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NAFA Answers Questions on the State of Your Wild Fur

1. Why are you giving my furs away and why can't you hold on to my furs until prices go up?

The most convincing reason for selling this past season is that we did not want to have a repeat of what happened to us in the 1988–1991 period. In 1988 when we saw the first decline in ranch mink and wild fur prices, the largest producer of mink in the world at that time, Denmark, decided to take a large percentage of their mink production and put it into the deep freeze. They announced this program and advised their shippers that they could take a \$15 USD advance per skin at favourable interest rates and promised not to sell these skins until the market had returned to a profitable price level, which was estimated to be over \$24 USD. Over the next couple of years, several million mink skins were put away in the icebox each year and, when the market had not improved by 1991, it became a total disaster. The banks forced the auction company to sell the product and it sold far below cost price, putting many mink farms in Europe into bankruptcy. On the wild fur side, we followed a similar selling policy to that of the Danish Mink auction company. Starting in 1988, we restricted through price limits the number of skins sold. We repeated this for several years and when we arrived in 1991/92, we had a mountain of unsold wild fur. We were storing raccoon, coyotes and muskrats in the hundreds of thousands of skins, to the point where we had to rent additional storage facilities on top of our own. When we finally started selling, because of the huge quantity and the age of the inventory, we were forced to sell at dumping prices. In hindsight, we created our own disaster. The affect of this led to poor wild fur production for years to come—in fact many of our trappers never returned to their traplines. The lesson that we learned was that we are a totally supply and demand driven industry.

When structural weakness occurs we have to react immediately. This past season our largest wild fur customer, Russia, was in big trouble. The ruble crashed and their economy was hugely affected by the world's financial crisis of October 2008. Because of the uncertainty, we at NAFA did not believe that we could artificially change the market. The skins that we have sold will be put into garments and trimming and because they are very reasonably priced, should produce a profit for the buyer/manufacturer/retailer. We are a strong believer in a free market system in which when people make money they come back to buy more. >>

2. Beaver is one of the main concerns

- very time consuming to skin and stretch
- very costly in gas
- not worth trapping
(less Beaver production if prices remain low)

The price of beaver has been exceptionally disappointing to our producers. This is one of the most time-consuming articles to produce. In addition to it being difficult to handle at the trappers end, it is also very difficult on the dressing end. While China is now dressing the majority of the beavers, the quality of their dressing fluctuates greatly. Dressing for long hair is easier, but shearing and plucking is extremely difficult and requires a great amount of expertise. The best qualities in beaver need to be plucked and sheared in order to receive a premium price. We could easily see a price increase for beavers, but I am not sure whether the price increase will be sufficient to satisfy most trappers. It should be mentioned, however, that the price for Castoreum has gone up significantly and should be added to the value of the pelt.

3. Re the difference between NAFA and FHA re exchange rates.

As your auction company, we do not speculate on currency exchange rates and insist on paying our Canadian shippers the true and proper rate of exchange from USD to CAD. It is customary in the auction business to exchange currencies ongoingly during the auctions and the average rate of exchange for the days of the auction is paid out to our producers. It is absolutely true that NAFA shippers have received at least 5% more in the rate of exchange than those shipping to our competing wild fur auction. NAFA has a policy of not making a profit on the rate of exchange and those that are taking 5% of the rate of exchange are really charging their customers an additional 5% commission.