

QUALITY SINCE 1881

Hermann Oak Leather Co.



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April 20, 2011

Dear Customer,

The hide market has continued its upward march this spring, and is now at an all-time high. In the past, this would have been viewed as a temporary condition. Today's prices, however, seem to be driven by real demand, from both the US and Europe as well as from Asia. This demand is affecting all raw materials, from food to oil to metals.

I have heard that the major shoe brands have accepted increases in their leather prices. This has not happened for quite a few years. This is another indication that higher hide prices are generally here to stay. The products that shoe manufacturers can switch to (such as cotton canvas or nylon) are up as well, and these are helping to drive up leather and thus hide prices.

If hide prices stay up as they are, we will have no choice but to increase our prices again. Instead of a new price card, we will look to add a surcharge, until hide prices settle in to a new trading range. Current prices would require a surcharge of 4% to 5%, which would be adjusted according to the hide market. We would be looking at applying this to orders placed after June 1, and to shipments after July 1.

We wanted to give you the heads-up on this, so you could plan for your own marketing needs. We would appreciate any feedback you may have.

Thank you again for your business.

Regards,

Shep Hermann