



October 4, 2006

### **Wild Fur Forecast 2007**

Russia, China and Turkey are NAFA's newest players in wild fur who, along with our traditional customers like Greece, Europe and North America, produced record prices for nearly all wild furs throughout the 2006 selling season.

Looking back at this past season, our auction selling season started in January, where we sold 100% of the articles that we offered at ever increasing prices, with the exception of raccoons. For example, beavers increased 40%, muskrats 50-100% and martens 74%, all over the January 2005 levels and all selling 100%. Our record attendance in February of over 450 buyers set new price records for most articles. All of us at NAFA were delighted with the incredible prices and I can only say that you the producer had this coming.

The most gratifying part of our February sale was the fact that the promotional (hands-on workshops with NAFA technicians, media events, fashion shows, etc.) and solicitation work that NAFA has done worldwide paid off by attracting the largest attendance of buyers, including a record number of new buyers. These new buyers, from Turkey, Russia, Ukraine, the Baltic States, China and Dubai, just to name a few, were largely responsible for creating the new levels that we achieved. Many of our producers have asked how a price can double from one year to the next, as in the case of fisher. To understand this better, let me illustrate what happened to the fishers. In February of this year we sold most of the fishers to new Russian buyers who had not previously handled fishers in any quantity. To them the price was not as important as putting this beautiful pelt in their collections. This created the fierce competition that resulted in the price of fisher more than doubling. Again, without our work in Russia this would have never happened. Now that the skins are in their hands, we have to wait and see how these skins will be sold at the retail level. But most of us in the industry believe that because of the limited supply of articles like fisher, lynx and lynx cats, and the newness of this product in places like Russia and Northern China, we should be able to maintain last year's prices and they may even go up further, just as they did in 1987.

Nearly all of our wild fur articles performed well throughout the selling season, but obviously our February sale topped it all. One of the problems that we saw in May was that buyers who had purchased goods in February had not yet received them back from the dressing companies and because many were first time buyers, they were waiting to see first how the skins purchased in February turned out. The more experienced these buyers become with our wild furs the less of a problem this will be.

Our continuous efforts in attracting new buyers for wild fur are working. This month alone we are holding workshops in China, as well as trade visits to Hong Kong and Korea. Diane Benedetti, Lumin Yao, Kevin Douse and I are all involved in these. Tina Jagros and Diane Benedetti were back in China in August with a huge media event. Our agents in China, Russia, Turkey, Greece, Korea and Italy are all busy planning for NAFA's biggest ever promotional and solicitation effort and we trust that you are ready to produce the skins. The feedback from our buyers is that they are optimistic, expect to make a profit on the skins that they purchased and will be back to buy more!

Looking at the individual articles for the upcoming season we have to keep in mind that we don't know what kind of winter we can expect, which actually has a big influence on retail sales. However, assuming a normal winter, the following is what we are expecting:

**Beaver** - New markets continue to become more active in this important article resulting in new price levels for not only shearing type beaver but also for the straight haired types and commercial qualities. Increased demand from China, Russia, Greece and Turkey has pushed prices up substantially on secondary type merchandise while demand from North America, Western Europe and Russia resulted in strong demand for the better quality shearing types. Dressing delays continues to be an issue but the dressing capacity and quality outside of North American is improving every year. The versatility of this article is one of the reasons it is seeing such widespread support. The ability to use this article as a garment or trim piece and either natural or sheared obviously adds to its appeal. **NAFA's February Sale saw Eastern Beaver average \$33.37 US and Westerns average \$29.21, with over 6200 Beaver selling for \$50.00 or more.** With the widespread support and versatility, all sections and types of beaver should perform extremely well again next season.

**Muskrat**- NAFA's promotional efforts made a huge breakthrough last year when we finally had major Chinese manufacturers competing freely for this important article. It has taken us much longer than we had expected, but the day has finally arrived where Muskrats again will be selling as a substitute for ranch raised mink. **In our May Sale, Eastern Muskrats averaged \$8.87 US and Westerns averaged \$8.46. Over 30,000 Muskrats sold for \$10.00 or more!** There are no inventories of Muskrat to be seen and skins as well as garments are moving through the pipeline at excellent speed. We see another very strong year for the demand and price of Muskrats.

**Raccoon** - This article still relies heavily on the Russian market, but NAFA's promotional efforts worldwide are starting to show positive results. We are continuing to work with fashion designers to re-introduce this article as a fashion article. We have sold over 600,000 Raccoon this year and at the present time all our trapper owned goods have been sold. The market performed well in February, slowed down in May, but we have seen steady improvement in demand throughout the summer resulting in prices on the September Sale being firm to 10% stronger. This puts us in an excellent position for the 2007 season. With the improved demand it would appear that Raccoon are very saleable at the current price levels, with the potential for price increases in our opening sale of the season. China has become more active in this article and should be of greater help in the upcoming season. Based on our most recent sale there will be premiums paid for larger sizes, heavier Western sections and better colors, however Eastern and semi-heavy section will also be in strong demand.

**Wild Mink**- There appears to be renewed interest in this article resulting in a substantial price increase over the previous year, particularly in our February Sale. Italy continues to be the major taker with increased support from markets like Turkey and Russia. As markets continue to expand, we expect this article to perform very well again. 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.

**Coyotes**- Heavy Western sections, heavy Eastern sections and paler semi heavy types performed very well last season, particularly in our February Sale. Commercial semi heavy types and flatter sections did not perform as well as expected and at substantially less money than the better sections. This article relies almost exclusively on the higher end trimming and leather trade from Italy, China, Turkey and Korea. Consequently, the heavy and semi-heavy sections will continue to be the most suitable and desirable for this purpose and will bring proportionately higher prices than the commercial qualities. Flatter sections will be saleable, while inferior qualities and low grades will either be difficult to sell or sold at discounted prices.

**Sable-** This high fashion article performed exceptionally well this past season with prices almost doubling from the previous season, due primarily to increased demand from the trim trade and the garment industry. **NAFA's February collection of Sable averaged \$94.82 US with over 22,000 Sable selling for \$100.00 US or more!** We expect strong support from traditional markets like Italy and Germany again and increased demand from Hong Kong, China and Greece. This should result in another excellent season for this item.

**Fisher-** Increased demand for Fisher resulted in both male and female prices more than doubling from the previous season. Female prices increased dramatically. This is due to the renewed interest in this exclusive item for garment use, particularly from Russia. The males are seeing increased support from China, Russia, Greece and Western Europe as a high fashion trim piece. **Fisher averaged over \$80.00 US in February and May with close to 10,000 Fisher selling for \$75.00 or more.** We expect both males and females to perform exceptionally well again next season.

**Otter-** Obviously there is major concern over this article at the present time. Not only because they were mainly withdrawn from our May and September sales, but there is still uncertainty as to when Otters will become fully saleable again and at what price levels. China has bought almost 100% of the Otters over the past 15 years and currently it would appear the Chinese government is making importation of this item into China extremely difficult. Consequently, most Chinese buyers are unwilling to take on any inventory until this problem is resolved. We are hopeful the Chinese government will ease their restrictions over the next few months and we will be able to sell Otters again to China. We are currently holding unofficial discussions with Chinese Government leaders to see what can be done to solve the problem. It is our intention to sell all of the Otters in our February 2007 auction. This auction has always had the best attendance and will create our best marketing opportunity, with over 200 Chinese buyers expected to be in attendance. Obviously we will continuously keep an eye on the circumstances in the Chinese market and you can be assured that we will use every possible avenue to sell your Otters for the highest price possible.

**Lynx / Lynx Cat-** This is another high fashion wild fur article and as a result there should be excellent demand, both as a high end trim piece and for garment use. The heaviest types with the clearest bellies brought a substantial premium in our February Sale while semi-heavy and North Central sections continued to strengthen as the season progressed, resulting in the May sale being the strongest of the season for these sections. Central and Southern sections will be saleable with price being very dependant on size and the clarity of the belly.

**Red Fox –** The price of Red Fox continues to be somewhat erratic, with this article performing very well on one sale while the next sale clearance and price can be somewhat disappointing. Red Fox rely on the buying patterns of the trimming trade for the heavy and semi heavy sections while the flatter sections tend to be sold exclusively to China. Consequently, the heavy and semi-heavy, clean skins will continue to sell well, particularly when the trim trade is very active, and the flatter sections will continue to rely on demand from the Chinese market. However, we can expect that Red Fox will sell at least at 2006 levels or better.

**Grey Fox-** Due to increased demand from Russia, Chinas and Turkey for this article from the trim trade, demand should remain strong for all sections and types, both Eastern and Western. We expect all sections and types will perform very well again next season.

**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. Although these skins may be a challenge to sell at times, 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.

**Profit Sharing** - NAFA and our producer organization partners reached a level of profitability in the past year which will allow NAFA to rebate part of the profit to the members of our producer owned organizations. The WFSC member rebate will be processed prior to our year end in October and will appear as a WFSC profit sharing rebate on your first account sale for the 2006-2007 season. The additional member profit rebate will equal a further reduction in auction house selling charges for last season of ½ of 1% in addition to the 2% commission reduction and free per skin freight charge or bag handling charges members have enjoyed since 1997. This additional rebate will make the net auction fee charged to WFSC members the lowest in the world. I personally believe that NAFA will be able to rebate 1% in the 2007 season based on the market conditions and the profitability that I foresee.

As always, we would like to thank you for your continued support. Please encourage your friends to ship to NAFA so that we can jointly spend more money on promotion of wild fur.

We are constantly adding more information to our website as well as sending out information via e-mail, so if you have an e-mail address, please send it to us so we can add you to our e-mail list.

Wishing all of you a successful trapping and hunting season.

A handwritten signature in black ink, appearing to read 'HJ', with a long horizontal flourish extending to the right.

Herman Jansen  
Chairman & CEO

HJ/sgc