

## Leather production and processing

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| <b>Project name</b>              | Ensuring the production and processing of leather  |
| <b>Project summary</b>           | Ensuring the processing of leather at the Aghdam Industrial Park using the capabilities of prospective cattle breeding facilities, taking into account the natural geographical conditions of Kalbajar and Lachin districts  |
| <b>Demand for raw materials</b>  | Bovine and small cattle hides, chemicals, lime, and the potential number of animals suitable for grazing   |
| <b>Cost of production</b>        | 1 kg of cattle skin costs 0.5 AZN. 5-6 kg of animal skins yields 1 m <sup>2</sup> of rawhide. The skin of 1 small ruminant (SR) costs 1 AZN. 1 m <sup>2</sup> of skin comprises the hides of 2 SR.   |
| <b>Necessary infrastructure</b>  | <b>The production of 1 m<sup>2</sup> of bovine cattle hide requires the following:</b><br>Electrical power: 9.3 kW/h<br>Water: 0.25 m <sup>3</sup><br>Natural gas: 1.6 m <sup>3</sup>  |
| <b>Logistics</b>                 | Immediate access to the <b>railway</b> track in the Aghdam district.<br>Length of <b>highways</b> :<br>Aghdam IP – Barda - Ganja = 165 km.<br>Aghdam IP – Tartar - Ganja = 135 km.<br>Aghdam IP – Yevlakh - Baku = 400 km.<br>Aghdam IP – Bilasuvar - Baku = 350 km. |
| <b>Project advantages</b>        | 1. Existence of brisk demand for final consumption goods (shoes, jackets, etc.) in the domestic market;<br>2. A small number of producers of the final product in the country;<br>3. Leather has a high export potential.  |
| <b>Project value</b>             | ~ 3 mln. AZN   |
| <b>Proposed project location</b> | Aghdam Industrial Park (IP)  |

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| <p><b>Market:</b></p>       | <p>Enterprises on the market: 29<br/> Total production capacity of enterprises:<br/> - manufacturing raw hides and leather: 1,960 tons,<br/> - producing patent leather: 1320 m<sup>2</sup><br/> - producing shoes: 1136 thousand pairs.<br/> <b>Import 2020</b><br/> - leather products amounted to 17.7 mln. USD<br/> - 2.7 million pairs of leather shoes totaled 17.5 mln. USD<br/> <b>Export 2020</b><br/> Leather products amounted to 8.4 mln. USD</p> |
| <p><b>State support</b></p> | <ol style="list-style-type: none"> <li>1. Customs and tax benefits for an industrial park resident;</li> <li>2. Allocation of a preferential loan (SIF);</li> <li>3. A ban on the export of unprocessed leather.</li> </ol>   |
| <p><b>Note</b></p>          | <p>Given the current occupation of the inhabitants of the Kalbajar and Lachin districts is animal husbandry, this type of activity is expected to further develop during/after the return of people to their lands.</p>   |

