

QUALITY SINCE 1881

Hermann Oak Leather Co.



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April 20, 2013

Dear Customers,

As anticipated though unwelcome, the hide market continues to advance, slowly but steadily.

The word is that Chinese tanners who make for the domestic Chinese shoe trade are busy, even while those tanners who make for export are not. From 2011 to 2012, various reports show that total Chinese shoe exports declined by as much as 10%, while hide imports increased by as much as 20%. The Chinese people must be buying shoes (and other leathergoods). The US\$ also continues to weaken against the Chinese currency, meaning China can afford to pay more for hides (in US\$) without having to increase their own internal prices.

Where this ends we cannot say, as the market seems to be searching for its "new normal."

We are going to have to increase our surcharge from the current 3% to 6%, effective on orders placed after June 1, 2013, and shipments after July 1, 2013. We will keep you informed of further developments.

Regards,