HANGING TOUGH IN A TOUGH MARKET.

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EMERGING TRENDS, CHALLENGES, AND OPPORTUNITIES IN THE COTTON TEXTILE VALUE CHAIN

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For more than 90 years, Gherzi has worked on behalf of manufacturers, merchants, brands, and retailers. With offices around the world, more than 120 Gherzi consultants work with clients throughout the complete textile supply chain – from field to shelf, fibers to retail.
TOPICS.

1- Cotton’s Struggles
2- Our Customer are Changing
3- The Apparel Market
4- Apparel Market Outlook
5- How Did We Get Here?
6- How We Can Get Out
7- Summary & Conclusion
COTTON’S STRUGGLES

Key Indicators
Thanks to the pandemic, supply, demand, and ending stocks are out of balance -- with lower prices as a result.

Inflation
Consumer price inflation weighs heavily on cotton uptake and prices. As inflation has gone up in recent years, cotton prices have stumbled.

Competition with Synthetics
An old problem has become worse thanks to end-product price inflation, a glut of synthetic fiber capacity, and the advent of fast fashion.
Key World Cotton Indicators
% Chg. Season 2021/2022 - 2022/2023

- Prices: Nov 23/Nov 22
- Production
- Imports
- Domestic Use
- Exports
- Ending Stocks

Source: USDA Nov. WASDE Report/ICE
Index Price Comparison:
CPI vs. Cotton

Sources: ITMF and US BLS
Planted U.S. Cotton Acres

Source: USDA
Global Consumption of Textile Fibers

Source: OECD, ICAC

The Apparel Market.

Apparel Imports as Indicator
Imports are down from an aberrational high, and are trending closer to pre-pandemic averages.

Inventories are High
The growth of excessive inventories has ended, but the remaining inventories are high.

Clothing Store Sales are Anemic
Little net growth has been exhibited since the recovery from the depths of the pandemic. Sales are essentially flat.
U.S. Apparel Imports

Source: U.S. Dept. of Commerce, Office of Textiles & Apparel
U.S. Retail Inventories: Clothing and Clothing Accessory Stores

Source: U.S. Census Bureau. Data are seasonally adjusted.
U.S. Retail Sales: Clothing and Clothing Accessory Stores

Source: U.S. Census Bureau. Data are seasonally adjusted.
U.S. Clothing & Clothing Accessory Stores: Retail Inventories/Sales Ratio

Source: U.S. Census Bureau
APPAREL MARKET OUTLOOK.

The Good News
Declines in the apparel market may have bottomed out.

The Bad News
It’s challenging to know when the market will gain strength.

Various Factors Will Drive Market
Population growth, disposal income, geopolitical tensions, inflation, etc.
U.S. Retail Clothing & Clothing Accessories Forecast Scenarios

Actual/’23 Estimates

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Forecast:
Ave. Annual Growth
Next 10 Years

Source: Fred, St. Louis Fed; Gherzi Estimates, Forecast
How did we get here?

**Fast Fashion**
Clothing brands engaged in fast fashion embrace synthetics to keep prices low.

**Pandemic**
The pandemic set up cotton for a fall.

**Inflation**
Consumer price inflation will continue to dampen demand for more costlier inputs -- like cotton.
FACTORS.

Fast Fashion
Sure, low prices are important, but so are lower input costs. Shifting to lighter-weight garments reduces shipping costs.

The Pandemic
The economic boom and bust cycle caused by the pandemic set cotton up to overproduce at a time when downstream demand was failing because the market was overbought.

Inflation
The gift that keeps on giving: higher consumer prices have hurt demand, while consumers have increasingly moved away from buying stuff in favor of services.
HOW WE CAN GET OUT.

Patience
I hate to say it, but we have to be patient. The pandemic messed things up -- and good. It will take time for the market to rebalance.

Creativity
It's time for new thinking and creative approaches to present and market cotton to brands and retailers. Find ways of creatively meeting their needs.

Build on Great Messaging
Cotton has excellent marketing, but the industry must further develop messaging that out-markets the fiber companies. Develop new product claims backed by real data.
Problems in the Cotton Market
Supply, demand, inventories, prices, fiber competition.

Problems in the Apparel Market
The apparel market needs to heal. It’s getting better, but there’s still time to go. Will 2024 be a better year? Let’s hope so!

It’s a Time for New Thinking
The cotton industry needs to continue to innovate both in terms of marketing and branding, but also in terms of how cotton is grown.
Thank You!

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