

QUALITY SINCE 1881

# Hermann Oak Leather Co.



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SKIRTING  
BRIDLE  
HARNESS  
LATIGO  
STRAP  
CRAFT  
TOOLING  
HOLSTER  
WAISTBELT  
SPLITS

Dear Customer,

We are sending out our pricing for 2013 earlier this year in order to give everyone a heads-up for better planning.

We need to increase prices by \$5 per side or about 3%, effective January 1, 2013. These new prices will apply to orders placed on or after January 1, and to shipments on or after February 1.

Our major cost increase this year, one of our largest overhead costs, is in treating our wastewater, due primarily to increasing government regulations. While we may not like this, it's a fact of tanning. It is also our civic duty to provide clean water to our community. In places like China, the government is closing tanneries that don't comply, as the country is finally learning the true costs of polluted water. While we work to minimize these costs, we must pass them through, and appreciate that you all are willing to help pay for our clean environment. We are blessed to live in one of the cleanest countries in the world.

The hide market fell very briefly at the beginning of this year, only to rebound to its higher levels. In spite of the drought causing additional cattle to come to market, hide prices stayed up. Hide prices have since been creeping up still more, possibly anticipating a lower slaughter in 2013. Cattlemen are expected at some point to begin holding back heifers to rebuild their herds. Hide prices are also staying up because of increased leather demand for shoes from Asia, and for automobiles worldwide. The gradually weakening dollar is also affecting prices for international commodities, like hides and chemicals.

With the weaker dollar, our labor rates appear less costly to other countries, which helps exports. However, we do not see the benefit here in this country, since our labor rates do not change in dollars. This is what inflation feels like; our incomes do not seem to change, yet it buys less internationally. Since raw materials, which are sourced internationally, account for a greater share than labor in the cost of tanning leather, the exchange rate affects leather prices more than most.

As always, we appreciate your business and your dedication to making quality products. We continue to admire the breadth and beauty of the products that you make. I wish I had some of your talent.

Wishing you health and good cheer for the holidays.

Regards,