



NORTH AMERICAN FUR AUCTIONS

Wild Fur Market Update

December 17, 2008

I have just returned from a market visit to China, Hong Kong and Korea, while Michael Mengar was travelling in Russia, Greece and Turkey.

Russia has experienced an exceptionally warm October and November and this is having a major affect on fur retail. Even though the weather finally turned colder in Moscow a few days ago, most retailers and wholesalers tell us that it will be impossible to reach last year's sales volumes, mainly due to the weather, but also to the sharp lowering of oil prices and a much weaker Russian economy. The financial turmoil that started in the middle of September is having an effect on the Russian economy as well as their banking system. The countries that are supplying Russia like Greece, Turkey and to a lesser extent China, are all reporting sharply declining sales in the last eight weeks. It now looks like there will be an unsold inventory of garments in Russia and unsold skins in the hands of those manufacturers that supply this important market.

In China, the financial turmoil is having an affect, but not as much as other countries. While in the Far East, most people told me that they will be able to sell 60% to 70% of their garments this selling season. This is about 10% to 15% below normal. However, most manufacturers and wholesalers feel that if this indeed can be done, they will recoup most of their investments in garments. Chinese New Year is early this year, starting January 25. The next five weeks are still very important to us.

Kopenhagen Fur Centre started this year's marketing season with an offering of 1.2 million mink that sold a disappointing 18% at lower prices. The sale reflects the uncertainties in the marketplace and the lack of confidence.

Most wild fur articles and mink will have to be sold at lower price levels, but all indications are that the trimming business, especially muskrats, is doing reasonably well so far. The most important thing for us to remember is that fur is still in fashion, especially in Russia and China. With the lower prices we will be able to reach more consumers in the new markets, thereby creating opportunities that will help us in the future.

We needed a very cold winter everywhere and we did not quite get it. This will be a very difficult marketing season than we had earlier forecast. However, both Michael Mengar and I remain confident that we will attract a large number of buyers for our sale because:

1. *The timing of our upcoming February Auction is strategically good barring any outside negative forces.*
2. *The size, quality and variety of our collection.*
3. *Our strong relationships in the trade.*
4. *The intense promotional campaigns we have waged globally.*
5. *The efforts we made in creating a market in February 2007.*
6. *Your product is the most desired in the international fur trade.*

As always we are committed to achieving the best possible competitive results for you, our valued suppliers. From all of us at NAFA, we wish you "A Happy and Healthy Christmas and New Year".

Herman Jansen