

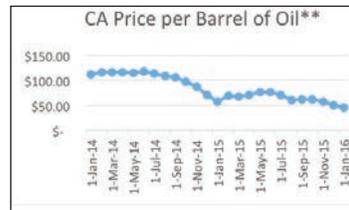
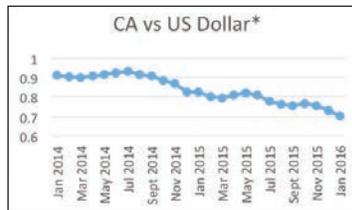
PURITY'S Post



Matthew James,
President and CEO
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The Impact of Having a Petro Dollar and the March 2016 Price Increases

The reality in Canada at the moment is that the value of the Canadian dollar is very much tied to the price of oil given Canada's large oil reserves in the Alberta oil sands. The impact of this is that as the price of a barrel of oil goes up or down, so too does the value of the Canadian dollar versus the US dollar. You could look at this trend as almost like the two rails on a railroad track, with one rail being the price of oil and the other being the value of the Canadian dollar versus the US dollar. Unfortunately, these tracks have been following a negative trend for the last 24 months as depicted in the graphs below.



The value of the Canadian dollar has dropped 30% in the last 24 months and 14% in the last 12 months, which essentially mirrors what has happened with the price of oil. An easier way to track what is happening to the value of the Canadian dollar versus the US dollar is to monitor your local gas prices since it in effect holds true that as gas prices go down, so too does the value of the Canadian dollar versus the US dollar.

Since Purity buys 30% of its products in US dollars, these lines have been affected by the devaluation of the Canadian dollar; however, now even Canadian-based lines are feeling the pinch as the raw materials that go into these products are often purchased in US dollars, and with 85% of the cost of most products being for the raw materials, this means that large price increases are now coming through on many Canadian lines. Although initially these lines were insulated as inventory was moved through and new materials were bought, this insulation from the exchange rate no longer exists, and price increases have to be pushed through.

This means that in this month's catalogue there are a large number of price increases across a broad spectrum of lines since the reality of the lower Canadian dollar impacts all brands. Although no one likes to have to face the consumer with higher prices, the reality for all of us, as we are all consumers, is that although we see the benefit of the lower cost to fill our cars with gas in Canada, the benefit is offset by the higher cost of almost all items we purchase across the various retail sectors.

Our commitment at Purity is to monitor the exchange rates closely and pass on any increases and reductions in a timely manner so each of us can manage the reality of the fluctuating cost of goods.

What neither Purity nor the retailer can predict with any accuracy is how the end consumers will react to the increasing prices and how it will affect their future shopping choices between brands and going with or without something, depending on the price. I believe, from my 20-plus years in the natural-products business and going through various cycles, that our end consumers are dedicated to the products they purchase and would rather cut in other areas of their lives before they cut back on the natural-health products they consume or put on their bodies.

One silver lining of a weak Canadian dollar is that it really keeps consumers in Canada shopping versus going online or South of the border to try and buy products.

As always, thank you for your business, and if you have any comments or suggestions, please send me an email.

All the best,

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