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HOUSE COMMITTEE REPORT

(9)

Date referred: 1/25/88

FURTHER REFERRALS: Judiciary

DATE: 4-25-88

The Resources Committee has considered HB 393

"An Act penalizing the unauthorized release of livestock or farm animals."

RECOMMENDS:

- replace with _____ the same title
- attached amendment(s) a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(S):

- fiscal impact same as previous fiscal note published _____
- zero fiscal note same as previous zero fiscal note published _____
- zero with analysis

SIGNING DO PASS:

Udothaid Herrmann

Frank Lorenz

Dick Stult

Heinrich Springer

Sam Art

SIGNING OTHER RECOMMENDATIONS:

John ...

John ...

Sam Art

 Chairman's signature

FISCAL NOTE

REQUEST:

Revision Date: 2/3/88 Agency Affected: Fish and Game
 Title: An Act relating to corrective BRU: Game
management of threatened stocks...
 Sponsor: Coalhill Components: _____
 Requestor: Senate Resources

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES		59.4	61.8	63.3	65.8	68.4
TRAVEL		8.0	8.0	8.0	8.0	8.0
CONTRACTUAL		10.0	10.0	10.0	10.0	10.0
SUPPLIES		1.0	1.0	1.0	1.0	1.0
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	78.4	80.8	82.3	84.8	87.4

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	78.4	80.8	82.3	84.8	87.4
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME	0	3	3	3	3	3
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

See attached page.

Prepared by: Donald E. McKnight Phone: 465-4190
 Division: Game Date: 3/22/88
 Approved by Commissioner: *Donna Coakley* Date: 3-22-88
 Agency: Fish and Game

Distribution (by preparer):

Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)

Page Two

Fiscal Note for CSSB 393
Management of Threatened Stocks of Game

The emergency nature of the actions necessitated by passage of this bill makes it impossible to accurately predict the level of funding needed to complete work on the CSMPs. At a minimum, however, it appears that we will have to hire an additional 9 months of P/S Game Biologist II support for the Interior and 3 months of P/S Game Biologist II support for Southcentral in FY 89. The above budget includes monies for these salaries and benefits plus money to support necessary travel, per diem, supplies and contractual services for these employees. It is important to recognize additionally that the development of CSMPs will place an additional workload on area biologists, regional management coordinators and supervisors and the Game Director. If development of CSMPs incurs additional costs to those above, the department will report to the Legislature with additional fiscal information based on actual impacts of this legislation.



STATE OF ALASKA
OFFICE OF THE GOVERNOR

BILL ANALYSIS

DEPARTMENT Fish and Game	DIVISION Game	BILL NUMBER CSSB 393 (Res)	SPONSOR Senator Coghill
SHORT TITLE OF BILL An Act relating to Corrective Management of Threatened Stocks of Game			
DEPARTMENT POSITION Opposed			
PREPARED BY Donald E. McKnight	DATE 3/18/88	COMMISSIONER'S SIGNATURE <i>Donnell G. Ellsworth</i>	DATE 3-22-88

SUMMARY

OTHER AGENCIES AFFECTED BY BILL Board of Game	CONSTITUENT GROUPS AFFECTED BY BILL All users of wildlife
ORGANIZATIONAL SUPPORT FOR BILL	ORGANIZATIONAL OPPOSITION TO BILL

FISCAL IMPACT: NONE FISCAL NOTE ATTACHED

BACKGROUND/LEGISLATIVE INTENT

This bill appears to be an attempt to insure that when a game population declines to levels at which human utilization must be severely restricted or curtailed, the Board of Game must develop (be provided with) an action plan designed to increase that population to levels which will support optimal human utilization. In addition, the Board must at least draft regulations necessary to implement that plan. This Corrective Stock Management Plan (CSMP) then must be provided to local advisory committees.

ANALYSIS OF BILL/PROGRAM EFFECTS

Under this bill, the Board of Game would, after receiving information from the department that a game population will not or may not sustain continued human utilization, develop a "corrective stock management plan" (CSMP) designed to restore that population to levels which would support human use, presumably harvest. Because the Board of Game has no staff to write CSMPs, this task would, by necessity, be absorbed by Game Division. Very likely the Area Biologist for the Unit in which the "threatened" stock occurs would be the one writing the CSMP for that threatened stock; this redirection of staff time would necessitate the hiring of additional biologists or technicians to provide assistance to an area biologist involved in writing a CSMP. Because the Game Division has a dynamic and responsive management planning system already in place, development of CSMPs constitutes a redundancy of effort which is both unnecessary and economically unsound.

AMENDMENTS PROPOSED

Use of the term "threatened" (Page 1, lines 6, 13, 19, 21, 23 and 27; page 2, lines 3 and 21) will be very confusing to agencies and the public. This term is normally applied in Federal law, news media, etc., to species which are in danger of becoming endangered (a species whose very existence is threatened). Use of the term "threatened" to mean human use of a population is in jeopardy, will be confusing to the public and the courts.

PLEASE ATTACH A SEPARATE SHEET FOR ADDITIONAL COMMENTS OR ANALYSIS.

Alaska State Legislature

SAM → Ned

REPRESENTATIVE
MIKE W MILLER
PO Box 55094
North Pole, Alaska 99705
(907) 488-2687



While in Juneau
PO Box V
Juneau, Alaska 99811
(907) 465 4976

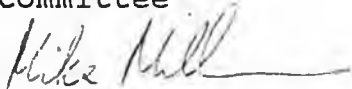
District 18
North Pole
Badger Road
Eielson
Moose Creek
Salcha

House of Representatives

A handwritten signature, possibly "OK" or a similar mark, written in dark ink.

MEMORANDUM

TO: Representative Sam Cotten
Co-Chair, House Resources Committee

FROM: Representative Mike Miller 

RE: Hearing request for HB 393, an act relating to unauthorized release of livestock or farm animals and, HB 395, an act relating to collection permits

DATE: 3/21/88

These two bills were introduced as a package at the request of the Alaska Fur Ranchers Association.

HB 393 would add the unauthorized release of livestock or farm animals, including fur farm animals, to the list of actions that constitute the crime of criminal mischief in the third degree. Individuals who own farm stock have generally made a considerable investment which can be lost if the animals are set free. A fine of up to \$5000 could be imposed against individuals convicted under the new wording of HB 393

HB 395 restructures and adds to the existing statutory language governing the issuance of permits to collect animals from the wild. The two major additions specify that fur animals may be taken from the wild to diversify existing farm stock through cross breeding, and to establish the initial breeding stock of a new farm. I have attached a highlighted copy of this bill for your reference.

I have also attached a packet of information outlining some of the gains that other countries have made in the commercial fur industry. This information was forwarded to me by Mr. Richard Carda, President of the Alaska Fur Ranchers Association.

I would like to request that these two bills be considered for scheduling before the House Resources Committee. I would also like to request that Mr. Carda be allowed to testify via teleconference when this hearing takes place.

Attachments

02/15/88

Rep. Mike Miller
House Of Representatives
P.O. Box V
Juneau, Alaska 99811

MAR 07 1988

Dear Rep. Miller,

Rep. Miller, Allow me to introduce myself. My Name is Richard J. Carda and I am President of the Alaskan Fur Ranchers Asso. (AFRA).

In 1981 there were only four fur farms in the state of Alaska and the industry was at a standstill. The fur ranchers knew the potential for a complete fur industry was enormous. We also knew it would be difficult and we needed to be organized to move into the world as a worthy competitor. AFRA was formed in 1982 to promote fur farming in the state. We grew slowly over the years that followed, but grow we did, from four farms sitting around a kitchen table to thirty-three farms spread over the entire state from Eagle to Kenai to Bethel to Kotzebue to Fairbanks and all points in between. Growth has been slow and steady. The slow pace has been due to the fact that this is a hard and expensive business to get started. The cost to get started is a total commitment of time and energy and every dollar you ever saved. We are committed to rebuild the fur industry in Alaska. The economic value will reach far into the future long after the oil money is gone.

I'm enclosing a pamphlet printed by the Interior Economic Development Asso. Please take time from your busy schedule to read the material. The conference pointed out many important facts. Among them were...

The Alaskan Fur Ranchers are not alone in the development of the fur industry in Alaska. We have been working for the industry a little longer...

Alaska is years behind the rest of the world in the development of the our fur industry even though we are in the best geographic area possible.

We need your help! We need you to stand with us in our time of need. The Individuals involved in the fur industry and the state needs to unite.

There are several other interesting facts I'm sure you will find as you read the pamphlet, i.e., the enormous amount of money involved.

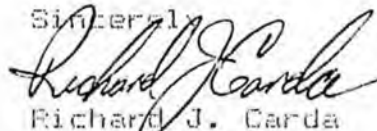
Mike, Coming up before you soon are two house bills. One bill is for protection. This bill would make it a felony for anyone to enter a fur farm and harass, steal or set free any of the live stock. Hopefully this will make those people think twice before entering the farm. The second is a bill that would allow us (farmers) to go into the wild and collect wild stock to develop completely Alaskan fur, to increase our knowledge of other fur bearing animals and in so doing help us to compete today and tomorrow in the world market place.

At the moment there are an estimated 20,000 trappers in the state of Alaska. Each trapper buys a \$5.00 trapping license and is allowed to KILL as many animals as he can catch with in the generous limits set down by Fish & Game. I could do the same with a license but I am a farmer not a trapper. Our bill would allow us to hire an Alaskan trapper to bring them back alive and by doing so the trapper would benefit with a better price, the fur farmer would benefit with new animals to work with and the fur industry would benefit with growth. To make it even better there is no added pressure put on the wild stock. Regardless of the number of wild animals requested by the farmer would be limited by the legal limit of the trappers that are hired.

We are interested in developing an all- Alaskan Ranch Mink from wild stock, " Alaskan Grown " by alaskan farmers. We are also interested in studying the Alaskan Sable (marten). Very little is known about these animals. We need your help to begin.

Mike, I speak for everyone involved when I say, "PLEASE Mike" vote yes on HB393 and HB395, we need your help to move Alaska forward.

Sincerely,



Richard J. Carda
R & D Fur Farm
Box 4553
Eielson, Alaska 99702

Development of a Competitive Alaskan Fur Industry



*A workshop brief
prepared by:*

*Gerald Victor
Certified Master Furrier*

and

Thomas Gaylord, Ph.D.

Interior Economic Development Conference

August 1-2, 1987
Fairbanks, Alaska
Alaskaland Civic Auditorium

Fairbanksans seek to develop fur institute



The glistening fur coats that are created by Alaska pelts are sold the world over, but few of the purchasers of this ultimate in luxury know from whence their coat came. This warm wrap is natural Alaska sable, which retails on the market for \$26,000 to \$145,000. PHOTO COURTESY GERALD & VICTOR FUR FARMERS

By SALLY J. SUDDOCK

Mention the word "Fairbanks" to most folks and more often than not, the association "cold" will spring (winter?) to mind. Mention the word "cold," and the gentler sex might immediately think of a warm, flowing fur coat as an antidote to the long, dark winter.

It should come as no surprise, then, that Fairbanks is perfectly suited—geographically and by image—to make its mark in boutiques and salons the world over as a supplier of the raw materials for this luxury-item market.

It might come as a surprise, however, that currently this is not the case.

A group of Fairbanks fur-industry leaders are out to change that. Despite a traditional abundance of fur-bearing animals statewide, Alaska is caught in a trap of no identity and no aggressive marketing, says Gerald Victor, a certified master furrier whose family is among the oldest in the Alaska industry. As an outgrowth of the Interior Economic Development Conference in August, Victor is working with the state, the borough, and the Department of Community and Regional Affairs to develop a fur institute. Its goal is to increase the level of awareness for Alaska's superior skins.

"Alaska has traditionally been a major natural fur resource region in the world," said Victor and Dr. Thomas Gaylord in a paper delivered to the conference in August. "But current marketing trends recognize origin as either USA or Canada, the net result being lessened consumer awareness of the quality furs coming from Alaska and therefore lesser consumer demand for specifically Alaska origin fur."

The state's furs compete with Canada, Scandinavia, Russia and Lower 48 in the world market. And increasingly, say Gaylord and Victor, "ranch

raised fur, foreign trade, technology and government subsidies have provided a competitive advantage that is overwhelming Alaska's fur industry in quantity, variety and even quality of fur." Canadian finished fur garment exports, alone, increased 602 percent from 1980 to year-end 1986 (\$22.8 million to \$160 million).

Ironically, said Victor, a significant portion of the finished fur product "exported" from Canada (and the U.S.) are Alaskan in origin. But the label the consumer sees seldom says so.

Last year's dollar value of raw fur exports from Alaska stood at just \$7 million, said Victor. With 30,000 trapping licenses held statewide in Alaska (many of which are recreational, however), that figure is less than impressive.

"We have a tremendous potential for fur farming," said Victor, "and we're working with trappers to be able to develop that." Already, he said, wild stocks in Alaska have been exported to other countries as breeding stock for successful ranching industries. Kuskokwim mink (named for the obvious Alaska region from which they come), for example, is renowned in the industry for its quality. Ranching allows manufacturers the choice of a more uniform finished garment, since animals are harvested in their prime under controlled conditions. And ranching operations can offer a higher volume of raw pelts to manufacturers.

"Canada has more than 700 mink farms and 550 fox farms that together produced half of the \$91.1 million worth of raw pelts in 1985," said Victor and Gaylord. Less than 8,000 ranchers (versus 80,000 Canadian trappers) produced half the pelts that year.

Potential is there, too, said Victor, for Alaska to move more competi-

See FUR, Page 8

Continued from Page 7

tively into the garment manufacturing industry, but mechanization trends in the industry mean that Alaska's looking at tough competition. "Manufacturing will come over time," said Victor, "and our biggest need right now is better marketing through coordination."

The institute that's in its fledgling stages is patterned after the Alaska Seafood Marketing Institute model of cooperative industry-government product awareness through media, labeling, trade shows and seminars, and public relations.

Victor and Gaylord think the time is right to turn around the industry. Job losses from nil revenue declines have increased government and Native corporation sympathies for diversification; the Interior's well-suited to raise furbearers year-round; and there is opportunity to develop more exotic breeds such as sable and lynx for an exclusive market niche.

Employment opportunities also are good for tanneries, design houses, and manufacturers, the two believe. "Finished fur garments enjoy a large edge over skins in profit and lower costs," they said.

"After decades of neglect, the Alaska fur industry is turning into a subsistence activity, whereas around the world has become one of the most highly profitable fashion enterprises," said Victor and Gaylord. In the paper delivered in August, they proposed a series of steps Alaska should take to put more furs on more backs of consumers:

• With the University of Alaska, implement a research program for genetics, disease control, feed and nutrition, as part of the university's plan to develop linkages with developing industries.

• Education and training in ranching techniques, management skills, and marketing strategy. University students would also benefit from cooperative educational programs in the field; and a ranch and natural fur industry association would advance the cause of the industry.

• Development of modern automation capabilities also is seen as a need to allow Alaskans to compete with other countries.

• Foreign trade marketing, favorable export laws, and trade agreements with auction houses in Hong Kong and Frankfurt would help the industry get a toehold in the market.

I. Introduction and Business Plan Outline

A. Environment

1. Alaska has traditionally been a major natural (trapped) fur resource region in the world. Alaskan fur is considered some of the finest in the world, but current marketing trends recognize origin as either USA or Canada; the net result being lessened consumer awareness of the quality furs coming from Alaska and therefore lessened consumer demand for specifically Alaska origin fur. Alaska fur has lost its major marketing and sales advantage, that being the Alaskan label.
2. Alaskan fur must compete with Canadian, Scandinavian, Russian, Chinese, and Lower 48 fur in the world market. Increasingly, ranch raised fur, foreign trade, technology and government subsidies (see Exhibit A) have provided a competitive advantage that is subsequently overwhelming Alaska's natural fur industry in quantity, variety and even quality of fur. The chart below depicts the dramatic increase (602%) in finished Canadian garment exports to the USA alone, driven primarily by the rise of the Canadian fur ranching industry and an advantageous labor situation, over the last six years:

Finished Garments Exported to the United States from Canada

<u>Year</u>	<u>Canadian Dollars</u>
1980	\$22.8 million
1981	\$34.2 million
1982	\$45.6 million
1983	\$58.8 million
1984	\$107.1 million
1985	\$133.0 million
1986 (projected)	\$160.0 million

Exchange Rate (US \$)

<u>Year</u>	<u>Canadian Dollars</u>
1980	1.1731
1981	1.2009
1982	1.2339
1983	1.2288
1984	1.2943
1985	1.3757
1986	1.3753
1987 (January)	1.3603

Source: Wallach, V. *Canadian Manufacturers Discuss Price, Delivery and Their Expectations for 1987*. The Business of Fur, 4(8), 1987, p. 32

3. Canada has over 700 mink farms and 550 fox farms which together produced half of the \$91.1 million worth of the raw fur pelts in 1985. This being done by less than 8,000 ranchers compared to 80,000 Canadian trappers. In other words, half the pelts were produced by one tenth the manpower (The Silver Fox Review, 4(1), 1987, p.5).
4. Alaskan wild fur bearing animals have and continue to be boxed trapped to serve as breeding stock for non-Alaskan fur ranches. The genetic traits of Alaska's wild stock and the

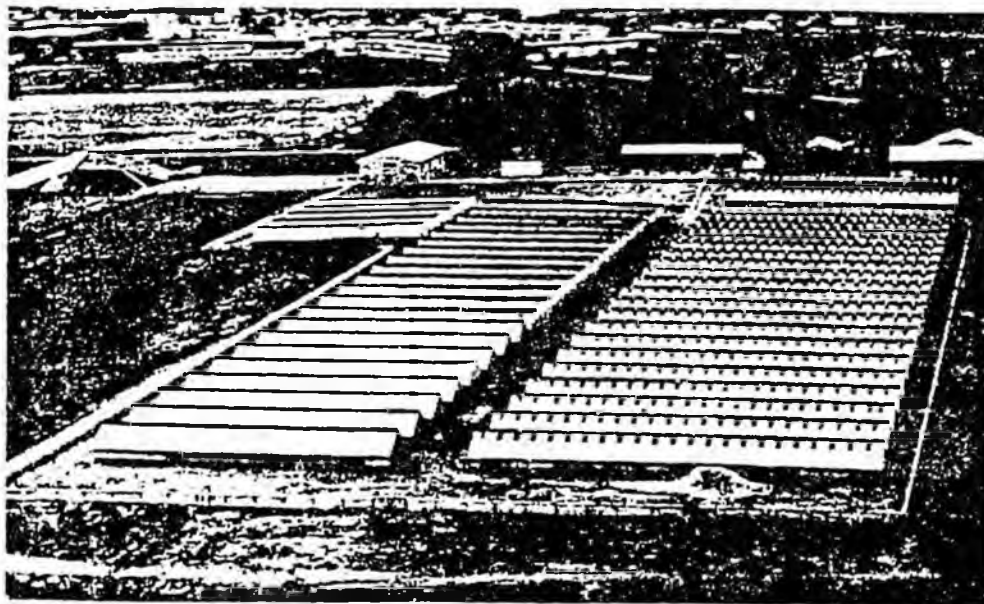
qualities that have made Alaska's furs a sought after and valued product are being exported, and Alaska's long term fur assets are being exploited.

5. Collapse of the oil based economy in Alaska and the sharp reduction in state revenue that resulted has created a vacuum in employment and business opportunities. Depressed rural and urban communities are more eager to explore alternative economic activities.
6. State and local governments and Native corporations appear more committed to stem the flow of investment capital out of Alaska and to use that capital to help diversify Alaska's economy.

B. Raw Fur

1. Interior Alaska is ideally suited for fur ranching, particularly areas that have access to existing roads or major waterways. The picture below shows the extent of a typical layout for a fur ranch.
2. Providing year round reliable employment, fur ranching cost effectiveness could be enhanced by readily available feed supplements such as fish and feed developed from interior farming projects in Delta and Nenana.
3. The predominant ranched raised furs used in the industry are mink and fox. Alaska has the opportunity to develop the more exotic breeds such as sable and lynx which would give Alaska an exclusive niche in the market from the start.

Moyle Mink Farms
Heyburn, Idaho



C. Processing, Design and Manufacturing

1. Fur tanneries, design houses and manufacturing shops would add significantly to the employment level of the fur industry in the state. Finished fur garments enjoy a large edge over skins in profit, lower export costs, etc.

2. The table below on trends in the West German fur industry, is some indication of the increased level of economic activity generated outside the raw fur aspects of the industry that behooves Alaska to move toward fur processing:

	Total Imports in Million DM				
	1982	1983	1984	1985	1986
Raw Furs	673,3	611,8	681,8	727,8	551,1
Dressed Skins & Semi Finished Garments	364,8	334,8	300,7	304,1	321,9
Finished Fur Garments & Hats	819,4	812,2	673,7	486,6	608,5
	1.857,5	1.758,8	1.656,2	1.518,5	1.481,9

	Total Exports in Million DM				
	1982	1983	1984	1985	1986
Raw Furs	46,9	44,0	36,1	41,3	45,9
Dressed Skins & Semi Finished Garments	650,9	613,5	638,2	733,7	603,7
Finished Fur Garments & Hats	285,6	300,8	334,8	355,4	378,8
	983,4	958,3	1.009,1	1.130,4	1.028,4

Source: *International Fur Fair Frankfurt*. *International Fur Fashion Review*, 6(5), 1987.

D. Sales and Marketing

1. The future of the the Alaskan fur industry lies with aggressively pursuing international markets.
2. Marketing alliances and hand shaking efforts with government similar to what the Toronto Fur Export Group has devised (see Exhibit B) are essential if Alaska is to break into the market in a meaningful way.

II. Financing the Fur Industry Outline

A. Private Sources

1. Venture Capital
2. Native Corporations (Regional and Village)
3. Stock offering

B. Public Sources

1. State Assistance Grants or Loans (Agricultural?)
2. State Permanent Fund Investments or Loans
3. Local Government Grants or Loans

III. Technology and Trade Assistance Outline

A. Animal Research

1. Genetic research for the purposes of improving the fur color variety, strength and longevity as well as the animal growth rate of Alaskan stock is needed to gain a competitive edge. Research would be oriented toward developing and regulating the raising of pure bred and other ranch raised foxes in Alaska and such new types of foxes as may from time to time become eligible for registration. This could be accomplished by an industry tax earmarked for research programs at the University of Alaska. The University has made it clear through its Six-Year Plan (Goal 2.3) that it intends to develop linkages to assist developing state industries.
2. Disease control research is needed to protect ranch stock in close proximity from devastating consequences. These include primarily tularemia, hydatid disease, mange, giardiasis, distemper, and rabies.
3. Feed and nutritional research is needed to enable the use of available, local food sources such as fish and interior farming products from the Delta and Nenana regions.

B. Education and Training

1. Development of fur ranching techniques, management skills, and marketing strategy educational programs by the University of Alaska in accordance with its Six-Year Plan (Goal 2.3).
2. Student assistance or cooperative educational programs, such as with the New York Fashion Institute of Technology's Fur Design and Marketing Department offerings.
3. Development of a ranched and natural fur industry association similar in scope and function to the Canadian Fox Breeders Association (CFBA). The CFBA finances its operations through a commission of 1.5% on all ranched fox pelts sold through auction houses who have marketing agreements with CFBA. For the benefit of the membership these funds are used for the marketing and promotion of the "Canada Select Fox" label, rancher education, education grants to affiliated provincial fox/fur breeder associations, support research projects, publish the CFBA newsletter, compile statistics, maintain National head office and other related activities (Role and Function, Canada Fox Breeders Assoc., 1986, pp. 1-2).

C. Mechanization and Computerization

1. Development of systems and equipment that permit the automation of various stages of fur production is essential if efficient, cost effective ranching and manufacturing is to provide a cost competitive product on the world market. Taran, Canada's largest fur manufacturer, has already operational several systems in various steps in the fur processing procedure in its 100,000 square foot Montreal plant. As Taran's owner stated:

We've been working with one of the universities for 18 months on this project. Skin matching and grading is a critical operation and there's always a shortage of competent help. The system we've developed will not only do the job as accurately, but will also eliminate human error that often comes from fatigue. The computer never gets tired. *Taran Nearing Fush-Button Operation. Fur World, June 3, 1985.*

D. Trade

1. State of Alaska marketing institute trade assistance and foreign trade agreements particularly with fur auction houses and processing centers such as Hong Kong and Frankfurt.
2. Arrangement of favorable federal export laws and tax structures that facilitate development of a new industry and streamlined shipping and sales channels.

IV. Summary Outline

- Alaska could become a major center for the North American fur industry within a decade provided steps are taken to build reliable supplies and large numbers of quality furs.
- Being competitive on the world market today and even more in the future will have as a prerequisite, genetic engineering for controlled stock improvement efforts, mechanization for reduced processing costs, and computerization to a degree that allows instantaneous responses to world market conditions. Fur ranching, as a supplement to trapping, is essential to prevent a further erosion of Alaska's position in the fur industry. Gaming out scenarios without a viable fur ranching factor in the state has Alaska virtually losing all its market share within a generation.
- Even with an infusion of substantial effort on the part of private entrepreneurs, state government, the University, and Native Corporations it will be difficult for the Alaskan fur industry to attain the market position it once held. After decades of neglect, the Alaskan fur industry is turning into a subsistence activity whereas around the world has become one of the most highly profitable fashion enterprises.

Let's turn it around.

EXHIBIT A
Government Support



V/O SOJUZPUSHNINA

USSR

MOSCOW-LENINGRAD

CANADA... THE FUR SOURCE

Adding modern techniques and advanced technology, the wholesale fur market in Canada has steadily increased its production capacity to now take its place as a *world-ranking fur manufacturing industry.*

The Canadian fur manufacturing industry is a *major exporter*, with more than half of its total production going to the fur fashion capitals of the world.

Over 120 Canadian manufacturers will show their newest fashion collections at the Canadian International Fur Fair Montréal, from May 4 to 7, 1988, in Place Bonaventure.

Two gala fur fashion shows on the evening of Wednesday, May 4, in Hotel Bonaventure will highlight the fine fashion furs for which the Canadian fur manufacturing industry is known.

1988 CANADIAN
INTERNATIONAL
FUR FAIR
MONTREAL
NOW...
WEDNESDAY
THRU
SATURDAY
MAY 4 TO 7, 1988.

For information on the Fair:
Le Groupe EKSP0
P.O. Box 1317
Place Bonaventure
Montréal, Canada
H5A 1H1
Tel. (514) 871-9214
Telex 055 62171 Code 488



For information on the
Canadian Fashion Show, contact
Mr. André Daoust
Canadian Fur Trade Development
Institute Inc.
1435 St-Alexandre, Suite 1265
Montreal, Canada H3A 2G4
(514) 288-6609

EXHIBIT B
Industry Alliances

THE HISTORY

When V/O SOJUZPUSHNINA was born in 1931, no one could have known how much the organization would have grown just fifty years later.

In the early days V/O SOJUZPUSHNINA was mainly concerned with fur exports, working with some six hundred companies in nineteen countries.

Today the organization is involved with both importing and exporting, in natural and synthetic leather and many other allied products as well as their original responsibility, furs. As the activities have grown so has the number of customers, now more than two thousand companies in sixty countries.

V/O SOJUZPUSHNINA is now not only one of the oldest Soviet foreign trade organizations but one of the most international with business contacts from Japan to the Argentine.

The Soviet Union has the largest production of furs in the world, and certainly the most breathta-

king selection. These are gathered in from all over the USSR, with goods from over 6.5 thousand Soviet enterprises.

Fur auctions are held three times a year in Leningrad as well as in London and Leipzig and there are warehouses in the USSR, London, Stockholm and West Berlin.

The major part of the fur production is sold at auctions, with 70-80% offered at the International Fur Auctions in Leningrad.

The original auctions concentrated on wild furs since there were at that time no fur farms in the USSR. Today the situation is quite different.

Wild furs are, of course, still available, with a selection that includes red and white fox, sable, squirrel, wolverene, wolf marten, fitch, charsa, raccoon

and marmot. It is in the ranches that there has been enormous growth, with a million mink and thousands of blue and silver fox offered in January from the Soviet fur farms, the same assortment though in smaller quantity put up for sale in July. There are also in the dressed skin section, hair-seal, white-coat and fur seal, squirrel plates and sacs. Considerable quantities of karakul and broadtail, including a selection of dressed skins, are presented at every auction.

Production of ranches skins generally has reached a total of 16 million (including only mink, foxes, nutria and sable). Nevertheless the growing demand of the domestic market means that only about twelve per cent of the total Soviet fur production including karakul, will be available to the

export trade.

The most valuable furs, sable and lynx, are sold at the Palace of Furs in Leningrad, with extraordinarily high prices offered for these most beautiful of furs. The export of sable is restricted to not more than 100-120 thousand pelts a year.

All sable comes from the Soviet Union and is sold only through V/O SOJUZPUSHNINA, under the trademark SOBOL, a label that can only be given to genuine Russian sable.

An addition to the catalogue in recent years has been a group of furs from ten countries outside the USSR. Sold on commission, these include wild furs from Mongolia and North Korea, nutria from Poland, mink and blue fox from Finland, Afghan karakul and Norwegian seal.

V/O SOJUZPUSHNINA, are

justifiably proud part in the trade. They are the largest fur suppliers they strive also

most responsible for the International Fur Auctions, they are in the world of fur organization, part of the conservation area of the creation of a combat anti-fur party.

Over the years V/O SOJUZPUSHNINA has managed to receive many Soviet furs regulated at the International Fur Show held every

In 1980 V/O SOJUZPUSHNINA was awarded a national prize, the G. Their part in the economic and international fur trade in the next fifty years SOJUZPUSHNINA is this international fur trade their constant goal.



about 2,000 garments a week and does an annual volume in the neighborhood of \$100 million (Canadian).

"What we're aiming for," comments Taran, "is the elimination of all contract labor. We want to do all the work inside with a smaller, elite group. That's how we're going to stay alive in view of what's coming out of the Orient. We're looking to increase production and efficiency and eliminate as much human error as possible. We believe we can produce a better garment at a lower price by modernizing."

Multimillion Dollar Grant

The investment is substantial, but the company is working with the Canadian Industrial Renewal Board, which makes grants to help industries grow. Says Taran, "We have received the largest such grant of any industry in Canada." He wouldn't say how much, but conceded it is a multimillion-dollar figure.

However, he adds, "we won't touch any new machine or system unless it offers a maximum two-year payback on investment." One system he's proud of, because it was developed largely in-house, is the skin-wetting device that will interface with the stretching and drying oper-



The average age of the production force is under 25.

machines can be supervised by one person. They are priced around \$90,000 each.

In addition, the company is looking into laser trimming of garments, utilizing equipment now available for cloth apparel, but with modifications for fur. Says Taran, "we're working with a major company on this and have it working on some

jute interfacings. Also, those that will sew in linings—all around—with a hand-finished effect.

Although the push-button factory is not quite at hand, it is much less inconceivable to the Taran family, including patriarch Benjamin, the founder. His sons, vice-presidents Charles and Albert, are even more sanguine. Their sister, Esther Brody, also is involved as chief skin buyer, assisted by her son, George. Robert is Albert's son. Charles' son, David, is director of finance and promotion.

"As we see it," explains Albert Taran, "we're no longer competing with the Far East. Now they'll be competing with us."



Taran's 100,000-square-foot plant turns out 2,000 garments a week.

ation now being developed, the entire procedure chopping substantial time off the conventional methods and performed under automatically-controlled temperature-humidity conditions.

Big Time-Saver

Pointing to the automated drying system through which the nailed-out garment sections on boards travel via monorail in only two hours he notes, "that saves a full day." The next step, removing the staples, is still done manually, but not for long. "We're perfecting a staple-removing machine, on a conveyor system, which will require two people instead of 14 at present and will be much faster—two to three minutes per board instead of 10. This will be in place by next year."

The company also has plans for the computerized skin slicing-sewing machine developed by Platt and demonstrated at recent fairs in Frankfurt and Montreal. "We have an option on 18 of these machines," notes the production manager. They are capable of letting out about five skins an hour and four such

furs, but not all. We're also working on closing by a robotic sewing machine, as is already done on textile-apparel. It's just a matter of adaptation."

Another process under development is blocking with a hydraulic-pneumatic system. Almost ready are machines that will prepare collars, as well as flannel and



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SUPPLY SIDE

Taran Nearing Push-Button Operation

MONTREAL — For years, as textile-apparel production has joined other industries moving into the age of computerization, fur manufacturers have watched longingly but were stymied because of the characteristics of their basic material. While most appear resolved the world's oldest handcraft is likely to remain just that, at least one producer believes it is well on its way toward the "push-button shop" of the future.

Taran Furs, the largest manufacturer in North America, also is one of the most innovative. The company has come up with a dozen or more devices and systems that represent major breakthroughs in the automation of key stages of production. Several of these are on stream now; others are in the final stages of development and are expected to be in use within two years.

Among them:

- A computerized pelt grading and matching system that will even sort as to color, height of hair and density of underfur, at the same time coding the leather side as to where the skin falls in the garment pattern.

- A conveyor belt operation that wets the leather side of skins and requires 75% less time and labor than the conventional brush-and-pail method.

- A pneumatic-hydraulic device that stretches and delivers to the cutting machine in seven minutes skins that have been dried using a wind-tunnel technique.

- An automated drying system that handles entire boards fed by monorail.

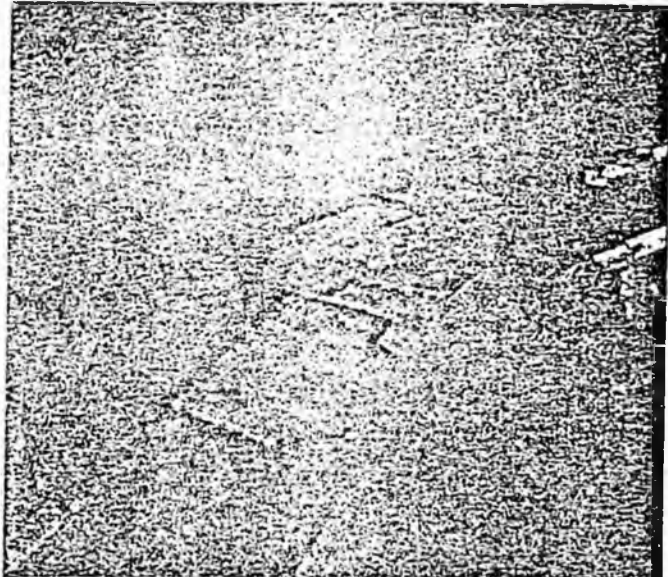
- A computerized grading and marking machine that also indicates kyles.

Most, explains Robert Taran, "are machines or systems that never existed. We developed the ideas and called in the technical people to work them out." At 23, he is the youngest of three generations of Tarans active in the family-owned company, now over half a century old. He is also general manager in charge of production.

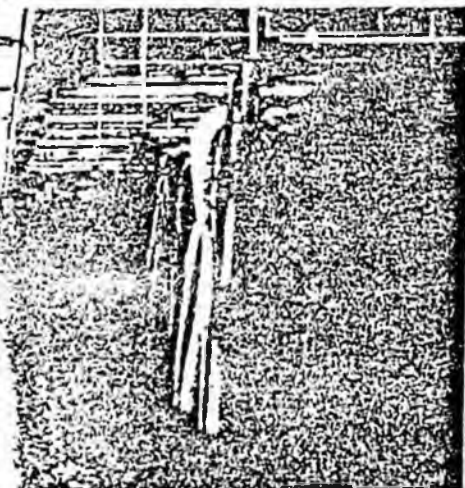
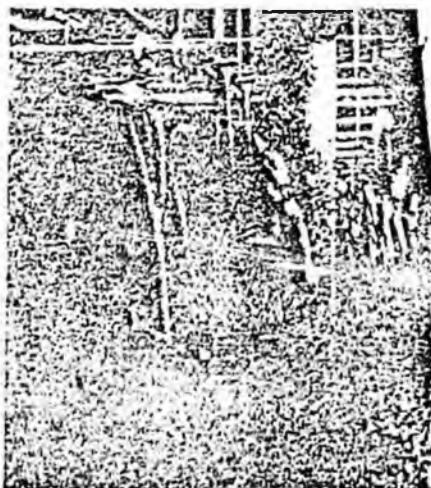
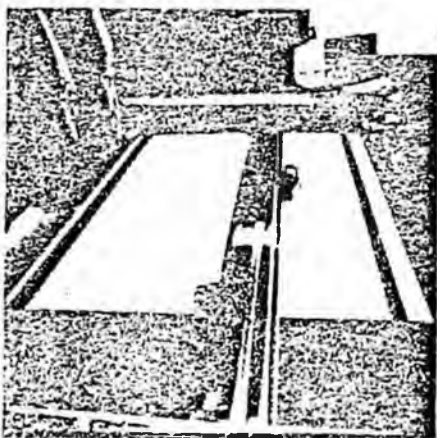
If he sounds a bit young to head production for a company the size of Taran, it should also be pointed out he's older than many of his workers. The average age of the operators is around 23, but the floorworkers range from 16 to 19. "Outside of some veteran cutters, trimmers and closers, the bulk of our production force averages under 25," he notes.

Some of the innovations have been relatively inexpensive, requiring simple mechanization of manual procedures. Others, like the pelt grading and matching scanner may take years between concep-

tion and execution. "We've been working with one of the universities for 18 months on this project. Skin matching and grading is a critical operation and there's always a shortage of competent help," notes the young executive. "The system we've developed will not do the job as accurately, but will also eliminate human error



Operator programming the computerized pattern grading and marking system.



that often comes from fatigue. The computer never gets tired," he comments.

The system is expected to be on stream within two years at a cost of \$1.5 million (Canadian). But the company also expects to recoup the investment in 21 months in terms of savings through greater efficiency, "not to mention what it will mean in terms of quality control," he adds. One such unit, he points out, will be capable of matching out from 2,800 to 3,000 skins in seven hours, or about 10% more than is now done by seven workers in that period. Furthermore, the matched skins will be placed on wire hangers by robotic arms, which also will hang them on racks.

Subsidies to Train Workers

Taran declines to identify the educational institutions or equipment manufacturers with which the firm is working. He does acknowledge, however, cooperation from various governmental agencies in the form of either outright grants for systems development or wage subsidies for training new workers.

The company employs over 300 workers in its 100,000-square-foot plant. It also contracts out some work locally and operates a factory in Korea, which produces some more labor-intensive items like fur-leather combinations. Overall, it turns out



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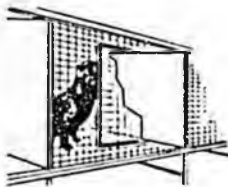


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