

November 11, 2019

## 2020 Fur Market Forecast

The global ranch mink industry remains in a terminal condition. Price levels continue to fall so far under production cost that only a small percentage of ranchers will remain going into 2020. The situation in North America is more severe as production costs are most often higher and AD (Aleutian Disease) has all but wiped out most of Canada's east coast mink farmers. This disease has struck several of the best black mink producers in the American mid-west as well, causing pelt outs.

Our competitor, NAFA, has recently filed for creditor protection. <https://www.ic.gc.ca/eic/site/bsf-osb.nsf/eng/br04153.html>

All of us at Fur Harvesters Auction Inc. as well as the global fur trade are deeply saddened by this recent news. A great many fine people were employed for many years with this company. A company with deep historical roots that did much to form and build the fur trade through the centuries. The causes that brought about this unfortunate outcome will no doubt be addressed in the months ahead.

As for our financial situation, Fur Harvesters Auctions Bank is ROYAL BANK OF CANADA and has been since inception. We have a great relationship with our bank and they are solidly on side.

How this relates to our wild fur business goes without saying but the impact is nowhere near as bad. However the cause of the fall in fur prices was due mostly to the outrageous global production of ranch mink. Arguably, in 2013 global production of ranch mink was around 100 MILLION pelts. It is looking like 2020's global production could be as low as 25 million and possibly less. This is what is needed to bring prices back, and once the pelt out quantities and the many millions of skins currently in coolers bought on speculation the past 5 years are liquidated, the cycle of rising prices will take place once again.

Looking at our results this past season our May 2019 auction held in North Bay resulted in the best prices of the year on several important articles. The price of beaver rose a solid 28% on first section skins compared to our March 2019 auction. Muskrats and better coon sold at respectable levels and our clearances were strong. The items that did struggle were fisher, wild mink and otter and we are not seeing indications of these three species improving at this time.

The 2020 season will once again see big demand for most all coyotes produced across this continent with premiums being paid for heavy western sections as well big eastern coyotes. We have met with most ALL the major players in the coyote trimming business and have solid commitments of support from them for our 2020 auctions. We have had inquiries from the trade on sables and expect to see prices come in around our March 2019 levels. Lynx will be in demand and as is always the case the A` and B colors will bring stronger prices and clearances.

Lynx cats (bobcat) remain in strong demand for the best A colored belly cats and if the mid-winter International Fur Fairs go well this will help in moving the remaining off-colored cats. This was what happened at our March 2019 auction with close to a 100% clearance on lynx cats.

The trim trade is for the most part doing very well and this can only help drive interest in big heavy coon and all wild foxes this season.

Once again, when it comes to beaver, our results fly in the face of all others as we consistently deliver a solid premium against all competitors on price and clearances. We are expecting the market to come in where it left off in May. As well castoreum continues to sell at very high prices as production is far less than demand.

We are almost sold out of muskrats and have had calls for Private Treaty sales which we have turned down advising our next muskrat offering will be available in March, at which time we will have valued them at the levels we sold them at in May 2019.

All taxidermy species like wolves, wolverine and bears are in demand and the best handled prime pelts are highly valued. Rumors continue to monopolize the fur world currently and our view and position on this remains constant. We cut our grass the way we cut our grass and keep our noses clean and on our side of the fence. We pay our bills and own ALL our Real Estate OUTRIGHT. Those of you that attended our convention years ago witnessed the burning of the mortgage with the RBC bank President front and centre as I set it on fire.

The Fur business is like all other businesses that float between years of prosperity and trouble. The past several years have been a test to all of us and this facility remains steadfast because of the thousands that entrust FHA in the marketing of their catch. Our numbers of new shippers has grown tremendously during the past 5 years of declining prices. The reason for this is, and will continue to be, SERVICE and RESPECT to each and every shipper no matter how much fur is in the bags.

To those trappers that have never done business with FHA before, we welcome the opportunity to be your auction service now and into the future.

We are optimistic that the wild fur business will start to pick up this year and hope this is the case.

Respectfully

A handwritten signature in black ink, appearing to be 'Mark Downey', with a long horizontal flourish extending to the right.

Mark Downey  
Chief Executive Officer  
Fur Harvesters Auction Inc.