



NORTH AMERICAN FUR AUCTIONS

Wild Fur Forecast for 2009

October 22, 2008

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CAN RECORD PRICE LEVELS BE MAINTAINED?

As I am updating my market forecast, I have to remind everyone that we are witnessing the biggest financial upheaval in US history and I'm sure the question on everyone's mind is how will this affect wild fur prices. At this time we don't really know and we will have to wait to see what happens in the retail markets of Russia and China. In both markets, retail spending up until now has been increasing, however, both markets have experienced losses in the stock market. Normally, the number one factor affecting wild fur prices is Mother Winter—if it is cold we will do well. Wild Fur is in fashion and with NAFA's continuing promotion, I believe we are in an advantageous position, but again, it is very difficult to predict with so many uncertainties surrounding us. *NAFA and our agents in the foreign markets will keep a very close eye on developments in these markets and will keep you updated. Our market forecast will be updated the end of October.* Registered users on our web site will receive updates by email. If you have not registered for access to your account, please visit **<http://www.nafa.ca/register>**.

This past year we sold over 2,800 Lynx Cats for over \$500.00, we sold more than 57,000 Raccoon at \$40.00 and over. We also sold in excess of 29,700 Marten at \$100.00 and above, 4,700 Fisher at \$100.00 and 1,900 Lynx at \$300.00. We haven't seen results like this since 1987. This has been a very rewarding year for our trappers and hunters and we are looking forward to repeating our success in 2009.

NAFA's promotional arm, the North American Fur Association, has attracted new Wild Fur buyers from Russia, Turkey, Ukraine, the Baltic States, Dubai, Kazakhstan and Uzbekistan. The tremendous promotional work that has been done on your behalf by NAFA is definitely paying off for you. NAFA is putting 1.4% of its turnover into its promotional arm, which promotes Wild Fur in the form of workshops where we show the manufacturers the different variants of skins we offer, as well as the different qualities, colours and sizes. You have to remember that many of our manufacturers were not aware of Wild Fur up until a few years ago when NAFA started showing it. On the fashion front, NAFA's promotional arm is investing hugely through our design centre "Studio NAFA"; where over the last couple of years we have had hundreds of designers attend week long workshops under the experienced direction of Vassilis Kardasis, the leading fur fashion creator in the world.

By listening to the requirements from manufacturers and customers, our agents around the world are helping us tremendously, and have guided us in changing our assortments to better fit the needs of our customers. Today, many of our Wild Furs such as Muskrat, Beaver and Otter are measured for size electronically so that we can supply our customers with total square inches, enabling them to better estimate the number of skins used per style of garment. The hundreds of thousands of dollars that NAFA has spent on advances in technology are giving NAFA shippers the edge.

We are expecting another record number of buyers for our 2009 auctions. Our 2008 major auctions attracted 500 buyers, with over 250 Chinese, 60 Greeks and Turkish and 50 Russians, with the balance coming from traditional and other new markets. What is most important to our buying customers is that we have a sufficient number of skins to warrant their production lines. Today, close to 75% of our Wild Fur garments are manufactured in China.



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They prefer and are willing to pay extra for large quantities of the same size, colours and quality. This is one of the reasons why NAFA nearly always receives the highest prices. Just look at our 2008 results and compare. Look at the quantities offered, prices received and percentages of sale. You will see an incredible difference. We have the quantities and the professional staff to make the largest and best assortments. The more skins we receive, the more attractive our assortments and the higher prices you will get.

Furthermore, NAFA shippers who are members of the Wild Fur Shippers Council pay the lowest commissions and are part of NAFA's profit sharing program which every year reduces the Members' commissions—last year by a total of 3%. These savings are real and put more money in your pocket!

In February 2009 we will start our auction with ranch fur selling from February 17 to 20 and follow with Wild Fur from February 21 to 23. These are very attractive selling dates as they follow Chinese New Year and preceding the Hong Kong Fur Fair. We elected not to sell in March due to a conflict with the Milan/Frankfurt Fur Fair. As the largest North American fur auction company, you may remember last year that we increased our auction room capacity to seat 500, which was perfect timing as we did have over 500 buyers. We are again expecting a record number of buyers and we believe that we could even exceed the 500 international buyers we had in attendance in 2008!

NAFA's Wild Fur Shippers can also obtain liberal advances on the skins they ship to NAFA's auctions. Please ask your collector, call or email our Stoughton, Winnipeg or Toronto office for more information.

RACCOON

This article performed exceptionally well this season with averages in most sections increasing by 50% or more from the previous year. With the increased competition from new customers in Turkey and China, along with the continued use from the traditional markets of Greece and Russia, we expect the demand to remain very strong through next season. All sections should sell very well with premiums being paid for the larger-sized, heavier Northern and North Central sections, both Eastern and Western types. These heavier, better-coloured skins are being used as a high-fashion trim piece, primarily in Russia, on leather and textile garments. Although there will be premiums, the differences between the clearer colours and the off colours—up to \$10.00 to \$12.00 in some cases—may not be quite as dramatic in the upcoming season.

BEAVER

Increased demand from Turkey, Greece and China, resulted in a dramatic improvement in price for all sections of Beaver last season. New customers from these countries, particularly China, are starting to use larger quantities of this article, which is very encouraging and is a direct result of NAFA's promotional efforts. They are primarily using larger-sized semi-heavy and commercial qualities for straight-haired use, either as trim or garments. With limited support from North America last season there is a limited premium for top-quality shearing-type beaver. With the widespread support from these new markets, all sections of Beaver should perform extremely well again next season.



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OTTER

Last March NAFA announced to the trade that we would sell our entire sundry owner collection of Otter freely, with no limits. All of these Otter—some of which were 3 seasons old—were sold at acceptable levels, to the new markets. We feel this decision will stimulate new usage for this article and prices should improve in the very near future.

WILD MINK

Italy, with some support from Greece and Russia, were the primary users of this article last season. Although clearances have been excellent, the limited competition has resulted in this article selling at relatively low levels the past few seasons. As in the past, February has traditionally been the best sale to sell this article and we expect this will be the case again next year.

MUSKRAT

NAFA also announced to the trade that we would sell our entire collection of sundry owner Muskrats freely without limits in the March sale. Once again this announcement was met with enthusiasm and over 400,000 Muskrats were sold at higher-than-expected levels. This article should perform well again this season.

COYOTE

Relying almost exclusively on the trimming trade, this article has not sold particularly well for the last year-and-a-half. The better western sections are used primarily by Italy as a high-fashion trim piece and the semi-heavy sections are used by China and Korea for commercial trimming. As a result, clearances and price on heavier western sections have been satisfactory, the semi-heavy and commercial sections have sold at substantially reduced prices and clearances have been lower. Although the better western section will remain saleable, until China begins to use larger quantities of the commercial types, flatter sections, inferior qualities and low grades will continue to be very difficult to sell.

SABLE

This article performed exceptionally well, with prices increasing dramatically over the previous season. There is excellent demand for all types but particularly the larger-sized heavier sections, which are being used as high-fashion trim piece by Italy, Greece and China. With the largest collection and best assortment of heavy-type Sable, year in and year out, NAFA continues to get a premium for this type of merchandise. This article should see continued strong support for this upcoming season. In addition, NAFA reduced the commission on all Marten sold for \$100 and more in the May auction by an additional 2%. This commission reduction will remain in effect for the 2009 season.

FISHER

There continues to be excellent demand for this article, for both males and females. The females are seeing strong support from Russia primarily for garment use, while the males are seeing excellent support from China, Russia, Greece and Turkey as a high-fashion trim piece. The uniqueness and integrity of our assortment gives our trappers the price advantage. We expect both males and females to perform exceptionally well again next season. Fisher need to be shipped “fur out” as “leather out” goods are heavily discounted due to concerns over colour.



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LYNX / LYNX CAT

This is another high-fashion wild fur article that has performed exceptionally well this past season both as a high-end trim piece and for garment use. There were substantial premiums paid for the larger-sized, better western sections with the clearest bellies. The flatter central sections have limited appeal as a trim piece; consequently, clearances and price have been somewhat lower. The market continues to expand for the better sections, particularly in Russia, Italy and Greece, consequently, we expect excellent demand for this article again next season. Lynx also sold extremely well, as Russia appears to be using this article as a high-fashioned trim piece, as well. As with the Lynx Cats there is substantial premium paid for the better-coloured bellies, while the poorer-colour bellies are selling for proportionately less money.

RED FOX

Heavy- and semi-heavy Red Fox which can be used as a high-fashioned trim piece have sold very well, particularly the darker colours. The flatter sections, which must be sold almost exclusively to China for garment use, are saleable, but at lower levels. We expect this trend to continue for the coming season.

GREY FOX

This item sold at very high levels in our March Sale, primarily to Turkey and Russia as a high-fashion trim piece, however, in our May Sale demand was dramatically reduced and most of the Grey Fox were withdrawn. This is a specialized market and we believe that it is a timing issue with these two main markets and they will become more active as we move into the more traditional selling season. Although we have sold a small quantity of Grey Foxes at levels in line with March sale levels, we will continue to protect the price of this article and attempt to sell them when the Russian and Turkish markets become more active.

NOTE

The low-grades or Section III (DGD, III, IV) of all varieties are normally difficult to sell or can only be sold at a substantially reduced price. The reason is twofold, a skin of this quality has limited use and the cost of dressing in relation to the price of the skin is very high. Our policy on all low grades has been to sell these types of skins freely into the market at the time of auction. We believe this is in the best interests of our shippers and ourselves, since inventorying this type of merchandise has never been beneficial to either one.

Thank you for your support and we look forward to another successful selling season.

Herman Jansen
President & CEO