Price & Preference in U.S. Consumer Demand for Cotton

Julia K. Hughes
President
United States Fashion Industry Association (USFIA)

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About the United States Fashion Industry Association

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USFIA Members & Affiliates include…

- Brands, retailers, importers, and wholesalers of apparel, textiles, footwear, accessories, travel goods, home products, and other fashion products
- Service providers, including customs brokers, freight forwarders, law firms, logistics providers, steamship lines, and testing and certification companies
- Manufacturers and suppliers of finished products and inputs
- Supplier associations, business councils, and promotional groups and agencies
- Academic institutions

What does USFIA do?

- Provides advocacy leadership and access to policymakers around the world whose decisions impact fashion businesses
- Low-cost seminars, conferences, and training sessions to help companies and employees do business more efficiently
- Exclusive, members-only publications on the latest trade and customs news
- Opportunities to meet industry leaders, peers, and potential business leads
- Strong network of industry experts across the supply chain to provide guidance on every aspect of fashion companies' work

2015 USFIA Fashion Industry Benchmarking Study

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About the Benchmarking Study

- Based on a survey of executives at leading U.S. fashion companies in 2015.

- Incorporates a balanced mix of respondents representing various business types in the U.S. fashion industry.

- Covers the following three parts:
  - Business environment
  - Sourcing practices
  - Viewpoints on trade policy

- Findings are fact-based.

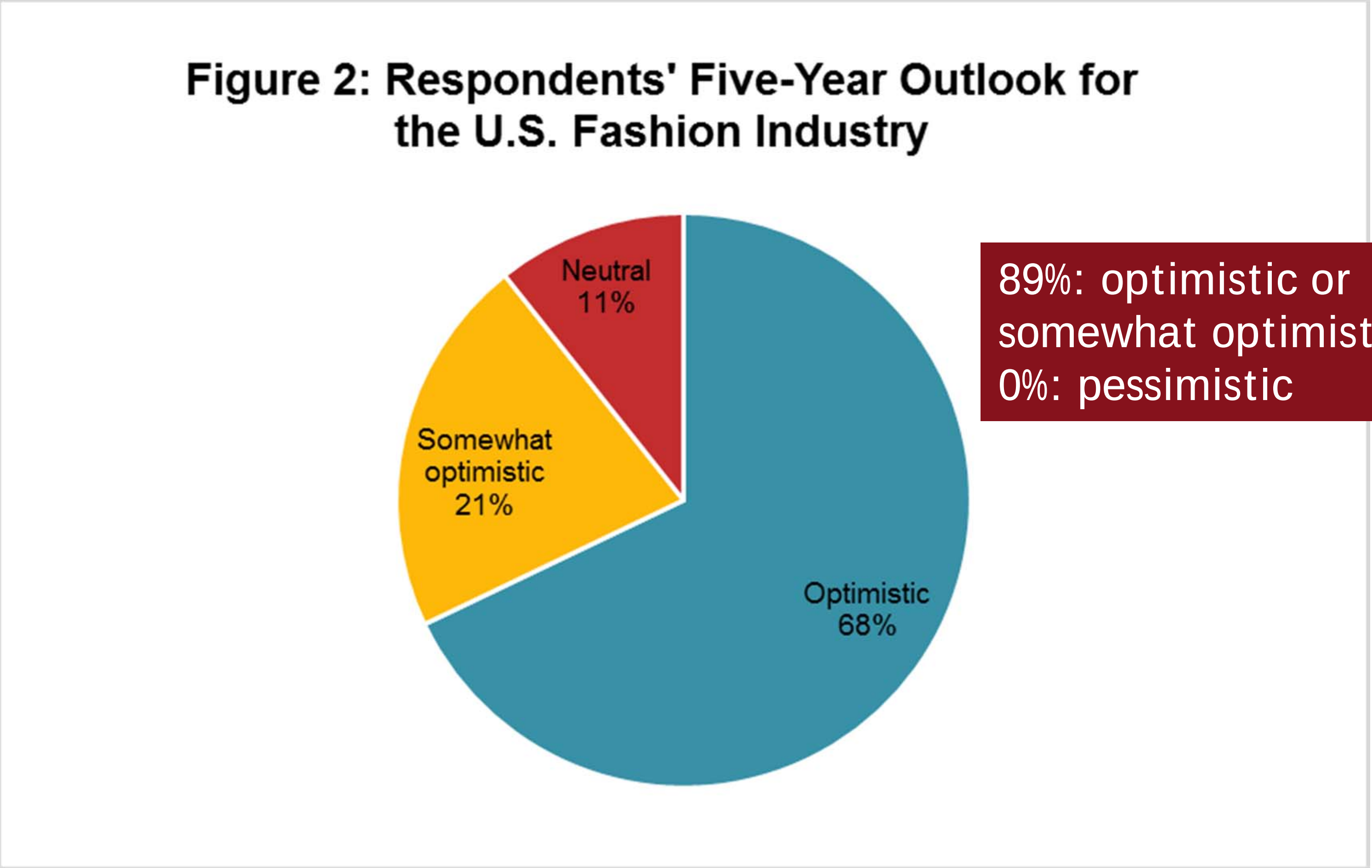
Issue 1: Business Environment

Top business challenges in 2015 – ranked by members

1. Increasing production or sourcing costs
2. Market competition in the United States
3. Meeting consumer demand
4. Managing supply chain risks
5. Economic outlook in developed countries

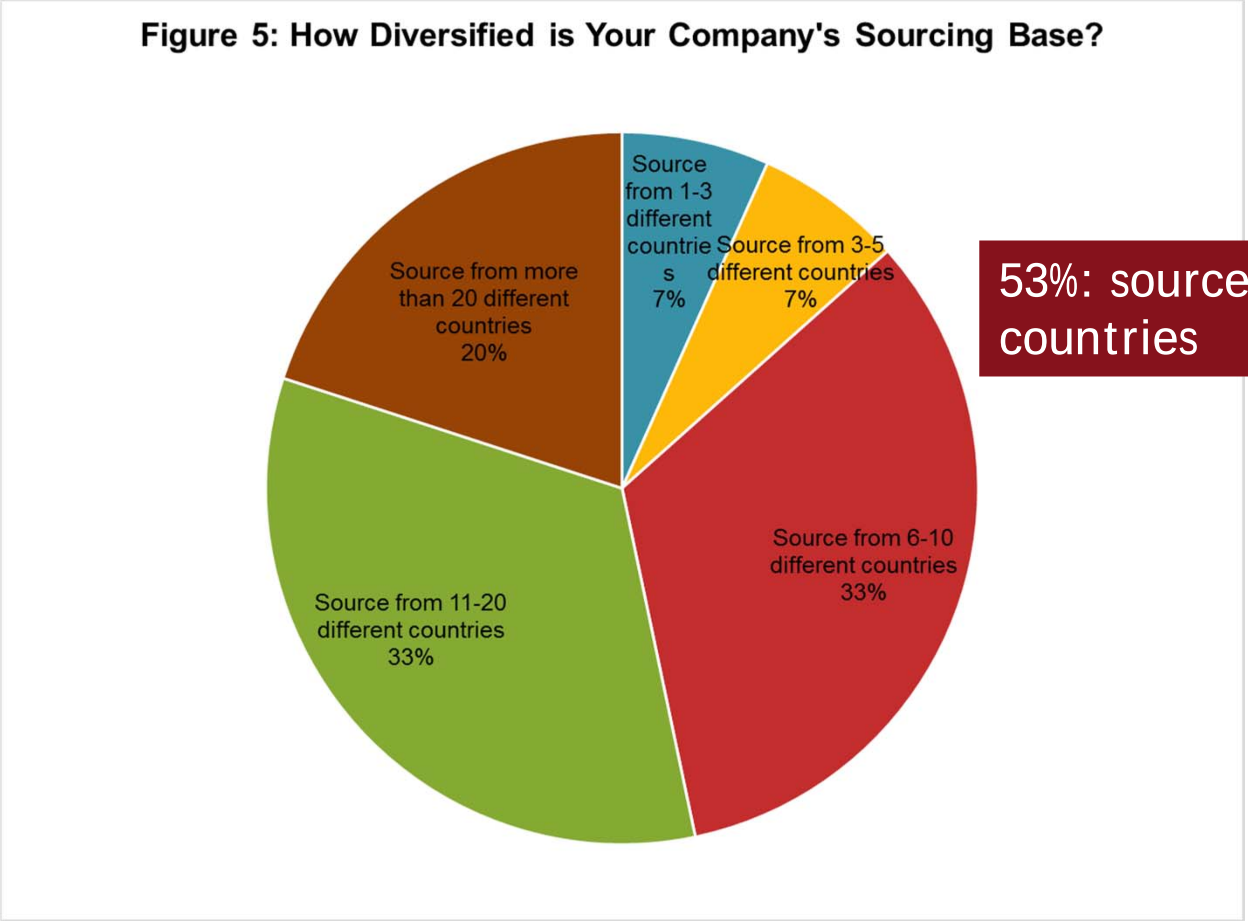
Issue 1: Business Environment

Respondents' five-year outlook for the fashion industry



89%: optimistic or somewhat optimistic
0%: pessimistic

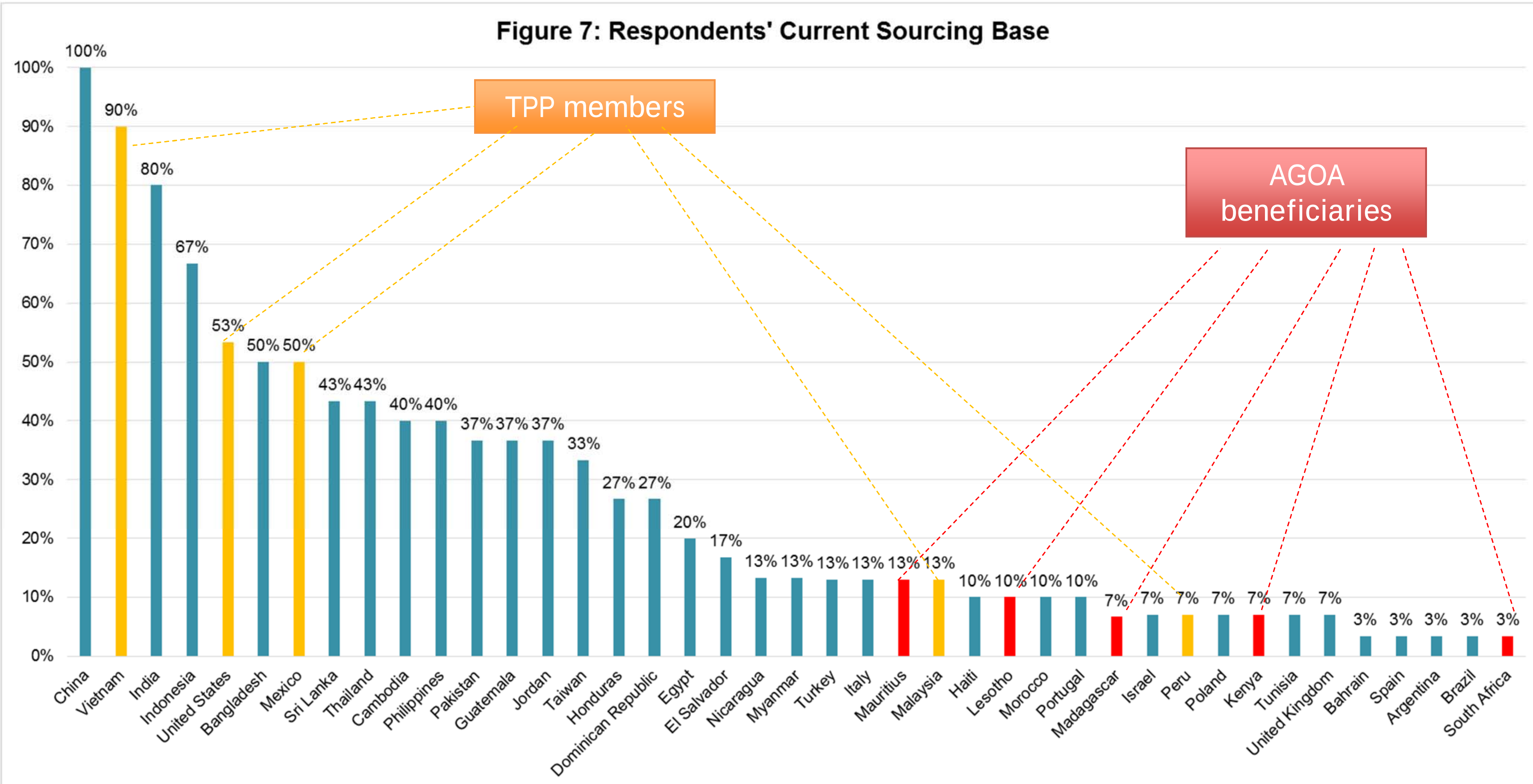
Issue II: Sourcing Practices



53%: source from 10+ countries

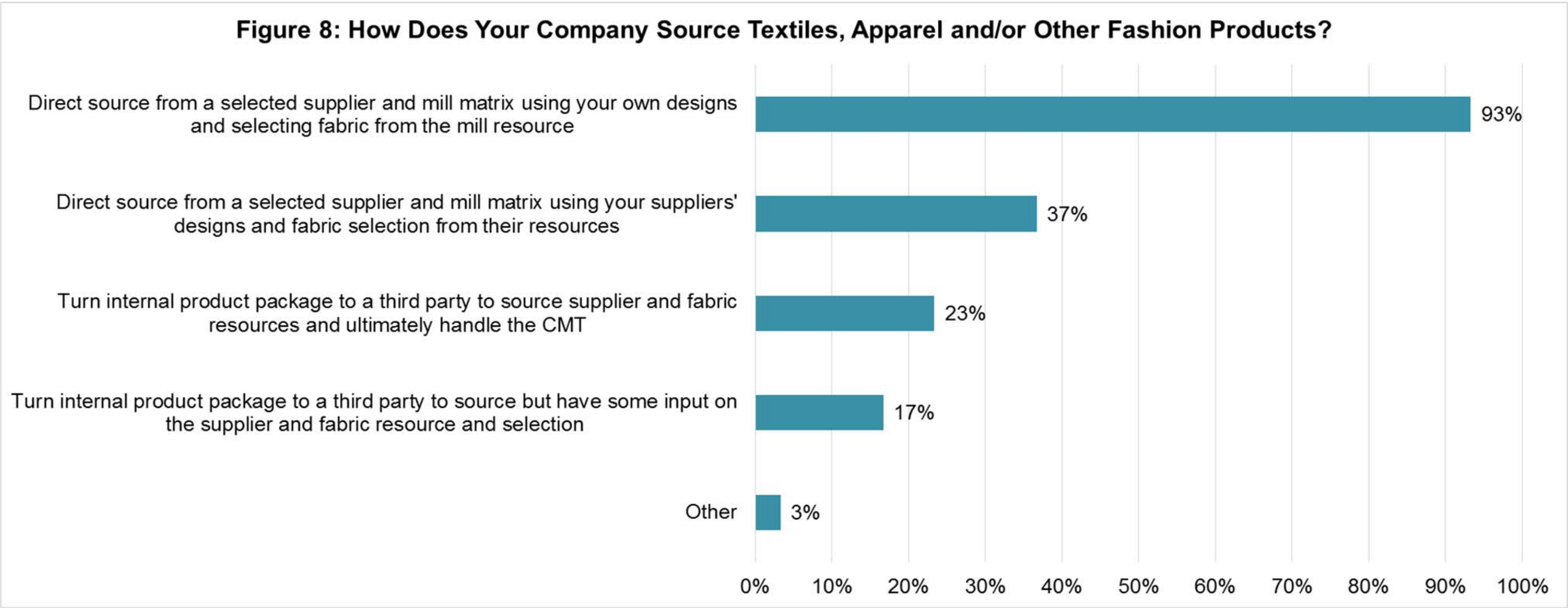
Issue II: Sourcing Practices

41 countries in total



Issue II: Sourcing Practices

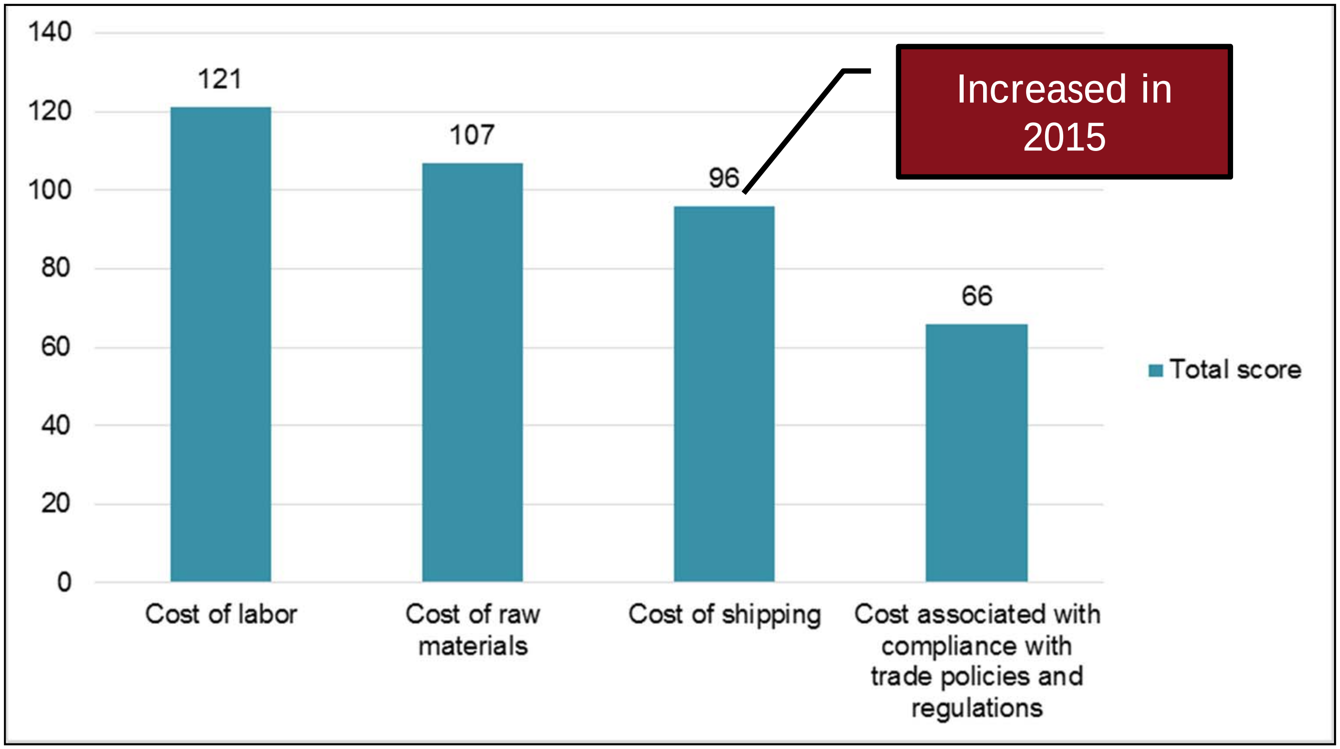
How does your company source textiles, apparel and other fashion products?



It is increasingly important for suppliers to have the capacity to supply textile inputs such as fabric in order to function as an apparel sourcing base.

Issue II: Sourcing Practices

Factors impacting sourcing cost in 2015



Note: Respondents were asked to rank the impact of each factor on sourcing cost from 1 (no impact) to 5 (very high impact). The total score for each factor is calculated based on weighted average as follows: 1=0 point, 2=1 point, 3=2 points, 4=3 points and 5=4 points.

Issue III: Trade Policy
Potential impact of TPP

- **72%** expect to source more textiles and apparel from TPP partners.
- **Fewer than 10%** expect to source less from non-TPP members.
- **48%** expect to strategically adjust or redesign their supply chain based on TPP.
- **7%** expect to export more products to TPP partners.
- **45%** say the TPP Short-Supply List should be expanded, and comments indicate the proposed “yarn-forward” Rule of Origin is a major hurdle to the industry realizing real benefits from the agreement. As many as **83%** support or strongly support abandoning the strict “yarn-forward” Rule of Origin and adopting a more flexible one in future FTAs.

21st-Century Issue: Sustainability
Is sustainability optional for brands and retailers?

- **50%** expressed support or strong support for the inclusion of environmental standards in future free trade agreements – and **36%** were neutral.

- USFIA members say sustainability and ethical sourcing is not optional – must be a part of sourcing and business operations.

- USFIA is putting an increased focus on collaboration and education about sustainability.

Sourcing Trends: Data

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Sourcing Trends

In 2015, U.S. fashion industry imports grew in all categories:

– Apparel	+6%
– Fabric	+6%
– Made-Ups	+8%
– Yarn	+6%
– Home	+8%

Top 2015 Apparel Suppliers

Rank	Country	Million SME	Million $	% Share	% Growth
1	China	11,385.74	30,541.02	41.84	5.62
2	Vietnam	3,135.55	10,563.85	11.52	13.98
3	Bangladesh	1,869.94	5,401.43	6.87	16.17
4	Indonesia	1,264.03	4,937.51	4.64	1.42
5	Honduras	1,114.37	2,673.53	4.09	2.73

Top 2015 Apparel Suppliers

Rank	Country	Million SME	Million $	% Share	% Growth
6	Cambodia	1,051.48	2,481.98	3.86	3.02
7	India	1,023.54	3,665.39	3.76	6.99
8	Mexico	898.40	3,556.80	3.30	-2.01
9	El Salvador	813.00	1,950.01	2.99	3.08
10	Pakistan	590.97	1,433.38	2.17	0.80

Fastest-Growing Apparel Suppliers in 2015

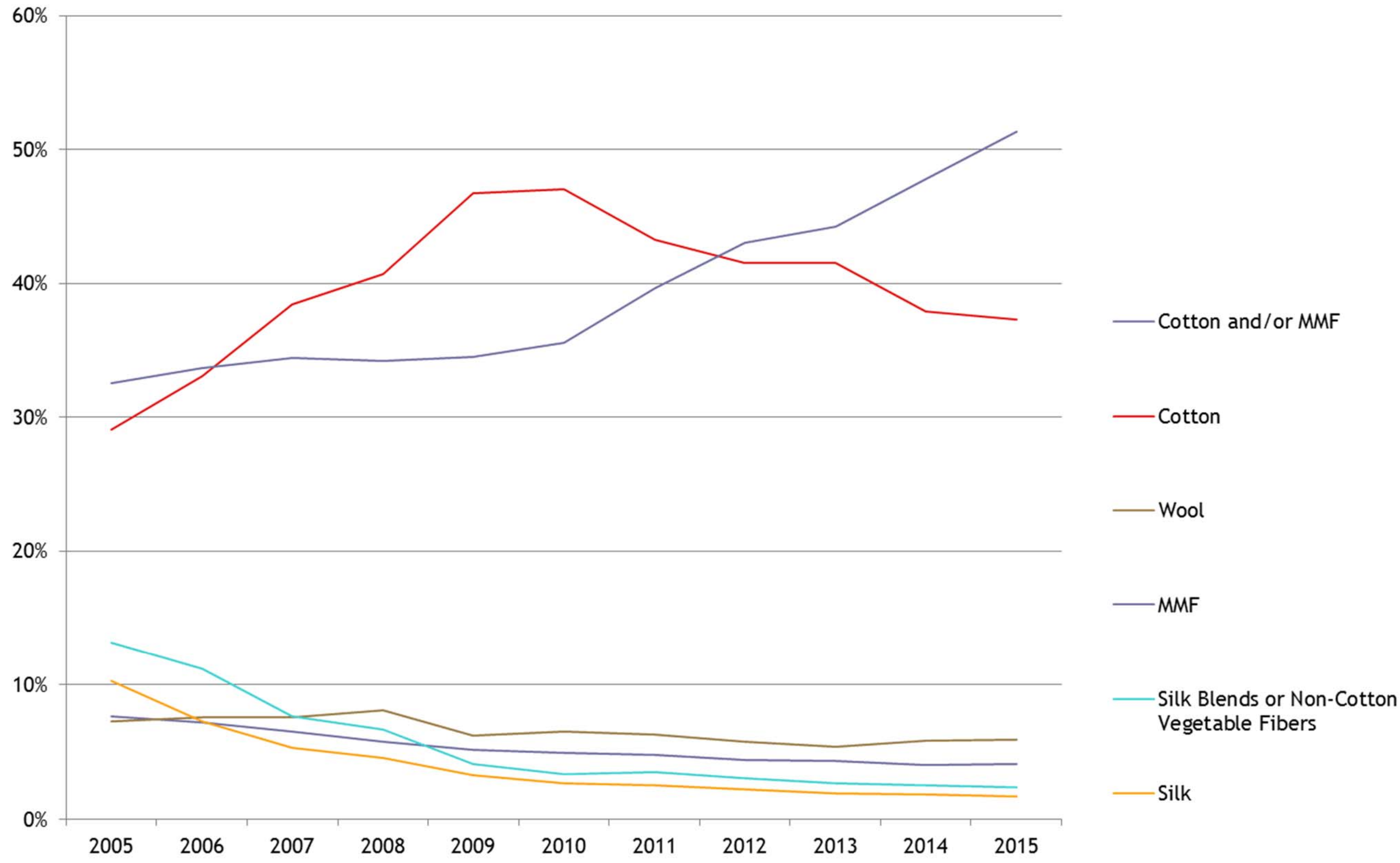
Country	*Rank*	*% Growth*
Sri Lanka	12	17.20
Bangladesh	3	16.17
Vietnam	2	13.98
Egypt	18	7.77
Haiti	15	7.16

Trend #1:
China remains the dominant supplier…

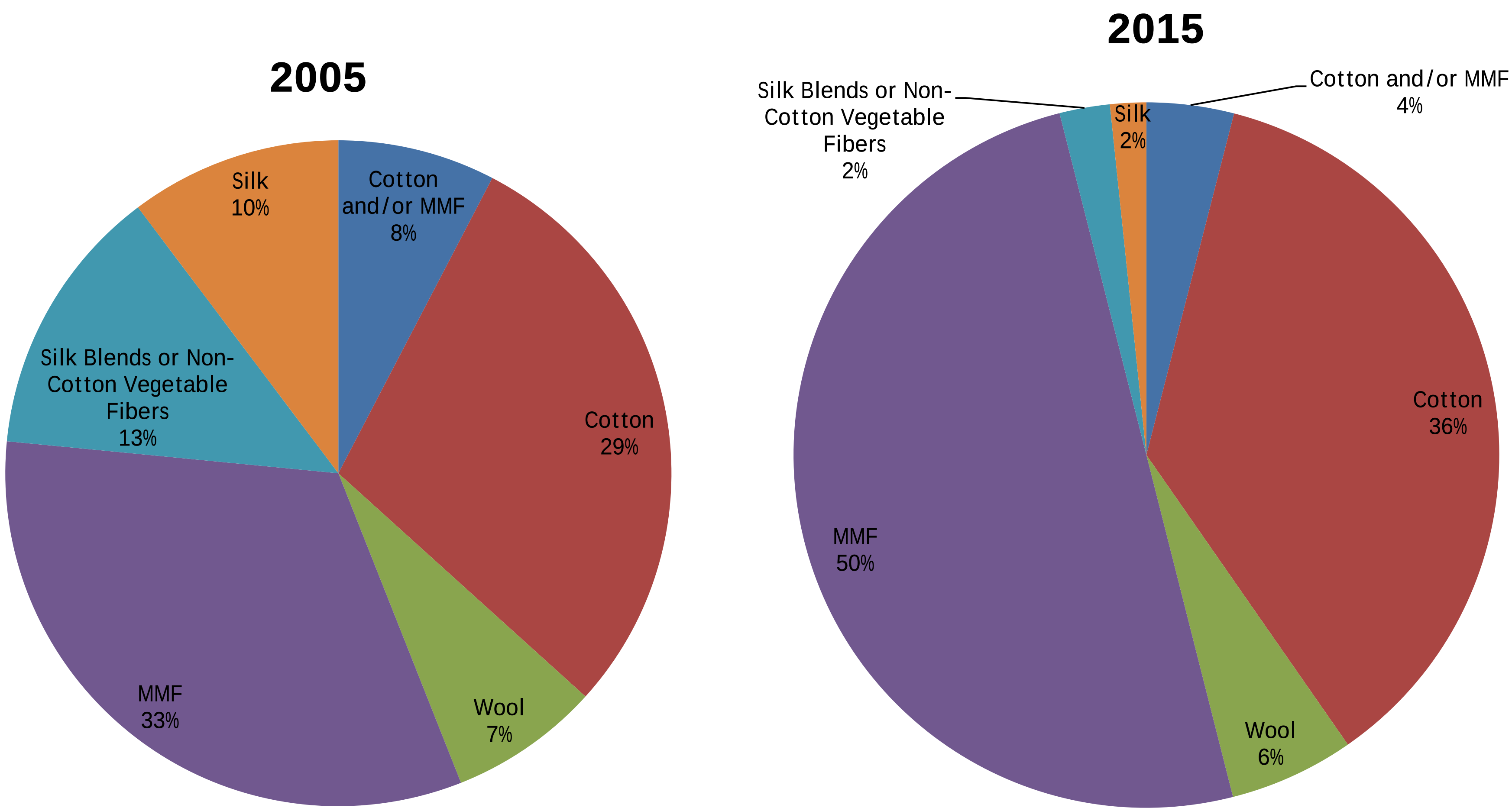
- 8% increase in 2015

- China is the dominant supplier to the United States in all categories:
  - 41% of apparel
  - 38% of fabrics
  - 20% of yarns
  - 67% of made-ups

Share of U.S. Apparel Imports from China by Fiber



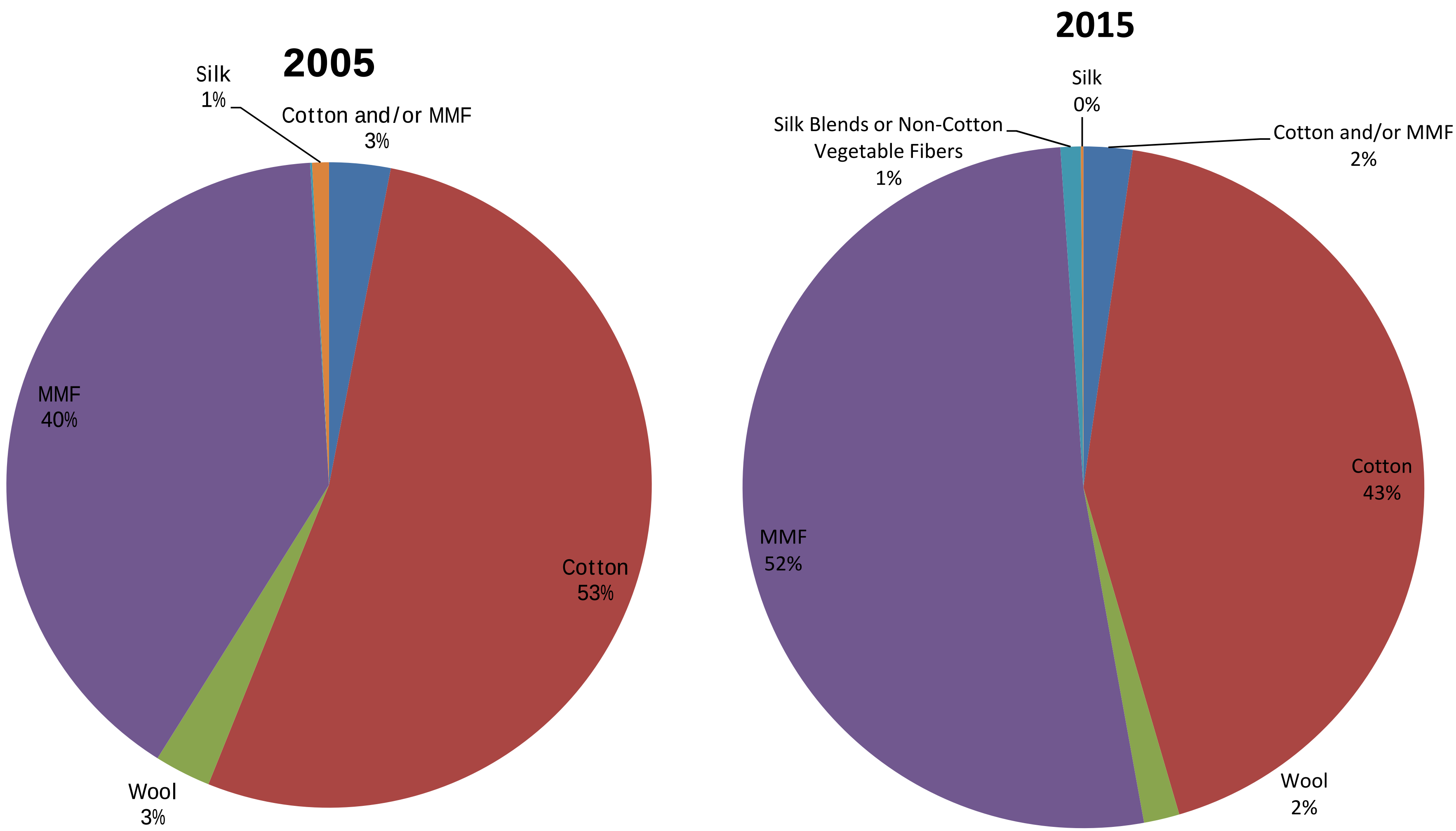
U.S. Apparel Imports from China by Fiber



Trend #2:
But Vietnam continues to grow.

- 2nd-largest supplier of apparel to the United States with 11% of market share
- 3rd-largest supplier of fabrics to the United States with 6.9% of market share
- Continues to grow, with apparel imports growing by double digits since 2013

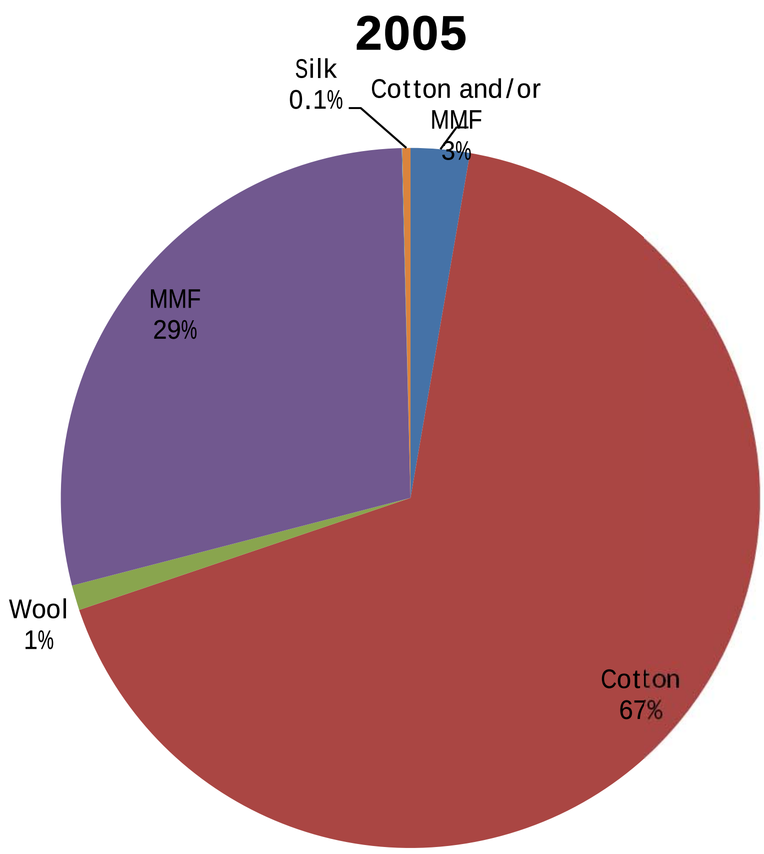
U.S. Apparel Imports from Vietnam by Fiber

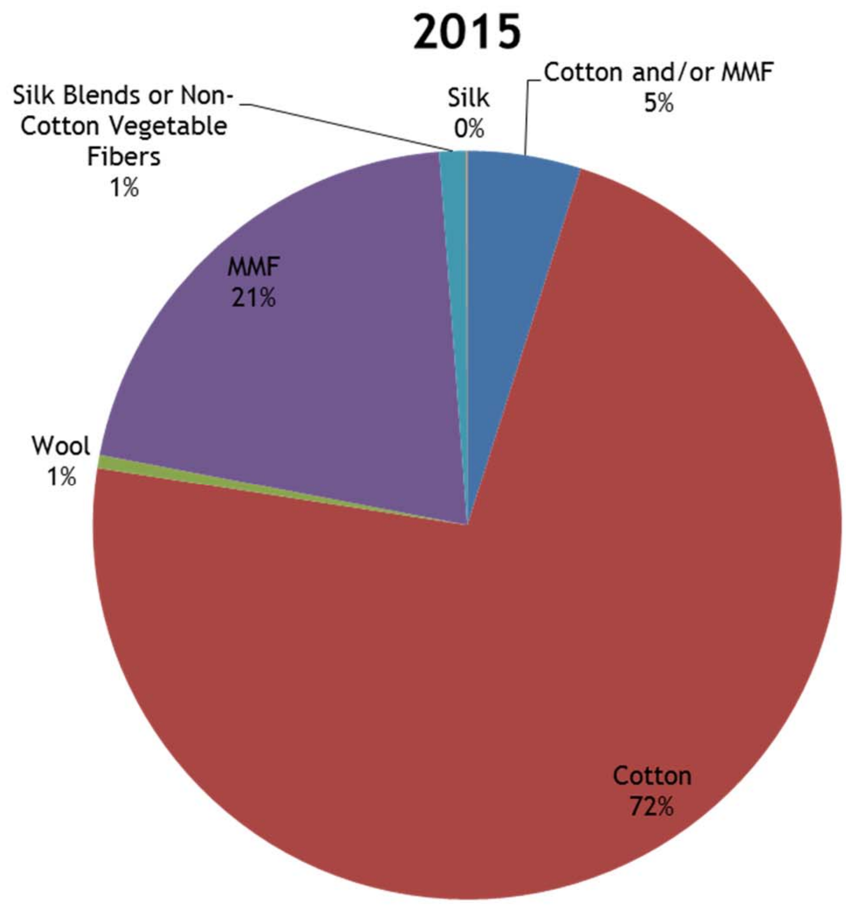


Trend #3: Bangladesh is back.

- After a decline in 2014, imports grew 16% in 2015, making it the fastest-growing major apparel supplier of the year.
- Shift in what companies are sourcing from Bangladesh – strong growth in man-made fiber products, made-ups, and home textiles, with cotton tablecloths and napkins surging 2000%!

U.S. Apparel Imports from Bangladesh by Fiber





What About Free Trade Agreements?

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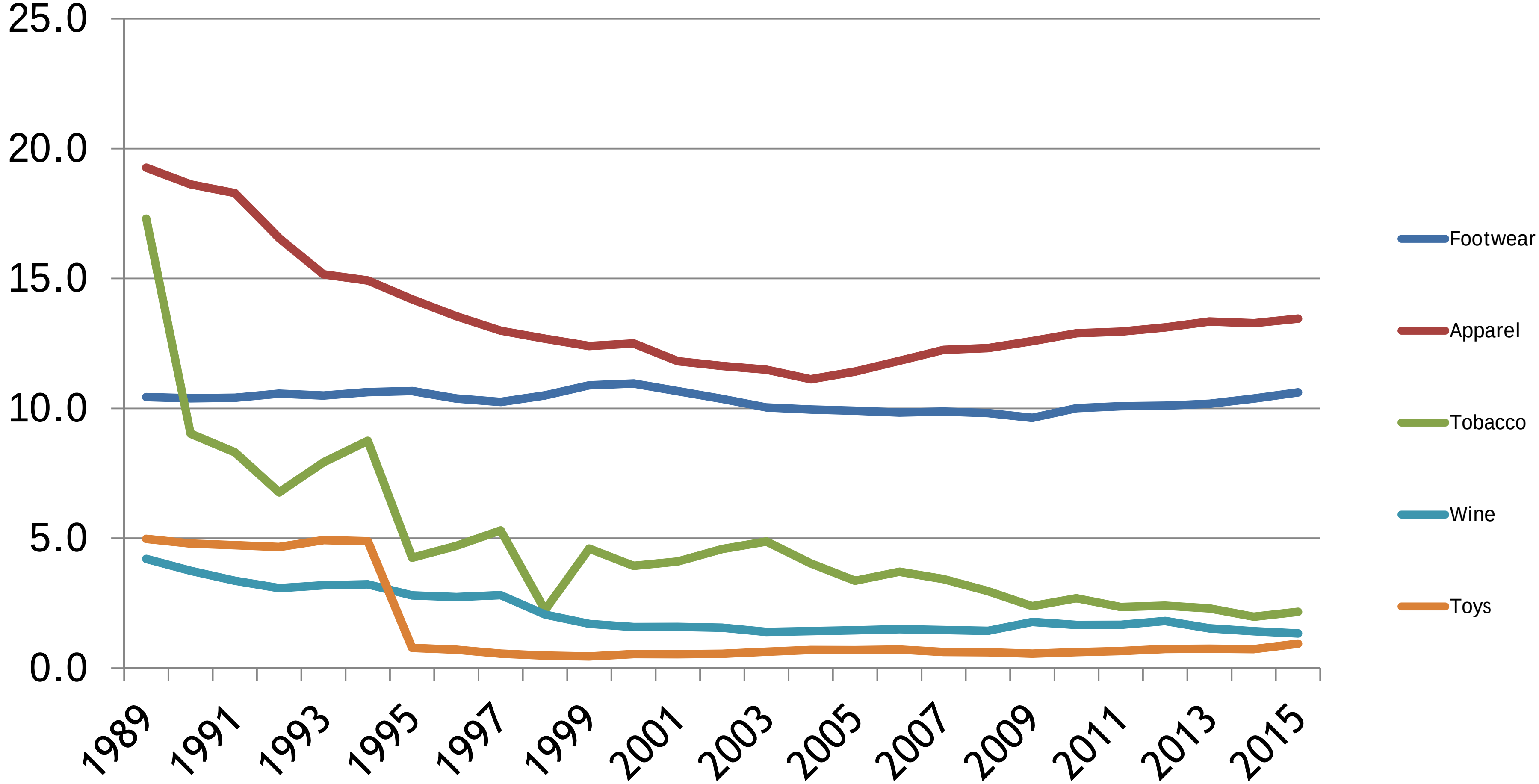
Average Import Duties, 1989-2015



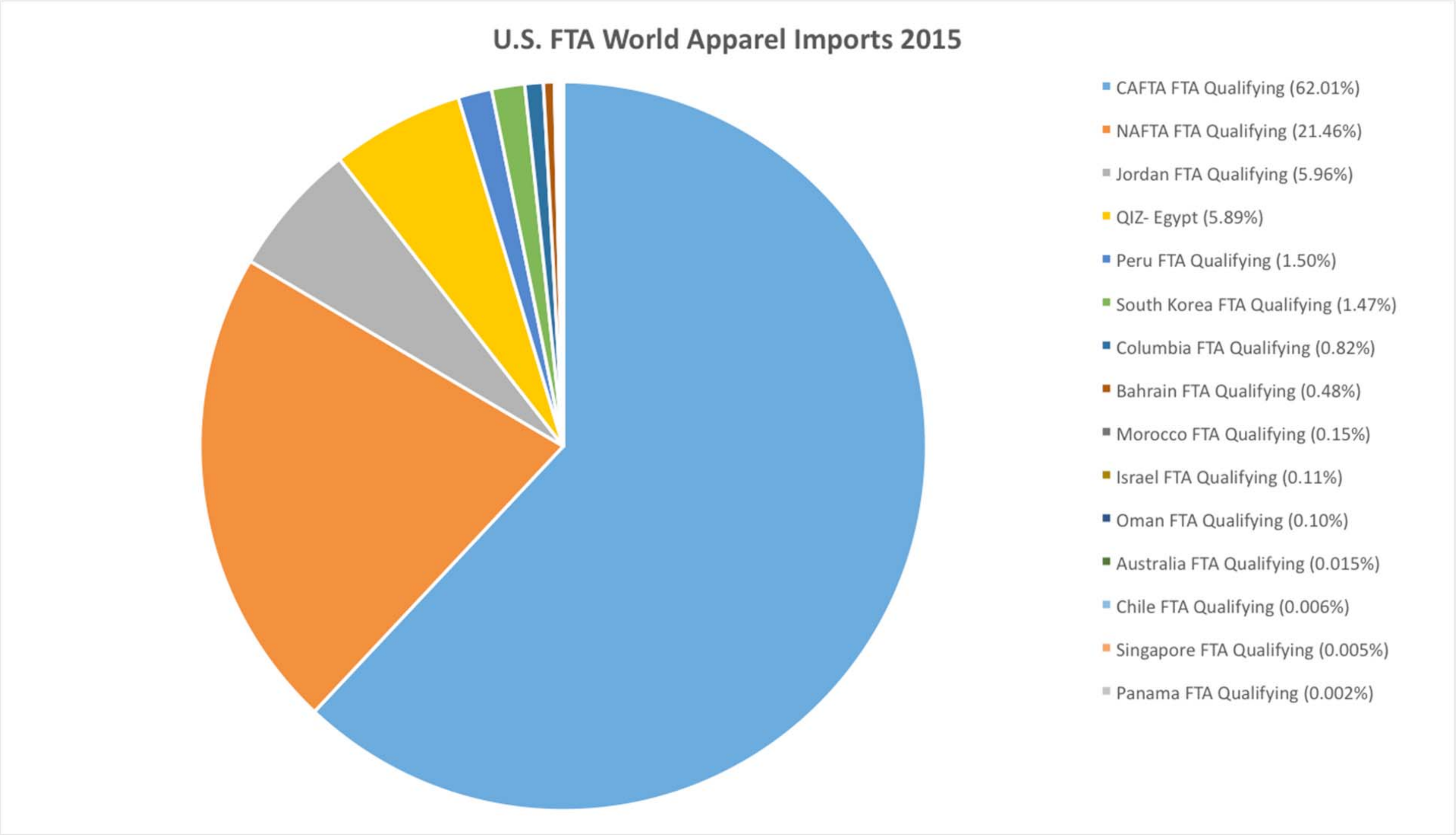
U.S. Free Trade Agreements

FTA	Entered Force
Israel	September 1, 1985
NAFTA	January 1, 1994
Jordan	December 17, 2001
Chile	January 1, 2004
Singapore	January 1, 2004
Australia	January 1, 2005
Morocco	January 1, 2006
CAFTA	March 1, 2006
Bahrain	August 1, 2006
Oman	January 1, 2009
Peru	February 1, 2009
Korea	March 15, 2012
Colombia	May 15, 2012
Panama	October 31, 2012

Trend #4:
Despite high duties, companies still aren't utilizing free trade programs.

- Only 14.8% of apparel imports to the United States were duty free in 2015
- This is a slight decrease from 2014, when 15% of apparel imports to the United States were duty free
- The Top 4 suppliers of apparel (China, Vietnam, Bangladesh, Indonesia) cover 65% of market share with no FTA – yet!

2015 Apparel Preference Trade



Why don’t companies use FTAs?

It ultimately comes down to

cost of compliance

and

relevance to companies’ supply chains.

In this era of GVCs, it’s often cheaper and easier to source from trusted factories and ship your inputs and products all over the world, rather than find new factories and deal with the compliance issues.

What About TPP?

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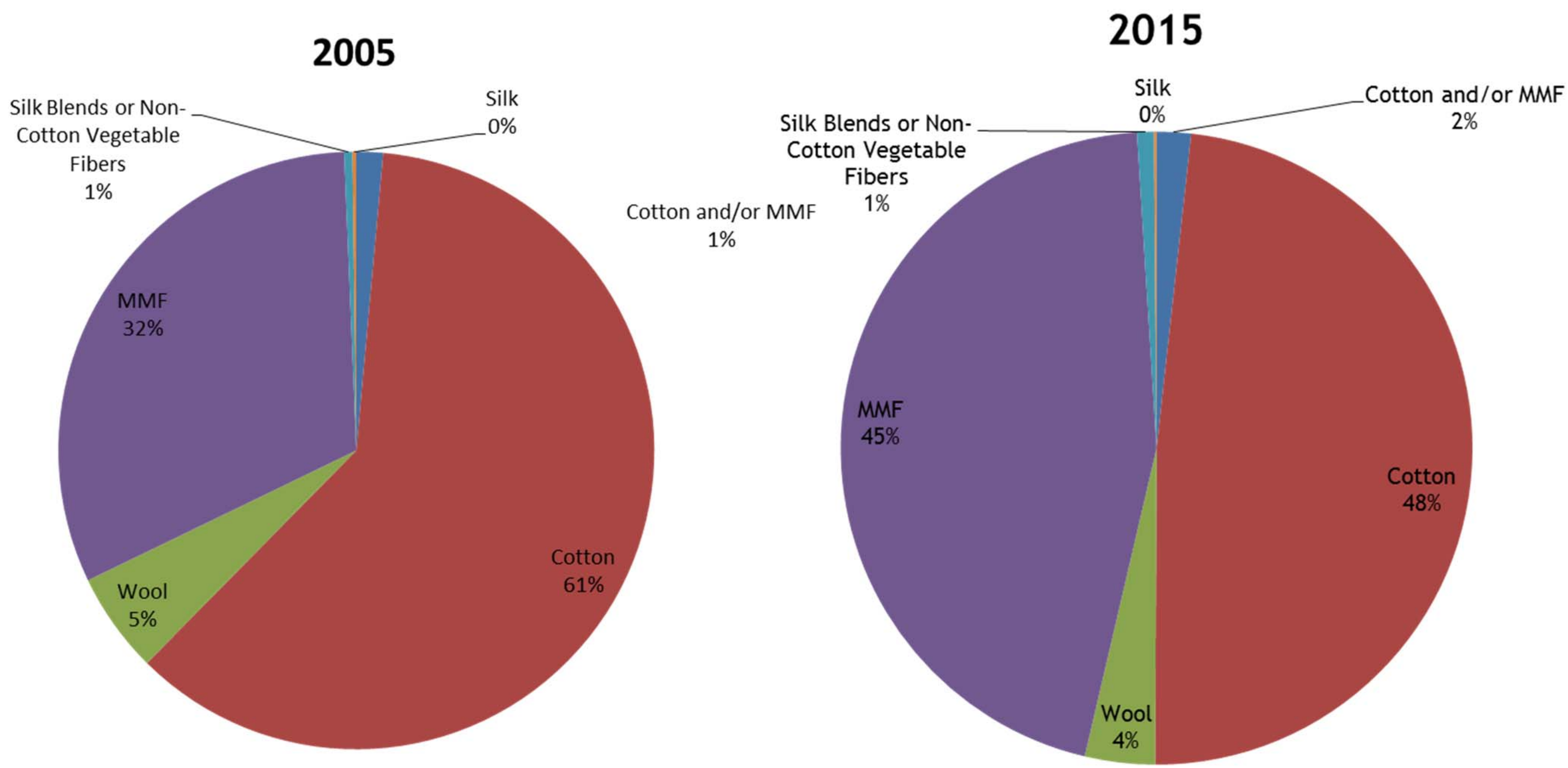
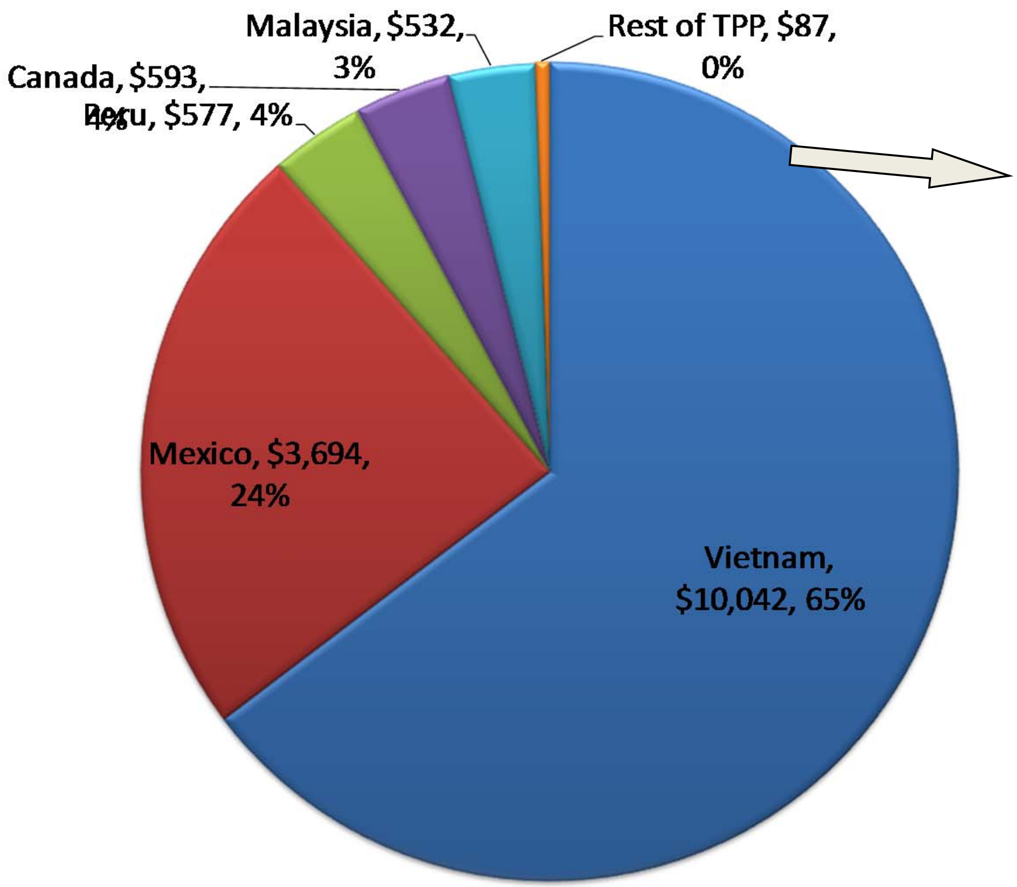
U.S. Apparel Imports from TPP Countries by Fiber



U.S. Apparel Imports from TPP Countries (By Value in Millions)



Country	Value	% Share
Japan	$44.6	0.29%
Singapore	$13.2	0.09%
Australia	$16.3	0.10%
Chile	$7.1	0.05%
Brunei	$4.6	0.03%
New Zealand	$0.7	0.005%
	$86.5	**0.56%**

What's Happening with Retail & Consumer Demand?

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Euromonitor International Apparel & Footwear Data for 2016

- Consumers in highly developed markets are still cautious, and pre-crisis purchasing power levels have not recovered yet – so fast fashion is growing.
- Sportswear remains the best performing segment within the apparel and footwear industry for another consecutive year – so expect to see more collaborations between fashion houses and athletic brands.
- **Omni-channel is no longer optional – it's the norm, and consumers expect it. (Millennials and Gen Z shop on their smartphones!)**

PwC Total Retail Survey 2016

- Online shopping continues to disrupt retail…
  - **54%** buy products online weekly or monthly
  - **34%** say mobile phones will become main purchase tool
  - **67%** say reading or writing social media reviews and comments influences shopping behavior

- **66%** of global apparel/footwear shoppers made a purchase online in the past year
  - **53%** prefer to make these purchases in-store
  - **25%** prefer to make these purchases online by computer
  - **6%** prefer to make these purchases online by mobile/tablet

- **65%** of Chinese shoppers shop by mobile monthly, compared to **22%** of U.S. shoppers

THANKS!

Julia K. Hughes
President
jhughes@usfashionindustry.com

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