



Deutsche Umwelthilfe



global witness



Rainforest Foundation
Norway

Re: Minimising the EU's single largest deforestation-risk commodity: Leather

6 September 2022

Dear Members of the European Parliament,

Cattle ranching is the world's largest driver of deforestation, and is responsible for almost twice as much forest loss as the other top six forest risk commodities combined.¹ As the Amazon rapidly approaches a tipping point,² it is more urgent than ever that the EU regulation to halt deforestation address cattle driven deforestation through all cattle product imports, including **leather**.

On July 12, MEPs of the Committee on the Environment, Public Health and Food Safety (ENVI), adopted a report³ that calls for an extended list of commodities and derived products to be covered by the EU regulation, including leather. In fact, leather products had already been included in the Commission's initial proposal for the regulation.⁴ It is important that the European Parliament's upcoming plenary vote supports ENVI's call to show ambition in tackling EU-driven global deforestation. In particular, the main **reasons for keeping leather in the list of derived cattle products, are:**

- Leather is not a waste product, but an essential part of the meatpacker value chain and many European industries;
- Leather is the commodity linked to the highest risk of deforestation of those under consideration;
- While operators and large traders will have to carry out due diligence under the proposed regulation, the same obligation would not apply to small and medium enterprise (SME) traders of leather;
- Some in the leather industry acknowledge the link between leather and deforestation, but voluntary action has proved insufficient.

Leather is not a waste product - profits from leather sales have shaped the expansion of the Amazon slaughter industry

While industry lobbyists claim that leather is just a by-product of beef production,⁵ it is in fact a multibillion-dollar global industry. As of 2021, the global leather industry is valued at

¹ <https://research.wri.org/qfr/forest-extent-indicators/deforestation-agriculture>

² <https://www.nature.com/articles/s41558-022-01287-8>

³ https://www.europarl.europa.eu/doceo/document/A-9-2022-0219_EN.pdf

⁴ https://environment.ec.europa.eu/publications/proposal-regulation-deforestation-free-products_en

⁵ Earthsight, <https://www.earthsight.org.uk/news/analysis/european-leather-industry-peddling-misinformation>; and <https://www.earthsight.org.uk/news/leather-industry-lobby-continues>

US\$408 billion.⁶ Profits from leather are crucial to businesses higher upstream in the leather value chain, and play a key role in shaping the slaughter industry. Meat packers operate on low profit margins. Non-meat products, of which leather is a key component, can make up to 26% of large meatpackers' incomes.⁷

Another analysis of income and profit margins for meat, leather and other products determined that meatpacking plants only operate at a profit because of the sales of leather and other co-products: meatpackers would operate at 3.2% loss with only beef sales as opposed to a profit of 4.2-13.8% when leather and other products are included, of which leather is the most valuable.⁸ Moreover, if tanneries didn't purchase hides, there would be costs involved for meatpackers to dispose of the hides, so by selling to tanneries, meatpackers increase income to become profitable, and reduce costs. The largest meatpackers, such as JBS, also have vertical business structures, refining the leather in their own tanneries and exporting these products to their own leather manufacturers abroad, thus further profiting from the value of the manufacturing and sales of leather. This means that, while the sale of hides may not directly affect slaughter volume, profits from hides influence herd size, which directly contributes to land use change and deforestation.

For the EU to successfully minimise its contribution to deforestation in the Amazon – and the Gran Chaco, a biodiverse biome in Paraguay, Argentina and Bolivia that has suffered some of the world's highest deforestation rates, driven by cattle and soy production – and the associated human rights abuses, **it must regulate the import of all cattle products, including leather.** To not do so would result in an illogical situation whereby if leather is not included in the regulation, the meat from a cow raised on recently deforested land would be banned from being sold in the EU, but a leather jacket or car seat made from the same animal is freely available for purchase. This is especially true given that meat packers rely on profits from leather, which enable them to expand into areas of forest risk.

The EU is a major importer of forest-risk leather, and can impact the cattle industry most directly through regulation on leather imports.

While the majority (around 80%) of Brazilian beef is consumed domestically, the majority of leather from Brazilian cattle (around 80%) is exported.^{9,10}

Additionally, the EU is a key market of Brazilian leather, coming in just behind China as the second largest export destination for Brazilian leather (see Figure 1). Brazilian leather is essential to the Italian tanning industry, which saw €5.2 billion in annual turnover in 2020, and accounted for 20% of the total tanning industry turnover worldwide.¹¹ In 2021, Italy replaced China as the largest export market for Brazilian leather by weight,¹² and over 36% of all wet-blue (chrome-tanned) hides imported to Italy come from Brazil.¹³ This makes the EU the largest importer of wet-blue leather from Brazil, which carry significant forest risk;

⁶ [https://www.grandviewresearch.com/industry-analysis/leather-goods-market#:~:text=The%20global%20leather%20goods%20market%20size%20was%20estimated%20at%20USD,U\\$D%20407.92%20billion%20in%202021](https://www.grandviewresearch.com/industry-analysis/leather-goods-market#:~:text=The%20global%20leather%20goods%20market%20size%20was%20estimated%20at%20USD,U$D%20407.92%20billion%20in%202021)

⁷ Analysis by US-based conservation organisation National Wildlife Federation using Scot Consultoria data.

⁸ Scot Consultoria 2021, <https://www.scotconsultoria.com.br/cotacoes/indicadores/>

⁹ Brazilian Institute of Geography and Statistics (IBGE), Animal Slaughter Quarterly Survey, <https://www.ibge.gov.br/estatisticas/economicas/agricultura-e-pecuaria/9203-pesquisas-trimestrais-do-abate-de-animais.html?=&t=series-historicas>

¹⁰ Brazilian Beef Exporters Association (ABIEC), <http://abiec.com.br/en/>

¹¹ Mammadova, A., Masiero, M., & Pettenella, D., 2020, Embedded Deforestation: The Case Study of the Brazilian-Italian Bovine Leather Trade. *Forests*, 11(4), 472

¹² CICB, 2021, <https://cicb.org.br/cicb/dados-do-setor>

¹³ UN Comtrade, <https://comtrade.un.org/data>

Specialised wet-blue tanneries account for six of the top ten exporting Brazilian tanneries located in the Amazon basin.

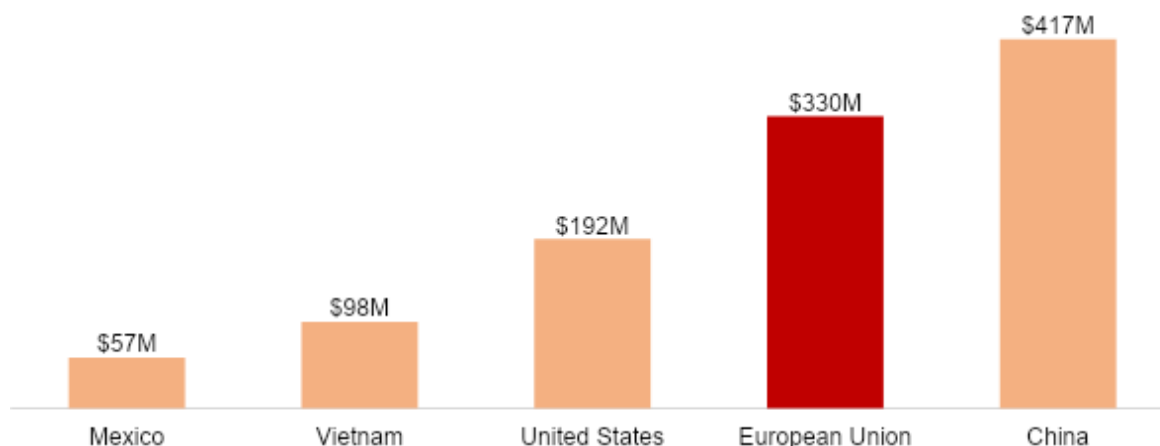


Figure 1. 2021 Leather exports from Brazil. HS codes used in the search query are those included in the European Commissions' published proposal.¹⁴

The EU is also the world's most important market for Paraguayan leather¹⁵, whose largest exporters have been closely linked to illegal deforestation and theft of protected indigenous lands in the Chaco, including those belonging to some of Latin America's last uncontacted tribes outside the Amazon¹⁶.

Aside from the Italian leather industry, leather is also essential for the European automotive industry. Almost half of all leather exported from Brazil is used by the car industry, including major European car producers. **All of the top five European car manufacturers source leather from clients of Brazilian companies estimated by one study to be linked to at least a million hectares of recent deforestation.**¹⁷ In addition, German car manufacturer BMW uses leather from a large Italian tannery linked to the illegalities in Paraguay mentioned above¹⁸ - though it denied being linked to any deforestation.

During the 2021 fire season, more than 170,000 fire alerts were detected within the buying zones of tanneries exporting to Europe¹⁹. In fact, **a comparison of deforestation risk among commodities using Trase data shows that per dollar, cattle products imported to the EU carry a much higher amount of deforestation than cocoa, palm, or soy, and leather risk is higher than beef** (see Figure 2).²⁰

¹⁴ Data is from UN Comtrade, <https://comtrade.un.org/data/>

¹⁵ Earthsight, <https://www.earthsight.org.uk/news/guide-europe-role-paraguay-forest-destruction-eu-car-supply-chains>

¹⁶ Earthsight, Grand Theft Chaco investigative series, 2020-2022, <https://www.earthsight.org.uk/investigations/grand-theft-chaco>

¹⁷ Rainforest Foundation Norway, 2021, Driving deforestation: The European automotive industry's contribution to deforestation in Brazil. https://d5i6is0eze552.cloudfront.net/documents/Publikasjoner/Andre-rapporter/Driving_Deforestation_16_June-compressed.pdf?mtime=20210617202546

¹⁸ Earthsight, Grand Theft Chaco, <https://www.earthsight.org.uk/grandtheftchaco-en>

¹⁹ <https://www.regnskog.no/en/news/forest-fires-leather>

²⁰ Trase supply chains, <https://supplychains.trase.earth/>

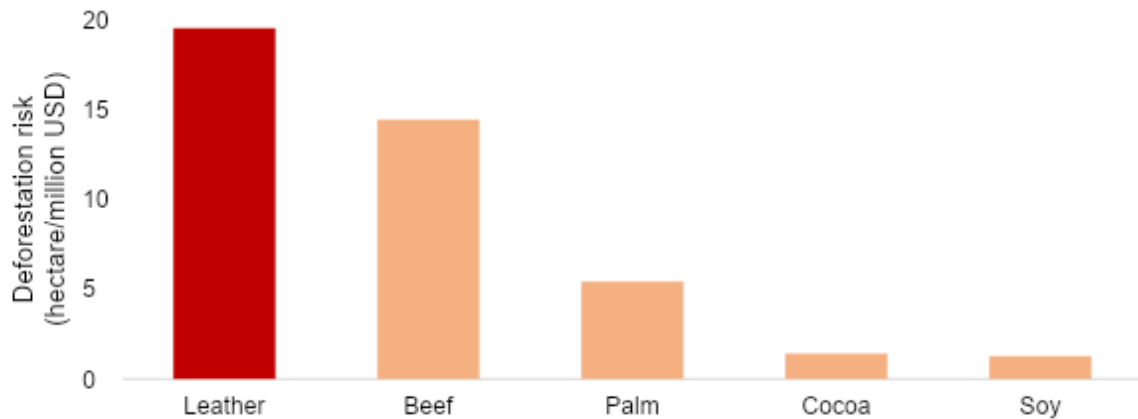


Figure 2. Deforestation per dollar of products imported to the EU (Trase Data and Methodology, UN Comtrade)²¹

Part of the reason why leather is linked to such high forest and human rights risks is that Brazilian supply chains of fresh beef destined for the EU are subject to inspections and traceability for sanitation requirements, while non-food products, including leather, are not. Because of this, many tanneries source their hides from meatpackers who do not adhere to the requirements for beef export and therefore leather entering the EU is more likely than beef to originate on ranches that encroach upon indigenous lands and protected areas and keep ranch workers in conditions analogous to slave labour.

An estimated 8% of Brazilian hides come from this so called “clandestine” slaughter,^{22,23} and a recent investigation by the NY Times showed how hides from cattle raised on illegally deforested land inside a protected area in the Amazon enter the supply chains of major Brazilian leather companies.²⁴

A recent Global Witness investigation also revealed that JBS – reportedly the world’s largest²⁵ meat processing company - sourced cattle from 144 ranches in the Amazon state of Pará that contained over 10,000 of football pitches of illegal Amazon clearance. The company also failed to monitor an additional 1,600 ranches further up its supply chain, containing an estimated 57,000 football pitches of deforestation (JBS denied these allegations). The investigation reveals that **JBS’s tainted leather from its problematic operations in Pará ended up in the warehouses of its Italian leather manufacturer, Conceria Priante, and well-known Italian leather company Gruppo Mastrotto.** The same investigation further exposed a recurring pattern of **land grabbing, slave labour and cattle laundering** associated with JBS’s operations in Para – though the beef giant dropped

²¹ The most recent available deforestation data for each commodity was used. For palm oil this was 2015, for beef and soy this was 2017, and for cocoa this was 2019. Trase uses methodology from [Godar et al. 2015](#) to link individual supply chain actors to specific, subnational production regions and the sustainability risks associated with those regions. Please [click here](#) for their full methodology. Beef and leather risk were estimated as the proportion of total cattle deforestation risk (as calculated by Trase) based on the relative value of the commodity imported to the EU in the same year. Import values are from UN Comtrade, 2017. HS codes used in the search query for beef and leather are those included in the European Commissions’ published proposal.

²² Brazilian Institute of Geography and Statistics (IBGE), Animal Slaughter Quarterly Survey, <https://www.ibge.gov.br/estatisticas/economicas/agricultura-e-pecuaria/9203-pesquisas-trimestrais-do-abate-de-animais.html?=&t=series-historicas>

²³ Walker, N. F., Patel, S. A., & Kalif, K. A., 2013, From Amazon pasture to the high street: deforestation and the Brazilian cattle product supply chain, *Tropical Conservation Science*, 6(3), 446-467, <https://doi.org/10.1177%2F194008291300600309>

²⁴ New York Times, <https://www.nytimes.com/2021/11/17/climate/leather-seats-cars-rainforest.html>

²⁵ <https://www.jbs.com.br/relatorioanual2019/en/jbs-a-global-food-company/profile/>

the suppliers once Global Witness warned them.²⁶ Traceability requirements as proposed in the ENVI report are therefore essential to limit the profitability of these abuses.

Only operators and large traders will have to carry out due diligence - SME traders of leather won't.

Concerns have been raised that the regulation will negatively affect SMEs. Industry associations have claimed that the European leather industry includes 1,600 small and medium-sized family businesses, and that 98% of the leather sector is made up of SMEs.²⁷

However, **many SMEs in the leather industry are traders, rather than operators**,²⁸ and the planned regulation differentiates between obligations applicable to large traders that are not SMEs and obligations applicable to traders which are SMEs. Operators place a relevant product onto the EU markets or export them, while traders make the product available on the Union market. According to paragraphs 2 and 4 of Article 6 of the Commission's proposal, SME traders are not required to carry out due diligence, and are instead only required to collect, keep and make available upon request a record of their suppliers and customers. This requirement is estimated to involve only negligible costs, according to the Commission.²⁹ While the leather industry no doubt includes many SMEs, only operators and large traders will have to carry out due diligence under the Commission's proposal.

In addition, it ought to be noted that **large operators account for at least around a fifth of the market share of EU Brazilian leather imports**, according to shipment records for the 2017-2022 period. **These numbers are a significant underestimate, given that the importer is unknown for at least 45% of these imports.**³⁰ The Italian tanning market includes several large businesses that are key players in the global leather industry and have significant influence over leather supply chains. All of them, without exception, source hides from problematic South American regions. **Leaving them unregulated would fail to capture a considerable share of the market that is highly exposed to illegal deforestation and human rights abuses.**

Moreover, many sectors that rely heavily on leather use, such as the automotive sector, are dominated by large traders, including the Lear Corporation, Eagle Ottawa Hungary, and Adient. For example, in Germany, one of the largest importing countries of Brazilian leather in the EU behind Italy,³¹ large enterprises such as Eagle Ottawa Hungary made up at least 36% of the total market share by volume for the 2019 period, and 98% of identified importers (excluding shipping companies).³²

Some in the leather industry acknowledge the link between leather and deforestation – but voluntary action has proved insufficient

²⁶ Global Witness, Cash Cow, <https://www.globalwitness.org/en/campaigns/forests/cash-cow/>

²⁷ In letters to MEPs reviewed by Earthsight.

²⁸ Operators place a relevant product onto the EU markets or export them, while traders make available the product on the Union market.

²⁹ https://environment.ec.europa.eu/publications/proposal-regulation-deforestation-free-products_en

³⁰ Panjiva shipment records, 2017-2022

³¹ UN Comtrade, 2021

³² PIERS data, 2019

Some actors in the leather supply chain – including footwear³³ and automotive companies³⁴ as well as the Leather Working Group (LWG)³⁵ – have recognized the link between leather and deforestation. To this end, LWG, a certification scheme with over 1,300 members across the leather supply chain, has set up traceability requirements to tackle deforestation stating that “[a]chieving the goal of deforestation and conversion free leather is a key priority uniting our members.”³⁶

However, LWG’s scheme fails to address the issue properly. Two of Europe’s largest tanneries, Gruppo Mastrotto and Conceria Pasubio, were both linked to illegal deforestation in Paraguay in Earthsight’s Grand Theft Chaco report – though both companies denied this. Since the report’s publication, Pasubio has become an LWG gold-rated member despite the firm scoring only 44 per cent on its traceability volume³⁷. Gruppo Mastrotto has also achieved gold rating and previously held a zero per cent traceability volume,³⁸ (it has recently been updated to 85 per cent). This further highlights the urgent need for regulation.

Conclusion

If the upcoming EU regulation fails to address cattle-driven deforestation by leaving out the strongest link between European consumption and deforestation in South America, leather, the EU is giving away the opportunity to have an impact on the major driver of deforestation in South America. The slaughter industry relies upon leather for its profitability, it plays an outsized role in imported forest risk for the EU, and the EU can most directly address massive deforestation occurring in the Brazilian Amazon and South American Gran Chaco through the regulation of leather imports. As such, **all cattle products should be included in the regulation** to ensure that the EU is not driving deforestation by providing a market for the sale of forest-risk leather.

Signed by:

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³³ <https://www.adidas-group.com/en/media/news-archive/press-releases/2009/updated-statement-sourcing-leather-brazil/>; <https://news.mongabay.com/2009/07/nike-implements-policy-to-avoid-leather-produced-via-amazon-deforestation/>

³⁴ <https://group.mercedes-benz.com/sustainability/climate/against-deforestation.html>;

https://assets.website-files.com/6019e43dcfad3c059841794a/624345ee0c3fd2e63b1eba07_No%20Deforestation%20Policy%20-%202022%20March%20Revision.pdf

³⁵ Leather Working Group, <https://www.leatherworkinggroup.com/news-events/news/lwg-accelerates-traceability-approach-to-tackle-deforestation-in-leather-supply-chains>

³⁶ Leather Working Group, <https://www.leatherworkinggroup.com/news-events/news/lwg-accelerates-traceability-approach-to-tackle-deforestation-in-leather-supply-chains>

³⁷ Leather Working Group, <https://www.leatherworkinggroup.com/get-involved/our-community/certified-members/>

³⁸ Leather Working Group, <https://www.leatherworkinggroup.com/get-involved/our-community/certified-members/>