establishment for disinfection in accordance with these Regulations; or*
2. *in the case of an untanned hide or skin, an inspector is satisfied that the article*
 1. *is a hard dried hide or skin of an animal,*
 2. *has been pickled in a solution of salt containing mineral acid and was packed in a leakproof container while still wet with such solution; or*
 3. *is the hide or skin of an animal and has been treated with lime so as to become de-haired."*

SOR/97-85, s. 34; SOR/97-478, s. 10(E).

These regulations should dictate the manner in which the hides are transported and stored.

Trade Barriers

There are no Canadian trade barriers prohibiting the import of buffalo hides or finished buffalo leather products from Nepal.

Potential Government Grants or Loans

Foreign organizations should be cautious about investing in Nepal as there are reports of development aid being squandered and even used to “benefit powerful local figures and, indirectly, criminal gangs.” (Economist, 2011). Development of the rural branch of buffalo hide production will need to start with the Nepalese government removing export tariffs and directly subsidizing the industry as many other countries do.

Potential Canadian Buyer

1. DANIER LEATHER INC.

Danier is a Canadian designer, manufacturer and retailer of leather garments, handbags and accessories. Danier manufactures 7% of their garments domestically with the other 83% being produced overseas (mostly in Asia) and they intend to maintain this domestic manufacturing capability (Danier, 2014). Danier is one of the largest publicly traded leather retailers in the world and would be an excellent buyer of Nepalese buffalo hides. Knowing exactly where the hides came from is a marketable asset for a company like Danier and would be valuable for the creation of a ‘chic’ line of Nepalese Buffalo leather handbags, accessories and outerwear.

Contact Information: **T:** 1.877.932.6437
 F: 416.762.5578

Danier Leather
2650 St. Clair Avenue West
Toronto ON, M6N 1M2

2. ROOTS CANADA

Although Roots deals almost exclusively with Italian leather, there may be a possibility to also approach them with the suggestion of a 'chic' line of Nepalese Buffalo leather handbags, accessories and outerwear.

Contact Information: **T:** 1-800-208-0521

Roots Canada
1400 Castlefield Ave.
Toronto ON, N6B 4C4

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