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# Socio-economic and environmental analysis of the effects of Regulation 2023/1115/EU on the European leather sector

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# Research design

## TASK 01.

Analysis of the **connections between the leather sector and deforestation**, through literature review and interviews to market operators.

## TASK 02.

Analysis of the **socio-economic effects on the leather market** resulting from the introduction of Regulation 2023/1115/EU.

## TASK 03.

Analysis of the **environmental effects** resulting from the introduction of Regulation 2023/1115/EU.

# Scientific and “grey” literature review

## TASK 01.

- No studies deny the **connection between cattle raising and deforestation** and other negative environmental impacts. The majority of documents and authors support the classification of **raw hides as by-products of cattle raising** that has the primary objective of meat and dairy production.
- Most studies agree that **reductions of the leather market could generate an increase in the number of raw hides sent to landfill disposal, i.e. increasing the environmental impact.**
- Some authors affirm there is an indirect link between leather and deforestation (**embedded deforestation**) for its economic value in terms of exports and profit made by slaughterhouses by selling hides. Other authors believe that the high demand of hides triggers illegal deforestation but without giving a convincing justification of this claim, especially under an economic perspective.
- **No author has provided data or quantitative analysis** to support the hypothesis of a link. For some authors, the issue of deforestation is extended to leather only by ‘proxy’.
- **No authors have found a direct link between leather and deforestation**

# Interviews review

## TASK 01.

- The large majority of the interviewees support the position that there is a **connection between cattle raising and deforestation**.
- **Raw hides are predominantly viewed as by-products** of the slaughter process, with some stakeholders referring to them as **waste** products due to their low value compared to meat and other to **co-product** due to the high value of the finished leather products.
- **Tanneries**, as clients of slaughterhouses companies, have a **very limited power to influence** relevant management decisions of those companies.
- The majority of interviewees support the position that there is **no relationship between raw hides and deforestation**. Among the few that believe the contrary, the majority argues that **this relationship is indirect**.
- Stakeholders largely concurred that the proposed regulation would likely lead to a **geographical shift in the leather market away from the EU, resulting in negative socio-economic consequences**.

• **Key Finding Task 1: Bovine hide/leather, as a by-product of cattle raising, does not drive deforestation.**

# Socio-economic analysis

## TASK 02.

- The introduction of Regulation 2023/1115/EU is expected to create a **supply shock in the cattle hide market**, materializing as additional costs for the main input for cattle hide and leather producers. The main objective of this report is to analyse the **effects of a price increase on the demanded quantities** in the client sectors by examining the bovine hides demand elasticity to prices.
- The scenario analysis sees a **collapse in bovine hides demand** between 9.3% and 15.5% in the face of a price increase between 6% and 10%.
- A **decrease in bovine hides demand of around 15%** is likely to have significant **consequences for employment and other social aspects** in the leather industry.
- An **overall demand drops of 9-15%** which is unlikely to be reabsorbed by producers could be **disruptive for local economies** heavily reliant on leather production and exports.
- If an **animal tracking system is not already in place in the country, its setting up from scratch on the sole demand of the leather industry is highly unlikely**, having regard the marginal value of hides compared to the entire animal. Making the necessary investments into a cattle traceability system only with the aim of tracing bovine hides is therefore very unlikely for countries supplying bovine hides, skins or leather to the EU but not meat (or very low quantities).

• **Key Finding Task 2: The socio-economic consequences for the EU leather industry could be severe.**

# LCA analysis

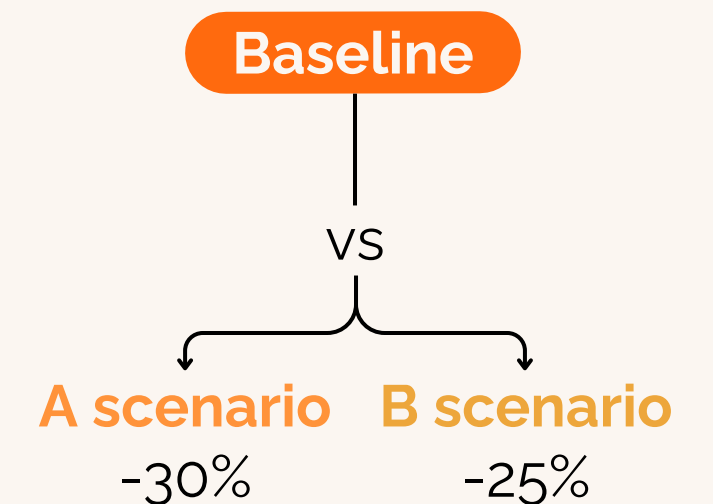
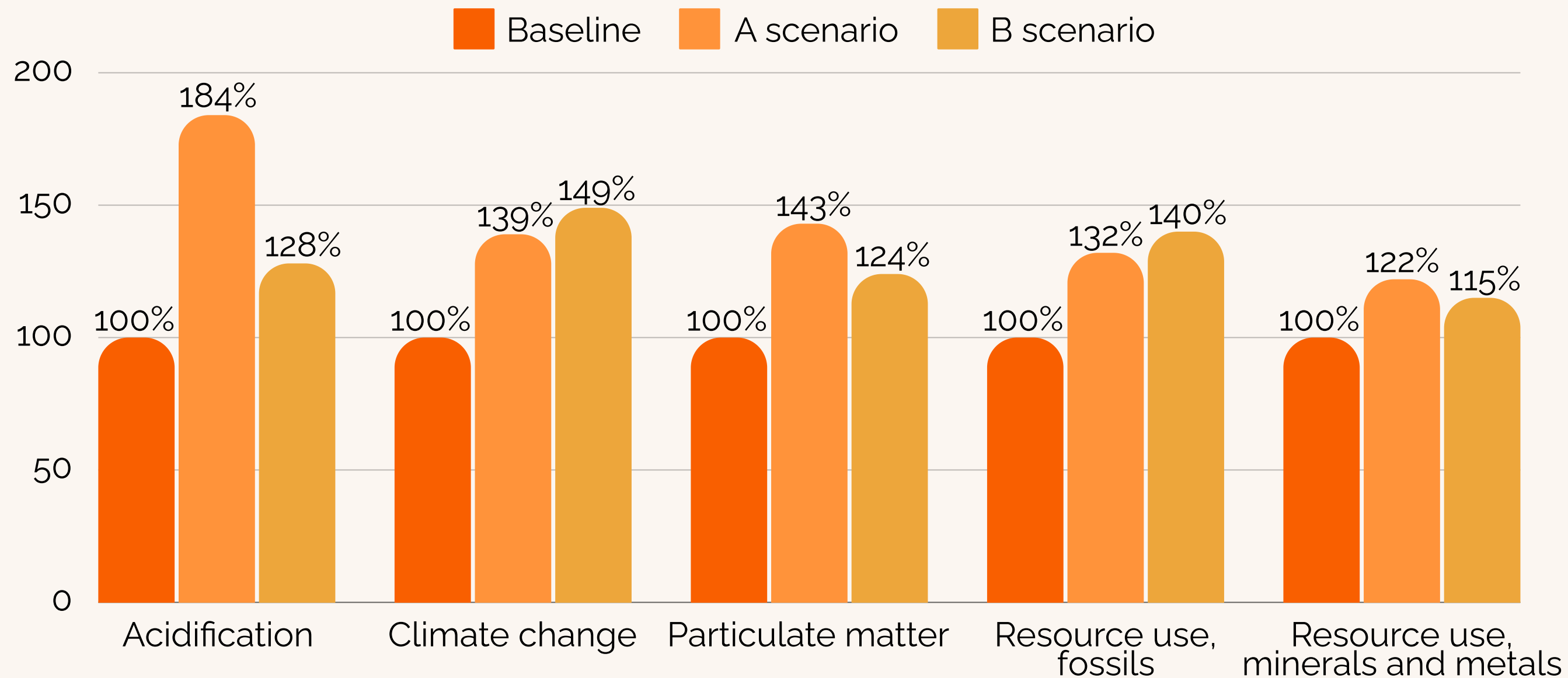
## TASK 03.

- The **baseline scenario**, reflecting the present market situation, is based on primary data on **raw hides and skins EU volumes of import in 2023 from USA and Brazil**.
- The first alternative scenario, "**A scenario**", considers that the **same volume of raw hides and skins leaving US and Brazilian slaughterhouses are sold and processed in China** and then **finished leather is sold and distributed in Europe**.
- The second alternative scenario, "**B scenario**", considers that the same volume of **raw hides and skins leaving US and Brazilian slaughterhouses** follows different streams:
  - US raw hides and skins are sold to **inhouse tanneries (15%)**, to **Chinese tanneries (65%)** and the remaining 20% goes to end of life in US treatment plants, of which **15%** is supposed to be **biowaste incineration** and **5% open dump landfilling**.
  - **Brazilian raw hides** and skins are sold to **Chinese tanneries (80%)** and the remaining 20% goes to end of life domestic treatment plants, of which **5%** is supposed to be **biowaste incineration** and **15% open dump landfilling**.
  - In addition, an **extra production of an equivalent amount of polyurethane leather-like material (PU LLM)** is produced in Europe to fulfil the domestic demand of leather.



# Baseline vs A scenario vs B scenario

## TASK 03.



**Key Finding Task 3: Baseline has a minor environmental impact than A scenario and B scenario**

# Conclusions

- The technical-scientific review revealed a significant gap in direct evidence linking leather production to deforestation. **Bovine hide/leather, as a by-product of cattle raising, does not drive deforestation.**
- The **contraction in demand** is expected to result in **decreased wealth creation, business closures, and job losses** within the EU leather sector **heavily impacting specific areas**. Additionally, there are **indirect effects** on associated workers highlighting the broader economic implications of the EUDR, extending beyond the primary sector. **The socio-economic consequences for the EU leather industry could be severe.**
- **Shifts in processing locations and increased production of synthetic leather substitutes would increase overall environmental footprints.** Hence, **the potential environmental benefits related to the inclusion of leather in the scope of EUDR are questionable.**



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