

Global fur retail value

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Abstract

The size of the production of raw fur skins is an important input for calculating fur retail value. The decline of production since 2014 is expected to continue in 2021. However, in the long run production has been rather volatile but also increasing significantly. In 2019, international trade of fur garment was the largest ever measured in value - despite the very low prices of raw fur skin. Also the production in the fur manufacturing industry in EU27 has been increasing for several years and peaked in 2019.

Covid19 has had a significant impact on the fur sector. 25 per cent of world production and 30-35 per cent of world trade in raw mink skins is eliminated due to Covid19. Covid19 has also resulted in a major temporary closure of the retail trade. However, it is assumed that these Covid19 disturbances are temporary and will not significantly affect the long-term trends.

Estimation of fur retail value is a result of several factors including fur skin production, mark-ups, international trade, Covid19, fur manufacturing etc.

A European fur retail trade in 2020 of about 6 billion USD is estimated – without Covid19 impact. With Covid19 impact, the fur retail trade is estimated to 4,8 billion USD. The exact impact of Covid19 is uncertain to determine. A part of the decline is a result of lower prices of fur garments due to lower prices of raw mink skins.

The global fur retail trade in 2020 is estimated to be in the order of 25,1 billion USD – without Covid19 impact. With Covid19 impact, the global fur retail trade is estimated to 20,1 billion USD.

Background

In the report from June 2017, “Global fur retail value”, the value of fur retail sale was estimated based on a number of inputs and assumptions, and the methodology was described.

In general, the availability of data to estimate the retail value of fur products on

country levels is insufficient. National statistics do not include these data, and statistics from business organisations etc. are in general not sufficient and comparable.

From an academic and a business point of view it is important to be able to substantiate and quantify the importance and position of the industry.

The global fur retail value must then be estimated. Mark-ups are factors or coefficients that measure the value of fur skins. A mark-up of 7 means, that the value a raw fur skin is multiplied with 7 from fur farm or auction house to a fur coat in a retail store.

Mark-ups can also be used from fur manufacturing sale to retail sale, from import value to retail sale etc. Mark-ups can then be used to calculate the fur retail value in each country, each region and globally.

The mark-up method includes the value of all fur retail products regardless of the form (fur coat, accessories etc.). The model uses mark-ups provided by market players, and mark-ups can be individual from country to country, and they are variable from year to year. The results from the model are supplemented and verified by statistical databases, by input from market players etc. Mark-ups from raw fur skin to fur retail: 4-13 (up to 20), depending on the market, product, brand value, value chain, country and year (price of raw fur skins). For major European producers, mark-ups are mostly in the range of 6-10.

For a further description of the model and the assumptions, see the 2017-report.

Updated input data

In order to calculate the fur retail value, it is crucial to estimate the production of raw fur skins. All fur retail sales originate from raw fur skins – to a greater or lesser extent – so the number and the value of produced raw fur skins are important information generating the value of fur skins further along the value chain. Also the market supply of each region is crucial for the calculations. Artificial fur and articles thereof account for less than one per cent of total international trade of fur skin and fur skin products.

The figures are based on information from official statistics, trade associations, companies, scientific papers and reports, interviews with experts, etc. In some cases, estimates have been calculated due to a lack of information. The production figures are presented in table 1.

Table 1. Mink skin production 2012-2021. Piece

	2010	2011	2012	2013	2014	2015*	2016	2017	2018	2019	2020*	2021**
China	15.500.000	16.000.000	16.500.000	31.000.000	34.000.000	32.000.000	20.000.000	19.000.000	17.000.000	11.000.000	4.000.000	4.000.000
Denmark	14.400.000	15.000.000	15.800.000	17.200.000	17.888.000	17.800.000	17.100.000	17.900.000	17.100.000	12.825.000	5.600.000	0
Poland	4.250.000	4.900.000	5.100.000	7.500.000	9.500.000	9.000.000	8.500.000	8.000.000	6.000.000	5.000.000	4.500.000	5.000.000
Netherlands	5.300.917	5.378.164	5.672.332	5.671.600	5.515.950	5.626.500	5.078.216	5.053.653	5.022.149	4.500.000	1.000.000	0
USA	2.840.200	3.091.470	3.318.040	3.544.610	3.741.150	3.682.960	3.454.410	3.400.080	3.104.960	2.700.000	1.800.000	1.250.000
Canada	2.298.280	2.713.900	2.804.800	2.771.500	3.384.000	3.317.150	2.143.100	2.980.100	2.500.000	2.000.000	900.000	900.000
Russia	1.300.000	1.600.000	1.500.000	1.500.000	1.542.154	2.106.540	2.052.209	1.900.000	1.700.000	1.600.000	1.300.000	1.300.000
Finland	1.327.404	1.576.290	1.114.515	1.401.905	1.217.855	1.169.904	1.100.000	1.080.000	800.000	700.000	780.000	850.000
Greece	575.000	650.000	800.000	1.200.000	1.800.000	1.800.000	1.750.000	1.650.000	1.600.000	1.500.000	1.200.000	1.500.000
Lithuania	900.000	1.100.000	1.300.000	1.500.000	1.500.000	1.600.000	1.500.000	1.400.000	1.300.000	1.100.000	1.500.000	1.700.000
Sweden	900.000	900.000	975.000	1.050.000	1.050.000	1.050.000	1.000.000	950.000	900.000	600.000	470.000	200.000
Norway	540.000	500.000	610.000	700.000	850.000	811.000	800.000	780.000	650.000	600.000	200.000	60.000
Belarus	600.000	700.000	800.000	900.000	900.000	800.000	900.000	800.000	700.000	600.000	750.000	650.000
Spain	425.000	450.000	590.000	650.000	700.000	700.000	650.000	600.000	600.000	500.000	450.000	450.000
Latvia	365.000	360.000	400.000	500.000	700.000	600.000	800.000	750.000	600.000	500.000	375.000	360.000
Ukraine	400.000	550.000	700.000	700.000	750.000	600.000	500.000	450.000	600.000	800.000	1.100.000	1.100.000
Germany	350.000	350.000	350.000	350.000	350.000	350.000	350.000	100.000	20.000	0	0	0
Iceland	187.045	199.460	200.890	194.000	257.170	238.455	222.505	171.285	96.910	58.815	47.052	75.000
France	180.000	180.000	180.000	180.000	200.000	180.000	200.000	150.000	115.000	75.000	32.000	30.000
Ireland	225.000	225.000	225.000	200.000	175.000	150.000	150.000	120.000	110.000	90.000	100.000	60.000
Estonia	200.000	190.000	180.000	170.000	170.000	150.000	100.000	80.000	50.000	30.000	0	0
Italy	170.000	150.000	150.000	160.000	180.000	170.000	180.000	150.000	140.000	120.000	45.000	0
Belgium	150.000	150.000	150.000	150.000	170.000	150.000	150.000	120.000	100.000	80.000	115.000	115.000
Argentina	10.000	12.000	15.000	17.000	17.000	17.000	17.000	15.000	15.000	15.000	10.000	0
Japan	1.700	1.600	2.200	1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500
Other	500.000	500.000	500.000	500.000	500.000	500.000	500.000	500.000	500.000	500.000	500.000	200.000
World***	54.000.000	57.000.000	60.000.000	80.000.000	88.000.000	85.000.000	69.000.000	68.000.000	62.000.000	56.000.000	27.000.000	20.000.000

* Estimate

**Projections

*** The number is rounded to the nearest million

Sources: See original report: Global fur retail value” from June 2018

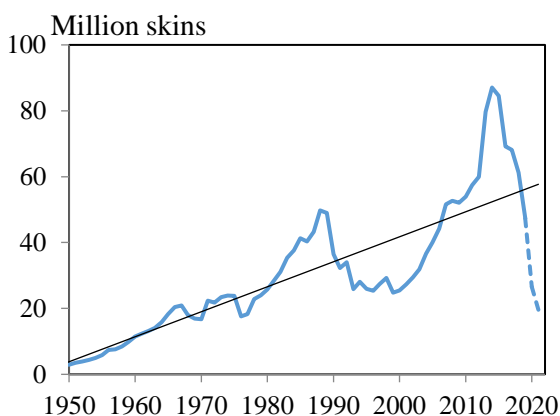
Tabel 1 includes estimates for 2020 and projections for 2021. The table shows significant shifts in production among countries. China, which was the world's largest producer a few years ago, is now estimated to account for only about 15 per cent of world production

As the table also shows the decline of production since 2014 is expected to continue in 2021 – mainly because production is expected to decrease in almost all countries, and the world total production is expected to decrease with almost than 70 percent in the years 2015-2020.

However, in the long run production is rather volatile due to a global and non-protected market.

The average annual increase of mink skin production (number of skins) for the years 1950-2020 (including a major reduction in 2020) is 4,8 per cent, which represents a relatively significant increase, cf. figure 1.

Figure 1. Long term development of world mink skin production



Sources: See original report: "Global fur retail value" from June 2018

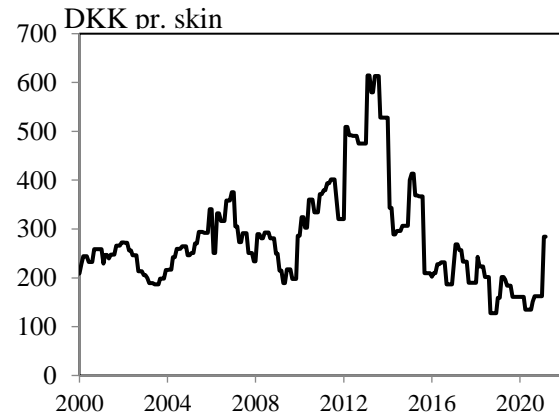
As it is assumed, that almost all mink skins sooner or later will be parts of fur garments, the same trend for fur garments can be expected. The production of fur garments will be more constant than production of fur skins,

so stocks of raw fur skins - at different stages in the value chain - will be present. As stocks are not registered the same way as production and prices are, the size of stocks of raw fur skins must be estimated in order to calculate the fur garment production. Also the size of stocks of fur garment must be estimated.

The prices of mink skins will also influence the value of fur retail trade. Cheaper mink skins means less cost in fur garment production, and this will result in lower retail prices, although the price of raw mink skins account for a minor share of total costs, as described in the 2017-report.

The prices of mink skins are still at a very low level compared with the long term trend and compared with prices levels 5 years ago, cf. figure 2.

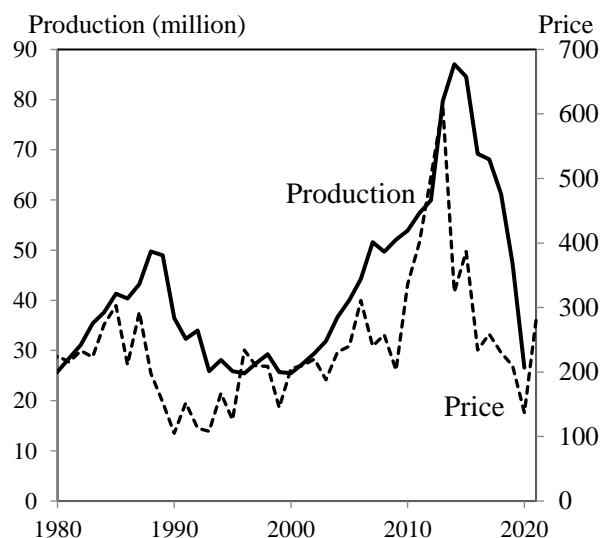
Figure 2. Auction prices (Kopenhagen Fur) of mink skins



Sources: See original report: "Global fur retail value" from June 2018

The price levels during recent 7-8 years have had a major influence on the production and supply of mink skins. Supply of mink skins respond significantly to market prices, however with some time lags. Historically, supply decreases 2-3 years after prices have peaked as shown in figure 3.

Figure 3. World production of mink skins and world market price

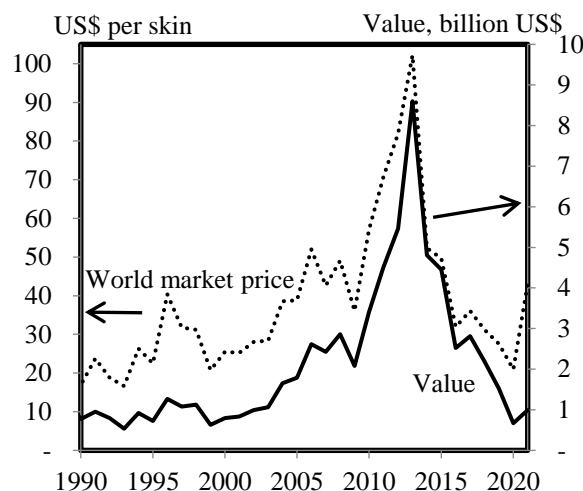


Sources: See 2017 report

The figure shows very close correlation between production and price. Prices also respond to changes in production, and with the present very low level of production, prices are expected to continue the increasing trend which appeared in the beginning of 2021.

The value of raw fur skin production changes according to the level of production and the level of market prices. Since 2015 both prices and production have had a declining trend, so the annual value of production has declined significantly, cf. figure 4.

Figure 4. Value of world production of fur skins and world market price



Note: The World market price is the auction prices at Copenhagen Fur. However, auctions in 2020 were more or less online and affected by Covid10, so the prices do not represent a real market price.

Sources: See 2017 report

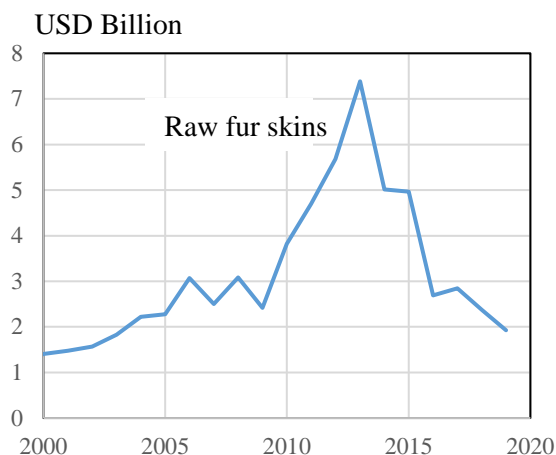
The figures 1-4 illustrates a very volatile market for fur skins. This volatility will influence both the downstream retail industry and the calculations of the fur retail value.

International trade

The global fur retail industry depends on international trade to a very high degree. Both raw fur skins, tanned and dressed fur skins and fur garment are significantly traded internationally. As the fur retail industry is positioned downstream in the value chain, international fluctuations will influence the markets for the fur retail products.

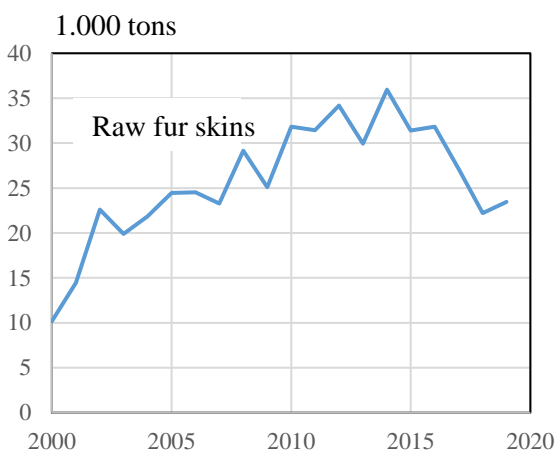
The value of international trade of raw fur skins has during recent years fallen significantly. This is due to two reasons: Decreasing prices and decreasing production and supply of raw fur skins. The impact of price changes seems to be most important, cf. figure 5 and 6.

Figure 5. Total international trade of raw fur skins: Value



Source: Own calculations based on UN (2021)

Figure 6. Total international trade of raw fur skins: Volume



Source: Own calculations based on UN (2021)

Figure 5 and 6 show, that the trade volume is rather constant, while the trade value is more changing. It indicates that stocks are built up and used during the period.

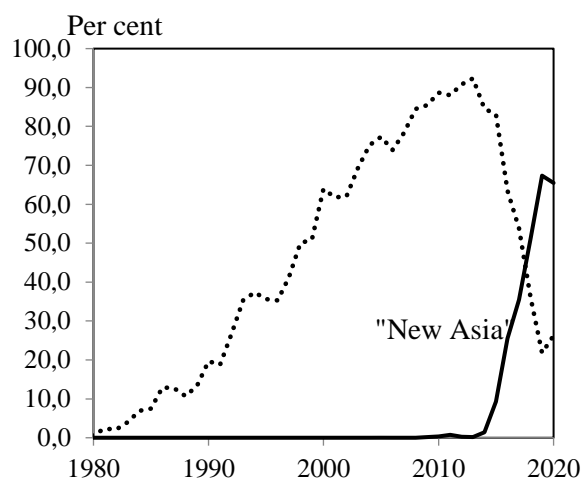
The reduced volume trade since 2015 is a result of lower production and lower supply. The lower volume trade is also an indication that stocks have become smaller.

For decades, Asia has been the main market for raw fur. China (and Hong Kong) received up to 80 per cent of all exports. In recent

years - from 2015 - an increasing share of exports to Asia has been redirected to a number of countries, which can be called "New Asia". These countries consist primarily of Cambodia, Vietnam, Malaysia and Thailand.

Denmark and Copenhagen Fur, which were the largest exporters of raw fur skins, have thus changed sales markets from China to "New Asia" within a very short number of years, cf. figure 7.

Figure 7. Denmark's major export markets of raw fur skins, 1980-2020.

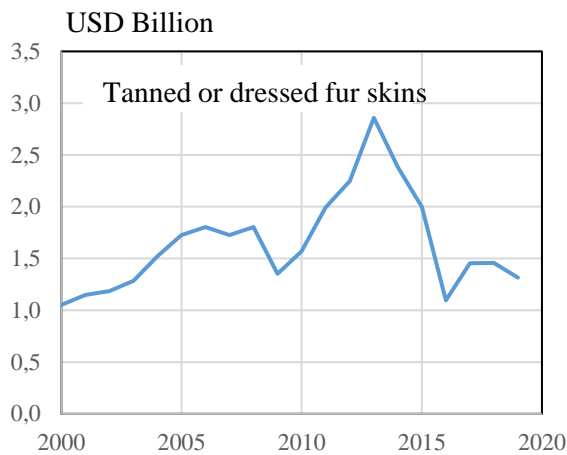


Note: "New Asia": Cambodia, Thailand, Vietnam and Malaysia

Source: Own calculations based on Statistics Denmark (2021)

Moving further down the value chain, also the international trade of tanned and dressed fur skins have been changing, cf. figure 8.

Figure 8: International trade (export) of tanned and dressed furskins (value)

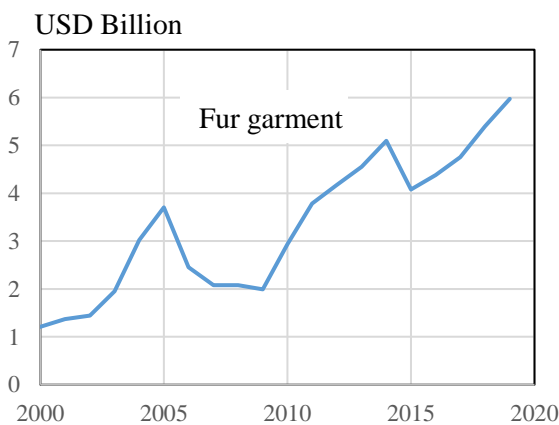


Source: Own calculations based on UN (2021)

The decline since 2015 is a result of lower production of raw fur skins, lower supply and lower prices of raw fur skins. However, the market volatility is modest compared with the raw fur skin market.

Moving even further down the value chain, the international trade fur garment has developed quite differently, cf. figure 9.

Figure 9: International trade (export) of fur garment



Source: Own calculations based on UN (2021)

In 2019, international trade of fur garment was the largest ever measured in value - despite the very low prices of raw fur skin.

Four significant issues must be noted:

First, demand in e.g. China is not fully a part of the international trade, as the goods are both produced and bought in China.

Secondly, international trade and specialization are generally increasing, so a long-term rising trend can be expected - regardless of volatile markets of the inputs used.

Thirdly, although raw fur is the main input in garment production, the share of input is relatively modest, which the identified mark-ups also demonstrate.

Fourthly, stocks - in several positions in the value chain - help to level the market. Thus, the fluctuations downstream will be reduced.

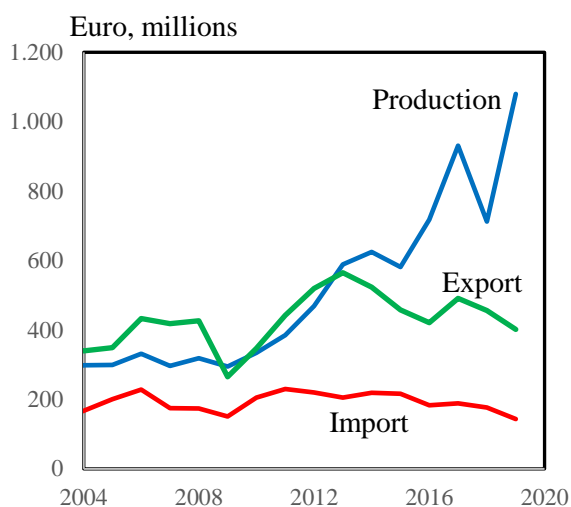
European fur manufacturing industry

Fur manufacturing is a step further downstream in the fur value chain and closer to the fur retail level. Statistics from Eurostat about “sold production value in fur manufacturing industry” can be used to illustrate the market supply and the market size.

However, these production statistics from Eurostat have limitations: Firstly, not all countries report relevant data to Eurostat – or data are not updated or they are inadequate – so important data are not available. Secondly, fur manufacturing statistics from Eurostat only covers companies with more than 20 people employed. The statistical data will then underestimate the real production size.

Figure 10 shows figures from 2003 to 2019 showing production value, export, and import for EU27.

Figure 10. Fur manufacturing industry in EU27, 2004-2019



Note:

14201030 - Articles of apparel and clothing accessories, of furskins (excluding hats and headgear) + 14201090 - Articles of furskin (excluding apparel, clothing accessories, hats and headgear)

EUU27 = EU2020

Source: Own calculations based on Eurostat (2021)

The increasing production over the last decade is remarkable. Some of the increase may be due to a structural development, where more small companies have become larger and thus have more than 20 employees, after which they are included in the Eurostat statistics.

However, this may not explain the entire increase. Therefore, a significant increase in production during the period can be observed.

As production is increasing, while import and export are almost constant, an increasing share of the production will be sold in EU. This will contribute to an increasing fur retail value sale in EU.

Covid19 and fur retail value

Covid19 has had a significant impact on the fur sector: First, 25 per cent of world production and 30-35 per cent of world trade in raw mink skins is eliminated. The reduction has

had a significant impact on the market prices and on the market supply. However, it is estimated that the closure of the Danish mink sector in 2020/21 per se did not have any significant effect on the fur retail sales in 2020.

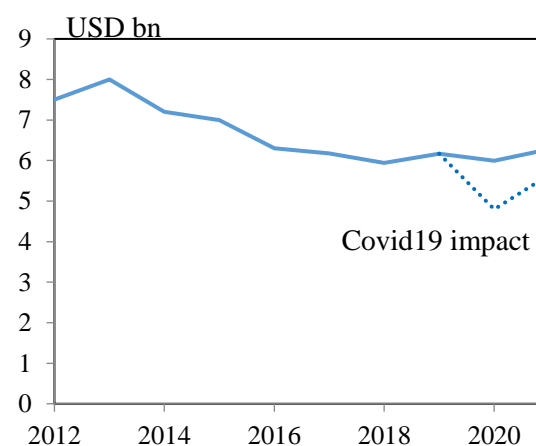
Secondly, Covid19 has resulted in a major closure of the retail trade. The traditional retail sale of clothing was reduced by around 15 per cent in 2020 compared with 2019 in Denmark (Statistics Denmark, 2021).

However, it is assumed that these covid19 disturbances are temporary and will not significantly affect long-term trends.

Fur retail value

Estimation of fur retail value is a result of several factors including issues mentioned above: The development of production levels, auction prices, variable mark-ups, stocks, fur manufacturing data, international trade of raw mink skins and fur garments, lags etc. Based on the assumptions and inputs, it is possible to estimate the European fur retail value, cf., figure 11.

Figure 11. European fur retail value 2012-2021



Note: The technical assumptions and estimations are in the 2017-report.

2020: Preliminary

2021: Projections

Sources: See original report: "Global fur retail value" from June 2018

A European fur retail trade in 2020 of about 6 billion USD is estimated – without Covid19 impact. With Covid19 impact, the fur retail trade is estimated to 4,8 billion USD. The exact impact of Covid19 is uncertain to determine.

The reduced sales in 2020/21 due to Covid19 restrictions in the retail trade are expected to be temporary - and to a certain extent also just postponed to subsequent years. Retail sales in specific years can be uncertain to calculate exactly, as the size of retail stocks and sales in a selected calendar years are uncertain parameters. Annual input from industry in terms of market estimates, sales trends, price trends will be very useful in future calculations of the fur retail value.

Fur retail value after 2018 in EU was expected to slightly increase, due to increasing fur manufacturing production, increasing own supply in EU, and increasing world trade.

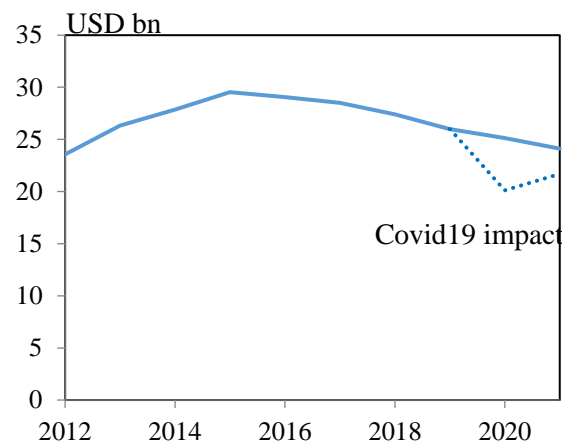
Data from previous studies have been updated with extra years, and minor modifications of data from 2012-2018 have been added: Based on market data and interviews, it seems that the stocks have played a slightly more important role, which has levelled the fluctuations in the commodity markets at the retail level.

A part of the decline is a result of lower prices of fur garments due to lower prices of raw mink skins. This means that the decline in volume is less than the decline illustrated in figure 11.

The global fur retail value has followed same trend as the European fur retail value. However, the impact of Covid19 is more difficult to identify and verify on a global scale than on a regional scale. The impact on retail sale was different from continent to continent, and also access to raw fur skins from auctions or from other sources was different from region to region.

The same method has been used to estimate the global fur retail value: All fur retail sales can be traced back to raw fur skins, and production, import, export, changes of stocks and mark-ups are used to calculate the retail value, cf. figure 12.

Figure 12. Global fur retail value 2012-2021



Note: The technical assumptions and estimations are in the 2017-report.
 2020: Preliminary
 2021: Projections

Sources: See original report: "Global fur retail value" from June 2018

Price reduction of raw fur skins is the major factor to explain the reductions of fur retail sales in recent years. As mark-ups and the raw fur share of retail value are different from region to region, the fur retail value will also respond differently to price changes of raw fur skins from region to region.

Access to more detailed and representative information about stocks, production of raw fur skins and mark-ups in more regions would reduce the year-to-year uncertainty of the results.

Sources

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