



Is Cotton Dead?

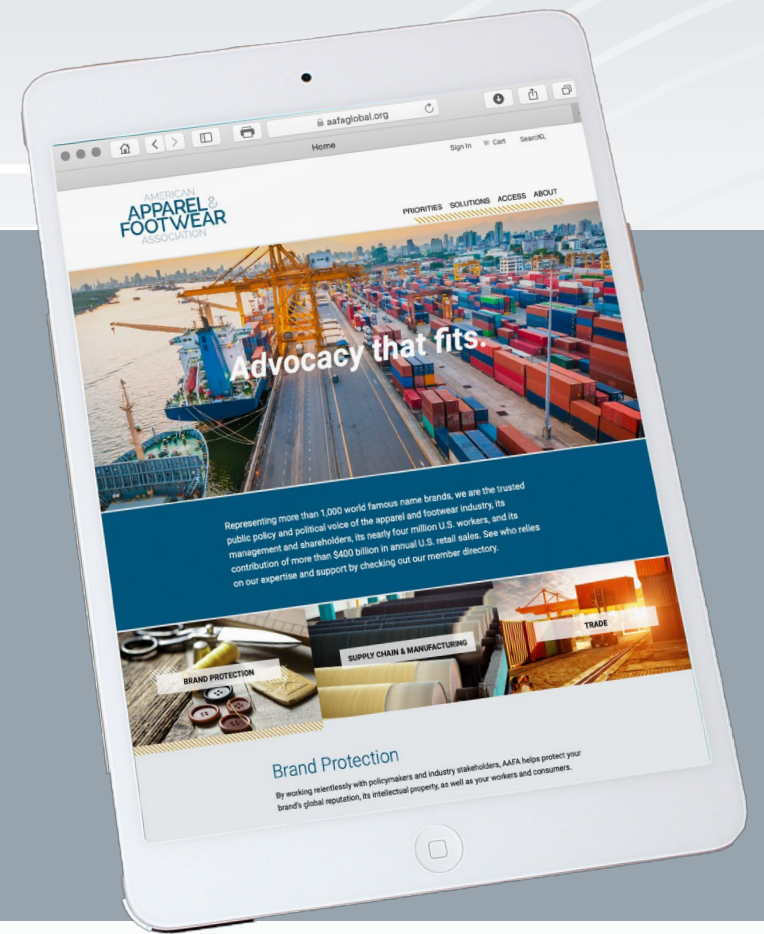
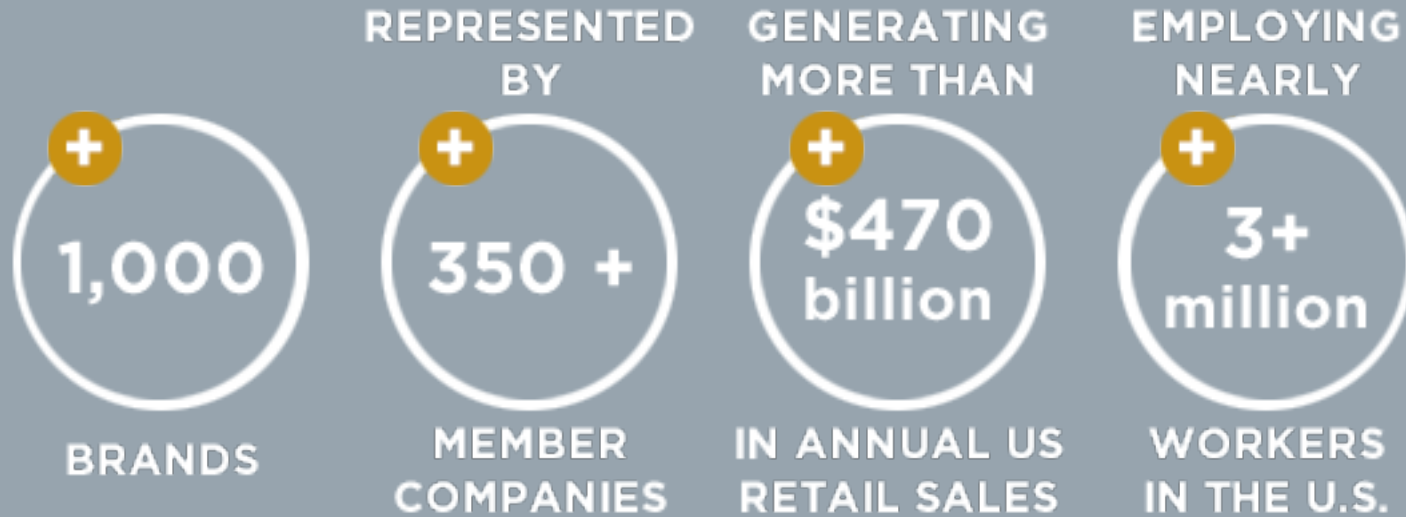
An Apparel Industry Perspective

Nate Herman

Senior Vice President, Policy, American Apparel & Footwear Assn

February 24, 2023

AAFA BY THE NUMBERS



The **American Apparel & Footwear Association (AAFA)** is the national trade association representing apparel, footwear and other sewn products companies, and their suppliers, which compete in the global market. AAFA drives progress on three key priorities: Brand Protection; Supply Chain & Sourcing; and Trade, Logistics, & Manufacturing. AAFA approaches this work through the lens of purpose-driven leadership in a manner that supports each member's ability to build and sustain inclusive and diverse cultures, meet and advance ESG goals, and draw upon the latest technology.

MEMBERSHIP



NORDSTROM



chico's FASHION



patagonia



SANMAR



STITCH FIX



Gap Inc.



Abercrombie & Fitch



tapestry



OXFORD



Byer CALIFORNIA



SPANX



TALBOTS



MICHAEL KORS

Renfro Brands



LI & FUNG



RALPH LAUREN



FRUIT OF THE LOOM



TAILORED BRANDS



THE MASON COMPANIES



GIII Apparel Group




L.L.Bean

KEY PRIORITIES



BRAND PROTECTION

- Anti-Counterfeiting
- 3rd Party E-Commerce Marketplaces
- Trademark Abuse
- Foreign Country Practices



SUPPLY CHAIN & SOURCING

- Chemical Management
- Product Safety
- Social Responsibility
- Sustainability
- Traceability



TRADE, LOGISTICS, & MANUFACTURING

- Customs
- Labeling
- Tariff and Non-Tariff Barriers
- Transportation & Logistics
- Manufacturing & Government Contracts

Where Do We Stand Today? – The Numbers

- In 2021, U.S. apparel consumption by volume rose 22.5% to 22.92 billion pieces of clothing.
- On average, every man, woman, and child in the United States spent \$1,101.52 to buy 69.1 pieces of clothing in 2021.

AAFA's 2022 Shoe Stats, <https://www.aafaglobal.org/tools>

Cotton Prices



Daily Cotton Prices, 5 Year Chart, Macrotrends, Screen Shot, February 23, 2023



Issues to Watch

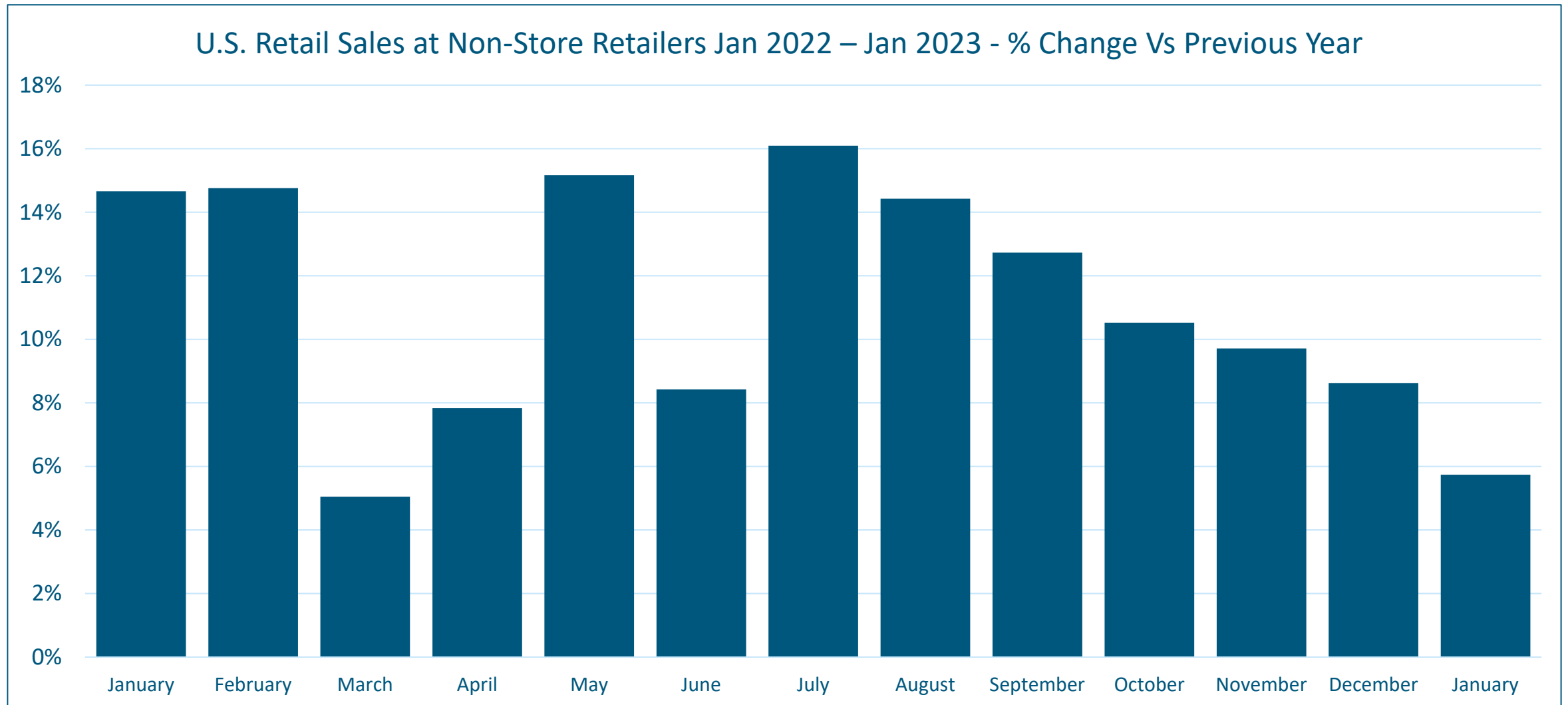
- Slowing demand
 - Declining demand – products vs. services, demand mix
 - Inventory glut
- Inflation
 - Shipping crisis
 - China Section 301 tariffs
- Other issues
 - Uyghur Forced Labor Prevention Act (UFLPA)
 - Uzbekistan
 - Pakistan
 - Regulation – EU digital passport, New York Fashion Act



Issues to Watch

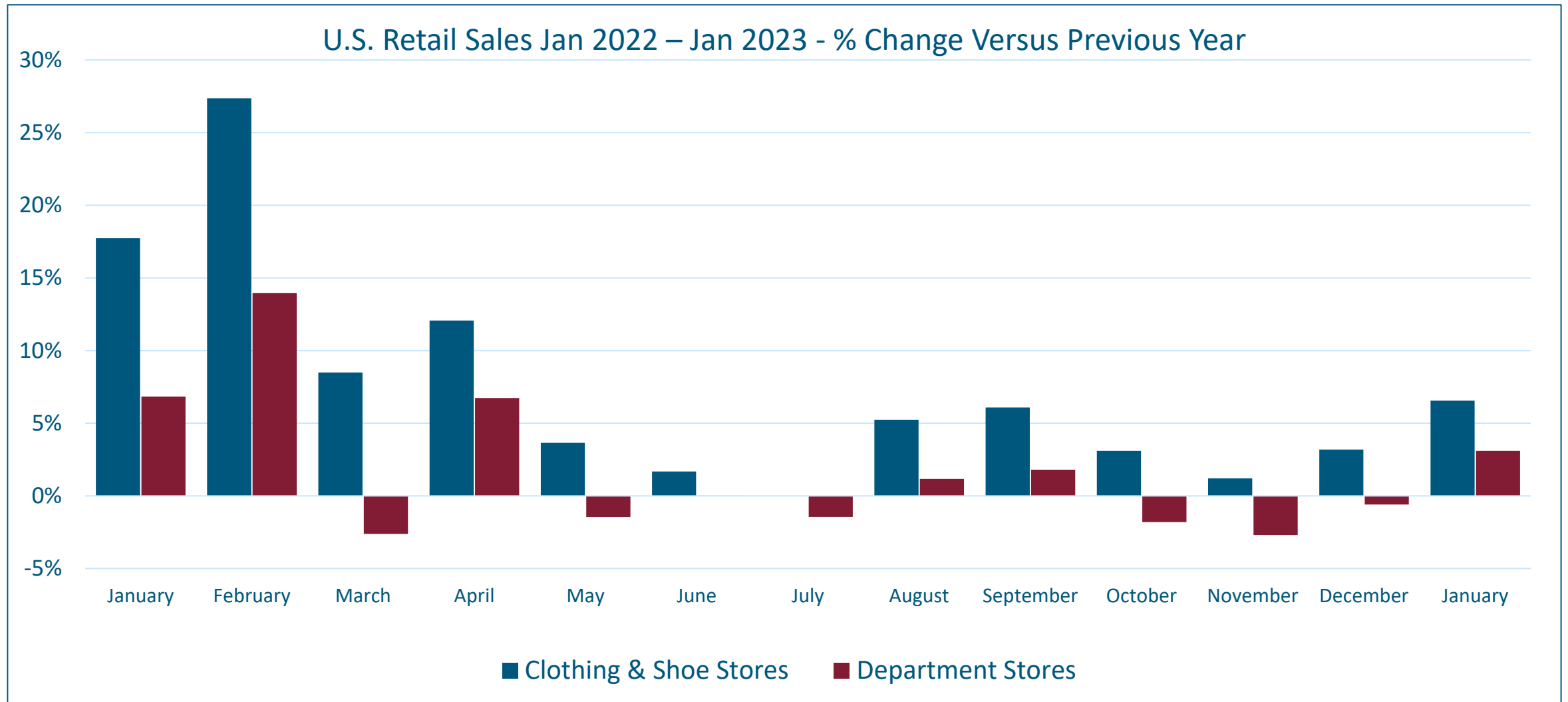
- Slowing demand
 - Declining demand – products vs. services, demand mix
 - Inventory glut
- Inflation
 - Shipping crisis
 - China Section 301 tariffs
- Other issues
 - Uyghur Forced Labor Prevention Act (UFLPA)
 - Uzbekistan
 - Pakistan
 - Regulation – EU digital passport, New York Fashion Act

E-Commerce growth starting to slide...



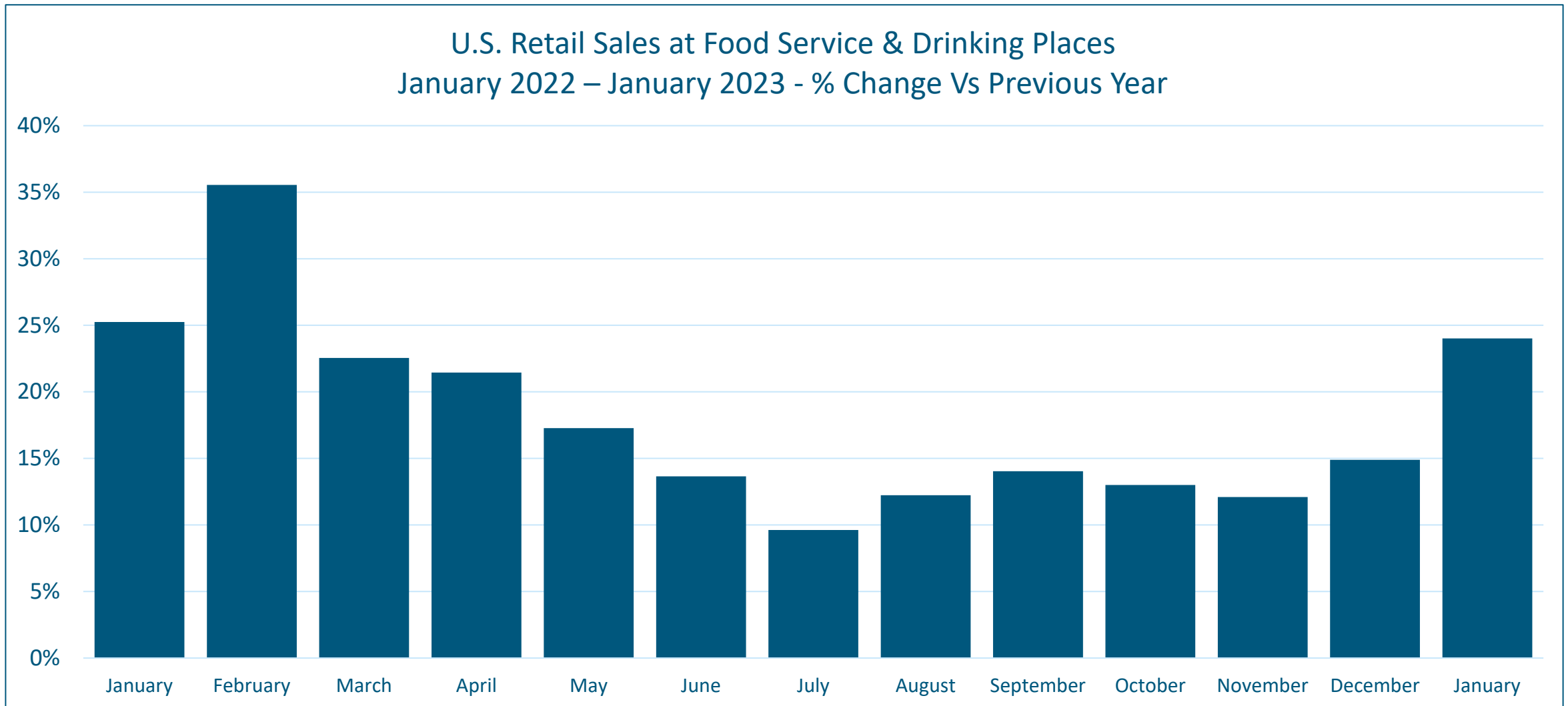
Monthly Sales for Retail, U.S. Census Bureau, Unadjusted, <https://www.census.gov/retail/index.html>

And Brick & Mortar Retail Sales Have Stalled...



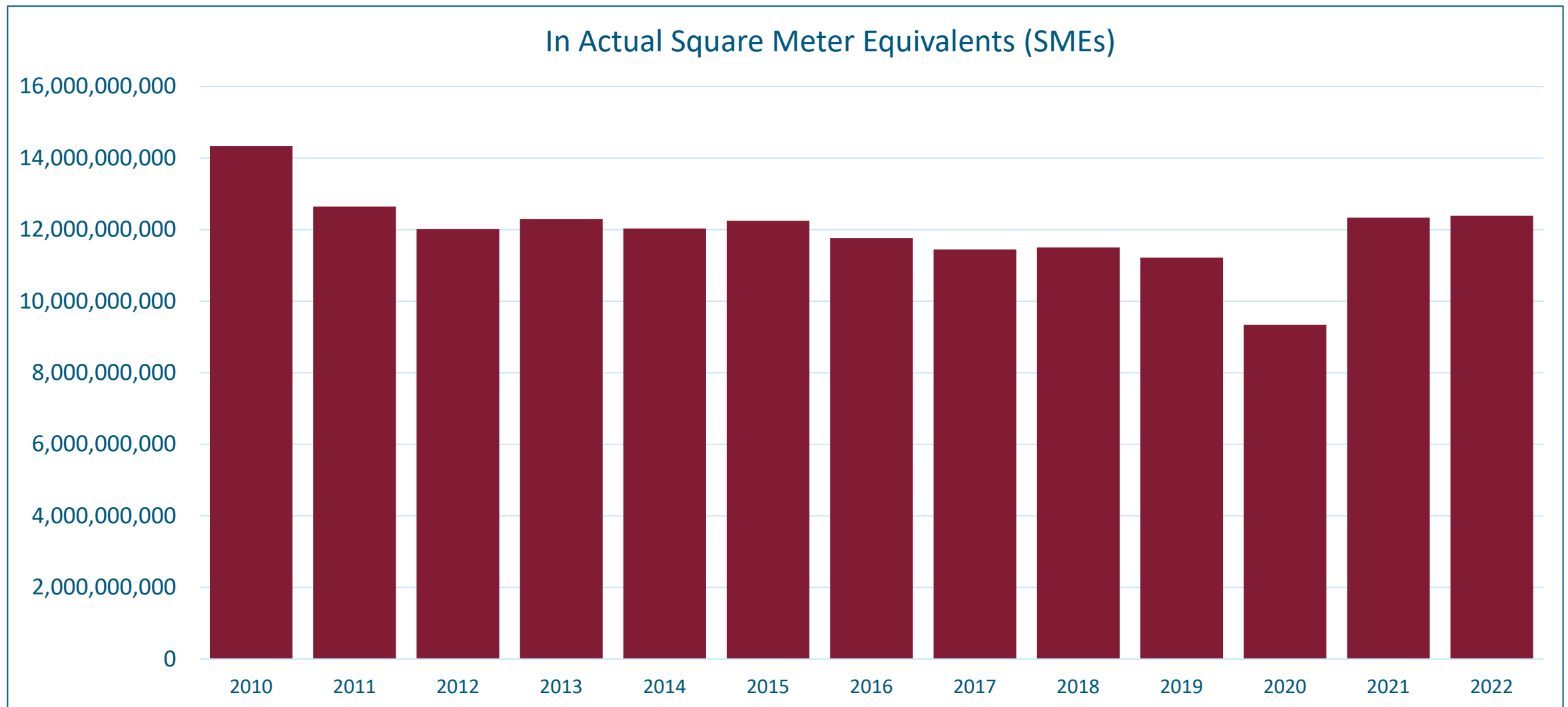
Monthly Sales for Retail, U.S. Census Bureau, Unadjusted, <https://www.census.gov/retail/index.html>

While Restaurant & Bar Sales Have Surged...



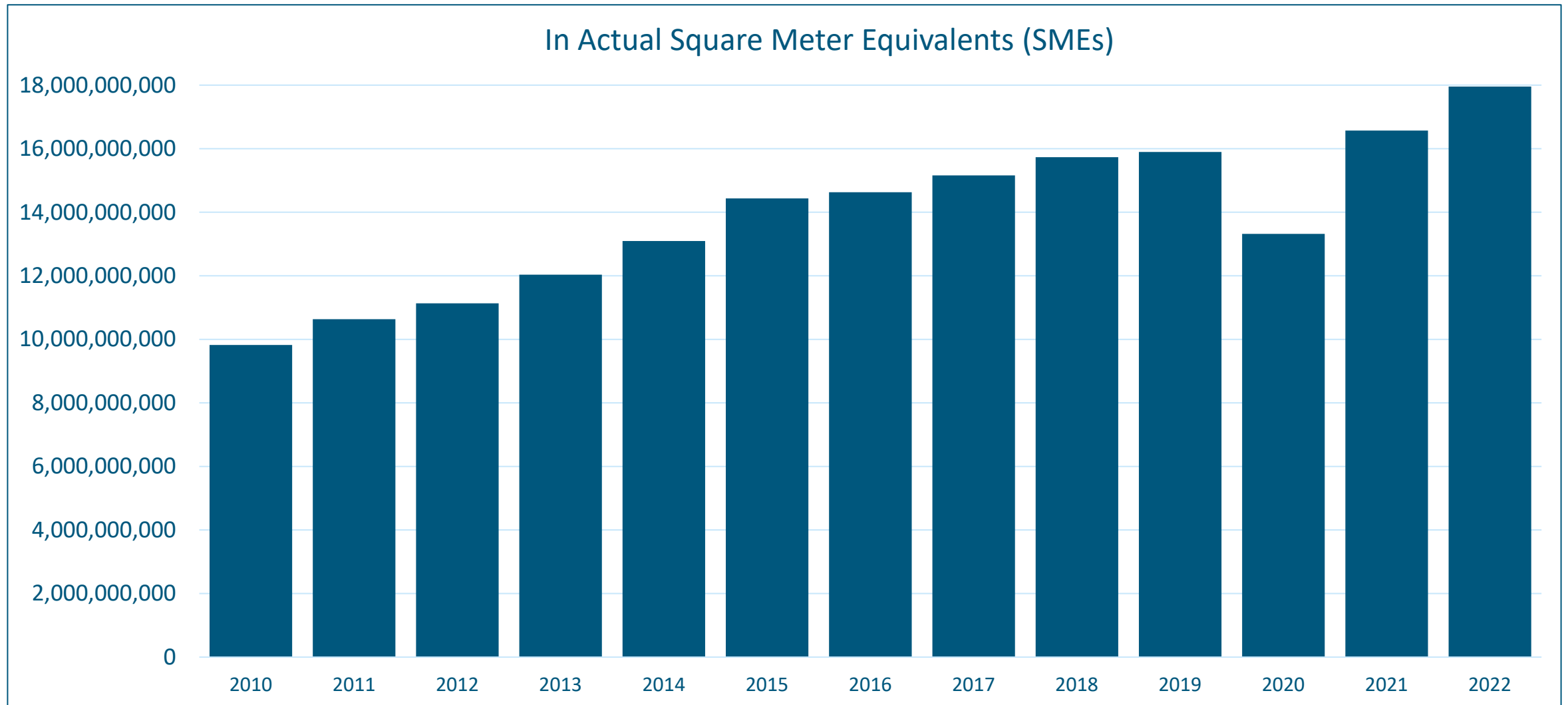
Monthly Sales for Retail, U.S. Census Bureau, Unadjusted, <https://www.census.gov/retail/index.html>

U.S. Cotton Apparel Imports Stagnated...



Office of Textiles and Apparel (OTEXA), U.S. Department of Commerce, <https://www.trade.gov/otexa-import-data>

But U.S. MMF Apparel Imports Have Surged...



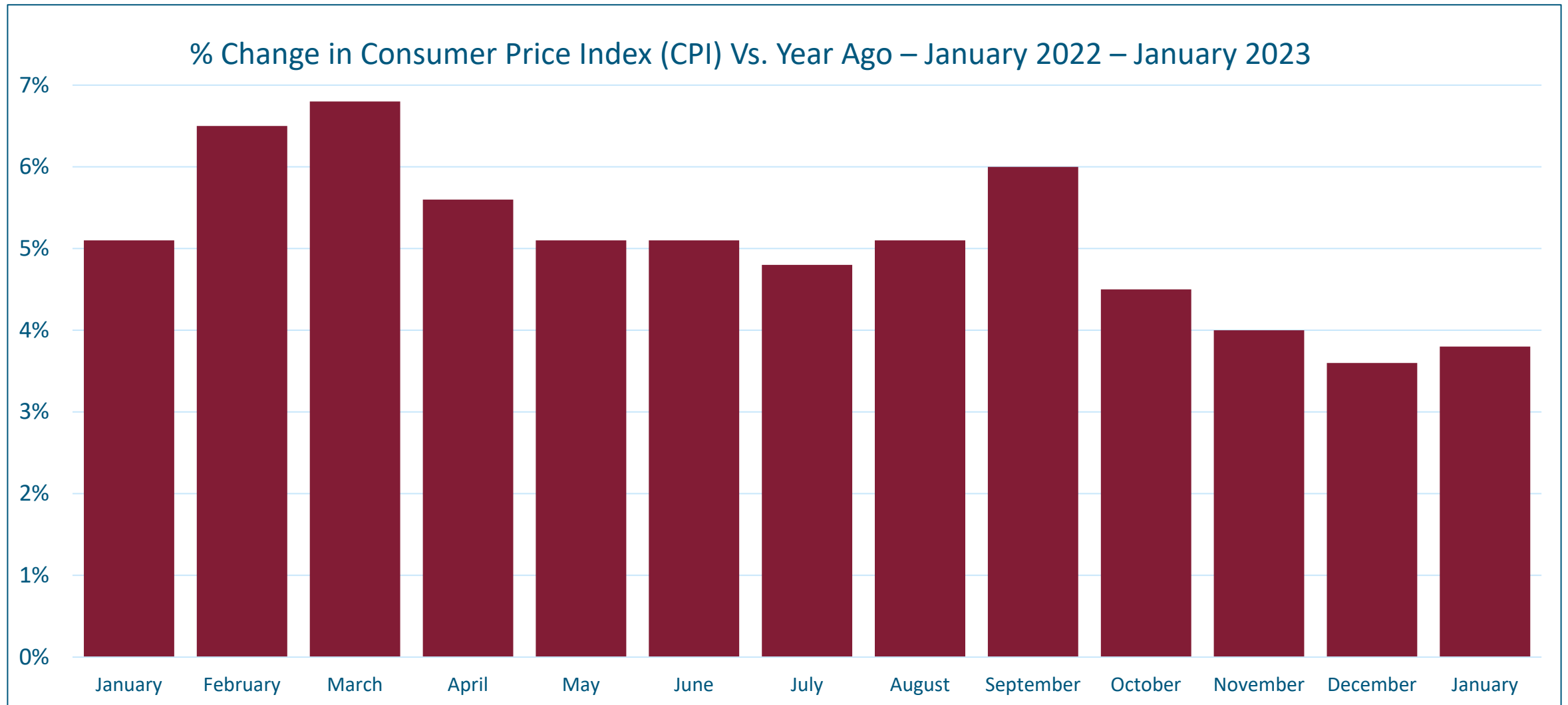
Office of Textiles and Apparel (OTEXA), U.S. Department of Commerce, <https://www.trade.gov/otexa-import-data>



Issues to Watch

- Slowing demand
 - Declining demand – products vs. services, demand mix
 - Inventory glut
- Inflation
 - Shipping crisis
 - China Section 301 tariffs
- Other issues
 - Uyghur Forced Labor Prevention Act (UFLPA)
 - Uzbekistan
 - Pakistan
 - Regulation – EU digital passport, New York Fashion Act

Apparel Inflation for First Time in Decades...



Consumer Price Index (CPI), Bureau of Labor Statistics, U.S. Department of Labor, <https://www.bls.gov/cpi/data.htm>



Issues to Watch

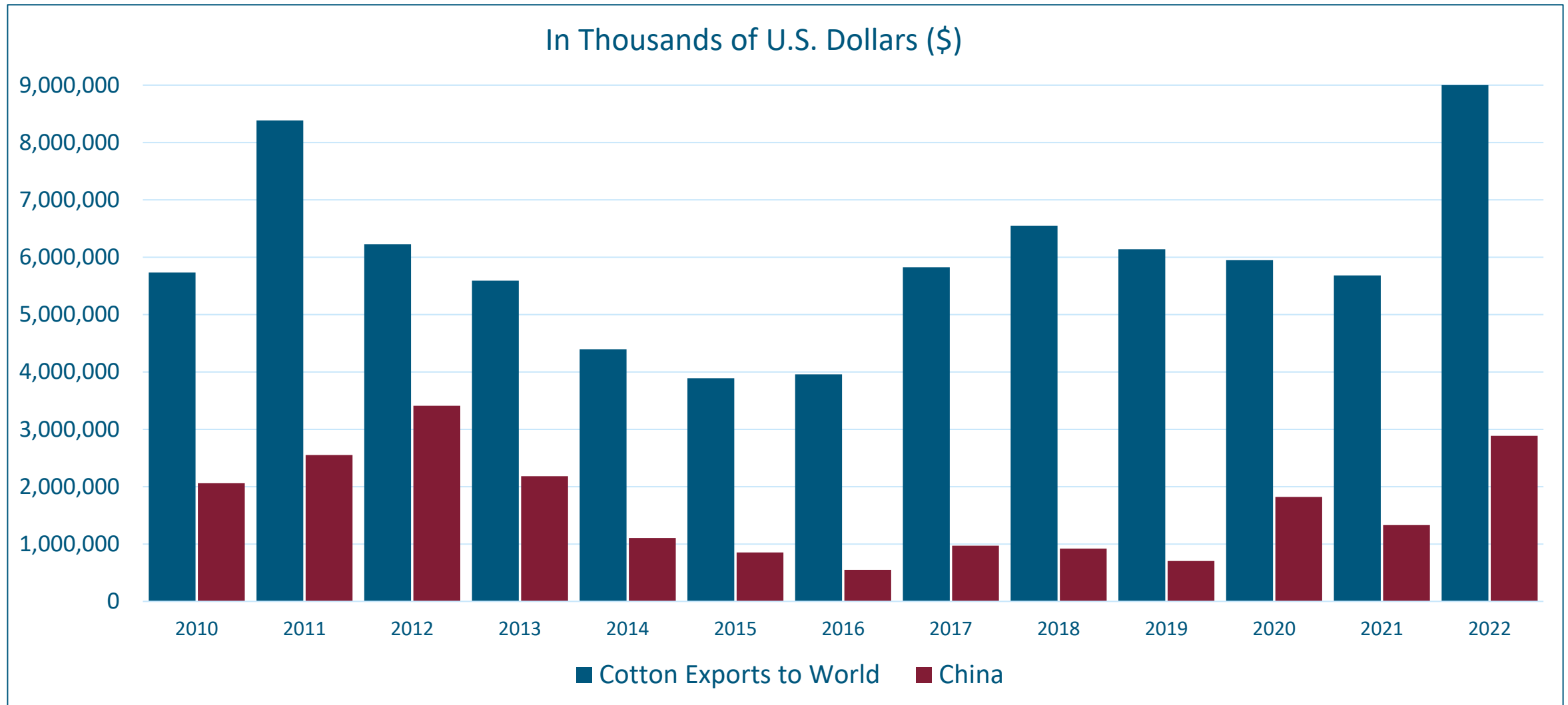
- Slowing demand
 - Declining demand – products vs. services, demand mix
 - Inventory glut
- Inflation
 - Shipping crisis
 - China Section 301 tariffs
- Other issues
 - Uyghur Forced Labor Prevention Act (UFLPA)
 - Uzbekistan
 - Pakistan
 - Regulation – EU digital passport, New York Fashion Act



Other Issues

- Uyghur Forced Labor Prevention Act (UFLPA)
 - Bans any U.S. import with any nexus with Xinjiang
 - 20% of world's cotton produced in Xinjiang
- Uzbekistan
 - In 2022, de facto import ban on Uzbek cotton lifted
 - 8th largest cotton producer in world, vertical production
- Pakistan
 - Flooding impacted 40% of Pakistan's cotton production
 - 5th largest cotton producer in world
- Regulation – EU digital passport, New York Fashion Act
 - Based on measurement tools (Higg/PEF) that favor polyester

U.S. Cotton Export Record, China Doubles...



BICO Reports, Foreign Agricultural Service, U.S. Department of Agriculture, <https://apps.fas.usda.gov/gats/default.aspx>

Cotton Prices



Daily Cotton Prices, 5 Year Chart, Macrotrends, Screen Shot, February 23, 2023



Conclusion

- Overall cotton demand
- Cotton prices
- U.S. cotton demand