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Wild Fur Market Update

Dear Wild Fur Producer,

There have been several frequently asked questions regarding our on-going promotional activities. Tina Jagros, Executive Director of the North American Fur Association has answered some of these, and they are listed below. We trust this information will be informative to you.

1. ***Is NAFA continuing its promotional efforts during this financial crisis?
People are not spending money, especially on luxury items, so why spend money on promotion?***

Promotion is even more necessary in a downturn than in good times. Right now the trade itself in various parts of the world, notably Russia and Eastern Europe, will be doing less advertising and promotion on their own, for obvious reasons. On the other hand if we want (and we do most certainly want) Wild Fur to be seen as fashionable and an alternative to mink, then we must do it for them. No one else will. It is for this reason that we continue our work with important designers such as Zac Posen or young designers such as Felix Rodionov. It is why we do our workshops at Studio NAFA with designers, design students, manufacturers and trimming companies. NAFA is truly the lone voice in the world pushing Wild Fur and if you think things are bad now, just watch if there is no one doing it.

There is no doubt that the Russian market will be back, it is a question of time. For trappers who have been around they have seen the ups and downs before. Our job is to make sure that when the Russian market is back it will still be a viable market for wild fur and not just another market that buys mink and only mink. For this, if no other reason, it is critical that we continue to do our work in promoting wild fur and its many uses. Clearly we will be spending less and have to be more focused on short-term goals, but eliminating promotion would be a critical mistake in the future of wild fur. First it would be a waste of the resources we have invested in the past years and secondly when the markets do come back we will have to start all over again. Even products critically hurt by the economic tsunami continue to advertise to protect the market share they do have and potential they hope to have.

Investing in promotion/advertising/marketing is a little like investing in research for a vaccine for a flu pandemic. You may never need it but boy, when you do — you want to make sure you have the best! There is no doubt that our strategy today is different than a few years ago when prices for Lynx Cat and Marten were approaching record highs. We are confident those days will come back but in the meantime we are going back to basics. Pushing wild fur not as a luxury product but as an incredible value for money. Capitalizing on its diversity and uniqueness. Promoting that fact that our product unlike some substitutes are Origin Assured and therefore “politically correct” unlike some wild fur that comes from other parts of the world. We are focusing on different parts of the

trade — companies who work with and for trimming companies in the textile industry who know very little about our products or how to use them. We are actively looking for companies who need an alternative to ranch Mink and Fox for fashion reasons and moreover who want to be different than the low-cost product imported from different parts of the world. We are teaching people at Studio NAFA new and interesting ways to use and combine wild fur for maximum effect.

2. *If NAFA is spending all this money on promotion, why aren't the markets responding?*

It would be great to find the instant “on” button to bring markets to life. I am sure that the automobile industry would also like to find it and their problems are far deeper than ours! But the reality is that we did not lose sales because no one wants our wild fur — the loss in demand was the result of severe economic factors well outside of our control. Currency shifts of 40%, loss of capital and equity, political uncertainties as well as economics make ordinary people as well as very wealthy people more insecure, as a result declining sales for us.

A fur-consuming population of over 200 million people were not wiped off the face of the earth. On the contrary as this market revives — increasing oil and gas prices will not only improve the economy but also improve the psychology of the public — and time and again we have seen the first thing they reach for is fur.

On the other hand this crisis demonstrated to us that once again relying on one market is not safe. Right now the Mink industry is also relying on one market, and that is China. There is no doubt that the Chinese consumer wants Mink BUT if the Chinese government should change import regulations or if the economic backslide were to hit China then our mink producers would be in the same position as our trappers. The reliance on one market is clearly something we want to avoid, but sometimes easier said than done.

Right now we too have turned our attention to the Chinese and Korean markets to expand their use of wild fur. We have been working in both these markets over the past several years with good success. What we did not realize is how much of that fur ended up — you guessed it — in Russia! Our goal now is to try to make it more of an item for the Chinese domestic market. The critical issue here is not so much the consumer, who may well be ready for an alternative to mink but the trade itself whose skills are very rudimentary and whose design capability with wild fur is still limited. The result of very little exposure and use. As a result we had six Chinese companies attend our Chinese workshop in Toronto focusing on Wild Fur techniques in late June.

At the same time we have seen another Mink-dominated market, Korea, start to look outside the box at wild fur as a strong possible alternative to offer consumers already very tired of mink. In Korea, where many women have more than one Mink garment and where “cheap” Mink garments from China are flooding the market, savvy Korean manufacturers are talking about wild fur as the right move to combat these two factors. This is the reason we had seven different Korean companies at our recent wild fur workshop in Toronto in July.

Also Europe and North America are becoming bigger possible markets for wild fur once again, as consumers look for “environmentally friendly” furs with the OA label. Fortunately, because North American trappers are signatories to the Agreement on Humane Trapping Standards, our wild fur is in fact listed as OA, which means textile companies and department stores that know next to nothing about fur are asking their manufacturers to ensure that all the product they provide is OA — in other words not Chinese Raccoon or all the other varieties that have been used to make cheap trimming. We were fortunate in attracting one of America’s largest textile companies to our trimming workshop. Their Director was blown away by the design possibilities and vowed to make sure that their lines of Jones of New York, Hillary Radley and five others would include wild fur in the future.

So, with these potential markets and the inevitable return of the Russian market we do believe that we have reason for optimism. The short answer to “when?” We don’t know, but there is more than enough reason to believe that within the next two years we should see a return to much better price levels.

This is not to say that there are not challenges and problems — many outside of our control — but if there is demand, many people will work and invest in the answers needed to surmount those problems.

3. *What programs or events does our wild fur promotional arm have scheduled for this season?*

SHORT TERM

- A dozen workshops both at Studio NAFA and in China, Korea and Russia that focus on wild fur and the new possibilities in dyeing and tanning, the many, many different types of techniques to use and incorporate wild fur, and encouragement to design with wild fur in accessories, trims, and full garments. Part of these workshops are actual technical samples that can be left behind to use as visual reminders for manufacturers and designers on what they learned
- A DVD that provides step by step instructions on how to fix damages in wild fur skins, stretch and cut wild fur skins and ultimately how to use it in a variety of ways from skin on skin, letting out, herringbone, checkerboard, intarsia, feathered, corduroy and many, many others.
- Fashion events in China, Korea, Russia to showcase the designer wild fur garments from the 2009 Fall/Winter season.
- Distribute fashion images of wild fur such as Zac Posen's long-haired Beaver and Muskrat jackets, Nina Ricci's Coyote coat and Raccoon vest and of course some fabulous Fisher by Gaultier and Lynx Cats by Oscar de la Renta.

MID TERM

- Continue to work with major designers to ensure wild fur is on the runway and exciting the media and consumers. This year we have already ensured that we will see wild fur in at least five different fashion magazine editorial spreads in China, Russia and Korea.

LONGER TERM

- Keep doing our public relations work with design teams and the textile industry to make sure that the next round of designers and consumers accept and love wild fur every bit as much as we do.

PROMOTIONAL EVENTS IN CHINA PLANNED FOR 2009

SEPTEMBER: Beijing media event featuring international designer garments featuring 50% wild fur garments. A gala show will be held for over 100 media people representing national TV, fashion magazines, newspapers and websites. This will be the 11th annual show and coverage of the event is always considerable. In addition, the garments will be made available to major fashion magazines for editorial photo shoots. In the credit the garment and fur is identified (i.e.: NAFA Northern Fisher by Julien Macdonald.)

SEPTEMBER: NAFA will once again co-sponsor the Polar Deck Home Furnishings Show. Polar Deck produces blankets, rugs, pillow covers, etc in our fur products. They purchased three top lots in May 2009 and having been part of the top lot program for 3 years.

OCTOBER AND NOVEMBER: Fashion shows will be held in Harbin, Yuyao, Anshan and Tong'erpu. Wild fur garments will be included in all shows.

Technical and creative workshops are planned for manufacturers in Zhejiang Province; this includes Yuyao, Haining and Tongxiang, and also Hebei Province, which includes Xinji, Sunning, Luishi. These areas specialize in fur and fur-trimmed garments and accessories and wild fur is suitable to their production abilities and products.

NAFA has made an agreement with the organizers of the Beijing Fur Competition to sponsor the 2009/10 competition. The focus of the contest is NAFA Northern wild furs. The brand and fur skins

will be exposed to design instructors, students, factory designers and the leading manufacturers who will produce the garments for the final competition. This event receives tremendous media coverage and for the first time, this year the final competition will be held at the Beijing Fur Fair in January 2010, thus giving further exposure to the thousands in attendance at the fair. The introductory workshops for this competition will begin in September 2009.

Additionally, for the first time at the Beijing Fair the organizers have created an area designated "Fur Concept Area". NAFA will have space in this area for a display of wild furs. Special presentations and technical videos will be organized to further promote NAFA Northern skins.

4. *How do we get the Chinese to buy more wild fur?*

Having both technical and creative workshops will certainly help to get the Chinese to use more wild fur. As noted before, their manufacturing is structured to use Mink skins. The quantities and assortments of mink, as well as the crafting techniques, are the easiest for manufacturers to deal with. Educating the designers to work with wild fur and create new fashions that will be suitable for the Chinese consumer is needed. Then the fur technicians must be able to put these new concepts into work.

One of the biggest problems that we still face is getting all of the information on import and export sorted out with the government officials. Our efforts continue to correct the misunderstandings and resistance on the part of some buyers to import wild furs. The other problem is the dressing. Little by little we see this problem being overcome. Marco Cipel is now dressing beavers acceptably and many domestic factories will dress the other wild furs.

It is important to support the Chinese in solving these problems both to stimulate domestic consumption as well as to allow for ease in using our NAFA fur products for garments destined for export to other markets, particularly Russia.

Best regards,



Herman Jansen
HJ/sgc