

China pollution rules threaten lamb prices

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THE closure of toxic tanneries in China is prompting processors to caution farmers about the effect on lamb prices as the new lamb season nears.

The extensive tannery industry in the Hebei and Henan provinces of northern China have borne the brunt of Chinese Premier Li Keqiang's crackdown on industrial pollution. Hundreds of tanneries have been forced to comply or close under tougher environmental rules.

The crackdown has largely affected the "wet" lamb skins trade, with reports of thousands of containers containing pelts stalled in warehouses in the region.

Alliance Group marketing manager for beef and co-products Carl Alsweller cautioned that while the mass shutdown occurred in April-May, the effects were likely to linger well into the early stages of this season, as many plants grappled with the time and costs involved to upgrade.

"There has also been a slight slowdown in the Chinese economy, which has softened demand for luxury-type goods, including leather," he said. "But the order to shut down came

in March-April, effective May." He predicted the shutdown for many plants would be permanent given the relatively small scale of many and the resources required to get them up to standard.

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Carl Alsweller
Alliance Group

The processors were among 8300 companies forced to close in Hebei province alone last year, after thousands of volunteers were recruited to monitor pollution sources.

The Chinese state media agency Xinhua has said Hebei contained seven of China's 10 most-polluted cities.

International leather business website Leatherbiz said the Chinese Government was committed to avoiding another pollution cluster forming, with fellmongering businesses hit particularly hard in comparison to re-tanning and finishing operators.

Hebei is regarded as the fellmongering capital of the world for sheepskins, a business not easily relocated compared to less-polluting processes further down the processing chain.

Market demand globally was also expected to compound the loss of processing capacity in China.

Alsweller said sheep pelts from New Zealand typically had three main markets - handbag leather, garment material, and rugs or Ugg boot use.

The main market for garment grade pelts was in China and Russia and both have experienced a softer demand, while United States consumer demand had held up relatively well, he said.

"Prior to this year you would have to say pelts were selling at record levels, partly reflecting the decline in ovine (sheep) pelt supply globally."

The short supply of sheep globally could be the factor that helped provide an end to the low prices being experienced, he said.



NO RETURN: Alliance Group marketing manager for beef and co-products Carl Alsweller predicts the shutdown for many tanneries will be permanent.

This year those prices were down 50% and he anticipated it could shave about \$5 a head off lamb prices.

While it appeared prices might be close to stabilising at the lower levels, Alsweller cautioned stocks were accumulating, some bought during the high points in the market.

Chinese buyers are estimated to buy about 40% of the NZ lamb pelt production.

Other areas competing with NZ in pelts are Australia, Africa, the Middle East, the United Kingdom, and China.

The shutdown, clean-up requirements, and reduced capacity in China are anticipated to bring pelt-processing costs up to levels closer to European and US levels. China's ministry of environmental

protection has acknowledged the environmental standards might result in 45% of skin processors going out of business.

About US\$300 million is estimated to be required to upgrade water-treatment plants and production processes.


Wallace Corporation general manager for hides and skins Ted Hulbert said he was thankful his company was not processing sheep pelts.

"Calf prices would still be among the top four prices we have experienced, so it's no disaster there."


He estimated wet sheep pelts, even with wool on, would be worth less than \$2 each under current conditions.

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