Lineapelle Market Trends 2nd qua rter 2010 (abstract)

RAW HIDES AND SKINS

Although the quarter displays a **substantial and diffused increase in prices** of raw bovine hides, several **signals of a slowdown** of the trend were recorded towards the **end of the period**, with differences between markets and hide types. In greater detail, while bovine hides displayed the most buoyant growth in the past twelve months, they were also the most sensitive to different market trends. As in the case of raw adult bovine hides, also sheep and goat skins and wet-blue bovine leather matched, and in certain cases, surpassed the peaks attained in previous years (start of 2007 for raw bovine hides and end of summer 2008 for sheep and goat skins and wet-blues), leaving very little margin for any further significant increases. The situation for calfskins, for which, in the event of increased demand, further growth margins appear possible despite the already high prices, is less clearly defined.

SUPPLIERS

The **tannery sector** confirms **higher production levels** with respect to the equivalent quarter in 2009. The increase, although it was not uniform from company to company and nor was it common to all the main producer countries, seems anyway to have involved both the large leather and small leather segment: from the seasonal comparison we find only a slightly less significant rise in sheep leather with respect to the other types. Customers in the dollar area (especially China) continue to display greater dynamism. Prices are still hotly contended.

Also proceeding is the **seasonal recovery** of **components**, **accessories** and **substitute materials.** Accessories seem to be riding this trend more effectively, followed by fabrics and synthetics. In contrast, the soles and bottoms segment displays only modest increases on average. Overall, no substantial changes are forecast during the summer: a few downward adjustments are possible, but they are likely to be of limited magnitude.

USERS

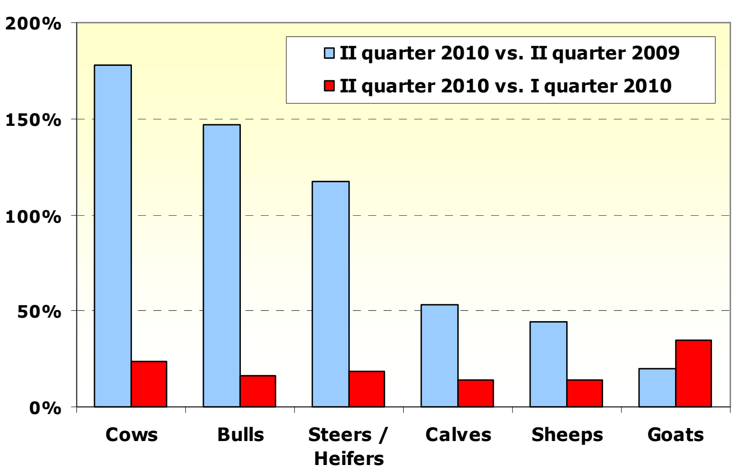
The year on year comparison points to a moderate increase in activity for the **footwear industry**. In Europe, **Italy's** performance **remains slightly disappointing**, with encouraging signs rather from Spain and Germany; French shoemakers returned substantially stable results, while other EU countries recorded flat trading. The short term comparison is more encouraging, even for Italy, although the figures are hardly inspiring. The main non-European manufacturers displayed widespread increases with double-figure growth in the seasonal comparison and a more moderately inclined upward trend with respect to the beginning of the year.

Leather goods remain **substantially stable.** Italy achieved growth, but of all other EU countries only France recorded higher sales at the end of the period. Asian exports are looming large, while Turkey is falling behind.

Europe displays a seasonal reduction in **leather garments** (better results in the short term) as does Turkey. Asian exports are up on an annual basis, although slowdowns have been registered in recent months.

Upholstered furniture is experiencing a contraction following a positive start to the year. Italian producers have reported widely varying results, while north European countries are showing sluggish sales. US consumption shows very cautious signs of recovery.

RAW HIDES
PRICE variations by animal type



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