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Guarded Optimism for 2011 Wild Fur Selling Season

Dear Wild Fur Producer,

In general, we are cautiously optimistic that the 2011 selling season for wild fur will show an improvement over the 2010 season. For this to happen, we need the world economy to remain stable and, most importantly, we need a normal or even colder than normal winter in China and Russia.

The Chinese economy continues to grow at 10% or better and China's purchasing power is growing at the same rate or more. In Russia, oil prices have remained at \$70 to \$80 per barrel for the last twelve months which has helped this economy. There should be a larger appetite for fur garments this winter.

This past selling season was dominated by China, which has now become, by far, our biggest customer. You may very well remember that NAFA's largest-ever promotional effort of time and money was invested this past year in China. Starting in the fall of 2009, the NAFA team launched the Northern Lights promotional program. In this program, we have partnered up with major manufacturers/retailers to help them in their promotions and advertising. In return, these partners have agreed to purchase all of their wild fur from NAFA. One of the highlights was the Beijing Fur Fair Gala Fashion Show in January 2010 where, for the first time ever, NAFA featured wild fur garments only. Growth will continue in China, but require ongoing marketing assistance from NAFA.

Russia, which historically has always been a major buyer of wild fur, should see improvements over the past two years' retail levels.

Importation problems still exist in both China and Russia and need to be resolved.

New fashions continue to be important in these markets and the NAFA design studio as well as our design workshops in China and Russia are very helpful to the trade in reaching new customers, especially the younger generation.

We will continue to update our forecast on our website. Please visit www.nafa.ca for market updates as well as reports on NAFA promotional activities.

For the 2011 selling season we will see strong support for nearly all prime winter quality wild fur articles. Early-caught and inferior quality skins will continue to be very difficult to sell and sold at heavily discounted prices.

MUSKRAT

This article should be in excellent demand again this season. We are completely sold out of Muskrats and we expect strong demand to start the season. Primarily a Chinese item, Muskrats should sell at last year's levels providing the ranch Mink prices remain at their current levels.

RACCOON

We should see good demand from the trimming trade for bigger sizes, heavier Western sections, with attractive premiums, once again, being paid for better colours ($\frac{2}{3}$ colour). Demand for commercial sections and off-colours will depend on the strength of the retail business in China and Russia. As the Russian economy continues to improve, more goods will be sold to Greece, Turkey and China to supply this potentially huge market.

COYOTE

There should be improved demand for heavy section Western and Eastern type Coyotes for the upcoming season. Clearances for these sections are now 100 % and with the increased activity from the trimming trade and the improvement in blue Fox prices, we expect to see stronger demand for better-quality and heavier section Coyotes. Commercial semi-heavy types and flatter sections will continue to be difficult to sell due to their limited value as a trim article.

BEAVER

This article did not perform well last season and unfortunately we do not expect enough improvement for the 2011 season. The North American market will continue to use limited quantities of shearing-type Beaver and as a result we will see very little premium for bigger sizes and better quality Beaver. Further complicating this matter, dressing capacity around the world—particularly for plucking and shearing—continues to be problematic. China's ability to dress straight haired Beaver continues to improve and this market will likely be the major taker of this article again this season, but until the Russian market is completely healthy it is unlikely we will see any dramatic price improvement.

CASTOREUM

This product will continue to sell well at very acceptable levels. We are currently sold out and have open orders at May 2010 levels.

OTTER

This article saw very good demand last year, selling 100 %, primarily to the Chinese market. This is a short-haired item, that can be used for trim or garments and has good potential for price increases. Better qualities with silky underfur are now being sheared by some leading Greek manufacturers who are selling to Russia. We expect the darker-coloured, Northern sections to realize the highest prices again this season.

WILD MINK

This article saw a dramatic increase in price and 100 % clearances last year. Strong demand from China and the high price of ranch Mink had a major influence on the improved price. This is an item that has historically sold better in our February sale rather than our May sale.

RED FOX

With the trimming business beginning to pick up and the price of ranch blue Foxes increasing, this article should also see upward movement in price for most sections. Heavy and semi-heavy sections will be the most desirable with darker colours bringing premium prices. Given the improved trimming market, flatter sections could also see modest increases in price.

GREY FOX

There is considerable unsold inventory remaining from our May sale and there has been very little private treaty activity over the summer. The Grey Fox is primarily a Russian item, and as a result, until this market's retail season gets under way, it will be difficult to forecast prices. However, we have sold a limited number of Grey Fox to leading designers in China who believe this article can be very successful for their domestic market. The heavier sections both Eastern and Western, will be the most desirable as trimming pieces. Please check our website for market updates.

SABLE / MARTEN

Although we have some unsold sable, primarily bigger sizes, better qualities, we expect demand for this article will begin to pick up as we get into the selling season. With increased demand from China and the high-end Russian retail business picking up, demand for this item, either as a trim piece or a garment, should improve. With our world-renowned assortment and large attendance of buyers, demand and clearances for this luxury item should be excellent for the upcoming season.

FISHER

This is another luxury item that should see demand pick up as the Russian retail season begins to get underway. With our extensive promotional work in Russia and our premium collection of Fisher available for the February sale, we expect this item to perform very well this season.

LYNX / LYNX CAT

These articles are sold primarily into the Russian market as high-end trim pieces or for garments. Once again, demand for these articles should pick up as we move into the Russian retail season. There should be strong demand for all sections, with premiums being paid for the heavy and semi-heavy sections, with the clearest belly colours.